

AUSAID WORLD BANK PHILIPPINES DEVELOPMENT TRUST FUND

OPERATIONAL GUIDELINES

1. Introduction

In June 2009, the World Bank Manila Office and AusAID (represented by the Australian Ambassador to the Philippines) signed an Administration Agreement authorizing the establishment of the Australia World Bank Philippines Development Trust Fund (*hereinafter referred to as the Trust Fund*). The Trust Fund will operate for five years from June 2009 to June 2013 with a total inclusive budget of \$A50 million. Tranche payments into the Trust Fund will be made on the basis of annual Australian Government appropriations to the Philippines aid program.

The Trust Fund has been designed as both an efficient modality through which the two agencies can co-finance development assistance in a full range of sectors, and a mechanism to facilitate a multi-layered partnership from country program/head of agency level to activity/task manager level. The partnership is expected to strengthen the policy dialogue platform from which AusAID and the World Bank can jointly engage with the Philippines Government and to enhance the quality of the assistance programs jointly supported by the two organizations.

2. Goal and Objectives

The Trust Fund's goal is to improve governance, and support investments that contribute to a stronger foundation, for sustained and inclusive growth in the Philippines.

Its objectives are to:

- (a) serve as an important tool for leveraging the assistance programs of the two institutions in support of the Philippines' development agenda; and
- (b) to promote greater harmonization among the government and its development partners.

Achievement of the abovementioned objectives are expected to:

- (a) improve governance arrangements in agencies executing Bank and AusAID supported operations;
- (b) strengthen collaboration and promotion of more strategic use of resources provided by the two funding institutions; and
- (c) promote harmonization in the policies and procedures of AusAID, the Bank and the Philippines Government.

3. Thematic Framework

Priorities articulated in the *Australia Philippines Development Assistance Strategy (DAS)* and the *World Bank Country Assistance Strategy (CAS)* form the thematic framework for the Trust Fund, both of which are anchored on the Government's 2004-2010 Medium Term Philippine Development Plan.

The three pillars of 2007-2011 DAS are economic growth, basic education and national stability and human security. The relevance of these pillars will be reviewed in 2009 in the lead-up to the development of the 2011-2015 DAS.

The 2010-2012 CAS has an overarching theme of inclusive growth. Its four strategic objectives are: stable macro economy, improved investment climate, better public service delivery and reduced vulnerabilities.

4. Governance Arrangements

The Trust Fund underpins a close working relationship between AusAID and the World Bank. The role of the Steering Committee, and the approval and monitoring processes, outlined below are designed to maximize the Trust Fund's primary principle of partnership. World Bank and AusAID counterparts will explore ways to pursue all activities supported by the Trust Fund in this spirit of partnership and, whenever appropriate, by working together as integral members of the task teams for the activities supported by the Trust Fund.

The *Trust Fund Steering Committee (SC)* is composed of the heads of the two agencies, (the AusAID Minister Counsellor and World Bank Country Director), the AusAID Counsellor for Economic Growth and the World Bank Portfolio and Operations Manager.

The functions of the SC are as follows:

- to establish/confirm annual priorities for use of the Trust Fund against the annual financial allocation advised by the AusAID Minister Counsellor;
- to review summaries of Trust Fund proposals at the identification and full application stages and approve, delay, amend or reject proposals;
- to assess the performance of the portfolio of activities supported by the Trust Fund, including ownership by Philippine partners;
- to identify opportunities for strengthening joint engagement with the Philippines Government and other local partners;
- to ensure the benefits of the AusAID World Bank partnership are maximized, and to resolve any matters compromising the high quality of the relationship.

The decisions of the SC will be made by consensus. The SC will have its first meeting in June 2009 and thereafter, at a minimum, every January, April and October of each year.

A *Secretariat*, headed by the World Bank's Task Team Leader for the Trust Fund, will manage the trust fund and will provide secretariat support to the Steering Committee. AusAID's Program Enabling team will be responsible for coordination within the AusAID Office, liaison with the World Bank and for administering Ausaid's contributions to the Trust Fund.

5. Types of Activities and Beneficiaries

The Trust Fund is a single-donor programmatic trust fund. It will support a variety of activities, namely:

- Bank-executed analytical and advisory activities
- Bank-executed project development, appraisal and supervision activities
- Recipient-executed technical assistance, including project preparation
- Recipient-executed investments linked to World Bank supported investment operations

Trust Fund recipients may include: Philippine Government agencies, non-government entities including civil society organizations and the Bank task teams, in accordance with the annual priorities determined by the SC.

In 2008, the World Bank and AusAID embarked on a strategic collaboration in analytical and advisory activities around the theme of Inclusive Growth and Service Delivery. A number of activities were proposed by World Bank task teams and a committee comprising two representatives each from AusAID and the World Bank jointly selected the ones which would be pursued jointly by the two organizations. Funding was provided by AusAID through Externally Financed Outputs (EFOs). This collaboration is expected to continue under the auspices of the Trust Fund and will subsequently be governed by the same set of Operating Guidelines.

6. Grant Approval and Monitoring Cycle

World Bank Task Team Leaders (TTLs), in close collaboration with their respective counterpart AusAID Portfolio Managers, can access the Trust Fund through the submission of proposals. In line with World Bank policy, TTLs must be duly accredited to manage grants from the Trust Fund. Further information can be sourced from the Trust Fund Learning and Accreditation Program website.

The process chart in **Annex A** illustrates how the proposals may be submitted, reviewed, approved and monitored. The key steps are explained below:

8.1. *Call for Proposals* – in September, the Trust Fund Secretariat may request TTLs to discuss with their AusAID counterpart PMs and prepare for the SC's consideration an initial set of new proposals to be supported by the Trust Fund in the coming fiscal year. Proposed

activities (to follow initial proposal template in Annex B) must be in line with World Bank CAS Strategic Objectives, as confirmed by the Strategic Objective Champion, and the sector approach, as endorsed by the World Bank Sector Manager. Conformance to AusAID's DAS must also be established.

Note: The Call for Proposals is subject to the size of AusAID's financial allocation for any given year and the extent to which commitments for ongoing multi-year activities use up that allocation.

For ongoing activities, the TF Secretariat will also call for activity level progress reports and provide a summary to the Steering Committee, based on standard World Bank activity level reports prepared by the individual task teams.

8.2 Review of Initial Proposals – in October, the SC will review the implementation of ongoing activities and determine which of the proposed set of new activities will go forward for further development and financing in the next financial year. The SC will use the activity progress and expenditure reports as a basis for determining overall progress and, where necessary, for re-allocating funds. As necessary, task team leaders and portfolio managers will be invited to present progress of their respective activities to the SC.

8.3 Review of AAA Proposals – In January, the SC will review proposals for Analytical and Advisory Activities (AAA) to be supported by the Trust Fund.

8.4 Submission of Final Proposals – in March, fleshed out proposals in the form of Project Concept Notes will be submitted to the Trust Fund Secretariat.

8.5 Assessment of Final Proposals and Requests for Succeeding Tranches – in April, the SC will assess the final proposals (Please see Annex C, suggested template for final PCNs), based on the selection criteria outlined in Section 9 below, and will allocate activity budgets for approved proposals. Requests for succeeding tranches of proposals approved in previous rounds (Please use Annex E, Application for Funding Previously Approved Activities) will also be assessed during the April SC meeting to reaffirm the required level of annual funding.

8.6 Call for Funds – in May, the World Bank will request funds from AusAID for the next year's total funding requirements, consistent with the decisions of the April SC meeting on new as well as continuing multi-year activities. The tranche payment will be made by AusAID in the current financial year in preparation for implementation in the new financial year. The Call for Funds will reflect the total requirement for the year but will be itemized by activity.

9. Selection Criteria

The SC will be guided by the following criteria in evaluating any new initial proposals in October and Project Concept Notes in March:

- extent of alignment to the DAS, CAS and Medium Term Philippines Development Plan (MTPDP) and the strategic importance of the proposal in contributing to AusAID's and the World Bank's development objectives in the Philippines;
- the level of implementation risk;
- extent of compliance with World Bank and AusAID quality assurance measures;
- level of readiness for implementation;
- the urgency of the activity and confirmation that no other activity of the same description is underway or planned (this includes other activity by any stakeholder, including other donors);
- overall cost and cost efficiency.

10. World Bank Progress and Expenditure Reporting

The TF Secretariat will provide the following information to AusAID:

10.1 *Progress Reporting* – The TF secretariat will prepare a summary of implementation progress, by activity/child account, based on standard World Bank activity level reports prepared by the individual task teams. Implementation constraints and delays will be highlighted along with recommendations to address constraints.

10.2. Financial Reporting - AusAID will have real time access to the Trust Fund at aggregate/parent level through the Bank's Donor Portal ([http:// info.worldbank.org/donor](http://info.worldbank.org/donor)). The TF secretariat will summarize information on the receipts, disbursements and current balance of the Trust Fund by i) aggregate level and ii) on a per activity/child account level, based on information readily available in the World Bank's information system at the time of the Steering Committee meeting in April and October. The balances will be stated in the currency in which the funds are maintained in the Bank, ie USD.

10.3 *Completion Reporting*. In line with World Bank policies and procedures, TTLs will prepare implementation completion and results reports, for grants with commitment values in excess of US\$5 million or implementation completion memoranda for grants below US\$5 million, as appropriate.

This reporting does not replace, but rather supplements, the more regular monitoring TTLs and AusAID Portfolio Managers will be undertaking jointly as agreed at activity level.

11. AusAID Expenditure Approvals

AusAID staff should note that all activities supported under the Trust Fund have prior Financial Management Act (FMA) Regulation 9, Regulation 10 and Regulation 13 Section 44 approvals for the duration of the Trust Fund.

12. Administration Charges

Trust Fund administration and program management costs are levied at **aggregate level**. TTLs and AusAID Portfolio Managers are to note that one per cent of each Trust Fund tranche, plus a maximum amount of US\$295,891 over the life of the fund, will be provided by AusAID for administrative purposes outside of specific activity/child account budgets.

13. Publicity

World Bank planning around public events, or media releases, concerning Trust Fund financed activities should include consultation with AusAID.