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Evaluation of Norway's Multilateral Partnerships Portfolio

The World Bank and UN Inter-Agency Trust Funds

CONTENT

Carried out by
The Evaluation Department in Norad

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This report is the product of its authors,
and responsibility for the accuracy of data included
in this report rests with the authors alone.

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Foreword

Funding multilateral organisations is an important element in Norwegian development and foreign policy. Currently more than half of the Norwegian development assistance is channeled through multilateral organisations. While the multilateral network today consists of over 200 organisations, it is the World Bank and the United Nations Development Programme (UNDP) that are the main multilateral recipients of development assistance from Norway.

This evaluation, conducted by the Evaluation Department (EVAL) at Norad, attempts to shed light on the central question of how well multilateral partnerships contribute to systematic achievement of Norwegian priorities.

The study is not intended to be an evaluation of individual trust funds. The evaluand here is the portfolio of funds. The evaluation presents findings, conclusions and recommendations based on examination of the largest trust funds of the International Bank for Reconstruction and Development (IBRD), Financial Intermediary Funds (FIF) and UN inter-agency trust funds administered by the Multi-Partner Trust Fund Office (MPTFO) within Norway's overall portfolio.

We hope that this study will inform the future design and programming of the Norwegian trust fund portfolio.

Oslo, September 2019

Per Øyvind Bastøe
Director, Evaluation Department

Executive Summary

Funding multilaterals continues to be an important element in Norwegian development and foreign policy. Currently more than half of the Norwegian development assistance is channelled through multilateral organisations. Although, the multilateral network today consists of over 200 organisations, the United Nations Development Programme (UNDP) and the World Bank are the main multilateral recipients of development assistance from Norway. An increasing share of the assistance is being allocated through the trust fund mechanisms.

World Bank and UNDP trust fund mechanisms institute a customised package of administrative, operational, legal, and financial services for delivering development assistance to specific thematic or geographic areas of mutual interest for the donors. The difference between these mechanisms depends on the roles played and services delivered by the trustee organisations in the funds.

The World Bank offers two types of trust fund mechanisms: The International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA) trust funds, for which the Bank is responsible for the management of the funds, and which can finance Bank-executed activities and Recipient-executed activities (which the World Bank appraises and supervises, but which are implemented by a third party); and Financial Intermediary Funds (FIF), which are independently governed financial and partnership platforms that fund projects implemented by multiple entities, typically multilateral development banks and/or UN agencies. In FIFs the World Bank acts as the limited trustee and is often host to the FIF secretariat and one of the implementing entities.

Most of the IBRD funds in Norway's portfolio are hybrid, in the sense that they include both Bank-executed and Recipient-executed activities. FIFs, in general, involve several implementing agencies, including the World Bank. Around 30% of the commitments of FIFs are implemented by the World Bank. Implementation of FIFs by the World Bank, in practice, implies transfer of FIF contributions to IBRD funds.

UNDP offers four mechanisms – Thematic Funds, Project/program specific partnerships, Local resources and Partnerships with global vertical funds. In addition, UNDP hosts the Multi-Partner Trust Fund Office (MPTFO) that administers UN inter-agency pooled funds on behalf of the UN system.

This evaluation assesses the performance of Norway's trust fund portfolio consisting of IBRD trust funds, FIFs and UN inter-agency trust funds administered by the MPTFO. Norway is among the top four contributors to MPTFO. Norway is ranked as the fourth largest partner for IBRD trust funds and ninth for the FIFs.

FINDINGS

What is the underlying motivation for participation in multilateral partnerships?

Norway recognises trust funds as:

- A valuable instrument for promoting multilateralism.
- A measure to mobilise multilateral effort in areas of special interest for Norway. Through participation in trust funds Norway expects to make these areas more visible and prioritised in the long-term plans of its like-minded donors and the multilateral partners.
- A tool to draw on the competence, safeguards, and convening power of the multilateral partners.
- A means to improve operational efficiency, for itself, the multilateral partners, and the recipients.

Norway perceives that carefully thought out and managed trust funds can enhance visibility of its prioritised areas and the effectiveness and efficiency of its multilateral assistance.

From the point of view of the World Bank, the utility of the trust funds lies in their ability to complement IDA funding, and finance the Bank's analytical and advisory work that is of mutual benefit for the Bank and its clients.

From the point of view of the UN, MPTFO trust funds constitute one of the few sources of funding for harvesting the strength of the UN system in its entirety, as distinct from donor funding of individual UN organisations.

How have the partnerships contributed to systematic achievement of Norwegian priorities, as articulated in the motivations for participation in multilateral partnerships?

A valuable instrument for promoting multilateralism

Most of the funds in Norway's portfolio bring together several countries to address issues of global significance. Humanitarian and peace building funds have the most diverse participation of up to 60 donors. Participation in funds under Norway's International Climate and Forest Initiative has grown over time.

Trust funds have enhanced the capacity of the trustee organisations to deliver on their mandate. For the World Bank, trust funds finance around a third of the operation costs, in addition to contributing to non-operational costs (overheads). For UNDP, allocations from MPTFO constitute around a tenth of its operations budget.

Financial Intermediary Funds under World Bank trusteeship and UN MPTF strengthen multilateralism by allocating resources across multilateral development banks, UN and non-UN organisations. The ability of these funds to strengthen multilateralism typically increase over time, as fund allocations are spread across the implementing agencies.

A measure to promote multilateral effort in areas of special interest for Norway

There is a high level of consistency between the issues on the policy agenda in Norway and in the World Bank. Similar issues appear on the agenda in Norway and the Bank, although with varying time-lags. In most of the cases, issues addressed in Norwegian White Papers antedate the thematic focus in the World Bank's Annual World Development Reports.

Funds in Norway's portfolio promote thematic and geographic areas of interest for Norway. Environment and climate change, health, humanitarian assistance, and, more recently, education are the main thematic areas promoted by Norwegian funding. The assistance is largely earmarked to geographic areas that are disadvantaged – low-income countries in Africa and South Asia.

Most of the funds mobilise a substantial amount of development assistance from other donors. However, UK, Sweden, Netherlands, Spain, Germany, Denmark, Ireland and Canada are the key partner countries for Norway. In some cases, a fund may initially mobilise political participation, while Norway remains the single donor.

A tool to draw on the competence, safeguards and convening power of the UNDP and the World Bank

Trust funds give access to the specialist staff of the trustee organisations. Trustee fund management teams have extensive sector and fund management experience, as compared to the experience on the donor side.

Short-term consultants and temporary engagements account for over half of the disbursement under Bank-executed activities. Input of the World Bank's specialist staff accounts for less than a fifth of the project disbursements.

Mobilisation of resources from the for-profit private sector at the fund level continues to be marginal in the Norwegian trust fund portfolio, despite prioritisation of this objective by Norway, its likeminded partners, and the trustee organisations.

What is the operational efficiency in governance and management arrangements of the Norwegian Partnerships?

Norway's portfolio of trust funds has developed through regular addition of new initiatives and few exits. It is most likely a result of successive accumulation of investments that reflect the past and present priorities of Norway and its trustee partners. Document analysis and interviews did not reveal any trust fund with an exit strategy, and withdrawals are ad hoc in nature.

Shifting policy priorities over time has resulted in a portfolio with long-tail distribution, made up of a few funds with large contributions, together with a large number of smaller funds.

Norway maintains a high level of continuity of staff in its engagement with the trust funds. Norway is a predictable source of funds. Norway has fully paid-in its commitments in most of the funds. In several funds Norway's share of the contributions, as compared to its commitments, is higher than the other partners.

The "cost of doing business", as allocations move from the trustee level down the aid-delivery path, is not transparent. The trustee level cost is on the rise, as illustrated by the new cost-recovery model introduced by the World Bank.

The administrative burden to enter and follow up trust funds is not insignificant for Norway. Administrative attention is mainly on sectoral issues and assessments of monitoring and legal aspects of individual agreements. Discussion of financial and risk management issues or assessment of alternative options within or outside the current portfolio are rare. Some funds receive contributions both from the Ministries and Norad.

Norwegian contributions are often front-loaded and come early after the establishment of a fund. In some cases, it is likely that there has been greater focus on programming as compared to implementation, which in some cases likely has resulted in unused amounts at the trustee or the implementing agency level.

Interest income from unused balances is credited to the fund account at the trustee or the implementing agency level, depending on the disbursements. In one case income has been credited to a related fund within the same thematic area.

Rules and regulations applicable to payment of contributions to the trust funds are subject to statutory exemptions, as notified in the appendix to the annual budget for the respective Ministry. A review of budget documents reveals variations in the content and scope of the exemptions, and weak guidance for interpretation of the exemptions for front-loading contributions.

How effective have the M&E (Monitoring, reporting and evaluation) and control functions been and how are these linked to the performance of the partnerships?
There is variation in public access to information about the use and results of the funds held in trust with the World Bank and the MPTF Office. The MPTF Office Gateway is a user-friendly and open source of information for analysing the performance of the UN inter-agency pooled funds and their executing partners. For funds held in trust with the World Bank, availability of information is limited and restricted.

The World Bank, together with UNDP, become accountable for results of financial intermediary funds, depending on the scope of their role as implementing partners. Together, the two organisations account for more than half of the disbursements from these funds.

Accountability for results of MPTFO activities lies with the implementing UN agency and with UNDP. Accountability for results of World Bank supervised Recipient-executed activities, that account for nearly four fifths of the expenditures under IBRD funds in Norway's portfolio, lies with the recipient, with the Bank providing implementation support in accordance with its policies and procedures.

All Bank-implemented projects are subject to terminal evaluation that is validated by the World Bank Group's Independent Evaluation Group (IEG). Earlier, IEG also systematically undertook annual reviews of Financial Intermediary Funds in trust with the Bank. It is seldom that evaluations of individual trust funds are on the annual evaluation plans of IEG.

The Evaluation Department (EVAL) in Norad, under its earlier collaboration agreement with IEG, provided partial support to reviews and evaluations of selected annual reviews of Financial Intermediary Funds. On its own initiative, and by request from the Ministry of Foreign Affairs, EVAL has also undertaken a few evaluations of individual IBRD funds. However, it is seldom that evaluations of individual trust funds are on the annual evaluation plans of EVAL.

CONCLUSIONS
Funds in Norway's trust fund portfolio represent an effective multilateral instrument to attain the dual objectives of increasing assistance to thematic and geographic areas of interest for Norway and enhancing the individual and collective capacity of the World Bank and the UN organisations in delivering on their mandate.

The World Bank and UNDP provide legal entity to trust fund mechanisms for delivering development assistance to areas of interest for Norway. Trust funds give access to the Bank's specialist staff and to safeguards for procuring and managing consultant services for supporting development of areas of interest for Norway.

The fund mechanisms have primarily catalysed development assistance funding of Norway's likeminded donors. Catalysation of private funding at the fund level, particularly the for-profit private sector, is yet to be realised. This does not rule out the possibility of stimulation of private sector as a consequence of activities undertaken by the fund.

Norway is a flexible and predictable source of funding. Its current portfolio is concentrated around few thematic areas and regions. The current portfolio is a result of regular addition of new initiatives to accommodate shifting domestic priorities and a lack of strategic exit policies.

The focus of Norwegian administrative inputs is on assuring quality at entry at the fund level. Attention on financial and risk management issues at the fund or portfolio level is rare.

There are multiple agreements to support a single initiative. Duplication occurs both due to the funds receiving contributions from more than one Norwegian grant agency, and the recent practice at the World Bank to establish parallel funds, to implement the new cost-recovery structure that involved an increase in overhead rates charged by the Bank.

Implementation through trust funds is time consuming. The current arrangements for recovery of overheads is likely to reduce the share of funding for program implementation for the final recipient low-income countries.

Front-loading of contributions has in some cases led to significant accumulation of funds with the trustee.

Legal guidance for the practice of statutory exceptions afforded for transfers of contributions to specific trust funds needs to be strengthened to mitigate build-up of unused funds at the trustee or the implementing agency level.

There is a gap in public access to information and accountability for results from World Bank managed Recipient-executed activities financed through IBRD or FIF funds.

It is seldom that trust funds implemented by the World Bank are evaluated by the Independent Evaluation Unit of the Bank.

Jurisdiction of the Bank's anti-corruption sanctions regime covers Bank-financing, or financing directly administered by the Bank. For Recipient-executed activities supervised by the Bank, the responsibility primarily lies with the recipient, with the Bank providing implementation support in accordance with its policies and procedures.

RECOMMENDATIONS

The Ministries need to develop a strategic portfolio re-balancing policy. Included herein is the development of common key portfolio performance indicators and strengthening of administrative capacity for management of Norway's trust fund partnerships portfolio.

Given the objective of leveraging private sector funding, develop incentive mechanisms for the fund administrator to catalyse for-profit private sector contributions at the fund and/or activity levels.

Revisit the practice of making multiple agreements for contributions to the same fund. Multiple agreements, where relevant, should be justified by the concerned grant making agency.

In consultation with likeminded donors, trustees and aid recipients, initiate discussions for developing an overhead cost-recovery model that collects all overheads at a single point in the aid-delivery path. The current practice of charging overheads at multiple points in the delivery path reduces transparency, efficiency, and the share of assistance going to the final beneficiaries.

Payment of contributions should relate to implementation mile-stones agreed with the implementing organisations. Deviations of payment plans from the milestones should be justified by the grant allocating authority.

The Ministries should prepare guidance for interpretation of statutory exceptions applicable to payment of contributions to funds. Grant making units in the Norwegian administration must have regard to such guidance and justify deviations when necessary.

The Ministries should, in consultation with trustees and like-minded donors, initiate efforts for development of a common standard for reporting, evaluating and public dissemination of information about the use and results of funds in trust with the World Bank and the MPTF Office.

1. Evaluation Objectives, Approach and Methodology

1.1 OBJECTIVE AND PURPOSE

There is considerable system-wide interest, both in Norway and its multilateral partners, in future programming of partnerships funded through earmarked funding.

The main objective of this evaluation is to assess how Norway's trust fund-based partnerships with the World Bank and the UNDP MPTF Office contribute towards achievement of Norwegian development policy priorities as articulated in the motivations underlying participation in multilateral partnerships.

The main purpose of this evaluation is to draw lessons of broader application that are relevant for future programming of Norwegian assistance through these partnerships and partnerships with other multilateral channels in general. This is not an evaluation of individual funds, however the analysis does shed light on the performance of individual funds.

1.2 SCOPE OF THE EVALUATION

The Norwegian Aid Statistics database[1] did not have any markers to identify contributions to trust funds. Keyword-based search among project titles and descriptions registered in the database revealed 120 partnerships with allocations exceeding NOK 40 million during the period 2007–2016; across 40 multilateral organisations.

The identified sample was cross-checked with Norway's trust fund portfolio data available in the databases maintained by the Multi-partner Trust Fund Office (The MPTF Office Gateway) of UNDP and the Development Partner Centre (DPC) of the World Bank. The MPTF Office database is an open-access source[2] of data for UN inter-agency pooled funds administered by the MPTF Office. The database was established in 2010, and contains the data from the establishment of the first UN pooled fund in 2004. The DPC database is a restricted source of data for trust funds managed by the World Bank. The DPC database is accessible through a password protected client connection[3].

A cross-check of a sample extracted from Norwegian Aid Statistics with a MPTFO/DPC sample revealed that the former sample did not capture all the major partnerships[4]. To avoid errors, the final sample was identified using the databases maintained by the MPTFO and the DPC. The DPC database provides an aggregated snapshot in time of the client's portfolio.

The Evaluation Department requested the DPC staff to provide time-series data for undertaking a policy relevant analysis of the Norwegian trust fund portfolio. DPC has provided two data files which the Evaluation Department has used in its analysis.

1 https://www.norad.no/en/front/toolspublications/norwegian-aid-statistics/?tab=geo

2 http://mptf.undp.org/

3 https://ebizprd.worldbank.org/wfa/ccloginpage.html

4 In some cases, there was lack of consistency across databases.

A listing of funds in the sample that form the subject matter of analysis in this evaluation is found in the appendix. The funds in the sample account for over 80 % of Norway's earmarked contributions to trust funds of the respective organisations.

1.3 EVALUATION QUESTIONS

The key questions posed in this evaluation are:

- What are the articulated motivations and priorities underlying Norwegian participation in multilateral partnerships?
- How have the partnerships contributed to systematic achievement of Norway's priorities?
- What is the level of operational efficiency in governance and management arrangements of the Norwegian Partnerships?
- How effective are the M&E (Monitoring, reporting and evaluation) and control functions and how are these linked to the performance of the partnerships?

1.4 APPROACH AND METHODOLOGY

The evaluation is conducted in accordance with the prevailing OECD DAC Evaluation Quality Standards. A mixed method (qualitative and quantitative) approach is used in this evaluation. The evaluation makes use of secondary and primary data to undertake a qualitative and quantitative analysis. Primary data was collected using document reviews, interviews and an online survey. The study is based on data collected from sources in Oslo, Norway and staff in the Embassies, the MPTFO and the World Bank.

1.5 LIMITATIONS OF THE STUDY

Data was cross-checked across the sources, and inconsistencies were corrected where possible. Comparisons across databases were constrained by the differences in variable definitions. Collection of data from final beneficiaries at the country level was not possible given the large number of funds, each with multiple projects in several countries. The evaluation has benefited from the online survey responses of country staff in the Embassies and interviews with teams managing trust funds. Project level disbursement data was used in the analysis where available. The findings, conclusions and recommendations are subject to the quality of data used in the analysis.

2. Norway's Multilateral Assistance and Trust Fund Mechanisms: A Primer

2.1 BACKGROUND

Debate around Norway's use of the multilateral channel is of long standing. Endorsement for the use of multilateral channels dates to the early days of Norwegian assistance. In response to the domestic debate questioning the effectiveness of Norway's bilateral engagement in the fisheries projects in India, the incumbent Foreign Minister Halvard Lange observed that future increase in development assistance, "in essence" should be channellised through the UN[5]. This view was reiterated in 1961. "The Governments principle stand is that most of the assistance should go through multilateral organisations, primarily through the United Nations". However, total development assistance going through the multilateral channels dropped from around two thirds in the beginning of the 1960s to half in 1969[6].

The issue resurfaced on the political agenda in 1971, when the Norwegian Parliament for the first time confirmed the 50/50 split of Norwegian assistance between the multilateral and the bilateral channel[7]. At the time, the contributions to the multilateral systems consisted of funds given to the UN and the Bretton Woods institutions, The World Bank[8] and the International Monetary Fund, for reallocation among the developing countries. However, for most of the following period the de facto split shifted in favour of bilateral assistance, and it was in the early 2000s that the preference for the multilateral channel re-emerged on the agenda. Since then the multilateral share has gradually recovered, reaching nearly 54% in 2017 – once again close to the level in 1970. Support to international cooperation and the multilateral system continues to be the key goal for Norway.[9]

The share of multilaterals in Norwegian assistance over the years should be interpreted considering the changes in the composition of the multilateral channel, and the type of assistance provided through this channel. It is important to note that today, the multilateral system is composed of The United Nations, The World Bank Group (IBRD, IDA, IFC, MIGA ICSID), The International Monetary Fund, and some 200 other multilateral agencies and global funds.

The funds channelled through the multilateral system include both the traditional core contributions, and the more recent category often referred to as "non-core" contributions. The main distinction between the two lies in the extent of earmarking of the contributions. Core contributions consists of unrestricted grants that support the basic operations of the recipient and capital contributions. Such grants

5 Simensen, J. (2003), "Norsk utviklingshjelps histories", pp. 73, Fagbokforlaget, Bergen. However shortly after a site visit to the Kerala projects in 1958 and having observed the positive effects there was a shift in the official standpoint.

6 Stortingsmelding nr 29 (1971–72). *Om enkelte hovedspørsmål vedrørende Norges samarbeid med utviklingslandene.* pp. 5.

7 Op.cit.

8 The World Bank comprises two institutions: The International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA). The World Bank is a component of the World Bank Group that today comprises of five institutions (IBRD, IDA, International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID).

9 Stortingsmelding nr 27 (2018–2019). *Norway's Role and Interests in Multilateral Cooperation.*

and contributions are placed at the discretion of the recipient and provide the highest flexibility in use for the recipient multilateral. Non-core contributions[10] consist of grants that are earmarked for a specific program or project, often tied to a specific geographic or sectoral area and governed through different forms of partnerships[11] between donors and multilaterals.

A salient feature of the contributions during the last two decades is the growth in earmarked funding, as compared to a modest increase in core funding. The growth in earmarking is an expression of the growing interest among donors to provide selective support to areas of interest for the donors. Most of the earmarked funding is channelled through trust fund partnerships.

There are numerous types of trust fund partnerships. Section 2.2 introduces the reader to the multilateral trust partnerships in general, particularly trust funds at the World Bank and the UNDP. The main differences between the different types is the role and the services delivered by the trustee organisation in the different type of funds. Section 2.3 concludes the chapter with a birds-eye view of the similarities and differences across the trust fund types.

10 Not all multilaterals use the core and non-core terminology to classify unrestricted and restricted grants.

11 Multilateral Partnerships are financing arrangements whereby sovereign and non-sovereign donors share their resources with multilateral organisations to pursue their development policy objectives.

2.2 TYPES OF PARTNERSHIPS

Multilateral Partnerships (hereafter Partnerships) are financing arrangements whereby sovereign and non-sovereign donors share their resources with multilateral organisations to pursue their development policy objectives.

Multilateral organisations distinguish between different types of partnerships depending on the nature of the earmarking of the funds, and their own role in governance and management of the contributions to the partnership. Such a distinction also reflects the extent to which the multilateral recognises its accountability for implementation and results of the partnership arrangement. This in turn also has important implications for the donors' influence and responsibility in governance and management of the partnership.

A multilateral's operational role within a partnership can be at three levels – the trustee level, the funding window level, and the executing level[12]. At the trustee level, the multilateral functions as a custodian of the donor contributions. It receives, invests and makes payments from the fund in accordance with the terms of the partnership agreement. At the window level, it may allocate the contributions to different activities, depending on the purpose and mandate of the partnership. At the executing level the multilateral may implement agreed activities, or/and commission, execution of activities by a third party. The multilateral always performs the trustee role. Its role at the window and the execution levels depends on the terms of the partnership agreement.

2.2.1 The World Bank

A World Bank trust fund (TF) partnership is a financing arrangement established with contributions from one or more external donor/donors to support development-related activities. A trust fund can be country-specific, regional, or global in scope. It can be set up either as a programmatic fund, to cover a series of activities, or on a free-standing basis to support a predefined activity. Most World Bank trust fund arrangements are programmatic in content and involve several donors (these

12 In the UN development system these three roles are referred to as fund administration, fund operations and fund implementation.

funds are called “multi-donor trust funds”). For the Bank, trust funds enable the Bank and its development partner community to collaboratively address specific development issues through special policy and program initiatives. Depending on the mandate of the trust fund, the World Bank may have no role in implementation, or it may implement activities and/or appoint third party recipients for implementing the activities. Allocations from trust funds to recipients are normally provided as grants, i.e. without repayment obligations.

The Bank categorises its trust funds depending on the its operational role in the fund. The Bank always performs a banking role, and may have other roles, such as allocation and execution of the activities financed by the fund. The World Bank offers two types of trust fund mechanisms: IBRD/IDA trust funds, for which the Bank is responsible for the management of the funds, and which can finance Bank-executed activities and Recipient-executed activities (which the World Bank appraises and supervises, but which are implemented by a third party); and Financial Intermediary Funds (FIF), which are independently governed financial and partnership platforms that fund projects implemented by multiple entities, typically multilateral development banks and/or UN agencies. In FIFs the World Bank acts as the limited trustee, and is often host to the FIF secretariat and one of the implementing entities.

In practice, most of the IBRD funds in Norway’s portfolio are hybrid, in the sense that they include both Bank-executed and Recipient-executed activities.

In a Financial Intermediary Fund, the Bank’s role is primarily limited to the trustee level. As the trustee, the Bank provides financial intermediary services, which involves receiving, holding, investing and transferring funds. The Bank, as the trustee, is responsible for the financial management of funds in accordance with the Bank’s policies and procedures. Trusteeship does not involve allocation, overseeing or supervising the use of funds. The Bank, however, may also seek funding from a Financial Intermediary Fund as an executing entity and it may also provide program management and administration in cases where the Bank hosts the secretariat for the Fund. The Bank has representation in governance of the Financial Intermediary Funds where its role may range from chairing the governing body to being an observer.

Unless the Bank is one of the executing entities for a Financial Intermediary Fund, the Bank has no role in appraising or supervising projects in the Fund’s portfolio. Allocation of funds is the responsibility of the Fund’s governing body, while execution remains with external recipient agencies who are responsible for project appraisal, supervision, and execution, using their own policies and procedures. The executing entities are accountable to the Fund’s governing body for the use of funds. Some Financial Intermediary Funds, such as the Global Environmental Facility (GEF), have established a Secretariat hosted by the Bank, which also has monitoring and an independent evaluation unit for tracking the results of the partnership.

The Bank uses trust funds as a complement to IDA financing, and to mobilise and direct concessional resources to its strategic development priorities. Bank-executed funds support the Bank’s operational work program in analytical and advisory services, such as technical assistance and capacity building for recipient countries, global knowledge generation, project appraisal and supervision, research activities, partnership activities, which include development partner coordination, visibility, and communications with the partners. FIFs fund high profile advocacy, global public goods, and collective action through multiple implementing entities and innovative finance.

2.2.2 The United Nations Development Program (UNDP)

UNDP distinguishes between three categories of financing, namely; voluntary core contributions, earmarked contributions and fees for its services.

Voluntary *core contributions* sometimes also referred to as 'regular resources' or 'voluntary non-specified resources', are fully flexible, non-earmarked funds. Earmarked contributions, also called *'non-core resources'* or 'extra budgetary resources', are also voluntary in nature but inflexible – tied to a specific use. The earmarking can be for a specific theme, region, country, or project. Finally, the UNDP receives revenue in the form of *fees* that is linked to the provision of knowledge, management and product services.

UNDP offers four mechanisms – Thematic Funds, Project/program specific partnerships, Local resources and Partnerships with global vertical funds. In addition, UNDP hosts the Multi-Partner Trust Fund Office (MPTFO) that administers UN inter-agency pooled funds on behalf of the UN system.

Thematic Funds are partnerships established with donor contributions to support high-level outcomes within UNDP's strategic plan. UNDP established this funding window as an additional fundraising mechanism – in response to declining core financing. Thematic funds are organised around four funding windows – Sustainable Development and Poverty Eradication (SDPE); Governance for Peaceful and Inclusive Societies (GIPS); Climate Change and Disaster Risk Reduction (CCDRR); and Emergency Development Response to Crisis and Recovery (EDRCR). The thematic funds window has achieved limited funding.

Project and program specific funds, as the name indicates, are contributions received by UNDP for specific programs and projects – assigned at the global, regional and most commonly at country levels, where the host country may contribute *local resources* to the program/project through the so-called Government Cost Sharing[13]. Programs and projects are typically in line with UNDPs strategic plan and host the country's national development priorities.

Partnerships with global vertical funds constitute contributions received by UNDP from global vertical funds supporting high visibility specific development issues. Three vertical funds – Global Environment Facility (GEF), the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the Multilateral Fund for the Implementation of the Montreal Protocol constitute over 80% of the funding to UNDP under this category. A fourth fund, the Green Climate Fund (GCF) has emerged in a big way over the last 3 years – UNDP has been very successful in getting approval of its project proposals during these early years of the GCF. Boards composed of donors and beneficiaries constitute the main governance mechanism of the vertical funds.

UN inter-agency pooled funds are a multi-donor funding mechanism, not earmarked for a specific UN entity. A UN fund administrator holds the funds, and allocations are made by an UN-led governing body, often with representation both from the donors[14] and the recipient partners. Depending on the fund, all or select UN entities, including UNDP and non-UN partner organisations, may be eligible for grants from these funds.

UNDP has a dual role in working of the inter-agency pooled funds as it may function both

13 In 2016, "Government Cost Sharing" accounted for 18% of total UNDP contributions. Given its volume and unique features, it constitutes a separate voluntary funding mechanism that strengthens national ownership in development as program-country governments contribute to projects in their own countries.

14 Donors including Norway may also exercise influence through their participation in the Annual Meetings.

as a fund administrator and often also as one of the executing entities for the activities supported by the funds. The Multi-partner Trust Fund (MPTF) Office, housed in UNDP, is a fund administrator providing advisory services for establishment and administration of pooled funds on behalf of the entire United Nations system and national governments. The services provided by the MPTF Office cover the entire trust fund management cycle, from needs analysis, fund architecture design and fund establishment, to day-to-day financial management and, ultimately fund closure. UNDP, in its role as an executing entity, may also receive allocations from the pooled funds, including funds to support the secretariat of a particular fund. UNDP's accountability for results of pooled funds is limited only to activities that it executes for the pooled fund.

TABLE 1 // COMPARATIVE OVERVIEW OF TRUST FUNDS AT THE WORLD BANK AND UNDP

Organisation	World Bank Group			UN Development Programme (UNDP)		
Funds – types	The International Bank for Reconstruction and Development (IBRD) Trust Fund		Financial Intermediary Fund (FIF)	UNDP		United Nations (UN) Pooled Funds
	Bank-Executed Trust Fund (BETF)	Recipient-Executed Trust Fund (RETF)		Vertical or Pooled Fund	Thematic Fund	The Multi-partner Trust Fund Office (MPTFO)
Operational role						
Trustee level – Receive/Disburse payments	✓	✓	✓		✓	✓
Window level – Allocation of grants	✓	✓		✓	✓	
Execution level – Implementation	✓				✓	
Sources of data	http://clientconnection.worldbank.org					http://mptf.undp.org/factsheet/fund/CCF00

2.3 KEY TAKEAWAYS

An increasing share of the Norwegian multilateral development assistance is being allocated through the trust fund mechanisms. The difference between the mechanisms depends on the multilateral's operational role, which can be at three levels – the trustee level, the funding window level, and the executing level. Given below is a comparative overview of the similarities and differences across the trust funds in use at the World Bank and UNDP.

Most of the IBRD funds in Norway's portfolio are hybrid in the sense that they include both Bank-executed, and Recipient-executed activities.

3. Effectiveness of Norway's Trust Fund Portfolio

3.1 INTRODUCTION

Norway's development assistance is shaped by domestic political priorities of the incumbent administration. Global processes play a role in the sense that they influence the choice and earmarking of assistance to relevant areas (thematic/geographic) and delivery channels (bilateral/multilateral).

This chapter addresses the following two questions posed in this evaluation:

- What are the articulated motivations and priorities underlying Norwegian participation in multilateral partnerships?
- How have the partnerships contributed to systematic achievement of Norway's priorities?

The scope of the analysis is limited to following partnerships:

- Bank-executed and Recipient-executed trust funds administered by the World Bank
- Financial Intermediary Funds
- UN Multi-partner Trust Funds administered by the UNDP Multi-partner Trust Funds Office

The chapter is organised as follows: Section 3.2 examine the main factors motivating Norway's funding to the multilateral channel. Section 3.3–3.6 examines the effectiveness of Norway's trust fund portfolio in relation to four important motivations behind Norwegian funding; namely, supporting multilateralism, mobilising additional funding, advocating its prioritised areas in the multilateral fora, and drawing on the capacity of multilaterals to promote its prioritised areas.

3.2 MOTIVATION

Funding multilaterals[15] continues to be an important element in Norwegian development and foreign policy. A review of the White Papers *(Stortingsmeldinger)* presented to the Norwegian Parliament *(Stortinget)* indicate a range of motivations behind the use of the multilaterals for channelling Norway's development assistance. Some of the motivations include:

- Supporting multilateralism[16]
- Drawing on multilaterals ability to leverage funding from other sources, including other donors and private sector
- Access to countries and situations that require multilateral engagement[17]
- Reduction of fiduciary and reputational risk in the presence of clear safeguard policies[18]
- Access to international expertise of the multilateral staff[19]
- Ease of administering assistance, both for the donor[20] and the recipients[21]
- Reduced pressure on own and aid-recipient staff[22]
- Possibility for realisation of scale economies[23]

15 A multilateral organisation refers to an organisation established by three or more States.

16 For the most recent policy statements see Stortingsmelding nr 27 (2018–2019). *Norway's Role and Interests in Multilateral Cooperation.*

17 Stortingsmelding nr 35 (2003–04), *Felles kamp mot fattigdom,* pp. 108. See also Stortingsmelding nr 13 (2008–09), *Klima konflikt og kapital,* pp. 90 and Stortingsmelding nr 24 (2016–17).

18 Stortingsmelding nr 24 (2016–17), pp. 25–27.

19 Stortingsmelding nr 35 (2003–04), *Felles kamp mot fattigdom,* pp. 108.

20 See Stortingsmelding nr 36 (1984–85), pp. 69.

21 See Stortingsmelding nr 35 (2003–04), *Felles kamp mot fattigdom,* pp. 108.

22 Stortingsmelding nr 13 (2008–09), *Klima konflikt og kapital,* pp. 90.

23 Stortingsmelding nr 13 (2008–09), *Sammen om jobben.*

A review of the budget documents indicates a consistent policy shift towards earmarking of funds channelled through the multilaterals. Earmarking is seen as an instrument to attain a range of policy objectives. Earmarked funds have an advantage that they can be directly channelled to the preferred areas, making these areas more visible and prioritised in the organisations long-term plans, where such areas are underfinanced.[24]

The answers to the survey confirm the information extracted from the document analysis. Some of the main motivations identified by the respondents include; ability to access countries and situations that it would otherwise be difficult to reach, to strengthen the Norwegian government's ability to promote its prioritised areas in multilateral organisations, to leverage funds from other donors and sources and to strengthen the multilateral system. An important motivation was also to ease the administrative burden on the Norwegian administration.

Supporting multilateralism ranks low among the staff. It is ranked as the sixth most important, of the nine possible motivations for partnering with the multilateral organisations;

TABLE 2 // NUMBER OF DONORS OF FINANCIAL INTERMEDIARY FUNDS

Trust Fund Name	Grant Agency	Thematic area	Participation	
			Donors	Implementing/ Executing entities
TF069033-CGIAR Trust Fund	Norad	CGIAR	28	16
TFM21826-Support to Agricultural Research through the Consultative Group on International Agricultural Research (CGIAR) Centers	MFA	CGIAR		
TF069020-Global Partnership for Education Fund	Norad	Education	27	13
TF069012-Strategic Climate Fund	MFA	ENV	13	6
TF069012-Strategic Climate Fund	Norad	ENV		
TF069013-Adaptation Fund	MFA	ENV	23	35
TF069017-Guyana REDD+ Investment Fund	MFA	ENV	1	5
TF069022-Green Climate Fund	MFA	ENV	44	29
TF069022-Green Climate Fund	Norad	ENV		
TF029840-GEF – Trust Fund	MFA	ENV GEF	40	19
TF069002-Special Climate Change Fund	MFA	ENV GEF	15	12
TF069004-Least Developed Countries Fund	MFA	ENV GEF	40	19
TF069019-Nagoya Protocol Implementation Fund	MFA	ENV GEF	5	2
TF069034-Women Entrepreneurs Finance Initiative	MFA	Gender	13	4
TF069001-The Global Fund to Fight AIDS, Tuberculosis and Malaria	MFA	Health	63	
TF069035-Coalition for Epidemic Preparedness Innovations	Norad	Health	5	1
TFIFFIM1-International Finance Facility For Immunisation	MFA	Health	9	
DRTF-Debt Relief Trust Fund	MFA	Debt Relief	30	
DRTF-Debt Relief Trust Fund	MFA	Debt Relief		
TF069016-Haiti Reconstruction Fund	MFA	Nat Dis.	19	3
TF069029-Global Concessional Financing Facility	MFA	Mena	10	3

24 Stortingsmelding nr 35 (2003–04), *Felles kamp mot fattigdom,* pp. 108.

indicating a need for improved communication of the policy priorities to the operational level.

3.3 SUPPORTING MULTILATERALISM

Most of the IBRD funds in Norway's portfolio bring together several countries to address issues of global significance. Trust funds also provide a platform for cooperation between the Bank and other multilateral peer organisations. This is particularly important for FIFs that draw on a wide group of multilateral partners and competencies.

Larger FIFs such as The Global Fund to Fight AIDS, Tuberculosis and Malaria, Green Climate Fund, Global Environmental Facility (GEF) have between 40–60 donors and several implementing agencies including the World Bank. GEF has around 40 donors, 3 Implementing agencies (IBRD, UNDP, UNEP), 10 partner agencies, and 8 project agencies, most of which are multilaterals. This is in addition to involvement of the World Bank as trustee and host for the GEF secretariat. The Scientific and Technical Advisory Panel of GEF is housed in UNEP.

Similar multilateral participation is also present in Norway's MPTFO portfolio. The composition and structure of the Norwegian MPTFO portfolio varies over time and across funds, measured in terms of number of donor partners, their contributions, other partners, recipients, and allocations. For the 10 largest partnerships that account for over 80 % of the commitments, Norway has partnered with 87 donors. Humanitarian and peace building funds have most diverse participation of up to 60 donors.

Participation in Norway's International Climate and Forest Initiative (NICFI) has grown over time with one exception – The Central African Forest Initiative (CAFI), where Norway appears to be its sole contributor except for a single commitment from France in 2016. Norway accounts for around 98 % of the contributions to CAFI. It may be noted that, although they bring together many donors, around 10 of these donors, including Norway, account for over 85 % of the commitments in these partnerships. The most important donor partners for Norway are UK, Sweden, Netherlands, Spain, Germany, Denmark, Ireland and Canada. Most of these countries belong to the so-called Nordic+ Group of countries.

Last but not least, trust funds provide much needed funds to support the operational and overhead costs of the multilateral system. For UNDP, financing received from UN pooled funds through the MPTFO accounts for around 7 % of its operations budget. In the case of the World Bank, trust funds finance large proportion of the Bank's staff and operations, including over 60 % of all global partnerships, and around nearly two thirds of the Bank's advisory and analytics work, thus complementing the effort of almost every Region and Global Practices units of the Bank to deliver on their mandate. Trust funds also cover a significant portion of the Bank's non-operational costs (overheads). There is however concern that the IBRD trust funds may not be covering the trustee's costs of managing these funds.[25]

3.4 MOBILISATION OF FUNDING

An important motivation cited for Norwegian engagement in trust fund mechanisms is to tap into the comparative advantage of the multilateral organisation to mobilise development assistance from multiple sources, including the private sector. The top 11 of the 70 IBRD funds mobilise substantial amounts in donor contributions.[26] The same applies to FIFs with Norwegian participation. Earmarked contributions through trust fund mechanisms is also

25 See next chapter for a discussion on cost recovery.

26 It may be noted that there is not a one to one relationship between the share of the fund in the Norwegian portfolio and Norway's share in the fund. For example, TF050576-Afghanistan Reconstruction Trust Fund is the second largest fund in Norway's portfolio in terms of contribution, while Norway's contribution is only 2 % of the total contribution to the fund.

expected to function as a catalyst for mobilising funding to thematic or geographic areas of interest for Norway. Norway has been the main promoter of some of the most important World Bank trust funds focusing on climate change. Norway's share in climate finance has gradually reduced, as Norway's likeminded donors have increased their contributions.

Another area of successful leveraging is the funds with Norwegian participation that target the health sector.[27]

A salient feature of the leveraging observed in IBRD trust funds and FIFs is the dominance of Official Development Assistance (ODA) in the mobilised resources. In other words, it is "ODA leveraging ODA". The success of the IBRD funds and FIFs to mobilise private resources is limited. Mobilisation of resources from the for-profit private sector continues to be marginal. The objective of ODA mobilising non-ODA resources is yet to be realised in Norway's trust fund portfolio. Bank operations and knowledge can have a leveraging effect for private resources, not as donors to trust funds but at the country level in productive investments.

27 For details see data appendices.

The scale of joint engagement with other donors through trust fund-based mechanisms is substantial, particularly in fragile countries that are otherwise difficult to access for bilateral engagement. In principle, it allows realisation of scale economies and can reduce the administrative burden on recipient countries. The size of the scale economies and gains from aid-harmonisation – dependent on the ability of the multilaterals to coordinate the effort at the country level. In Somalia, a country with parallel financing from MPTFO and the World Bank administered trust funds operating under a common governance umbrella, trust fund financed projects are approved by committees operating at three administrative levels. Interviews with the fund personnel indicate that each multilateral prepares its projects and initiatives independent of each other, and coordination takes place during the approval process.

3.5 AGENDA SETTING

Multilaterals are viewed as an important arena for advocating development policy areas that are of interest for Norway.[28] Strategic use of earmarked funding is believed to have a significant effect in multilateral fora. Together with core-funding, earmarked funding is viewed as an important instrument for promoting Norway's development policy priorities in plans of the recipient multilaterals.[29] Goal-oriented participation in the governing boards is considered both as an instrument to influence the organisations, but also other donors.[30]

In Norway, the White Papers that the Government presents to the Parliament from time to time, give an indication of the Government's agenda, policy preferences and priorities. These documents are meant to inform and educate about issues that the Government considers important and that it intends to pursue in its work program, depending of course on how these are received by the Parliament and the public at large.

Similarly, the World Bank's Annual World Development Report indicates the Bank's understanding of the current economic, social, and environmental state of the world.

To gain better insight, the evaluation compared the thematic priorities as expressed in the Norwegian Government's White Papers with the thematic focus of the World Development

28 Stortingsmelding nr 13 (2008–09), *Klima konflikt og kapital,* pp. 90–94.

29 Stortingsmelding nr. 19 (1995–96), *En verden i endring,* pp. 37.

30 Op. cit., pp.

Reports. Data indicates high level of consistency between the agendas. Similar issues appear on the agenda in Norway and the Bank, although with varying time-lags. In most of the cases, Norwegian white papers antedate the World Development Reports. Most likely, the donors, including Norway, both inform and are informed by the World Bank.

Agenda setting is a complex process starting with successful definition and introduction of a relevant issue on the policy agenda of the decision makers – who it may be noted are highly selective in their choices. This is followed by norm setting and diffusion of norms to establish an enabling environment for promotion of the issue at stake. Long term sustainability of the enabling environment is critical to maintain momentum and avoid back-tracking of policy gains relevant to the issue. Untangling the causal direction of the influence between the donors and the multilateral organisations in the agenda setting process is not trivial.

TABLE 3 // COMPARISON OF THEMATIC PRIORITIES AS EXPRESSED IN THE NORWEGIAN GOVERNMENT'S WHITE PAPERS AND THE WORLD BANK WORLD DEVELOPMENT REPORTS

White Paper to Norwegian Parliament	World Bank World Development Report
2004. Report No. 35 to the Storting (2003–2004). *Fighting Poverty Together – A Comprehensive Development Policy*	**WDR 2006.** *Equity and Development.* This report finds that Inequality of opportunity, both within and among nations, sustains extreme deprivation, results in wasted human potential and often weakens prospects for overall prosperity and economic growth. (Note: **WDR 2000–2001** Attacking Poverty focused on the dimensions of poverty and how to create a better world free of poverty. The report included an analysis exploring the nature and evolution of poverty and its causes and included a framework for action.)
2008. Report No. 11 to the Storting (2007–2008). *On Equal Terms: Women's Rights and Gender Equality in International Development*	**WDR 2012.** *Gender Equality and Development.* This report finds that women's lives around the world have improved dramatically, but gaps remain in many areas. The authors use a conceptual framework to examine progress to date, and then recommend policy actions.
2009. Report No. 13 to the Storting (2008–2009). *Climate, Conflict and Capital – Norwegian Development Policy Adapting to Change*	**WDR 2010.** *Development and Climate Change.* The main message of this report is that a "climate-smart" world is possible if we act now, act together, and act differently.
	WDR 2011. *Conflict, Security, and Development.* Conflict causes human misery, destroys communities and infrastructure, and can cripple economic prospects. The goal of this report is to contribute concrete, practical suggestions to the debate on how to address and overcome violent conflict and fragility.
2013. Meld. St. 25 (2012–2013). *Sharing for Prosperity – Promoting Democracy, Fair Distribution and Growth in Development Policy*	**WDR 2013.** *Jobs.* This report helps explain and analyse the connection between jobs and important dimensions of economic and social development. It provides analytical tools to identify the obstacles to sustained job creation and examine differences in the nature of jobs.
2014. Meld. St. 25 (2013–2014). *Education for Development*	**WDR 2018.** *Learning to Realise Education's Promise.* This report is the first ever devoted entirely to education. It explores four main themes: 1) education's promise; 2) the need to shine a light on learning; 3) how to make schools work for learners; and 4) how to make systems work for learning.
2015. Meld. St. 29 (2014–2015). *Globalisation and Trade: Trade Policy Challenges and Opportunities for Norway*	**Upcoming WDR 2020.** *Global Value Chains: Trading for Development.* This report will address three questions: 1) Do global value chains (GVCs) represent an opportunity or an obstacle to development for low income countries? 2) How do GVCs affect income growth and the distribution of gains?, and 3) Does the interplay between GVCs and changing technology represent a boon or curse for development?
2015. Meld. St. 35 (2014–2015). *Working Together: Private Sector Development in Norwegian Development Cooperation*	

3.6 ACCESS TO COMPETENCE, SAFEGUARDS AND CONVENING POWER OF THE MULTILATERALS

Multilaterals provide legal entity to its trust funds. Trust funds benefit from the competence of the staff, safeguards, and convening power of its trustee partners. Trust funds give access to the Bank's specialist staff and safeguards for procuring and managing consultant services for supporting development of areas of interest for Norway.

Analysis of the spending flows of IBRD trust funds at the project level indicates that over half of the disbursement for Bank-executed activities go to short-term consultants and temporary engagements. The Bank staff costs account for less than a fifth of the project disbursements for Bank-executed activities. Bank staff engages in partnership activities, which include development partner coordination, supervision of consultants, and communication with partners. It is likely that deliveries, such as analytical and advisory services, technical assistance and capacity building for recipient countries, global knowledge generation, and project appraisal are outputs procured from short-term consultants, which may explain the relatively high share of expenditures on consultants. According to the Bank, consultants tend to be less expensive than staff at similar level of expertise. There is therefore a value for donors that the Bank uses consultants, properly supervised by staff, for the delivery of the work funded by trust funds.

3.7 FINDINGS

Most of the funds in Norway's portfolio bring together several countries to address issues of global significance. Humanitarian and peace building funds have the most diverse participation of up to 60 donors. Participation in funds under Norway's International Climate and Forest initiative (NICFI) has grown over time.

Financial Intermediary Funds under the World Bank trusteeship and UN pooled funds under MPTFO administration strengthen multilateralism, by allocating resources across multilateral development banks, UN and non-UN organisations. The ability of these funds to strengthen multilateralism typically increases over time as fund allocations are spread across the implementing agencies.

Trust funds have enhanced the capacity of the trustee organisations to deliver on their mandate. For the World Bank, trust funds finance around a third of the operational costs, in addition to contributing to non-operational costs (overheads). For UNDP, allocations from MPTFs constitute around 7 % of its operational budget.

Funds in Norway's portfolio promote thematic and geographic areas of interest for Norway. Environment and climate change, health, humanitarian assistance, and more recently education, are the main thematic areas promoted by Norwegian funding. The assistance is largely earmarked to geographic areas that are disadvantaged or difficult to access; low-income countries, fragile states, in Africa and South Asia.

Most of the funds mobilise a substantial amount of development assistance from other donors. UK, Sweden, Netherlands, Spain, Germany, Denmark, Ireland and Canada are the key partner countries for Norway. Interviews with fund staff indicate that in some cases a fund[31] may initially mobilise political participation, although Norway may remain a single donor.

Mobilisation of resources from the for-profit private sector at the fund level continues to be marginal in the Norwegian trust fund portfolio, despite prioritisation of this objective by Norway, its likeminded partners, and the trustee organisations. There is a high level of consistency between the issues on policy agenda in Norway and

31 One example is the MPTF Central African Forest Initiative where Norway has so far been the single donor.

the World Bank. Similar issues appear on the agenda in Norway and the Bank, although with varying time-lags. In most of the cases, issues addressed in Norwegian white papers antedate the thematic focus of the World Bank's Annual World Development Reports.

Trust funds provide legal entity to Norway's multilateral efforts to support issues of global significance. They also give Norway access to Bank staff and safeguards for recruiting and supervising specialist services for thematic areas of interest for Norway.

Inputs from World Bank specialist staff accounts for less than a fifth of the project disbursements for Bank-executed activities. Short-term consultants and temporary engagements account for over half of the disbursement under Bank-executed activities. According to the Bank, consultants are considered as being less expensive than staff at similar level of expertise.

4. Efficiency in Governance and Management Arrangements of the Norwegian Partnerships

4.1 INTRODUCTION

Ease of administering assistance, including reduction in work load of own and aid-recipient staff, has often been cited as an important motivation behind the use of earmarked funding through multilateral partnerships.

The main question posed in this chapter is:

- What is the level of operational efficiency in governance and management arrangements of the Norwegian Partnerships?

This chapter is organised as follows:

Section 4.2 examines the quality of Norwegian funding in terms of fragmentation, predictability, flexibility, transparency and accountability. Section 4.3 examines the management and cost-recovery framework for trust funds at the World Bank. Section 4.4 presents an analysis of the administrative burden in the Norwegian administration for participating in trust funds. Section 4.5 gives a brief overview of the nature of the burden on the recipient side.

4.2 QUALITY OF FUNDING[32]

Effective and efficient partnering calls for high quality funding in terms of fragmentation, predictability, flexibility, transparency, and accountability.[33]

Norway's portfolio of trust funds is a result of successive accumulation of investments that reflect the past and present priorities of Norway and its trustee partners. The portfolio has developed through regular addition of new initiatives and few exits. For IBRD trust funds, shifting policy priorities at home have resulted in a portfolio with long-tail distribution with a few funds with large contributions, together with a large of number of smaller funds.[34]

The number of funds by itself need not imply fragmentation of support[35]. Norway has 73 active IBRD trust funds and 17 FIFs. For example, 11 of the 73 IBRD funds account for over 80% of the total contributions to IBRD trust funds. Similarly, 3 of the 17 FIFs account for over 50% of the total Norwegian contributions.

The portfolio also indicates thematic concentration, as contributions are primarily spread across four thematic areas – health, climate and environment, education and debt relief, of which the first three account for over 85% of the contributions. However, concentration of funding within each thematic area varies.

32 Data as of December 2018. The analysis in this section is based on a sample of Norway's 14 largest IBRD Trust Funds that together constitute over eighty % of Norway's contributions to IBRD Trust Funds managed by the Bank's internal organisational units. In addition, the analysis draws on information for Norway's 16 currently active Financial Intermediary Funds under the trusteeship of the Bank.

33 For a discussion See OECD (2018) Multilateral Development Finance: *Towards a new pact on multilateralism to achieve the 2030 agenda together,* OECD Publishing.

34 It may be noted that a long tail of small funds need not imply low-level of effectiveness. Although small funds taken individually may not have significant developmental results, taken together the results may exceed those of the larger funds.

35 A recent OECD DAC source measures fragmentation as the volume of funding per donor agreement; an indicator that for a given volume of funding, is driven by number of agreements between the donor and the multilateral. The metric describes distribution of contributions with a single value – contribution per agreement that may be misleading measure when distribution of the size of the funds is not symmetric.

For example, climate/environment and health are nearly equal in size and together they account for two thirds of the FIF contributions. Although, being equal in size, the climate and environment FIF portfolio is spread across 11 FIFs, whereas the health portfolio consists of only 3 FIFs. All the funds are managed by the Development Finance Unit of the Bank, except for one – which is managed by the Agriculture Global Practice unit of the Bank.

Some funds in trust with the Bank may receive contributions under standard agreements from both the Ministry and Norad, which explains the difference between the number of agreements and funds. Norway had 73 active IBRD trust fund agreements with the Bank, of which 64 were signed by the Ministry of Foreign Affairs and 13 by Norad. The difference is also due to the Bank's recent practice of establishing "parallel funds" that replace/complement existing fund agreements. The motivation for establishing parallel funds has been to accommodate the recent changes in the cost-recovery structure, that involved an increase in overheads rates charged by the World Bank. Similarly, Norway has 21 agreements for participation in Financial Intermediary Funds, of which 16 are signed by the Ministry of Foreign Affairs and 5 by Norad. However, the total number of FIFs with Norwegian participation is 17.

Thematically, Norway's support through UN inter-agency pooled funds administered by the Multi-Partner Trust Fund Office at UNDP also indicates similar concentration in the portfolio. Norway's support falls under three areas. Norway's International Climate and Forest initiative (NICFI) with its two flagship funds (UN REDD Program Fund and Central African Forest Initiative (CAFI)) accounts for over a third of the deposits so far. The second most important area has been the humanitarian assistance, which is followed by the *"One UN initiative"*, where Norway has supported 11 geographically dispersed pilot funds that together account for over one tenth of the support through MPTFs.

Norway performs quite well on the *predictability* criterion. Analysis of the financial data for the top 11 IBRD trust funds in the portfolio indicates that Norwegian contributions are often front-loaded and come early after establishment of a fund – as distinct from contributions that come over a longer period, or in proportion to the activity level. Norway has fully paid-in its commitments in over two thirds of the funds. At the portfolio level, Norway has paid 86 % of the pledges. In several funds Norway's share of contributions as compared to its commitments is higher than the other partners.[36] Analysis of the financial data for all the FIFs with Norwegian participation indicates that except for two recently established funds, Norway's has fully paid-in its pledged amounts in all the funds. Interviews with fund managers indicate that Norway maintains a high level of continuity of staff in its engagement with the trust funds.

The degree of *flexibility* of funding provided by Norway is high. Financial data indicates that Norwegian funding primarily focuses on thematic areas and not specific projects, and that it is spread across five Global Practices and three Regional units that are most relevant keeping in view the thematic area for the funding. The five Global Practices Units are; Health Nutrition and Population, Climate Change, Environment and Natural Resources, Agriculture, Energy and Extractives and Social Protection units. The funds with geographic focus primarily target fragile states and are managed by three regional units – Office of the Regional Vice-Presidencies for South Asia, Middle East and North Africa and Africa. None of the funds are earmarked for specific projects.

36 In 4 of the 11 funds that account for 80 % of Norwegian contributions, the share of partners paid-in contributions to commitments is over 80 %.

The degree of *transparency* in disbursements from the IBRD trust funds, and FIFs has a potential for improvement. Transparency is understood in terms of openness (free, unrestricted access to information and communication). The main source of information about disbursements information is the World Bank Development Partner Centre (DPC) database, that has been designed in consultation with the donors, where Norad was an active participant. Information disclosure and financial reports provided through DPC are based on the Bank's reporting obligation as Trustee for FIFs and as Administrator for IBRD/IDA Trust Funds.

Access to the DPC database is restricted. Donors have access to a snapshot of their own contributions, however access to time-series data is limited and not user-friendly. Expenditure data is primarily available for Bank-implemented activities, that account for less than 20% of the total contributions. As regards to Recipient-executed activities, DPC shows the recipient country and how much was committed and disbursed, and the amounts to various activities for all Recipient-executed grants. Expenditure data is disclosed as lumpsum, in line with the standard financial reporting format.

Annual reports for the FIFs are available on DPC connection which include some disaggregated information about spending flows for the funds. The degree of transparency in flow of disbursements from the FIFs available on DPC connection is inadequate.

Norad's Aid Statistics is the main public source of information about Norway's multilateral contributions. This database however does not have any markers to identify contributions to trust funds. There is minimal data on spending flows of trust funds in Norads data archives; in or outside the public domain.

4.3 GOVERNANCE OF THE IBRD TRUST FUNDS AND THE FINANCIAL INTERMEDIARY FUNDS

The Trust Funds and Partner Relations unit under the Development Finance Unit of the Bank assists in development of the Bank's trust fund partnerships by providing liaison between the donor and the Bank's internal organisational units, who retain the responsibility for day to day management of the funds. Typically, funds with a geographic focus are managed by the respective Region unit, whereas those with thematic focus are managed by the relevant Global Practices or Global Themes units.

Organisation of a FIF involves more parties than an IBRD trust fund. The Bank has a financial trustee role in all FIFs. Its responsibilities as a trustee includes receiving contributions from the donors, investing contributions pending cash transfer, transferring funds to implementing agents of the FIFs. The Bank keeps contributions to FIFs separate from the resources of the Bank. The Bank (Development Finance Unit) also records funding decisions made by the FIF governing body and provides periodic reports on the financial status of the FIF.[37] In its capacity as the financial trustee, the Bank participates as an observer in the governing body of the FIF.

In addition to the financial trustee role, the Bank may also be an implementing partner and host for the secretariat. Currently, around 29% of the commitments of FIFs are implemented by the World Bank. In some cases, such as the recently established FIF for the Global Program for Education, around 80% of commitments for implementation go to activities executed

37 Periodic reports are available on the DPC connection.

or supervised by the World Bank[38]. Implementation of FIFs by the World Bank, in practice, implies conversion of FIF contributions into an IBRD fund. As an implementing partner, the Bank participates as a non-voting member in the governing body of the FIF. An exception to this is the Global Partnership for Education Fund where the Bank is both an implementing partner and a voting member of the governing body.

Table 4 provides an overview of the participation and the Bank's role in the FIFs in Norway's portfolio.

38 The 29 % of the commitments of FIFs, implemented by the World Bank, is the sum total based on Norway's share of contribution (signed) for all FIFs. This % differs when reviewed for Norway's share against individual FIFs – it may be as high as 73 % for GPEF and may be as low as 0.1 % for GFATM with most of GFATM's funds flowing externally. The 29 % is based on Norway's donor brief for FY14-FY19Q2.

TABLE 4 // OVERVIEW OF THE WORLD BANK'S ROLES IN FINANCIAL INTERMEDIARY FUNDS IN THE NORWEGIAN PORTFOLIO

Trustee Name-TF Number	Agency	Thematic area	Bank's roles		
			Governance	Implementation	Secretariat
TF069033-CGIAR Trust Fund	Norad	CGIAR	Chair		
TFM21826-Support to Agricultural Research through the Consultative Group on International Agricultural Research (CGIAR) Centers	MFA	CGIAR			
TF069020-Global Partnership for Education Fund	Norad	Education	Board member	Yes	Yes
TF069012-Strategic Climate Fund	MFA	ENV	NV	Yes	Yes
TF069012-Strategic Climate Fund	Norad	ENV			
TF069013-Adaptation Fund	MFA	ENV		Yes	Yes
TF069017-Guyana REDD+ Investment Fund	MFA	ENV		Yes	
TF069022-Green Climate Fund	MFA	ENV		Yes	
TF069022-Green Climate Fund	Norad	ENV			
TF029840-GEF – Trust Fund	MFA	ENV GEF		Yes	Yes
TF069002-Special Climate Change Fund	MFA	ENV GEF	NV/IA	Yes	Yes
TF069004-Least Developed Countries Fund	MFA	ENV GEF	O/IA	Yes	Yes
TF069019-Nagoya Protocol Implementation Fund	MFA	ENV GEF	O/IA	Yes	Yes
TF069034-Women Entrepreneurs Finance Initiative	MFA	Gender	O/IA	Yes	Yes
TF069001-The Global Fund to Fight AIDS, Tuberculosis and Malaria	MFA	Health	NV		
TF069035-Coalition for Epidemic Preparedness Innovations	Norad	Health			
DRTF-Debt Relief Trust Fund	MFA	Debt Relief		Yes	Yes
DRTF-Debt Relief Trust Fund	MFA	Debt Relief			
TF069016-Haiti Reconstruction Fund	MFA	Nat Dis.		Yes	Yes
TF069029-Global Concessional Financing Facility	MFA	Mena	Coordination	Yes	Yes

There has been a growing concern among Bank Management that the contribution of the trust fund portfolio to the Bank's overheads is lower than the actual costs of managing the portfolio. In 2015, with the approval of the World Bank Board, the Bank changed its cost recovery practice from a marginal cost approach to a full cost absorption methodology[39]. According to the Bank, this decision simplified the calculation of the share of the Bank's overhead costs attributable to trust funds. A new and standardised fee structure was introduced at the same time which improved the recovery of these overhead costs.

In brief, the new cost-recovery model involves increase in pricing of staff costs (to cover cost of staff benefits), an increase in mark-up on personnel costs (staff costs including benefits and costs of short-term consultants and temporaries) to cover overheads and standardisation of rates for Bank-executed components across fund types. On introduction of the new cost recovery structure in 2015, staff benefits were calculated as 50% of staff salary. Since 2017, the staff benefits are calculated as 70% of staff salary. The increase has been made to recover the true cost of staff benefits, which according to the Bank were not fully reflected, under the earlier costs-recovery regime. These rates apply to staff recruited at the headquarter level. Locally recruited staff is charged at 45%, due to lower level of benefits accruing to this staff.

Overheads to cover indirect costs such as office space, and other support functions such as legal, accounting, data services, etc. associated with trust funds, are recovered through an application of an *indirect-rate* of 17% on personnel costs of staff and consultants. Interviews with Bank staff indicates that actual overheads lie between 28–30%.

Keeping in view the actuals, the current indirect cost rate falls short of full cost-recovery for costs associated with operation of trust funds.

On introduction of the new cost recovery structure in 2015, the Bank estimated a shortfall of 168 million USD. According to the Bank, the current increase will generate an extra 100 million USD to cover short fall, which is about 2.5% of annual trust fund disbursement of around 4 billion USD.

In 2015 the Bank observed that the shortfall was being covered by countries borrowing from IDA (concessional loans, and grants for the poorest countries) and IBRD (loans for middle income countries) and that "this is unsustainable and makes it difficult to reach the twin goals of ending extreme poverty and boosting shared prosperity".[40] Introduction of the new cost-recovery model is unlikely to ease attainment of the twin goals. The new cost-recovery model does not create additional funds, it essentially implies redistribution of trust fund resources. Firstly, an intended redistribution – within IDA and non-IDA countries depending on their position as borrowers and as grant beneficiaries of trust funds. Secondly, a redistribution from program implementation to program management, that essentially means a decrease in the share of resources going to beneficiaries of trust fund resources.

A similar redistribution effect can also be expected in case of FIFs. FIFs involve several implementing agencies, including the World Bank. In almost all FIFs in the Norwegian portfolio, the Bank plays the roles of the financial trustee, implementing partner, and host for the secretariat. In aggregate

39 In brief, marginal cost is the cost of any additional inputs required to produce one more unit of a service. For example, the marginal cost of providing advisory services may include the costs of personnel but not the fixed costs of the office space/infrastructure that that have already been incurred. Full cost reflects the average cost including fixed costs of providing the service.

40 World Bank (IBRD-IDA) Trust Fund Recovery Reform, Executive summary, July 19, 2015.

around 29% of the commitments of FIFs are implemented by the World Bank[41]. In some cases, such as the recently established FIF for the Global Program for Education, around 80% of commitments for implementation go to activities executed or supervised by the World Bank. Implementation of FIF activities by the World Bank, in practice, involves a transfer of FIF resources into IBRD trust funds that are subject to the new cost-recovery framework.

Comparing indirect cost-recovery mark-ups across the World Bank and the UNDP MPTF Office is not straightforward, as the definition of indirect costs and the basis for the mark-ups differs across the organisations. UN and non-UN organisations that participate in funds administered by the MPTF office sign a standard Memorandum of Understanding with the MPTF Office as the Administrative Agent, who then covers its full cost out of the 1% Administrative Agent fee. Participating UN organisations charge 7% to recover their indirect costs for implementing approved projects. According to the Bank, its new cost-recovery fee structure results in an average recovery rate of 6%. To avoid double calculation of overheads within the UN system, MPTFO does not allow delegation of implementation among UN agencies. The World Bank is a participant in funds administered by the MPTF Office, such as in case of the Central African Forests Initiative (CAFI), established by Norway. The same rate of 7% applies to the World Bank when it participates in CAFI, as for other participants in CAFI.

In some cases, there is a build-up of unused funds with the World Bank and the MPTFO. In case of the MPTFO, the build-up of funds, where relevant, is mainly at the implementing agency level. Interviews with fund managers indicate that accumulation of funds at the implementing levels is likely due to greater focus on programming, as compared to implementation in the fund.

41 Together with UNDP the Bank accounts for more than half of the implementation expenditures of FIFs.

4.4 GOVERNANCE OF NORWAY'S TRUST FUND PORTFOLIO IN NORWAY

On the Norwegian side, the Ministry of Foreign Affairs (MFA), the Ministry of Climate and Environment (KLD) and the Norwegian Agency for Development Cooperation (Norad) are the main units who make decisions about establishment of trust fund partnerships with the Bank. For the trust funds initiated by the Ministries, Norad sector experts may have an advisory role at the establishment stage. Once a fund is established, the concerned Ministry may delegate an operational role to sector departments at Norad for managing Norway's relationship with the fund.[42] For some funds, mainly funds with a strong geographic focus, the operational role may be delegated to the Embassies, who often draw on technical inputs from Norad sector specialists in discharging their role. The MFA retains the overall responsibility for handling strategic issues related to Norway's relationship with the Bank through its Section for Multilateral Banks. Norway also has representation in the Bank's Board of Directors, through the rotating directorship representing

42 The Norwegian development assistance management is undergoing a reform process. Current proposals for reform indicate a greater role for Norad in establishment and management of trust funds. Discussion in this section does not include the ongoing reform.

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

Overall, the administrative inputs required to enter and follow up the trust funds is not insignificant. To gain better insight into the administrative burden, the evaluation analysed the levels, types and frequencies of collaboration between the MFA, KLD and Norad staff during implementation and follow-up phases of the trust funds. The study conducted quick-reviews of documents for selected trust funds archived in Norad's Public 360 (P360) archival system. The quick-reviews covered periods from trust fund inception to early February 2019.[43]

43 It should be noted that while both MFA and Norad file various records related to TFs (i.e. correspondence, documents, reports, evaluations, requests for assistance, and responses), not all documents filed in Norad's P360 archives are necessarily found in MFA's internal archives, and vice versa. It is also noted that where Norad has delegated responsibility, documents related to sensitive or confidential transactions are not necessarily filed.

TABLE 5 // AN ILLUSTRATION: GREEN CLIMATE FUND – A REVIEW OF ADMINISTRATIVE BURDEN ON NORAD

Review of the documents in Norad's archives (P360) indicate that the MFA has requested assistance and professional input from Norad at various phases of GCF – starting from Norway/MFA's initial decision in 2011–12 to financially support WB's GCF trust fund. Norway's support to GCF continues today. Besides assistance provided by JUR related to agreements and amendments, other Norad sections (GRØNN, MIMA, RESULT, MEST, LIRE and BUM) have provided the MFA with assessments and comments related to results frameworks and reporting; GCF policies and action plans; Secretariat and Steering Group meetings and decisions; and various technical and financial reports. The table below summarises the nature of requests and the number of documents in Norad's archives related to these requests.

Archive Case nr.	Nature of Case, Documents and Requests Related to:	Norad Entity	Documents	Doc. Files
1701014	Agreements and documents between Steering Group meetings	MIMA	35	80
1700364	GCF policies for indigenous peoples and gender	MEST	20	31
15 individual cases	Documents for various Steering Committee and Governors meetings (diff. case nos. in period 2015–19)	JUR, GRØNN, MIMA, RESULT	223	619
1500166	CGF Agreement	JUR	2	8
1401281	Gender policy and action plan	LIRE	2	3
1201631	GTZ Global Green Climate Fund	BUM	3	3
1101039	GCF Agreement	JUR	6	16
Total			**291**	**760**

Notes
Search words: "green climate fund" and "GCF". Each document entry in Column 4 contains additional related background files, as shown in Column 5.

The table above suggests reasonably active, fairly-continuous communication and collaboration between MFA and Norad over the years based on formal requests from MFA to Norad. The amount of human resources required from the donor side to enter into and follow up TFs does not seem insignificant.

The P360 quick-reviews were conducted for 8 trust funds.[44] The review indicates that requests from the Ministries to Norad for input and assistance are usually specific and time-bound, and sometimes with short-notice and deadlines. Norad's sector experts have most frequent and closest involvement during implementation phases. Effort spent by Norad to respond to requests varies according to the nature of request and deadlines. Norad provides thorough assessments of the development policy implications, monitoring routines and legal aspects of individual trust fund agreements. Discussion of financial and risk management issues or assessment of alternative options, within or outside the current portfolio, are rare.

Staff survey indicates a need for greater knowledge sharing of financial aspects among staff involved in governance of the trust funds. Majority of the respondents agree that overhead costs are reasonable and there is value for money. However, when asked whether the overhead costs were "greater than", or "less than" the agreed rates, even a greater majority opt for the "don't know" alternative. Interviews with staff involved in trust fund management on the trustee side also indicate limited knowledge about cost information among the fund managers.

A typical risk facing trust funds is delays in implementation of programmed activities and build-up of unused funds at the trustee or the recipient level. There are examples of both IBRD funds and MPTF funds that have faced negative publicity due to low level of delivery. It is important for donors that trust funds build public confidence at home and abroad for promoting the targeted areas of interest. The negative publicity and public perception adversely impact public confidence in development assistance in general, and in areas targeted by the fund. Assessment of such reputational risk, or measures to mitigate these risks are seldom addressed in decision documents. The same applies to lack of assessment of accommodating new initiatives within the existing portfolio, that result in multiple funds with overlapping mandates.

Document analysis and interviews did not reveal any trust funds with an exit strategy, and in cases where withdrawals took place, these were seldom strategic in nature. According to the staff responsible for MPTFO in the Ministry of Foreign Affairs, the MPTFO portfolio is a combination of long-term engagements and exits in response to changes in conditions at the country level. Archived material also indicates that there is no regular feedback-loop to inform Norad sector experts if/how their submitted responses have been used by the requesting Ministry.

44 Summary numbers from P360 review of 8 selected trust funds:

Trust Fund	Type	Responding entities	Cases	Docs	Files
TF069020-Global Partnership for Education Fund	FIFs	UTDANN, UGH	34	437	1372
TF070955-Multi-Donor Trust Fund for the Global Financing Facility (GFF) in Support of Every Woman Every Child	IBRD	HELSE, UGH	7	132	411
TF069017-Guyana REDD+ Investment Fund	FIFs	GRØNN, KEM, LASK, JUR	8	232	503
TF069022-Green Climate Fund	FIFs	GRØNN, MIMA, MEST, LIRE, BUM, RESULT, JUR	21	291	760
Multi-Donor Education and Skills Fund (MESF)	IBRD	UTDANN, JUR	8	39	127
Program Cooperation on 3 Thematic Funds (governance, crisis prevention/recovery, and energy and environment)	MPTF	RESULT, JUR	3	19	38
UNDP Delivering Results Together Fund	MPTF	RESULT, JUR	2	12	28

4.5 GOVERNANCE OF NORWAY'S TRUST FUND PORTFOLIO IN RECIPIENT COUNTRIES

The majority of the implementation of trust funds takes place through various implementing organisations. For example, FIFs work through implementing agencies that include UN agencies, multilateral banks, including the World Bank, and recipient government and non-government organisations. The same may apply to Recipient-executed activities under IBRD funds.

At the recipient level, the overall relationship of a fund with the recipient country may rest with a Ministry of Finance or the relevant sector Ministry. Fund operations are often governed by steering committees with representation from the donors, local government, the Bank and other multilaterals, depending on the context.

Box 1 illustrates the maze of units and organisations involved in the management of trust fund engagement in Somalia; a country that has parallel financing from both the World

BOX 1 // SOMALIA UN MULTI-PARTNER TRUST FUND (MPTF)

The New Deal Compact of 2012 between Somalia and the international community, established an overarching framework for all international donor and partner engagement with the country. It identified a set of key priorities for the reconstruction of Somalia over the next three years under five Peacebuilding and Statebuilding Priorities (PSG) – Inclusive Politics, Security, Justice, Economic Foundations, and Services and Revenues.

As part of the Compact, the Federal Government of Somalia and its development partners agreed to establish the Somalia Development and Reconstruction Facility (SDRF) to enhance the delivery of effective assistance. The SDRF brought together several funds ("windows") under common governance arrangements (the UN, the World Bank and the African Development Bank and the Special Financing Facility).

The Somalia UN MPTF was established under the overall leadership of the Federal Government of Somalia. The MPTF organises its programmatic and operational work according to the priorities identified under each Peacebuilding and Statebuilding Goal of the Somali Compact.

The fund is governed by the same Steering Committee as the SDRF. The Steering Committee reviews and approves proposals submitted, keeping in view the requirements of the fund's Terms of Reference and is responsible for providing oversight and exercising overall accountability of the fund. The Federal Government of Somalia and the Development Partners Groups provide a Technical Forum for sectoral policy formulation, planning and programmatic co-ordination and serve as a common governance and coordination function for the Somalia UN MPTF. This platform ensures joint oversight (donor and government) of the strategic direction, implementation and results of Somalia UN MPTF, the MPFs, and other financing instruments. The Steering Committee is co-chaired by the UN Resident Coordinator with the participation of two representatives of participating UN Agencies (on rotational basis), the World Bank, and two donor representatives contributing to the Somalia UN MPTF. A Secretariat with dedicated staff supports day-to-day functioning of the SDRF Steering Committee, the Partnership Forum, and financing, aid effectiveness and co-ordination, monitoring and reporting of the Fund.

The Somalia UN MPTF is administered by UNDP Multi-Partner Trust Fund Office (MPTF Office), as its Administrative Agent. The Administrative Agent concludes a Memorandum of Understanding (MOU) with the Participating UN organisations (UN Agencies, The United Nations Support Office for the African Union Mission in Somalia UNSOA 2009–2015 and its replacement The United Nations Support Office in Somalia UNSOM since 2015) and a non-UN identity International Organisation for Migration IOM. Financing may be provided to national and sub-national institutions and international NGOs through one of the UN Agencies.

Use of funds, reporting obligations, liability, audit and other matters relating to the management of the funds provided and the activities are implemented by each participating organisation in accordance with its own regulations and procedures. Participating UN organisations and IOM assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent.

Bank and MPTFO. It is important to note that the organization of trust funds will vary across countries and the structure in Somalia does not apply across the board.[45]

A salient feature of the current practice is that overhead cost of aid-delivery cascades as aid moves from trustee to the final recipient. Information about delivery costs at the recipient level is not readily available. The “cost of doing business” as allocations move down the aid-delivery path from the trustee level through the trust fund mechanism, is not transparent. The current “path-based” system of collecting overheads lacks transparency. To avoid double calculation of overheads within the UN system, in line with UN development system policies, the MPTFO does not allow delegation of implementation among UN agencies. A lack of information also makes it difficult to analyse the full cost of aid-delivery through the trust fund channel.

45 For Norway the main motivation to support both through MPTFO and the World Bank was to support the New Deal Compact.

4.6 FINDINGS

Norway’s portfolio of trust funds has developed through regular addition of new initiatives and few exits. It is a result of successive accumulation of investments that reflect the past and present priorities of Norway and its trustee partners. Document analysis and interviews with staff in Norway did not reveal any trust fund with an exit strategy, and withdrawals are seldom planned.

Shifting policy priorities over time has resulted in a portfolio with long-tail distribution, with some funds with large contributions, together with a large of number of smaller funds.

Norway maintains a high level of continuity of staff in its engagement with the trust funds. Norway is a predictable source of funds. Norway has fully paid-in its commitments in most of the funds. In several funds Norway’s share of contributions, as compared to its commitments, is higher than the other partners.

Norwegian contributions are often front-loaded and come early after establishment of a Fund. In some cases, there is accumulation of funds with the trustee or the implementing agency. Interest income from unused balances is credited to the fund account at the trustee or the implementing agency level, depending on the disbursements. In one case income has been credited to a related fund within the same thematic area.

The “cost of doing business” as allocations move down the aid-delivery path from the trustee level through the trust fund mechanism, is not transparent. At the trustee level, the cost is on the rise, as illustrated by the new cost-recovery model introduced by the World Bank that has higher overhead rates on its increasing direct costs.

The administrative burden to enter and follow up trust funds is not insignificant for Norway. Some funds receive contributions both from the Ministries and Norad. Administrative attention is mainly on sectoral issues and assessments of monitoring and legal aspects of individual agreements. Discussion of financial and risk management issues, or assessment of alternative options within or outside the current portfolio, are rare.

5. Results Management and Control in Partnership Arrangements

5.1 INTRODUCTION

Norwegian public grants are subject to several laws, rules and regulations. The general provisions[46] laid down by the Ministry of Finance are central to management of public grants. The main purpose of these provisions is to assure that public funds are used effectively in accordance with the budgetary appropriations of the Parliament.

General provisions issued by the Ministry of Finance require that that all grants shall have a clearly defined target group and a results-framework, and that the grant extending agencies have control and evaluation routines in place to assure effective and efficient use of grants. The Norwegian Parliament may however exempt specific grant extending agencies from the general provisions. The exemptions allowed are limited in the sense that they apply to select grants and to specific recipient organisations. Some grants to specific multilateral organisations are subject to these exemptions.

The aim of this chapter is to understand and assess the effectiveness of management and control of development assistance grants channelled through the trust fund channel, keeping in view the exemptions that may apply to these grants and rules and regulations governing management of public grants at large. This chapter is organised as follows: Section 5.2 provides an overview of the statutory exemptions applicable to grants made by the Ministry of Foreign Affairs, Norad and the Ministry of Climate and Environment to the World Bank and MPTFO. Section 5.3 examines the monitoring and evaluation routines for the World Bank trust funds. Section 5.4 analyses the jurisdiction of the control and sanctions regime with respect to the different types of funds held in trust with the Bank.

5.2 EXEMPTIONS

Implementation of the general provisions of the Ministry of Finance is the responsibility of the grant extending agencies. Some grants made by Ministry of Foreign Affairs and the Ministry of Climate and Environment to multilateral organisations are subject to specific exemptions, as notified in the appendix to the annual budget for the respective Ministry. A review of budget documents reveals variation in the content and scope of the exemptions over the years.

A standard exemption relates to the *timing and frequency of transfer* of funds to the recipients. Under this exemption, the grant extending agencies can transfer the annual grant in a single tranche.[47] For some grants, the extending agency can also make grant payments one year in advance. This contrasts with the general provisions laid down by the Ministry of Finance.

46 Reglement for økonomistyring i staten – Bestemmelser om økonomistyring i staten, Ministry of Finance, Oslo (available in norwegian). https://www.regjeringen.no/globalassets/upload/fin/vedlegg/okstyring/reglement_for_okonomistyring_i_staten.pdf

47 «Utbetalinger av norske medlemskapskontingenter, pliktige bidrag og andre bidrag til internasjonale organisasjoner Norge er medlem av, kan foretas en gang i året.» Budget MFA, 2019.

Another exemption relates to the *choice of rules* governing transfer of funds to the recipient multilateral. The exemption allows the individual extending agency to transfer funds, under a specific grant, to select recipient multilaterals, using the rules and regulations of the recipient. In other words, exemptions are specific in terms of grants, recipient organisations and the extending agency.

For example, the annual budget proposal for the Ministry of Foreign Affairs for 2019 specifies that contributions to funds managed by the World Bank, the four regional development banks, and the International Fund for Agricultural Development (IFAD) can be undertaken in accordance with the rules and regulation of the individual Fund.[48] The comparable exemption for Ministry of Climate and Energy[49] allows for similar exemptions for funds managed by the UN Multi-Partner Trust Fund Office and the Inter-American Development Bank, however it does not allow similar flexibility for the funds managed by the World Bank – such as the Bio-Carbon Fund.

48 «Utbetalinger av tilskudd til fond forvaltet av Verdensbanken, Afrikabanken, Asiabanken, Den interamerikanske utviklingsbanken og Det internasjonale fond for jordbruksutvikling kan foretas i henhold til regelverket for det enkelte fond.», Budget MFA 2019.

49 «Utbetalingar av tilskot til fond forvalta av FNs Multi Partner Trust Fund og Inter-American Development Bank (IDB) kan skje i medhald av regelverket for det enkelte fondet.», Budget KLD, 2019.

An interpretation[50] of the *choice of rules exemption* would imply that the Norwegian extending agency can choose to rely on the rules and regulations, including monitoring, evaluation and control routines of the Bank, to fulfil its statutory obligation to assure effective and efficient use of grant, as stipulated under the general provisions issued by the Ministry of finance.

5.3 EVALUATION ROUTINES FOR TRUST FUNDS MANAGED BY THE BANK[51]

For the IBRD trust funds, the Bank recognises its accountability for results of Bank-executed activities that accounts for around one fifth of the disbursements from these funds. Accountability refers to the acknowledgment of responsibility for decisions, and the obligation to report, explain and be answerable for resulting consequences. Given that a major share of the Bank-executed expenditures covers production of knowledge products, the Banks accountability de-facto is limited to the outputs and outcomes of its supervision and analytical work.

50 In principle, exceptions are subject to restrictive interpretation. This exemption refers to the rules of the fund in trust with the organisation. However, which rules are included in this exception is not clear from the formulation in the budget document. This leaves the exception open to interpretation of the grant making agency. So far, the neither of the Ministries or Norad as grant making agencies have prepared a guidance to clarify the limits of this exception.

51 In case of funds administered by MPTF, all UN and non-UN organisations that participate in MPTFs or Joint Programs sign a standard Memorandum of Understanding with UNDP MPTF Office as the Administrative Agent. Each of these participating organisations operates under its own financial regulations, rules and policies and assumes full financial and programmatic accountability for the funds disbursed to it by the MPTF Office and for the implementation of the project and provides financial and narrative progress reports to the MPTF office on its activities. Non-UN organisations are permitted to participate, following a proper assessment of their institutional and financial accountability framework.

Eleven IBRD trust funds in the Norwegian portfolio were accessed through the DPC database to determine the quality of reporting. Individual fund pages on the DPC Connection provide details on three categories of reports – Implementation Reports, Financial Reports and Results. All the funds accessed provide financial reports for last three years. This is in accordance with the standard partnership agreements of the World Bank with the donor partners. Some funds also provide Implementation Reports for individual projects, where project managers may report results for their projects. None of the fund pages on DPC site provide evaluation reports for the fund. A google search for individual funds reveals that some funds have established their own website which provides results information.

According to the Bank, there are currently several forms and forum for reporting and information sharing practice, timing and tools varies across various programs and trust funds. DPC aims to address these gaps and brings an orderly structure to donor reporting. The progress has been good, and donors are appreciative of the Bank's efforts in streamlining and upgrading the reporting tools. The DPC was recently established and will be progressively strengthened to improve the amount of information it provides on individual trust funds, including results information.

For Recipient-executed activities under IBRD Funds, where the Bank transfers implementation of the project to a third party, such as the relevant Ministry of the recipient country, the Bank's responsibility is limited to its supervisory role. This may include the responsibility to assure that the grants are allocated to the intended target group, and that supported activities have an adequate results framework approved by the Bank. The Bank also supervises the proper application by the Recipient of Bank requirements on Financial Management, Procurement, Anti-Corruption, Environmental and Social Safeguards, and monitoring and reporting of results. RETF activities are monitored and reported throughout the life of the underlying project through periodic Implementation Status Reports. Responsibility for maintenance of policies and procedures to monitor and evaluate, in accordance with the results framework however lies with the recipient. The Bank is not accountable for the results of activities implemented by recipients. As noted above, it is responsible for following its policies and procedures.

Accountability for results of the activities financed through Financial Intermediary Funds under Bank trusteeship lies with the governing body of the FIF. Some FIFs have well established evaluation units that are independent of their management and report to their governing body. For example, the Global Environmental Facility (GEF) has an independent evaluation unit that evaluates development effectiveness of the GEF operations and helps GEF generate lessons from experience and accountability to its partners and stakeholders at large. Other larger FIFs such as GPE have a well drafted monitoring and evaluation strategy and staff to discharge the evaluation function. Most of the FIF implementing partners may also have their own well-established monitoring and evaluation routines.

The Bank's accountability depends on the services it provides to the FIF. The Bank is not responsible for allocations made by the FIF to its implementing entities, except for allocations where the Bank is an implementing partner. Data indicates that the Bank is an important implementing partner for FIFs, second only to UNDP. Together, the Bank and UNDP account for more than half of the transfers from FIFs to their implementing partners. While it is true that formally the Bank is not responsible for FIF allocations; de facto it is responsible for a share of activities – in its capacity as the implementing partner.

Table 6 (next page) provides an overview of participation and the Bank's role in the FIFs in Norway's portfolio.

TABLE 6 // OVERVIEW OF PARTICIPATION AND THE WORLD BANK'S ROLES IN FINANCIAL INTERMEDIARY FUNDS IN NORWAY'S PORTFOLIO

Trustee Name-TF Number	Agency	Thematic area	Participation		Bank's roles		
			Donors	Implementing entities	Governance	Implementation	Secretariat
TF069033-CGIAR Trust Fund	Norad	CGIAR	28	16	Chair		
TFM21826-Support to Agricultural Research through the Consultative Group on International Agricultural Research (CGIAR) Centers	MFA	CGIAR					
TF069020-Global Partnership for Education Fund	Norad	Education	27	13	Board member	Yes	Yes
TF069012-Strategic Climate Fund	MFA	ENV	13	6	NV	Yes	Yes
TF069012-Strategic Climate Fund	Norad	ENV					
TF069013-Adaptation Fund	MFA	ENV	23	35		Yes	Yes
TF069017-Guyana REDD+ Investment Fund	MFA	ENV	1	5		Yes	
TF069022-Green Climate Fund	MFA	ENV	44	29		Yes	
TF069022-Green Climate Fund	Norad	ENV					
TF029840-GEF – Trust Fund	MFA	ENV GEF	40	19		Yes	Yes
TF069002-Special Climate Change Fund	MFA	ENV GEF	15	12	NV/IA	Yes	Yes
TF069004-Least Developed Countries Fund	MFA	ENV GEF	40	19	O/IA	Yes	Yes
TF069019-Nagoya Protocol Implementation Fund	MFA	ENV GEF	5	2	O/IA	Yes	Yes
TF069034-Women Entrepreneurs Finance Initiative	MFA	Gender	13	4	O/IA	Yes	Yes
TF069001-The Global Fund to Fight AIDS, Tuberculosis and Malaria	MFA	Health	63		NV		
TF069035-Coalition for Epidemic Preparedness Innovations	Norad	Health	5	1			
TFIFFIM1-International Finance Facility For Immunisation	MFA	Health	9				
DRTF-Debt Relief Trust Fund	MFA	Debt Relief	30			Yes	Yes
DRTF-Debt Relief Trust Fund	MFA	Debt Relief					
TF069016-Haiti Reconstruction Fund	MFA	Nat Dis.	19	3		Yes	Yes
TF069029-Global Concessional Financing Facility	MFA	Mena	10	3	Coordination	Yes	Yes

All Bank-implemented projects are subject to terminal evaluation, that is validated by the World Bank Group's Independent Evaluation Group (IEG). In principle all trust funds including FIFs can also be reviewed and evaluated at the corporate level by the IEG. Evaluations undertaken by IEG are independent of the Management of the World Bank Group and come in addition to the mid-term or terminal evaluations commissioned by the Management. IEG evaluations are reported directly to the Executive Board. In 2011, IEG has assessed at the request of World Bank executive directors, the value of the trust fund vehicle as a way of delivering aid, and the effectiveness and efficiency of the deployment of trust fund resources. Earlier, in accordance with a mandate from the Bank's Executive Board in September 2004, the IEG had a program to undertake annual reviews of Global and Regional Partnership Programs GRPPs, mainly FIFs, in which the World Bank was a partner. The three main purposes of these reviews were to help improve the relevance and the effectiveness of the Partnership programs and identify and disseminate lessons of broader application to other programs. In practice, however, it is seldom that IEG has undertaken evaluations of individual IBRD funds[52] or its individual FIFs.

Any donor may also review or evaluate activities financed by the trust fund at any time up to closure of the fund. FIF based partnerships make use of standard agreement templates that the Bank has developed in consultation with the donors. The templates have provisions that protect the right of the donor partners to have oversight of the activities supported by the fund. The agreements stipulate that the donor and the Bank shall decide on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of the Bank's applicable policies and procedures. All associated costs, including any costs incurred by the Bank, shall be borne by the donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the trust fund. The MPTFO standard agreement templates have similar provisions on evaluation.

The Ministry of Foreign Affairs and the Ministry of Climate and Environment as grant extending agencies, in accordance with general provisions for management of public grants, have established an Evaluation Department (EVAL), located in Norad. EVAL is mandated by the two Ministries to initiate and carry out independent evaluations of any activity financed over the Norwegian aid budget[53] including earmarked funding to the multilateral organisations.

On request from the Ministry of Foreign Affairs, EVAL has undertaken a few evaluations of individual IBRD funds.[54] In some cases EVAL has also participated as a member of reference groups for evaluations conducted by individual funds. However, it is seldom that EVAL has an evaluation of an individual trust fund on its annual evaluation plans.[55] EVAL has covered the evaluation of Norwegian support to multilateral organisations primarily through its partnership agreements with the independent evaluation units of the multilaterals, such as the past agreement with the World Bank's Independent Evaluation Group, and the current agreements

52 One exception to this practice is evaluation of TF050576-Afghanistan Reconstruction Trust Fund.

53 The Evaluation Department is governed under a separate mandate for evaluating the Norwegian Development Aid Administration and reports directly to the Secretary Generals of the Norwegian Ministry of Foreign Affairs and the Ministry of Climate and Development.

54 The last of these evaluations, the Evaluation of the Health Results Innovation Trust Fund was completed in 2012.

55 The two exceptions were the Evaluation of Norwegian Development Cooperation with Afghanistan 2001–2011 completed in 2012 and the: Joint Evaluation of the Trust Fund for Enviromentally and Socially Sustainable Development (TFESSD) from 2008.

with the evaluation offices of UNDP and GEF. Under its past agreement with IEG, EVAL regularly supported the IEGs program for review of Global and Regional Partnership Programs GRPPs, mainly FIFs, in which the World Bank was a partner.

5.4 WORLD BANK GROUP SANCTIONS SYSTEM

The legal and policy basis for the World Bank's fiduciary framework for its operations and its sanctions system is IBRD Articles of Agreement, Article III, Section 5(b) that requires that the World Bank Group institutions make arrangements to ensure that financings provided by the Bank are used for their intended purposes and with due attention to economy and efficiency.

To achieve this objective, the Bank has developed practices and procedures to reduce corruption risk and has anticorruption provisions in its legal agreements with recipients of loans and grants from the Bank. In addition, the World Bank has established a sanctions regime consisting of rules and regulations to debar firms and individuals who engage in fraud and corruption in Bank-financed projects. The sanctions system is designed to ensure due process to parties accused of misconduct, before rendering any decision.

The question that arises is if financing through trust funds is subject to sanctions proceedings?

The legal basis to answer this question is Article III, Section 5(b) and Section 1.01(c) of the Sanctions Procedures that provides that the Procedures shall cover cases in connection with Bank-financed or Bank-executed projects and programs administered by the Bank.

It is clear that Bank-executed funds fall within the jurisdiction of the Sanctions Regime. In principle, Recipient-executed funds should also be subject to the Sanctions Regime as both types of funds involve Bank financing and are administered by the Bank. It is also clear that funds channelled through Financial Intermediary Funds would fall outside the jurisdiction of the Bank Sanctions Regime as these funds are administered by independent steering committees where the Bank may or may not be a voting member. On the other hand, keeping in view the legal basis of the Sanctions Regime, FIF projects *implemented* by the Bank should fall under the jurisdiction of the Bank Sanctions Regime.

5.5 FINDINGS

Rules and regulations applicable to payment of contributions to the trust funds are subject to statutory exemptions, as notified in the appendix to the annual budget for the respective Ministry. Exemptions allow the grant making agency to follow the rules and regulations of the fund. A review of budget documents reveals a variation in the content and scope of the exemptions, and weak guidance for interpretation of the exemptions.

There is variation in public access to information about the use and results of the funds held in trust with the World Bank and UNDP. The MPTFO Gateway is a user-friendly open source of information for analysing the performance of the UN inter-agency pooled funds and its executing partners. For funds held in trust with the World Bank, access to information is restricted.

Accountability for results of World Bank supervised Recipient-executed activities, that account for nearly four fifths of the expenditures under IBRD funds in Norway's portfolio, lies with the recipient. Responsibility for maintenance of policies and procedures to monitor and evaluate third party Recipient-executed activities lies with the recipient.

The World Bank and UNDP become accountable for results of FIFs activities in their role as implementing partners in FIFs. Together, they account for more than half of the implementation expenditures of FIFs.

All Bank-implemented projects are subject to terminal evaluation, that is validated by the World Bank Group's Independent Evaluation Group (IEG). Earlier, IEG also systematically undertook annual reviews of financial intermediary funds in trust with the Bank. It is seldom that evaluation of individual trust funds is on the annual evaluation plans of IEG.

Evaluation Department (EVAL) at Norad has provided partial support to reviews and evaluations of some funds that were on the annual evaluation plans IEG. On its own initiative and on request from the Ministry of Foreign Affairs, EVAL has also undertaken few evaluations of individual IBRD funds. However, it is seldom that evaluation of individual trust funds is on the annual evaluation plans of EVAL.

Jurisdiction of the Bank's anticorruption Sanctions Regime does not cover financing from sources other than the Bank and financing that is not administered by the Bank such as the FIF financing not implemented by the Bank.

6. Main Conclusions and Recommendations

6.1 CONCLUSIONS

Funds in Norway's trust fund portfolio represent an effective multilateral instrument to attain the dual objectives of increasing assistance to thematic and geographic areas of interest for Norway and enhancing the individual and collective capacity of the World Bank and the UN organisations in delivering on their mandate.

The World Bank and UNDP provide legal entity to trust fund mechanisms, for delivering development assistance to areas of interest for Norway. Trust funds give access to the Bank's specialist staff and safeguards for procuring and managing consultant services for supporting development of areas of interest for Norway.

The fund mechanisms have primarily catalysed development assistance funding of Norway's likeminded donors. Catalysation of private funding, particularly from the for-profit private sector, is yet to be realised. This does not rule out the possibility of stimulation of private sector as a consequence of activities under-taken by the fund.

Norway is a flexible and predictable source of funding. Its current portfolio is concentrated around few thematic areas and regions. The current portfolio is a result of regular addition of new initiatives to accommodate shifting domestic priorities and a lack of strategic exit policies.

The focus of Norwegian administrative inputs is on assuring quality at entry at the fund level. Attention on financial and risk management issues at the fund and portfolio level is rare.

There are multiple agreements to support a single initiative. Duplication occurs both due to the funds receiving contributions from more than one Norwegian grant agency, and the recent practice at the World Bank to establish parallel funds to implement the new cost-recovery structure, that involved an increase in overheads rates charged by the World Bank.

Implementation through trust funds is time consuming. The current arrangements for recovery of overheads is likely to reduce the share of funding for program implementation for the final recipient low-income countries.

Front-loading of contributions has in some cases led to significant accumulation of funds with the trustee.

Legal guidance for practice of statutory exceptions afforded for transfers of contributions to specific trust funds needs to be strengthened to mitigate build-up of unused funds at the trustee or the implementing agency level.

There is a gap in public access to information and accountability for results for World Bank managed Recipient-executed activities financed through IBRD or FIF funds.

It is seldom that trust funds implemented by the World Bank are evaluated by the Independent Evaluation Unit of the Bank.

Jurisdiction of the Bank's anticorruption sanctions regime covers Bank financing, or financing directly administered by the Bank.

6.2 RECOMMENDATIONS

The Ministries need to develop a strategic portfolio re-balancing policy.[56] Included herein is the development of key portfolio performance indicators and a strengthening of administrative capacity for management of Norway's trust fund partnerships portfolio.

Given the objective of leveraging private sector funding, develop incentive mechanisms for the fund administrator to catalyse for-profit private sector contributions to the fund.

Revisit the practice of making multiple agreements for contributions to the same fund. Multiple agreements where relevant should be justified by the concerned grant making agency.

In consultation with likeminded donors, trustees and aid recipients, initiate discussions for developing an overhead cost-recovery model that collects all overheads at a single point in the aid-delivery path. The current practice of charging overheads at multiple points in the delivery path reduces transparency, efficiency and the share of assistance going to the final beneficiaries.

Payment of contributions should relate to implementation mile-stones agreed with the trustees and the governance body. Deviations of payment plans from the milestones should be justified by the grant allocating authority.

The Ministries should prepare guidance for interpretation of statutory exceptions applicable to payment of contributions to funds. Grant making units in the Norwegian administration must have regard to such guidance and justify deviations when necessary.

The Ministries should in consultation with trustees and like-minded donors initiate effort for development of a common standard for reporting, evaluating and public dissemination of information about the use and results in trust with the World Bank and the MPTF office.

56 The term portfolio is used to describe a collection of trust funds in which the donor participates. Portfolio management refers to management of the fund portfolio consisting of several funds. Objective of a portfolio is to contribute to higher level goals (for example a set of Sustainable Development Goals). The funds in the portfolio at any given point in time are in in different stages, in the sense that some are under establishment, others are in operation, and some it may make sense to exit. Not all funds may always contribute to the higher-level goals. Portfolio rebalancing implies periodic assessment of new initiatives and/or existing funds in the portfolio that are weakly related to the overall goals and making necessary changes to bring the portfolio in line with the high-level objectives.

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Abbreviations and Acronyms

CAFI	The Central African Forest Initiative
DCP	The Development Partner Centre (of the World Bank)
EVAL	The Evaluation Department in Norad
FIF	Financial Intermediary Fund
GCF	The Green Climate Fund
GEF	The Global Environment Facility
IBRD	The International Bank for Reconstruction and Development (The World Bank)
IDA	The International Development Association (The World Bank)
IEG	The World Bank Group's Independent Evaluation Group
IFAD	International Fund for Agricultural Development
KLD	Ministry of Climate and Environment
MFA	The Minstry of Foreign Affairs
MPTF	Multi-Partner Trust Fund
MPTFO	Multi-Partner Trust Fund Office
NICFI	Norway's International Climate and Forest Initiative
Norad	The Norwegian Agency for Development Cooperation
ODA	Official Development Assistance
OECD DAC	The Organisation for Economic Co-operation and Development – Development Assistance Committee
TF	Trust Fund
UN	The United Nations
UNDP	United Nations Development Programme
UNEP	The United Nations Environment Programme

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