

**PROGRAM FOR RESULTS FINANCING PHASE II CONSULTATIONS: DISCUSSION WITH
GOVERNMENT OFFICIALS AND ANNUAL MEETING DELEGATES
September 23, 2011**

A consultation meeting on the proposed program-for-results (PforR) financing instrument was held with government officials and visiting Annual Meetings delegates on September 23, 2011. In his introductory remarks Joachim von Amsberg, World Bank Vice President thanked the group for their continued engagement on PforR over the last year. He said that the PforR was one of the most important elements of the World Bank's ongoing modernization program and is intended to strengthen the Bank's ability to help partner countries achieve development results. Mr. von Amsberg also noted that the new instrument provides new opportunities for successful partnerships with stakeholders, development partners, partner countries, the Bank's shareholders, and civil society. He also emphasized that the conversations leading up to the introduction of the instrument were only part of that overall effort - the real work would begin once the instrument is offered to the Bank's clients; and thereafter, working together with them and with other stakeholders in terms of really using the instruments for achieving development results.

Mr. von Amsberg reiterated the key features of the PforR – a financing instrument that ties disbursement directly to development output/outcomes, or otherwise defined development results; an instrument that is squarely focused on institution building; a way of strengthening the countries' program systems and increasing the results that the Bank's partner countries are achieving through their own development programs. He said that PforR would help partner countries build institutions that provide stronger governance, effective accountable institutions and are also effective at fighting corruption. PforR will also provide a much better platform for partnerships. This was followed by a presentation by Fadia Saadah where she highlighted the status of the preparation of the instrument and provided some highlights from the consultations to date.

Comments/Feedback:

General

- Overall, there was an expression of strong support for the introduction of PforR.
- Feeling that PforR will lead to enhanced development effectiveness.
- PforR will be helpful in changing the conversation and to focus development around results.
- PforR will bring about a lot of systemic change in countries and help address concerns about capacity and about policies.
- PforR is exactly the kind of flexible instrument that will help partner countries achieve their development goals.
- PforR is an innovative instrument that will lead to better development impact.
- PforR should support government programs anchored in a government's own strategies
- Which countries are eligible for PforR? What is the threshold? Will all borrowers receive uniformity of treatment?

Results

- How will results be measures, verified?
- What if results are not achieved?

Fiduciary

- Instrument like PforR should rely on a country's systems. This is an opportunity for the Bank to strengthen national and country procurement systems.
- How will the Bank evaluate **procurement** capacity of the country? What about capacity building efforts?
- The instrument calls for "reasonable assurance", how will that be defined?
- How will the assessment of program's procurement systems be done?

Capacity building

- How will capacity building be carried out? Is there an option to mobilize Technical Assistance?
- Will capacity building be done prior to disbursements or can it also be done during implementation?
- Will there be dedicated funds within a PforR envelope that won't necessarily be trust funds, but will be part of the budget that will go towards a borrower's capacity-building needs?

- When we talk about capacity development, we have to make sure that capacity development is considered as a major component of national strategies.
- Capacity development should no longer be donor-driven.

Disbursements

- Will pre-financing be available?
- What are the implications of not being able to achieve results?

Partnerships

- PforR aims to improve partnerships but how would that work in practice? If there are a number of partners, who will be responsible for assessing the country's systems? Who will do the verification? How will that work in practice?

Environmental & Social Issues

- Will PforR support Category A activities?
- What is the relationship with OP 4.0 on country systems? Why isn't the Bank using the language from OP-4.0 and adjusting it to accommodate the concept of P4R.

Implementation support and supervision

- There is no statement in the policy paper of borrower or Bank responsibilities, including on supervision.

Transparency

- Will the assessment be publicly disclosed
- Will the audits be publicly disclosed?

Corporate Oversight

- Will the Inspection Panel and INT have jurisdiction over not just PforR money, but the program money that comes from the government that is attached to PforR?

Roll-out

- We support the proposed cautious approach on the rollout of PforR.

Bank responses:

- **General:** PforR will support government programs and their strategies. PforR would enhance efforts to focus on results, build institutions and strengthen partnerships. The policy provides the overall framework for the instrument. However, each and every operation will go through a rigorous appraisal process and will be subject to Board approval.
- **Exclusions.** PforR will exclude certain high risk activities. These include contracts above a certain monetary value as well as activities classified as Category A in terms of environmental and social aspects.
- **Results** are those of the program. For those results identified as disbursement linked indicators (DLIs), a credible verification process for each indicator that is acceptable to the Bank will be required (this could include audits, third party verification, citizen monitoring and so forth, depending on the type of indicator under consideration). Both the DLIs and the verification methods will be made public as well as the progress in the achievement of these indicators. The instrument allows for scalability (i.e. partial disbursement for partial results) as an option. However, if there are no results there will be no disbursements.
- **Fiduciary.** The instrument uses the program's systems and institutions. In addition, each operation will go through a rigorous assessment of various aspects (technical, fiduciary, environmental & social). Based on these assessments, a judgment is made if the instrument is suitable and if actions to enhance the performance and capacity of the system are needed. It is through the assessments, action plans, monitoring of system performance and implementation support that capacity building can take place. In addition, and as noted below, there will be option to provide technical assistance components or separate options with PforR that are focused on capacity building. In response to the specific questions on complaint mechanisms, the Bank responded that bidders can complain to the Bank if there are problems. It is also important to note that while the Bank is excluding high value contracts from PforR, this should not be interpreted to mean that anything that is not excluded will automatically be financed by PforR (PforR is only one of three lending instrument options)
- **Capacity-building** is at the core of the Bank's work, including in PforR. Capacity-building can take various shapes and forms, one of which is technical assistance. Capacity building efforts can also be done at various stages of preparation and implementation, depending on the specific needs of the

operation. The Bank is considering **a trust fund** to accompany Program-for-Results, to help countries which may not have adequate resources for capacity-building.

- **Disbursements.** Regarding pre-financing options, the Bank acknowledges that in some countries there may be a need to provide advances for a program in order to finance one or more DLIs. This issue came up on a number of occasions during consultations. As a result, the Bank has introduced a provision for revolving advances— i.e., the program can have access to additional advances once the initial advance has been recovered (in full or partially), so long as the overall limit is not exceeded. For instance, a 25% advance is likely to be adequate for one year of funding, at which time the DLIs are achieved and the advance is recovered but the program can then request another advance for the second year and so on, as long as the advance stays within the overall limit. This feature was added after the first round of consultations and was welcomed by many countries.
- **Partnerships.** PforR supports partnerships and will work closely with its development partners in support of country programs. The specifics of how this work will be spelt out in each operation, as it depends on the nature of the program and which development partners are involved. However, having the country's own institutions as the starting point allows for a better enabling environment for partnerships.
- **Environmental & Social Issues.** PforR will not finance activities classified as Category A. As for the relationship with the use of Country systems (Op 4.0), PforR draws from principles incorporated in the use of country systems, and is intended to achieve very similar outcomes. But PforR will function at the program level, which typically will be sectoral or sub-national in scope; there is no intention to apply the PforR approach against country systems, which may be much broader in administrative or geographic scope. The premise of PforR is that the assessment of environmental and social management should reflect the context of each proposed program, and should encourage greater program ownership and sustainability by utilizing existing systems where appropriate and by building management capacity where necessary. P4R also expands the applicability of the principles of environmental & social assessments to the whole program including Grievance mechanisms within each program.
- **Implementation support** is covered in OP/BP 9.0. It is an important aspect of PforR. It would include a range of items like reviewing implementation progress and achievement of DLIs, monitoring risks, and monitoring the compliance with agreed action plans (including actions to strengthen institutional capacity) and so forth.
- **Transparency.** In line with recent trends in the Bank, we are bringing more transparency than ever to our operations. In the case of Program-for-Results, the Bank's "transparency footprint" is significantly enlarged as the documentation covers the entire program, which will typically be much larger in size than the Bank's financing. Moreover, the results of the program and their achievements will be publicly available. As for the specific issue of audits, as stated in the Bank's Access to Information policy, financial audits that come to the Bank are now publicly disclosed.
- **Corporate Oversight.** Program-for-Results would be subject to all corporate oversight arrangements, including the Inspection Panel.

Roll-out. In addition to excluding of Category A activities, Program-for-Results also excluded contracts above a certain monetary value. In addition, World Bank management will proceed with caution and will limit the lending volume in the initial years. The Bank's commitment to openness and transparency will be applied to the entire program. It will prepare a progress report after two years of implementation which will be discussed with the Bank's Board of Executive Directors & disclosed publicly. An early evaluation of implementation by the Independent Evaluation Group is also planned.

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