

**A GUIDE FOR DEVELOPMENT PARTNERS**

**PARTNERING WITH THE WORLD BANK THROUGH TRUST FUNDS AND UMBRELLA 2.0 PROGRAMS**

# **ANNEX 4**

## **GUIDANCE ON MANAGING TARGETED FUNDING FOR UMBRELLA 2.0 PROGRAMS**

Trust Funds & Partner Relations  
Development Finance



**WORLD BANK GROUP**

# MANAGING TARGETED FUNDING FOR UMBRELLA 2.0 PROGRAMS

## 1. Introduction

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.<sup>1</sup>

All Umbrella Programs have an Anchor Multi-donor Trust Fund (MDTFs) that serves as the primary (and sometimes the sole) funding arrangement for the Umbrella. Pooling resources in support of a common development objective facilitates donor alignment within an agreed work program and reduces transaction costs for the Bank, its clients, and donors. Even when resources are pooled, 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 review the criteria used for funds allocation. Donors are also consulted on the results framework, the format and structure of progress reports, and communications and visibility plans, which are all subject to their input and feedback. Where appropriate, the donor's specific sector, theme and/or geographic area of interest for their contribution can be formally expressed through "preferencing." In specific cases where a donor is unable to pool their contributions due to their own internal budgeting constraints or legislative regulations, there may be an option to contribute to the Umbrella Program through an "Associated Trust Fund," which enables dedicated financial tracking and reporting of their contributions.

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 the use of Associated Trust Funds needs to be managed carefully and should only be used when required. Otherwise, Umbrella Program funding can still effectively be fragmented within the program and deter from the Bank's ability to develop a coherent program in pursuit of a common development objective to achieve scale and efficiency. 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 the results framework, work plan and budget, and reporting are aggregated for an Umbrella, it is important that donors are consulted in a way and at a level of detail that maintains efficiency consistent with the relevant Guidance and enables the Bank to take activity-level decisions.

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1 - The Umbrella Program consists of one or more trustee level trust funds that enable Donors and the Bank to partner and finance mutual strategic priorities. It is based on the following guiding principles: (i) single governance; (ii) common results framework; (iii) consolidated annual progress report that is based on the agreed results framework; and (iv) a strategic Communications and Visibility Plan that helps donors demonstrate the impact of their investment and value added to their constituents. The Umbrella Program is a flexible instrument that is intended to provide scale and efficiency at the same time as balancing donor requirements and offers options for donors who are interested in supporting a subset of the Umbrella's broad scope.

## 2. Preferring within an Anchor MDTF of an Umbrella Program

**Preferring** within a MDTF is when a donor expresses a non-binding preference to finance a specific sector, theme and/or geographic area within the overall scope of the TF.<sup>2</sup> 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 MDTF in either financial or activity planning or reporting. The preference is stated in the cover letter of the Administration Agreement (AA). It is a long-standing approach to managing different donor areas of particular interest in MDTFs.

Parameters: There are particular policies around how preferring may be expressed so that they can be reasonably managed. Expressed preferences should be for a specific sector, theme and/or geographic area that are already within the scope of the Umbrella Program, as expressed in the Anchor MDTF's AA. Expanding the scope and/or types of activities of the Anchor MDTF would require amending the AA of all donors to the MDTF. Preferring 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 (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 preferring within the Umbrella Program. Before accepting a preferred contribution the PM: (i) ensures that there is demand for the proposed preference, including seeking internal clearance from country management units, where relevant; (ii) ensures that the expressed preference is aligned with the Umbrella priorities and results framework, and that the Bank can “deliver” on the preference; (iii) 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; (iv) 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 a pro-rata share of their paid-in contribution amounts, based on total contributions to the MDTF by all donors (see *Box 1*); and (v) 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 preferring.<sup>3</sup> However, the Umbrella Program Manager takes into consideration donor preferences 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 and engagement at country level warrants it, a formal technical coordination mechanism at country level may be established.

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2 - While this note specifically discusses the use of preferring arrangements for Umbrella Programs, the general rules and guidelines for preferring also apply to Standalone MDTFs.

3 - 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 preferred 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.

## Box 1: Donor Exit

If a donor exits an MDTF that has uncommitted funds, they will receive a pro rata share of these uncommitted funds, and the calculation of this pro-rata share does not take into account their non-binding preference. Donors may also elect to waive their right to a pro rata share when they exit. See the two examples below:

### Scenario 1:

Donor A contributes \$8 million to a MDTF and preferences their contribution for work in the Africa Region. The MDTF disbursed \$9 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, the total uncommitted fund balance in the trust fund was \$5 million (after the closure of the projects in Africa). Donor A would be entitled to a pro rata share of \$2 million (see computation below).

### Scenario 2:

Donor A contributes \$8 million to a MDTF and preferences their contribution for work in the Africa Region. The MDTF only disbursed \$4 million in the Africa region and Donor A decides to exit the MDTF. At the time of exit, the total uncommitted fund balance in the TF was \$7 million (after the closure of the projects in Africa). Donor A would be entitled to a pro rata share of \$2,800,000 million (see computation below).

Donor Contribution US\$		
Donor A	8,000,000	40%
Donor B	6,000,000	30%
Donor C	4,000,000	20%
Donor D	2,000,000	10%
<b>Total Contributions</b>	<b>20,000,000</b>	<b>100%</b>
Computation of share of uncommitted funds		
	Scenario 1	Scenario 2
<b>Uncommitted Funds</b>	<b>5,000,000</b>	<b>7,000,000</b>
Donor A	2,000,000	2,800,000
Donor B	1,500,000	2,100,000
Donor C	1,000,000	1,400,000
Donor D	500,000	700,000
Total	5,000,000	7,000,000

**Note:** The pro-rata share receivable by the donor on exit is computed based on the uncommitted funds at the time of exit and not based on the donor preference and therefore:

1. In scenario 1, Donor A will get \$2m in pro-rata share although an amount of \$9m was disbursed for work in Africa.
2. In scenario 2, Donor A will get \$2.8m in pro-rata share although only an amount of \$4m was disbursed for work in Africa.

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 Meetings. When there are preferenced contributions, the UPM reflects these in the work plan and budget, meaning that they are prepared in a way that demonstrate that Umbrella will over time devote resources to the areas of preference (sector, theme, geographic area etc.). 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 (for instance, due to exogenous factors, unplanned events, etc.), the Umbrella Program Manager proactively discusses this with donors in a timely manner to agree on how funding can be reprogrammed. Although work plans do not prescribe a set of activities to be funded in the planning period and donors do not make activity-level allocation decisions, the criteria for the selection of activities is presented for donor feedback as a means to prioritize certain outputs and outcomes. For investment projects, it may be useful to include an activity pipeline in work plans and budgets so feedback can be taken into account while preparation is still underway.

Results Framework: The results framework of the Anchor MDTF will reflect, as relevant, the priorities from targeted contributions to specific sectors, themes and/or geographic areas. In some cases, this may require an adjustment of the Anchor's results framework to indicate the increased ambition or fine tuning of existing results and indicators.

Reporting: All Umbrella Program donors receive one consolidated progress report at the Umbrella Program level. The progress report should highlight all key results achieved under the Umbrella Program, including progress and results achieved through any donor preferences or Associated Trust Funds. This may be achieved 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 Anchor MDTF. The reports, however, do not attribute results to particular donors. Umbrella Program Management Teams should consult donors on the format and structure for the progress reports.

All progress reports also provide an overview of the Umbrella Program financials that may be broken down by key sectors, themes or geographic areas.<sup>4</sup> However, the Bank's TF accounting systems do not currently allow automatic aggregate financial reporting along sectors, themes or geographic areas within an MDTF. Therefore, any aggregate financial reporting by sectors, themes or geographic areas included in the progress reports does not constitute the official financial reporting available in the [Development Partner Center \(DPC\)](#), as specified in the AAs. The Bank also does not provide customized financial reporting to individual donors for their expressed preference.

The donors can access activity/project level reporting through the 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 trustee level TF, which is instead based on the pro-rata share of total paid-in contributions (see *Box 1*).

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4 - See [Guidance on World Bank Trust Fund Reporting to Donors](#).

### 3. Associated Trust Funds in an Umbrella Program

Associated Trust Funds are trustee level TFs that are created under an Umbrella Program in cases where 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 that necessitate keeping these contributions separate to allow for dedicated financial tracking and reporting.

Parameters: Activities financed by an Associated Trust Fund must align with the Umbrella Program's development objective and fall within the agreed sectoral, thematic and geographic scope of the Umbrella Program. Should the scope of the Associated Trust Fund result in an expansion of the Umbrella's scope, as expressed in the Anchor MDTF's AA, into new sectors, themes, and/or geographic areas, the donors would first need to approve this expansion and the AAs would need to be amended. The results framework of the Umbrella Program may also need to be updated.

Process: A new trustee level TF will need to be established in accordance with the Bank's internal policies and procedures. The Umbrella Program Manager informs the Partnership Council of any TFs that will be associated to the Umbrella Program, and a new AA is signed with the donor(s) contributing to the new Associated Trust Fund.

Governance: There is one Partnership Council for the Umbrella Program that covers the Anchor and any Associated Trust Funds. Associated Trust Funds do not have their own governance mechanism. Donors contributing to an Associated Trust Fund are members of the Umbrella Program's Partnership Council and endorse the work plans and budgets for the TFs to which they contribute to. In cases where sizable activities are planned in a particular country and engagement at country level warrants it, a formal technical coordination mechanism at country level may be established.

Work Plans and Budgets: The Umbrella Program Manager ensures that individual activities funded by the Associated Trust Fund are aligned with the Umbrella Program work plan. The work plans and budgets for Anchor and any Associated Trust Funds are presented for endorsement to the donors that contribute to the specific TFs under the Umbrella. 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 TF has its own results framework. The results framework of any Associated Trust Fund feeds into the results framework of the Anchor MDTF and clearly articulates its contribution to the development objective of the Umbrella Program. To the extent possible, the results framework for the Associated Trust Fund uses existing outcomes and indicators from the Anchor's results framework to support aggregation of results at the Umbrella Program level. Results frameworks for an Anchor MDTF and any Associated Trust Funds should adequately reflect all envisaged results and associated indicators.

Reporting: All Umbrella Program donors receive one consolidated progress report at the Umbrella Program level. The Umbrella Program level progress report should highlight all key results achieved under the Umbrella Program, including progress and results achieved through any donor preferences or Associated Trust Funds. This may be achieved 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 Anchor MDTF. The reports, however, do not attribute results to particular donors. Umbrella Program Management Teams should consult donors on the format and structure for the progress reports.

All progress reports also provide an overview of the Umbrella Program financials that may be broken down by key sectors, themes or geographic areas.<sup>5</sup> Separate financial tracking and reporting is a key distinguishing characteristic of an Associated Trust Fund. The donors can access individual trustee level financial reporting through the DPC.

The donors can also access activity/project level reporting through the 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 donors, the preferred approach is for these donors 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 donors to visibility.

**Management and Administration:** All Associated Trust Funds must budget for Program Management & Administration (PM&A) activities. Cost recovery fees are applied at the trustee TF level.<sup>6</sup>

## 4. 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 channeled through the establishment of a Standalone Co-financing TF, a TF established for the sole purpose of co-financing an IDA or IBRD operation.<sup>7</sup> This is a 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. There is no formal TF governance as the activities to be financed under such TFs are pre-identified in agreement with the donors at the time of TF establishment.<sup>8</sup> Donors receive the regular project reporting (ISR) based on the project's results framework. Establishment of such a TF is streamlined since all its features are directly related to the project itself.

Some 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 cannot be project-specific, donor funding for project-specific co-financing may be administered as an Associated TF in such cases and when the Donor is already a member of the Partnership Council of the relevant Umbrella Program.<sup>9</sup> 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 costs.

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5 - See [Guidance on World Bank Trust Fund Reporting for Donors](#).

6 - See [Bank Directive on Cost Recovery Framework for Trust Funds](#).

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.

8 - As indicated in the [Guidance on Governance in World Bank Trust Funds](#), Donors may engage with the Bank operationally at the technical level, including participating in any Bank supervision missions, as appropriate and subject to the consent of the Recipient. The Bank may also organize country-level meetings to discuss progress.

9 - This is because the Donor benefit of channeling funding for project-specific co-financing through an Umbrella Program would generally be to see the project results reported on and aggregated with other results from the Umbrella to which a Donor is already a member.