# Bank Directive

## Financial Intermediary Funds

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**Content**
Directions for Bank engagement in Financial Intermediary Funds

**Applicable to**
IBRD,IDA

**Issuer**
Vice President, DFIVP

**Sponsor**
Director, DFTPR

## SECTION I – PURPOSE AND APPLICATION

1. This Directive sets out rules applying to the Bank in its engagement with Financial Intermediary Funds (FIFs) throughout their lifecycle.

2. This Directive applies to the Bank.

## SECTION II – DEFINITIONS

1. As used in this Directive, the capitalized terms or acronyms have the meanings set out: (a) in Section II of the Bank Policy, "Trust Funds", (b) Section II of the Bank Directive, "Trust Funds", or (c) below:

   **Board**: The Executive Directors of IBRD or IDA, or both, as applicable.

   **BPS**: The Budget, Performance Review and Strategic Planning Vice-Presidency of the Bank

   **DFI**: The Development Finance Vice-Presidency of the Bank.

   **DFTPR**: DFI's Trust Funds and Partner Relations Department.

   **End date**: The date on which the FIF terminates, either by the agreement of the governing body or on the basis of a sunset clause provision in the FIF's governance documents.

   **FIF Management Framework**: The Board Report entitled Financial Intermediary Fund Management Framework.

   **Finance and Risk Committee** or **FRC**: A multi-disciplinary internal committee of the Bank, which discusses and decides on significant finance and risk-related issues. It is chaired by the Managing Director and World Bank Group Chief Financial Officer.

   **Financial Procedures Agreement(s) or FPA(s)**: A legal agreement entered into between the Trustee and each Implementing Entity to facilitate the commitment and transfer of funds by the Trustee on behalf of a FIF governing body to the Implementing Entity. FPAs contain standard terms and are limited in scope to matters relevant to the commitment and transfer of funds.

   **Host Unit**: The unit in the Bank's organizational structure in which a Bank-hosted FIF Secretariat sits.

   **Implementing Entity(ies)** or **IE(s)**: An entity approved by the relevant decision-making body for the FIF, which assumes fiduciary and supervisory responsibilities over activities financed by the FIF. IE(s) may sometimes be referred to as Supervising Entity(ies) or SE(s).

   **MDB**: Multilateral Development Bank

   **New Business Committee** or **NBC**: A standing committee of the FRC, which reviews the financial costs, risks and rewards associated with new business initiatives and provides recommendations to the FRC.

**OVP**: Meeting of Vice Presidents on Operational Matters.

**Secretariat:** A team that performs the administrative functions for the FIF. This team comprises of either (1) a separate legal entity, or (2) a team of Bank professional and administrative staff responsible for performing the administrative functions for the FIF. In the latter case, the team, led by a Bank staff assigned as the program manager and endorsed by the FIF governing body, operates under Bank management and applicable policies and procedures.

**Sponsoring Unit:** The unit in the Bank's organizational structure responsible for managing the overall engagement in the FIF. In the case of the Bank hosting the FIF Secretariat, this is the same as the Host Unit.

**Supervising Entity or SE:** A synonym for Implementing Entity.

**Trustee**: The roles and responsibilities accepted by the Bank with respect to FIFs to provide an agreed set of financial intermediary services, which include receiving, holding and transferring funds to Implementing Entities. It may also include treasury management. In FIFs, the Bank is trustee in a limited capacity, in that its fiduciary responsibility for funds ends when it transfers them onward to Implementing Entities, the Secretariat, or any other transferees.

**VPU**: A Vice Presidency Unit of the Bank.

**World Bank Group**: IBRD, IDA, International Finance Corporation and Multilateral Investment Guarantee Agency.

## SECTION III – SCOPE

1. **Engagement in a New Financial Intermediary Fund (FIF)**

   a. The Bank considers whether to accept proposed roles or responsibilities in a FIF based on the criteria outlined in the Bank Policy, "Trust Funds", and the FIF Management Framework, and additionally:

      i. The Bank ensures that the nature and scope of the Bank's engagement in the FIF draws on Bank expertise that is not readily available elsewhere, enabling the Bank to add value. The Bank does not compete for roles in a FIF.

      ii. A FIF has the following characteristics: i) evidence of need for regional or global collective action to benefit the Bank's client countries; ii) determination that objectives cannot be reasonably addressed by alternative arrangements; iii) is consistent with the mandate, strategic priorities and comparative advantages of the Bank, and does not exceed the Bank's risk appetites and tolerances; iv) demonstrates assurance of large-scale funding with: a) donor commitments of at least US$200 million in grants at entry, and b) at least three participating donors at initiation; and v) determination that, for global or regional partnership programs, large-scale and coordinated implementation is needed across a significant number of implementing entities.

   b. The Bank considers alternative modalities, including a FIF structure, that may be appropriate to achieve the main objectives of the initiative. Alternatives include nonfinancial mechanisms (for example, coordination working groups) and financial mechanisms, for example, MDBs' core instruments or multi-donor trust funds, including exceptional multi-donor trust funds with Transfers Out. Consideration may also include integration of the initiative into an existing FIF.

c. The Bank proceeds with the approval process of a new FIF if it is determined that: i) there are no reasonable alternatives to a FIF, and that a new FIF is the most appropriate instrument, and ii) the criteria referenced in Section III.1.a. are met.

d. The approval process of a new FIF comprises the following stages: i) initiation review; ii) concept note review; iii) information note for the Board; iv) FRC review; iv) OVP program document review; and v) Board approval or information (if delegated), as laid out in the Bank Procedure, "Financial Intermediary Funds":

   i. The initiation review seeks senior management approval to proceed with developing a new FIF, considering the selectivity criteria and early guidance for its further development. Management also decides on the task team to prepare the FIF and how it will be funded. After this, Bank staff may have discussions with potential donors or other external parties but do not commit the Bank to a particular design.

   ii. The concept note review elaborates the initiative in greater detail and provides the basis for further guidance on a FIF's design, and approval to proceed with next steps in preparation of the FIF. It also includes a risk assessment. It is submitted for review in the early part of the design process for feedback while there is significant scope for change.

   iii. After the concept note review, an information note is provided to the Board to ensure the Board is informed of all new FIFs under development. The information note to the Board includes information on the proposed new initiative and other major funds in the same sector/theme, identifying the value addition. The information note is a brief, high level note that is intended to raise awareness of a FIF under preparation. It precedes the FRC review and does not get into details of the FIF.

   iv. A program document is prepared which builds on the prior feedback and describes the FIF design, proposed activities, IEs, roles and responsibilities of the Bank vis-à-vis other partners, the proposed funding mechanism, and its initial duration.

   v. The FRC reviews the proposed FIF before a program document is submitted to the OVP for approval.

   vi. The usual financing modality for FIFs is in the form of grants. The Bank decides on a case-by-case basis whether to support non-grant mechanisms, either as a source of contributions to the FIF or in the deployment of FIF resources, taking into account the risks, costs, benefits, and alternatives.

   vii. Donors, sovereign, and non-sovereign without conflicts of interest, who are ready to make firm financial commitments to provide the FIF's initial funding at approval totaling at least US$200 million in grant contributions are consulted on the elements of the program document, with the understanding that the program document is subject to approval.

viii. Approval of the program document follows a risk-based approach. FIF program documents are submitted to the Board for approval unless the overall risk is assessed to be low, in which case management may approve, subject to informing the Board in a timely manner of its approval. All FIFs that involve the commitment of Bank financial resources, impact the IBRD or IDA balance sheets, or involve a deviation from Bank Policy, will be sent to the Board for approval. Further, the Board approves a new FIF if: a) required under the Bank Policy, “Trust Funds”, regardless of risk rating, or b) if its overall risks are assessed to be moderate or higher. Per TF Policy, the Board approves TFs, of which FIFs are one type, that will include a transfer or transfers from the Bank’s net income or surplus, provide assistance to a non-member or to a member not in good standing with the Bank, or presents a novel or significant policy issue which, in management’s judgment, warrants consideration by the Executive Directors.

**2. Bank Units: Roles and Responsibilities in FIFs**

a. The Development Finance Vice Presidency's (DFI) Trust Funds and Partner Relations team (DFTPR) represents the Bank as Trustee for FIFs. Specifically, DFTPR FIF Task Team Leads (TTLs) represent the Trustee in FIF governing bodies, recognizing the trustee function is a collaboration across multiple Bank units, including LEG, WFA, and TRE. In DFI’s broader corporate role with FIFs, DFI staff are also responsible for policies and business processes for the Bank in its roles in FIFs, offer advice and guidance to Bank teams and external parties about FIFs, including during their design phase, and coordinate the response of central units around FIF issues, and prepare and share information on the FIF portfolio as a whole.

b. Other central units integral to the Trustee function are as follows:

i. The Legal Vice Presidency provides legal support to the establishment and throughout the lifecycle of a FIF including applicable legal support to the Bank in its distinct roles within a FIF.

ii. The Finance and Accounting Vice Presidency's Corporate Services and Accounting Support Trust Funds and Loans Division, manages financial and accounting policies and procedures, maintains appropriate records, accounts, and systems to support modified cash basis financial reporting, and is responsible for TF financial reporting.

iii. The Treasury Vice Presidency is responsible for managing FIF liquid assets under the provisions of IBRD's and IDA's General Investment Authorizations, monitoring risk metrics and strategic asset allocation rebalancing as and when necessary.

c. Other central units with more discrete FIF roles and responsibilities are as follows:

i. The Operations Policy and Country Services Vice Presidency develops operational policies and procedures which apply to the Bank in its roles in a FIF.

ii. The Budget, Performance Review and Strategic Planning Vice Presidency ensures that the Bank recovers its costs associated with FIF-related activities in accordance with this Directive. To this end, it develops cost recovery frameworks, and monitors cost recovery, for the Bank as Secretariat and Implementing Entity, and does the same in collaboration with DFI for the Bank’s role of FIF Trustee.

iii. Human Resources is responsible for HR policy, procedures and practices for Bank staff which includes FIF Secretariats hosted by the Bank.

iv. The Sponsoring Unit leads internal preparation of a new FIF up to approval. Upon approval, the Sponsoring Unit typically becomes the Host Unit if the Bank hosts the FIF Secretariat. The Sponsoring / Host Unit is usually the main interface of the Bank with the FIF governing body, providing guidance and support, in the Banks role of IE and/or host to a FIF Secretariat as applicable. It maintains strategic and operational alignment of the FIF with the Bank and its clients. The Sponsoring / Host Unit and DFI in its broader corporate role are jointly responsible for FIF lifecycle management.

**3. FIF Roles and Responsibilities**

a. A FIF maintains a distinct division of roles and responsibilities between the FIF governing body, the Trustee, the IEs, and the Secretariat.

**4. FIF Governing Body**

a. The FIF governing body is responsible for determining a FIF's strategic direction, and for the selection and approval of IEs, including their assessment against minimum standards if applicable.

b. The FIF governing body is responsible for funding decisions and instructs the Trustee to make fund transfers from FIF funds held in trust to IEs, the Secretariat, and the Trustee.

c. For FIFs which have a separate legal personality and enter directly into agreements with IEs (generally but not always when the FIF has an external Secretariat), the FIF governing body determines its IEs according to certain criteria and an accreditation process developed and implemented under its authority and responsibility. Recommended criteria for accreditation frameworks is provided in the Bank Guidance, "Selecting and Accrediting Implementing Entities Under Financial Intermediary Funds".

**5. Trustee**

a. The Bank always acts as Trustee for a FIF. The FIF Trustee has responsibilities generally limited to the following, and to any other responsibilities as agreed by the Trustee:

i. fiduciary management, including entering into contribution agreements with donors, and the related reporting of funds it holds on behalf of the FIF governing body, and ensuring compliance with established procedures and internal controls;

ii. providing no-objection to proposed governing body accreditation of FIF IEs where the Bank is the FIF's legal personality. Such no-objection does not imply an endorsement by the Trustee of any IE;

iii. execution of Financial Procedures Agreements (FPAs) between the Trustee and the IEs. FPAs clearly assert the distinct responsibilities of the IE, which bears full responsibility for supervision or implementation of the use of such funds for the purposes for which they have been granted and in accordance with the IE's policies and procedures, and the Trustee, which assumes no further responsibility for funds once transferred;

iv. commitment and transfer of funds based on FIF governing body decisions. The Bank as Trustee does not transfer FIF funds to an IE or any other transferee if such transfer is prohibited by a decision of the United Nations Security Council under Chapter VII of the Charter of the United Nations. See Agreement between the United Nations and the International Bank for Reconstruction and Development, Article VI(1);

v. require and accept periodic financial reports from IEs and facilitate funds that are returned by IEs, as applicable, pursuant to the FPAs; and

vi. agreed additional treasury management functions.

b. All costs associated with the activities and functions of the FIF Trustee are funded by the FIF on a full cost recovery basis.

**6. Implementing Entities (IEs)**

a. For FIFs which do not have separate legal personality, and the Bank as Trustee enters into FPAs with the IEs on behalf of the FIF governing body, eligible IEs are MDBs, the International Monetary Fund and United Nations organizations. This is generally but not only when the Bank hosts the FIF Secretariat.

b. The Bank, as Trustee, includes consideration of FIF IEs in its risk assessment during the establishment process. After establishment, a FIF governing body may accredit new IEs by developing an accreditation framework and process, and assessing IEs against it.

c. IEs that receive FIF funding are responsible to the FIF governing body for the use of funds transferred to them and for compliance with their own policies and procedures. Oversight of the IE portfolio of projects funded by the FIF is the responsibility of the respective IEs.

d. IEs have an obligation to provide periodic financial status reports to the Bank as Trustee and are responsible for returning any reflow of funds in accordance with FPAs signed with the Trustee.

e. For its role as an IE, the Bank seeks cost recovery commensurate with WB TFs.

**7. FIF Secretariat**

a. The Secretariat supports the work of the FIF governing body as a liaison between the governing body, the Trustee, the IEs and any other relevant parties.

b. FIF Secretariats may be either hosted by the Bank, or external to the Bank. In the case of external FIF Secretariats, the Bank has no role in, and no management oversight over, the Secretariat, and the Secretariat has its own policies and procedures.

c. The Bank's legal requirements for use of its name and logo apply to the Bank being included in websites managed by outside entities or on reports and other materials related to the FIF.

## 8. The World Bank as Host to FIF Secretariats

a. The Bank considers taking on the role of FIF Secretariat where there is: i) close strategic alignment with the Bank's mandates and priorities, and ii) comparative advantage for the Bank to provide the FIF Secretariat.

b. Bank-hosted FIF Secretariat staff are employees of the Bank and are therefore subject to the Bank's administrative and oversight structures and policies and procedures, including staff rules of the Bank, budget policies and procedures, and the Bank's policies on Access to Information and Personal Data Privacy.

c. The Bank's privileges and immunities as established in IBRD's Articles of Agreement apply to a FIF Secretariat hosted by the Bank. Under IBRD's Articles of Agreement, officers and staff of IBRD, in the discharge of their offices, owe their duty entirely to IBRD and to no other authority. FIF Secretariat staff are responsible for serving the best interests of the relevant FIF and FIF governing body within IBRD's organizational framework.

d. In the event of a question concerning a FIF Secretariat staff member's duty of loyalty, the situation is raised to the Bank's line management to clarify the Bank's role in the particular issue and facilitate resolution, with policy advice from DFI as necessary. The Bank's Ethics and Business Conduct Department (EBC) provides advice to staff on personal conflicts of interest in the WBG, including on conflicting duties of loyalty, and on operational conflicts of interest in the Bank. In addition, EBC addresses situations involving harassment and sexual harassment, and investigates allegations of misconduct.

e. A FIF Secretariat hosted by the Bank does not have decision-making authority on funding allocations to mitigate potential conflict of interest where the Bank is one among multiple IEs.

f. The Secretariat cannot serve as an IE; that is, it may not appraise, supervise or implement operational projects on behalf of the governing body.

g. The head of a FIF Secretariat is accountable to the relevant governing body for monitoring progress against a FIF's strategy and objectives, and to the Bank for maintaining regular coordination so the Bank can support the FIF's success and sustained alignment and risk management relevant to its secretariat functions in a FIF (see Bank Guidance, "Bank Hosting of Financial Intermediary Fund Secretariats").

h. The FIF Secretariat, led by a program manager, ensures the efficient and effective expenditure of FIF Secretariat resources with appropriate safeguards, accountability, and reporting thereon.

i. The program manager of the FIF Secretariat guides its communications. Staff supporting such communications maintain close, on-going contact with the Bank's External and Corporate Relations (ECR) team regarding communications and outreach plans to ensure alignment and coordination. See Bank Guidance, "Communications for Financial Intermediary Funds".

j. The Trustee's role, and its limitations, is presented clearly.

k. Staff affiliation with the Bank is presented transparently, on business cards, and in materials and websites.

l. The Bank provides its full suite of administrative support services to FIF Secretariats that it hosts, as detailed in the Bank Guidance, “Bank Hosting of Financial Intermediary Fund Secretariats”.

m. FIF Secretariat staff must comply with all relevant WBG IT directives, standards and procedures. This includes WBG Procedure AMS 12.04 (WBG Application Development and Maintenance Policy – section 19) for the certification and accreditation of new systems and changes to existing systems which interface with the WBG's network or systems, including WBG data.

n. The Bank holds in trust ownership of the materials and intellectual property of all data and information produced by each FIF Secretariat and related to its grants. WBG ITS provides IT support services to each FIF secretariat for new and ongoing IT initiatives and products, as stated in the WBG Directive, "WBG Information and Technology Services Management". In the event of the disengagement of the Bank in its role as the FIF Secretariat, the Bank transfers such ownership, materials, data, and information according to the terms of such disengagement and the relevant Bank policies and procedures including copyright, asset management, among others.

o. All costs associated with the activities and functions of the FIF Secretariat are funded by the FIF on a full cost recovery basis.

## 9. FIF Lifecycle Management

a. Effective lifecycle management for the Bank in its roles in a FIF requires regular dialogue, early information sharing, and collaboration between the FIF Secretariat, the Bank Host / Sponsoring Unit, and DFI, in its Trustee as well as its policy and advisory capacities, in addressing new issues which arise, consistent with valued partnerships.

b. The Host / Sponsoring Unit and DFI, in its Trustee and policy and advisory capacities, monitor active FIFs for significant changes which may increase risks to the Bank as Trustee, host to the FIF Secretariat, and/or IE relative to the baseline risk assessment at establishment or restructuring. DFI and the Host / Sponsoring Unit pay particular attention and are proactive during discussions around FIF replenishments or external reviews or evaluations, when changes are often proposed.

c. When a potentially significant change is under consideration, DFTPR, the Host / Sponsoring Unit, and, in the case of Bank-hosting, the FIF Secretariat, meet to understand the proposed changes and potential implications, and agree on next steps. In considering changes, these parties all seek solutions that advance the objectives of the development community, while respecting the Bank’s need to manage its risks and follow due process. This may include meeting to determine whether an internal review or a restructuring process, or both, as applicable is warranted. The following are examples of significant proposals that would trigger such a meeting:

    i. A shift in a FIF’s objectives and strategic direction;

ii. Changes in governance, End-dates, Secretariat hosting, staffing or budget matters that could significantly impact one or more of the Bank's roles in a FIF;

iii. New financial instruments, a change in financial arrangements, or innovations with potential implications for the World Bank Group; or

iv. Other changes that would significantly deviate from the FIF program document or previous restructuring approved by the Board.

d. An internal review may be requested by any Bank unit if there are concerns that changes to a FIF may increase risks or have a significant negative impact on any relevant party. An internal review is also prepared when a proposed FIF restructuring would lead to substantial or high overall risk to the Bank. An internal review assesses relevant factors and seeks solutions to issues that are of concern for the Bank in one or more roles in a FIF and informs decision-making on the Bank's response.

**10. FIF Restructuring**

a. A FIF is restructured when there are significant changes to the approved program document including the FIF's mandate, objectives, scope, Secretariat arrangements, legal structure, or financing modalities. Refer to the Bank Procedure, "Financial Intermediary Funds".

**11. Simple Extension of a FIF's end date and/or sunset clause**

a. For a Bank-hosted FIF or a FIF for which the Bank provides its legal personality, extension of a FIF's end date is approved by Bank management or the Board following a risk-based approach, as for a FIF at establishment. For a FIF with a separate legal personality, the Board is informed of any changes to an End date or a sunset clause.

**12. Exit from FIFs**

a. At any point, including before any agreed End dates, a FIF governing body may determine that the Bank's services are no longer needed.

b. The Bank may unilaterally terminate any of its roles in a FIF, including as Trustee, Secretariat host, and/or IE.

c. Bank termination of any of its roles in a FIF is managed with care to avoid undue disruption to the partnership. FIF governing bodies are informed with adequate time to consider alternatives and make subsequent transition arrangements where necessary.

**13. FIF Portfolio Reporting**

a. The Bank reports at least annually on the aggregate FIF portfolio to support the Board's oversight role.

## SECTION IV – WAIVERS

A waiver of a provision of this Directive may be granted:

a. By the Board, if the waiver seeks a deviation from a provision of this Directive which is derived from the Bank Policy: Trust Funds; or

b. By the Vice President, DFI, with the concurrence of the BPS Vice President, when a waiver proposal concerns cost recovery for the role of Trustee (para. 5 b). By the Vice President, BPS, when a waiver proposal concerns cost recovery for the role of Secretariat (para. 8 m) or Implementing Entity (para. 6 d); or

c. By the Vice President, DFI, in the case of waivers of other provisions of this Directive within DFI's functional authority.

## SECTION V – EXCEPTIONS

Exceptions exist in the following cases:

a. Lower starting funding thresholds may be considered for new funds within an existing FIF family of funds (with common governance and secretariat functions) with an aggregate funding level of at least US$200 million.

b. Active FIFs hosted by the Bank that already have accredited other types of IEs are grandfathered, that is, GEF and GPE.

c. Section III.8 of this Directive is not applicable to GEF and GPE to the extent detailed in the GEF Instrument and GPE Hosting Memorandum of Understanding.

d. With regard to a FIF Secretariat hosted by the Bank not having decision making authority on funding allocations, there are instances where a FIF governing body has delegated certain small value funding decisions to the Secretariat.

e. Those FIFs that are open-ended may remain so.

## SECTION VI –EFFECTIVE DATE

This Directive is effective as of the date on its cover page.

## SECTION VII – ISSUER

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

## SECTION VIII – SPONSOR

The Sponsor of this Directive is the Director, Development Finance Trust Funds and Partner Relations.

## SECTION IX – RELATED DOCUMENTS

1. Bank Policy, "Trust Funds".

2. Financial Intermediary Fund Management Framework.

3. Bank Directive, “Trust Funds”.

4. Bank Directive, “Cost Recovery Framework for Trust Funds”.

5. Bank Procedure, “Financial Intermediary Funds”.

6. Bank Guidance, “Risk Assessments for Financial Intermediary Funds”.

7. Bank Guidance, “Selecting and Accrediting Implementing Entities under Financial Intermediary Funds”.

8. Bank Guidance, “Bank Hosting of Financial Intermediary Fund Secretariats”.

9. Bank Guidance, “Communications for Financial Intermediary Funds”.

10. Bank Guidance, “Terms of Reference for Bank Staff representing the Bank as Trustee in Financial Intermediary Fund (FIF) Governing Bodies”.

11. Bank Group Directive, "WBG Information and Technology Services Management".

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| Questions regarding this Directive should be addressed to the Sponsor. |