



## Advancing Development Effectiveness: Program-for-Results Financing

To respond to changing development needs and demand from client countries, the World Bank is proposing a new Program-for-Results financing instrument. Program-for-Results would focus Bank support directly on improvements in sectoral or other development programs and would place more direct emphasis on results by making them the basis for disbursement. With its program-level orientation, the new instrument would complement the Bank's two existing lending instruments—investment lending (IL), which supports specific projects and disburses against specific transactions, and development policy lending (DPL), which supports policy and institutional reforms.

### Meeting Development Challenges

As client countries are increasingly implementing their own programs for development and poverty reduction, they are asking development partners for finance and expertise to improve those programs' effectiveness and efficiency in achieving results. Because such programs are being implemented in a wide range of institutional settings, a flexible lending instrument that can be used in different capacity environments is needed.

By directly supporting government programs, Program-for-Results will help countries improve program systems, build capacity, and enhance partnerships with stakeholders. Designed to accommodate a broad range of countries, sectors, and programs, Program-for-Results will also enable the Bank to more effectively leverage its own financing and partner with other development organizations in supporting country programs.

#### Program-for-Results at a Glance

- Supports government programs or subprograms, using program systems
- Disburses upon achievement of results and performance indicators
- Focuses on strengthening institutional capacity
- Provides assurance that Bank financing is used appropriately and that the environmental and social impacts of the program are adequately addressed

### Key Features of Program-for-Results

- **Finances and helps strengthen development programs with clearly defined results.** Programs to be supported by Program-for-Results can be sectoral or subsectoral programs, national or subnational, community development programs, and so on. They can also be ongoing or new programs.
- **Disburses upon achievement of results and performance indicators.** Disbursements will be determined by reference to progress on monitorable performance indicators, rather than simply by whether expenditure had been incurred.
- **Focuses on strengthening the institutional governance, capacity, and systems that are essential to ensuring that the programs achieve their expected results and can be sustained.** A priority area for both preparation and implementation support will be strengthening the institutional capacity of the country's own systems, thereby enhancing development impact and sustainability.
- **Provides assurance that Bank financing is used appropriately and that the environmental and social impacts of the program are adequately addressed.** The Bank will assess the program's fiduciary and environmental and social management systems and, as necessary, will agree with the government on additional measures needed to provide reasonable assurance that the loan proceeds are used for program expenditures, that these expenditures are incurred with economy and efficiency, and that affected people and the environment are protected.

A new Operational Policy (OP) and Bank Procedure (BP) statement will clearly set out the policies and procedures for Program-for-Results operations. As with both DPL and IL, there will be no *a priori* restrictions on the use of Program-for-Results in terms of income categories or sectors. Decisions on the feasibility and scope of each Program-for-Results operation will take into account the definition of the program, its position within the country assistance strategy context, the types of activities that would be involved, and constraints to achieving

development outcomes. Program-for-Results may not be appropriate for certain large-scale, complex activities where the use of another instrument may be better suited. Program-for-Results will be subject to the same corporate oversight functions as other lending instruments.

### Focus on Results

The results supported by the instrument will be those of the government's program. Here are some examples of results that Program-for-Results operations could support in various sectors:



Percent of women receiving antenatal care, or reduction in under-five mortality (Health)



Time to start a business (Private sector development)



Percent of municipalities with access to a paved road (Transport)



Share of public schools with active management committees (Education, Governance)



Implementation of an improved system for managing procurement (Public sector management)

### Building on Experience

Although the Bank has never had a stand-alone program-based lending instrument under a dedicated policy framework, features of programmatic lending have been used in operations approved and implemented over more than a decade—for example, in sector-wide approaches, conditional cash transfers, the Global Program on Output-based Aid, the Results-based Financing in Health Initiative, and the Education for All Fast-Track Initiative. However, these operations have had to be squeezed into the Bank's IL policies, which are designed for transaction-based projects rather than a results-led program approach—creating a number of problems and missed opportunities for both client countries and the Bank.

### Phase I Consultations

In March-June 2011, the Bank conducted extensive global consultations on the Program-for-Results Concept Note. These consultations—web-based and face-to-face—were held in 39 countries (33 client countries and 6 donor countries) in all six regions, and participants included a broad range of governments, development partners, civil society organizations, private sector representatives, academics and other stakeholders. Almost all the participants indicated broad support for the instrument. Most welcomed its flexibility and the opportunity to use it in areas beyond the education and health sectors. Feedback from the consultations informed the development of the draft policy paper, which a committee of the Bank's Board discussed in August 2011.

### Phase II Consultations

Key documents, including the draft Operational Policy and Bank Procedures for the instrument, are now available on the Bank's external website for internal and external audiences to provide further feedback and comment. This final round of web-based consultations ends September 30, 2011.

### Next Steps

Feedback from the consultations will be reflected in the final design of the instrument and in the policy statement that will guide Program-for-Results operations. It is expected that the details of the new instrument will be brought to the Board for discussion and approval by the end of 2011.

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