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The World Bank**

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**FINANCIAL INTERMEDIARY FUND MANAGEMENT FRAMEWORK**

**(June 4, 2019)**

Development Finance Vice Presidency, Trust Funds and Partner Relations Department (DFTPR)

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### Acronyms and Abbreviations

|        |   |
|--------|---|
| ADM    | Accountability and Decision-Making                        |
| AF     | Adaptation Fund   |
| AfDF   | African Development Fund                                  |
| AGR    | AgResults Initiative                                      |
| AIIB   | Asian Infrastructure Investment Bank                      |
| AMC    | Advance Market Commitment                                 |
| APOC   | Africa Program for Onchocerciasis Control                 |
| AsDF   | Asian Development Fund                                    |
| CBIT   | Capacity Building Initiative for Transparency             |
| CEPI   | Coalition for Epidemic Preparedness Innovations           |
| CER    | Certified Emission Reductions                             |
| CGIAR  | Consultative Group on International Agricultural Research |
| CIF    | Climate Investment Fund                                   |
| CREW   | Climate Risk and Early Warnings Systems                   |
| CSO    | Civil Society Organization                                |
| CTF    | Clean Technology Fund                                     |
| DFI    | Development Finance                                       |
| DRTF   | Debt Relief Trust Fund                                    |
| EBSM   | EBRD Southern and Eastern Mediterranean Trust Fund        |
| FIF    | Financial Intermediary Fund                               |
| FPA    | Financial Procedures Agreement                            |
| FRC    | Finance and Risk Committee                                |
| FY     | Fiscal Year   |
| GAfSP  | Global Agricultural and Food Security Program             |
| GAVI   | Global Alliance for Vaccines Initiative Trust Fund        |
| GCF    | Green Climate Fund  |
| GCFE   | Global Concessional Financing Facility                    |
| GEF    | Global Environment Facility                               |
| GRIF   | Guyana REDD-Plus Investment Fund                          |
| HIPC   | Heavily Indebted Poor Countries                           |
| HRF    | Haiti Reconstruction Fund                                 |
| IDA    | International Development Association                     |
| IEO    | Independent Evaluation Office                             |
| IFAD   | International Fund for Agricultural Development           |
| IFC    | International Finance Corporation                         |
| IFFIm  | International Finance Facility for Immunization           |
| IMF    | International Monetary Fund                               |
| LDCF   | Least Development Countries Fund                          |
| MDB    | Multilateral Development Bank                             |
| MDTF   | Multi-Donor Trust Fund                                    |
| MENATF | Middle East and North Africa Transition Fund              |
| MIGA   | Multilateral Investment Guarantee Agency                  |

|       |  |
|-------|--|
| NBC   | New Business Committee   |
| PAF   | Pilot Auction Facility for Methane and Climate Change Mitigation |
| PEF   | Pandemic Emergency Financing Facility                            |
| PPF   | Policies and Procedure Framework                                 |
| QBRR  | Quarterly Business and Risk Review                               |
| SCCF  | Special Climate Change Fund                                      |
| SCF   | Strategic Climate Fund   |
| TF    | Trust Fund   |
| UN    | United Nations   |
| We-Fi | Women Entrepreneurs Finance Initiative                           |

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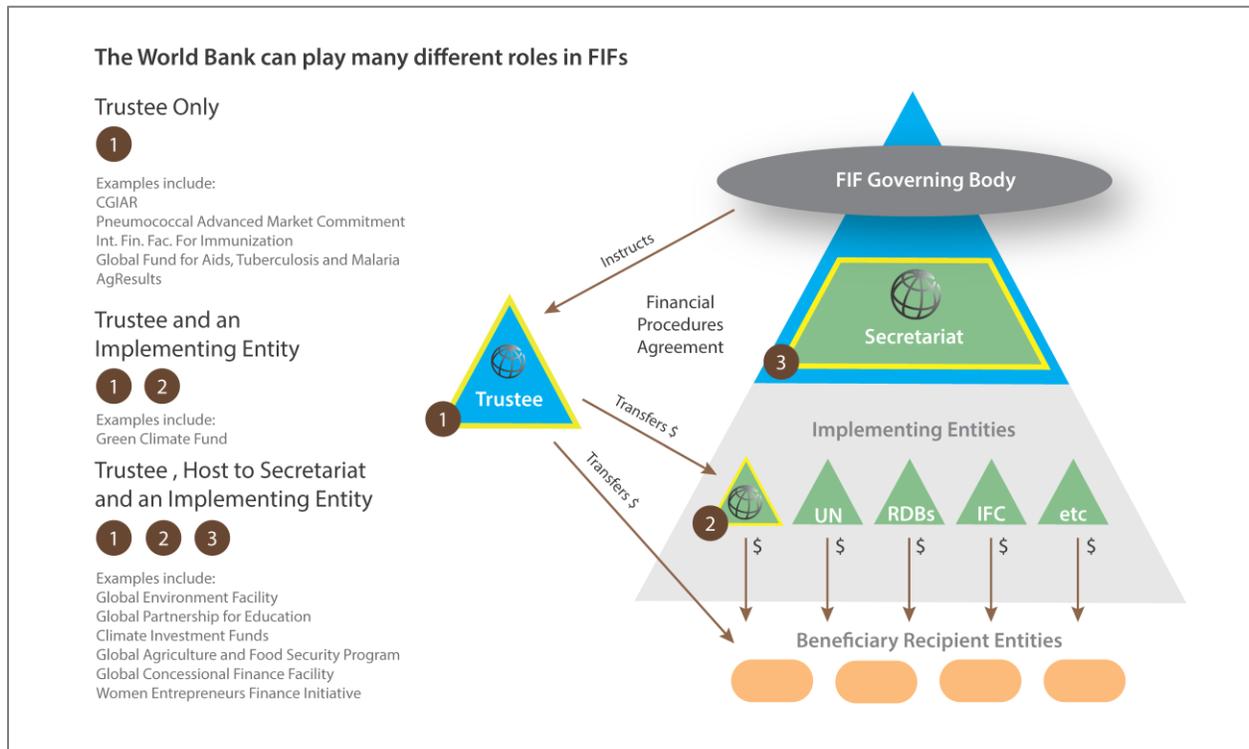
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## Executive Summary

i. **Financial Intermediary Funds (FIFs) are an important tool in the development finance toolbox, offering customized financing platforms for partnership programs and special financing mechanisms.** FIFs are a type of trust fund (TF) for which the World Bank provides tailored administrative, operational, legal and financial services. Typically focused on vertical themes and launched at high-level, multilateral forums, FIFs provide the global development community with independently governed multi-contributor collaboration platforms, often in support of global public goods. Consistent with its feature of adaptability, the FIF portfolio is a highly diverse.

ii. **The World Bank facilitates the establishment and operation of FIFs by offering a set of roles and responsibilities tailored to the circumstances of each FIF.** The World Bank is a valued partner as trustee for FIFs, building on a well-established financial, investment management and accounting platform developed by the World Bank over the past two decades, and experienced specialized legal and treasury services. In addition, the World Bank is often host to the FIF secretariat and one of the implementing entities (see Figure 1).<sup>1</sup>

**Figure 1: Potential World Bank Roles in Financial Intermediary Funds**



iii. **The large and growing FIF Portfolio detailed in annex reflects the high value the development community places on FIFs supported by the World Bank.** Large volumes of funds are professionally managed, special financial services are provided to boost ODA’s impact, and coordination is enhanced across MDBs, UN agencies and beyond. Results and impact from

<sup>1</sup> Refer to Annex 2 - World Bank roles in Financial Intermediary Funds.

many FIFs are truly impressive. The World Bank also benefits from the knowledge and expertise it gains in hosting secretariats and from access to increased funding for the benefit of its client countries. In consultations, development partners have expressed great appreciation for the flexibility the World Bank offers in its mix of service and engagement options. **The World Bank is committed to continuing to offer its value-adding services.**

iv. **With the many benefits come challenges to be carefully considered to find the right balance, not just by the World Bank but also the development community as a whole.** FIFs add to an already highly fragmented aid architecture with unintended consequences for clients. They are mostly independently governed and tend to be very long-lived. Where they develop large secretariats, significant sector influence, and policy and procedure overlays with the World Bank, the World Bank's policy-making influence may be reduced. Specialized financial services may have broader implications, including for the cost of doing business, the World Bank's balance sheet or preferred creditor treatment.

v. **In 2013, the World Bank issued a Management Framework for World Bank Partnership Programs and Financial Intermediary Funds.**<sup>2</sup> The World Bank Board-endorsed 2013 Framework provided direction and guidance for upstream selectivity around partnership programs more broadly, which can be supported by multiple instrument types, and introduced the concept of life cycle management. For FIFs in particular, the framework focused on clarifying the World Bank's role as trustee. This framework remains largely valid although it has not had the full intended effect of raising the bar on the establishment of new FIFs and putting in place regular internal review processes for existing FIFs. There are many reasons for this that have been considered in the development of this updated framework. In seeking to address all partnership programs together, including those supported by non-FIF platforms, it was not always clear what elements applied to FIFs, and some related guidance was either not developed as planned or did not go far enough to address the need. Selectivity criteria alone were not sufficient to slow their expansion, particularly when unclear roles and processes meant initiatives were often announced before internal due diligence had taken place. Generally, a lack of awareness of their long-term challenges meant there was also less openness to a consideration of alternatives, which were also not formulated for ready reference.

vi. **Since the 2013 Framework the development world has evolved, further increasing the potential relevance of FIFs.** The focus on global public goods has continued to grow, particularly around climate change and fragility, placing a premium on collective action. The 2015 Addis Ababa Action Agenda brought a keener focus on maximizing impact from scarce official development assistance with more emphasis on leveraging private sector resources and MDB balance sheets. There has also been an expansion in the number of important actors in the international development landscape, including new international financial institutions, along with calls for closer collaboration across the system as a whole.

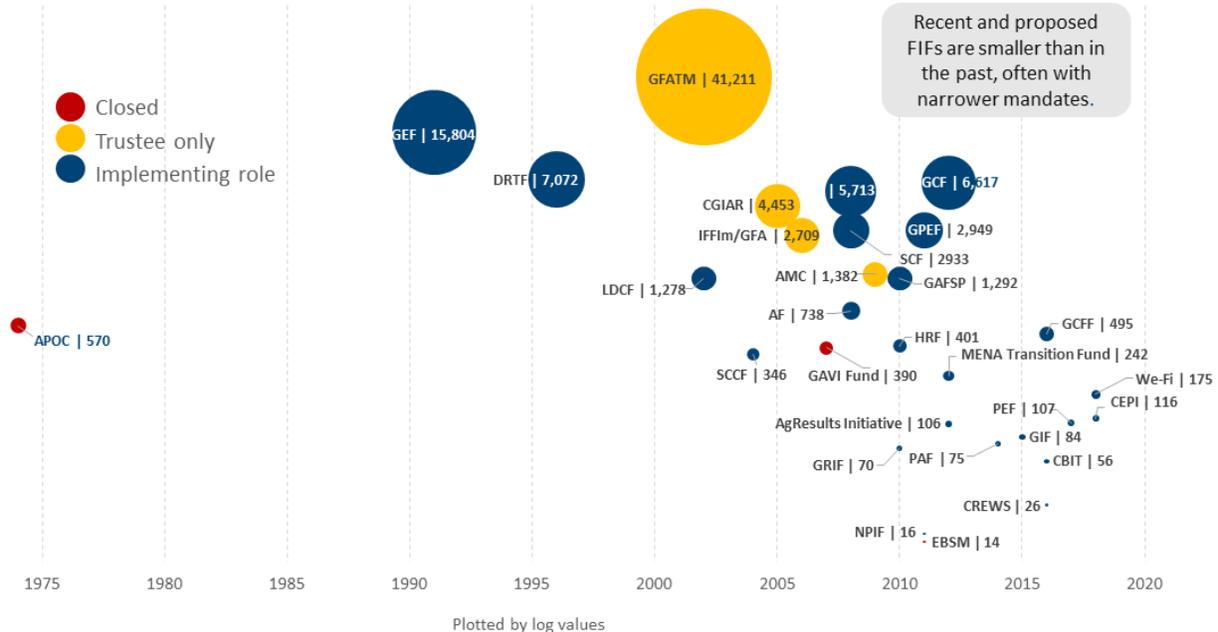
vii. **As a result, FIFs have become increasingly popular for new initiatives of all kinds (see Figure 2).** Since 2013 9 new FIFs were established from a 2013 baseline of 21 (and 3 closed), with several of the new entrants having a relatively narrow mandate and much smaller scale. To give an indication of the level of momentum, between July 2017 and December 2018, while this

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<sup>2</sup> Management Framework for World Bank Partnership Programs and Financial Intermediary Funds: Strategic Engagement, Oversight and Management. SecM2013-0286 and IDA/SecM2013-0368. June 14, 2013.

Framework was under development, at least 8 additional FIFs were proposed, although almost all were found to be able to meet their objectives through alternative, lighter mechanisms, thanks to early discussions with proponents.

**Figure 2: FIFs by Year of Establishment and Cumulative Funding (US\$ million)**



Source: Development Finance, World Bank

viii. **While each new fund brings a set of intended benefits, the aggregate effects of portfolio fragmentation are increasing**<sup>3</sup>The recent G20 ‘Eminent Persons Group’ (EPG) Report<sup>(OEI)</sup> notes the risks of fragmentation in today’s development landscape to weakening the system’s capacity to respond. Consultations on this framework have similarly highlighted the significant impact this fragmentation has on clients, who are challenged in navigating the multiple funds in the same sector, each with customized rules of access and use. Similar issues were noted in consultations with other implementing entities.

ix. **Since the last Management Framework there have also been changes in the complexity of FIFs**, with a number of mature and newer FIFs accrediting new types of institutions as direct funding partners (‘direct access’), for example, and expressing interest in directly working with additional non-grant funding modalities like bonds and guarantees, rather than leveraging those features of core MDB funding. Each new feature may have merits on an individual FIF basis. ‘Direct access’ can allow for broader partnership and a more direct role in national capacity building. Additional non-grant funding modalities, as a source or use of funds, respond to demands to maximize the use of constrained ODA funding in the face of the much larger need for development resources. Still, complex issues such as these, change risks and require new considerations in what the World Bank can offer, as trustee, host, and implementing entity,

<sup>3</sup> Making the Global Financial System Work for All: Report of the G20 Eminent Persons Group on Global Financial Governance. October 2018.

particularly as exceptional approaches for one FIF can be misunderstood as established norms by other FIF donors and secretariats.

x. **The World Bank has also evolved and developed more experience with FIFs.** In line with the Forward Look,<sup>4</sup> the World Bank has engaged even more deeply in partnerships and sought to further increase external collaboration and coordination, employing a range of financial and non-financial modalities across its work program. In the process, it has developed a better understanding of the value it can bring to FIFs in particular, as well as the related risks to the World Bank in its range of roles, including sometimes as a FIF secretariat host and implementing entity. Each new challenge has been an opportunity to find solutions to the immediate situation and gather lessons for the future. This has led to a new set of learning ripe for capture and dissemination in this document.

xi. **It is in this context that this 2019 Management Framework builds on the prior framework but with a specific focus on FIFs.** It goes beyond the trustee role to also consider the special issues of the World Bank as host of FIF secretariats and as implementing entity. It puts forward a strong selectivity approach that starts with proactive upstream ‘idea-stage’ engagement and articulates the use of the FIF platforms as one potential response in a continuum of options, with different pros and cons. It seeks to clarify World Bank accountabilities, strengthens transparency and reporting, and puts the life cycle management concept into action. In doing so, it articulates what has already largely been tested and found to be useful, and builds on analyses, including those available in the 2017 and 2018 Trust Fund Annual Reports, and valuable feedback from extensive consultations both inside and outside the World Bank Group.

xii. **The primary objective of this framework is to facilitate more effective World Bank Group engagement in global partnerships and financing mechanisms through FIFs, from the idea stage through their life cycle,** in all the World Bank Group’s related roles, by:

- Strengthening selectivity and shaping their design and choice of mechanism upstream—considering a menu of options that the World Bank Group can support—and strengthening internal oversight at entry and over the life of the FIF, and information on the FIF portfolio as a whole;
- Maintaining a risk-based approach for approval of new and restructured FIFs while implementing risk assessments more systematically, and providing the Board with information about new FIFs earlier in their development process while there is still time to make changes;
- Clarifying the World Bank Group’s expectations and accountabilities in FIFs in all roles it can play but particularly as host of FIF secretariats and as implementing entity; and

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<sup>4</sup> Forward Look: A Vision for the World Bank Group in 2030. DC2016-0008. September 20, 2016.

- Presenting the basis for the development or updating of policies, directives, procedures, and guidance to support staff working on FIFs.<sup>5</sup>

xiii. **This framework has been developed for the World Bank.** Currently, neither the International Finance Corporation (IFC) nor the Multilateral Investment Guarantee Agency (MIGA) serve as trustee or host secretariats to any FIFs, and they have limited FIF implementation roles.

xiv. **The paper is organized as follows:** Chapter 1 provides context for the framework. Chapter 2 presents the approach to strengthening selectivity and oversight at entry for potential new FIFs. Chapter 3 explains the World Bank Group roles and policies that will be clarified and improved for better risk management and partnership. Chapter 4 outlines processes to support World Bank Group life cycle management of its roles in FIFs and enhance awareness of FIFs as a portfolio. Chapter 5 concludes with next steps, including highlights of directives, procedures, and guidance notes that will be available for staff working on FIFs. The annex provides a set of background data and information on the current FIF portfolio.

#### **Questions for Discussion:**

- Do the Executive Directors agree with the overall approach to World Bank engagement in FIFs as described in the Framework?
- Do the Executive Directors agree on the continued role of the Board in approving applicable new FIFs and any subsequent restructuring based on a more systematic risk-based approach and the earlier provision of information on new FIF proposals under development?

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<sup>5</sup> This management framework applies both to the current and future FIF portfolio but has been developed so as to avoid disruption to the current FIF portfolio, especially for on-going hosting arrangements for secretariats.

## Chapter 1: Context

1. **Financial Intermediary Funds (FIFs) can be valuable platforms for global partnerships and financing mechanisms in the development finance toolkit.** For example, the Global Environment Facility (GEF) was seminal in bringing a focus on environmental issues to development, which has continued and expanded since its establishment on the eve of the 1992 Rio Earth Summit. The Global Fund to Fight Aids Malaria and Tuberculosis is yet another example, having saved 27 million lives as of the end of 2017 according to their measurements.<sup>6</sup> CGIAR<sup>7</sup> established to coordinate international agricultural research efforts for poverty reduction and food security, is widely credited with the Green Revolution. The International Finance Facility for Immunisation (IFFm), a frontloading mechanism which supports Gavi the vaccine alliance, has contributed to the immunization of more than 700 million children since its establishment in 2006. In all these partnership programs and many others, the FIF instrument has supported their success.
2. **FIFs are a particular kind of TF that supports global partnerships and specified financing mechanisms. They have many of the same characteristics as regular IBRD/IDA TFs.** Like regular TFs, FIFs are financial platforms that allow donors to pool funds and harmonize approaches to address specific development challenges. The World Bank serves as trustee both for regular TFs and for FIFs. Like regular TFs, FIFs can underpin partnership programs and financing mechanisms that support collective action around global public goods and other highly visible international commitments.
3. **FIFs are different from regular IBRD/IDA TFs in important ways:**
  - (a) The World Bank can play a set of roles tailored to the circumstances. The World Bank acts as a limited trustee<sup>8</sup> and operates from a central unit, separate from subject matter counterparts, to clearly demarcate responsibilities. In addition to the trustee role and sometimes acting as one of the multiple implementing entities, the World Bank may host a secretariat, providing legal personality and a range of other enabling program management functions. In other FIFs, the secretariat is external to the World Bank and may have its own separate legal personality independent of the World Bank legal entity.
  - (b) In the case of partnership programs with multiple implementing entities, FIF governing bodies are independent from the World Bank and are fully responsible and accountable for decision making.
  - (c) FIF governing bodies direct funds on a pass-through basis<sup>9</sup>—that is, without World Bank as trustee or the FIF Secretariat having direct supervision and with each

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<sup>6</sup> <https://www.theglobalfund.org/en/overview/>.

<sup>7</sup> CGIAR was formerly known as the Consultative Group on International Agricultural Research.

<sup>8</sup> The World Bank's trustee role is "limited" from a fiduciary point of view. Its responsibilities end when funds are transferred to implementing entities.

<sup>9</sup> These transfers, carried out by the trustee on instruction from the respective FIF secretariat on behalf of its governing body, are largely carried out on the basis of Financial Procedures Agreements (FPAs) typically entered into between the Trustee and an implementing entity.

implementing entity applying their own policies and procedures<sup>1011</sup>—to a range of eligible implementing entities which may or may not include institutions in the World Bank Group. The expectation is for this to be a “wholesale” approach where implementing entities are multilateral development banks or United Nations agencies who can then provide funding to others through their regular operational mechanisms as appropriate.

- (d) The World Bank is not responsible for the use of funds transferred to eligible implementing entities, nor for a FIF’s results, except those elements for which it is the implementing entity.<sup>12</sup> **These differences are inherent to FIFs, and important to consider as they imply much greater direct risks and responsibilities on FIF donors than are sometimes recognized.**

4. **For partnership programs, FIFs add particular value in the development finance toolkit when a set of factors come together**—a global call for collective action for a global public good requiring (a) large-scale additional pooled funds that are expected to be available over the medium/long term; (b) closely coordinated decision making; and (c) joint implementation across a significant number of multilateral organizations (i.e. MDBs and UN agencies). Special financial services can bring a highly valued boost to scarce ODA resources tailored to particular needs.

5. **FIFs can also bring with them significant challenges, individually and collectively, to the World Bank and to the clients they seek to serve, as the portfolio of FIFs continues to grow.** As such new FIFs should be reserved for situations when there are no other reasonable alternatives, including working with existing FIFs rather than establishing new bodies. Fortunately, there are a number of tried and true options<sup>13</sup> that will often work equally well on balance.

6. **The challenges FIFs may present—at the individual and portfolio level—were largely articulated in the earlier 2013 Management Framework.**

- (a) FIFs, with their independent governing bodies and sometimes substantial secretariats,<sup>14</sup> can become distinct institutions, increasing **aid fragmentation, adding complexity for clients and implementing entities (including IBRD and IFC), and diverting time and money dedicated to governance and administration.** For example, there are some 40 FIF governance meetings each year (in addition to many

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<sup>10</sup> For example, World Bank Group safeguards or Institutional Integrity oversight applies to funds implemented by the World Bank in its role as an implementing entity but not to other implementing entities. Similarly, the Independent Evaluation Group terms of reference are limited to World Bank Group roles in FIFs. For the GEF, the World Bank hosts an Independent Evaluation Office.

<sup>11</sup> This does not preclude additional FIF-specific policies and procedures being required of implementing entities.

<sup>12</sup> While a distinguishing feature of FIFs from regular IBRD/IDA TFs, this particular condition also applies to IBRD/IDA TFs with Transfers Out, which can be an alternative to a new FIF under certain circumstances when amounts to be transferred out and number of transferees is limited. Distinguishing terms will be further articulated in a forthcoming update to the World Bank Directive on Financial Intermediary Funds.

<sup>13</sup> See Box 1.

<sup>14</sup> There are over 1,200 staff in FIF secretariats for which the World Bank serves as trustee, most in FIFs with externally hosted secretariats. Around 260 of these are World Bank staff in secretariats hosted by the World Bank, mostly with GEF and the Global Partnership for Education (GPE).

other ad hoc video / conference calls), involving not only substantial direct costs charged to FIF budgets but also time and travel for many donor participants.

- (b) Even though the representatives on the governing bodies of FIFs are often also represented on the boards of the implementing entities, the fragmentation of the governance leads to **challenges in maintaining strategic and operational alignment** between FIFs and their major implementing entities. While donors perceive benefits from operating across institutions in the same sector<sup>15</sup>, their additional and sometimes exceptional policies and procedures affect the agility of implementing entities and their clients.
- (c) **The World Bank is called to play a distinct set of roles in FIFs depending on the structure of the relevant FIF, and the limited nature of these roles can create confusion and associated risks, including for World Bank accountabilities.** In some FIFs, the World Bank serves only as trustee for legally distinct organizations. Sometimes, although rarely,<sup>16</sup> the World Bank is both a limited trustee and an implementing entity, with an external host. In other cases, the World Bank is more legally and visibly intertwined as a host to a FIF secretariat and may also be one of the implementing entities. There is often a need to avoid the perception of **conflict of interest**, primarily around funding allocations where the World Bank is host to the secretariat and also one of multiple implementing entities. The World Bank also may bear financial and reputational risks from non-traditional trust fund financial modalities or direct funding of non-traditional implementing entities. The differing degrees of involvement, depending on the FIF, creates a complex landscape of risks that are challenging to understand and, therefore, manage. The more roles the World Bank plays, the greater the potential confusion over the World Bank’s actual limited authority and responsibility.
- (d) **FIFs, like all partnerships, have a high propensity to evolve after initiation,** requiring the World Bank to adapt to proposed changes which may significantly change the risk profile for the World Bank from what was anticipated at establishment of the FIF.
- (e) **FIFs have been evolving toward increasing complexity, and exceptional arrangements spark the interest of others.** FIFs typically direct funds to MDBs and sometimes UN agencies as implementing entities. On an exceptional basis some FIFs now provide direct funding to other types of institutions – like national sovereigns and international and national CSOs – going from a “wholesale” to a “retail” model, with a range of issues for the World Bank host and legal entity.

7. **Some FIFs have become more financially complex as well.** While most operate on a grant-in /grant-out basis, like other regular IBRD/IDA trust funds, the World Bank as FIF trustee has supported a few governing bodies, on a case by case basis, seeking greater leverage through additional instruments using the FIF trust fund directly, including loans, bonds and guarantees, sometimes as a source of funding and sometimes as a use of funding. **Additional instruments**

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<sup>15</sup> While sector policy coordination and knowledge-sharing are very valuable, these can also be achieved through non-financial coordination platforms. See Figure 3 on the menu of options.

<sup>16</sup> This is the case of the Green Climate Fund (GCF) and now the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) as well, as the World Bank is taking on a small implementing role after many years of serving only as limited trustee.

**can bring much-appreciated benefits to donors but come with trade-offs.** While IBRD and IDA are well placed to deploy non-grant mechanisms -- with institutional risk management arrangements, large scale efficiencies, and long time horizons – FIFs as trust funds operate in a different context, with smaller scale, shorter time horizons and heterogeneous and changing donor conditions. It can take considerable time and effort to identify, mitigate and manage the particular risks to the World Bank that may arise when seeking to use a FIF or other trust fund directly for additional financial modalities. In some cases, where a FIF enhances its effectiveness by leveraging the World Bank’s balance sheet, the potential consequences to future IBRD lending capacity may be difficult to mitigate ex-post and need to be especially carefully considered (see footnote 24).

**8. Since 2013, the FIF portfolio has continued to grow, with a number of new proposals under consideration, creating challenges to clients and the system as a whole.** From a base of 9 funds in 2008, the number has now reached 27, taking into account 3 that have closed. There are now 12 FIFs in environment and climate change, 5 in health, and a number of new initiatives under consideration in education. The growth in thematic funds (albeit from a lower base), at a time when donor contributions to core funds like IDA<sup>17</sup> and the African Development Fund have been falling in U.S. dollar terms, may reflect the inherently easier case to be made for special purpose funds. At the same time, the proliferation of more narrow funds within sectors, with distinct governance, access terms, policies, and practices, has created a challenge when taken altogether. Client countries with limited capacity are particularly challenged to navigate the multiplicity of available but highly distinct mechanisms. As the FIF portfolio grows large in particular sectors, by volume and number of non-traditional implementing entities, the influence of the World Bank Board of Executive Directors (“the Board”) is also affected.

**9. The Board has approved most new FIFs in accordance with the risk-based approach articulated in the 2013 Framework.**<sup>18</sup> **However, the de facto opportunity for the Board to influence the outcomes has been limited;** by the time a FIF is ready to be presented for approval, extensive multi-party negotiations have been completed and announcements often made. It has also been noted in preparation and consultation for this paper, that the risk-assessment criteria to determine whether management or the Board approves is not transparent and has not been applied consistently.<sup>19</sup>

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<sup>17</sup> Over recent replenishments, the total amount available to IDA recipients have continued to increase due to IDA accessing the capital markets in IDA18, and due to concessional partner loans from donors and voluntary and contractual repayments of outstanding credits by borrowers in IDA17.

<sup>18</sup> Under the current Management Framework, Directive, Procedures, and Guidance, there is a risk-based approach to the Board’s review role. The 2013 Management Framework states that it is expected that in most cases agreement by the World Bank to engage in a partnership program supported by a FIF will be submitted to the Executive Directors for approval; however, Executive Director approval is required if the risk is assessed to be high. Approval by the Executive Directors is also required if it involves a deviation from World Bank policies; in the case of a change to an existing FIF that involves a deviation from World Bank policies, a Board committee approves. If no Board review is required, the Board is in all cases to be informed of Management’s decisions regarding new FIFs through regular reporting at least biannually.

<sup>19</sup> In preparation for this Framework information was gathered on the approval and information processes for the FIF portfolio. This revealed that the Board had not been informed of 2 FIFs at the time of their establishment: the CBIT, a sub-FIF under the GEF and approved by the GEF Council, and CREWS, both assessed to be low risk. Information on CREWS is therefore now being submitted in annex.

**Box 1: Lesson Learned**Key lessons informing the 2019 FIF Management Framework

The following are among the key lessons learned that have informed changes in this Management Framework. They draw on the experience with implementation of the 2013 Management Framework, identifying where the 2013 Management Framework provided sufficient guidance and where additional guidance is needed going forward.

On selectivity: FIFs often start with very strong, high profile support, often not well aligned with the criteria for creating new FIFs. Selectivity requires early, solution-oriented engagement that is open to alternatives, and a due process before declaring a mechanism. It takes collective action, and this kind of engagement has been tested and has demonstrated that it works well. The emphasis in the 2019 Management Framework is on having a robust process for selectivity, together with clearer selectivity principles and criteria, and a menu of alternative options.

On risk frameworks and due diligence: FIFs are complex, greatly varied and unique. This means that staff initiating a FIF will likely only do this once in their career; often they will not be impacted by implementation issues or be an expert on the potential risks that can emerge much later. As such it is important to ensure there are clear processes for expert, balanced review of different aspects to new or changed FIFs, and well-articulated risk frameworks that can be applied to their unique range of circumstances. These processes, and discipline around them, are new developments.

On lifecycle management: While the last Management Framework agreed on the principle of lifecycle management, its implementation was limited. Guidance was not developed on how to do lifecycle reviews effectively, and dedicated resources were not mobilized. There was no identification of incentives (or disincentives) to conduct the reviews and roles and responsibilities within the World Bank. To address this going forward the World Bank will put in place criteria to be used in regular risk monitoring processes to target efforts when most useful, along with guidance on approach, responsible parties, incentives and resources.

On secretariat hosting arrangements: FIF secretariats have been hosted based on an implicit understanding of the services rendered by the World Bank and the relevant governance arrangements. The recent positive experience with the Global Partnership for Education in documenting hosting arrangements has shown the value in providing explicit and transparent guidance and documentation on institutional expectations on secretariat hosting arrangements. This Management Framework builds on this so other FIF secretariats, donors and their host units can similarly benefit.

On implementation matters: One of the biggest issues the World Bank as implementing entity and other implementing MDBs have raised over time is customization of the policy and procedural frameworks imposed by FIFs, which seem to be increasing if anything, and add to transaction costs and operational complexity. This also affects clients who have to work across systems, so the issue goes beyond administrative efficiency to development effectiveness. So far, we have limited tools for adjustment, but at a minimum we can express our strong preferences to avoid additional policy and procedural overlays, make these more transparent through reporting, and make our own TF policy clear that at a minimum World Bank policy apply to all funds the World Bank implements, including funding from FIFs.

**10. The 2013 Management Framework for Partnership Programs and Financial Intermediary Funds and associated management directives, procedures, and guidance moved the World Bank approach forward** with its focus on:

- (a) Greater selectivity, providing criteria for Partnership Programs;
- (b) Greater clarity and guidance around processes for the establishment of new FIFs;
- (c) The introduction of the concept of life cycle management and a risk-based approach, including to the role of the World Bank Executive Directors in approval of new FIFs and significant changes to existing FIFs; and
- (d) Guidance on a number of important risk issues for the World Bank such as on accreditation of institutions as implementing entities and terms of reference for World Bank staff representing the trustee in FIF governing bodies.

**11. This 2019 Management Framework aims to build on the earlier 2013 Framework and experience, and strengthen it** with regard to the World Bank's roles in all types of FIFs, looking to:

- (a) Strengthen selectivity, shaping, and oversight from initiation, including a more systematic consideration of alternatives;
- (b) Provide greater clarity around possible World Bank roles of host to FIF secretariats and implementing entities and World Bank expectations; and
- (c) Deepen the implementation framework for FIF life cycle oversight and management for better strategic and operational alignment and risk management.

**12. To strengthen the oversight role of World Bank Executive Directors, the Board will be provided with information on new FIF proposals earlier in their development process when there is still an opportunity for shaping.** The earlier risk-based approach for Board approvals of new FIFs or significant changes to existing FIFs will be maintained for agility but more systematically implemented.

**13. Arriving at a prioritized portfolio of FIFs that add maximum value to the global aid architecture will ultimately depend on much more than the World Bank's Management Framework.** Selectivity and oversight are shared responsibilities requiring collective action. With this framework, though, the World Bank seeks to be a committed partner in its roles in FIFs while also safeguarding its responsibilities as an institution.

## Chapter 2: Strengthening FIF Selectivity, Shaping and Oversight at Initiation

15. **FIFs have an important role to play in the international aid architecture.** Their adaptability to support a wide range of special development cooperation opportunities across institutions is greatly appreciated, and the World Bank will continue to offer its services to the international development community in roles where it has a comparative advantage. Sometimes development objectives, though, can be more effectively met through other means, and selectivity is about assessing the best mechanisms considering the alternatives.

16. **Selectivity principles which were outlined for Partnership Programs and FIFs in the 2013 Management Framework remain largely valid but may benefit from further elaboration, as well as comparison with alternatives.** Updated overarching principles for FIFs for which the World Bank will serve as trustee and consider playing other roles are as follows:

- (a) **Evidence of the need for global collective action to the benefit of the World Bank’s client countries.** Typically, FIFs are associated with major, high-profile multilateral commitments where collective action is needed. Since FIFs create overlapping and sometimes parallel governance structures to the Boards of the World Bank and other multilateral organizations, there should be broad shareholder buy-in, including strong client demand. They should not be set up primarily for donor convenience to fund transfers to multiple implementing entities.
- (b) **Further fragmentation should be avoided in the global aid architecture, including proliferation of financing, governance, and administrative mechanisms. FIFs should be created only when no other reasonable alternative could achieve the objectives.** FIFs should fill important gaps in the existing aid architecture when, after a considered review of alternatives (ref. Figure 3), it is determined that objectives cannot be reasonably addressed in other ways. The bar should be even higher to show additionality in sectors already affected by strong fragmentation in FIFs or other trust funds. Preference should be given to building on existing governance and administration arrangements in ongoing FIFs or potentially other regular TFs, in the same sectors/themes, creating partnership platforms that can adapt to include new issues, approaches, and stakeholders while promoting more consistency and efficiency where feasible.
- (c) **Participation should be consistent with the mandate, strategic priorities, and comparative advantages of the World Bank and not exceed the World Bank’s risk appetites and tolerances.** Even in a limited trustee-only role, the FIF-supported initiative should complement other World Bank instruments and operational engagement in the concerned area. The nature/scope of the World Bank’s engagement in any of its roles should draw on its expertise and capacity not readily available elsewhere, enabling the World Bank to add value. The World Bank’s overall engagement will entail well-identified risks that are manageable and not exceed the World Bank’s risk appetite and tolerances. In considering an operational role, the World Bank should be able to apply its own operational policies and procedures, including safeguards and integrity mechanisms, without undue additional requirements, given the impact of such irregularities on the client, operational agility, and risk management. Where the World Bank is host to the

secretariat and the World Bank is an implementing entity, FIFs should also align with regional demand.

- (d) **Assurance of large-scale funding and a reasonable case for financial sustainability to reach objectives should be available at initiation to warrant the establishment and recurrent institutional costs for FIFs, which will be assessed for full cost recovery.** Management will require new initiatives to have donor commitment of at least US\$200 million at entry<sup>20</sup> and at least three donors at initiation, as a measure of the multilateral commitment behind a new FIF instrument, which will typically call for replenishment after its first few years in operation. Scale and funding sustainability are also important to ensure that the costs associated with a new FIF are reasonable when compared to alternatives such as the administrative cost ratios of IDA or more standardized IBRD/IDA TFs.
- (e) **In the case of global or regional partnership programs, for a FIF to be the appropriate mechanism, pooled funding with closely coordinated decision making and large-scale implementation across a significant number of implementing entities will be needed.**<sup>21</sup> Otherwise, less complex and less costly alternatives may be more appropriate.

17. **To play the most constructive and supportive role, the World Bank will seek to strengthen its engagement around major new initiatives far upstream at the idea stage.** The World Bank will seek to informally support hosts of G7/G20/United Nations (UN) summits and similar events in identifying the most effective modalities for strategic ‘announceables’, including options beyond new funds, like frameworks, principles, and action plans, that can move forward a critical priority area and be mainstreamed into existing funds for effectiveness at scale. **World Bank Executive Directors can be supportive by informing the Development Finance Vice Presidency when capitals are considering the creation of new mechanisms involving the World Bank Group, and in encouraging counterparts to engage with the World Bank early and with an open mind to how objectives can be met.**

18. **Internally, given the importance and long-term nature of FIFs and significant investments required in their development, the World Bank will put in place clear processes and accountabilities for earlier engagement; better management oversight; and more systematic development, review, and decision making.** Internal procedures will be put in place to ensure concept development include early review by senior management<sup>22</sup> for alignment with Bank priorities, and potential financial and operational implications; and by Finance Partners for a consistent consideration of financial innovations and risks as for other World Bank funds. External public communications will not commit the World Bank to a particular modality until this has been internally agreed.

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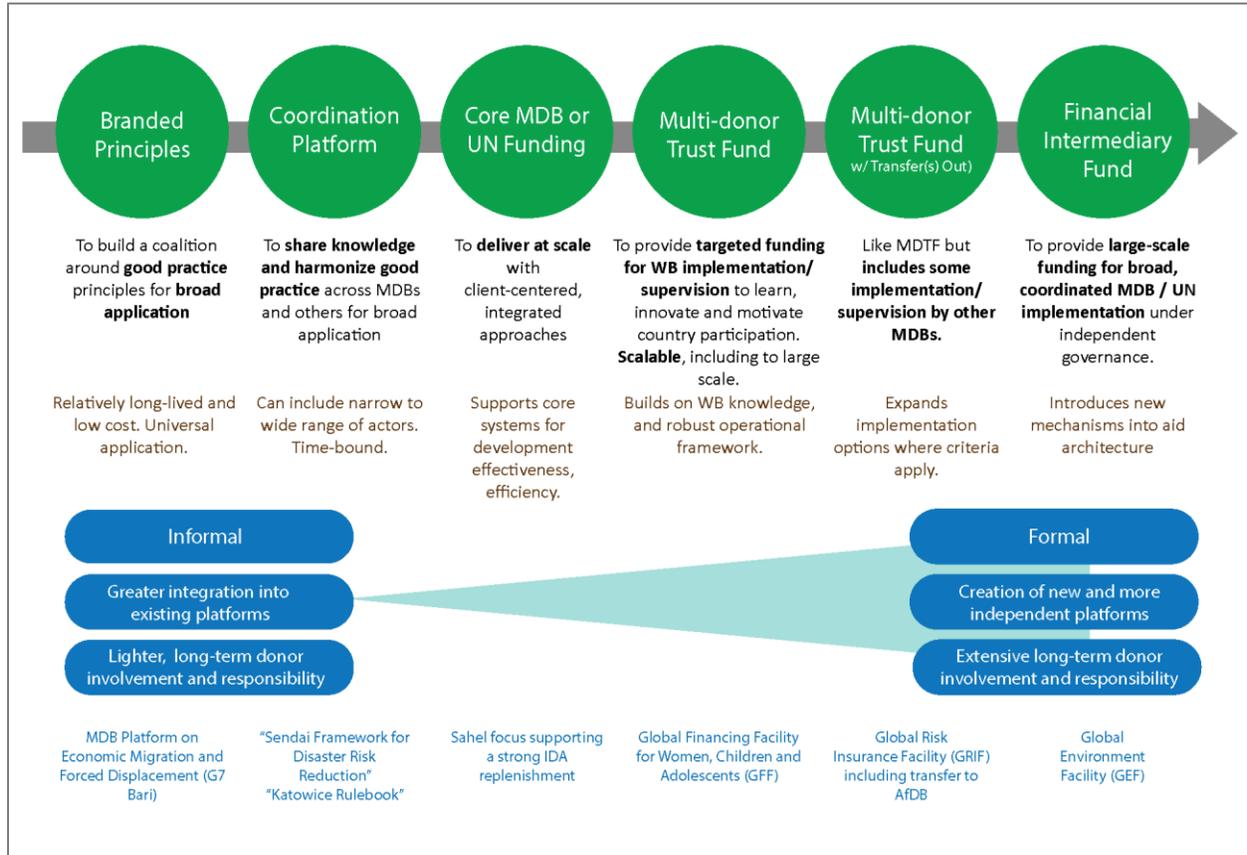
<sup>20</sup> Lower starting funding thresholds may be considered for new funds within a FIF Family of Funds (with common governance and secretariat functions).

<sup>21</sup> A new FIF should have more implementing entities than could be practically managed through an alternative multidonor trust fund with Transfers Out.

<sup>22</sup> The precise arrangement and whether this will go through an OVP or MVP process will be articulated in updated procedures.

19. **To support the risk-based approach underlying decision-making in this framework throughout the life cycle, new guidance will be introduced on the assessment of risks specific to FIFs** (that is, strategic, operational, partnership, legal and financial risks) along with an elaboration of factors to be considered by risk category.

**Figure 3: Responses to Global Calls to Collective Active Actions – Menu of Options**



20. **The World Bank will develop guidance for a more rigorous consideration of alternatives to achieve objectives at the idea stage and during the concept development process**, to facilitate the timely choice of the least costly and complex mechanism for achieving the objectives. A continuum of mechanisms and when each is most appropriate will be articulated, refined, and communicated, including core instruments like IBRD and IDA topic-specific multi-institutional policy coordination platforms (like the platform to coordinate support on Economic Migration and Forced Displacement set up after the 2017 G7 summit in Bari, Italy); IBRD/IDA TFs; and FIFs. To meet the gap between regular TFs and FIFs, conditions will also be articulated for IBRD/IDA Multi-Donor Trust Funds (MDTFs) with limited ‘Transfers Out’ to other MDBs. This mechanism may also be useful as a potential interim step when it is not yet known whether scale or partner scope warrant establishment of a FIF. (See Annex 1)

21. **The World Bank will support the design of new FIFs, building on experience, offering proven practice and the simplest approaches to reduce unnecessary and costly customization and create conditions for greater efficiencies and development effectiveness.**

- Proposed governance structures will build on experience, drawing on a menu of standard texts, to avoid unnecessary complexity and customization and make good practice a default.
- Roles and responsibilities will be clearly articulated and agreed among partners. The World Bank's role as a limited trustee will continue to be clearly separated from other roles the World Bank may play as host to a FIF secretariat or implementing entity.
- New Financial Procedures Agreements between the World Bank as trustee and FIF implementing entities will draw on a menu of standard terms to enable cost efficiencies and better system support.
- The World Bank will simplify its approach to achieve full cost recovery for all World Bank trustee services. It will also review cost recovery of other roles to ensure full cost recovery is maintained as simply and consistently as possible.

22. **The World Bank Executive Directors' oversight role in the establishment of FIFs will be clarified and strengthened.** FIFs set up parallel oversight structures to the World Bank's own Board of Executive Directors, and World Bank shareholders that are not donors to new initiatives typically do not have a voice in their negotiation.<sup>23</sup> Given the implications of FIFs to the World Bank governance structure and to the larger membership beyond those funding FIFs, this framework proposes that all new FIFs continue to be approved following a risk-based approach, with FIFs submitted to the World Bank's Board of Directors for approval unless the risk is assessed to be low, in which case Management may approve and inform the Board subsequently in a timely manner. FIFs that propose to use the World Bank's balance sheet<sup>24</sup> or request a contribution from the World Bank will always be sent to the Board for discussion. Management will be delegated authority to approve new funds or the restructuring existing funds with a low rating on assessed strategic, operational, stakeholder, legal and financial risks. The criteria for risk assessment will be made publicly available; it is recognized that consistent and transparent application of criteria to all new FIFs will be key to successful implementation. In addition, the World Bank Board will be informed of new FIFs under development while there is still an opportunity for them to be shaped, including information on existing FIFs and other major funds in the same sector/theme.

23. Finally, beyond the scope of this Management Framework and World Bank control, some donors are considering development of or renewed commitment to a mutually supportive **set of donor principles** for greater selectivity and due diligence before announcing new FIFs. From the perspective of the World Bank, this would be a welcome accompanying measure, in the spirit of aid effectiveness declarations, including the Paris Declaration and the recent G20 Eminent Persons Group recommendations.

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<sup>23</sup> Under the current Management Framework, Directive, Procedures, and Guidance, there is a risk-based approach to the Board's review role. The 2013 Management Framework states that it is expected that in most cases agreement by the World Bank to engage in a partnership program supported by a FIF will be submitted to the Executive Directors for approval; however, Executive Director approval is required if the risk is assessed to be high. Approval by the Executive Directors is also required if it involves a deviation from World Bank policies; in the case of a change to an existing FIF that involves a deviation from World Bank policies, a Board committee approves. If no Board review is required, the Board is in all cases to be informed of Management's decisions regarding new FIFs through regular reporting at least biannually.

<sup>24</sup> This is particularly important following the 2018 IBRD capital increase, as some FIFs proposing to leverage the IBRD balance sheet could affect IBRD lending volume in future if IBRD becomes lending constrained under the Statutory Lending Limit.

### Chapter 3: Clarifying Roles and Improving Policies for Better Risk Management and Partnership

24. **In FIFs the development community draws on various sources of World Bank expertise in a tailored fashion.** For all FIFs in its portfolio, the World Bank acts as a limited trustee, providing a package of financial, legal and administrative support. For market-facing FIFs, the World Bank as trustee brings significant and highly valuable additional technical support in financial management and treasury services. In many FIFs, the World Bank also plays important roles as host to secretariats and as implementing entity.

25. **While value adding, the combination of roles tailored to specific circumstances, and including external parties, creates risks to the World Bank that need to be identified and managed.** The role of the limited trustee has been the focus of prior reforms, and risks associated with this role are now relatively well understood, documented and managed. **This Framework, and related management documents to come, focuses on the roles of host to FIF secretariats and implementing entity,** roles that are often the most complex to navigate, with potential conflicts of interest and subject to ambiguities prone to potential misunderstanding. The World Bank has accumulated experience and lessons learned that can be applied so that the World Bank can be a more proactive and consistent partner and better serve the global development community, managing potential conflicts of interest while also safeguarding its own institutional interests.

26. **The World Bank role of host to a FIF secretariat can be useful from different perspectives.** Donors benefit from greatly reduced time and expense in setting up a new program. As secretariat host, the World Bank provides the FIF with the World Bank’s own legal personality and expertise; the secretariat is staffed by World Bank personnel with all the benefits and responsibilities of the same and access to all of the World Bank’s well-established institutional arrangements. Secretariats have ready access to World Bank expertise in the immediate area of focus and well beyond. The World Bank also benefits from strategically aligned initiatives that bring a new area of focus and funding complementary to core resources for the benefit of its clients. World Bank hosted secretariats accumulate a wealth of knowledge and experience that can contribute to the knowledge agenda in the sector and well beyond.

27. **Most FIF secretariats hosted by the World Bank are small and well-integrated and function seamlessly within the World Bank’s governance structure.** Occasionally, FIFs evolve and grow to the point that they naturally seek greater independence. While this is understandable, there can be challenges, some of which were raised earlier in the 2013 Management Framework. These are some examples:

- (a) **Reporting arrangements:** FIF secretariats hosted by the World Bank but funded from FIF donors navigate dual loyalties. While this is not normally an issue, it can be a challenge in the rare event that interests diverge. Secretariats sit fully within the administrative structure and have reporting lines to World Bank management,<sup>25</sup> but

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<sup>25</sup> GEF and the Adaptation Fund are exceptions to this. While the secretariats headed by the Chief Executive Officer are supported administratively by the World Bank, they have been established to “operate in a functionally independent and effective

the organizational placement and expectations on the extent of management oversight have not always been sufficiently clear. This is particularly the case when the World Bank is also an implementing entity and oversight may raise potential conflicts of interest.

- (b) **HR modalities:** Larger, more independent-minded secretariats may feel constrained by World Bank HR practices and desire to operate independently from World Bank corporate HR constraints. The relevance of staffing plans and corporate promotion practices may seem different to a FIF secretariat and a sector team funded by World Bank budget. From a staff perspective, career development within the World Bank can be limited depending on the secretariat's degree of integration into World Bank sector practices.
- (c) **Branding:** Where the World Bank is host and legal entity, use of the World Bank logo and internet addresses, for example, can be confused externally with World Bank responsibility for governance decisions and use of funds, creating legal and reputational risk. At the same time, FIF secretariats comprise World Bank staff and are required to comply with all World Bank policies and procedures, including those related to human resources, external communications, procurement, and so on, and separate branding should not create the impression of full independence. A secretariat's mistaken belief that it is exempt from World Bank policies and procedures can lead to legal, financial, and other risks to the World Bank.
- (d) **Non-traditional implementing entities:** Some larger, more independent FIFs have piloted use of non-traditional implementing entities, commonly known as "direct access", going beyond the original concept of a FIF using MDB and UN agency as intermediary implementing entities with whom most donors have separate Board-level relationships. While donors have appreciated the flexibility in a few larger FIFs of providing funds directly to particular national sovereigns, national and international CSOs, or in one case, donor bilateral agencies, from the World Bank perspective of secretariat host and legal personality, the benefits have been more than offset by challenges. The measures needed to reduce the potential fiduciary and reputation risk to the World Bank from a wide pool of potential pass-through recipients which will not be supervised by any other implementing entity lead to significant transaction costs and encourage even greater institutional independence. The governing body, with the support of the FIF secretariat, carries out a substantial "accreditation process" to assess institutional fitness; all the traditional partners are typically subject to significant policy and procedure overlays to provide a consistent set of expectations from the FIF perspective for the different types of implementing entities. All this typically leads to larger secretariat staffing needs as well as higher transaction costs and reduced agility throughout the traditional MDB and UN agency implementation system.

**28. The World Bank has rarely documented its offer as host<sup>26</sup> and does not typically have a formal mechanism for expressing its interests as secretariat host to FIF governing bodies.**

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manner" and service and report to the GEF and AF governance bodies respectively (paragraph 21 of the GEF Instrument and UNFCCC Decision 1/CMP.4).

<sup>26</sup> The Global Partnership for Education is the one exception for which a hosting arrangement was recently approved.

Often, the World Bank’s only seat at the governance table is a non-voting observer role for the FIF trustee function. The problem with such a situation is that, with all good intentions, secretariats and governing bodies may at times want to take decisions in the interest of their objectives, which may be at odds with the World Bank as host.

29. **Going forward, the World Bank will clarify the terms and criteria under which it hosts secretariats, and update TF policies to clarify that World Bank policies and procedures also apply to hosted FIF secretariats.** In keeping with principles of efficiency, simplicity, and transparency, the World Bank will put in place recommended hosting arrangements, while grandfathering existing FIFs for which functional independence has already been agreed. Based on experience, this will favor arrangements more integrated with the related sector practices, for more sustainable strategic alignment and supportive staff development, while ensuring adequate measures to address potential conflicts of interest around funding decisions. This will help the World Bank offer partners transparent terms for hosting while also establishing parameters that minimize potential for disruptions to the World Bank in providing such functions.

30. **The World Bank will specify the types of entities that can be accredited as FIF implementing entities going forward,<sup>27</sup> when host to the FIF secretariat and legal personality, limiting these to MDBs and UN agencies.** This will formalize as standard the “wholesale” approach to implementing entities that FIFs were originally designed to facilitate (as is already largely the practice for most FIFs). FIFs that have already accredited other types of entities will be grandfathered and may continue existing accreditation practices to avoid disruption. Other entities like national sovereign entities or CSOs will still be able to receive funding through MDBs or UN agencies consistent with usual multilateral practices<sup>28</sup>. This reduces risks to the World Bank as the legal personality to the FIF, while also reducing costs through the system and some of the impetus for policy and procedural complexity for implementation of FIF funding.

31. **As an implementing entity, the World Bank is sometimes challenged with maintaining efficiency and consistency of policies and practices when accessing FIF funding.** One of the World Bank’s comparative advantages is its robust policies and practices and trained personnel and systems that support their use. Secretariats or external boards may wish to apply different policies and procedures to the use of FIF funds for implementing entities. Introducing exceptions to policies and procedures—parallel systems—creates serious risks and inefficiencies for both the World Bank and the FIF. The lack of clear drafting in the TF policy on the full applicability of the World Bank’s operational policies to FIF-originated funding has not been helpful in negotiating for operational policy and procedural coherence for all funds the World Bank implements. Operating under different regimes can lead to:

- (a) **Risks.** It is easier to make and overlook mistakes when managing funds under different policies and practices. In some cases, FIFs have asked for additional safeguards, integrity, or inspection panel treatment for the use of their funds from approved World Bank policy or practice;

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<sup>27</sup> For accreditation of FIF implementing entities, the respective governing bodies will continue to be responsible for both the accreditation framework and accreditation decisions, with the World Bank providing its no-objection to both.

<sup>28</sup> Typically MDBs would provide such funding through grant mechanisms.

- (b) **Inefficiencies.** As the World Bank seeks to become more agile in its own operations under core funding, external funding tends to add on processes; and
- (c) **Additional client demands.** The majority of FIF funding is for recipient execution, often seeking to leverage the World Bank's existing core funding. Applying different policies and practices depending on the source of funds adds complexity and demands on World Bank clients.

32. **Going forward, TF policies will be updated to clarify that World Bank policies and procedures apply to all funds which the World Bank implements regardless of funding source.** This is important to reduce risks, safeguard the efficiencies of FIFs working within existing systems, and support alignment with World Bank governance decisions – whose members are also represented on both World Bank and FIF Boards. The World Bank will also use its influence in different roles, where feasible, to advocate for preserving agility in the use of its own systems without additional requirements. Improved harmonization will be an elusive goal if policy drafting is the only change, given the strong pressures brought to bear in negotiations to become a FIF implementing entity. The system will operate better as a whole, though, if World Bank shareholders were to promote use of one set of operational standards for the World Bank, regardless of the source of financing, with their counterparts on FIF Boards.

33. In addition, **opportunities for further alignment of FIFs with the World Bank portfolio will be sought** where the World Bank is an implementing entity. For example, where relevant information is available and it is feasible, FIF resources may be considered in Country Partnership Framework analyses, to encourage their integration and strategic application at the country level for greater impact.

34. **It can be challenging for the World Bank to structure appropriate representation with FIF governing bodies where it has multiple roles.** The interests of the roles of trustee, host to a FIF secretariat, and implementing entity may naturally diverge. It is not easy or sometimes appropriate for the trustee or the substantive unit to represent the World Bank's other corporate interests, like advocating for consistent operational procedures when the trustee is providing a valuable but limited fiduciary and administrative service. In such cases, the department representing the implementing entity function has a reasonable interest to accommodate the views of the funding provider.

35. **Going forward, the Development Finance (DFI) Vice Presidency, which is responsible for shaping and guiding the development of new FIFs together with the relevant sector unit, will also play a more overarching corporate role in monitoring and supporting FIFs as they evolve working closely with other corporate teams.** DFI -- separate from its role as trustee -- will ensure internal coordination on issues of corporate significance and that these views are appropriately represented in a manner consistent with remaining a valued partner in the global development community. While recognizing that the World Bank is only one of many parties in FIFs and that the World Bank's limited role in FIF governance arrangements is for a cause, the World Bank will continue to pay special attention to new or updated governing arrangements to ensure it has adequate representation with governing bodies in keeping with its level of exposure in its different roles, particularly as situations change during the life cycle.

## Chapter 4: Implementing FIF Life Cycle Management

36. **Change is healthy and inevitable.** Once established, FIFs will naturally evolve in response to new opportunities, lessons learned and other changes in the environment. Minor changes are not an issue but, just as FIF risks need to be assessed and managed at establishment, it is also important to be alert to their evolution, both individually and as a portfolio, and manage them.

37. **The 2013 Management Framework recognized this and introduced the concept of life cycle management for partnership programs and FIFs.** Three life cycle phases were laid out: 1) identification, preparation and approval; 2) operational and portfolio management of on-going programs; and 3) planning and managing of possible exits. While the focus in the 2013 paper was mainly on the first phase, a more structured approach was proposed for the other phases. It was proposed that there be regular reviews of World Bank roles in the existing portfolio of FIFs, and that the World Bank's involvement in FIFs be time-bound to support periodic review. In the intervening period, individual FIF reviews were conducted rarely and on an ad hoc basis. This was due to a combination of factors from a reluctance to initiate a review that might affect eventual access to funding, to a lack of clear prioritization criteria for reviews and budget constraints. For the third phase, termination clauses pre-identifying an end date for World Bank's roles in FIFs were found to be largely ineffective and were sometimes misunderstood as signaling a lack of commitment, particularly for the role of trustee.

38. **This 2019 edition of the Management Framework seeks to advance the implementation of the FIF life cycle management concept, learning from experience,** with the goal of maintaining a strongly supportive partnership role in global calls for collective action, while also ensuring that alignment and efficiency are maintained even as situations evolve. **Phase 1 of identification, preparation and approval is addressed in Chapter 2 – strengthening selectivity, shaping, and oversight actions for FIFs at initiation.**

39. **For phase 2, FIFs that have already been established, the World Bank will establish a light but systematic approach to reviewing World Bank participation in on-going FIFs on an as-needed basis.** For the vast majority of FIFs, incremental changes are addressed productively as a matter of due course, but occasionally issues arise which build and become visible when they have reached a point of tension and are more difficult to resolve. At any time, any party to a FIF may request a review, but in order to put in place more systematic processes, going forward, routine risk monitoring will look for specific issues of potential change to the alignment with the World Bank mission and relevant GP and/or Regions' objectives and priorities, FIF efficiency, and risks to the World Bank, including legal, financial and reputational.<sup>29</sup> **FIF replenishments are particularly important milestones where changes are often proposed and risks to the Bank in any of its roles will be closely assessed,** and follow up actions will be determined as needed. If actual or potential significant changes are noted, the Sponsoring Unit and DFI will co-lead an internal review, including relevant corporate teams, aiming for a balanced corporate perspective focused on identifying constructive proposals.

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<sup>29</sup> Routine monitoring will look for (a) a shift in overarching strategic objectives and direction; (b) changes in governance, hosting, staffing, or budget matters affecting the World Bank; or (c) the introduction of financial innovation with potential implications for the World Bank

40. **Internal reviews are intended to support earlier dialogue for better mutual understanding and more proactive engagement to identify solutions.** Concerns identified in a review will be discussed with the relevant FIF secretariats to share perspectives and seek solutions.
41. **In case of major changes to a FIF significantly affecting the World Bank in any of its roles, the World Bank sponsoring unit will propose its response, including potential exit of World Bank roles,** which will be decided through the same internal approval process and assigned decision-making roles as for FIFs at entry and bring such changes to the World Bank’s Executive Directors for information or approval depending on the associated risk.
42. **To support lifecycle management of on-going FIFs as a portfolio, for which the World Bank is trustee, the World Bank will provide regular aggregated reporting** using existing mechanisms to preserve agility. The TF Annual Report will be the primary reporting tool, with a more analytical FIF Portfolio section every three years. Information on FIF performance will be included based on data available, including sharing of independent evaluations, and an assessment of FIF programs where the World Bank is an implementing entity, with particular attention to additional procedures and costs where relevant. This will facilitate the oversight role of the World Bank’s Executive Directors for FIFs within the larger aid architecture.
43. **The World Bank will encourage and support portfolio consolidation under existing governing bodies, secretariats, and funds – the “family of funds” approach -- wherever reasonable and opportune.** A number of global practices with multiple FIFs are currently undertaking strategic reviews and forward looks of needs and instruments which may lead to proposals for a more streamlined future aid architecture from the current high degree of fragmentation.
44. **The third and final stage in the FIF life cycle is planning and managing possible exit.** Just as the World Bank will assess its own participation in FIFs to ensure its roles remain strategic, FIF governing bodies also conduct regular reviews to assess continued relevance over time. During these reviews, FIF governing bodies may choose to sunset or to move to greater independence, becoming self-sufficient or transferring roles of trustee or secretariat host to others. For the World Bank to remain engaged in its roles of host to a secretariat or implementing entity it is important that a FIF continues to add value on balance to the World Bank.
45. **If the World Bank decides to exit one or more of its roles in a FIF, it will do so with care to avoid undue disruption to partnership.** FIF governing bodies will be informed with adequate time to consider alternatives and make subsequent transition arrangements where necessary. Where exits are well considered they should not be perceived as failures—in fact, they may be cause for celebration such as in the case of the African Program for Onchocerciasis Control and the Haiti Reconstruction Fund. But in all cases, exits should be managed in an orderly fashion with due respect to maintaining the gains achieved and the reputation of the World Bank as a constructive partner.

## Chapter 5: Next Steps

46. **This framework provides principles and orientation for FIFs going forward.** It is not intended to trigger any redesign or amendments to existing FIF constitutive documents. Should there be a need for future amendments in ongoing programs, changes will be managed in accordance with the principles outlined in this framework.

47. Implementation of the framework will be led by DFI, working in close consultation with other VPUs throughout the World Bank. Key components of the work program are outlined here:

- **Policy amendments:** The World Bank policy on Trust Funds, OP 14.40, will be revised in the current Policies and Procedure Framework (PPF) format, taking into account changes that also apply with respect to ongoing TF reforms. The proposed update will be submitted to the Executive Directors for approval. The main changes relating to the FIF Management Framework are to clarify
  - That World Bank policies apply to the World Bank as FIF trustee; as host, including to secretariat staff; and as implementing entity; and
  - The distinctions between IBRD/IDA MDTFs with Transfers Out and FIFs.
- **Directives, procedures, guidance notes:** The existing Directive and Procedure on the Management Framework for Financial Intermediary Funds (DFi2.02-DIR.01 and DFi2.02-PROC.01 respectively), and associated Guidance<sup>30</sup> will be revised to reflect changes in this Management Framework, including new FIF internal review procedures with clear accountability and decision-making responsibilities and new initiation and life cycle risk review procedures and guidance. New documents will also be issued for hosting arrangements and trustee pricing.
- **Legal templates:** To encourage harmonization around good practice, the Legal VPU will develop templates that can be used for future FIF constitutive documents, FPAs (for use with FIFs), and Transfer Agreements (for use with MDTFs).
- **Menu of options for global calls for collective action:** Guidance will be issued, providing examples of different mechanisms that can be suitable to respond to global calls for collective action, along with their pros and cons.

48. Implementation will be effective by FY20 or as soon as the relevant documents are approved. Changes will be widely communicated internally and externally.

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<sup>30</sup> FIF-related Guidance documents to be revised are as follows: Bank Guidance on Terms of Reference for Bank Staff representing the Trustee in Financial Intermediary Fund Governing Bodies (DFi2.02-GUID.02); Bank Guidance on Initiation of Financial Intermediary Funds (DFi2.02-GUID.03); Bank Guidance on Accreditation Framework for Implementing Entities under Financial Intermediary Funds (DFi2.02-GUID.04); and Bank Guidance on Communications for Financial Intermediary Funds (DFi2.02-GUID.05).

**Annex 1: Financial Intermediary Fund Portfolio Information**

## Section 1: Overview of FIFs and Their Cumulative Funding, as of End-FY18

1. As of June 30, 2018, the World Bank had a portfolio of 27 active FIFs. Since the last FIF Management Framework was presented to the Board in 2013, ten new FIFs have been established, and four closed. As of June 30, 2018, cumulative funding to all FIFs totaled \$97.43 billion.<sup>31</sup>

2. As can be seen in Annex Figure 1 of the ten new FIFs established since FY2013, two were established to support Health sector activities: the Pandemic Emergency Financing Facility (PEF) (FY2016) and the Coalition for Epidemic Preparedness Innovations (CEPI) (FY2018). A further two of the new FIFs were established to support FCV interventions: the Middle East and North Africa Transition Fund (MENATF) (FY2013) and the Global Concessional Financing Facility (GCFF) (FY2017). One FIF was established to support Infrastructure interventions: the Global Infrastructure Facility (GIF) (FY2015), and one to support Gender-related activities: the Women Entrepreneurs Finance Initiative (We-Fi) (FY2017). The sector with the largest number of new FIFs established since FY2013 was Environment and Climate Change: the Pilot Auction Facility for Methane and Climate Change Mitigation (PAF) (FY2015), the Climate Risk and Early Warning Systems (CREWS) (FY2016) and the Capacity Building Initiative for Transparency (CBIT) (FY2017). CBIT is the most recent FIF established within the Global Environment Facility (GEF) Family of Funds. In this, the Global Environment Facility is responsible for the management of four specialized funds supporting the implementation of the five major international environmental convention, including the United Nations Framework Convention on Climate Change, which sit alongside the main GEF Fund.

3. A tenth FIF was established as a temporary measure to support the establishment of the Asian Infrastructure Development Bank (AIIB). In early 2016, as the newly established AIIB had yet to institute its treasury functions, the AIIB formally requested the World Bank's assistance to hold and invest its initial paid-in capital subscriptions, as an interim solution, until a point at which the AIIB built its internal capacity. Paid-in capital subscription payments were made directly to AIIB by its shareholders. AIIB subsequently transferred those capital subscriptions into the FIF established at the Bank for limited trustee services. The World Bank managed the balance and returned it to AIIB, along with the investment income, before the agreed termination date of January 31, 2019. As such, the AIIB is also included as one of the four FIFs which have been closed since FY2013. The other three FIFs closed since FY2013 were the EBRD Southern and Eastern Mediterranean Trust Fund and GAVI Trust Fund, both of which closed in FY2013, and the African Program for Onchocerciasis Control, which closed in FY2017. The Haiti Reconstruction Fund (HRF) and Middle East and North Africa Transition Fund (MENATF) are also in the process of winding down and no further allocations will be made by their governing bodies.

4. Six of the ten new FIFs established were submitted to the World Bank Board for approval. Of the four approved by management, AIIB and GCFF were shared with the Board for information. Information on CREWS and CBIT is provided in Annex 2 and 3 to this document. Except for the temporary AIIB Trust Fund, all FIFs established since FY2013 have their origins in specific

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<sup>31</sup> Data on FIF portfolio excludes AIIB Trust Fund. AIIB Trust Fund, opened in 2016 and closed in 2019, operated on an interim basis to enable the Bank's Treasury to provide asset management services to the Asian Infrastructure Investment Bank (AIIB). This entailed holding and investing part of AIIB's initial paid-in capital subscriptions until the point at which AIIB's own treasury functions were established.

multilateral fora. Three FIFs were born from G7/8 initiatives (PAF, PEF and MENATF), two from the United Nations Framework Convention on Climate Change (CREWs and CBIT), and one each from the G20 (We-Fi), the World Economic Forum (CEPI) and the United Nations General Assembly (GCFF<sup>32</sup>).

5. There is one new partnership program currently under development: International Finance Facility for Education (IFFEd). Depending on its final design structure, IFFEd may become a FIF. Information on its current status at time of drafting is shared in Section 12 of this Annex.

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<sup>32</sup> The GCFF was announced at the Leaders' Summit on Refugees at the United Nations General Assembly in September 2016 and built on the Concessional Financing Facility for MENA countries launched at the April 2016 World Bank Annual Meetings.

Annex Figure 1: FIF Cumulative Funding, as of End FY18<sup>33</sup>

| Fund  | FIF Status | Established (FY) | Cumulative Funding (US\$ millions) | % of Total  |
|---|------------|------------------|------------------------------------|-------------|
| <b>Agriculture &amp; Food Security</b>  |            |                  | <b>5,850</b>                       | <b>6%</b>   |
| Consultative Group on International Agricultural Research (CGIAR)                 | Active     | 2006             | 4,453                              | 5%          |
| Global Agriculture and Food Security Program (GAFSP)                              | Active     | 2009             | 1,292                              | 1%          |
| AgResults Initiative (AGR)  | Active     | 2012             | 106                                | 0%          |
| <b>Education</b>  |            |                  | <b>2,949</b>                       | <b>3%</b>   |
| Global Partnership for Education Fund (GPEF)                                      | Active     | 2012             | 2,949                              | 3%          |
| <b>Debt Relief</b>  |            |                  | <b>7,066</b>                       | <b>7%</b>   |
| Debt Relief Trust Fund (DRTF)   | Active     | 1997             | 7,066                              | 7%          |
| <b>Environment and Climate Change</b>   |            |                  | <b>33,670</b>                      | <b>35%</b>  |
| Global Environment Facility (GEF) Family of Funds                                 |            |                  | 17,499                             | 18%         |
| <i>Global Environment Facility (GEF)</i>  | Active     | 1991             | 15,804                             | 16%         |
| <i>Least Developed Countries Fund (LDCF)</i>                                      | Active     | 2003             | 1,278                              | 1%          |
| <i>Special Climate Change Fund (SCCF)</i>   | Active     | 2005             | 346                                | 0%          |
| <i>Nagoya Protocol Implementation Fund (NPIF)</i>                                 | Active     | 2011             | 16                                 | 0%          |
| <i>Capacity Building Initiative for Transparency CBIT</i>                         | Active     | 2017             | 56                                 | 0%          |
| Adaptation Fund (AF)  | Active     | 2009             | 738                                | 1%          |
| Climate Investment Funds (CIFs)   |            | 2009             | 8,646                              | 9%          |
| <i>Clean Technology Fund (CTF)</i>  | Active     | 2009             | 5,713                              | 6%          |
| <i>Strategic Climate Fund (SCF)</i>   | Active     | 2009             | 2,933                              | 3%          |
| Guyana REDD + Investment Fund (GRIF)  | Active     | 2011             | 70                                 | 0%          |
| Green Climate Fund Trust Fund (GCF)   | Active     | 2012             | 6,617                              | 7%          |
| Pilot Auction Facility for Methane and Climate Change Mitigation (PAF)            | Active     | 2015             | 75                                 | 0%          |
| Climate Risk and Early Warning Systems (CREWS)                                    | Active     | 2016             | 26                                 | 0%          |
| <b>Health</b>   |            |                  | <b>46,484</b>                      | <b>48%</b>  |
| African Program for Onchocerciasis Control (APOC)                                 | Closed     | 1974             | 570                                | 1%          |
| Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)                       | Active     | 2002             | 41,211                             | 42%         |
| International Finance Facility for Immunisation (IFFIm)/GAVI Fund Affiliate (GFA) | Active     | 2007             | 2,709                              | 3%          |
| Global Alliance for Vaccines Initiative (GAVI) Fund Trust Fund                    | Closed     | 2007             | 390                                | 0%          |
| Advance Market Commitment (AMC)   | Active     | 2009             | 1,381                              | 1%          |
| Pandemic Emergency Financing Facility (PEF)                                       | Active     | 2016             | 107                                | 0%          |
| Coalition for Epidemic Preparedness Innovations (CEPI)                            | Active     | 2018             | 116                                | 0%          |
| <b>Infrastructure</b>   |            |                  | <b>84</b>                          | <b>0%</b>   |
| Global Infrastructure Facility (GIF)  | Active     | 2015             | 84                                 | 0%          |
| <b>Natural Disasters</b>  |            |                  | <b>401</b>                         | <b>0%</b>   |
| Haiti Reconstruction Fund (HRF)   | Active     | 2010             | 401                                | 0%          |
| <b>Fragility, Conflict, and Violence</b>  |            |                  | <b>751</b>                         | <b>1%</b>   |
| EBRD Southern and Eastern Mediterranean Trust Fund (EBSM)                         | Closed     | 2012             | 14                                 | 0%          |
| Middle East and North Africa Transition Fund (MENATF)                             | Active     | 2013             | 242                                | 0%          |
| Global Concessional Financing Facility (GCOFF)                                    | Active     | 2017             | 495                                | 1%          |
| <b>Gender</b>   |            |                  | <b>175</b>                         | <b>0%</b>   |
| Women Entrepreneurs Finance Initiative (We-Fi)                                    | Active     | 2017             | 175                                | 0%          |
| <b>Total</b>  |            |                  | <b>97,431</b>                      | <b>100%</b> |

Source: Development Finance, World Bank

<sup>33</sup> Cumulative Funding (as of June 30, 2018) 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 affected. It may also include contribution transfers from other TFs. Minor double counting may occur. Amounts to donor balance and holding accounts have been excluded. Due to rounding, percentage of Total Cumulative Funding below 0.5 percent is displayed as 0 percent. For instance, AGR percentage of Total Cumulative Funding was 0.3 percent. For detailed information on all FIFs, visit <http://fiftrustee.worldbank.org>

## Section 2: Overview of FIF Governance, Stakeholders and The World Bank's role in FIFs

6. The World Bank serves as limited trustee or financial/treasury manager for all 27 FIFs that were active as of June 30, 2018. Of these, the World Bank directly hosts secretariat services for 18 FIFs and serves as an Implementing Entity for 20 FIFs. The World Bank typically takes on an Implementing Entity role in all FIFs whose secretariat is hosted by the World Bank, although this is not required as a condition for hosting. As of June 30, 2018, the World Bank was also acting as Implementing Entity for three FIFs with independent secretariats: CREWS, GCF and GRIF.

7. The World Bank's representation on FIF governing bodies reflects the different roles that the World Bank can play in a FIF. Most commonly, the World Bank as limited trustee serves as an observer on FIF governing bodies, represented by DFi. In several cases, the World Bank as Implementing Entity also serves as an observer. Typically, the World Bank does not assume the position of chair, or any decision-making role, of a FIF governing body, although there are a limited number of exceptions to this. The World Bank serves as chair to the CGIAR governing body and as a long-standing donor to CGIAR also holds a voting seat on its governing body. In addition, the World Bank serves as co-chair to the PEF and GIF governing bodies and serves as board member on the GPE board.

8. The average (median) number of donors per FIF as of June 30, 2018 was 12. However, there is a large variation around this within the FIF portfolio. The FIFs with the fewest donors were the GRIF with 1 donor and the PEF with 4 donors, including the IDA18 Regional Window. Seven FIFs have more than 20 donors and three FIFs have 40 or more donors. These were the GEF with 40 donors, the GCF with 44 and GFATM with 63. As illustrated in the table below, in some FIFs the number of donor agencies providing contributions exceeds the total number of donors. This occurs in the rare situation where more than one agency or ministry is contributing to a FIF on behalf of their government.

9. As with the number of donors, there is also a large variation in the number of Implementing Entities within the FIF portfolio. Looking at Implementing Entities with project commitments as of June 30, 2018, the average (median) number of Implementing Entities per was 6. The FIFs with the lowest number of Implementing Entities are CEPI and PAF, both of which have only one Implementing Entity. At the other end of the scale there are three FIFs with more than 20 Implementing Entities; GCF with 29, Adaptation Fund with 35 and AgResults with 83. The high number of Implementing Entities recorded for AgResults reflects the structure of the AgResults initiative, with funding transferred directly to recipients of the AgResults Pay-for Results prize competitions. Implementing Entities accredited under the GCF have also continued to increase in FY19.

Annex Figure 2: FIF Governance and Stakeholders

| FIF   | Type of FIF-funded program | The Bank's role(s) in the Governing Body <sup>a/</sup>                                | The Bank's role(s) in FIF-funded partnership programs |                                     |   | Number of Implementing Entities/Donors   |                           |
|---|----------------------------|---|---|-------------------------------------|---|--|---------------------------|
|   |                            |   | Trustee   | Project/Program Implementing Entity | Secretariat services                          | # of Implementing Entities <sup>b/</sup> | # of Donors <sup>c/</sup> |
| Adaptation Fund                                 | Global Partnership         | Observer (DFI-trustee)  | X   | X                                   | X   | 35                                       | 23                        |
| Advance Market Commitment <sup>d/</sup>         | Supports the GAVI Alliance | Member of AMC Stakeholders Committee  | Financial Manager                                     |                                     |   | NA                                       | 6                         |
| AgResults                                       | Global Partnership         | Member of Steering Committee (GFADR, DFi)   | X   |                                     |   | 83                                       | 5                         |
| Climate Investment Funds                        |                            |   |   |                                     |   |  |                           |
| <i>Clean Technology Fund</i>                    | <i>Global Partnership</i>  | <i>Observer as Trustee (DFi) and Non-Voting Member as Implementing Agency (GCCDR)</i> | X   | X                                   | X   | 6  | 9                         |
| <i>Strategic Climate Fund</i>                   | <i>Global Partnership</i>  | <i>Nonvoting member (GCCDR) as Implementing Agency and Observer (DFi) as Trustee</i>  | X   | X                                   | X   | 6  | 13                        |
| Climate Risk and Early Warning Systems          | Global Partnership         | Observer as Trustee (DFi) and Non-Voting Member as Implementing Entity (GFDRR)        | X   | X                                   | WB Staff seconded to CREWS Secretariat at WMO | 2  | 5                         |
| Coalition for Epidemic Preparedness Innovations | Global Partnership         | Observer (DFi) as Trustee   | X   |                                     |   | 1  | 5                         |

| FIF   | Type of FIF-funded program | The Bank's role(s) in the Governing Body <sup>a/</sup>  | The Bank's role(s) in FIF-funded partnership programs |   |                         | Number of Implementing Entities/Donors            |                                 |
|---|----------------------------|---|---|---|-------------------------|---|---------------------------------|
|   |                            |   | Trustee   | Project/<br>Program<br>Implementing<br>Entity | Secretariat<br>services | # of<br>Implementing<br>Entities<br><sup>b/</sup> | # of<br>Donors<br><sup>c/</sup> |
| Consultative Group on International Agricultural Research | Global Partnership         | Chair (GFADR), Board Member (GFADR), Invited Guest (DFi) as Trustee)                          | X   |   |                         | 16 <sup>e/</sup>                                  | 28                              |
| Debt Relief Trust Fund <sup>f/</sup>                      | Global Financing Mechanism |   | X   | X   | X                       | NA  | 30                              |
| Global Agriculture and Food Security Program              | Global Partnership         | Non-voting member as Trustee (DFi) and Observer as Implementing Agency (GFADR)                | X   | X   | X                       | 7   | 9                               |
| Global Concessional Finance Facility                      | Global Partnership         | Observer as Trustee (DFi) and Coordination Unit (MNA) and Implementation Support Agency (MNA) | X   | X   | X                       | 3   | 10                              |
| Global Environment Facility Family of Funds               |                            |   |   |   |                         |   |                                 |
| <i>Global Environment Facility</i>                        | <i>Global Partnership</i>  | <i>Observer as Trustee (DFi) and Observer as Implementing Agency (GCCDR)</i>                  | X   | X   | X                       | 19  | 40                              |
| <i>Least Developed Countries Fund for Climate Change</i>  | <i>Global Partnership</i>  | <i>Observer as Trustee (DFi) and Observer as Implementing Agency (GCCDR)</i>                  | X   | X   | X                       | 10  | 27                              |

| FIF  | Type of FIF-funded program | The Bank's role(s) in the Governing Body <sup>a/</sup>                                | The Bank's role(s) in FIF-funded partnership programs |   |                         | Number of Implementing Entities/Donors            |                                 |
|--|----------------------------|---|---|---|-------------------------|---|---------------------------------|
|  |                            |   | Trustee   | Project/<br>Program<br>Implementing<br>Entity | Secretariat<br>services | # of<br>Implementing<br>Entities<br><sup>b/</sup> | # of<br>Donors<br><sup>c/</sup> |
| <i>Special Climate Change Fund</i>                   | <i>Global Partnership</i>  | <i>Observer as Trustee (DFi) and Non-Voting member as Implementing Agency (GCCDR)</i> | X   | X   | X                       | 12  | 15                              |
| <i>Capacity Building Initiative for Transparency</i> | <i>Global Partnership</i>  | <i>Observer as Trustee (DFi) and Observer as Implementing Agency (GCCDR)</i>          | X   | X   | X                       | 4   | 14                              |
| <i>Nagoya Protocol Implementation Fund</i>           | <i>Global Partnership</i>  | <i>Observer as Trustee (DFi) and Observer as Implementing Agency (GCCDR)</i>          | X   | X   | X                       | 2   | 5                               |
| Global Fund to Fight AIDS, Tuberculosis and Malaria  | Global Partnership         | Nonvoting member of the Board and its committees (DFi) as trustee                     | X   |   |                         | NA <sup>g/</sup>                                  | 63                              |
| Global Infrastructure Facility                       | Global Partnership         | Co-Chair (GGI), Observer as Trustee (DFi) and Implementing Agency (GCPPP and CASDR)   | X   | X   | X                       | 4   | 5                               |
| Global Partnership for Education Fund                | Global Partnership         | Observer as Trustee (DFi) and Member of the Board (GEDGE)                             | X   | X   | X                       | 13  | 27                              |

| FIF   | Type of FIF-funded program            | The Bank's role(s) in the Governing Body <sup>a/</sup>                | The Bank's role(s) in FIF-funded partnership programs |   |                         | Number of Implementing Entities/Donors            |                                 |
|---|---------------------------------------|---|---|---|-------------------------|---|---------------------------------|
|   |                                       |   | Trustee   | Project/<br>Program<br>Implementing<br>Entity | Secretariat<br>services | # of<br>Implementing<br>Entities<br><sup>b/</sup> | # of<br>Donors<br><sup>c/</sup> |
| Green Climate Fund                              | Global Partnership                    | Observer (DFi) as Trustee   | X   | X   |                         | 29  | 44                              |
| Guyana REDD-Plus Investment Fund                | Country Partnership                   | Observer (DFi) as Trustee   | X   | X   |                         | 5   | 1                               |
| Haiti Reconstruction Fund                       | Country Partnership                   | Member (LCR) as a Partner Entity and Active Observer (DFi) as Trustee | X   | X   | X                       | 3   | 19                              |
| International Finance Facility for Immunization | Global Financing Mechanism/UK Charity | Observer (DFi)  | Treasury Manager                                      |   |                         | NA  | 9                               |
| Middle East and North Africa Transition Fund    | Regional Partnership                  | Observer (DFi) as Trustee and Implementation Support Agency (MNA)     | X   | X   | X                       | 10  | 15                              |
| Pandemic Emergency Financing Facility           | Global Partnership                    | Co-chair (GNHDR) <sup>b/</sup> and Observer as Trustee (DFi)          | X   | X   | X                       | 3   | 4                               |
| Pilot Auction Facility                          | Financing Mechanism                   | Observer (DFi) as Trustee   | X   |   | X                       | 1   | 5                               |
| Women Entrepreneurs Finance Initiative          | Global Partnership                    | Observer as Trustee (DFi) and Observer as Implementing Agency (GGEOS) | X   | X   | X                       | 4   | 13                              |

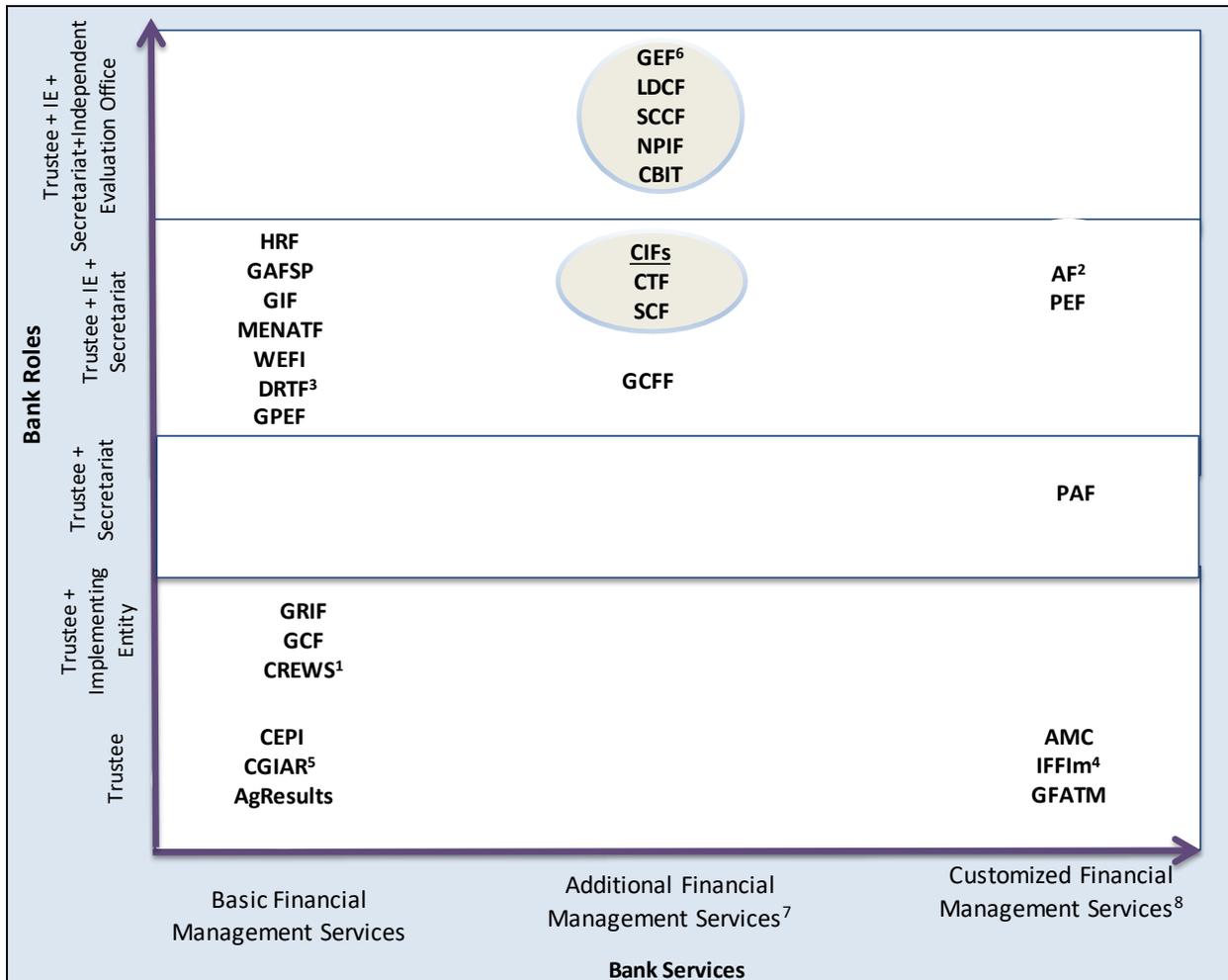
Source: Development Finance, World Bank

*Notes:*

a/ As defined in the FIF Governing Documents

- b/ Includes only Implementing Entities with project commitments as of June 30, 2018
- c/ Based on contributions paid-in as of June 30, 2018
- d/ Not a Trust Fund
- e/ Number of Donors only includes contributors to the CGIAR Trust Fund, which became effective in March 2017.
- f/ The World Bank's implementing role is as a multilateral creditor.
- g/Transfers to GFATM Implementing Entities are executed based on GFATM Secretariat instructions to Trustee.
- h/ The World Bank co-chairs the PEF Steering Body as a non-voting member

**Annex Figure 3: Matrix of The World Bank's Roles and Services in FIFs**



Source: Development Finance, World Bank

Notes:

1. World Bank staff are seconded to the CREWS Secretariat at WMO.
2. As part of its role as trustee, the World Bank generates additional revenue through the sale of carbon assets (for example, Certified Emission Reductions or CERs) held by the Adaptation Fund.
3. The World Bank's implementing role is as a multilateral creditor.
4. In addition to trustee services, the World Bank, as Treasury Manager of IFFIm, offers financial policy advice, funding transaction execution services (including bond issuance), and risk management services (including hedges and credit rating maintenance).
5. The World Bank is also a donor to CGIAR.
6. As part of its role as trustee, the World Bank is also responsible for GEF resource mobilization through an established replenishment process.
7. Additional Financial Management Services include replenishment support, cashflow projections and reflows/repayment management.

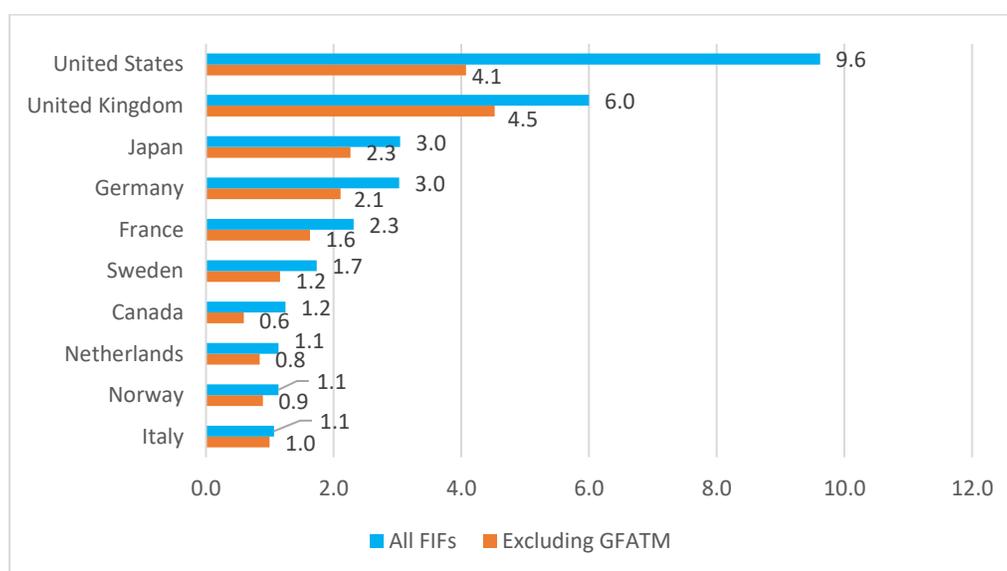
8. Customized Financial Management Services include customized Treasury management services and reporting e.g. for AMC, IFFIm and GFATM. Also includes Certified Emission Reductions (CERs) management for AF, support to pandemic bonds and insurance in the PEF and managing auctions and bond issuances for PAF.

### Section 3: Contributions to FIFs

10. Sovereign governments are the largest donors to FIFs, accounting for 95.9 percent of total contributions received in FY14–FY18 (\$33.2 billion)<sup>34</sup>. Private nonprofit entities<sup>35</sup> contributed 1.8 percent (\$0.6 billion), and Intergovernmental institutions contributed 1.6 percent (\$0.5 billion)<sup>36</sup>.

11. In the five-year period from FY14–FY18, the top ten donors contributed \$30.3 billion to FIFs, which corresponded to 31 percent of the total of \$97.4 billion in contributions from inception. All top ten donors are OECD member countries. All G7 member countries also feature in the top ten contributors to FIFs over the period FY14–FY18.

**Annex Figure 4: Cumulative Contributions by top ten FIF donors FY14–FY18 (US\$ billions)**<sup>37</sup>



Source: Development Finance, World Bank

12. Considering all FIFs, the United States was the largest donor with contributions of \$9.6 billion, followed by the United Kingdom with contributions of \$6.0 billion, and Germany and Japan both with contributions of \$3.0 billion. The largest contributions from the United States in the period FY14–FY18 were to the GFATM (\$5.5 billion), and the GCF (\$1.0 billion). The largest

<sup>34</sup> Excluding contributions from the GFATM Secretariat.

<sup>35</sup> Private nonprofit entities include private foundations such as the Bill and Melinda Gates Foundation, Dubai Cares, and the United Nations Foundation.

<sup>36</sup> Intergovernmental institutions include organizations such as the European Union and the International Fund for Agricultural Development.

<sup>37</sup> The chart shows cumulative funding with and without funding for GFATM to provide a more detailed view of top ten FIF donors. From FY17, most of the contributors for the GFATM fund are providing contributions directly to the GFATM secretariat and the trustee receives these funds as contributions from the GFATM Secretariat as a contributor. These contributions received from the GFATM secretariat as a contributor amounted to USD 3.3 billion, which has been excluded from the top 10 list.

contributions from the United Kingdom were to the GFATM (\$1.5 billion) and the CIF (\$1.4 billion). The largest contributions from Germany were to GFATM (\$0.9 billion), the GCF (\$0.9 billion) and the GEF (\$0.5 billion). The largest contributions from Japan were to the GCF (\$1.4 billion) and the GFATM (\$0.8 billion).

13. Excluding GFATM, the largest donor to FIFs in the period FY14-FY18 was the United Kingdom, with contributions of \$4.5 billion, followed by the United States with contributions of \$4.1 billion.

14. Together the top ten FIF donors<sup>38</sup> also contribute from 59% (GPE) to 92% (GCF) to the periodic replenishments of these various multilateral organizations and platforms.

15. Donor contributions to FIFs have been growing faster than to core multilateral platforms. The last three replenishments held by eight multilateral platforms show a growth in the USD value of total pledges to the FIFs, set against a decline in the value of pledges to core multilateral funds. FIFs have seen growth over their last three replenishments of 5% to 22%, whereas core multilateral funds have seen a decline in the value of pledges of between 6% and 22% (Figure 6).

**Annex Figure 5: Major trends in the last 3 replenishments in select multilateral platforms (US\$ millions)**

| <b>Fund name</b> | <b>Average size in US\$ millions</b> | <b>% growth in last 3 replenishments</b> | <b>Average share of top 10 donors</b> | <b>Fund's share of sample</b> |
|------------------|--------------------------------------|--|---------------------------------------|-------------------------------|
| IDA              | 25,473                               | -6%                                      | 78%                                   | 41%                           |
| AsDF             | 3,879                                | -22%                                     | 74%                                   | 6%                            |
| AfDF*            | 3,662                                | -6%                                      | 78%                                   | 6%                            |
| IFAD             | 1,153                                | -20%                                     | 66%                                   | 2%                            |
| GEF              | 3,967                                | 19%                                      | 63%                                   | 6%                            |
| GFATM            | 12,202                               | 5%                                       | 83%                                   | 20%                           |
| GPE              | 1,959                                | 22%                                      | 59%                                   | 3%                            |
| GCF              | 10,193                               | N.A.                                     | 92%                                   | 16%                           |

\*AfDF in SDR

Source: Development Finance, World Bank

16. There are numerous factors at play. During this period some MDBs introduced measures to leverage their balance sheets. Exchange rate dynamics affected the USD value of individual pledges to both the FIFs and core multilateral funds. It is also important to note that both the FIFs and core multilateral funds which experienced the largest relative changes in their replenishment sizes were among the smaller of the FIFs and core funds considered, and more sensitive to changes in donor pledges. However, the overall difference between the growth rates of the FIFs and the core multilateral funds suggests a greater appetite for funding programs that are narrower in scope and allow donors to earmark resources for specific vertical issues/themes.

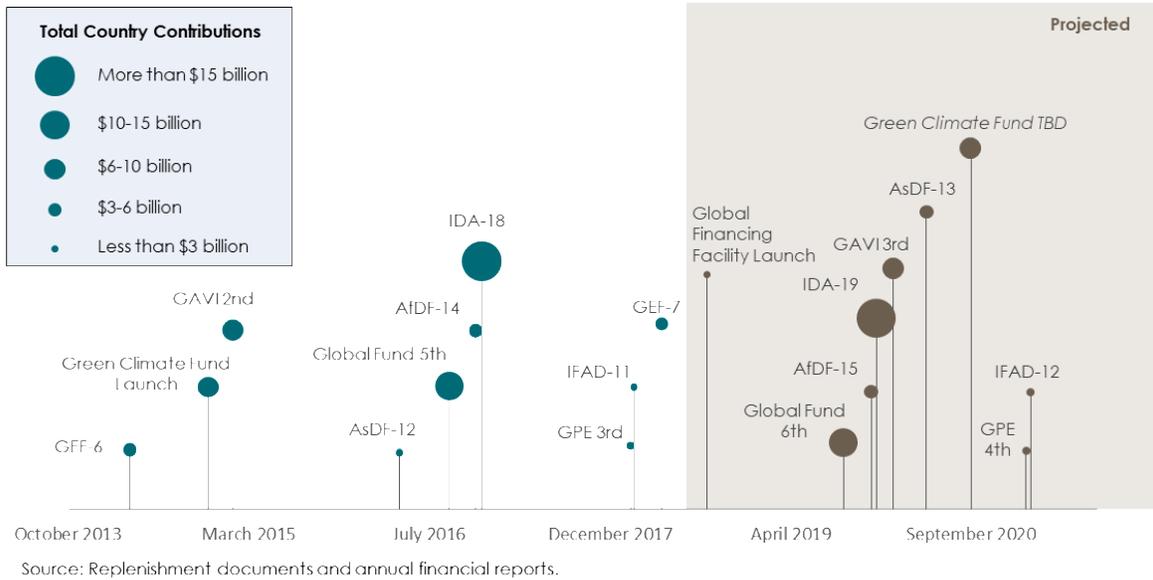
17. The difference in the size of replenishments to individual FIFs and core multilateral funds since 2013 can be seen in Figure 7, prepared by the Center for Global Development<sup>39</sup>. This also

<sup>38</sup> Canada, France, Germany, Italy, Japan, Netherlands, Norway, Sweden, United Kingdom, United States.

<sup>39</sup> Mapping the Concessional Financing Landscape, Center for Global Development

shows the upcoming replenishments for 2019 and 2020, and the anticipated size of each of these replenishments. Eight replenishments are expected between April 30, 2010 and December 31, 2020. Although IDA19 is forecast to be the largest of these by considerable margin, two FIFs (GCF, GFATM) and GAVI, which itself partners with two FIFs (AMC and IFFIm) are all expected to have replenishments where the volume of pledges exceeds those of the upcoming Asian Development Fund (AsDF) and African Development Fund (AfDF) replenishments.

**Annex Figure 6: Multilateral Concessional Lender Replenishment Timeline Through 2020**



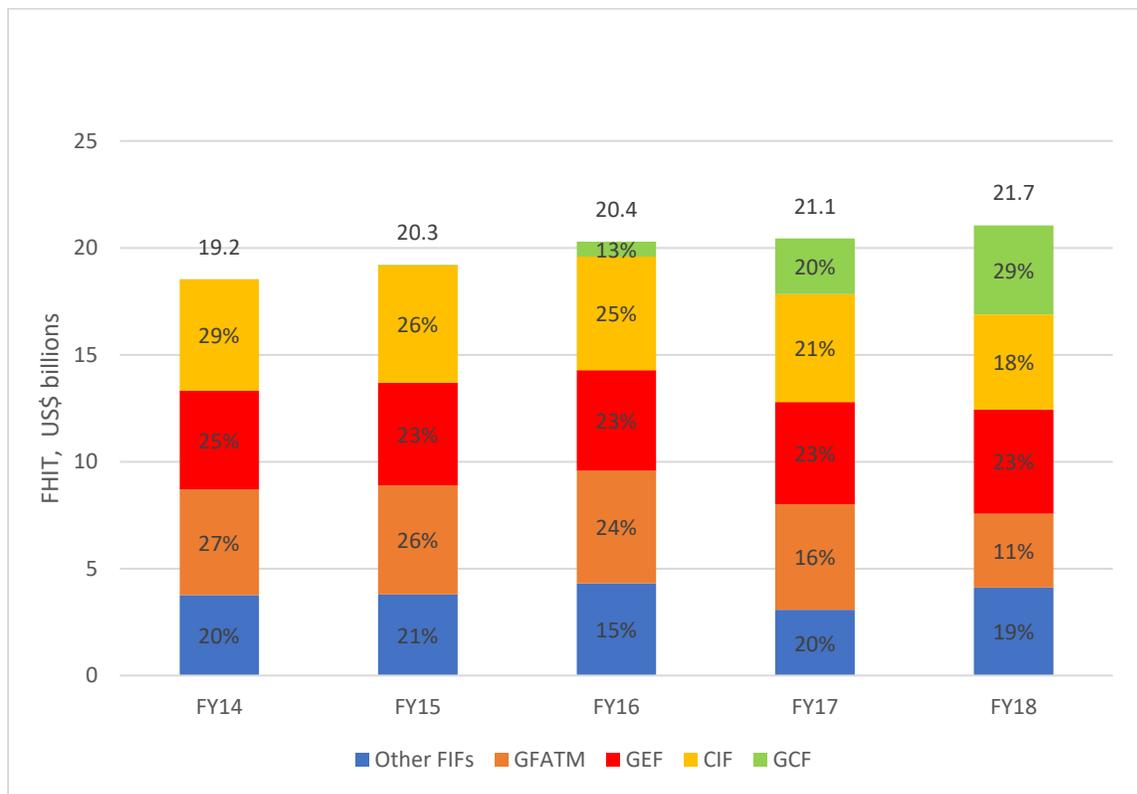
Source: Center for Global Development: <https://www.cgdev.org/sites/default/files/mapping-concessional-financing-landscape.pdf>.

**Section 4: Funds Held in Trust by the Largest FIFs**

18. Funds Held in Trust (FHIT) for FIFs increased by 13 percent from \$19.2 billion in FY14 to \$21.7 billion at end of FY18. In FY18, the largest amounts of funds were held in FIFs established for the GCF (\$6.2 billion), GEF (\$4.9 billion), CIF (\$3.9 billion) and GFATM (\$2.4 billion). Together these four largest funds held more than 81 percent of the total funds held in trust for FIFs across the five-year period.

19. In FY18, FHIT for FIFs with secretariats hosted by the World Bank stood at \$11.6 billion, or 53% of the total FIF portfolio. FHIT for FIFs where the World Bank hosts the FIF secretariat have been decreasing year-on-year in both absolute and relative terms since FY14, when they stood at \$13.1 billion, or 68% of the total FHIT of the aggregate FIF portfolio.

**Annex Figure 7: FHIT by largest FIFs (US\$ billions and percentage)**

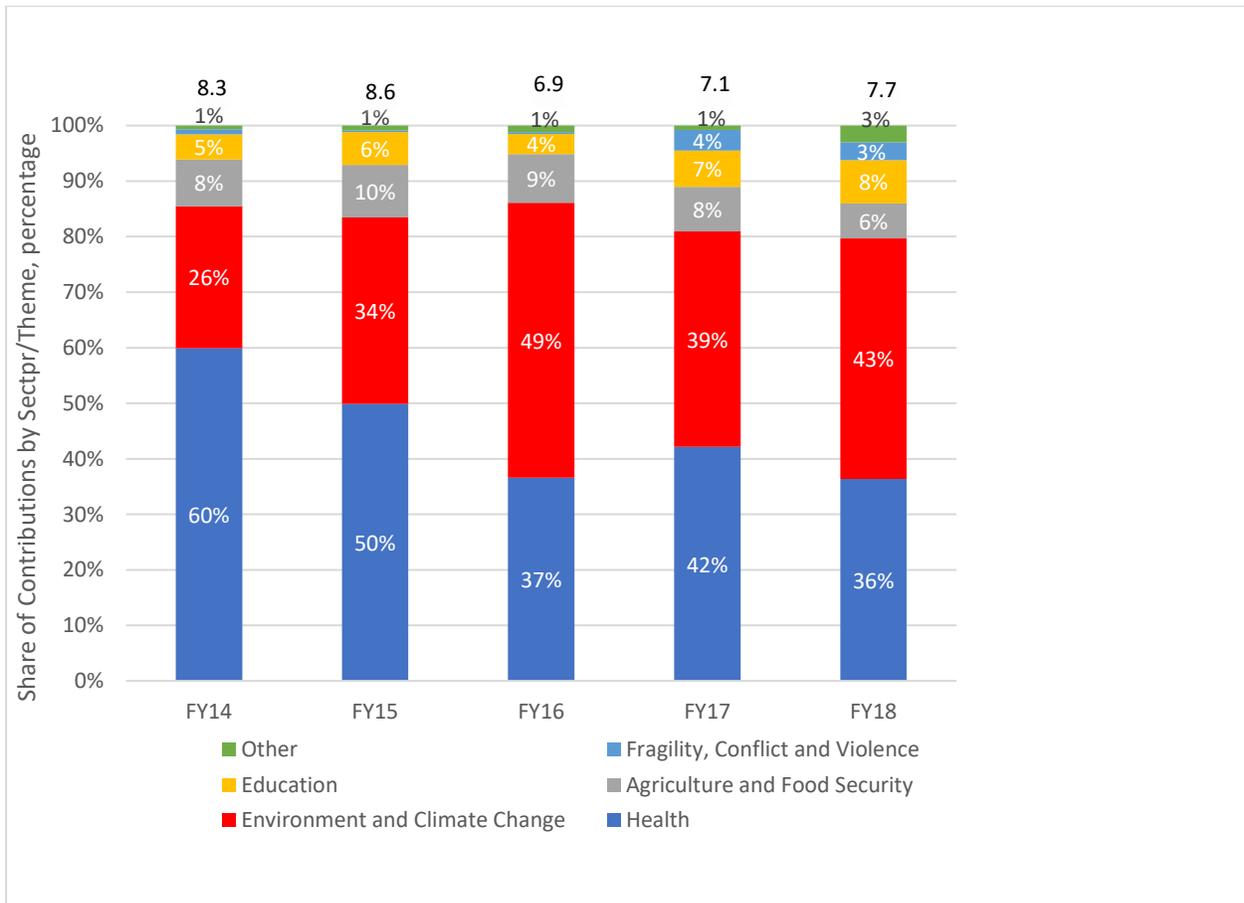


Source: Development Finance, World Bank

**Section 5: Contributions to FIFs by Sector/Theme**

20. In the period from FY14–FY18, FIFs supporting the Health sector received 46 percent of the total contributions to FIFs on average over the period, with the share declining from 60% in FY14 to 36% in FY18. On the other hand, in the Environment and Climate Change sector, the average share was 38% over the period, but the share rose from 26% in FY14 to 43% in FY18. Funding for FCV was small as a share of the total but increased from 1 percent in FY14 to 3 percent in FY18.

**Annex Figure 8: Shares of Contributions by Sector/Theme (US\$ billions and percentage)**



Source: Development Finance, World Bank

## Section 6: FIF Financing Instruments

21. Most FIFs provide concessional financing on a grant in / grant out basis. As of June 30, 2018, twenty out of the 27 FIFs received donor contributions as grants and provided funding to Implementing Entities on a grant basis<sup>40</sup>. Grants can provide fully concessional project financing or concessional boosts to other instruments in the MDB toolkit. For example, the GCFF blends grants with IBRD loan operations to middle income countries hosting refugee populations to increase their concessionality. In some cases grants are used to encourage complementary funding. For example, We-Fi and GPE provide grants specifically as additional resources in combination with other funds, the former for all We-Fi grants and the latter for grants allocated through the “GPE Multiplier”.

22. However, some FIFs have become more financially complex and use a range of additional non-grant instruments as either a source of funding or as an instrument used in implementation activities. Of the seven FIFs which employ non-grant instruments either to finance their operations or to provide funding to Implementing Entities, six are hosted by the World Bank, which operationalizes the non-grant instruments on behalf of the respective FIFs. All 7 FIFs which deploy non-grant instruments are found within two sectors: Environment and Climate Change (six FIFs) and Health (one FIF).

23. The specific instruments employed by FIFs whose financing contributions and/or funding instruments extend beyond grants vary considerably between FIFs. For example, on the contributions side, the AF part-finances its operations through the sale of carbon assets (CERs), whereas the financing of the CTF and the SCF includes donor loans and capital contributions. In the Health sector, in the case of the PEF, IBRD issues bonds and swaps to generate contributions to the FIF, which are then used for implementation on a standard grant basis. The payouts from the bonds and swaps to the FIF occur when pre-determined parametric triggers are met.

24. On the implementation side, the PAF uses tradeable put options allocated via auction to set a floor price for future carbon credits. A further four Environment and Climate Change FIFs (CTF, SCF, GCF and GEF) make use of loans in implementation, with the GEF using the widest range of non-grant instruments for implementation of all FIFs, including loans, guarantees, reimbursable grants and equity.

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<sup>40</sup> Includes the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), in which FIF resources are transferred to the GFATM Secretariat as grants, for onward use by the GFATM Secretariat in a variety of instruments.

Annex Figure 9: FIFs featuring non-grant instruments

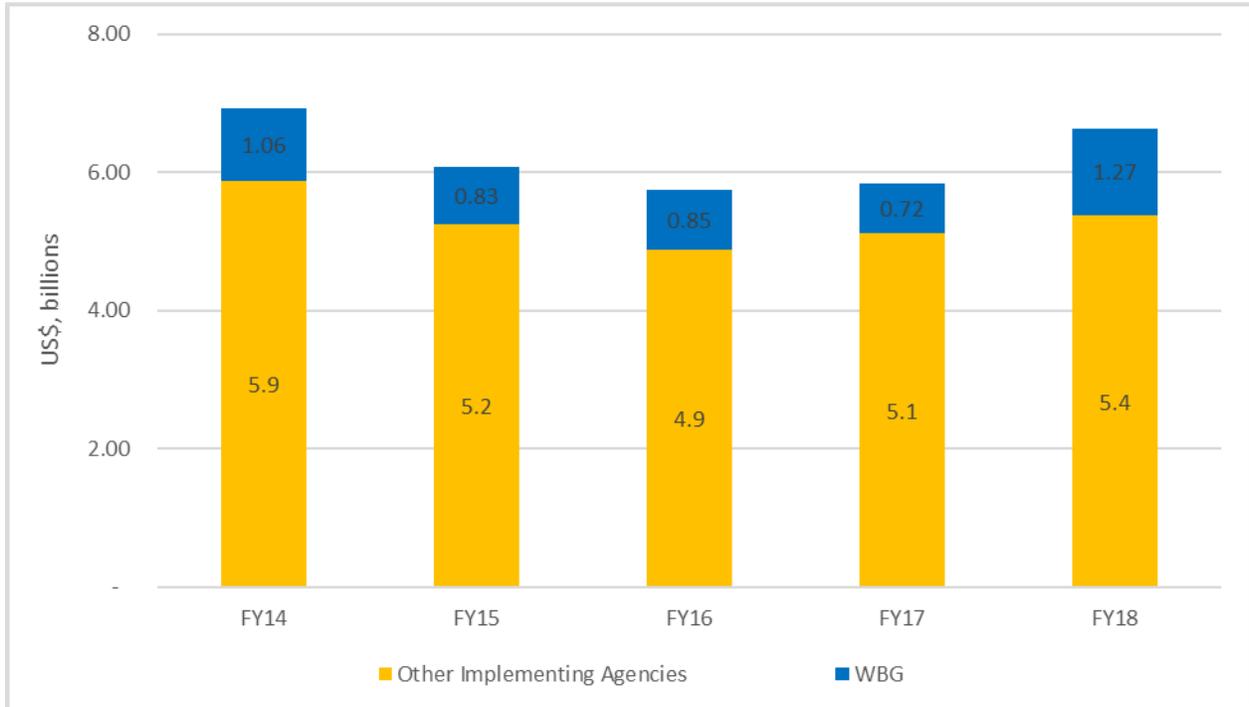
| FIF  | FIF Sources of Funding by Instrument |      |         |       |                                      | Financing Instruments used by FIF in implementation |      |           |                                       |
|--|--------------------------------------|------|---------|-------|--------------------------------------|---|------|-----------|---------------------------------------|
|  | Grant                                | Loan | Capital | Bonds | Others                               | Grant   | Loan | Guarantee | Others                                |
| Adaptation Fund  | X                                    |      |         |       | X<br>(Certified Emissions Reduction) | X   |      |           |                                       |
| Climate Investment Funds   |                                      |      |         |       |                                      |   |      |           |                                       |
| <i>Clean Technology Fund</i>                                     | X                                    | X    | X       |       |                                      | X   | X    | X         |                                       |
| <i>Strategic Climate Fund</i>                                    | X                                    | X    | X       |       |                                      | X   | X    | X         | X<br>(equity)                         |
| Green Climate Fund   | X                                    | X    | X       |       |                                      | X   | X    |           | X                                     |
| Global Environment Facility                                      | X                                    |      |         |       |                                      | X   | X    | X         | X<br>(equity and reimbursable grants) |
| Pandemic Emergency Financing Facility                            | X                                    |      |         | X     | X<br>(swaps)                         | X   |      |           |                                       |
| Pilot Auction Facility for Methane and Climate Change Mitigation | X                                    |      |         |       |                                      |   |      |           | X<br>(auction)                        |

Source: Development Finance, World Bank.

**Section 7: Transfers to FIF Implementing Entities**

25. Annual volumes of transfers to FIF Implementing Entities decreased slightly over the period FY14-FY18, from \$7.0 billion in FY14 to \$6.7 billion in FY18. At the same time, transfers from FIFs to projects implemented by the WBG increased in both relative and absolute terms; from 15 percent of the total transfers from FIFs in FY14 (\$1.1 billion) to 19 percent in FY18 (\$1.3 billion).

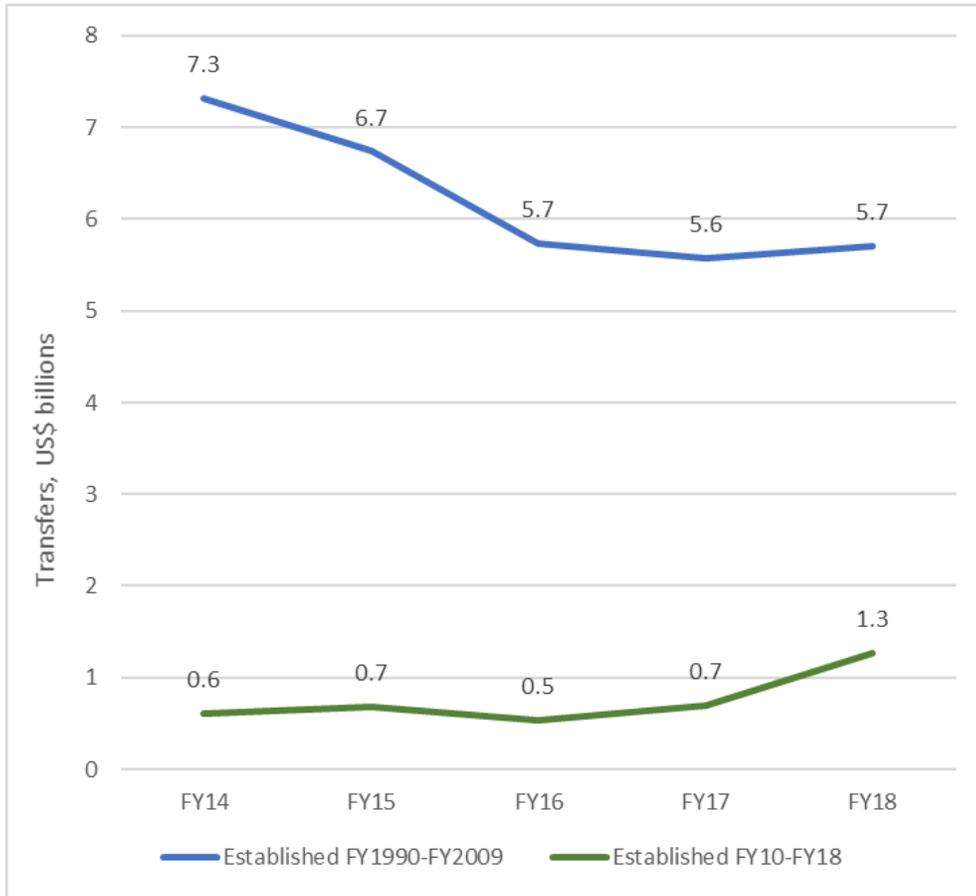
**Annex Figure 10: Transfers to FIF Implementing Entities FY14-FY18 (US\$ billions)**



Source: Development Finance, World Bank

26. As illustrated by Figure 12, a difference can be seen between the volume of transfers from older FIFs, established between FY90 and FY09, and newer FIFs established since FY10. Many of the newer FIFs have been relatively small at the time of establishment, and often have narrower mandates than older FIFs. This is reflected in lower contribution levels and lower transfers from such FIFs. Newer FIFs also take time to become fully operational. There are several steps required by Implementing Entities before any transfer can take place, which include identification, preparation, and approval of projects and programs according to the policies and procedures of the individual Implementing Entity.

**Annex Figure 11: Transfers from FIFs by Period of Establishment (US\$ billions)**

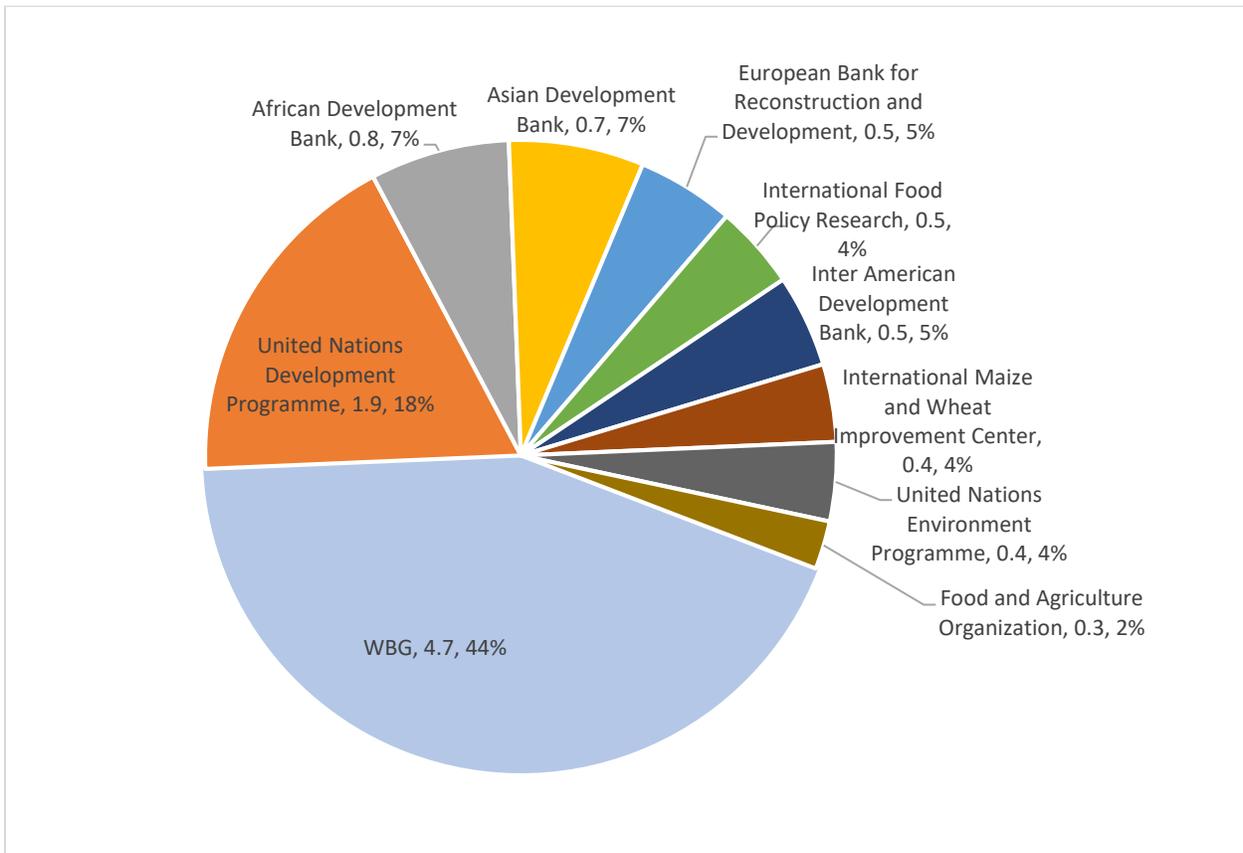


Source: Development Finance, World Bank.

**Section 8: Transfers to Top Ten Implementing Entities**

27. FIFs transferred \$31.3 billion to Implementing Entities from FY14–FY18 of which \$24.6 billion was transferred to the ten largest Implementing Entities. The GFATM received \$14.0 billion, followed by the WBG (\$4.7 billion), the United Nations Development Programme (\$1.9 billion), and the African Development Bank (\$0.8 billion). The chart below shows the transfers received by the top ten Implementing Entities over the period FY14 to FY18, excluding the GFATM secretariat.<sup>41</sup>

**Annex Figure 12: Transfers to Top Ten FIF Implementing Entities (US\$ billions and percentage)**



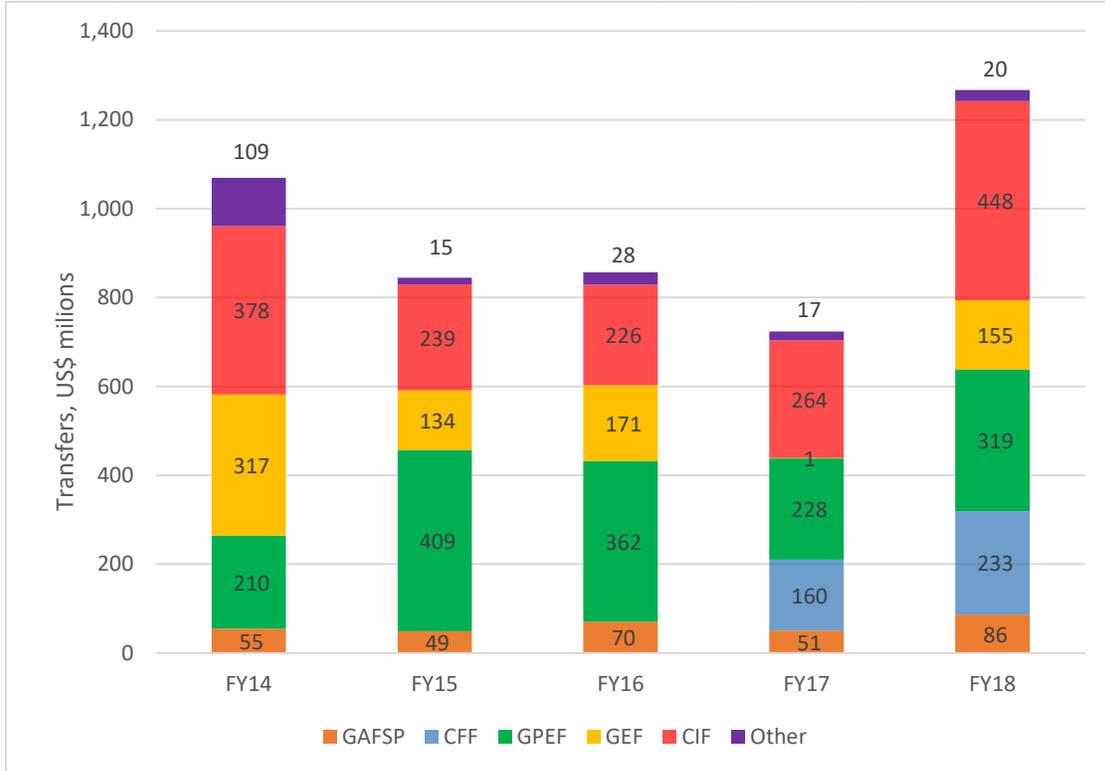
Source: Development Finance, World Bank.

<sup>41</sup> Transfers to Implementing Entities 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.

**Section 9: FIF Transfers to the World Bank Group as Implementing Entity**

28. Of the total transfers of \$1.3 billion in FY18 from 11 FIFs to the WBG, the largest amount was from the CIF at \$448 million, followed by GPE at \$319 million, and the GCFE at \$233 million. On a cumulative basis, over the five-year period FY14–FY18, the World Bank as an Implementing Entity received the largest amount of transfers from CIF at \$1.6 billion, followed by GPE at \$1.5 billion, and GEF at \$1.2 billion.

**Annex Figure 13: FIF Transfers to the World Bank Group as Implementing Entity (US\$ millions)**

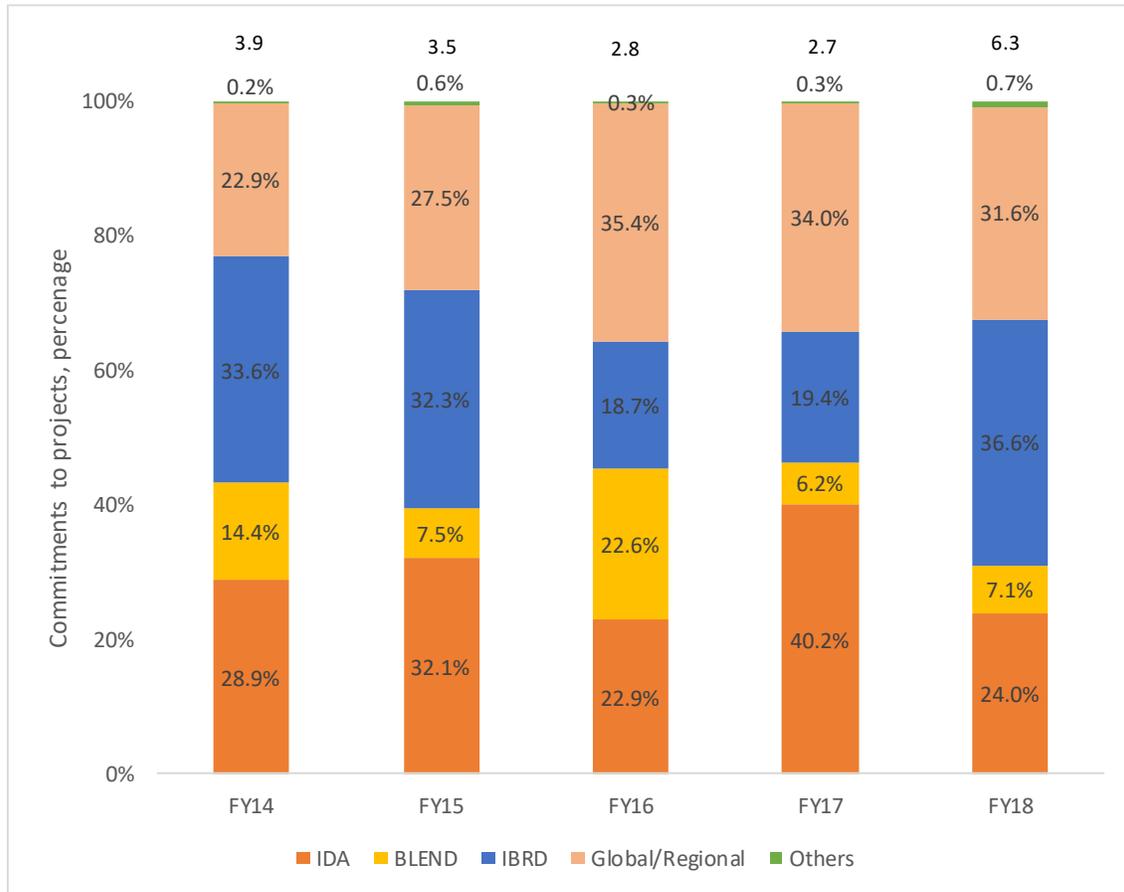


Source: Development Finance, World Bank

**Section 10: FIF Commitments to Projects by Recipient Group and Sector**

29. In each of the five years between FY14 and FY18, the share of FIF commitments going to IBRD countries ranged between 19% and 37%, and to IDA countries between 23% and 40%. Over this period FIFs committed a total of \$ 5.8 billion each to projects in IBRD countries and to projects that were global/regional in nature. Commitments to projects in IDA countries over the same period were \$5.5 billion followed by \$2.1 billion to blend countries.

**Annex Figure 14: Commitments to projects by recipient country group ((US\$ billions and percentage)<sup>42 43 44 45</sup>**



Source: Development Finance, World Bank

30. Analyzing FIF commitments over the period FY14-FY18 by recipient country group and sector shows a large variation between sectors. For example, 100% of FIF commitments to Natural Disasters between FY14 and FY18 went to IDA countries as the only related FIF was the Haiti Reconstruction Trust Fund. In contrast, 97% of commitments from the two FIFs classified as

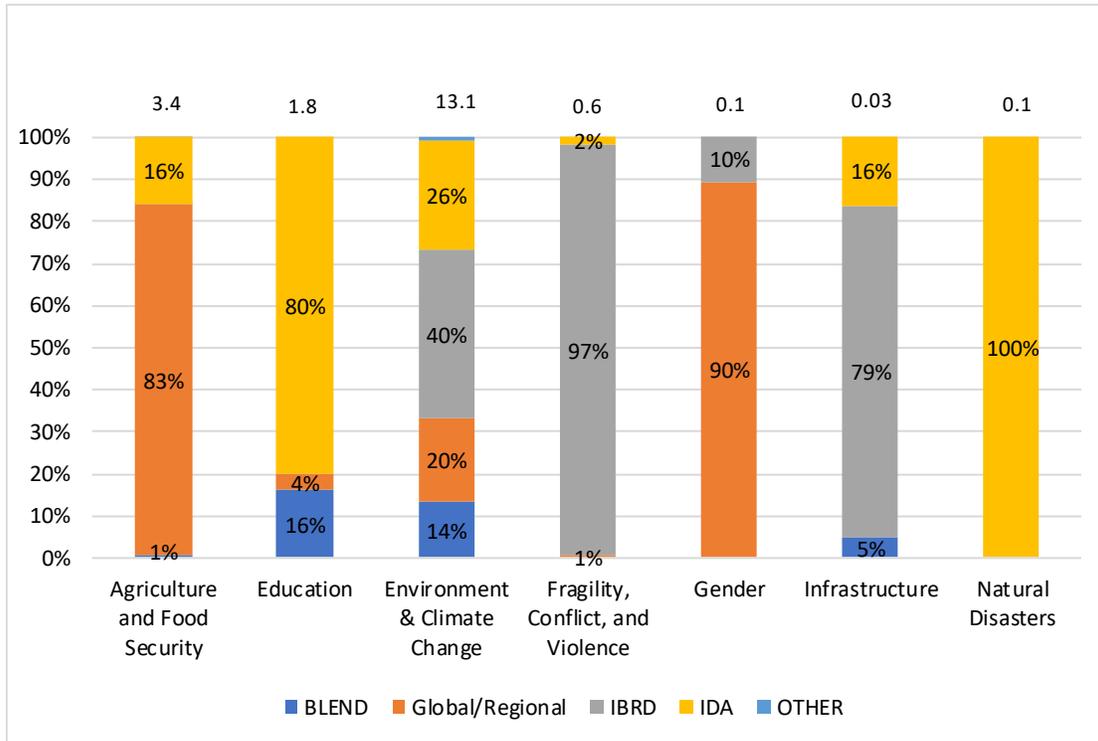
<sup>42</sup> A commitment is a financial liability created as a result of the approval of funding by a governing body of a FIF or a legally independent secretariat, based on its decision-making processes. Commitment data for GFATM, IFFIm, AMC, and DRTF are not part of the World Bank data set and are therefore not included in the chart.

<sup>43</sup> “Projects” includes all implementation activities (projects, programs, etc.). Commitments to secretariats, trustee, and agency fees are excluded.

<sup>45</sup> “Others” refers to commitments to projects in countries/territories that are non-member countries of the World Bank, such as Cuba and West Bank and Gaza.

addressing FCV went to IBRD countries over the FY14 to FY18 period, due to the focus of these FIFs on supporting transition countries in the Middle East and North Africa, and to middle income countries hosting refugee communities (MENATF and GCFF). In certain sectors, notably Agriculture and Food Security and Gender, more than 80% of commitments went to Global/Regional projects/programs over the period FY14-FY18. There is insufficient data available for the Health sector to provide a similar analysis since the majority of funds are transferred to external secretariats that then make subsequent transfers to recipients directly.

**Annex Figure 15: Commitments to projects by recipient country group and sectors FY2014-2018 (US\$ billions and percentage)** <sup>46 47 48 49</sup>



Source: Development Finance, World Bank.

31. As illustrated above, over the period FY14-FY18 80% of FIF commitments to Education went to IDA countries. Taking a deeper dive into the Education sector as an example, we can see that between FY14 and FY18 FIF commitments to education totaled \$3.98 billion, as compared to \$27.47 billion of financing to education provided by IDA and \$21.42 billion provided by IBRD.

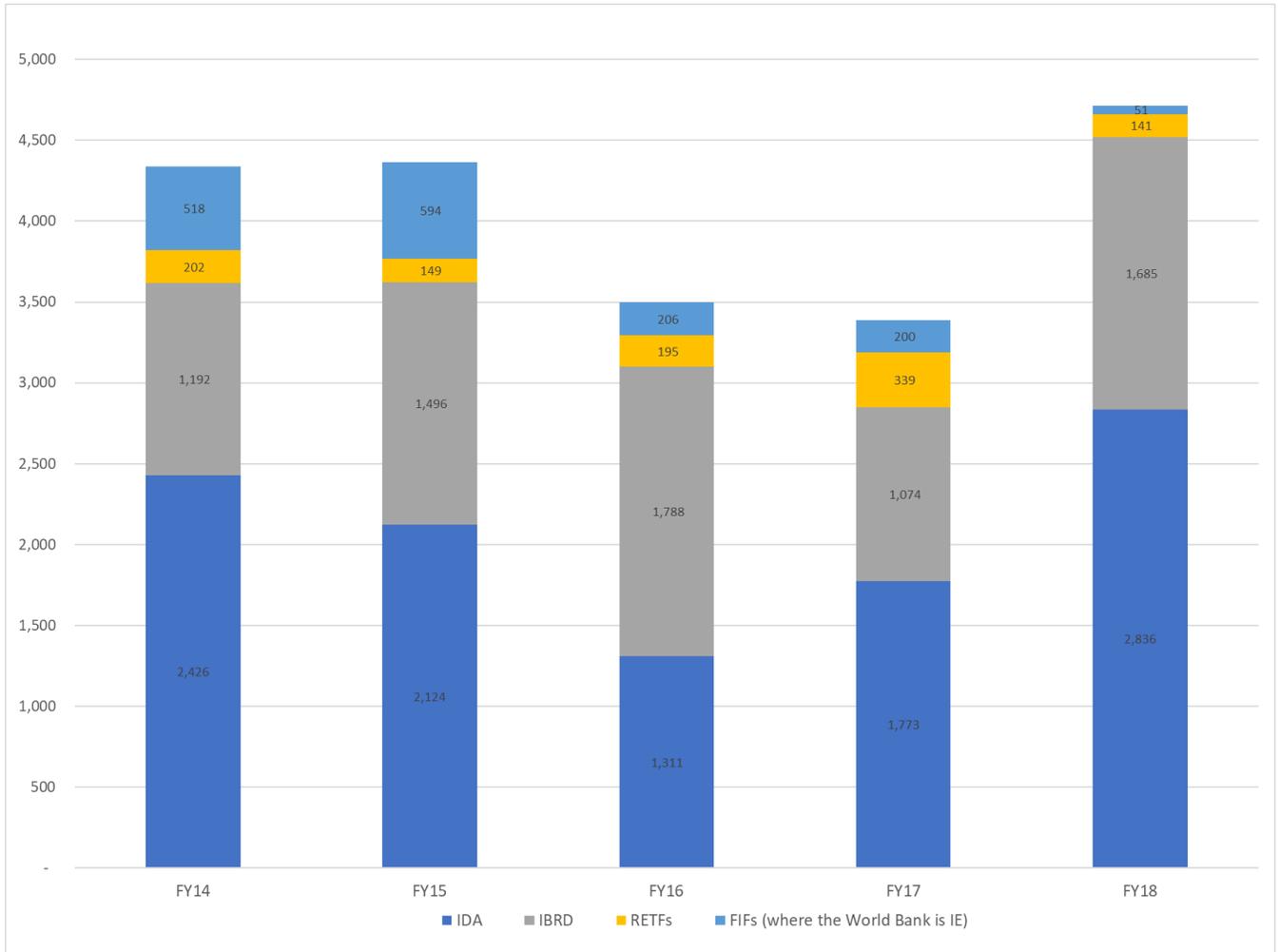
<sup>46</sup> A commitment is a financial liability created as a result of the approval of funding by a governing body of a FIF or a legally independent secretariat, based on its decision-making processes. Where funding approvals exclude specific country allocations, projects are recorded as Global/Regional.

<sup>47</sup> “Projects” includes all implementation activities (projects, programs, etc.). Commitments to secretariats, trustee, and agency fees are excluded.

<sup>48</sup> “Others” refers to commitments to projects in countries/territories that are non-member countries of the World Bank, such as Cuba and West Bank and Gaza.

<sup>49</sup> The Health Sector is excluded from the chart since commitment data for GFATM, IFFIm and AMC is not available to the World Bank. DRTF is also excluded.

**Annex Figure 16: Education Sector commitments FY14-FY18 (US\$ millions)**



Source: Development Finance, World Bank.

## Section 11: Summary of Individual FIF Objectives

32. **Adaptation Fund (AF)** was established under the Kyoto Protocol of the UN Framework Convention on Climate Change. The AF finances projects and programs that help vulnerable communities in developing countries adapt to climate change. The AF is financed in part by government and private donors, and also from a two percent share of proceeds of certified emission reductions (CERs) issued under the Protocol's Clean Development Mechanism projects. The AF's Readiness Program for Climate Finance aims to help strengthen the capacity of national and regional implementing entities to receive and manage climate financing, particularly through the fund's direct access modality. Through direct access, a modality first of this kind to be fully operational among climate funds, accredited national implementing entities are able to directly access financing and manage all aspects of climate adaptation and resilience projects, from design through implementation and monitoring.

33. **AgResults Initiative (AGR)** was established at the June 2012 G20 Summit in Los Cabos, Mexico. It is a US\$118 million multilateral initiative incentivizing agricultural innovations in research and delivery to promote global food security, health and nutrition through the design and implementation of pull mechanisms and results-based financial incentives rewarding successful, high-impact innovations and their adoption.

### 34. **Climate Investment Funds (CIFs)**

- i. **Clean Technology Fund (CTF)** (one of the Climate Investment Funds) provides new large-scale financial resources to invest in clean technology projects in developing countries, which contribute to the demonstration, deployment, and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas emissions savings.
- ii. **The Strategic Climate Fund (SCF)** one of the Climate Investment Funds, provides financing to pilot innovative approaches or to scale up activities aimed at specific climate change challenges or sectoral responses. The SCF has three targeted programs: the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Scaling up Renewable Energy in Low Income Countries Program (SREP). FIP grants and low-interest loans, channeled through partner MDBs, are empowering countries to achieve the triple win of being good for forests, good for development and good for the climate. PPCR funding for climate change adaptation and resilience building is supporting over 2.8 million beneficiaries, including over 1.4 million women. SREP is one of the biggest global funders of mini-grids with over \$200 million for projects in 14 countries, accounting for a quarter of total SREP allocations of \$818 million.

35. **Climate Risk and Early Warning Systems Initiative (CREWS)** announced by France in Sendai in March 2015, was officially launched at the COP21 in Paris as part of the 'solutions agenda'. The initiative aims to raise USD 100 million by 2020 to strengthen multi-hazards early warning systems, in least developed countries and small island developing states. CREWS projects are implemented by the World Bank (WB), through a special program managed by the World Bank's Global Facility for Disaster Reduction and Recovery (GFDRR), the World Meteorological Organization (WMO) and United Nations Office for Disaster Risk Reduction (UNISDR). WMO

provides secretariat services, and the World Bank serves as trustee. The CREWS implementing partners are committed to further enhance the initiative by building capacity across stakeholder groups, supporting interagency coordination and leveraging significant resources from IDA/ IBRD loans, as well as other development partners or Initiatives (such as for example the Green Climate Fund and Global Environmental Facility) to reduce risk and build climate resilience.

36. **Coalition Epidemic Preparedness Innovations (CEPI)** was officially launched in Davos in January 2017 as a global mechanism to explore and develop new ways to stimulate, finance and co-ordinate vaccine development against priority public health threats, in alignment with the WHO R&D Blueprint for action to prevent epidemics. CEPI is an innovative partnership between public, private, philanthropic and civil organizations that will advance vaccine development and enable their full trials and emergency deployment in outbreaks as well as support the long-term development of epidemic vaccine preparedness within the country's most at risk from epidemic threats. As epidemics disproportionately affect low-income countries, CEPI aims to ensure that the vaccines it helps to develop are affordable, so that price is never a barrier to access, and they are available to populations with the most need.

37. **CGIAR** is a global research partnership for a food-secure future. CGIAR's science is dedicated to reducing poverty, enhancing food and nutrition security, and improving natural resources and ecosystem services. Its research is carried out by 15 CGIAR centers in close collaboration with hundreds of partners, including national and regional research institutes, civil society organizations, academia, development organizations and the private sector. CGIAR works to advance agricultural science and innovation to enable poor people, especially women, to better nourish their families, and improve productivity and resilience so they can share in economic growth and manage natural resources in the face of climate change and other challenges.

38. **Debt Relief Trust Fund (DRTF), formerly known as Heavily Indebted Poor Countries (HIPC):** On November 7, 1996, the executive directors of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) approved the establishment of the Debt Relief Trust Fund, formerly the Heavily Indebted Poor Countries (HIPC) Debt Initiative Trust Fund (name changed as per an amendment dated October 6, 2008), to be administered by IDA. The trust fund provides financial support to participating multilateral regional and sub-regional credit institutions to assist them in achieving their agreed share of debt relief to eligible HIPCs on debt owed to such institutions. The resources available in the trust fund consist of contributions from participating multilateral creditors and bilateral donors, and investment income earned on undisbursed contributions.

39. **Global Agriculture and Food Security Program (GAFSP)** The Global Agriculture and Food Security Program (GAFSP) is a multilateral mechanism to assist in the implementation of pledges made by the G20 in Pittsburgh in September 2009. The objective is to improve incomes and food and nutrition security in low-income Countries by boosting agricultural productivity. Approximately 75% of the poor live in rural areas and most depend on agriculture for their livelihoods. Agriculture growth is two to four times more effective at reducing poverty than growth in any other sector. Following aid-effectiveness principles, GAFSP addresses the underfunding of country and regional agriculture and food security strategic investment plans that are already being developed by countries in consultation with donors and other stakeholders at the country-level.

GAFSP works in partnership with African Development Bank, Asian Development Bank, FAO, Inter-American Development Bank, IFAD, World Bank, and the World Food Program.

#### 40. **Global Environment Facility Family of Funds**

- i. **Global Environment Facility (GEF)**, established on the eve of the 1992 Rio Earth Summit, is a catalyst for action on the environment and much more. Through its strategic investments, the GEF works with partners to tackle the planet's biggest environmental issues. GEF funding also helps reduce poverty, strengthen governance and achieve greater equality between women and men. As such, it occupies a unique space in the global partnership for a more sustainable planet. The GEF is (i) a unique partnership of 18 agencies--including United Nations agencies, multilateral development banks, national entities and international NGOs-- working with 183 countries to address the world's most challenging environmental issues. The GEF has a large network of civil society organizations works closely with the private sector around the world, and receives continuous inputs from an independent evaluation office and a world-class scientific panel; (ii) a financial mechanism for five major international environmental conventions: the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Convention on Biological Diversity (UNCBD), the United Nations Convention to Combat Desertification (UNCCD), the Stockholm Convention on Persistent Organic Pollutants (POPs) and the Minamata Convention on Mercury; (iii) an innovator and catalyst that supports multi-stakeholder alliances to preserve threatened ecosystems on land and in the oceans, build greener cities, boost food security and promote clean energy for a more prosperous, climate-resilient world, leveraging \$5.2 in additional financing for every \$1 invested.
- ii. **Least Developed Countries Fund (LDCF)** managed by the GEF, was established in November 2001 by 194 parties to the United Nations Framework Convention on the Climate Change to address the needs of least developed countries whose economic and geophysical characteristics make them especially vulnerable to the impact of global warming and climate change. The LDCF was designed to address the special needs of the Least Developed Countries (LDCs) under the UNFCCC. As part of its mandate, it helps countries prepare and implement National Adaptation Programs of Action (NAPAs). NAPAs are country-driven strategies that identify the most immediate needs of LDCs to adapt to climate change. Target sectors include water; agriculture and food security; health; disaster risk management and prevention; infrastructure; and fragile ecosystems. The LDCF focuses on reducing the vulnerability of key sectors identified through the NAPA process, financing on-the-ground adaptation activities that provide concrete results in support of vulnerable communities.
- iii. **Special Climate Change Fund (SCCF)**, managed by the GEF, was established in response to guidance from the Conference of the Parties (COP7) in Marrakech in 2001. The SCCF complements the Least Developed Countries Fund (LDCF). The Special Climate Change Fund (SCCF) supports adaptation and technology transfer in all developing country parties to the UNFCCC, supporting both long-term and short-term adaptation activities in water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and

integrated coastal zone management. In addition, it funds a wider range of activities related to climate change. Adaptation is the top priority but the SCCF also funds, through separate financing windows, technology transfer and mitigation in selected sectors including: energy, transport, industry, agriculture, forestry and waste management; and economic diversification.

- iv. **Nagoya Protocol Implementation Fund (NPIF)** is a fund to help developing countries ratify and implement a key international agreement to conserve and sustainably use biodiversity. Establishment of the Nagoya Protocol Implementation Fund came after the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization was opened for signature at the United Nations headquarters in New York. The Nagoya Protocol establishes the ground rules for how nations should cooperate to access and to share the many benefits that come from the sustainable utilization of genetic resources of all living organisms. The NPIF trust fund, managed by GEF was closed to receiving new contributions from donors after June 30, 2014. NPIF remains active with the monitoring roles over the projects under implementation.
- v. **Capacity Building Initiative for Transparency (CBIT):** As part of the Paris Agreement, parties to the United Nations Framework Convention on Climate Change (UNFCCC) have agreed to establish a Capacity-Building Initiative for Transparency (CBIT). The CBIT aims to strengthen the institutional and technical capacities of developing countries to meet the enhanced transparency requirements in the Paris Agreement, leading up to 2020 and beyond. COP 21 decided that the aim of CBIT is to: (i) strengthen national institutions for transparency-related activities in line with national priorities; (ii) provide relevant tools, training and assistance for meeting the provisions stipulated in Article 13 of the Agreement; and (iii) assist in the improvement of transparency over time. The GEF, which operates as the financial mechanism for the climate convention, manages the CBIT trust fund. As per the agreed sunset provisions, the CBIT trust fund was closed to receiving new contributions from donors after October 31, 2018. The trust fund remains active to monitor projects under implementation and expected to be terminated by December 31, 2024. Currently the new efforts of CBIT have been integrated with GEF's climate change support for GEF-7, financed by the GEF Trust Fund under regular replenishment.

41. **Global Fund for AIDS, Tuberculosis and Malaria (GFATM)** is a 21st-century partnership organization designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. Founded in 2002, the Global Fund is a partnership between governments, civil society, the private sector and people affected by the diseases. The Global Fund raises and invests nearly US\$4 billion a year to support programs run by local experts in countries and communities most in need.

42. **Global Infrastructure Facility (GIF)** creates a global platform for collaboration among public and private partners and supports high-quality preparation, financial structuring and risk mitigation for infrastructure projects in emerging markets and developing economies (EMDEs). This support will focus on complex infrastructure projects with strong potential to achieve financial viability and sustainability and to attract long-term private capital. The primary objective

of the GIF is to increase private investment, in particular long-term finance, in complex EMDE infrastructure projects.

43. **Global Partnership for Education (GPE)** was established initially in 2002 as the Education for All Fast Track Initiative (EFAFTI), with financing provided by a series of related trust funds. In 2011, it was rebranded to become GPE and the GPE Fund (GPEF) was established. GPE is a multi-stakeholder partnership and funding platform that aims to strengthen education systems in developing countries, in order to dramatically increase the number of children who are in school and learning. GPE brings together developing countries, donors, international organizations, civil society, teacher organizations, the private sector and foundations. GPE has adopted as its vision the new Global Goal for education, calling for inclusive, equitable quality education for all by 2030. GPE 2020, GPE's strategic plan for the period 2016-2020, turns this vision into actionable goals and objectives. At the national level, GPE brings together all education partners in a collaborative forum called the local education group (LEG), led in most instances by the Developing Country Partner's ministry of education. The LEG participates in the development, implementation, monitoring and evaluation of education sector plans and programs. A coordinating agency is selected among its members to facilitate the work of the LEG. Additionally, a grant agent is chosen by the government and concurred with by the LEG to oversee the implementation of GPE grants. At the global level, the GPE governance structure includes the Board of Directors and its Chair, five Board committees, and the Secretariat headed by a Chief Executive Officer. GPE currently has 67 Developing Country Partners, with the potential for up to 89 countries to join the Partnership.

44. **The Green Climate Fund (GCF)** is a unique global initiative to respond to climate change by investing in low-emission and climate-resilient development. GCF was established as a legally independent organization by 194 governments to limit or reduce greenhouse gas emissions in developing countries, and to help adapt vulnerable societies to the unavoidable impacts of climate change. Given the urgency and seriousness of the challenge, the GCF is mandated to make an ambitious contribution to the united global response to climate change.

45. **Guyana Redd Plus Investment Fund (GRIF)** is a multi-contributor trust fund for the financing of activities identified under the Government of Guyana's Low Carbon Development Strategy (LCDS). Pending the creation of an international REDD+ mechanism, the GRIF represents an effort to create an innovative climate finance mechanism which balances national sovereignty over investment priorities while ensuring that REDD+ funds adhere to the highest internationally recognized standards for financial, environmental and social safeguards. The GRIF was established in October 2010, with the World Bank as trustee, following an agreement signed between Guyana and Norway in November 2009, in which Norway agreed to provide Guyana up to US\$250 million by 2021 in performance-based payments for avoided deforestation in support of Guyana's LCDS.

46. **Haiti Reconstruction Fund (HRTF):** In response to a March 2010 request from the Government of Haiti (GoH), the Inter- American Development Bank (IDB), the United Nations (UN) and the World Bank, along with contributing donors, established a multi-donor fund called the Haiti Reconstruction Fund (HRF or "the Fund"). The role of the HRF is to support the GoH's post-earthquake Action Plan for the Recovery and Development of Haiti and related initiatives. At the GoH's request, the International Development Association (IDA) of the World Bank Group

will serve as trustee for the fund. The advantages of this multi-donor approach are that it: (i) increases harmonization by pooling resources from many donors in support of the Government's recovery plan; (ii) draws on the comparative advantages of proven international (IDB, UN and World Bank) and locally-active partners that are eligible to implement according to a partner entity's rules and procedures; (iii) reduces transaction costs for the government and donors by working through one funding facility; (iv) avoids overlapping initiatives and duplication of efforts; and (v) helps to meet strategic financing needs in the reconstruction process as identified by the Government of Haiti.

47. **International Finance Facility for Immunization (IFFIm)** was set up in 2006 to rapidly accelerate the availability and predictability of funds for GAVI's immunization program for children in developing countries.

48. **Global Concessional Financing Facility FIF (GCFF):** The objective of the Global Concessional Financing Facility FIF (GCFF) is to support middle income countries impacted by the influx of refugees through the provision of concessional financing and improved coordination for development projects addressing the impact of the influx of refugees. GCFF bridges the gap between humanitarian and development assistance; it enhances coordination between the United Nations, multilateral development banks, refugee host countries, and donors to address shared priorities; it strengthens resilience of countries impacted by refugee crises by assisting both host communities and refugees; and it supports policy reforms and programs in areas such as education, health, and job creation to create sustainable development outcomes.

49. **Middle East and North Africa Transition Fund (MENATF)** objective is to improve the lives of citizens in Arab Spring transition countries, and to support the transformation currently underway in several countries in the region. This is achieved by providing grants for technical cooperation to strengthen governance and public institutions and foster sustainable and inclusive economic growth by advancing country-led policy and institutional reforms.

50. **Pandemic Emergency Financing Facility (PEF)** is an innovative insurance-based mechanism which provides the needed surge funding to the world's poorest countries to help prevent disease outbreaks from becoming pandemics, thereby saving lives and money, and protecting economies. PEF funding under the insurance window is provided by resources from the reinsurance market and the proceeds of catastrophe bonds issued by IBRD. The PEF also includes a cash window to complement the insurance window.

51. **Pilot Auction Facility for Methane and Climate Change Mitigation (PAF)** is an innovative climate finance model developed by the World Bank Group to stimulate investment in projects that reduce greenhouse gas emissions while maximizing the impact of public funds and leveraging private sector financing. Its results-based payment mechanism sets a floor price for future carbon credits in the form of a tradeable put option, which is competitively allocated via auctions. The establishment of the facility was an outgrowth of the Methane Finance Study Group Report, delivered to the G8 Summit in 2013 as a result of its request for innovative pay for performance approaches to addressing methane. In its design and development phase the facility benefited from the support of Partners in the Climate and Clean Air Coalition. To date the PAF has conducted three auctions (two targeting methane abatement projects and one for nitric acid abatement projects).

52. **Pneumococcal Advance Market Commitment (AMC)** is an innovative financing mechanism that helps accelerate global roll out of vaccines against world's leading cause of child deaths in 60 of the world's poorest countries.

53. **Women Entrepreneurs Financing Initiative (WEFI):** Women entrepreneurs play a critical role in economic development by creating jobs and boosting growth. However, women face numerous challenges to financing, owning and growing a business, including access to capital and technology, lack of networks and knowledge resources, limited market linkages, challenging social and cultural norms, as well as legal, regulatory and policy obstacles to business ownership and development. The objective of the We-Fi is initiative to address financial and non-financial constraints faced by women-owned/led small and medium firms in IDA and IBRD eligible countries and territories. The We-Fi aims to achieve this by mobilizing more than \$1 billion in commercial and international financial institution (IFI) finance for entities that provide women entrepreneurs with access to debt, equity, venture capital, insurance products, capacity building, networks and mentors, and opportunities to link with domestic and global markets; and for governments to improve the business environment for women owned/led small and medium firms.

## Section 12: Potential FIFs under Development (as of May 7, 2019)

54. **International Finance Facility for Education (IFFEd):** The idea for an International Finance Facility for Education (IFFEd) arose from the recommendations of the Education Commission, co-convened by the Prime Minister of Norway, Director-General of UNESCO, and Presidents of Indonesia, Chile and Malawi, and which were launched at the UN General Assembly. IFFEd is expected to mobilize financing through MDBs to help close the education financing gap in lower-middle-income countries (LMNICS). An initial group of four MDBs have agreed to be part of IFFEd: the African Development Bank, Asian Development Bank, Inter-American Development Bank and IBRD (subject to internal clearances and Board approval). The facility is aiming to unlock \$10 billion additional MDB lending in the next 5 years across the MDB system.

55. IFFEd proposes to address two challenges faced by MDBs: 1) limited capital in MDBs and 2) limited demand for non-concessional loans for education in LMICs. It would address the capital constraint by using guarantees (and some cash) from contributing donors to provide portfolio insurance to the MDBs, thereby increasing their capacity to lend. It would address the demand constraint by providing grants to soften the terms of loans for LMICS. IFFEd will be funded through cash, contingent commitments and grants from sovereign donors. Denmark, the European Commission, the Netherlands, Norway, Sweden and the UK are actively considering funding IFFEd. Japan and the UAE have also expressed interest. The USA may provide accompanying grants in selected LMICs. Other countries such as Canada and other donors are considering joining the mechanism at a later date.

56. IFFEd is planned to be established as an independent non-profit legal entity and will seek to obtain a AAA credit rating from two credit rating agencies. The World Bank has been asked to serve as IFFEd's trustee (subject to World Bank Board approval), managing and investing the facility's cash holdings, collecting its revenues and contributions from funders, and transferring funds to the partner MDBs according to well-established rules and procedures. Whenever a participating MDB makes an eligible education loan, it would receive from IFFEd: 1) a cash grant to be included in the financing package going to the borrower (making the loan more concessional), and 2) a certain amount of portfolio coverage to protect the MDB against non-accrual events, effectively freeing-up its capital for more borrowing and lending.

57. A team of World Bank finance partner and legal specialists has been working on the Bank's due diligence of the proposal. Once the initial assessments of IFFEd by the two credit rating agencies is completed, the final design of IFFEd will be submitted to the Finance and Risk Committee and the Operations Committee. The final proposal for the World Bank's involvement with IFFEd as a Participating MDB (recipient of funds and portfolio coverage) and trustee of the IFFEd trust fund will be submitted to the World Bank Board for approval.

## **Annex 2: Climate Risk and Early Warning Systems Initiative: Information Note on Establishment of a Financial Intermediary Fund**

### **I. Introduction**

1. **This note provides information to Executive Directors on the World Bank’s engagement in the Climate Risk and Early Warning Systems (CREWS) Initiative and the establishment of a Financial Intermediary Fund (FIF) trust fund to support CREWS.** The Bank acts as Trustee for the FIF and provides support, alongside other organizations, for the implementation of activities funded by the CREWS Initiative. Section II of this note provides background on the CREWS, Section III presents a description of the CREWS Initiative governance, implementation and rationale for the Bank’s involvement, Section IV outlines cost recovery arrangements; and risks and mitigation actions are discussed in Section V.

### **II. Background**

2. **Every year, disasters caused by weather, water and climate extremes lead to significant loss of life and negative socio-economic impacts, hampering poverty reduction and sustainable development, particularly in resource-constrained countries<sup>50</sup>.** From 1970-2012, close to 2 million deaths and USD 2.4 trillion of economic losses were reported globally as a result of droughts, floods, windstorms, tropical cyclones, storm surges and extreme temperatures alone<sup>51</sup>.

3. **International attention towards the need for strengthened early warning increased significantly after the Indian Ocean Tsunami in December 2004, highlighted in the subsequent (January 2005) adoption of the Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities.** In March 2015, in the Sendai Framework for Disaster Risk Reduction 2015-2030, the international community committed to reinforce its action in order to achieve the following early warning related target: “Substantially increase the availability of and access to multi-hazard Early Warning System – MHEWS and disaster risk information and assessments to the people by 2030.” Moreover, the 2030 Agenda for Sustainable Development commits through a number of goals to reduce vulnerability and strengthen resilience and adaptive capacity to climate-related hazards and extreme events.

4. **MHEWS, as a critical component of effective disaster preparedness, can help substantially reduce the losses of life and livelihoods caused by hydro-meteorological hazards.** To address long-term drivers of risk, countries and communities need access to reliable risk information across timescales, as well as the capacity to use this information to inform effective risk management investment and optimize economic production. Countries that are most vulnerable to the impact of climate and weather extremes often have the lowest early warning

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<sup>50</sup> Tanner, T.M., Surminski, S., Wilkinson, E., Reid, R., Rentschler, J.E., and Rajput, S. (2015) The Triple Dividend of Resilience: Realizing development goals through the multiple benefits of disaster risk management. Global Facility for Disaster Reduction and Recovery (GFDRR) at the World Bank and Overseas Development Institute (ODI), London.  
[www.odi.org/tripledividend](http://www.odi.org/tripledividend)

<sup>51</sup> WMO, CRED, UCL (2014). Atlas of Mortality and Economic Losses from Weather, Climate and Water Extremes. World Meteorological Organization, WMO-No. 1123, Geneva, Switzerland

capabilities, due to poorly functioning National Meteorological and Hydrological Services (NMHSs), weak or non-existent dissemination systems, and lack of effective emergency planning and preparedness. Over the past 20-30 years, underfunding and low visibility, among other factors, have significantly compromised MHEWS development and sustainability in many developing countries. Overall, observation networks have deteriorated, technology is outdated, modern equipment and forecasting method are lacking, the quality of services is poor, support for research and development is insufficient, and workforces of trained specialists have been eroded. In addition, many NMHSs have struggle to transition from purely scientific institutions into service delivery agencies.

5. **Four elements have to be present to ensure effective MHEWS.** These are: (i) monitoring, detection and forecasting of hydro-meteorological hazards providing lead-times for action; combined with (ii) analysis of risks; (iii) dissemination of timely and authoritative information; and (iv) activation of emergency plans to prepare and respond<sup>52</sup>. The capacities of different countries and regions to implement early warning systems remain highly varied within Least Developed Countries (LDCs) and Small Island Developing States (SIDS), both particularly susceptible to weaknesses in their ability to issue critical warnings to the national and local authorities and residents quickly, reliably, accurately and in an easily understandable format. Many investments in NMHSs have failed to make significant impact because they focused on providing equipment rather than considering overall institutional context, capacity building and infrastructure modernization necessary to provide a better level of operational warning services.

6. **A sound risk reduction strategy for investments should include ensuring the capacity of the regional network of the World Meteorological Organization (WMO) specialized centers to effectively produce the guidance, know-how and products that could be channeled through these centers to support NMHSs.** This support to the regional network should include: (a) access to high quality national observations; (b) access to forecast products and analytical tools; (c) on-demand human operational guidance in case of high-impact events; (d) on-the-job training in all aspects of the operations; and (e) institutional “twinning” that pairs more advanced NMHSs<sup>53</sup> with developing and sustaining the NMHSs in LDCs and SIDS over a long period. In many developing and least developed countries, this type of overhaul is a major undertaking (World Bank/GFDRR publications “Weather and Climate Resilience: Effective Preparedness through NMHS” 2013 and “Weathering the Change. How to Improve Hydromet Services in Developing Countries”, 2019).

7. **The Sendai Framework for Disaster Risk Reduction 2015-2030 underscores the need to strengthen MHEWS, especially by enhancing their hydrometeorological warning service linked to strengthened emergency preparedness in order to better prepare for hydrometeorological and climate related hazards. In light of these challenges, the CREWS initiative is a direct contribution to the target seven of the Sendai Framework, which states the need to “Substantially increase the availability of and assessment to the people by 2030.”**

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<sup>52</sup> Third International Conference on Early Warning: <http://www.UNDRR.org/2006/ppew/info-resources/ewc3/checklist/English.pdf>

<sup>53</sup> The WMO is a membership-based specialized UN agency, with member states generally represented by their NMHSs in its governance mechanism, the World Meteorological Congress. Among other responsibilities, WMO fosters cooperation between NMHSs

It also contributes to the Disaster Risk Reduction Priority area of the Global Framework for Climate Service (GFCS)<sup>54</sup> and supports the International Network on Multi-Hazard Early System (IN-MHEWS), a multi-stakeholder partnership launched at the Third United Nations World Conference on DRR (WCDRR).

### III. Description of the Climate Risk and Early Warning Systems Initiative

#### A. Purpose of the CREWS Initiative

8. **The CREWS initiative supports Least Developed Countries (LDCs) and Small Island Developing States (SIDS) to significantly increase the capacity to generate and communicate effective, impact-based, multi-hazard, gender-informed early warnings to protect lives, livelihoods, and assets.** The rationale for the CREWS is the recognition that the casualty risk for hydrometeorological hazards<sup>55</sup> that is the number of people at risk of losing their lives—is increasing in LDCs and SIDS. It is a trend that is both unacceptable and reversible. In most developed countries, the number of lives lost to hydrometeorological events is trending down due to progress in reducing the risk associated with disasters through enhanced capacity to predict extreme events and to alert exposed populations. A compounding factor is the high exposure of LDCs and SIDS to climate change impacts and the related increase in the intensity and frequency of extreme events<sup>56</sup>. Reversing the trend in LDCs and SIDS requires increased investment in preparedness and risk reduction. Underpinning CREWS is a multi-donor trust-funded instrument (FIF) that supports this work in LDCs and SIDS. The CREWS’ aims are to increase international financial and technical support to these countries and improve the efficiency and effectiveness of existing hydrometeorological investments. Countries and international partners have been calling for better exchange of information, longer term and integrated planning around early warning systems, as well as the alignment of efforts to measure the impacts of coordination and investments, in this area of work, based on a common set of indicators. The first CREWS Investment Plan proposes a program of work for 2016-2020, an indicative list of countries for initial support with an outline of the expected results. The Investment Plan provides a list of pipeline countries, with high risk, limited capacity to predict disaster and generate warnings, for which priority investment would be required in the future.

9. **To maximize efficiency and reduce overhead costs, CREWS draws on the existing partnerships’ networks and expertise, as well as the coordination, operational and financial management capacities of its three Implementing Partners:** World Meteorological Organization (WMO), World Bank and its Global Facility for Disaster Reduction and Recovery (GFDRR) and the United Nations Office for Disaster Risk Reduction (UNDRR).

10. **The CREWS initiative will build on the outcomes of other programs in the areas of risk information and risk assessment, including linking hazard information to exposure and vulnerability information and tracking associated damages and losses.** It is primarily focused

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<sup>54</sup> The GFCS, launched in 2009 in Geneva at the “World Climate Conference 3”, aims to supply climate services (data, forecasts and analysis), expand the globally coordinated network of WMO to other global producing centers, and establish a network of regional climate centers to enable cascading of climate technologies through provision of relevant and useful climate services to National Meteorological and Hydrological Services (NMHSs). For more information: <http://www.gfcs-climate.org/>

<sup>55</sup> UNDRR 2015. Global Assessment Report (GAR). World Bank 2013. Strong, Safe, and Resilient: A Strategic Policy Guide for Disaster Risk Management in East Asia and the Pacific

<sup>56</sup> Intergovernmental Panel on Climate Change 2015. Fifth Assessment Report

on low income countries and small island developing states, while also leveraging resources to strengthen the cascading system of WMO global and regional centers that support them.

11. **CREWS will fund a range of technical assistance (TA) activities facilitating and leveraging significant integrated investments at the national level and support small scale high priority investments such as upgrade of ICT or critical observation infrastructure on the national and regional level.** Selection criteria for awarding the grants include the following:

- (a) exposure to risks of natural hazards;
- (b) status of hydromet and early warning services;
- (c) government commitment to support NMHSs and Disaster Risk Management (DRM) agencies;
- (d) leveraging potential of the grant;
- (e) on-going or planned activities in the sector; and
- (f) engagement in regional and global initiatives.

## **B. Governance Structure and Bank's Engagement**

12. **The CREWS Initiative has a governance structure consisting of a Steering Committee, a Secretariat, a Trustee and Implementing Partners.** In its capacity as trustee, the Bank has established the CREWS FIF trust fund to receive and hold contributions, and transfer them to CREWS Implementing Partners. The Bank, with GFDRR as coordinator, also serves as an Implementing Partner, receiving funds from the CREWS FIF to implement projects and programs in client countries..

13. ***Steering Committee:* The Steering Committee (SC) serves as the decision-making body of the CREWS Initiative and oversees the overall activities funded out of the CREWS Trust Fund. It comprises Decision-making Members and Observers. The Steering Committee will meet physically at least once annually to discharge its responsibilities. Decisions by the Steering Committee are made by consensus.** The Decision-making Members comprise a representative and an alternate from each of the Contributors to the CREWS Trust Fund. Observers comprise of a representative of the Trustee, a representative from the Secretariat, and a representative from each Implementing Partner (including the Bank); observers may participate in Steering Committee meetings but not in a decision-making capacity.

14. ***Secretariat:* The Secretariat has been established to support the work of the Steering Committee, comprising a small team of professional and administrative staff.** The Secretariat is hosted by WMO in Geneva under WMO management and applicable policies and procedures. The Secretariat is also accountable to the Steering Committee for the performance of its functions.

15. ***Trustee:* The World Bank, in its capacity as the Trustee, established the CREWS Trust Fund that supports the CREWS Initiative to receive Contributions and holds in trust, as a legal owner, and administer the funds, assets and receipts that constitute the Trust Fund pursuant to the terms of the Contribution Agreements.** The Trustee operates as part of the World Bank under World Bank management and applicable policies and procedures and is also accountable to the Steering Committee for the performance of its functions.

16. **Implementing Partners:** In the initial phase (from inception until as determined by the Steering Committee) the Designated Implementing Partners are limited to WMO, UNDRR and World Bank (IBRD, acting through GFDRR). To become an Implementing Partner for CREWS and receive funds from the Trust Fund, any additional Implementing Partners would need the Steering Committee’s approval and enter into an appropriate Financial Procedures Agreement (FPA) with the World Bank as Trustee.

### C. Implementation

17. **The first phase of the CREWS initiative will be implemented over a period of eight years, to 2025 (with five years for project commitments and allowing three years for project completion) with an expected total financial contribution of USD 100 million.** As of May 1, 2019, USD\$41 million in contributions had been received.

18. **Decisions on budget allocations are made by the SC, on the basis of Annual work programs submitted by the Implementing Partners through the Secretariat.** The SC is expected to meet at least annually, with funding decisions made virtually if needed. As of May 1, 2019, USD\$25.5 million had been committed for projects, programs and administrative costs.

19. **Each Implementing Partner is responsible to the SC for the use of funds transferred by the Trustee and activities carried out therewith in accordance with: (a) its own policies, guidelines, and procedures, including its framework to combat fraud and corruption; and (b) the applicable decisions of the SC, including the purpose for which the allocations of the funds have been approved.** Upon the transfer of funds to the relevant Implementing Partner, the Bank as Trustee has no responsibility, fiduciary or otherwise, for the use of the funds including implementation or supervision of CREWS activities financed by such funds, results achieved, etc.

### D. Rationale for Bank Involvement

20. **The World Bank has played a key role in recent years to bring attention to the economic benefits of hydromet services and the need to scale up investment in this area.** Since the mid-1990s, the World Bank's support has expanded in volume and scope. Projects have increasingly adopted a comprehensive, NMHS’s-wide systems approach – encompassing institutional strengthening and capacity building, modernization of observational infrastructure, and improvement of service delivery based on better links with end users – in order to build institutions that are effective and valued.

21. **The WBG/GFDRR jointly with WMO is facilitating improvement of donor coordination in this area. Case studies show that so far support to the sector is below high priority needs, and that existing interventions tend to be not well coordinated between donors and too short in duration to achieve sustainable outcomes.** Development Partner Coordination Conferences on Hydromet Modernization conducted jointly with WMO and other partners in Geneva in April 2016 and 2018 formulated the guiding principles/good practices and recommended to establish the Alliance for Hydromet Development. The Alliance is expected to create a high-level shared commitment between major development partners and WMO to scale

up and increase effectiveness of development cooperation for reliable weather forecasts, early warning systems and climate services. In its Implementing Partner role, the WBG/GFDRR bring its operational experience as a grant making facility; its ability to effectively link the grant funding with broader development support, mostly through IDA funding, thus scaling up the development impact of Bank operations (in particular IDA) and ensuring long-term sustainability.

22. **The use of the FIF structure provides a cost-effective, flexible mechanism for multiple donors to support activities to be implemented by a range of international partners, each using its own policies and procedures.** Under CREWS, the two other Implementing Partners (i.e. WMO and UNDRR) are expected to receive the largest share of the allocated funding.

#### IV. Cost Recovery

23. **The Bank's full administrative costs as Trustee is recovered in accordance with Bank policy and procedure for FIFs;** costs in the first year of operation include the Bank's start-up costs. The costs of the Secretariat (hosted within WMO) is recovered through administrative budgets approved by the Steering Committee and funded by the resources of the FIF. As of May 1, 2019, USD\$2.35 million had been approved for administrative budgets through FY19.

24. **The costs incurred by the Bank as an Implementing Partner in preparing and monitoring recipient-executed projects, and of other Implementing Partners is recovered in accordance with the cost-recovery policies and practices of the respective Implementing Partners.**

#### V. Potential Risks to the Bank and Proposed Risk Mitigation Measures

25. **Strategic Risks: Duplication of existing initiatives. Early warning is an activity area of the proposed Global Preparedness Partnership between the Bank, UNDP, OCHA, FAO, and the Vulnerable Twenty Group (V20) of countries (an affiliation of climate vulnerable countries that has now grown past the original 20).** The Bank has embarked on an Africa and Asia Regional Hydromet Programs in partnership with WMO, African Development Bank, DFID, UNDP and other development partners. In order to mitigate this risk, World Bank engagement in CREWS is strategically aligned to ensure that CREWS investments are: (i) complementary to specific activities funded by GFDRR trust funds; and (ii) complementary to early warning/hydromet investments supported by IBRD/IDA lending operations. To increase efficiency of the targeted CREWS funding and avoid duplication of efforts, the Bank is improving and scaling up collaboration with the WMO which is another CREWS' Implementing Partner. In the recently signed WB/WMO Action Plan it was agreed to scale up joint preparation and implementation of the CREWS projects. CREWS is also one of the mechanisms that will form the Alliance for Hydromet Development, a cooperation framework between development partners involved in the hydromet agenda.

26. **Operational Risk: Perceptions of conflict arising from the multiple roles for the Bank would be mitigated through clear communication of the Bank's various roles, and associated responsibilities and accountabilities.**

- In order to mitigate this risk, the Bank's role as Implementing Partner, and as Trustee are internally separated. In none of these capacities would the Bank determine decisions

on funding allocation made by the SC, on which the Bank, as Trustee, has only a non-decision-making role. Additionally, the Bank is already involved in other similar FIF initiatives and has developed the implementing partner (RETF/BETF) and trustee (FIF) internal processes respectively, communication strategies, and overall expertise to effectively mitigate these risks thus establishing a track record of credibility with other development partners. The proposed design of the CREWS FIF reflects the Bank's Directive on the Management Framework for Financial Intermediary Funds.

## **Annex 3: Information Note on Capacity Building Initiative for Transparency (CBIT) within the GEF**

### **I. Introduction**

1. This note provides information to the Executive Directors on the World Bank's engagement in the Capacity Building Initiative for Transparency (CBIT) within the Global Environment Facility (GEF), and the establishment of a Financial Intermediary Fund (FIF) with the Bank serving as Trustee for CBIT. It's establishment was approved by World Bank Management and the GEF Council but not shared with the World Bank Board earlier due to an oversight.

2. The CBIT FIF is similar to that of LDCF<sup>57</sup>, SCCF, NPIF under the GEF umbrella and follows the established operating policies and procedures of the CBIT FIF. Section II of this note provides background on the CBIT, Section III presents the objective of the CBIT FIF and Section IV provides an overview of implementation of CBIT activities; Section V outlines the governance arrangement for CBIT FIF and Section VI provides the cost recovery arrangement; Section VII describes the Termination provisions of CBIT; and risks and mitigation actions are discussed in Section VIII.

### **II. Background**

3. The Paris Agreement was adopted at the Twenty-First Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change (UNFCCC). Paragraph 84 of the COP decision adopting the Paris Agreement decided to establish “a Capacity-building Initiative for Transparency in order to build institutional and technical capacity, both pre- and post-2020” that “will support developing country Parties, upon request, in meeting enhanced transparency requirements as defined in Article 13<sup>58</sup> of the Agreement in a timely manner.”

4. The decision of Parties to COP21, under paragraph 86 of the Paris Agreement urged and requested the GEF to make arrangements to support the establishment and operation of the Capacity-building Initiative for Transparency as a priority reporting-related need, including through voluntary contributions to support developing countries in the sixth replenishment of the GEF and future replenishment cycles, to complement existing support under the Global Environment Facility. The request for CBIT came well into the implementation phase of GEF-6 replenishment period (July 2014-June 2018) and as such the CBIT activities was beyond the scope of the agreed programming priorities (incl. STAR Allocation) under the GEF-6 replenishment. Furthermore, targeted financing from donor contribution through the GEF Trust Fund for specific activities, including CBIT is not permissible under the GEF financing framework.

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<sup>57</sup> LDCF – Least Developed Countries Fund for Climate Change; SCCF – Special Climate Change Fund; NPIF – Nagoya Protocol Implementation Fund

<sup>58</sup> Article 13 of the Paris Agreement establishes the purposes for the frameworks for transparency of action and support. The purpose of the framework for transparency of action is to provide a clear understanding of climate change action in light of the objective of the Convention as set out in its Article 2, including clarity and tracking of progress towards achieving Parties' individual nationally determined contributions, and Parties' adaptation actions, including good practices, priorities, needs and gaps, to inform the global stock take under Article 14 of the Paris Agreement. The purpose of the framework for transparency of support is to provide clarity on support provided and received by relevant individual Parties, and, to the extent possible, to provide a full overview of aggregate financial support provided, to inform the global stock take.

5. To respond to the COP guidance, the GEF Council, at its meeting in June 2016, decided to establish a new Trust Fund for CBIT to support developing countries in implementing the COP decision on Capacity Building Initiative for Transparency. As a part of the approval process, the World Bank (as GEF Trustee) was invited to serve as the Trustee of the CBIT FIF. Following the request from the GEF Council, the Bank as Trustee established a new FIF for CBIT separate from the GEF Trust Fund.

### **III. Objective of CBIT FIF**

6. The Paris Agreement established an enhanced transparency framework in Article 13, taking into account Parties' different capacities, in order to build mutual trust and confidence and to promote effective implementation of the Agreement. The purpose of the framework is to provide a clear understanding of climate change action in light of the objective of the Convention, including clarity and tracking of progress towards achieving Parties' individual nationally determined contributions, and Parties' adaptation actions, including good practices, priorities, needs and gaps, to inform the global stock taking under Article 14 of the Agreement. The CBIT, as per the COP decision (paragraph 85), will aim:

- (a) to strengthen national institutions for transparency-related activities in line with national priorities;
- (b) to provide relevant tools, training and assistance for meeting the provisions stipulated in Article 13 of the Agreement; and
- (c) to assist in the improvement of transparency over time.

### **IV. Implementation and eligible activities**

7. The establishment of the CBIT FIF was supported by voluntary contributions from donors between September 2016 through June 30, 2018. Fourteen donors, including the United States, the United Kingdom, Germany, Japan, Italy, Canada, Australia, Sweden, Switzerland, Norway, Netherlands, Belgium, Ireland and New Zealand have contributed to the CBIT FIF with an overall contribution of USD 61.6 million.

8. The resource envelope was targeted to be programmed by June 30, 2018 (GEF-6 period), to enable countries to meet their objectives under the Paris Agreement. The types of activities to be funded under the CBIT FIF aligns with the mandate for the CBIT as provided in the COP decision adopting the Paris Agreement. To date, 44 CBIT projects amounting to USD 58.3 million, including project financing, project preparation grants, and Agency fees were approved utilizing almost 95 percent of the total funds held in trust, while setting aside a modest amount of resources to cover administrative costs for managing CBIT activities.

9. The CBIT aims to support activities at the national and regional/global levels. The portfolio of support includes a range of activities including, but not limited to activities to strengthen national institutions for transparency-related activities in line with national priorities; activities to provide relevant tools, training, and assistance for meeting the provisions stipulated in Article 13; and activities to assist with improvement of transparency over time. Regional and global level

coordination that will engage countries, the GEF Partner Agencies, and other relevant entities and institutions with related programming activities to enhance partnership of national, multilateral, and bilaterally-supported capacity-building initiatives. In line with the Paris Agreement and its decision, all developing country Parties will have access to the CBIT, upon request.

10. The GEF provides resources to developing countries for the preparation of National Communications, Biennial Update Reports, and National Adaptation Plans of Action in line with the guidance which has been received from UNFCCC. The GEF has also financed preparations of Intended Nationally Determined Contributions (INDCs) in 46 countries. In terms of capacity building support, GEF's ongoing programs such as the Global Support Program for National Communications, Biennial Update Reports, and INDCs provide technical assistance, training, and other support to help prepare these reports and to improve the quality of reports so that they are more widely used for planning, climate negotiations, and for support for low-emission and climate resilient projects. Alignments and coordination with these existing initiatives will be sought to enhance efficiency of support and to minimize duplication of efforts.

11. Furthermore, COP 21 guidance requested the GEF to consider how to support developing country Parties in formulating policies, strategies, and programs and projects to implement activities that advance priorities identified in their respective INDCs. While supporting projects to implement INDCs, the GEF works with countries and Agencies to coordinate with the CBIT activities to generate good practices and lessons learned in tracking progress made in implementing and achieving INDCs under Article 4.

12. The GEF-7 period of July 2018 to June 2022 coincides with a key phase in the implementation of the Paris Agreement. The GEF-7 framework is structured to address the seminal Conference of the Parties (COP) decisions for the Paris Agreement, and to further support climate action in developing countries in line with the GEF's role as an operating entity of the financial mechanism for the United Nations Framework Convention on Climate Change (UNFCCC).

## V. Governance arrangement

13. The CBIT FIF is governed by the CBIT Council, which utilizes the operational policies and procedures and governance structure of the GEF Council. The key players in the GEF (i.e.,) GEF Council, Secretariat, Evaluation Office, Trustee and GEF Partner Agencies continue to play similar roles in CBIT FIF as with the GEF Trust Fund.

**(a) GEF Council,** acting as CBIT Council has the oversight functions over the CBIT resources. No separate procedures and policies for CBIT were established. CBIT Council relies on the GEF Council's procedures with respect to setting the policies and procedures for CBIT and evaluating them for CBIT-financed activities, in conformity with the policies, program priorities and eligibility criteria provided under COP21 guidance.

**(b) Secretariat:** According to the GEF Instrument, the GEF Secretariat's responsibilities include, inter alia, coordinating the formulation and overseeing the implementation of program activities pursuant to the joint work program, preparation of common guidelines on the project cycle to ensure the implementation of the operational policies adopted by

the Council<sup>59</sup>. The independent evaluation office<sup>60</sup> continues to be responsible to carry out independent evaluations consistent with decisions of the Council.

- (c) **Trustee:** The role and fiduciary responsibilities of the Trustee are set forth in Annex B<sup>61</sup> in the GEF Instrument. The Bank's role as the Trustee of CBIT FIF is consistent with the Trustee role for the GEF Trust Fund and does not entail any amendment to the existing GEF Instrument. The Trustee provides the services in accordance with World Bank's applicable policies and procedures to FIFs and is also accountable to the GEF Council for the performance of its functions.

The Trustee receives Contributions from donors and holds in trust, as a legal owner, and administer the funds, assets and receipts pursuant to the terms of the Contribution Agreements with the donors including the Standard provisions applicable to Contributions to the CBIT. Trustee responsibilities include, finalizing contributions arrangements with Donors to facilitate receipt of contributions in CBIT FIF, financial management support, Investment management of CBIT resources held in trust, negotiate financial procedures agreements (FPA) with GEF Partner Agencies, transferring funds to GEF Partner Agencies under the provisions of FPA; Providing letters of commitment to the GEF Partner Agencies; provide financial reports and trustee reports to the CBIT/GEF Council.

It is the GEF Partner Agencies and not the Trustee that is responsible for use of funds for the approved purposes; the Trustee's responsibility for monitoring the use of CBIT funds is fulfilled by, and limited to, receiving required financial reports from the GEF Partner Agencies.

- (d) **GEF Partner Agencies:** The existing GEF Partner Agencies<sup>62</sup>, including the Bank as GEF Partner Agencies can access the CBIT resources based on the established policies and procedures for the GEF Trust Fund, including signing of financial procedures agreement (FPA) with the Trustee. As a GEF Partner Agency, the Bank has the option to participate or not in CBIT FIF, as it does with the other GEF family funds. The operational policies and procedures applied to activities managed by the Bank as GEF Partner Agency of the GEF Trust Fund would apply to activities that are managed by the Bank as GEF Partner Agency under CBIT FIF.

- (e) The GEF Partner Agencies are accountable to the CBIT Council for their CBIT-financed activities.<sup>63</sup> The responsibilities of the GEF Partner Agencies are reflected in the FPAs

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<sup>59</sup> See Paragraph 21(b) of the GEF Instrument.

<sup>60</sup> See Paragraph 21(i) of the GEF Instrument.

<sup>61</sup> The World Bank shall be the Trustee of the GEF Trust Fund (the Fund) referred to in paragraph 8 of the Instrument and in this capacity shall, as legal owner, hold in trust the funds, assets and receipts which constitute the Fund, and manage and use them only for the purpose of, and in accordance with, the provisions of the Instrument keeping them separate and apart from all other accounts and assets of, or administered by, the Trustee.

<sup>62</sup> The three Implementing Agencies (incl. World Bank), seven executing agencies and eight GEF Project Agencies that were accredited under the pilot on accrediting new institutions to serve as GEF Partners for the implementation of GEF projects;

<sup>63</sup> See Paragraph 22, and Annex D, paragraph 12, of the GEF Instrument.

between the Trustee and the GEF Partner Agencies. The FPAs for CBIT FIF are similar to FPAs for the GEF Trust Fund, LDCF and SCCF which were developed based on the standard provisions applicable to the respective trust funds. The FPA sets the definitions and rules for Commitment of funds, Transfer of funds to GEF Partner Agency, use of funds by GEF Partner Agency, Reflows and Refund, Financial reporting by GEF Partner Agency (quarterly, semi-annual and annual), etc.

GEF Partner Agencies are responsible for use of CBIT resources for the purpose for which they have been provided. Disbursement of CBIT resources from GEF Partner Agencies to recipients are made in accordance with the GEF Partner Agencies' policies and procedures and its applicable disbursement guidelines. GEF Partner Agencies are expected to exercise the same degree of care and diligence in the utilizing CBIT resources as it exercises with respect to the administration and management of its own resources.

## **VI. Cost recovery**

14. The Bank's administrative costs as Trustee are recovered in accordance with Bank policy and procedure for FIFs. The cost of Trustee services is based on the principles of full cost recovery, similar to the GEF Trust Fund. The Trustee services includes, financial management support, investment management, legal support and accounting services provided by DFI, TRE, LEG and WFA VPU's respective. Following the established practices in GEF, the annual administrative budget for CBIT FIF is approved at the beginning of each fiscal year by the CBIT Council with the flexibility to adjust the budget to match the actual cost at end of each budget year.

## **VII. Termination of CBIT**

15. The operations, functions and roles under the CBIT FIF was reviewed by the CBIT Council in June 2018 and it was decided that no new donor contribution for CBIT FIF will be received beyond October 31, 2018. It was also decided that the CBIT FIF will continue to be in operation in order to allow implementation of approved activities as of October 30, 2018 and taking into consideration the standard timeframe required to fully disburse funds towards approved activities.

16. The Trustee will continue to make commitments and cash transfers to the GEF Partner Agencies for the projects, activities or programs until five years after respective approval date (initially June 30, 2023). The CBIT FIF will terminate 18 months after the final commitment and cash transfer date (initially December 31, 2024) during which period, the Trustee will work with the relevant GEF Partner Agencies to receive relevant final financial reporting on the CBIT funds, as well as any unused funds from closed projects to be returned to the CBIT FIF. The Trustee will also take any other necessary steps towards closure of the trust fund in accordance with the Bank's policies and procedures applicable for FIFs during this period.

## **VIII. Risk assessment**

17. CBIT FIF utilizes the policies and procedures established for the GEF Trust Fund. Based on the existing operating partnership model for the GEF Trust Fund, there are no new risks to the Bank from stakeholder, fiduciary, financial and reputational risks perspective respectively. From the estimated size, innovative characteristics, and limited duration of two years for receiving donor contribution, CBIT FIF would fall under the low risk category.

18. GEF partnership and the GEF Trust Fund was already approved by the Board, and the trust funds under the GEF partnership like, LDCF, SCCF, NPIF and CBIT are consistent with that framework. As a GEF Partner Agency, the Bank had the option to participate in CBIT FIF, as it does with the other GEF family funds. The operational policies and procedures applied to activities managed by the Bank as GEF Partner Agency of the GEF Trust Fund would apply to the Bank's CBIT activities. To date the Bank as GEF Partner Agencies for CBIT FIF has not participated in implementing CBIT activities, and hence there is no operational risks stemming from CBIT activities.

19. The Bank as Trustee uses the Bank's policies, procedures and systems for trust fund management, minimizing financial risk. The role of the Bank as Trustee is strictly limited to managing the funds in the FIF and to transferring them to the GEF Partner Agencies upon decisions of the CBIT Council. Under those circumstances, the expected financial risk is low.