

**Program-for-Results Financing
Consultations with the Private Sector
Berlin, September 29, 2011 (at BMZ)**

A consultation meeting on the proposed Program-for-Results (PforR) financing instrument was held with the private sector in Berlin. Some government officials also attended. Paul Bermingham, Director, OPCS represented the Bank at this meeting. BMWi and BMZ provided feedback and requested some clarifications on the policy paper – and then concluded the meeting expressing support for the Program-for-Results financing instrument. BMZ emphasized the important role the World Bank plays in long-term development in borrower countries (quality of institutions is key; improving country systems as top priority).

Questions/Comments:

- What is the rationale for the introduction of the Program-for-Results financing instrument? How is Program-for-Results financing different from Investment Lending (IL) and Development Policy Lending (DPL)?
- If Program-for-Results programs include infrastructure components – Investment Lending policies should apply to ensure proper procurement standards.
- Para 21d (Concept Note, Aug 3, 2011) lists exceptional rules that apply in high risk projects and projects exceeding the \$50M cap, but the sentence following that negates these rules by listing exceptions.
- \$50M threshold seems high for small-scale infrastructure projects; will there be a competitive bidding process for projects that fall under the threshold?
- Para 76 (Concept Note, Aug 3, 2011) mentions that entities debarred and suspended by the Bank cannot participate in contracts awarded during implementation of the Program-for-Support during their periods of debarment or suspension. However, the sentence that follows negates this by indicating situations of exceptional circumstances.
- The Bank should revise the text to state that INT has a “duty to investigate” rather than a “right to investigate” (“right” is too political).
- The Bank’s debarment list should apply to the entire program and not just the portion financed by the Bank.
- What will the evaluation process look like? How will countries and projects be selected?
- Which bidding guidelines will be acceptable under Program-for-Results?
- How will the World Bank guard against corruption in Program-for-Results operations?
- In Low-Income Countries, will preference be given to local firms?
- How will Program-for-Results financing support capacity building in countries?
- What will be the benchmarks to measure results? Will they be country-specific?
- Will any countries be excluded from Program-for-Results? (e.g. Fragile States)

Bank responses:

- Program-for-Results will not exclude any sector, but it is likely to be used more frequently in the social sectors. Program-for-Results financing will not be considered for large-scale infrastructure projects. All large procurement contracts, above specified monetary thresholds will be excluded. The goal of Program-for-Results financing is to extend the Bank’s influence on the systems of the entire program and building capacity in a sustainable way.
- INT has the right to investigate the programs supported by Program-for-Results. The cross-debarment policy applies to the program. This enhances the Bank’s work on fraud and corruption. Under a Program-for-Results operation, the Bank will assess the capacity of institutions in countries to implement the Bank’s Anti-Corruption Guidelines for Program-for-Results operations and their capacity to detect the risks of fraud and corruption. As needed, improvements to such capacity will be agreed upon and included in the operation’s action plan.
- Every Program-for-Results operation will have an Implementation Completion Report. In addition, the Independent Evaluation Group (IEG) carries out individual evaluations. The Bank will prepare a progress

report after the first two years of implementation of the new instrument. The report will be discussed with the Bank's Board of Executive Directors and disclosed publicly.

- Under a Program-for-Results operation, the Bank will assess: (i) whether the program's procurement systems embed the internationally recognized principles of economy, efficiency, effectiveness, transparency and accountability; (ii) the capacity of the program's implementing agency to use the systems; and (iii) the performance of such systems. In particular, the systems will be assessed against criteria including: adoption of public advertisement of all bids; no restrictions on competition; fair and transparently applied bid evaluation criteria; acceptable conditions of contract; effective complaint mechanisms; and strong anti-corruption measures. The assessment will aim at identifying:
 - Key risks and agreed actions to manage those risks;
 - Capacity building activities, including technical assistance;
 - Key improvements in the borrowers procurement performance which may be linked to disbursements of Bank funds; and
 - Benchmarks against which procurement system performance will be monitored during implementation of the program.
- As part of the assessment, the Bank will review the program's bidding guidelines and bidding documents. As a result of the assessment, a list of recommended actions will be drawn to improve, as needed, the implementing agency's capacity and systems' performance. Such actions will be included in the Program-for-Results operation's action plan.
- No country will be excluded *a priori*. Program-for-Results financing will also be an option in Fragile States, adjusted to the needs of a low capacity environment, but with stricter guidelines/monitoring to apply.
- Program-for-Results operations will support government programs that use the programs' systems. If systems for a given government program allows for domestic preference, and such preference is found by the Bank's assessment to respect the internationally recognized principles of economy, efficiency, effectiveness, transparency and accountability, domestic preference would be available under the Program-for-Results operation supporting that particular government program.
- A key condition for the success of a Program-for-Results operation is strong government commitment to the program's objectives and results. As such, the program's objectives and results to be supported by such an operation are the government's and not the Bank's. Similarly, disbursement-linked indicators (DLIs) are key milestones necessary in achieving the program's results. They are defined by the government, and are designed to provide an incentive for the government to achieve its own results under the program. DLIs are therefore not a new form of conditionality.
- The Bank is currently exploring the feasibility of a multi-donor trust fund to finance capacity building under Program-for-Results operations in countries having limited access to grant financing for capacity building activities. BMZ emphasized that Germany would support such a facility—capacity building being a comparative strength of bilateral donors.

Participants:

Person	Unternehmen/Institution
Frank Kehlenbach	HDVBI (Central Association of the German Construction Industry)
Dirk Berg	BMWi (Federal Ministry of Economics and Technology)
Pia-Nadja Schulz	BMWi (Federal Ministry of Economics and Technology)
Uwe Krenz	ITAG (Infrastructure Technical Advisory Group)
Georg Hochstatter	GTAI (International Tender Information Service)
BMZ	
Juergen Zattler	Division 411 (resp. for WBG issues)
Kerstin Faehrmann	Division 411 (resp. for WBG issues)
Marcus von Essen	Division 411 (resp. for WBG issues)
Alexander Freese	Division 411 (resp. for WBG issues)
WB	
Paul Bermingham	OPCS, WB
Rainer Venghaus	World Bank, Berlin
Carolin van Kampen	World Bank, Berlin