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2008 PARTNERSHIP & TRUST FUND ANNUAL REPORT

YEAR ENDED JUNE 30, 2008

The World Bank Group

2008 Partnership and Trust Fund Annual Report

Year ended June 30, 2008

Global Partnership and Trust Fund Operations Department
Concessional Finance and Global Partnerships
The World Bank
1818 H Street N.W., Washington DC 20433, USA

The World Bank Group

International Bank for Reconstruction and Development (IBRD)[a]

International Development Association (IDA)[a]

International Finance Corporation (IFC)

Multilateral Investment Guarantee Agency (MIGA)

International Center for Settlement of Investment Disputes (ICSID)

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[a]IBRD and IDA are collectively known as *The World Bank* or *The Bank*

Abbreviations and Acronyms

AAA	Analytic and advisory activities
ACBF	Africa Capacity Building Foundation
ADB	Asian Development Bank
AfDB	African Development Bank
AHI	Avian and Human Influenza
ARTF	Afghanistan Reconstruction Trust Fund
ASEM	The Asia-Europe Meeting
BE	Bank-Executed
BETF	Bank-Executed Trust Fund
BNPP	Bank – Netherlands Partnership Program
CAS	Country Assistance Strategy
CFP	Concessional Finance and Global Partnerships
CGAP	Consultative Group to Assist the Poor
DGF	Development Grant Facility
EFA-FTI	Education for All Fast Track Initiative
EFO	Externally Funded Output
ESMAP	Energy Sector Management Assistance Programme
ESW	Economic and Sector Work
FIF	Financial Intermediary Fund
FY	Fiscal Year
GAVI	Global Alliance for Vaccines and Immunization
GDN	Global Development Network
GEF	Global Environment Facility
GEFSEC	Global Environment Facility Secretariat
GFA	GAVI Fund Affiliate
GFATM	Global Fund to Fight AIDS, Tuberculosis, and Malaria
GFRP	Global Food Crisis Response Program
GRPP	Global and Regional Partnership Programs
GPOBA	Global Partnership on Output-based Aid
HDN	Human Development Network
HIPC	Heavily Indebted Poor Countries Initiative
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IFFIm	International Finance Facility for Immunization
MIGA	Multilateral Investment Guarantee Agency
MDTF	Multi-Donor Trust Fund
OP/BP	Operational Policy/Bank Procedure
OPCS	Operations Policy and Country Services
PHRD	Policy and Human Resources Development Fund
PN	Promissory Note
PPIAF	Public-Private Infrastructure Advisory Facility
PTO	Global Partnership and Trust Fund Operations
QAG	Quality Assurance Group
RE	Recipient-Executed
RETF	Recipient-Executed Trust Fund
SDN	Sustainable Development Network
TFMF	Trust Fund Monitoring Framework
TLAP	Trust Fund Learning & Accreditation
UNAIDS	United Nations Program on HIV/AIDS
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
VPU	Vice Presidential Unit
WBG	The World Bank Group
WBI	World Bank Institute
WHO	World Health Organization
WSP	Water and Sanitation Program

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Foreword

In recent years, Trust Funds have become an increasingly important vehicle for channeling concessional finance. The World Bank Group's (WBG) trust fund portfolio consists of Bank-Executed, Recipient-Executed, and Financial Intermediary Funds (FIFs) and has grown in size and complexity. Between FY04 and FY08, the stock of trust fund assets held by the WBG tripled from US$8.59 billion to US$26.31 billion. Seventy-five percent of the increase resulted from new FIFs such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFTAM) and International Finance Facility for Immunization (IFFIm).

In line with increased stocks, trust fund disbursements also have grown rapidly. Total trust fund disbursements in FY08 continued to increase strongly (16 percent) reaching US$6.72 billion. As a share of combined Bank disbursements (IDA, IBRD, and trust funds), trust fund disbursements grew from 16 percent in FY04 to 25 percent in FY08. Excluding FIFs, the share of trust fund disbursements grew even more rapidly, from 8 percent of combined disbursements in FY04 to 14 percent in FY08.

IDA-eligible countries remained the primary beneficiaries of trust funds, receiving more than half of total disbursements in FY08. On a regional basis, the largest share of disbursements continued to go to Africa (32 percent), followed by East Asia and Pacific (14 percent) and South Asia (13 percent). The health and social services sector received the largest share of disbursements (41 percent), followed by public administration and law (14 percent) and agriculture (7 percent).

To address risks associated with administering a rapidly growing, increasingly complex trust fund portfolio and to mainstream trust funds into Bank strategies and operations, Bank Management introduced a Trust Fund Management Framework (TFMF) that was endorsed by the Board in late 2007. Several actions have been taken since January 2008 to implement the Framework; the details of which are highlighted in the report.

Going forward, we will continue to implement the TFMF and report on its progress. Also as mainstreaming trust funds into Bank operations continues, we will work to improve documentation of how trust fund activities contribute to the broader results agenda in the Bank.

Finally, as the Bank and donor community continue to move toward more multidonor trust fund arrangements, we will need to ensure the efficiency of such arrangements and to monitor lessons learned, whether they support global programs, post-conflict efforts within specific countries, or other efforts by the international community to address strategic development priorities.

As always, we welcome feedback on this report at donorqueries@worldbank.org.

Philippe Le Houérou
Vice President
Concessional Finance and Global Partnerships
The World Bank

Section 1. FY08 Overall Highlights and Trends

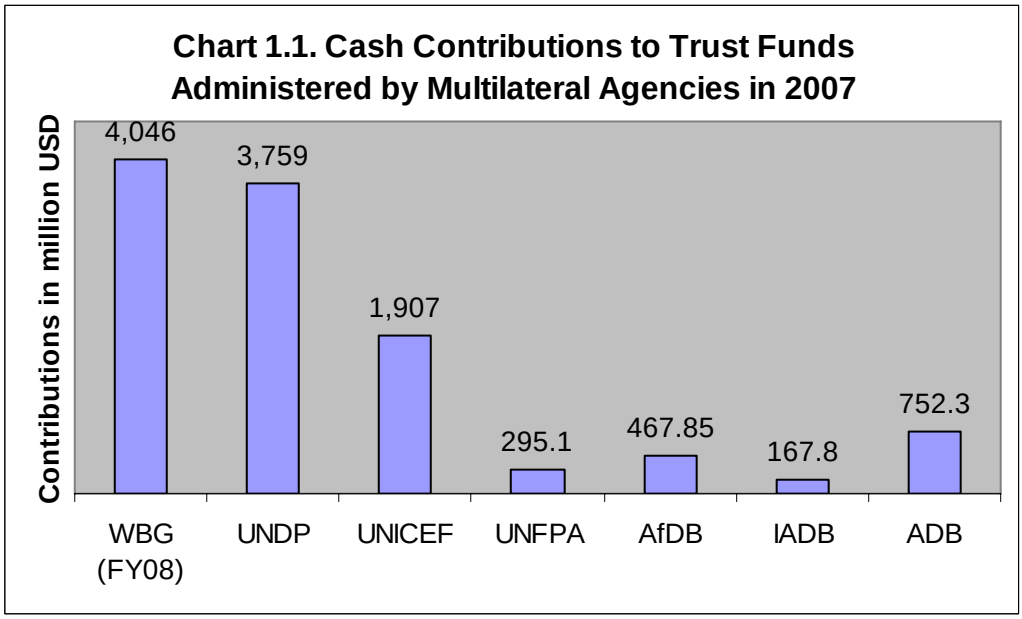
Overall Highlights

1.1 **The World Bank Group (WBG), comprising the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA), is involved in a broad range of strategic partnerships**[1] in which it collaborates with one or more entities toward achieving common development objectives under agreed-upon shared/joint responsibilities. Not only do these partnerships augment the WBG's own development initiatives, they also facilitate harmonization of efforts between donors, recipient countries, and various other stakeholders at global, regional, and country levels. As donor and/or trustee, the WBG provides three main types of support to these partnerships: (i) *financial support*, in the form of Development Grant Facility (DGF)[2] as well as through trust funds, which in many cases also leverages funding from major WBG partners; (ii) *operational support*, in the form of appraisal and supervision of country-level activities, analytical work, technical assistance, secretariat support, and other forms of collaboration; and (iii) *financial intermediary services* including treasury and accounting services, management of donor contributions and fund transfers. This report focuses on trust funds as the primary funding instrument of WBG-supported partnerships. It does not cover DGF funds, which are reported separately to the Bank's Board through the Annual DGF Budget and Review of Global Programs Reports.

1.2 **In support of these partnerships, trust funds receive contributions from one or more donors**. Trust funds can be country specific, regional, or global in geographic scope; project or program specific. Donors include sovereign agencies from many Bank member countries, as well as non-sovereign agencies such as multilaterals, private sector agencies, foundations, and nongovernmental organizations. The WBG also contributes some of its own surplus resources to selected trust funds.

1.3 **WBG-administered trust funds serve as an important vehicle for channeling concessional finance.** Other multilateral agencies also channel trust-funds including, among others, the United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), Asian Development Bank (ADB), African Development Bank (AfDB), United Nations Population Fund (UNFPA), and Inter-American Development Bank (IADB). Chart 1.1 shows comparative data on cash contributions to trust funds excluding those made to Financial Intermediary Funds (FIFs) as agencies other than the World Bank do not manage such type of accounts.

[1] A select group of these partnerships are described separately in the 2009 Directory of Partnership Programs Supported by Trust Funds.
[2] The DGF was established in 1997 as the Bank's grant-making facility that is an integral part of the Bank's development work and an important complement to its lending and advisory services.



Source: WBG trust fund database, UNDP website and respective 2007 Annual Reports other agencies; WBG cash contributions exclude those made to Financial Intermediary Funds (FIFs)

1.4 **In FY08, total donor contributions to WBG-administered trust funds reached US$10.48 billion.** Of this total, US$6.43 billion were for FIFs and US$4.05 billion for the rest of the portfolio. Overall contributions in the form of cash and promissory notes[3] (excluding encashments) were down from those received in FY07 (US$12.38 billion) owing to a 50 percent decrease in promissory notes to FIFs (i.e., IFFIm and carbon funds). However, excluding FIFs, total donor contributions in FY08 were up from the US$3.66 billion received in FY07.

1.5 **Overall trust fund disbursements amounted to $6.72 billion**, an increase of 16 percent over FY07. This is a slower increase compared to the 21 percent average annual growth rate recorded during FY04-07. This reflected slower disbursements from FIFs, while disbursements from the rest of the portfolio continued to grow strongly (by 21 percent) in FY08.

1.6 **As of end FY08, total trust fund assets held by the WBG amounted to $26.31 billion,** of which US$18.68 billion (or 71 percent) represented FIFs. Cash and investments amounted to US$16.94 billion and promissory notes to US$9.37 billion.

[3] For the purpose of this report, promissory notes also include other binding and irrevocable payment obligations linked to IFFIm/GFA.

Table 1.1: Five-Year Aggregate Trust Fund Financials (US$ million except where noted)

	FY04	FY05	FY06	FY07	FY08	FY04-07 Avg. Annual Growth	FY08 Annual growth
Number of active Trust Funds	903	839	928	1,014	1,020	4%	1%
of which, FIFs	*79*	*82*	*90*	*94*	*103*		
Donor Contributions	4,932	6,993	5,506	12,384	10,479	36%	-15%
of which, FIFs	*2,994*	*4,906*	*3,059*	*8,719*	*6,433*		
Cash contributions received	4,932	4,738	4,014	6,980	7,964	12%	14%
of which, FIFs	*2,994*	*2,651*	*1,567*	*3,316*	*3,918*		
Promissory notes received *(all FIFs)*	-	2,255	1,492	5,404	2,515	n/a	-53%
Less: Disbursements	3,270	4,120	4,363	5,793	6,724	21%	16%
of which, FIFs	*1,792*	*2,250*	*2,487*	*3,144*	*3,511*		
Add: Adjustments**	38	103	409	1,693	1,157		
Year-end Funds Held in Trust, *o/w*	8,587	11,563	13,115	21,399	26,311	36%	23%
of which, FIFs	*5,374*	*7,930*	*8,580*	*15,280*	*18,682*		
Cash & Investments	8,587	9,308	10,554	13,768	16,944	17%	23%
of which, FIFs	*5,374*	*5,675*	*6,019*	*7,649*	*9,315*		
Promissory notes on hand *(all FIFs)*	-	2,255	2,561	7,631	9,367	n/a	23%

Source: WBG trust fund database; Number of trust funds, contributions and disbursements exclude ICSID; Funds held in trust include ICSID

** *Includes adjustments due to investment income and other items.*

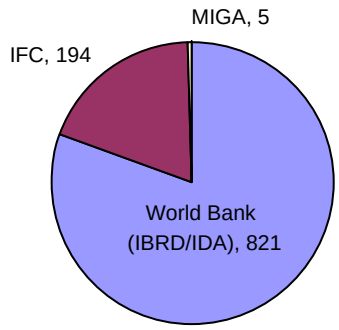
1.7 **Almost US$10 billion in new commitments were made by donors during FY08** through signed legal agreements. This was about half the amount recorded in FY07.

Number of Trust Funds and Trust Fund Donors

1.8 **The total number of active trust funds[4] rose from 1,014 at the end of FY07 to 1,020 at the end of FY08.** Of these, 80 percent (821 funds) were managed by the IBRD/IDA, 19 percent (194 funds) by IFC, and the remaining 1 percent (5 funds) by MIGA.

[4] A single TF account can have multiple program windows and disbursing accounts created under it for Bank administration purposes.

Chart 1.2. Number of WBG-Administered TFs at end FY08



Source: WBG trust fund database.

1.9 **In FY08, a total of 224 donor agencies contributed to WBG-administered trust funds**, of which 118 were sovereign and 106 were non-sovereign. The total number of donor agencies has increased substantially since FY04 mostly as a result of a doubling in the number of non-sovereign donors; this is largely attributed to the increased participation of private corporations in various carbon funds.

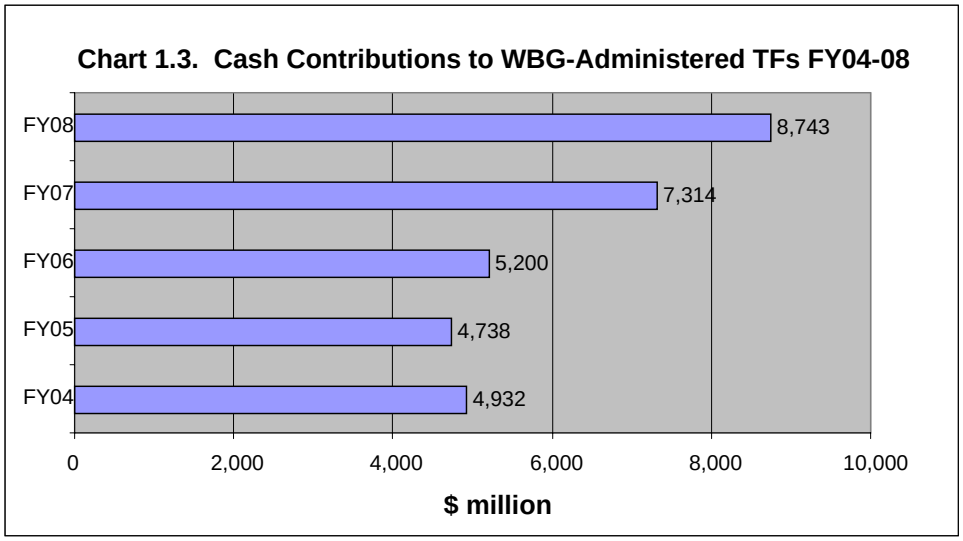
Table 1.2. Number of Donors Contributing to WBG-Administered Trust Funds in FY04-08

Donor category	FY04	FY05	FY06	FY07	FY08
Sovereign					
Number of countries	55	50	52	58	57
Number of agencies	**105**	**104**	**114**	**125**	**118**
Non-sovereign					
Multilaterals	8	5	6	5	9
Funds, foundations, agencies, etc.	49	60	59	100	97
	57	**65**	**65**	**105**	**106**
Total number of contributing agencies	**162**	**169**	**179**	**230**	**224**

Source: WBG trust fund database

Cash Contributions

1.10 **Total cash contribution received in FY08 was US$8.74 billion** consisting of US$7.96 billion in cash and US$780 million from encashment of promissory notes. The subsequent paragraphs refer to total cash contributions including cash and encashment of promissory notes.



Source: WBG trust fund database; Includes cash and PN encashments; FY08 contributions exclude ICSID

1.11 **The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) continued to receive the largest amount of cash contributions accounting** for US$3.07 billion, or 35 percent of all FY08 cash contributions. The next-highest recipient programs were: the Global Environment Facility (GEF), receiving US$788 million, or 9 percent; the Afghanistan Reconstruction Trust Fund (ARTF) receiving US$745 million, or 8.5 percent; and the Education For All Fast Track Initiative (EFA-FTI) receiving US$420 million or 5 percent. Together, these top four programs received about US$5 billion, or 57 percent of all FY08 cash contributions.

1.12 **As in previous years, FY08 cash contributions were largely from sovereign sources.** Compared to the previous fiscal year, cash contributions from sovereign sources were about US$1.56 billion higher. Cash contributions from private for-profit organizations and intergovernmental organizations[5] were, respectively, US$88 million and US$7 million more than those in the previous fiscal year. In contrast, cash contributions from the WBG and private non-profit entities declined by US$124 million and US$103 million, respectively.

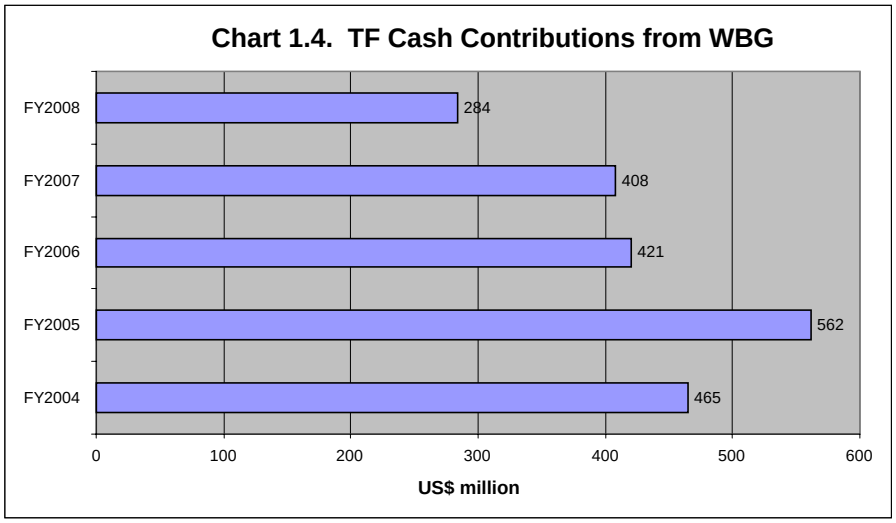
[5] Intergovernmental organizations include the European Commission, UN bodies, multinational and regional development banks, and international financial institutions.

Table 1.3: FY07-08 Breakdown of Cash Contributions by Donor Type

	Cash contribution (US$ million)	
Donor group	**2007**	**2008**
Sovereign governments	5,790	7,350
Intergovernmental institutions	790	797
World Bank Group	408	284
Private non-profit entities	250	147
Private for-profit organizations	77	165
Grand total	**7,314**	**8,743**

Source: WBG trust fund database.

1.13 **Cash contributions from the WBG continued to decrease in FY08, to US$284 million**, shifting the WBG from the seventh-largest donor in FY07 to the twelfth-largest in FY08. Cash contributions from IBRD in FY08 totaled US$167 million, a 32 percent decrease compared to FY07; that from IFC US$113 million, a 31 percent drop; and that from MIGA US$4 million, up from zero in FY07.



Source:WBG trust fund database

1.14 **In FY08, the bulk of cash contributions from the IBRD went to the Global Food Crisis Response Program (GFRP).** Fifty-one percent of the cash received from IBRD (US$85 million) went to the GFRP[6], while 33 percent (US$55 million) went to the West Bank and Gaza Trust Fund, and about 10 percent (US$16 million) to the Institutional Development Fund (IDF). The remainder of IBRD cash contributions were split between the Post Conflict Fund (US$7 million), the Onchocerciasis Control Program (US$2 million), the Foreign Investment Advisory Service (FIAS, US$2 million), and the Consultative Group to Assist the Poor (CGAP, US$1 million).

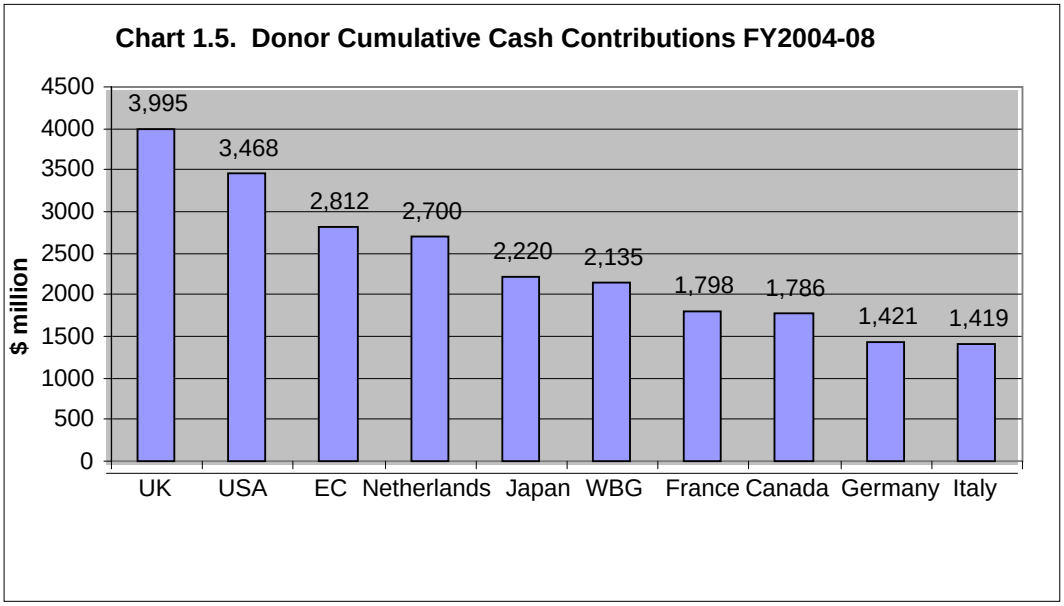
[6] An additional US$115 went to the GFRP in FY09.

1.15 **As in previous years, cash contributions from the IFC were primarily channeled to technical assistance and advisory services managed by the IFC**. Seventy-six percent (US$86 million) went to various IFC-managed trust funds for technical assistance and advisory services, 23 percent (US$25 million) to the Global Partnership for Output-Based Aid (GPOBA), and 1 percent (US$1 million) to the Public-Private Infrastructure Advisory Facility (PPIAF).

1.16 **In terms of cash contributions, the United Kingdom continued to be the top donor to WBG-administered trust funds,** with US$1.08 billion of contributions. While the U.K. kept the top spot, its contributions were US$115 million (10 percent) less than in FY07. The Gates Foundation, which in FY07 was the top donor under the category of "Other Donors," also retained that position in 2008 but reduced its cash contributions by US$124 million in FY08, a 45 percent decline from FY07. (See Annex A, Section 6 for a detailed list of cash contributions by donor).

1.17 **In terms of cumulative cash contributions over the past five fiscal years, the United Kingdom is also the top donor to WBG-administered trust funds,** with a total of almost US$4 billion, followed by the United States with US$3.47 billion, the European Community with US$2.81 billion, the Netherlands with US$2.7 billion, and Japan with US$2.22 billion.

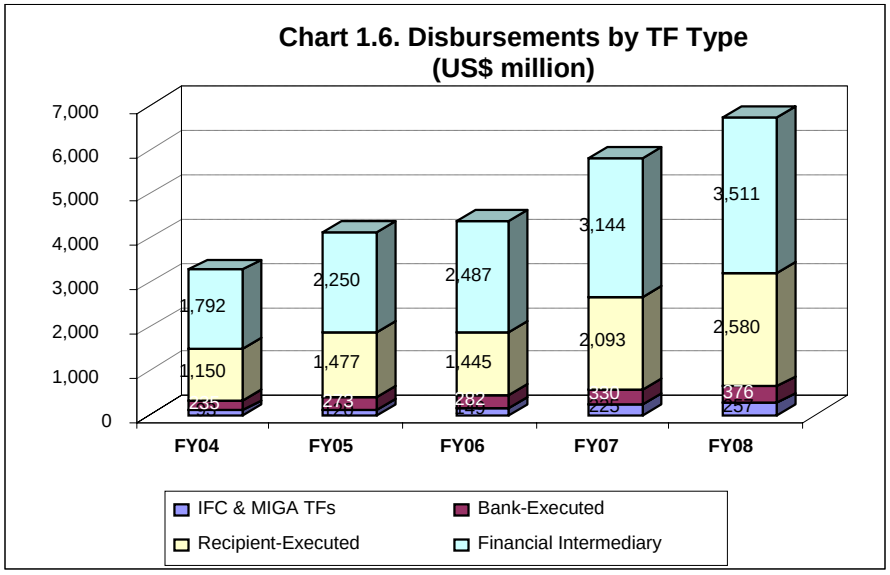
Chart 1.5. Donor Cumulative Cash Contributions FY2004-08



Source: WBG trust fund database.

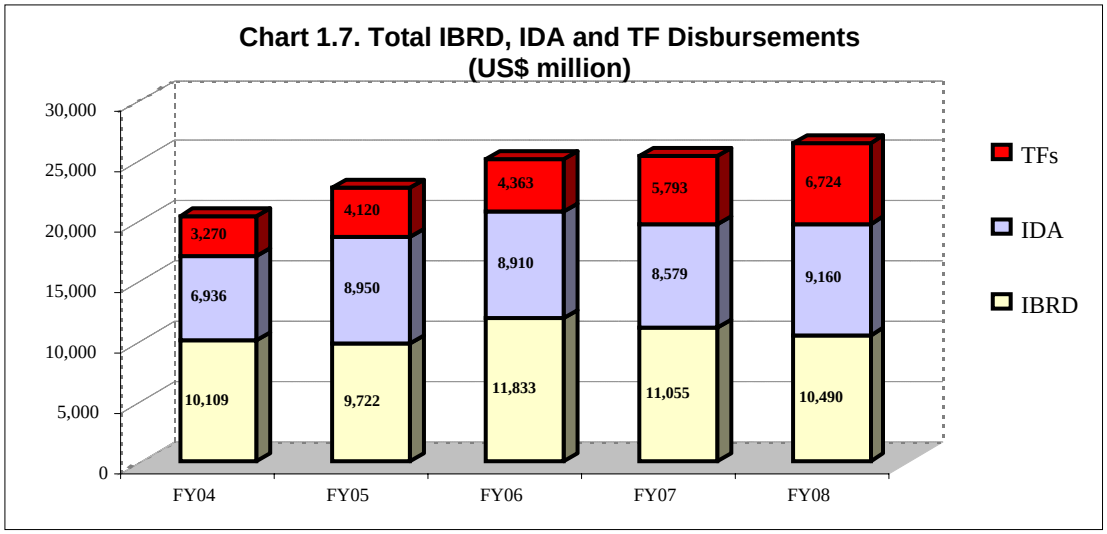
Disbursements

1.18 **Overall disbursements from WBG-administered trust funds grew during FY08, albeit at a slower rate than the average over FY04-07**. Trust fund disbursements during FY08 amounted to US$6.72 billion, an increase of 16 percent compared to the previous fiscal year. This rate of growth, however, was substantially lower than the annualized rate of 21 percent over FY04-07. Of the total FY08 trust fund disbursements, around US$3.5 billion were from FIFs for which the Bank provides mainly financial intermediary services.



Source: WBG trust fund database.

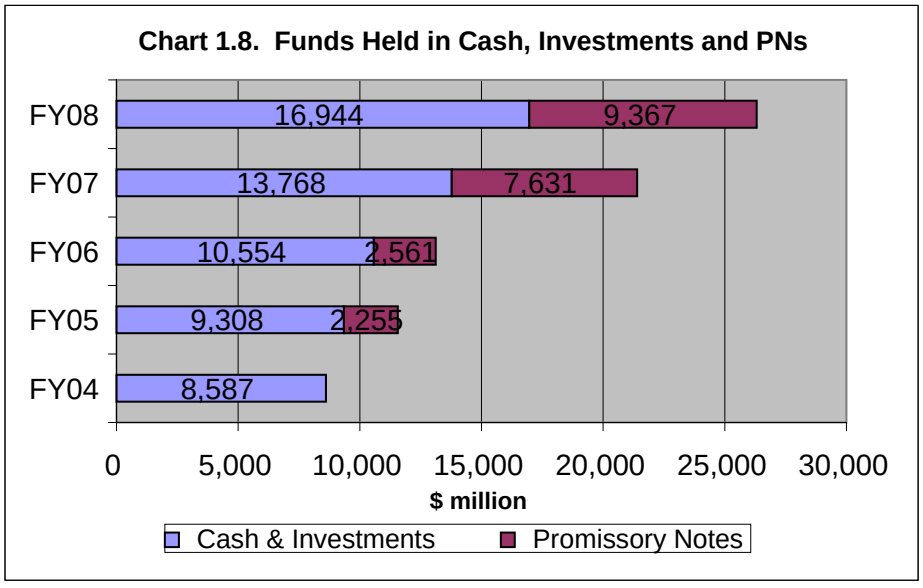
1.19 **Trust fund disbursements in FY08 accounted for an increasing share of total WBG support to IDA and IBRD countries.** Trust fund disbursements as a proportion of combined IDA, IBRD, and trust fund disbursements grew from 16 percent in FY04 to 25 percent in FY08. This increase was largely attributable to the continued growth of global funds, such as the GFATM, GEF, and the IFFIm/GAVI Fund Affiliate. Excluding financial intermediary funds, the relative share of trust fund disbursements was 8 percent in FY04 and 14 percent in FY08.



Source: WBG trust fund database and The World Bank Annual Report 2008.

Funds Held in Cash, Investments, and Promissory Notes

1.20 At the end of FY08, the WBG held a total stock of US$26.31 billion in trust fund assets, of which US$16.94 billion was in the form of cash and investments. Ninety-six percent (US$16.24 billion) of cash and investments held at the end of FY08 was for the IBRD/IDA-administered portfolio, 4 percent (US$658 million) for the IFC-administered portfolio, and less 0.5 percent (US$43 million) for the MIGA-administered portfolio.



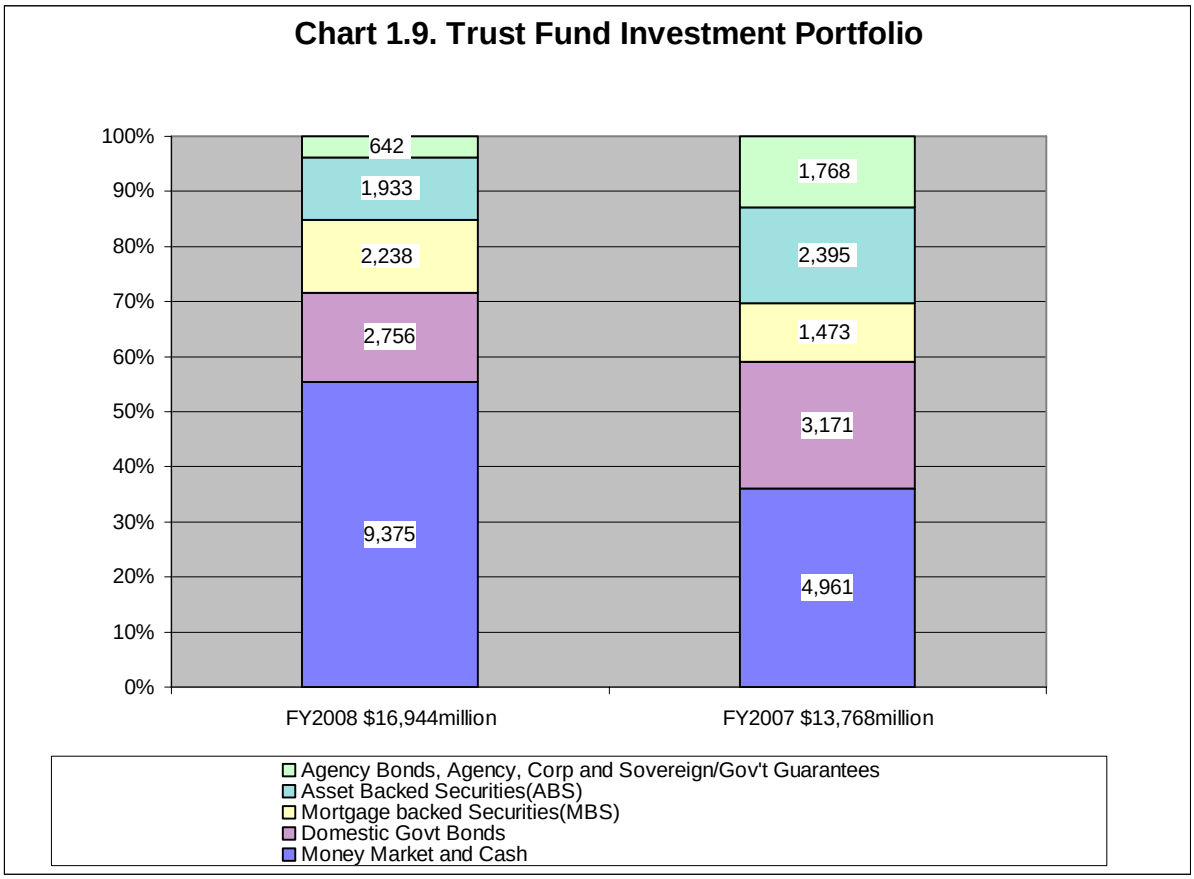
Source: WBG trust fund database.

About 48 percent (US$8.1 billion) of all funds held in cash and investments belonged to the three largest FIFs: GFATM (US$4.48 billion), GEF (US$2.76 billion), and t he HIPC Debt Initiative (US$863 million).

1.21 **Promissory notes have become an increasingly important form of trust fund assets since FY05[7].** In certain programs, contributions pledged by donors are settled through deposit of demand notes or other forms of financial instruments. These are recorded as promissory notes when received and then encashed and recorded as cash contributions, based on a schedule agreed with the donor(s). Contributions by donors through promissory notes tripled during FY07 alone. Promissory notes held at the end of FY08 amounted to US$9.37 billion, up by 23 percent from the end of FY07 (Chart 1.8). About 94 percent of all promissory notes held belonged to three programs: IFFIm/GFA (US$5.58 billion), Carbon Fund (US$1.87 billion), and GEF (US$1.32 billion).

1.22 **The stock of funds held in cash and investments was invested in accordance with the Bank's investment guidelines.** At the end of FY08, the fair market value of the trust fund cash and investments portfolio stood at US$16.94 billion, an increase of US$3.2 billion (23 percent) compared with US$13.77 billion at the end of FY07 (Chart 1.9). Fifty-five percent (US$9.38 billion) of the portfolio was invested in money-market and cash instruments, 16 percent (US$2.76 billion) in domestic government bonds, 13 percent (US$2.24 billion) in mortgage-backed securities, 11 percent (US$1.93 billion) in asset-backed securities, 4 percent (US$642 million) in agency bonds. The income earned from such investments is credited to trust fund accounts based on arrangements agreed with donors.

[7] For the purpose of this report, promissory notes also include other binding and irrevocable payment obligations linked to IFFIm/GFA.



Source: WBG trust fund database.

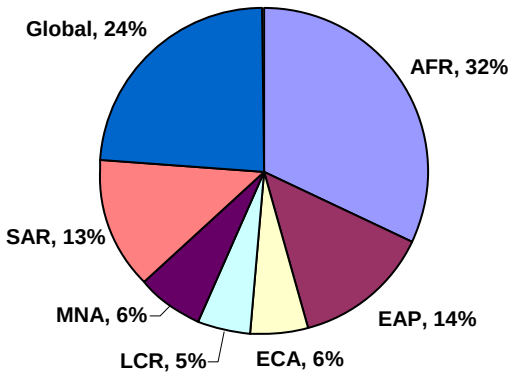
1.23 **The rate of return on the cash and investments portfolio continued to improve in FY08.** Based on the market value of the portfolio, the return on cash and investments portfolio was 6.60 percent for FY08, up from 5.48 percent for FY07. The average return for the three years ended FY08 was 4.80 percent, and 3.53 percent for the five years ended FY08.

Section 2. FY08 Trust Fund Portfolio Composition and Analysis

Composition by Region and Country

2.1 **In FY08, as in recent years, the largest share of disbursements under World Bank-administered trust funds went to countries in Africa.** By region, nearly one-third of disbursements were made to Africa (32 percent), followed by East Asia and Pacific (14 percent), South Asia (13 percent), Middle East and North Africa (6 percent), Europe and Central Asia (6 percent), and Latin America and the Caribbean (5 percent) (Chart 2.1). Remaining disbursements were made under global initiatives (24 percent).

Chart 2.1. FY08 TF Disbursements Breakdown



Source: WBG trust fund database; the disbursements for GFATM and carbon funds are accounted under various regions.

2.2 **IDA-eligible countries received the lion's share of trust fund disbursements, followed by non-country-specific programs, and then IBRD countries.** More than half of disbursements were made to IDA-eligible countries (51 percent) in FY08, followed by non-country specific programs—i.e., some global/regional activities, secretariat costs, etc.—(32 percent), and IBRD countries (17 percent). IDA-eligible countries in Africa received more than half of FY08 IDA trust fund disbursements (53 percent), followed by those in South Asia (26 percent), East Asia and Pacific (12 percent), Europe and Central Asia (5 percent), Latin America and the Caribbean (4 percent), and Middle East and North Africa (1 percent) (Table 2.1). Among IBRD countries, those in East Asia and Pacific received the bulk trust fund disbursements (41 percent), followed by Europe and Central Asia (18 percent), followed by

Latin America and the Caribbean (15 percent), Middle East and North Africa (15 percent), and Africa (11 percent).

Table 2.1. FY2008 TF Disbursements by Region and Country Context (US$ million)

	IDA/Blend		IBRD		Global/ Regional		Total	
Region	**US$ million**	***%***	**US$ million**	***%***	**US$ million**	***%***	**US$ million**	***%***
AFR	1,816	*53%*	126	*11%*	203	*9%*	2,145	*32%*
EAP	412	*12%*	461	*41%*	37	*2%*	910	*14%*
ECA	162	*5%*	205	*18%*	36	*2%*	404	*6%*
LCR	127	*4%*	164	*15%*	47	*2%*	338	*5%*
MNA	34	*1%*	163	*15%*	239	*11%*	435	*6%*
SAR	887	*26%*	-	*0%*	8	*0.4%*	894	*13%*
Global	-	*0%*	-	*0%*	1,598	*74%*	1,598	*24%*
Grand Total	**3,438**	***100%***	**1,119**	***100%***	**2,168**	***100%***	**6,724**	***100%***
As % of grand total		**51%**		**17%**		**32%**		**100%**

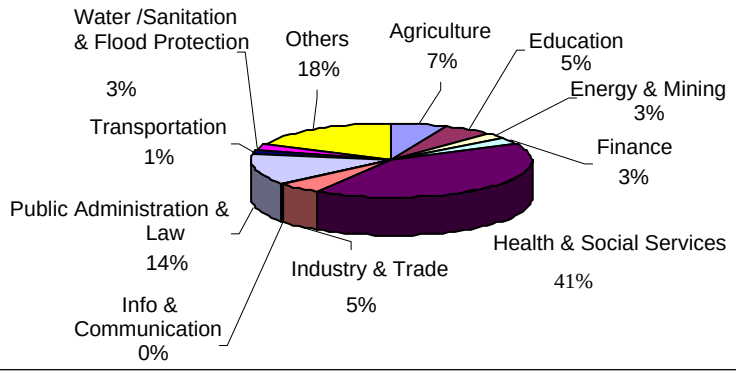
Source: World Bank trust fund database; the disbursements for GFATM and carbon funds are accounted under various regions.

Composition by Sector

2.3 **In terms of sectoral distribution, almost half of trust fund disbursements went to health and social services programs in FY08.** The focus on health programs, to which 41 percent of trust funds were disbursed, is explained by the recent exponential growth in vertical funds such as the GFATM[8] and IFFIm/GAVI Fund Affiliate. The second-largest sectoral recipient was public administration and law (14 percent), followed by agriculture (7 percent), education (5 percent), industry and trade (5 percent), water and sanitation (3 percent), finance (3 percent), energy and mining (3 percent), and transportation (1 percent) (Chart 2.2).

[8] In the case of GFATM, the funds are disbursed to and implemented by external agencies.

Chart 2.2. FY08 TF Disbursements by Sector



Source: WBG trust fund database.

Composition by Type of Fund

2.4 **As described under the Trust Fund Management Framework endorsed by the Board in late 2007, IBRD/IDA-administered trust fund portfolio consists of three broad categories of funds,** based on the type of services provided and the execution role assumed by the Bank[9]: (i) Bank-executed trust funds (BETFs) are those for which the Bank has spending authority, (ii) Recipient-executed trust funds (RETFs) are those the Bank passes on to a third-party recipient, and (iii) financial intermediary funds (FIFs),[10] which comprise a heterogeneous mix of trust funds not covered by either BETFs or RETFs, e.g., funds involving financial engineering and complex financial schemes and arrangements under which the Bank provides specific administrative or financial services with a limited fiduciary or operational role. FIFs typically encompass multidonor initiatives designed to implement international agreements in support of global partnerships and programs.

2.5 **By value of disbursements, FIFs represent the largest category of trust funds, with 52 percent of total disbursements in FY08.** RETFs are the second-largest category, with 38 percent of total disbursements, while BETFs account for the smallest portion of disbursements, with 6 percent (Table 2.2). In FY08, disbursements grew rapidly across all three trust fund categories, with RETFs leading at 23 percent growth, followed by BETFs at 14 percent and FIFs at 12 percent. FIFs, however, displayed a decelerating trend in terms of value, wherein the growth in FY08 growth was lower than the FY04-07 average annualized growth rate of 21

[9] Trust funds typically contain fund, program, and activity/grant-level disbursing accounts. It is important to note that while most trust funds fall within one of the three main categories, some were *hybrids* supporting combinations of RETF and BETF activity/grants.
[10] Major FIFs include the HIPC, GEF, GFATM, Carbon Funds, and IFFIm.

percent. The decrease is attributed to IFFIm/GAVI Fund Affiliate and Carbon Fund transactions, for which disbursements decreased substantially in FY08. Respectively, these programs disbursed US$735 million and US$421 million in FY07, figures that declined to US$237 million and US$172 million in FY08.

Table 2.2: Activity/Grant-Level Disbursements by Trust Fund Category (US$ million)

	FY04	FY05	FY06	FY07	FY08	FY04-07 average annual growth (%)	FY08 annual growth (%)	% of FY08 total disbursements
Bank-executed trust funds	**235**	**273**	**282**	**330**	**376**	**12**	**14**	***6***
Recipient-executed trust funds	**1,150**	**1,477**	**1,445**	**2,093**	**2,580**	**22**	**23**	***38***
Bank-financed (IBRD/IDA) project	282	466	484	940	1,082	49	15	*16*
Debt service (non-IBRD/IDA)	41	0	0	0	59	-85	n.a.	*1*
Implementing agency arrangement, e.g., GEF	127	159	174	179	241	12	35	*4*
Stand-alone RE projects	356	462	534	781	959	30	23	*14*
Other recipient-executed projects	344	389	252	193	240	-18	24	*4*
Financial intermediary funds	**1,792**	**2,250**	**2,487**	**3,144**	**3,511**	**21**	**12**	***52***
Limited fiduciary arrangements	784	1,318	1,589	2,051	2,688	38	31	*40*
IBRD/IDA debt service (IBRD/IDA transfer)	965	889	782	284	384	-33	35	*6*
Other financing vehicles	43	42	117	809	439	166	-46	*7*
Other World Bank Group organizations	**93**	**120**	**149**	**225**	**257**	**34**	**14**	***4***
IFC	92	119	148	222	255	34	15	*4*
MIGA	1	2	1	3	1	52	-44	*0*
Grand Total	**3,270**	**4,120**	**4,363**	**5,793**	**6,724**	**21**	**16**	***100***

Source: WBG trust fund database.

2.6 **Annual disbursements from BETFs rose by 60 percent between FY04 and FY08, from US$235 million to US$376 million.** In FY08, BETFs included US$32 million from the Water and Sanitation Program (WSP), US$24 million from the reformed Bank Netherlands Partnership Program (BNPP), US$17 million from the Consultative Group to Assist the Poorest (CGAP), US$16 million from the Public-Private Infrastructure Advisory Facility (PPIAF), and US$12 million from the Energy Sector Management Assistance Program (ESMAP). The growth in BETFs is attributed to the increase in trust fund program-related administration and secretariat costs, which grew by almost 50 percent during FY08 alone. Overall, BETFs accounted for 52 percent of Bank spending on technical assistance and 26 percent of spending on economic and sector work (ESW), thereby playing a key role in supporting the Bank's operational work in low- and middle-income countries.

2.7 **Disbursements channeled through RETFs more than doubled, from US$1.15 billion to US$2.58 billion, between FY04 and FY08**. The increase indicates broad reinforcement of IBRD/IDA lending patterns across sectors and thematic areas at the country level. Forty-two percent of RETF disbursements in FY08 went toward preparation and cofinancing of IBRD/IDA investment projects and 37 percent to stand-alone investment projects outside of IBRD/IDA. At the same time, a significant portion of stand-alone RETF disbursements in FY08 (US$672 million, or 70 percent) was devoted to post-crisis reconstruction programs,[11] and the remainder to various country-level efforts in support of global/regional priorities.

2.8 **RETFs continue to serve as a versatile instrument of Bank support in diverse country settings.** For instance, RETFs support post-conflict assistance and blended grant and IBRD financing of global public goods in middle-income countries. RETF disbursements to fragile states (especially post-conflict countries) nearly doubled from US$532 million in FY04 to US$1 billion in FY08.[12] Meanwhile, RETF flows to IBRD-eligible countries rose from US$190 million in FY04 to US$393 million in FY08, a significant, albeit slowing, share of overall RETF disbursements (16 percent in FY04 to 15 percent in FY08). By sector, programs in law, justice, and public administration represented the largest portion of RETF disbursements in FY08, with 34 percent of the total (Table 2.3).

Table 2.3: Sector Breakdown: IBRD/IDA Lending vs. RETF Disbursements

Sector	% of IBRD/IDA Lending	% of RETF Disbursements
Law, justice, and public administration	24	34
Health and social services	11	15
Education	8	13
Agriculture	8	8
Industry and trade	7	7
Water, sanitation, and flood protection	9	6
Finance	6	6
Energy and mining	10	6
Transportation	17	3
Total	**100**	**100**

Source: WBG database.

2.9 **Africa region is the largest recipient of RETF disbursements**, at 31 percent of total RETF disbursements, followed by South Asia (26 percent), East Asia and the Pacific (15 percent), Middle East and North Africa (14 percent), Latin America and the Caribbean (6 percent) and Europe and Central Asia (1 percent).

[11] These include the Afghanistan Reconstruction, Palestinian Recovery and Development Plan, North and South Sudan, Iraq Reconstruction, and West Bank and Gaza trust funds.
[12] Cumulative RETF disbursements for activities related to fragile states totaled US$3.71 billion over the FY04-08 period. Of this, 50 percent went to Afghanistan.

Table 2.4: RETF Disbursements by Recipient Region

Region	US$ million	%
Africa	798	31%
South Asia	673	26%
East Asia and the Pacific	390	15%
Middle East and North Africa	367	14%
Latin America and the Caribbean	178	7%
Europe and Central Asia	146	6%
Global	30	1%
	2,580	100%

2.10 **Annual FIF disbursements grew by 96 percent between FY04-08, from US$1.79 billion to US$3.51 billion.**[13] The increase reflects the increased importance of vertical funds in the Bank's trust fund portfolio. About 61 percent (US$2.13 billion) of FIF disbursements in FY08 were made under the GFATM. GEF, with US$444 million, accounted for 13 percent of total FY08 FIF disbursements, HIPC for 8 percent, IFFIm/GAVI Fund Affiliate for 7 percent, and other programs for 11 percent (Table 2.5).

Table 2.5: FY08 FIF Disbursements

	US$ million	% of disbursements
GFATM	2,134	61
GEF	444	13
HIPC	277	8
IFFIm/GFA	236	7
Others[14]	419	11
Total	**3,511**	**100**

Source: WBG trust fund database.

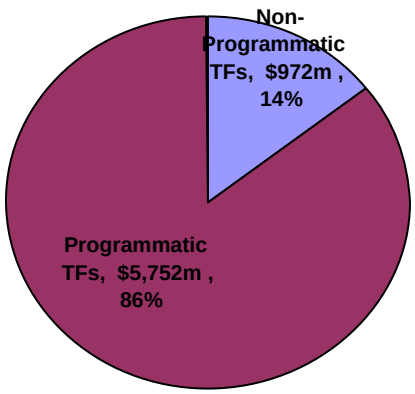
Programmatic versus Non-Programmatic Approach

2.11 **The majority of total trust fund disbursements in FY08 (US$5.75 billion, or 86 percent) were made through a programmatic approach, while the remainder (US$972**

[13] FIF disbursements include fiscal transfers made under hybrid trust funds.
[14] The top five programs under "Others" are the Carbon Funds, CGIAR, debt service trust funds, the Multidonor Trust Fund for Aceh and Nias, and the Onchocerciasis Control Program.

million, or 14 percent) were through a non-programmatic, freestanding approach. Under the programmatic approach, trust funds are disbursed following a two-stage funding allocation mechanism. In the first stage, the Bank and donor(s) commit funds and agree to a broad framework designed to support a program of activities over multiple years. In the second stage, funding is approved for specific activities in accordance with agreed criteria and governance arrangements. Funding may be approved by the World Bank, the donor, or a special committee that may include representatives of the Bank, the donor(s), and/or other entities. Such a programmatic approach usually allows for more flexibility and longer-term financing of activities, as well as for strategic participation of stakeholders, e.g., the Bank, donors, recipient countries and civil society. Non-programmatic funds, on the other hand, typically finance a specific activity or set of activities identified and agreed upon upfront between the Bank and donor(s).

Chart 2.4. Programmatic and Non-Programmatic TF Disbursements (US$ million)



Source: WBG trust fund database.

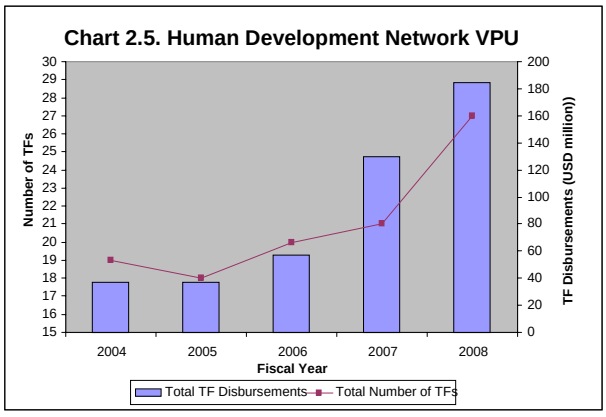
Issues of Fragmentation

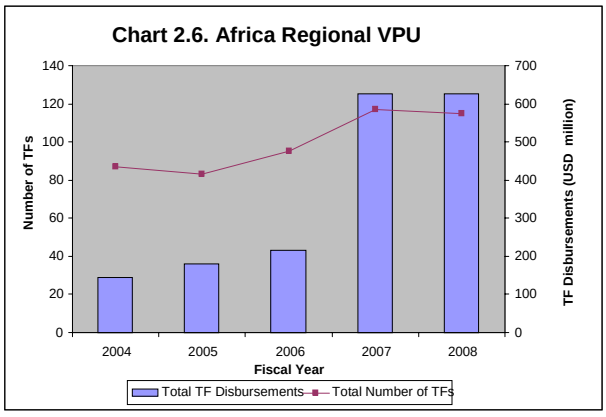
2.12 **The growing number of trust funds supporting initiatives that are similar in sectoral context is indicative of aid fragmentation.** Donors' funds are targeted, through separate trust fund instruments, toward activities with similar sectoral objectives, resulting in a piecemeal approach. For instance, within the Bank's two largest trust fund-disbursing network VPUs that manage global programs -- the Human Development Network (HDN) and Sustainable Development Network (SDN) VPUs – the number of different funds, along with trust fund disbursements, grew steadily over the past five fiscal years. By the end of FY08, HDN managed a total of 27 trust funds for health and education initiatives, and disbursed about US$185 million (Chart 2.5). The numbers are much higher in SDN, which managed 169 trust funds related to

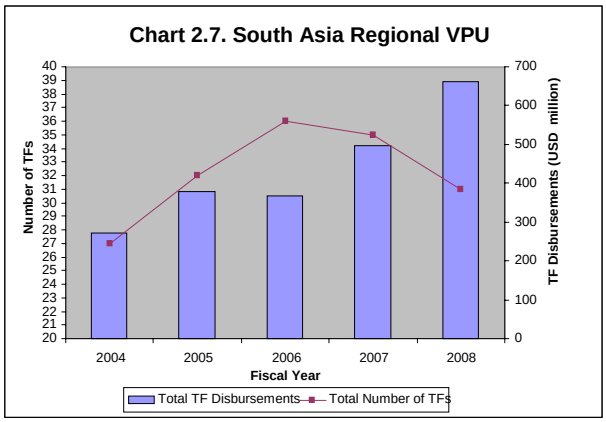
environment, infrastructure, agriculture and social development; and disbursed about US$755 million (Chart 2.6).

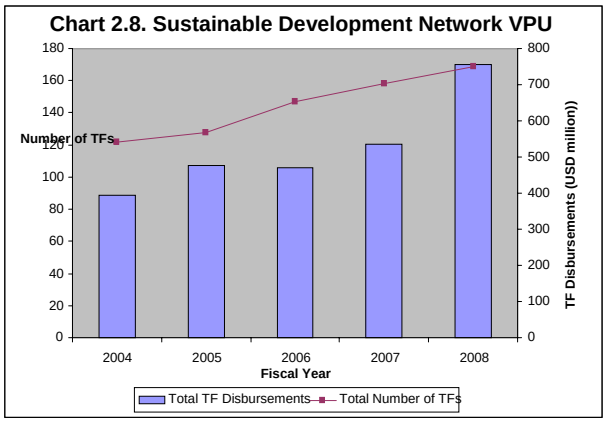
2.13 In the regional context, while disbursements continued to grow, the number of trust funds declined in South Asia and remained relatively unchanged in Africa. By end of FY08, South Asia managed a total of 31 trust funds and disbursed more than US$661 million (Chart 2.7), while Africa managed 115 trust funds and disbursed about US$627 million (Chart 2.8). The average disbursements per trust fund in South Asia more than doubled from FY04 to FY08, whereas that in Africa more than tripled during the same period. The decline in the number of funds, along with the increased average disbursements per trust fund, are the result of coordination and collaboration between different donors at the country level, for instance under the Afghanistan Reconstruction Trust Fund (ARTF).

Charts 2.5-2.8. Bank Network and Regional VPUs - Number of TFs and TF Disbursements







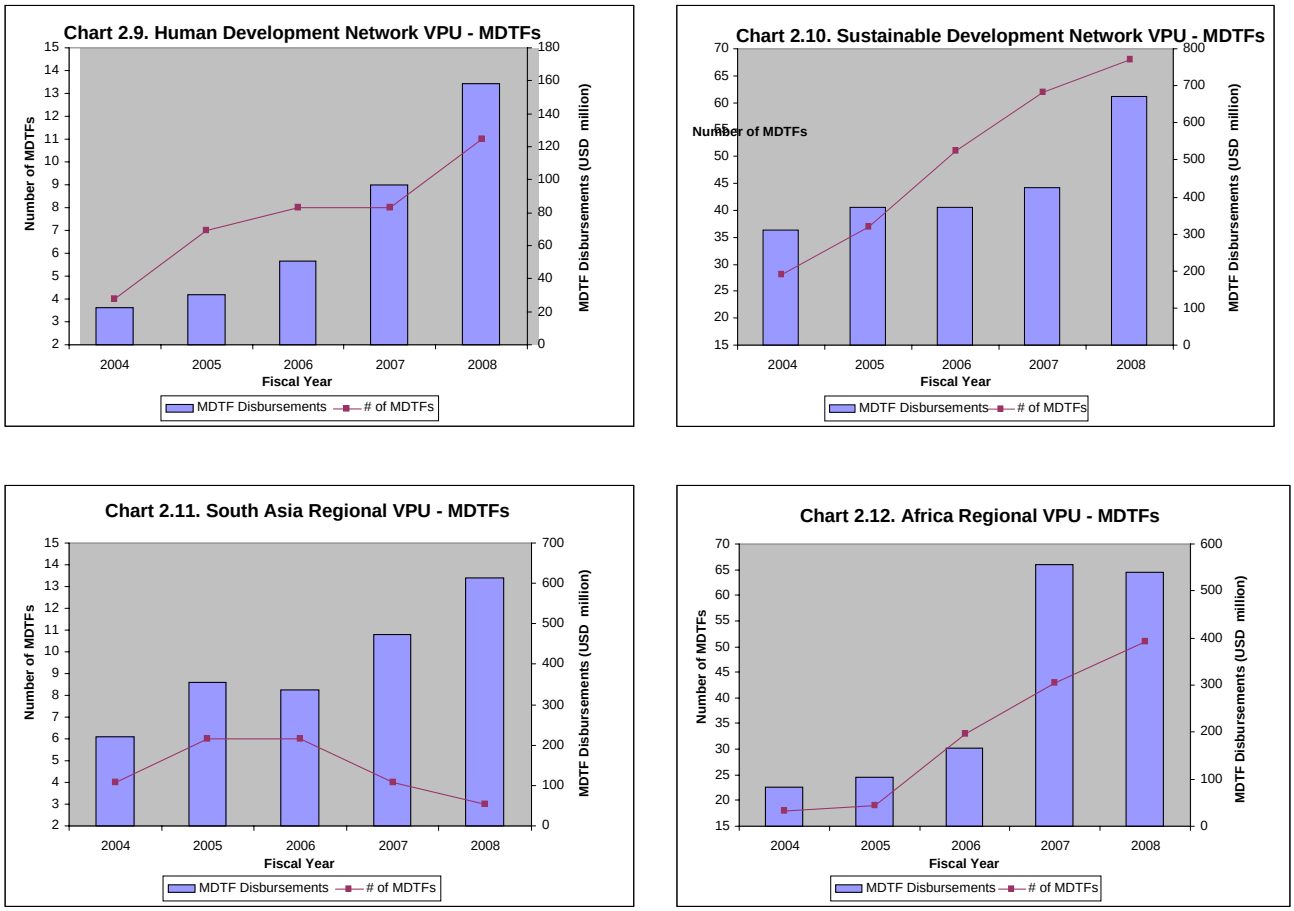


Source: WBG trust fund database

2.14 **Past experience shows that multidonor trust funds help reduce the adverse impact of fragmentation.** Multidonor trust funds provide a mechanism that combines the contributions of multiple donors, generally for a program of activities over a number of years. ARTF, for instance, was developed as the main multidonor funding mechanism for both recurrent costs of the Government of Afghanistan's budget and priority investment programs across the country. The ARTF was established in response to the government's request for a single, predictable and accountable source of funding, which helped ensure effective mobilization of funds and reducing fragmentation. According to the independent evaluation of the ARTF in 2005, the program is a good example of a trust-funded program that is in many areas in line with the Paris Declaration's definition of best-practice approaches and is in accordance with the Paris Declaration's good partnership principles.

2.15 **The Bank has worked with donor partners to manage the risks of fragmentation and to promote harmonization by encouraging a move towards multidonor trust funds and joint dialogue with donors.** Within FY08, HDN disbursed almost US$158 million (86 percent of its total trust fund disbursements) through 11 multidonor trust funds (Chart 2.9). SDN, which has sought to improve coordination and joint dialogue among donors that support similar initiatives, disbursed more than US$672 million (89 percent of its total trust fund disbursements) through 68 multidonor trust funds (Chart 2.10). Although the number of multidonor trust funds declined to three in South Asia, overall disbursements from these funds accounted for 93 per cent of total trust fund disbursements (Chart 2.11). This was attributable to the fact that the ARTF accounted for 75 percent of South Asia's total disbursements. Africa experienced a slight decline in multidonor trust fund disbursements, to US$541 million (or 86 percent of its total disbursements), yet the number of multidonor trust funds increased substantially, to 51 (Chart 2.12).

Charts 2.9-2.12. Bank Network and Regional VPUs - Number of MDTFs and MDTF Disbursements

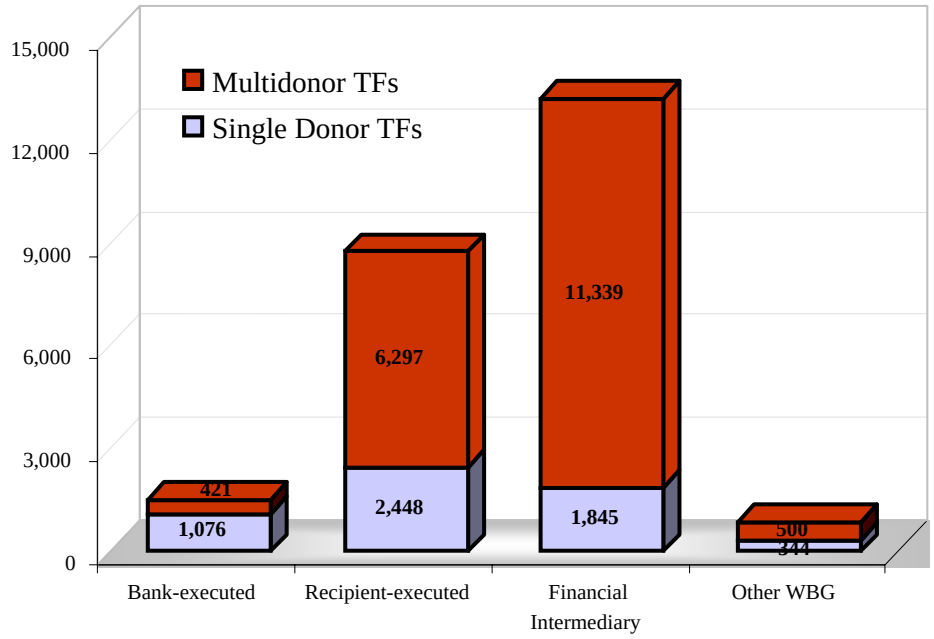


Source: WBG trust fund database.

2.16 **The move toward pooling donor resources through multidonor trust funds is part of a larger trend across the Bank.** Over the FY04-08, the number of multidonor trust funds increased from 143 to 325. Disbursements from these funds amounted to US$18.6 billion, or 76 percent of total trust fund disbursements over the period (Chart 2.13). Multidonor trust funds disbursements under FIFs amounted to US$11.3 billion and under RETFs to US$6.3 billion. Notably, the proportion of RETF disbursements made via multidonor or pooled arrangements was 72 percent in FY04-08,[15] up from 66 percent during the previous five-year period. As the Bank and donors continue to move increasingly toward multidonor trust fund arrangements, there will be further need to standardize and streamline processes for administering such funds.

[15] In FY08, 70 percent (218) of 313 RETFs were supported by single donors but accounted for only 20 percent of total RETF disbursements. The remaining 95 multidonor RETFs accounted for the bulk of the volume growth.

Chart 2.13. TF Cumulative Disbursements FY2004-08 (US$ million)



Source: WBG trust fund database.

Section 3. Trust Fund Results

3.1 **As trust funds continue to be mainstreamed into the Bank's main operations, progress has been made in documenting the results of trust-funded activities during recent years,** particularly in how these activities contribute to the attainment of actual outcomes and impact. This is in line with the progress made in advancing the Bank's broader results agenda—i.e., in countries, within the World Bank, and across development agencies.[16] Box 3.1 provides a sample of trust fund results, as reported by Bank task managers during FY08. Overall, it indicates that trust funds broadly reinforce the Bank's development initiatives in various settings.

Box 3.1: Sample Trust Fund Results Reported by Bank Task Managers during FY08

AAA and technical assistance

1. **The Trust Fund for Strategic Poverty Partnership for Indonesia financed various analytical and operational products that were effectively used for Indonesia's strategic approach towards poverty and social protection.** The design and implementation of products such as a conditional cash transfer program, a national community empowerment program, poverty assessment guidelines and participatory multistakeholder forums, have helped the Government of Indonesia in mitigating the impacts of its decision to end fuel subsidies. A significant number of poor people have benefitted from the trust fund, with the cash transfer program in particular covering about 34,000 villages with at least 35 million beneficiaries.

2. **A Multilateral Donor Trust Fund for Debt Service supported the Government of Burundi in meeting its obligations to multilateral creditors, leading to achievement of the enhanced HIPC decision point and increased donor assistance flows**. By helping clear the accumulation of arrears to Burundi's foreign creditors, the trust fund helped facilitate the government's efforts to reconstruct and transition from post-conflict to longer-term development.

3. **The multidonor financing of the Public Private Infrastructure Advisory Facility (PPIAF)'s technical assistance and knowledge activities has helped facilitate private-sector involvement in infrastructure**. Despite the small size of PPIAF grants, and their relatively upstream nature, the trust fund has helped facilitate transactions, laws and regulations, institutional strengthening, strategy formulation, and knowledge activities, all of which promote private-sector involvement in infrastructure in developing countries.

4. **The Asia-Europe Meeting (ASEM) Financial Crisis Response Trust Fund II made major contributions toward financial and corporate sector reform and increased the effectiveness of poverty reduction efforts in five Asian countries—China, Indonesia, the Philippines, Thailand, and Vietnam**. With strong local ownership and close alignment with national priorities, the trust fund resulted in enhanced country capacity for poverty analysis, substantial financial sector reforms, enterprise restructuring and transformation, public-sector capacity improvements, and more effective delivery of social services.

[16] Progress in advancing the Bank's broader results agenda include Bank support to governments in strengthening the results focus in national strategies, use of results-based country assistance strategy (RBCAs), establishment of the IDA Results Measurement System, and promotion of a global partnership on managing results across development agencies.

Cofinancing and project preparation trust funds supporting larger IBRD/IDA projects

1. **A series of Poverty Reduction Support Operations supported Vietnam's structural development and sustained economic growth**. Aligned closely with the country's Comprehensive Poverty Reduction and Growth Strategy, the operations proved effective in supporting the development of policy, legal and institutional frameworks, with implementation left to the government. Overall, these contributed to the generalization of market mechanisms, massive creation of wage employment, and strengthened delivery of public services.

2. **The Irrigation Rehabilitation and Restructuring Project in the Former Yugoslav Republic of Macedonia supported the rehabilitation of the deteriorated existing irrigation infrastructure, restructuring of water management organizations, and promotion of participatory irrigation management**. As the result, private farmers were enabled to fully regain the potential of the irrigated agriculture sector and to enhance the sustainability and efficiency of the irrigation systems.

3. **A Policy and Human Resources Development Trust Fund helped prepare a Mineral Resources Management Capacity Building Project in Mozambique** that contributed significantly to the improvement of the investment climate and the Ministry of Mineral Resources' capacity to promote and manage investment and growth in Mozambique's mineral sector.

3.2 **Independent evaluations of significant trust-funded programs also demonstrate that trust funds continued to add value to Bank initiatives and yield positive impacts on growth and poverty reduction.** Evaluations and reviews conducted by independent consultants hired by the programs indicate that trust funds contributed significantly to achievement of broader, higher-level sector and country strategic objectives. Box 3.2 provides a sample of trust fund results as reported through independent evaluations or reviews during FY08.

Box 3.2: Sample Summaries of Independent Evaluation Findings Reported during FY08

1. Japan Policy and Human Resources Development (PHRD) Technical Assistance Program. The PHRD program was originally launched in 1990 as a strategic programmatic trust fund instrument for providing technical assistance to assist in formulating and implementing Bank-supported projects, programs, and activities. The PHRD technical assistance program is aimed at providing technical support to grant recipients, who are also borrowing members of the Bank, to improve the quality and impact of associated development operations that are financed by their own resources as well as those of the World Bank. Covering the project preparation, climate change and implementation grants, the evaluation found that overall the program remains a unique strategic instrument for providing technical assistance to improve the quality of projects. The program's focus on upstream project preparation, as well as the requirements that grants be untied and implemented by recipient governments, are highly valued and have been key to its continued high relevance and effectiveness in strengthening development assistance across many sectors and all developing regions.

2. Global Development Network (GDN). The GDN is a worldwide association of research and policy institutes with the goal of creating, sharing, and applying policy and social science knowledge for the purpose of development. The program's objectives are threefold: (i) to generate knowledge and build research capacity through research competitions and commissioned research; (ii) to share knowledge and strengthen networking through GDNet and face-to-face contacts; and (iii) to apply the results of local research to local policy issues based on a specially- designed program of research and training. The evaluation found qualified evidence of capacity building and knowledge creation from GDN-funded activities. GDNet and the annual conference, in particular, are seen as potential vehicles for providing additional public goods for its targeted beneficiaries. However, given insufficient funding and a relatively brief period in which to generate broad-ranging long-term impacts, the evidence suggests broader impacts only in regions where GDN's efforts accompany those of other actors with similar goals.

3. The Bank-Netherlands Partnership Program (BNPP). BNPP was established in 1998 between the Netherlands Ministry of Foreign Affairs and the World Bank to better coordinate and prioritize trust fund investments made by the Netherlands. BNPP provides financing for a wide range of knowledge development and advisory services with a cross-country, regional or global scope and has an exclusive focus on the world's poorest countries. A recent review found that in broad terms, BNPP is achieving significant results that are informing policy instruments, influencing Bank operations, and providing inputs that, if effectively used by policy makers, have the potential to inform the ongoing policy debate on important issues. BNPP is a unique instrument that is highly valued by the Bank for providing flexible funding to test development hypothesis, build supporting evidence and generate knowledge on particular development issues. Strategic and innovative in its design, the programmatic focus on cross-country, regional, and global activities sets it apart from other Bank-administered trust fund programs. The program's comparative advantage lies in its catalytic and innovative nature, i.e., providing funding for Bank TTLs to test hypotheses and generate a knowledge base that could influence current thinking on particular development issues and approaches.

3.3 **Nonetheless, ensuring the results-focus of trust-funded activities remains a challenge.** While trust funds are generally seen as reinforcing the Bank's development initiatives, the methodology for attributing trust funds' contribution to broader country-level or regional or global impact is often fraught with difficulty. Further, the process of mainstreaming trust funds into Bank's main operations and development of relevant results frameworks are still ongoing. In FY08, a quality-at-entry assessment of RETF projects over $5 million performed by the Bank's Quality Assurance Group (QAG) found weaker results than other Bank operations. RETF projects that were linked to ongoing or past operations were assessed as generally satisfactory – most of these RETF initiatives funded capacity building and had focused objectives with well-targeted interventions. In contrast, stand-alone RETF projects, especially in conflict countries, tended to have unrealistic objectives and designs that were not consistent with implementation capacity. The following recommendations were made by QAG: (a) greater realism in objectives and results framework; (b) more attention to institutional and implementation arrangements; and (c) ensuring adequate preparation and supervision budgets. Starting in end FY08, the RETF projects over $5 million are subject to the same Bank processes as for regular loans and are reported as part of the Bank's portfolio. While the impact of this change is yet to be assessed, it is expected that the results-focus of the RETF projects would be enhanced.

3.4 **The Bank continues to take steps to strengthen the results focus of its trust-funded activities.** The 2007 Trust Fund Management Framework emphasized the need for ensuring systematic monitoring and reporting of trust-funded activities. Towards this end, the Bank is developing a framework to strengthen the results focus of trust funded activities, which is expected to be established within FY10. Measures to strengthen TF results will be aligned with applicable Bank policies and procedures. The trust fund results framework is envisioned to encompass the following three pillars:

(i) Strategic planning: identifying possible approaches for results measurement and proper formulation of TF objectives, results chains and indicators;

(ii) Performance measurement: establishment of a performance monitoring system to regularly collect data on actual TF results, and ensure that the data is reviewed, analyzed, and used in real time to adjust activities for higher quality outputs and intermediate outcomes; and

(iii) Performance management: development of consistent performance information system to be used for: (a) internal management, decision making, learning, and accountability; and (b) external performance reporting to stakeholders and partners.

Section 4. Implementation of the Trust Fund Management Framework

4.1 As part of Management's efforts toward mainstreaming trust funds into the Bank's strategies and processes, and applying a risk-based approach to managing the rapidly growing and highly diverse trust funds portfolio, a Trust Fund Management Framework (TFMF) was finalized and endorsed by the Board in late 2007. The Framework rests upon the following three pillars comprised of a series of reform actions and policy proposals: (i) enhanced strategic focus and selectivity, (ii) strengthened risk and results management, and (iii) enhanced operational efficiency and sustainability. Substantial progress has been made in implementation of the Framework from January 2008 to date. The following key actions have been completed or are underway:

- The new cost recovery fee structure and revised minimum threshold of US$1 million were made effective on January 1, 2008. Improved processes for cost estimation and capturing of trust fund administration costs have since been introduced.

- A new instrument for accepting smaller contributions from donors to the Bank's work program, Externally Funded Output (EFO), was introduced in January 1, 2008. As of December 2008, 63 EFOs of an aggregate value of US$17 million were in effect.

- Bank-executed trust funds, which support the World Bank's own work program, are now discussed and incorporated in the Bank's budget planning processes.

- A revised Operational Policy and Bank Procedure (OP/BP) 14.40 on trust funds was issued on July 1, 2008. An updated Trust Fund Handbook, which elucidates on how the policies are reflected in the business processes, was issued in December 2008.

- The mandatory Trust Fund Learning and Accreditation Program (TLAP) was updated in September 2008 to reflect the latest policies on trust funds. The TLAP aims to promote accountability, transparency, and effectiveness in the use of trust funds among Bank staff.

- The first Trust Fund Financial Compendium was issued in January 2009. The Compendium is intended to serve as reference on financial aspects of trust fund management for the trust fund community within the World Bank.

- A Senior Management Review mechanism was established for the corporate review of major new global partnerships and trust funds involving high-risk or complex financial or operational products and/or partnership decision structures. Guidelines were issued by CFP in January 2009.

- At the Vice Presidential Unit (VPU) level, Trust Fund Management Plans were completed in early December 2008. The plans outline definitive actions to be adopted by VPUs to mainstream the trust fund management process.

- At the country level, systematic integration of trust funds into the Country Assistance Strategy (CAS) process is underway. A guidance note was issued jointly by Concessional Finance and Partnership (CFP) and Operations Policy and Country Services (OPCS) VPUs on July 30, 2008. Upstream reviews of CASs that started in May 2008 ensure that TFs are integrated, as deemed appropriate, into CAS documents going to the Board in FY09 Q3 and Q4 (pilot phase).

- To streamline the review and clearance of trust fund proposals, CFP introduced a new organizational structure involving the integration of two departments into the new Global Partnership and Trust Fund Operations Department (PTO).

- The decentralization of trust fund review and clearance processes to operational VPUs, which is being piloted by CFP with EAP, commenced in February 2009.

- With a view to streamlining, in FY09 Q4, the World Bank Office of the Deputy Controller will integrate the review and clearance of trust fund proposals and administration agreements and the activation of recipient-executed grants into a one-stop shop.

4.2 Management is expected to report back to the Board on TFMF progress following two full years of implementation efforts, i.e., by January 2010.

Annex A

The World Bank Group

Trust Fund Operations Financial Information Summary

Year Ended June 30, 2008

This report is produced by the Trust Funds Division (ACTTF), Controller's and Strategy Resource Management, Vice Presidency

An electronic copy of this report can be accessed at
http://tf via the link "Resources and Reports"

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1. Introduction

This report provides unaudited aggregate financial information on the trust fund operations administered individually or jointly by the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) in this report collectively referred to as the "Bank".

Trust Funds are financial and administrative arrangements between external donors and the Bank that provide grant funds to address diverse development needs, including project preparation, technical assistance, advisory services, debt relief, post conflict transition and the co-financing of investment projects. Trust Funds contribute to the Bank's poverty reduction mission by supporting innovative approaches to the design and implementation of development projects.

Audit requirements for Trust Funds are contained in the Bank's Operational Policy (OP 14.40), Bank Procedures (BP 14.40), and Trust Fund Hand Book. Trust Funds administered by the Bank are subject to the annual "single audit", formally known as Management's Assertion Regarding Effectiveness of Internal Control over Financial Reporting of Trust Fund Activities, which provides reasonable assurance that the Bank's overall internal control framework surrounding Trust Funds provides accurate and reliable cash-based financial reports.

Additional information regarding individual Trust Funds and programs can be obtained at http://tf.

Comparative Information

Previous year numbers have been regrouped to make them comparable with current presentation. This report is for general use and is not intended to represent the combined financial position of Trust Funds and programs administered by the Bank.

Questions or comments on the report should be addressed to Mr. Brian Quinn, Division Manager, Trust Funds Division, at bquinn@worldbank.org.

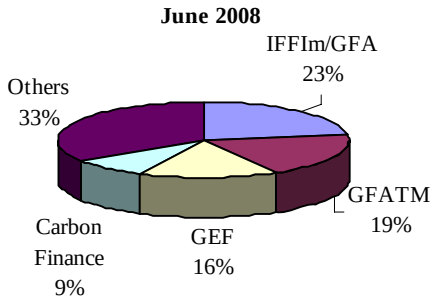
2. Trust Fund Operations – Financial Highlights

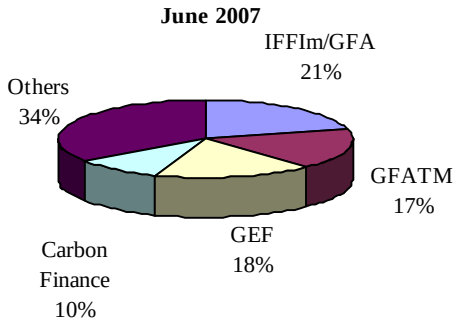
Total assets held in trust at June 30, 2008 amounted to US$26.31 billion, up by 23% from US$21.40 billion at June 30, 2007. These assets held in trust comprise:

(in million of U.S. dollars)

Asset	**June 30, 2008**	**June 30, 2007**
Cash and Investments	16,944	13,768
Promissory notes	9,367	7,631
Total Assets Held in Trust	**26,311**	**21,399**

At June 30, 2008 and June 30, 2007, assets held in trust belonging to International Finance Facility for Immunisation (IFFIm) and its disbursing arm, GAVI Fund Affiliate (GFA) – IFFIm/GFA, Global Fund to Fight AIDS, Tuberculosis and Malaria - GFATM; Global Environment Facility – GEF and Carbon Finance accounted for 66% and 65%, respectively, of the total assets held, with the details as shown below:





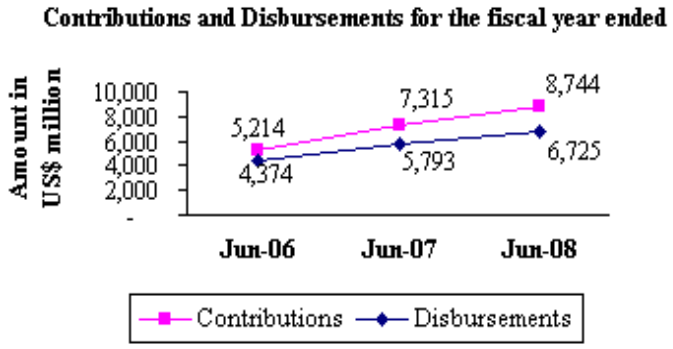
Contributions received in cash during the fiscal year ended June 30, 2008 were $8.74 billion, compared to $7.32 billion received during the fiscal year ended June 30, 2007, an increase of 19%. The top five external donors during the fiscal year ended June 30, 2008 were United Kingdom ($1,075 million), United States ($760 million), Italy ($749 million), France ($736 million) and European Commission ($685 million). The major programs, which accounted for 49% of all cash contributions received during the fiscal year ended June 30, 2008, were GFATM (35%), GEF (9%), HIPC (3%) and IFFIm/GFA (2%).

Further details concerning contributions by donor can be found in Section 7.

Trust Fund Operations – Financial Highlights *(Continued)*

Disbursements made in cash for projects during the fiscal year ended June 30, 2008 totaled $6.73 billion, a 16% increase from $5.79 billion during the fiscal year ended June 30, 2007. The major programs, which accounted for 49% of all disbursements made during the fiscal year ended June 30, 2008, were GFATM – $2,134 million (32%), GEF - $702 million (10%), HIPC - $277 million (4%) and IFFIm/ GFA - $236 million (3%).

Further details concerning disbursements by program can be found in Section 6.



Trust Fund Programs[1] There were 1,021 and 1,015 active Trust Funds as of June 30, 2008 and June 30, 2007, respectively. The major Trust Funds activated during the fiscal year ended June 30, 2008, based on expected donor contributions were:

- **Food Price Crisis Response Trust Fund – Bank Surplus**: This fund was set-up with the objective of reducing the negative impact of high food prices on the lives of the poor with an initial commitment of US$ 200 million from IBRD. Of this commitment, US$ 85 million had been received as of June 30, 2008.
- **Water Supply and Sanitation project in Ethiopia**: This multi-donor fund was established with the objective of increasing access to sustainable water supplies and sanitation services with the initial commitment of US$ 141 million. Of this commitment, USD 17.5 million had been received as of June 30, 2008.
- **Investment Climate Facility for Africa**: This fund was set-up with an initial commitment of US$ 120 million funded by the Investment Climate Facility Ltd (UK). Of this commitment, US$ 18 million had been received as of June 30, 2008.

[1] The number of trust-funds and global partnership initiatives is smaller, since many accounts are created to accommodate varying financial and budgetary requirements, time periods, and areas of focus of different donors, and to provide a reporting structure through which donors' contributions can be tracked in ways that meet their parliamentary or other requirements.

Funds Held in Trust

Cash contributions received from donors and proceeds received through issuance of IFFIm bonds, but not yet disbursed, are held and accounted for as cash and investments.

(in million of U.S. dollars)

	June 30, 2008	June 30, 2007
Major Trust fund Programs		
Global Funds to Fight AIDS, Tuberculosis and Malaria	4,475	3,249
Global Environment Facility	2,762	2,497
Heavily Indebted Poor Countries	863	851
IFFIm/GFA	413	324
Other Trust fund Programs Greater than $30 million		
Single Purpose and Programmatic Funds	1,328	1,101
Free-Standing Grants[2]	1,011	725
Education for All - Fast Track Initiative	711	415
Afghanistan Reconstruction Trust Fund	582	318
International Finance Corporation Funds	530	480
Carbon Finance	440	365
Donor Balance Accounts and Holding Funds	403	202
Iraq Reconstruction Fund	384	392
Debt Service and Debt Reduction Funds	360	472
Trust Fund for Government of South Sudan	274	174
Africa Catalytic growth Fund	220	176
West Bank and Gaza	192	207
Funds for Aceh, Indonesia	179	160
Trust Fund for North Sudan	155	116
Least Developed Countries Trust Fund for Climate Change	91	50
Global Food Crisis Response Program	85	-
Avian and Human Influenza Trust Funds	85	40
Institutional Development Fund	80	75
Montreal Protocol/Ozone Funds	78	138
Nile Basin Initiative Trust Fund	77	71
Special Climate Change Fund	77	54
African Capacity Building Foundation	60	120
Lebanon Trust Fund	57	70
EFA FTI Education Program Development	51	41
Public-Private Infrastructure Advisory Facility	47	42
Consultative Group to Assist the Poorest	42	38
Water and Sanitation Program	41	42
Low Income Countries under Stress	38	58
Java Reconstruction Program	36	23
Financial Sector Reform and Strength	31	35
Other Trust Fund Programs Less than $30 million	670	632
Funds held in escrow on behalf of ICSID	16	15
Total Funds Held in Trust on behalf of Donors[3]	**16,944**	**13,768**

[2] Non-programmatic funds that support a specified activity or set of activities in a specific country, region or globally.

[3] Total funds held on behalf of donors exclude interim advances from IBRD resources which totaled $5 million at June 30, 2008 and $4 million at June 30, 2007.

3. Cash and Investments

Cash contributions received from donors for funds administered by the Bank, proceeds received through issue of IFFIm bonds and administration fees recovered from funds are managed by the IBRD's Treasury Department, which maintains a single investment portfolio for all the funds that are administered by the World Bank Group. Donor funds are held separately from the assets of the IBRD/IDA, IFC, and MIGA.

The Bank invests donor funds pending their disbursement in liquid instruments such as money market instruments, government and agency obligations, mortgage backed securities and other high grade bonds. The aggregation of such investments is herein referred to as the "Pool". The Pool is managed on a commingled basis considering investment horizons and cash flow profiles of different programs. U.S. dollar balances and Euro balances in funds with shorter investment horizons (up to one year) are invested in a shorter duration sub portfolio (Tranche 1) within the Pool with a higher proportion of short-term, cash-like investments. U.S. dollar balances in funds with longer investment horizon and a minimum size (currently consisting of major programs) participate in a longer duration sub portfolio (Tranche 2) with a larger proportion of longer term investments. In November 2006, Tranche 3 was established for IFFIm with interest rate sensitivity matching the liabilities funding the IFFIm portfolio. In April 2008, the operational cash portfolios of Tranches 1 and 2 were transferred to Tranche 0. Tranche 0 will have investment characteristics similar to cash. Non-USD/Euro balances are currently passively managed against money market type benchmarks.

Average U.S. dollar returns based on the market value of investments for the fiscal year ended June 30, 2008, were 0.63% for Tranche 0 (for 3 months only), 5.84% for Tranche 1, 7.99% for Tranche 2, 4.36% for Tranche 3 and average EUR return for fiscal year ended June 30, 2008 was 3.58%. Similarly, average U.S. dollar returns for the fiscal year ended June 30, 2007, were 5.43% for Tranche 1, 5.64% for Tranche 2 and 3.54% for Tranche 3 (for 8 months only).

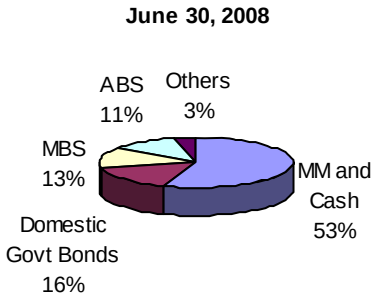
Average return for aggregate non-U.S. dollar/Euro currency balances was 5.08% for the fiscal year ended June 30, 2008 and average return for aggregate non-U.S. dollar currency balances was 4.56% for year ended June 30, 2007.

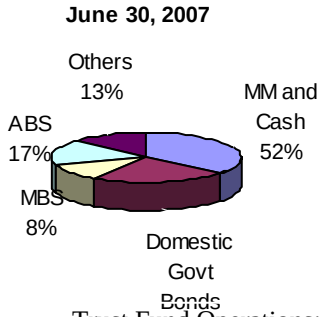
Investment returns subsequent to the reporting period - Average U.S. dollar returns (non-annualized) for three months ended September 30, 2008, were 0.65% for Tranche 0, 0.76% for Tranche 1, 1.26% for Tranche 2, 0.28% for Tranche 3 and average EUR return (non-annualized) for three months ended September 30, 2008 was 2.00%. Average return (non-annualized) for aggregate non-U.S. dollar/Euro currency balances was 1.12% for the three months ended September 30, 2008.

Cash and Investments *(continued)*

The following table shows the composition of investments as June 30, 2008 and June 30, 2007.

Investment portfolio	**June 30, 2008**						**June 30, 2007**				
(in million of U.S. dollars)	**Tranche 0**	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Total**		**Tranche 1**	**Tranche 2**	**Tranche 3**	**Total**	
U.S. dollar portfolio											
Money Market/Cash	1,292	4,418	2,172	255	8,137	48%	3,407	501	209	4,117	30%
Domestic Government Bonds	-	1,044	1,378	-	2,422	14%	1,371	1,532	-	2,903	21%
Asset Backed Securities	-	980	925	28	1,933	11%	1,255	1,097	43	2,395	17%
Mortgage Backed Securities	-	-	2,238	-	2,238	13%	-	1,473	-	1,473	11%
Agency Bonds	-	227	300	-	527	3%	1,115	589	49	1,753	13%
Sovereign/Government Guarantees	-	12	16	-	28	-	-	-	-	-	-
Subtotal	*1,292*	*6,681*	*7,029*	*283*	*15,285*	*90%*	*7,148*	*5,192*	*301*	*12,641*	*92%*
EUR portfolio											
Money Market/Cash	363	347	-	-	710	4%	584	-	-	584	4%
Domestic Government Bonds	-	334	-	-	334	2%	268	-	-	268	2%
Agency, Corporate and Sovereign/Government Guarantees	-	87	-	-	87	1%	15	-	-	15	-
Subtotal	*363*	*768*	-	-	*1,131*	*7%*	*867*	-	-	*867*	*6%*
Non-U.S. dollar/EUR portfolio											
Money Market/Cash	-	-	-	-	528	3%	-	-	-	260	2%
Total	**1,655**	**7,449**	**7,029**	**283**	**16,944**	**100%**	**8,015**	**5,192**	**301**	**13,768**	**100%**





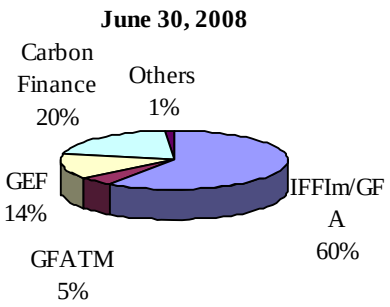
Promissory Notes

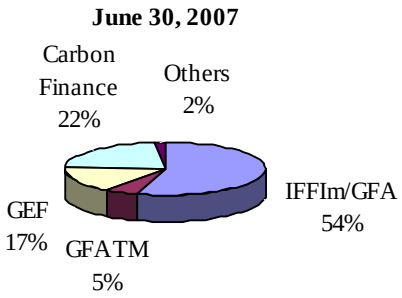
In certain programs, contributions pledged by donors are settled through deposit of demand notes or they otherwise meet the definition of a financial instrument. These are recorded as promissory notes when received and they are encashed based on schedules agreed with the donors and are recorded as cash contributions upon encashment.

Promissory notes held at June 30, 2008 amounted to $9.36 billion, up by 23% from $7.63 billion at June 30, 2007. The significant increase in promissory notes is mainly due to legally binding and irrevocable payment obligations for IFFIm/GFA.

(in million of U.S. dollars)

	June 30, 2008	June 30, 2007
IFFIm/GFA[4]	5,580	4,161
Carbon Finance	1,872	1,688
Global Environment Facility	1,322	1,263
Global Funds to Fight AIDS, Tuberculosis and Malaria	474	397
Heavily Indebted Poor Countries	105	118
Other Programs	14	4
Total	**9,367**	**7,631**





[4] IFFIm/GFA's legally binding and irrevocable payment obligations are used as security to borrow US$ 1 billion and ZAR 1.7 billion equivalent of US$ 223 million from international capital markets through issue of bonds. The proceeds from the bonds are used to disburse funds for immunization and health programs before collecting funds from donors.

4. Contributions and Disbursements by Program (in USD million)

	Contributions Year ended June 30,		Disbursements Year ended June 30,	
	2008	**2007**	**2008**	**2007**
Major Trust fund Programs				
Global Fund to Fight AIDS, Tuberculosis and Malaria	3,065	2,060	2,134	1,607
Global Environment Facility	788	831	702	544
Heavily Indebted Poor Countries	239	165	277	224
IFFIm/GFA	147	72	236	735
Other Trust fund Programs				
Free-Standing Grants	1,134	1,001	882	820
Afghanistan Reconstruction Trust Fund	745	463	496	428
Single Purpose and Programmatic Funds	506	310	340	300
Education for All - Fast Track Initiative	420	345	146	74
International Finance Corporation Funds	233	299	240	188
Carbon Finance	204	134	173	41
Donor Balance Accounts and Holding Funds	164	23	-	-
Trust Fund for Government of South Sudan	138	86	53	79
Trust Fund for North Sudan	101	61	70	19
Consultative Group on International Agricultural Research	94	89	101	94
Global Food Crisis Response Program	85	-	-	-
West Bank and Gaza	80	119	108	45
Funds for Aceh, Indonesia	70	156	61	104
Avian and Human Influenza Trust Funds	54	45	8	3
Africa Catalytic growth Fund	49	175	16	1
Java Reconstruction Program	43	40	33	18
Montreal Protocol/Ozone Funds	39	123	102	83
Least Developed Countries Trust Fund for Climate Change	38	25	-	1
Iraq Reconstruction Fund	34	4	67	44
Water and Sanitation Program	32	46	33	25
Nile Basin Initiative Trust Fund	28	28	30	23
Consultative Group to Assist the Poorest	22	15	21	17
EFA FTI Education Program Development	21	28	15	9
Special Climate Change Fund	21	22	2	2
Public-Private Infrastructure Advisory Facility	19	25	16	18
Environmentally & Social Sustainable Development	19	15	11	11
Institutional Development Fund	16	16	16	16
Energy Sector Management Assistance	14	7	13	7
Onchocerciasis/Tropical Diseases Research	14	8	13	16
Statistical Capacity Building Program	14	5	3	2
Development Grant facility	10	8	4	5
African Capacity Building Foundation	10	55	49	45
Financial Sector Reform and Strength	8	11	14	13
Debt Service and Debt Reduction Funds	3	269	167	43
Low Income Countries under Stress	1	32	20	11
Others	22	99	53	78
Total[5]	**8,744**	**7,315**	**6,725**	**5,793**

[5] Cash contributions are reported in the program which first receives the fund and cash disbursements are reported in the program from which they are paid.

5. Contributions by Donor

(in million of U.S. dollars)

	Fiscal Year Ended June 30,	
	2008	**2007**
Sovereign Countries and the European Community		
United Kingdom	1,075	1,190
United States	760	747
Italy	749	97
France	736	288
European Commission	685	652
Netherlands	677	766
Canada	516	533
Germany	505	332
Norway	443	209
Japan	402	412
Spain	321	203
Sweden	258	230
Australia	227	81
Denmark	114	95
Ireland	108	45
Russia	102	17
Switzerland	75	56
Belgium	50	78
Finland	48	52
Austria	32	24
Luxembourg	25	14
New Zealand	12	11
Korea	11	2
Others	59	304
Subtotal	7,990	6,438
World Bank Group		
International Bank for Reconstruction and Development (IBRD)	167	245
International Finance Corporation (IFC)	113	162
Multilateral Investment Guarantee Agency (MIGA)	4	-
Subtotal	284	407
Other Donors		
Gates Foundation	125	229
GFATM Secretariat	52	12
United Nations Environment Program (UNEP)	39	123
The World Health Organization (WHO)	39	-
Others	215	106
Subtotal	470	470
Total Cash Contributions	**8,744**	**7,315**

6. Disbursements by Managing Unit

(in million of U.S. dollars)

	Fiscal year ended June 30,							
	Bank-executed[6]		Recipient-executed[7]		Financial Intermediary Funds[8]		Total	
IBRD/IDA								
Regions	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Africa	64	51	747	653	64	64	875	768
South Asia	22	14	671	552	-	-	693	566
East Asia and Pacific	48	43	387	440	30	30	465	513
Latin America and the Caribbean	7	6	170	97	-	-	177	103
Europe and Central Asia	6	7	144	107	93	40	243	154
Middle East and North Africa	12	13	366	130	-	-	378	143
Subtotal	*159*	*134*	*2,485*	*1,979*	*187*	*134*	*2,831*	*2,247*
Other Managing Units								
Resource Mobilization and Co financing	12	25	1	-	3,100	2,900	3,113	2,925
Sustainable Development Network	105	86	27	34	270	134	402	254
Private Sector Development	8	5	6	-	20	28	34	33
World Bank Institute	20	20	1	1	3	2	24	23
Human Development	18	14	2	24	-	-	20	38
Development Economics / Chief Economist	10	13	2	2	-	-	12	15
Human Resource	9	-	-	-	-	-	9	-
Poverty Reduction and Economic Management	8	7	-	-	-	-	8	7
Others	10	9	6	8	-	8	16	25
Subtotal	*200*	*179*	*45*	*69*	*3,393*	*3,072*	*3,638*	3,320
Other World Bank Group Organizations								
IFC[9]	218	164	37	59	-	-	255	223
MIGA	1	3	-	-	-	-	1	3
Subtotal	*219*	*167*	*37*	*59*	-	-	256	226
Total Cash Disbursements	**578**	**480**	**2,567**	**2,107**	**3,580**	**3,206**	**6,725**	**5,793**

[6] Bank-executed Trust Funds are funds that support the Bank's work program.

[7] Recipient-executed Trust Funds are funds that the Bank passes on to a third party and for which the Bank plays an operational role--that is, the Bank normally appraises and supervises activities financed by these funds.

[8] Financial intermediary funds are funds that involve financial engineering or complex finance schemes, or funds for which the Bank provides a specified set of administrative, financial, or operational services.

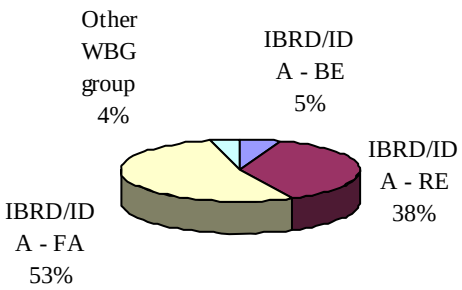
[9] Recipient executed disbursement for IFC represents Development grant for Bank executed projects.

7. Disbursements by Category [17]

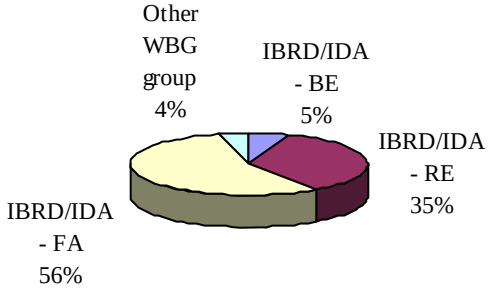
(in million of U.S. dollars)

	Fiscal Year ended June 30,	
	2008	**2007**
IBRD/IDA		
Bank Executed (BE)		
AAA Client Support	101	108
Standard Product line	98	90
Secretariat and TF/Grant Admin	63	32
Transfers	57	40
Lending Appraisal & Supervision	40	43
Subtotal	*359*	*313*
Recipient Executed (RE)		
Bank financed (IBRD/IDA) project	1,082	940
Stand alone Projects	908	737
Implementing agency arrangement	241	179
Other recipient executed project	233	172
Debt service (non IBRD/IDA)	59	-
Development grants	7	20
Subtotal	*2,530*	*2,048*
Financial Intermediary Funds		
Limited Fiduciary Arrangements	2,754	2,109
Financing Vehicles	409	776
IBRD/IDA Debt service	384	284
Transfer to other Grant making organization	17	29
Secretariat and TF Admin for Financial Intermediary programs	16	8
Subtotal	*3,580*	*3,206*
Other Bank Group		
IFC	255	223
MIGA	1	3
Subtotal	256	226
Total Cash Disbursements	**6,725**	**5,793**

June 30, 2008



June 30, 2007



ove ma
e the categorization of disbursements in the table above is based on the nature of trust fund agreement with donors at the overall project level, whereas the categorization of disbursements in other sections is based on the nature of execution arrangement at the disbursing project level.

Annex B

Trust Fund Glossary

Term	Definition
Administration Agreement	Agreement between the Bank and a donor specifying a trust fund's purposes and scope of activities. It also defines the nature of the Bank's relationship with the donor and spells out, among others, the arrangements governing the use of funds, progress and financial reporting, cost recovery fee, auditing and disclosure of information.
Bank-Executed Trust Funds	Funds for which the Bank has spending authority, in support of its own program, including analytical and advisory activities, project-related activities, partnership secretariats and TF administration activities.
Cash Contributions	Amount received in cash by the World Bank from donors during any fiscal year.
Cofinancing	An arrangement under which funds are provided by third parties for a specific project also financed by a loan, credit or grant from the Bank.
Debt Service and Debt Reduction Trust Fund	Funds established to assist recipients in servicing or reducing their external obligations or debt to IBRD, IDA or other creditors.
Disbursements	Payments made from a trust fund account to eligible recipients, not including transfers from one trust fund to another.
Donor	Any entity that makes funds available to be held in trust by the World Bank, including governments, international and private organizations. In addition, the World Bank contributes to some Trust Funds from its net income.
Financial Intermediary Funds	Funds that are not covered by either Bank-Executed Trust Funds or Recipient-Executed Trust Funds. These include funds involving financial engineering and complex financial schemes, or arrangements in which the Bank provides specific administrative or financial services with a limited fiduciary or operational role (previously referred to as fiscal agent).
Free-Standing Trust Funds	Non-programmatic funds established to finance a specific activity or set of activities as specified in the administration agreement for the trust fund.
Grant	Funds provided from a trust fund to an external recipient for implementation of the trust fund activities that carry no repayment obligation when utilized for the agreed activities. The recipient agrees to implement the grant activities by signing a grant agreement.

Grant Agreement	Agreement between the Bank and an external recipient of a trust fund which governs the use of the donor's grant. It spells out the respective responsibilities of the Bank and the recipient.
Multi-donor Trust Fund	A mechanism which combines the contributions of multiple donors, generally for a program of activities over a number of years. This arrangement includes essentially standard legal agreements with all donors, which specify governance procedures covering management, operational and financial reporting, and uses of the funds.
Programmatic Trust Funds	Funds that finance multiple grants, under a two-stage funding mechanism. In the first stage, one or more donors agree to a broad framework designed to support a program of activities over multiple years and commit the funds. In the second stage, the grants are approved for specific activities in accordance with agreed criteria. Grants may be approved by the World Bank, the donor, or a special committee which may include representatives of the Bank, the donor(s), and/or other entities.
Promissory Notes	Irrevocable and legally binding contributions pledged by donors through signed administration agreements and settled through deposit of a demand note. The demand note is recorded as promissory note when received, encashed based on schedules agreed with the donor and recorded as cash contribution upon encashment.
Recipient	Any entity that receives trust fund monies, including governmental, quasi governmental, nongovernmental, or private institutions. The World Bank itself may be the recipient of a trust fund in support of Bank activities.
Recipient-Executed Trust Funds	Funds that the Bank passes on to a third party recipient for development activities, typically financing the investment and recurrent needs of service delivery, capacity building and technical assistance. The Bank normally plays an operational role for these funds, including appraisal and supervision of funded activities.
Technical Assistance/Advisory Services	Activities directly supporting technical assistance and capacity building needs of recipient countries and/or the World Bank's own operational work program in the areas of analytical and advisory activities, knowledge sharing, lending development, capacity building, or research.
Trust Fund	A fund established to be administered by the World Bank with contributions from one or more donors to support development-related activities or programs. A trust fund can be country-specific, regional, or global in scope. It can finance recipient activities, Bank activities, partnership activities, or a combination of these. It can be set up as a programmatic fund to cover a series of activities, or on a free-standing, single-purpose basis. A trust fund may be executed by either a recipient agency external to the Bank, or by the Bank itself.

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