Bank Directive

Cost Recovery Framework for Trust Funds

Bank Access to Information Policy Designation
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July 8, 2015

Content
Framework for cost recovery for Trust Funds

Applicable to
IBRD and IDA

Issuer
Vice President, Development Finance

Sponsors
Director, Development Finance, Trust Funds and Partnerships; and Director, BPS Corporate Client Middle Office
SECTION I – PURPOSE AND APPLICATION

1. This Directive sets out the cost recovery framework for trust funds which: (a) aims to move towards full cost recovery from trust funds; and (b) is guided by principles of transparency, fairness, simplification, standardization and consistent treatment across all development partners.

2. This Directive applies to the Bank.

SECTION II – DEFINITIONS

The capitalized terms or acronyms used in this Directive have the meanings set forth below:

1. **Bank**: IBRD or IDA, or both.

2. **Bank-Executed Trust Fund** and **BETF**: a trust fund that supports the Bank’s work program.

3. **BPS**: the Budget, Performance Review & Strategic Planning Vice-Presidency of the Bank.

4. **DFi**: the Development Finance Vice-Presidency of the Bank.

5. **IBRD**: International Bank for Reconstruction and Development.


7. **IG&A**: Institutional, Governance and Administrative Units.

8. **Recipient-Executed Trust Fund** and **RETF**: a trust fund where the Bank passes funds on to a third party and for which the Bank plays an operational role.

9. **TF Indirect Rate**: the rate levied on cost of personnel charged to BETFs in order to recover the Bank’s indirect costs associated with TF financed activities.

10. **TFP**: Trust Fund Proposal.

11. **Trust Fund** and **TF**: as defined in paragraph 1 of OP 14.40, i.e., a financing arrangement set up with contributions from one or more donors and, in some cases from the World Bank Group.
SECTION III – SCOPE

Cost Recovery Framework for Trust Funds

The cost recovery framework for trust funds applies to stand-alone Bank-Executed Trust Funds and hybrid trust funds, i.e. trust funds that include both Bank-Executed and Recipient-Executed Trust Fund components in a single financing arrangement, in the following manner:

(i) A TF Indirect Rate equal to 17% of the cost of personnel (staff salaries, consultant fees, and benefits, except for extended assignment benefits) will be charged to the BETF.

(ii) A fee will be charged to the trust fund on the RETF portion of new hybrid trust funds, based on the cumulative amount of the RETF committed amounts, as follows: a 5% fee on the first $50 million (or equivalent) committed, plus 4% fee on the next $450 million (equivalent) committed, plus 3% fee on next $500 million (or equivalent) committed, plus 2% on any further amounts committed.

(iii) For BETFs, charges will be assessed upon disbursements for personnel costs. For RETFs, charges will be assessed when funds are committed in the Bank systems, as evidenced by the signing of grant agreements with recipients.

BPS will regularly monitor the amount of indirect costs incurred, to ensure that the total amount of revenues generated through TF-related fees and indirect rates do not exceed the total amount of indirect costs attributed to trust funds. The TF Indirect Rate referred to in Section III (i) above may be reset by BPS after June 30, 2018, even for then existing trust funds, as and when necessary.

SECTION IV – EXCEPTION

No fee is applied on transfers to other entities within the World Bank Group or on transfers of funds for the purpose of debt reduction of IBRD/IDA loans, credits interest payments, or fees.

SECTION V – WAIVER

The Issuer may, with the concurrence of the Vice President, BPS, grant a waiver of any of the provisions of this Directive.
Section VI – Temporary Provisions

For existing trust funds as of the beginning of FY16 (including all Trust Funds being established for which the TFP was submitted to DFi before the beginning of FY16), new administration agreements and supplemental contribution amendments may, until December 31, 2015, be signed without changing the fee structure that was originally approved for such trust funds.

In addition, as of the beginning of FY16, the indirect rate of 17% will apply to existing trust funds with respect to categories of expenditure for personnel that do not exclude indirects in the respective administration agreement(s). In the case of administration agreement(s) that are silent on the application of an indirect rate on short term consultants and temporaries, the indirect rate of 17% will apply, provided that the relevant donors have agreed to the application of an indirect rate to such staff categories.

For an existing trust fund to accept new contributions (other than installments already included in signed legal agreements) after December 31, 2015, a new successor trust fund account must be established with the cost recovery framework as set forth in Section III above.

Section VII – Effective Date

This Directive is effective July 8, 2015.

The new cost recovery framework as set forth in Section III above applies to all new trust funds, i.e., funds for which a TFP is submitted to DFi on or after the beginning of FY16 and to the successor trust funds referred to in Section VI above.

Section VIII – Issuer

The Issuer of this Directive is the Vice President, Development Finance.

Section IX – Sponsors

The Sponsors of this Directive are the Director, Development Finance, Trust Funds and Partnerships; and the Director, BPS Corporate Client Middle Office.

Section X – Related Documents

1. Operational Policy 14.40 – Trust Funds
2. Bank Procedure 14.40 – Trust Funds
3. “Improving Margins For Manoeuvre” R2014-0012
4. “IBRD/IDA Shares of Administrative Expenses and Attribution of Cost to External Funds” SecM2015-0064

5. “FY16 World Bank Budget” R2015-0106

Questions regarding this Directive should be addressed to the Sponsors.