



# GUIDANCE NOTE GOVERNANCE IN IBRD/IDA TRUST FUNDS

Revised March 2020

## Guidance on Governance in IBRD/IDA Trust Funds

### A. General Considerations

1. Consistent with Bank Policy [OP 14.40](#), the Bank has decision-making authority in the use of Trust Funds (TFs) adequate to fulfill its roles in administering the specific type of TF.
2. Governance refers to decision-making arrangements between the Bank and Development Partners (DP) related to a trust fund's operations.
3. A TF may or may not require TF Governance depending on its nature. For TFs that do not require Governance, the Bank will provide financial and progress reports to DPs, as stated in the standard provisions, and will discuss these reports with DPs on an annual or bi-annual basis.
4. TF Governance is determined prior to establishment of a TF, in agreement with DPs. Governance arrangements need to be carefully considered during the concept note review for the TF. The proposed Governance arrangements are described in the Trust Fund Proposal (TFP) and are then reflected in the Administration Agreement (AA). The upfront negotiated terms, reflected in the AA, allow the Bank to directly follow through on efficient implementation and coordination as soon as funds are received.
5. Governance does not include the Bank's internal administrative processes and procedures, or a TF's execution or implementation, which are the responsibility of Bank-appointed and accredited Task Team Leaders (TTLs) and Bank management.
6. The responsibility of the Bank with respect to financial and progress reports to donors, including the periodicity of such reports, is set out in the standard provisions of the AA and is not included as part of the Governance arrangements. For the same reason, Governance arrangements do not include coordination arrangements to keep the DPs informed of grant implementation throughout the life of the trust fund, such as provisions for inviting DPs to supervision missions, which is also included in the standard provisions.
7. Costs associated with Governance arrangements are funded from the TF's program management and administration (PM&A) budget.<sup>1</sup> Governance arrangements aim at cost-effective administration and transparent decision-making.

### B. Principles for Governance Arrangements

8. Where a TF includes governance arrangements, the Bank convenes a governing body, called a steering committee (SC) for standard trust funds and a partnership council (PC) for Umbrella Programs.
9. Role of the governing body: The governing body may be responsible for the following:

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<sup>1</sup> PM&A activities generally include supporting governance arrangements and TF related meetings, planning and executing work plans and budgets, managing communications and conducting outreach, disseminating lessons learned, reporting on progress, and monitoring and evaluation.

10. The governing body provides strategic guidance and direction on the implementation of TF activities. This may include advice on setting priorities in response to emerging needs within the scope of the umbrella; identifying areas (thematic and/or geographic) where more attention is desirable based on progress against the results framework; and advising on the selection criteria to guide the activity-level allocations process (when applicable).
11. The governing body will endorse a TF's annual work plan and budget prepared by the Bank and review annual financial and progress reports. These documents provide the basis for decision-making by the governing body.
12. The results framework and the communications and visibility plan will be developed in consultation with the governing body. These documents may be modified over the life of the trust fund to reflect DP guidance and/or respond to implementation opportunities and/or challenges. Any changes will be discussed with the governing body.
13. Consultation: Consultation is an important foundation for decision-making by the governing body. The Bank should consult DPs in advance of governing body meetings and allow sufficient time for documents to be revised to reflect DP comments before they are endorsed. Meeting materials should be submitted to governing body members 10-15 working days in advance of the meeting or as agreed between the Bank and DPs.
14. Decision-making: Decisions are made by consensus during meetings or by virtual "no objection" processes conducted by email between meetings.<sup>2</sup> The Bank, as chair of the governing body, will play a facilitating role in helping the DPs arrive at consensus. Members may abstain from decision making without formally objecting. In this case reservations will be recorded in the minutes of the meeting. Should the governing body be unable to arrive at a consensus decision, the Bank will continue discussions with members on the matter of disagreement until a consensus is reached. Implementation on all other activities for which consensus has already been reached will continue.
15. Composition of the governing body: The governing body is comprised of the Bank, contributing DPs and in some cases other relevant stakeholders. For-profit private donors who contribute to trust funds typically do not have a decision-making role in the governing body (see below). The Bank chairs the governing body. For single country TFs, the recipient representative may be part of and/or co-chair the governing body.
16. *Chair*: The role of the Chair of the governing body is to facilitate participation and dialogue in meeting discussions and to facilitate decision-making by consensus. The Chair will preside over the governing body meetings. The Chair will invite technical experts and other stakeholders to join the meeting, in consultation with the governing body, on an as needed basis.
17. *Stakeholders*: Other stakeholders (e.g., client country representatives, United Nations, representatives of civil society or nongovernmental organizations, private sector representatives) may be invited By the Bank, in consultation with DPs, to attend governing body meetings in a non-decision-making role. Decisions on inviting other stakeholders should be handled on a case-by-case basis taking into consideration potential conflict of interest and other risks.

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<sup>2</sup> Consensus is a procedure for adopting a decision when no voting member in the decision-making process blocks a proposed decision. It does not necessarily imply unanimous agreement.

18. Managing Conflict of Interest: The Bank may accept trust fund contributions from both for-profit and not-for-profit private donors. Participation of private donors in decision making should be carefully considered in consultation with the governing body. The Bank's integrity due diligence process should be used to assess and mitigate potential risks<sup>3</sup> and should provide the basis for consultation with the governing body. In most cases, private, for-profit donors are excluded from work plan and budget decisions to avoid any real or perceived conflict of interests. The Bank informs the governing body before accepting contributions from new private donors.
19. Role of the Bank: The Bank convenes and chairs the governing body. The Bank Program Management team organizes meetings of the governing body and prepares and submits the annual work plan and budget for endorsement. The Bank Program Management team also prepares and submits progress and financial reports which provide the foundations for decision-making by the governing body.
20. The Program Management team prepares a summary of the governing body meeting, including key issues discussed and advice provided. Should any member find an inaccuracy or discrepancy in the meeting summary, it should be raised with the program management team within 10 days from the issuance of the summary. The issue will then be addressed, and the minutes revised and reissued as needed.
21. The Bank is responsible for activity-level approvals for Bank and Recipient executed activities. In the case of transfer-outs (TOs), DPs are responsible for approving each TO.<sup>4</sup>
22. Frequency of governing body meetings: The governing body meets annually, although meetings can be more frequent, based on the context of the TF. Meetings can be either virtual or face-to-face.

### C. Standalone Trust Funds

23. Business units establish Standalone TFs to support activities that cannot be accommodated in Umbrella Programs because they do not contribute to the Business Unit's strategic priorities but are of medium-term interest, or because their thematic scope does not fit in any Umbrella, such as activities that are aligned with a country-level priority but not directly to the business unit's priorities; or activities that support innovations or emerging topics which may later become priorities.
24. Standalone TFs either follow the governance arrangements described above or have no governance arrangements.<sup>5</sup> Standalone TFs where the activities to be financed are predefined by the Bank and the DPs and reflected in the AA do not have governance arrangements. In Standalone TFs where the specific activities the TF finances are determined over time, DPs and the Bank may agree for the DPs

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<sup>3</sup>The Bank has an integrity due diligence (IDD) process that is performed before accepting contributions from a new private donor. IDD is the process by which Staff gather, verify, and assess relevant information about a prospective private donor to permit informed decision-making about whether it is in the interest of the Bank to accept funds from that donor to support Bank activities. Integrity Due diligence is carried out to enable the World Bank to reduce risk, make informed decisions, pursue opportunities and manage difficult situations.

<sup>4</sup> Transfers-Out is an exceptional arrangement under which the World Bank transfers funds from a trust fund to a partner entity at the disbursement level. Under a transfer-out arrangement, DP(s) agree in advance that the World Bank's operational policies and procedures will not apply to the use of the transferred funds. The World Bank initiates transfers outs at the direction of the PC. The transferee may be invited to the PC in a non-decision making capacity.

<sup>5</sup> In exceptional cases, more complex governance arrangements might be warranted, with Senior Management agreement.

not to have any involvement in decision-making. Regardless of whether or not a trust fund has governance arrangements, the Bank provides annual financial and progress reports to the DPs on implementation and may receive feedback and recommendations from them.

25. For standalone TFs that require governance, the Bank convenes a steering committee. Box 1 describes the governance language for Standalone TFs.

<p style="text-align: center;"><b>Box 1</b></p> <p style="text-align: center;"><b><u>Governance Arrangement for Standalone Trust Funds</u></b></p> <p>A Steering Committee may be established for a standalone trust fund to provide strategic guidance and direction on the implementation of the Trust Fund activities, endorse annual work plans and budgets presented by the Bank and review progress reports provided by the Bank based on the results framework for the trust fund.</p> <p>The Steering Committee will consist of representatives of the Bank, including as Chair, and a representative of each Donor contributing to the Trust Fund. The Steering Committee will meet annually, as convened by the Bank. Meetings may be conducted physically or virtually, and with decisions will be made by consensus.</p>
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#### **D. Umbrella 2.0 Program Governance Arrangements**

26. An Umbrella Program consists of one or more TFs and supports one or more of the priority fundraising areas of a Business Unit, as defined in its Strategic Fundraising Plan. The geographic scope of an Umbrella can be global, regional or a single country.
27. Umbrella Programs are “anchored” in a programmatic multi-donor trust fund (MDTF) with a relatively broad thematic and /or geographic scope. This MDTF is referred to as the Anchor MDTF. The overarching development objective and results framework of the Anchor MDTF are the same as those of the Umbrella Program.
28. In some cases, the Umbrella Program may also include Associated trust funds in the form of single donor trust funds (SDTFs) or other MDTFs if development partners have restrictions preventing them from directly joining the anchor MDTF (e.g. funds are earmarked for specific countries/themes or restructuring of an existing trust fund is not an option)<sup>6</sup>. Since associated TFs are within the umbrella program, their results framework must be a “subset” of the overall anchor MDTF’s results framework, contributing to the anchor MDTF’s development objective.
29. The Bank convenes a Partnership Council for Umbrella Programs. The PC covers all TFs under the Umbrella Program (Anchor and Associated). DPs contributing to the Anchor and/or an Associated TF may participate in discussions of the Umbrella Program’s PC. The PC will discuss the overarching strategic direction of the Umbrella, the results framework, and communications and visibility plan. When Umbrella Programs organize their activities around thematic or geographic pillars, or finance sub-programs of activities, these pillars or sub-programs do not have their own governance

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<sup>6</sup> See guidance note on *Options for Managing Donor Preferences for Umbrella 2.0 Programs*

arrangements. Results frameworks and sufficiently granular and timely reporting, including for Associated TFs, are an important foundation for decision-making at PC meetings.

30. When it comes to making decisions on budget and work programs, DPs participate in decisions for the Associated TFs to which they contribute but discuss progress and results expected from the entire Umbrella Program. A member of the PC cannot block a consensus decision on the budget for an Associated TF to which they do not contribute.
31. As long as there is consensus on the Umbrella Program's overall strategic direction and work plan, disagreement over the work plan and budget of one Associated TF does not hold up the work of other Associated TFs under the Umbrella Program while any misunderstandings or differences are worked out between the Bank and DPs to that particular Associated TF.
32. Box 2 describes the governance language for Umbrella Programs.

**Box 2**

**Governance Arrangement for Umbrella 2.0 Programs**

A Partnership Council will be established to provide strategic guidance and direction on the implementation of the anchor trust fund and any associated trust fund(s), and to review progress reports provided by the Bank based on the results framework for the trust funds under an Umbrella.

The Partnership Council will be comprised of representatives from the Bank, including as Chair, a representative of each Donor contributing to the anchor trust fund, and a representative of each donor contributing to associated trust fund(s).

The Partnership Council is expected to meet annually, as convened by the Bank. The meetings may be conducted physically or virtually. The Bank may also agree to hold ad hoc meetings of the council at the request of a member. Further, the Bank may, in consultation with the Partnership Council, invite other relevant stakeholders to attend meetings of the Partnership Council.

The Bank will prepare annual work plans and budgets for each trust fund under an Umbrella and present them during Partnership Council meetings. Donors contributing to a specific trust fund and the Bank will endorse annual work plans and budgets for the said trust fund. It should be noted that only donors contributing to a specific trust fund may endorse or provide inputs to the annual work plans and budgets of that trust fund. Decisions will be made by consensus of the Bank and the donors contributing to a trust fund.

33. Other Features: Keeping in mind the value of using simple and straightforward governance arrangements, other features may be added to the governance arrangements of Umbrella Programs where they will improve efficiency or impact of the Umbrella Program. These additional features provide flexibility to accommodate the specific needs of each Umbrella Program while preserving the essential characteristics of standard governance arrangements. The list below is not exhaustive but provides some examples of features that can be used. The Umbrella Program Manager carefully evaluates the desirability and suitability of incorporating any of these or other features taking into consideration the nature, risk and complexity of the activities to be supported by the Umbrella Program.

#### 34. Features that may be considered for governance arrangements:

- Limitations on the number of PC members, such as establishing a minimum contribution amount for a DP to join the PC. Such minimum thresholds should only be considered in MDTFs with many DPs (more than 10) or with large total contributions (\$100 million or more). Setting thresholds on PC participation should be carefully considered and their potential indirect impact on DPs contributing to associated TFs.
- In instances where there are ten or more DPs to an Umbrella Program, the PC may consider nominating a co-chair. The role of the co-chair would be to facilitate stronger consensus building and promote collaboration among DPs, and to assist the Chair in preparation of the agenda for the PC meetings. In such cases, when a co-chair is nominated, the Bank would preside over the PC meeting.
- In instances where it is deemed important for the successful implementation of the Umbrella Program and/or a sub-set of activities, a technical advisory group may be established to provide feedback and guidance on technical or implementation issues and/or promote collaboration and partnerships. This technical guidance is intended for the consideration of the Partnership Council in its own guidance and decision. Such an advisory group would not have decision-making authority over budgets or allocation of funds, rather they would provide suggestions on how to maximize the effectiveness of the program's activities. Members of such an advisory group should be invited by the Bank, with inputs from DPs, and chosen based on their technical expertise and/or a strong track record of engagement in a particular area. Members may include experts from the Bank, DPs, academia, private sector, etc., that do not have a conflict of interest.
- Use of operations manuals that describe internal Bank arrangements for the Umbrella Program's day-to-day management. In the case of large or complex programs such as – but not exclusively – those involving multiple Global Practices, use of an operations manual is considered good practice. Such operations manuals are prepared by the Bank and shared with DPs for their information. Should there be any inconsistency between the operations manual and the AA, the AA prevails.

#### **E. Exceptional cases**

35. In exceptional cases, Umbrella Program governance arrangements may give DPs a more direct involvement in activity level allocation decisions. This may be justified in the following cases: a) large, multi-sectoral single-donor TFs; b) large TFs supporting activities in sensitive and high-risk countries or subjects, including when there are concerns about fragility, conflict, or violence; and c) when decisions to undertake activities in key areas of global public goods – especially when they will have significant country impact and global externalities – should be seen as legitimate and broadly owned.<sup>7</sup>

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<sup>7</sup> Global public goods include commodities, resources, services - and also systems of rules or policy regimes with substantial cross-border externalities that are important for development and poverty-reduction, and that can be produced in sufficient supply only through cooperation and collective action by developed and developing countries.

36. In these cases, collective decision making on activities can help promote legitimacy and ownership. The TTL may consider alternative governance arrangements on a case-by-case basis, in consultation with DFi, considering the TF's context and the potential challenges of its execution. Appropriate approvals should be obtained in accordance with Bank policies and procedures.
37. Collective decision making needs to be carefully considered and agreed by the Bank with the DPs in the design phase of the trust fund. A complex decision-making process can create risks of delay in implementation and be more time-consuming and costly to manage (keeping in mind a TF's management costs are directly charged to the TF). Collective decision-making on allocation decisions also complicates the integration of the TF's activities into the Bank's planning and budgeting processes and, in the case of global or regional trust funds, into the Bank's country program. These risks should be carefully considered before pursuing such governance arrangements.