

Q1: What is the Program-for-Results lending instrument?

The proposed new Program-for-Results (P4R) lending instrument will support country programs. The new instrument will complement the Bank's [two existing lending instruments](#)—investment lending (IL) and development policy lending (DPL)—by¹:

- financing expenditures on specific sectoral/subsectoral programs;
- disbursing against performance and results;
- focusing on strengthening the institutional capacity that countries need to achieve results and sustain programs; and
- providing assurance that Bank financing is used appropriately and that the environmental and social impacts and risks of the program are adequately addressed.

The approach will strengthen the focus on results and enhance development impact. It will also further support and enhance partnerships.

Q2: Why does the Bank need a new instrument? Isn't the Bank already supporting results-based lending through existing instruments?

The Bank currently has two lending instruments: investment lending (IL), which supports specific investments and development policy lending (DPL) which supports policy actions. At present the menu of instruments does not include one that is designed to support government programs—a type of operations that clients increasingly request and that has potential for building capacity and improving development impact. Although clients and staff have tried over the years to support such programs under existing instruments, this has led to a range of issues from high transaction cost, to selectivity regarding which activities and programs can be

¹ In addition, the Bank also offers Guarantees in the context of the mobilization of private sector finance.

supported and so forth as current policies are designed for specific, transaction-based projects or general budget support. Thus, after careful consideration, the Bank is now proposing a third instrument that will fill the unmet needs of client countries.

Q3: Does this mean that P4R will have its own policy framework?

Yes, the P4R instrument will be governed by a single dedicated Operational Policy (OP) and Bank Procedure (BP) statement, accompanied by additional technical guidance notes to staff.

Q4: How will the new P4R policy address fiduciary and social and environmental impacts and risks?

The policy governing the P4R instrument will ensure that funds are used appropriately, and that an adequate system is in place to protect affected people and the environment. This will be based on principles similar to those that apply to IL. However, reflecting P4R's stronger focus on program results and institutional performance, the detailed procedures will apply at the system level of the program that is supported. A new OP/BP for P4R will clearly set out these policies and procedures.

Q5: How are results defined in the context of the P4R? How will results be measured, monitored, and evaluated?

P4R's results will be those of the full program supported, rather than specific activities financed by the Bank. The results framework would cover a spectrum of results, depending on the nature of the program. Results of a P4R operation are not external conditions imposed on countries. On the contrary, the P4R operation will serve as an opportunity to enhance the performance of government programs by strengthening the focus on their own results and linking funds to their achievements. Furthermore, P4R will support monitoring and

evaluation mechanisms and help where needed, assist in building such capacity.

Q6: Will disbursements be linked to all results? What if agreed results are not met? What about predictability of financing for the countries?

Each P4R operation will include a set of results and performance indicators that will need to be met for disbursements to take place. The disbursement-linked indicators (DLIs) need to be tangible, transparent, verifiable, and under the government's influence. Examples of DLIs might be desired outputs or outcomes (e.g., the number of service connections of a particular specification, or number of children vaccinated or confirmed as going to school); intermediate outputs or process indicators (e.g., confirmation that specified communities participated substantively in decision-making); or financing indicators (e.g., share of a specific type of project in total expenditures). While flexibility is needed in its design, in all cases, results would be performance indicators judged necessary to meet the development outcomes. P4R also includes the concept of scalability—that is, partial disbursements if some DLIs are partially met and allows for disbursements against prior results and advance payments, if countries request it.

With regard to the predictability of overall funding, as part of the Country Assistance Strategy (CAS) agreed with the Bank, countries will choose the right mix of Bank instruments that best meets their needs.

Q7: What implications does P4R have for development partners?

P4R operations will provide a major opportunity to improve development partner coordination around government-owned programs, contributing to both the effectiveness and sustainability of development assistance.

With P4R, the Bank can be a more effective development partner since it will be able to pool its resources with governments and other development partners as long as the systems governing the use of the pooled funds are assessed as adequate.

Q8: Will this instrument be suited to mostly middle-income countries or particular sectors?

As an instrument to support institutional development and capacity building, including in low-income and low-capacity settings, the P4R will be available to a broad range of countries, sectors, and programs. However, the use of the instrument could differ depending on the institutional environment.

As with both DPL and IL, there will be no *a priori* restrictions on the use of P4R in terms of income categories or sectors. Instead, decisions on the feasibility and scope of P4R will take account of the following considerations:

- Consistency with CAS
- Definition of the program
- Constraints to achieving development outcomes

P4R may not be appropriate for certain large-scale, complex activities where the use of another instrument may be better suited.

Q9: Will pre-financing be available if a country needs funds to achieve DLIs?

For a government that needs advance funds to achieve the initial DLIs, provisions will be made for advances up to a specified amount of the total financing to be disbursed before the achievement of DLIs. Disbursements under subsequently achieved DLIs would be reduced accordingly to recover part of the advance.

Q10: What is the consultation process?

From March 2011 onwards, the Bank will undertake broad-based internal and external consultations with shareholders and stakeholders—representatives of governments, international organizations, multilateral development organizations and banks, United Nations agencies, parliamentarians, the private sector, non-governmental organizations, civil society, foundations, academia, think-tanks, and practitioners.

A dedicated webpage will:

- Provide all consultation materials in English

and five other languages (Arabic, Chinese, French, Russian and Spanish).

- Notify stakeholders about the consultations before they begin.
- Provide the consultation plan, outlining areas in which feedback is sought.
- Provide detailed information about the consultations (e.g., participant lists, discussion summaries).

Feedback from the consultations will be reflected in the final design of the instrument, including draft OP/BP statements and guidance materials.