

UNDP and the World Bank

The World Bank, through both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), provides low-interest loans, interest-free credit, and grants to developing countries. In 2004 the World Bank provided \$20.1 billion for developing countries worldwide, with \$9 billion going to low-income countries. The World Bank operates in 100 countries and focuses its work primarily on poverty reduction, achievement of MDGs. The World Bank is currently the most important source of funds for HIV/AIDS, with commitments amounting more than \$1.3 billion, with half of that for sub-Saharan Africa. While a lending institution, the World Bank also provides grants. The World Bank has 109 country offices.

UNDP and the World Bank have a very strong partnership, working together in critical areas such as PRSP and the MDGs: thus, in May 2005, the UNDP Administrator as Chair of the UNDG and the Executive Director of the World Bank issued a [joint note](#) clarifying the links between the PRSP and the MDGs.

High level meetings and exchange of letters between officials of the both institutions have taken place leading to a definition of partnership and a clear division of labour. Currently there is no framework agreement between the two institutions. However, there is a [Memorandum of Understanding on Financial Management](#) regarding Grant Agreements, signed in 2004, covering mainly World Bank financial management, reporting and auditing requirements. This MOU is intended to facilitate the implementation of activities in countries with low capacity, where the World Bank provides grants to UNDP, through a [standard grant letter](#), for the benefit of the developing countries.

Also important as a source of funding is the Loan Implementation mechanism, through which resources allocated to programme countries as loans are channeled to UNDP as programme country cost-sharing. In this specific case, two important tools are available for cooperation between the World Bank and the UNDP. The first refers to the [revised Standard World Bank Group Cost Sharing Annex](#) (second part of Checklist document), which is intended to be used in all UNDP Project Documents that are nationally executed and are partially or totally funded by Government Cost-Sharing resources originating in World Bank Group Loans or Credits, Or Technical Cooperation Grants administered by the World Bank Group. The second, is the [Checklist for UNDP World Bank Loan Finance Cost-Sharing Arrangements](#). Both of these documents provide policy and operational guidance on the management of this type of project funding. They were circulated in a [letter from the Associate Administrator of January 2001](#), along with the corresponding [UNDP letter to the Bank](#) and the [Bank's reply](#). Finally, there is the [Standard Agreement between Bank Borrower and UN Agencies](#), which is a requirement for Loan Implementation modality.

When an agreement is reached with the World Bank for cost sharing funding, it would send a letter to UNDP pledging commitment to fund a specific project and attaching an annex which details the conditions under which the contribution would be used. These terms have already been agreed upon between the two institutions. Some specific examples of cost-sharing agreements reached by different country offices with the World Bank and which can be used as a guide by country offices involved in mobilizing resources from the World Bank are provided here.

For assistance, please write to cosupport@undp.org.

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