

Summary of meeting on the proposed Program-for-Results financing instrument with US business groups

October 13, 2011

The Bank met with representatives of US business groups on October 13, 2011. The meeting began with a brief presentation by Deborah Wetzel, Chief of Staff of the World Bank President with examples of how a PforR operation would work in practice. She outlined the main features of the proposed instrument underscoring the Bank's commitment to maintaining the highest fiduciary, environmental and social standards. Under a Program-for-Results operation, the Bank will provide a fraction of the overall funding for a larger, developing country program but will be able to apply its technical expertise and capacity building to a larger range of government spending. Along with its financing, the Bank will apply fiduciary, environmental and anti-corruption oversight, greatly enhancing its ability to raise standards in a broader range of developing country programs. It will help countries achieve lasting results by investing in capacity building and strengthening country institutions.

A Q & A session followed the presentation.

Comments/Questions:

- The Bank is operating in the fastest growing economies and its leadership on fiduciary, environmental and social issues is well known. By introducing PforR the Bank is **signaling that it is walking away from its commitment to these issues.**
- There is no **notion of traceability and equivalency in PforR.**
- What does consistency with Bank policy mean?
- The language on fiduciary, environmental and social safeguards has been consistently **watered down.**
- Do borrowers have to follow any fiduciary, environmental and social standards?
- The **policy paper does not clearly articulate what standards** the Bank is committing itself to. Consultations/dialogue would be more constructive if document is clear.
- We **want PforR to be consistent with Bank standards.** There is a disconnect, because while the Bank says PforR will be consistent with standards it says at the same time that the existing policies are not being used. So what standards is PforR referring to?
- Why are borrowers opposed to the inclusion of formal standards – can't they meet the rules?
- A **Board discussion next month seems premature.** The documentation provided so far is not clear enough.
- **What types of projects** – IL and DPL – will be replaced by PforR?
- PforR thresholds are high. **Why doesn't the Bank lower the thresholds?**

- When the Bank says that it will provide training to its staff on PforR, **it suggests that it should be a pilot**. The words uses words in the document that don't inspire confidence – 'preferred approach'; 'hopeful' and 'reasonable' assurance.
- We would like to see a document that will show **what feedback the Bank plans to incorporate** in the revised policy. If the Bank isn't willing to incorporate feedback, we would like to see why not.
- Will governments allow the Bank to look through how they spend money in their programs?
- In order to achieve results, good **supervision** is needed. The Bank talks about implementation support as being fundamental to PforR but the PforR policy paper states that the following OPs/BPs (and the related Operational Memoranda) do not apply to program-for-results operations: OP/BP 13.05, *Project Supervision*. So, what is the policy on supervision for PforR?
- The Bank says that **PforR will not be used to finance Category A projects**. But our experience and the recent IEG evaluation has shown that one third of projects categorized as Category B by Bank staff should in fact have been Category A.
- The Bank is saying that results are hard to achieve and using PforR will need reform minded leaders who are looking to the Bank to improve development effectiveness in their countries, not all countries and sectors will therefore apply for it. We feel that in actual fact **PforR will be used for everything**.
- The **Results based approach has failed** for the Global Fund. Has the Bank learnt any lessons from this experience?
- Why does the Bank say PforR is **procurement light**?
- Why are the PforR **thresholds so high**?
- The Bank has already approved projects that appear to be PforR operations, for example, in Romania, prior to the approval of the PforR instrument.
- We need more details but this paper looks like it is still being put together. We get documents without having sufficient time to read them. We need a defined document that can be debated in its entirety.
- Dialogue with business community has not been what it should have been.
- We need a better consultation process going forward – including with time to look at documents.
- We need to see **another version of the paper** and see what has changed as a result of the consultations.

Bank Responses

- Transparency is an important dimension of PforR and we will better articulate that in our document. We will clarify that the Bank's commitment to transparency applies to the entire program supported, and not only to the portion financed by the Bank. The action plan for the specific operation would provide program specific measures for addressing environmental and social issues at the project/subproject level to potentially affected communities. We intend to include language in the draft Operational Policy statement that will clarify how we will approach this matter.
- The Bank is taking the commitment to transparency to a new level. The Bank has deepened its commitment to an 'open development' agenda built upon transparency, accountability and results. PforR allows the Bank to significantly enlarge its "transparency footprint" by extending its impact over a country's entire program and not just the portion it finances. The Bank's Access to Information policy will apply to PforR. All key Bank documents will be publicly disclosed. These include the project appraisal document (including the results of all assessments, risk ratings, agreed actions in response to assessments, and the results framework), financing agreements, implementation status reports, annual audit reports, implementation completion reports, and IEG evaluations.
- PforR operations are designed to respond to a demand that is currently not being adequately met by either IL or DPL. PforR is likely to draw some operations from both IL and DPL types of projects. In IL it is likely to be projects that are supporting a program, several of which won't have a large proportion of procurable expenditures. We have provided examples of operations that - fit with the design of the instrument and what it is trying to achieve - will be included in the initial years. .
- **Bank teams will be responsible for supervising the implementation of Program-for- Results operations**, in collaboration with development partners where relevant. During implementation support, task teams would focus on reviewing the monitoring and validation of results and DLIs, capacity building efforts, resolving implementation issues, implementation of the agreed action plans, as needed, monitoring overall performance of the systems, and so forth. The OP and BP include specific references to the Bank's role and responsibilities during implementation as well as that of the Borrowers.
- PforR expands the Bank's work on fraud and corruption – beyond a single transaction to the entire program. New **Anti-Corruption guidelines** will be mandatory for all borrowers and will apply to the entire program supported. The Bank, through its independent unit set up for this purpose (INT), will have the right to investigate all allegations of fraud and corruption in the entire program supported, not only those related to Bank financing. The Bank's debarment list will apply to the entire program. The up-front fiduciary assessment includes the risk of fraud and corruption. The assessment will be included in the program document that is publicly disclosed and will inform mandatory remedial actions, as appropriate.
- All high-value transactions- i.e. all contracts above a certain level will be excluded from PforR. If financed by the Bank, they will be subject to Investment Lending procurement policies.

Contracts below this threshold may also be financed through Investment Lending. PforR financed contracts will be subject to competitive bidding.

- **The assessment of the procurement systems including rules and procedures is an integral part of the fiduciary assessment** required for each PforR operation. These assessments are made publicly available. The assessment will include: Identification of key risks and agreed actions to manage those risks; Capacity building activities that the Bank will help the borrower with, including with technical assistance; Key improvements in borrowers procurement performance which may be linked to disbursements of Bank funds; and Baseline against which procurement system performance will be monitored during implementation of the program. All programs are subject to the Bank's independent oversight agencies, including the Institutional Integrity group, the Independent Evaluation Group, and the Inspection Panel. In addition, all programs are independently audited.
- Bank staff acknowledged the concern expressed by the group and indicated a need to provide greater precision in the paper on how the Bank will maintain its commitment to the highest environmental & social and fiduciary standards.
- **Complaints** – bidders can complain to the Bank, if they feel the procedures are not good and have not been followed in a transparent. The procedures will be spelt out in the assessments.
- If the Bank feels the **program arrangements are less than satisfactory**, it will make an assessment and put remedial action in place.
- **“Reasonable assurance”** is the standard term applied by the assurance industry, such as the American Institute of Certified Public Accountants. It is also the standard of assurance that is applied to Investment Lending.
- Many of the Bank's borrowers **have said that we should have done this a while back. They are awaiting the introduction of the PforR. Some also feel that the PforR thresholds are too low.**
- **The Bank has put in place a range of measures that address the need for caution in the roll out of PforR. For example, Category A activities will not be supported by PforR; every operation will go through a risk assessment etc.**
- The Bank will monitor the overall program expenditures, not just the portion financed by the Bank. The Bank is committed to ensuring that money is used for its intended purpose. All PforR programs will have financial accountability mechanisms acceptable to the Bank. There will be an annual financial audit which will be publicly disclosed.
- The Bank has **noted the concerns on the level of lending and said that in the first few years, lending will be limited.** The Bank plans to proceed cautiously with the roll out of the PforR.

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