Managing Targeted Funding for Umbrella 2.0 Programs

One of the key objectives of Trust Fund (TF) reforms is to drive the World Bank’s TF portfolio towards “fewer and larger” programs that will reflect the core priorities of the Banks’ Global Practices (GPs) and Regions, and be able to be managed more strategically, efficiently and consistently as larger coherent programs. Optimally, all donors are encouraged to provide contributions with as much flexibility in their use as possible; having flexibility enables the Bank to use funding most effectively in line with client demands. At the same time, individual donors often have more targeted areas of interest, whether thematic or geographic. The objective of this note is to help teams and donors understand how the Bank manages such situations within Umbrella Programs.1

Umbrella Programs all have Anchor multi-donor trust funds (MDTFs). Pooling resources in support of a common development outcome facilitates donor alignment within an agreed work program and reduces transaction costs for the Bank, its clients, and donors. Donors have several ways to influence and shape Umbrella Programs. As a member of the Umbrella Program governing body, the Partnership Council, donors provide strategic advice on thematic and geographic priorities. They endorse the annual work plan and budget, and the criteria used for funds allocation. Donors are consulted on the results framework and the format of progress reports. Donors are also acknowledged in communications and visibility plans that are subject to their feedback. Where needed, the donor’s specific sector, theme or geographic area of interest for their contribution can be formally expressed through “preferencing”. Occasionally a donor is unable to pool their contributions at the global or regional level due to their own internal budgeting constraints or legislative regulations. In such cases there may be an option to contribute to the Umbrella Program through an “Associated Trust Fund” which earmarks a donor contribution and enables dedicated financial reporting.

The flexibility to target donor contributions that are aligned with the overall Umbrella objectives and country demand is an important feature of the Umbrella Program; however, preferencing and earmarking needs to be managed carefully and should only be used when required. Otherwise, over-preferencing and earmarking in the Umbrella Program can result in fragmentation within the program and deter from the Bank’s ability to manage the funding as a coherent program, and achieve the scale, efficiency and synergies from the multi-donor platform. Potential risks of over-preferencing should be openly discussed.

It is also very important that there is transparent and open communication within Umbrellas, and consistent treatment across donors. All donors should be informed of targeted funding within the Umbrella Program, and all donors contribute to program management and administration costs. Since

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1 The Umbrella Program consists of one or more trustee trust funds and enables a more strategic approach for donors and the Bank to partner and finance their priorities. It is a flexible instrument based on the following guiding principles that provide scale and efficiency at the same time as balancing donor requirements: a) common governance; b) common results framework; c) common annual progress report that is based on the agreed results framework; d) options for donors who want their funding to support a subset of the Umbrella’s broad scope; and e) a Strategic Communications and Visibility Plan that helps donors demonstrate the impact of their investment and value added to their constituents.
the results framework, work plan and budget, and reporting are aggregated for an Umbrella, it is important that donors be consulted so that their collective needs will be met; at the same time, this needs to be done in a way and at a level of detail that is efficient and sustainable for the Bank, consistent with the relevant Guidance, relying on its operational policies and practices, and enables the Bank to take activity-level decisions.

**Preferencing within an MDTF**

**Preferencing** within a MDTF is when a donor expresses a non-binding preference to finance specific sectors, themes and/or geographic areas. This is non-binding since the contribution is co-mingled with those of other donors, so the use of funds can never be formally attributed to specific donors in a multi-donor trust fund in either financial or activity planning or reporting. The preference is stated in the cover letter of the Administrative Agreement (AA) as follows: “The Donor has expressed its preference that the Contribution be used towards activities that [short statement]. It is understood that the Bank cannot ensure that the Contribution will be used for such preference and that the Bank will not have any obligation to the Donor if such preference cannot be achieved.” Preferencing is a long-standing approach to managing different donor areas of particular interest in multi-donor trust funds. In practice this means that even though the Bank will not be able to demonstrate that the donor’s funds have been used for the intended purpose by nature of commingled funds, nevertheless, the Bank fully intends to follow through, and donors have mechanisms described below to ensure this. [footnote The Bank would consult the donor in the very rare situation where changes in the work program were required in relation to preferred funds, for matters outside of the Bank’s control.

**Parameters:** There are particular policies around how preferencing may be expressed so that they can be reasonably managed. Expressed preferences should be for sectors, themes and/or geographic areas that are already within the scope of the Umbrella Program. Expanding the scope and/or types of activities of the Umbrella Program would require amending the AA of all donors to the MDTF. Preferencing cannot be for a specific project or activity, type of execution (Bank-executed v. Recipient-executed), or type of expenditure (staff costs, consultants, etc.). The Bank does not accept negative preferences (i.e. activities, themes, or geographic areas to *not* fund), or a preference with a specific monetary value or percentage attached to it (i.e. a donor cannot express preference that X% of their contribution goes to theme A and Y% goes to theme B).

**Process:** The Umbrella Program Manager (PM) is responsible for handling all requests for preferencing within the Umbrella Program. Before accepting a preferred contribution the PM 1) ensures that there is demand for the proposed preference, including seeking internal clearance from country management units, where relevant; 2) ensures that the expressed preference is aligned with the Umbrella priorities and results framework, and ensures that the Bank can “deliver” on the preference 3) ensures that the donor understands that the funding will be pooled, the expressed preference is non-binding and their funds cannot be directly attributed to the specific preference; 4) ensures that the donor understands that they will not receive dedicated financial reporting related to their contribution or preference, and that when the TF closes they will receive their pro-rata share of any remaining funds, based on total contributions to the MDTF by all donors (see box below); and 5) ensures that the Partnership Council is informed of the preferred contribution. The results framework and communication and visibility plan of the Umbrella Program may also need to be updated.
**Governance:** All donors contributing to the Umbrella Program are members of the Partnership Council. The governance arrangements of the Umbrella do not differentiate among donors based on preferencing. However, the Umbrella Program Manager ensures that donor preferences are taken into consideration when preparing the work plans and budgets, and consults in advance with donors as needed (see following paragraph). In cases where sizable activities are planned in a particular country, a formal technical coordination mechanism at country level may be established.

**Work Plan and Budgets:** A work plan and budget is presented to donors at the Partnership Council annually, for their endorsement. Where possible they reflect a multi-year horizon, providing an indication of planned direction using best information available at the time. They enable the Bank and the donors to have a common understanding of the planned direction of implementation and guide discussions during Partnership Council (PC) Meetings. When there are preferred contributions, the UPM reflects these in the work plan and budget, meaning that they are prepared in a way that aims to ensure that over time, the Umbrella will devote resources to the areas of preference (geographic, thematic, etc) in line with the preferred contributions. As such, they could be organized by thematic areas, such as main pillars, with subsections as needed, and geographic areas. In the rare case that donor preferences cannot be implemented in practice, (for instance, because country demand for activities in the preferred theme is lower than anticipated), the Umbrella Program Manager proactively discusses this with donors in a timely manner to agree on how funding should be reprogrammed. Although work plans do not prescribe a set of activities to be funded in the planning period, and the Bank decides on specific activities under Bank-execution, criteria for the selection of activities may also be presented for donor feedback and endorsement.

**Reporting:** All Umbrella Program donors receive one consolidated progress report at the Umbrella Program level, which should align with the work plan presentation. The results framework of the anchor MDTF should also properly reflect the priorities from targeted contributions to specific sectors, themes and/or geographic areas. An increased ambition and relevance resulting from such contributions may require adjusting the anchor’s results framework as needed to properly reflect such priorities, therefore influencing the strategic direction and overall impact of the program. In addition, the Umbrella Program level progress report should highlight key relevant results achieved through donor preferences or funding earmarked by association – this may be reflected by including dedicated sections, chapters and results stories highlighting important results relevant to any outcomes achieved. Such sections may reflect the overall implementation progress, highlighting specific projects, challenges, and risks/opportunities, and results – both qualitative and quantitative – as well as a narrative on how these results contribute to the attainment of the development objective of the Anchor MDTF. Umbrella Program Management Teams have the flexibility to expand as much as needed on significant results for activities supported under preferred contributions to the Anchor MDTF as well as associated trust funds, The reports, however, do not attribute results to particular donors.

All annual reports also provide an overview of the Umbrella Program financials broken down at the trustee trust fund level following the principles for reporting on Umbrellas, and may provide unofficial financial

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2 In practice, the Umbrella PM will need to carefully manage donor expectations and interventions to avoid situations in which a donor whose only contribution to the main Trust Fund is preferenced attempts to block a decision (i.e. prevent a consensus) regarding a matter outside their area of preference. These “rules of the game” may be explained to all donors in the meetings of the Partnership Council, as needed.

3 See *World Bank Guidance Note on Trust Fund Reporting for Development Partners.*
There is no customized financial reporting provided to individual donors for their expressed preference. The donor can access activity/project level reporting through the Development Partner Center (DPC), including links to public versions of Implementation Status Reports (ISRs) and Implementation Completion Reports (ICRs) for recipient-executed activities. Umbrella Program Managers may provide summary updates sourced from these documents, or from Progress Reviews or Activity Completion Summary forms in the case of Advisory Services and Analytics.

Closing and Exit: While a donor may decide to exit the Umbrella at any point in time, donor preferences are not considered when calculating the refund from the trust fund trustee, which is instead based on the pro-rata share of total paid-in contributions (see box below).

### Box 1

**Development Partner Exit**

If a donor exits an MDTF they are entitled to the same pro rata share regardless of whether their contribution was preferred. Donors may also elect to waive their right to a pro rata share when they exit.

**Scenario 1:** Donor A contributes $5 million to a MDTF and preferences their contribution for work in the Africa Region. The MDTF disbursed $4.8 million in the Africa region. After the work in Africa that was of interest to Donor A finishes, Donor A decides to exit the MDTF. At the time of exit, Donor A would be entitled to a pro rata share of $1,428,571.43 (see computation below).

**Scenario 2:** Donor A contributes $5 million to a MDTF and preferences their contribution for work on planting trees in Fragiland. This work does not take place due to insufficient demand or an event that disrupts the Bank’s ability to work in this country, so $3 million was disbursed. DP A decides to exit the MDTF. At the time of exit, Donor A would be entitled to a pro rata share of $1,428,571.43 (the same computation applies).

### Computation of pro rata share of the undisbursed funds when a DP exits a TF

<table>
<thead>
<tr>
<th>Donor Contribution US$</th>
<th>Computation of share of uncommitted fund balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of total</td>
</tr>
<tr>
<td>Donor A</td>
<td>35.71</td>
</tr>
<tr>
<td>Donor B</td>
<td>28.57</td>
</tr>
<tr>
<td>Donor C</td>
<td>21.43</td>
</tr>
<tr>
<td>Donor D</td>
<td>14.29</td>
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<tr>
<td>Total Contributions</td>
<td>100.00</td>
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</tbody>
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4 The Bank’s TF accounting systems do not currently allow automatic aggregate financial reporting along themes or geographic areas within an MDTF, which will therefore not be available in the Bank’s Development Partner Center.  
5 The World Bank does not provide customized financial reporting based on donor preferences. The Umbrella Program Management Team may aggregate financial reporting by thematic and/or geographic areas, however, this would need to be done manually and be unofficial. This will not be reflected in the standard TF financial reporting that the Bank is required to provide to donors and which is available in the Development Partner Center.
Earmarking using Associated Trust Funds in an Umbrella Program

**Earmarking by association** is for cases when a donor, or group of donors, is unable to pool their contributions with other donors in an Anchor MDTF due to internal budgeting constraints or legislative requirements requiring dedicated financial reporting to track their respective contributions. For the purposes of separate financial reporting, a trustee trust fund may be created under the Umbrella Program (“associated” trust fund).

**Parameters:** Associated trust funds are integral to Umbrella Programs. Activities financed by the associated trust fund must align with the Umbrella Program’s development objective and fall within the agreed geographic and thematic scope of the Umbrella Program. Should the scope of the associated trust fund result in an expansion of the Umbrella’s agreed work plan into new sectors/themes/geographic areas, the Partnership Council would first need to approve this expansion. The results framework of the Umbrella Program may also need to be updated.

**Process:** A new TF will need to be established, following internal procedures for initiating the process for creating and administering an associated trust fund under the Umbrella Program. A separate concept note will be prepared in cases where the original concept note for the anchor MDTF did not already explicitly address the scope of the proposed associated trust fund. The Umbrella Program Manager informs the PC of any trust funds that will be associated to the Umbrella Program, and a new AA is signed with the donor(s) contributing to the associated trust fund.

**Management of the trustee:** The Umbrella Program Manager should ensure that the individual activities funded by the associated TF are aligned with the Umbrella Program work plan and that results indicators of activities funded by the associated TF feed into the Umbrella Program results framework. All associated trust funds must include a budget for Program Management & Administration (PM&A) costs. Cost recovery fees are applied at the trust fund level.

**Governance:** There is one Partnership Council for the Umbrella Program that covers the Anchor and all associated trustees. Associated trustees do not have their own governance mechanism. Donors contributing to an associated TF are members of the Umbrella Program’s Partnership Council and endorse the work plans and budgets for the trustees to which they contribute. As for preferred contributions, in cases where sizable activities are planned in a particular country, a formal technical coordination mechanism at country level may be established.

**Work Plans and Budgets:** Each Umbrella Program has a work plan and budget. The work plan and budget for Anchor and associated trust funds are presented distinctly for endorsement by the donors to the respective trust funds. The level of detail in the work plan is independent of whether the contribution has been made to the Anchor or an associated trust fund.

**Results frameworks:** Each trust fund has its own results framework. The results framework of any associated trust fund feeds into the results framework of the Anchor multi-donor trust fund, whose scope encompasses that of any associated trust fund. The results framework of an associated trust fund aims to use common indicators as that of the Anchor multi-donor trust fund, and the level of detail of the results framework is unrelated to whether the contribution to the Anchor or an associated trust fund.

**Reporting:** All Umbrella Program donors receive one consolidated progress report at the Umbrella Program level, which should align with the work plan presentation. The Umbrella Program level progress
report should highlight key relevant results achieved through both donor preferences or funding earmarked by association – this may be reflected by including dedicated sections, chapters and results stories highlighting important results relevant to any outcomes achieved. Such sections may reflect the overall implementation progress, highlighting specific projects, challenges, and risks/opportunities, and results – both qualitative and quantitative – as well as a narrative on how these results contribute to the attainment of the development objective of the Anchor MDTF. Umbrella Program Management Teams have the flexibility to expand as much as needed on significant results for activities supported under associated trust funds as well as preferred contributions to the Anchor MDTF. The reports, however, do not attribute results to particular donors.

All annual reports also provide an overview of the Umbrella Program financials broken down at the trustee trust fund level following the principles for reporting on Umbrellas. Separate financial reporting is the distinguishing characteristic of a contribution to an associated trust funds. The donor can access activity/project level reporting through the Development Partner Center (DPC), including links to public versions of Implementation Status Reports (ISRs) and Implementation Completion Reports (ICRs) for recipient-executed activities. Umbrella Program Managers may provide summary updates sourced from these documents, or from Progress Reviews or Activity Completion Summary forms in the case of Advisory Services and Analytics.

Visibility: Donor acknowledgement in relation to the activities funded by an associated trust fund is consistent with the Umbrella Communication and Visibility Plan. For instance, in programs with a large number of partners, the preferred approach is for these partners to agree to the use of the program identifier on program outputs instead of their specific donor identifiers as long as these are made visible, and referenced on the partnership website and annual report. This approach will allow communication products to focus on key messages while retaining the rights of partners to visibility.

Project-specific Co-Financing

Often donors wish to co-finance a specific IBRD or IDA project through a trust fund. Such project-specific co-financing is normally accepted through the establishment of a standalone co-financing trust fund, a TF established for the sole purpose of co-financing an IDA or IBRD operation. This is usually the most direct and efficient way to manage such funding, consistent with TF reform objectives; co-financing by its nature is already inherently strategically aligned with Bank and client priorities. The Administration Agreement of a standalone co-financing TF specifically refers to the co-financed project. There is no governance since no allocation decisions are needed. Donors receive the regular project reporting (ISR) including the project’s results framework. Establishment of such a trust fund is streamlined since all its features are so directly related to the project itself.

Some Global or Regional Umbrella Programs are designed to co-finance IDA or IBRD operations as one of the activities to achieve their development objectives. Keeping in mind that preferencing language

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6 See World Bank Guidance Note on Trust Fund Reporting for Development Partners.
7 A Standalone Co-financing TF typically finances: (a) one recipient-executed grant that co-finances an IBRD or IDA operation; (b) associated project appraisal and supervision as well as program management and administration costs; and (c) ASA activities that are directly linked to the co-financed operation, if relevant. The total cost for the Bank-executed activities is either equal to or less than 15 percent of total signed contributions or US$3 million, whichever is smaller.
cannot be project-specific, donor funding for project-specific co-financing may be administered as an Associated trust fund in such cases and when the Donor is already a member of the Partnership Council of the relevant Umbrella Program. In this case the project will be reflected in the Umbrella Program work plan and budget and in its progress report. The project’s result framework will align with that of the Umbrella to allow for consolidation of indicators. The Bank may also organize country-level meetings to discuss progress. The Associated TF will cover a share of the Program Management and Administration charges.