WORLD BANK TRUST FUNDS AND THE CASE OF THE GLOBAL FINANCING FACILITY: TIME FOR A REFRESH?

FACT SHEET | JUNE 2020

The objective of this factsheet is to open conversation on the Global Financing Facility's governance and financing structure. Our guiding question is whether the Global Financing Facility, in its current set-up as a Multi-Donor Trust Fund, is fit-for-purpose, or whether it would benefit from a change towards a Financial Intermediary Fund.

BACKGROUND

The Global Financing Facility (GFF) was initiated in 2015 to contribute to filling the financing gap of the United Nations' 'Global Strategy for Women's, Children's and Adolescents' Health (2016-2030)', with the objectives of ending preventable deaths and achieving better quality of life for women, children, and adolescents in low- and middle-income countries. It is hosted by the World Bank and wishes to contribute to universal health coverage with high-impact, cost-effective interventions. It aspires to do so by mobilising additional resources for reproductive, maternal, newborn, child, and adolescent health and nutrition. After five years of implementation in various country contexts and with several developments at the global health context, the GFF announced its plan for a 'Strategy Refresh'. One of its key objectives is to make sure that the GFF's strategy is aligned with the World Bank's Health, Nutrition and Population strategy, which prioritises both primary health care and universal health coverage.

For the process of the Strategy Refresh, the GFF commissioned a 'diagnostic report' to external consultants.[1] This report was discussed during the 10th Investors Group meeting in April 2020. It analysed *"what worked well"* and *"what could be further strengthened"* in various aspects of the GFF. In this factsheet, we explore one of the topics identified to be reconsidered: the GFF's operating model.

[1] The GFF 'Diagnostic Report' is not currently publicly available.

THE CURRENT SET-UP

The GFF's Strategy Refresh Issues Paper[2], based on the diagnostic report, raised the question of whether the current set-up of the GFF as a Multi-Donor Trust Fund (MDTF) is fit-for-purpose and helps the GFF to *"function optimally and efficiently"*[3], or whether the GFF may be more effective as a Financial Intermediary Fund (FIF).

To inform civil society discussions on this complex topic, we collected basic information on these structures. With this factsheet, we hope to spark a debate and to receive others' perspectives, experiences and thoughts, as we want to explore what a different financing and governance structure would mean for the GFF's objectives. Would it lead to different strategic priorities and related decisions on funding, a stronger voice for civil society and/or more country ownership?

THE WORLD BANK TRUST FUNDS

Trust funds are arrangements to manage financial resources donated for specific development activities and which are administered by a financial institution, in this case the World Bank. Trust funds are among the World Bank's main channels of development assistance, along with the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Advantages of trust funds include: (1) the fact that they provide predictability in development funding, so recipient countries can rely on dependable financial sources, and (2) they help donors in reducing programmatic fragmentation. Trust funds are often used to develop innovative development approaches and play an important role in the World Bank's knowledge development agenda, as they finance around two-thirds of the World Bank's advisory services and analytical activities.[4]

MDTFs and FIFs are two categories of the World Bank's Trust Funds. Since 2010, 130 development partners, including countries and organisations, have contributed to World Bank Trust Funds. The total amount of funds as of the end of 2019 was approximately USD 12.1 billion for MDTFs, and USD 23.1 billion for FIFs.[5]

A 2011 report by the Independent Evaluation Group of the World Bank highlighted that donors, recipients, and the World Bank's interests considerably overlap under the trust funds, but their interests may diverge on specific issues of governance and management of the trust funds and decision-making regarding fund allocation. Moreover, while trust funds can have

[2] GFF, 2020. GFF Strategy Refresh Issues Paper: Draft for IG Discussion. Available here: https://www.globalfinancingfacility.org/sites/gff_new/files/documents/GFF-IG10-3-Issues-Paper.pdf

[3] GFF Diagnostic Report.

[4] World Bank, 2018. Trust Fund Reform: 2018 Spring Meetings. Available here: http://pubdocs.worldbank.org/en/755801524149150730/Trust-fund-reform-songsheet-2018-SMs-v4.pdf.

[5] World Bank, 2019. Trust Fund Annual Report 2018-2019: Value Proposition of World Bank Group Trust Funds. Available here: https://www.worldbank.org/en/publication/trust-fund-annual-report-2019

some added value by providing coordinated grant financing for specific countries, development issues, and global public goods, the deployment of trust fund resources does not always work in accordance with the Paris Declaration on Aid Effectiveness and its principles.[6] Programmes do not always align with national programmes, and coordination between donors remains poor. Notably, according to that report, many trust funds of global scope involve insufficient recipient participation and lack clear outcome objectives.[7]

Initiated in 2018, a World Bank's Trust Fund reform[8] aims to reduce trust funds' fragmentation, structure them around fewer and larger umbrella programmes to reduce transaction costs, and strengthen the link between the World Bank's funding and strategic priorities.

Let's dive deeper into the two types of the World Bank's trust funds and see what these different structures would mean for the GFF.

MULTI-DONOR TRUST FUNDS

A MDTF is a financial instrument that accepts contributions from one or more donors (countries, foundations, multi-lateral development banks) to be held, managed and disbursed by the World Bank as a trustee. The governance of funds falls within the Bank's policies, which include operations, safeguards and procedures.[9] Two types of MDTFs are:

- Bank-executed trust funds - in which funds support the bank's work programme (usually knowledge, advisory and technical assistance), and the bank is the implementer.
- Recipient-executed trust funds - where the bank passes the funds to recipients (who implement agreed activities) and plays a role in operations. Recipient-executed trust funds are comparable to IBRD and IDA financing.[10]

The GFF Trust Fund is a recipient-executed trust fund. With this set-up, all funding goes through governments, and the fund cannot directly finance other partners to implement country initiatives.[11] For the GFF Trust Fund specifically, the GFF Secretariat and the World Bank's legal department have expanded the flexibility of the MDTF. This now includes buydowns[12] and the possibility of transfers to organisations, like UNICEF, the private sector

[6] OECD, 2005. The Paris Declaration on Aid Effectiveness: Five Principles for Smart Aid. Available here: https://www.oecd.org/dac/effectiveness/45827300.pdf

[7] IEG, 2011. An Evaluation of the World Bank's Trust Fund Portfolio: Trust Fund Support for Development. Available here: https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/tf_eval.pdf

[8] World Bank, 2019. Trust Fund Reform. Available here: https://www.worldbank.org/en/publication/trust-fund-annual-report-2019/tf-fif-reforms/trust-fund-reform

[9] Bretton Woods Project, 2015. World Bank trust funds. Available here: https://www.brettonwoodsproject.org/2015/03/world-bank-trust-funds/

[10] World Bank, 2019. Trust Fund Annual Report 2018-2019: Value Proposition of World Bank Group Trust Funds.

[11] GFF Diagnostic Report.

[12] Buydown is the financial arrangement in which a donor commits to pay all or part of a loan.

and innovation workstreams.[13] A percentage of the GFF's funds, approximately 20-25%, is retained by the World Bank for Bank-executed activities, such as country support for the development of Investment Cases and Health Financing Strategies, exploratory grants, administration fees and the cost of the Secretariat.[14,15]

Multi-donor trust funds

Pros	Cons
The benefits that arise from a MDTF set-up, embedded in the structure of the World Bank include:	Going back to the GFF Diagnostic Report, the GFF Secretariat identified the need for a "*more agile, flexible mechanism*".[16]
+ Maximising the opportunities for leveraging IBRD/IDA financing. + Leveraging the World Bank's convening power and dialogue at most senior levels, expertise, and relationships that the World Bank has established at country and global levels. + Operating within the World Bank lowers administrative burden and costs. This enables the GFF to have a small and effective Secretariat[17].	- Due to bureaucracy at the World Bank, utilising the private sector is slowed down. - The above also goes for sufficiently financing civil society organisations (CSOs), who are critical to the GFF's approach and objectives. - At country level, World Bank staff in some cases tend to focus more on IDA/IBRD projects than on supporting preparation, implementation and monitoring of the Investment Case. - Finally, there is a real question about country ownership. Given that the GFF is not quite visible at country-level, governments and CSOs see it as just another World Bank programme.

[13] GFF, 2020. GFF Strategy Refresh Issues Paper: Draft for IG Discussion.

[14] GFF, 2015. Business Plan. Available here: https://www.globalfinancingfacility.org/global-financing-facility-business-plan

[15] Danida, 2017. Support to the Global Financing Facility. Available here: https://um.dk/~/media/um/english-site/documents/danida/about-danida/danida%20transparency/documents/u%2037/2017/global%20financing%20faciliet.pdf?la=en.

[16] Some of the operational procedures within the World Bank can be quite restrictive, as the GFF Secretariat representative explained: *"Even we tried so hard to get some of our innovative financing through the World Bank system and kept hitting dead ends and lost over a year trying to get particular deals done. Just for simple things like getting a million-dollar grant"* (GFF Diagnostic Report).

[17] GFF, 2020. GFF Strategy Refresh Issues Paper: Draft for IG Discussion. Available here: https://www.globalfinancingfacility.org/sites/gff_new/files/documents/GFF-IG10-3-Issues-Paper.pdf

FINANCIAL INTERMEDIARY FUNDS

A FIF is a mechanism within the World Bank that supports global development initiatives and partnerships, and provides the global development community with independently governed collaboration platforms. This is the fastest growing category within the trust fund structure of the World Bank. Typically, a steering committee is set up for each FIF, as the decision-making body. The implementing agencies within the FIF programme are responsible for ensuring that the projects or programmes comply with social and environmental accountability guidelines. Examples of FIFs hosted by the World Bank are the Global Fund to Fight AIDS, Tuberculosis and Malaria, which holds the largest share of the FIFs' portfolio (42% of total as of the end of 2019), and the Global Partnership for Education, which started as a MDTF and eventually became a FIF.[18]

ROLE OF THE WORLD BANK

The role of the World Bank in this arrangement is that of a financial trustee. This means that it provides tailored administrative, operational, legal and financial intermediary services, like holding or transferring funds.[19][20] In this role, the World Bank is not responsible for disbursement decisions, does not oversee the use of the funds, and does not serve as a chair in the governing bodies. In some FIFs, the World Bank may host the secretariat or provide a legal personality to the FIF. But in others, the secretariat is external and the FIF is legally independent. The World Bank directly hosts secretariat services for 18 FIFs and serves as an Implementing Entity for 20 FIFs, out of the 27 that were active as of June 2018. The World Bank typically takes on an implementing entity role in all FIFs whose secretariat is hosted by the World Bank, although this is not required as a condition for hosting.[21]

If the World Bank acts as a trustee rather than an implementer, then FIFs are not under the bank's operational policies. However, if the bank is also an implementer, then its policies and procedures apply. The World Bank is not responsible for the use of funds transferred to eligible implementing entities, nor for a FIF's results, unless it is the implementing entity itself.

[18] Katie Malouf, Oxfam International, 2010. Resourcing Global Education: How reform of the Fast Track Initiative should lead to a Global Fund for Education. Available here: https://www.oxfam.org/en/research/rescuing-education-all

[19] World Bank, 2019. Financial Intermediary Funds Management Framework. Available here: http://documents.worldbank.org/curated/en/286451569595398435/Financial-Intermediary-Fund-Management-Framework

[20] World Bank, 2017. Factsheet on World Bank Trust Funds. Available here: https://pdf4pro.com/amp/cdn/world-bank-trust-funds-factsheet-4-18-17-noon-44e3b.pdf.

[21] World Bank, 2019. Financial Intermediary Funds Management Framework.

Financial intermediary funds

Pros	Cons
If the GFF transits into a FIF, the benefits that arise include:	The FIF structure would also come with some risks for the GFF:
+ FIFs provide more flexibility in the use of resources. Therefore, if the GFF would become a FIF, it would be easier to contract third parties to provide technical assistance or to implement activities. + A FIF's governing body governing body is made up of contributors to the FIF as well as other stakeholders; thereby it allows for a more inclusive governance, including not only donors but also recipient countries and CSOs.	- The FIFs' independency of the World Bank also implies more direct risks and more responsibilities for the donors. - FIFs, with their independent governing bodies and secretariats, can increase complexity and even increase governance and administration costs. - The fact that the governing body of the FIF selects the implementing agencies comes with the risk of creating aid fragmentation and more vertical programmes.

GFF MODEL: MOVING FORWARD

Whether the GFF is fit-for-purpose to fulfil its objectives in its current set-up as a MDTF within the World Bank is one of the agenda items in the Strategy Refresh discussion. This discussion is currently taking place and aims to result in a new draft strategy to be launched in September 2020. The key challenge now is to identify the most suitable set-up for the GFF, so it can maintain its country-led character but at the same time improve in terms of transparency and inclusivity in the high-level decision-making processes, as well as in domestic resources mobilisation and utilisation, which remains limited.[22]

In its current set-up as a World Bank MDTF, the Trust Fund Committee of the GFF decides which countries are eligible as recipients or beneficiaries of the GFF Trust Fund support and approves the selection of countries for GFF Trust Fund financing. The Committee also provides strategic guidance, defines the principles and priorities of the GFF, reviews the annual plans, and approves the allocation of GFF financing to global public goods. It consists of donor representatives (those contributing over USD 30 million each annually) and World Bank representatives. However, the Trust Fund Committee still does not include representatives of recipient countries nor civil society. Civil society already rose concern about this matter in an

[22] E&K Consultancy, 2020. Comparative Analysis of Selected Global Financing Facility-related Investments. Available here: https://www.csogffhub.org/wp-content/uploads/2020/06/Comparative-Analysis-of-GFF-Investments-to-Enhance-Civil-Society-Advocacy-OSF-EK-Consulting-Firm-Report.pdf

open letter, that was sent to the GFF Secretariat prior to the 2018 replenishment. In the Investors Group, representation of recipient countries has increased after its recent reform, and other measures have been taken to strengthen linkages between the Investors Group with the Trust Fund Committee. However, this is no guarantee for more ownership. The introduction of recipient country representatives in the Trust Fund Committee with equal voting rights could ensure true ownership of the GFF programmes in line with the Paris Declaration on Aid Effectiveness, and the objective of domestic resource mobilisation and utilisation would benefit from active participation of recipients´ representatives.

Could these outcomes be obtained if the GFF transits from a MDTF to a FIF? Would a hybrid between these modalities be cost-effective and address the concerns presented? And is it worth going through the process of such change, that could take several years, given that the GFF is conceived to work until 2030? Maybe a more efficient and effective approach would be to focus on improving the problematic aspects of the MDTF itself - such as the Trust Fund Committee structure described above (which could result in a gradual change of set-up) and the limited proven additionality of the GFF in domestic resource mobilisation.

Wemos will continue monitoring the process of the GFF Strategy Refresh closely and engage in discussions about the GFF's governance structure. We are looking forward to the final development of the new strategy, in which we hope to see concrete planning for domestic resource mobilisation and utilisation, a stronger voice for civil society, more inclusiveness in the global decision-making bodies, and true country ownership.

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