

PROPOSED PROGRAM-FOR-RESULTS FINANCING INSTRUMENT CHANGES TO THE AUGUST 3, 2011 VERSION OF THE POLICY PAPER

This note sets out some of the main changes made in the proposed Program-for-Results financing instrument policy paper in response to guidance received from the Committee on Development Effectiveness (CODE) meeting held August 3, 2011 and the subsequent input received during the global consultations.

- **Results, Disbursement Linked Indicators (DLIs) and Verification.** The paper provides additional details about the results framework for the program, and how the DLIs would be selected and verified. For example, the paper clarifies further that for each DLI, a credible verification process acceptable to the Bank and agreed to at the time of appraisal will be required. The verification process would also include independent/third party monitoring, where appropriate. The DLIs will be publicly available and their progress will be reported in the implementation status reports on Program-for-Results operations.
- **Capacity Building Efforts.** The revised paper further elaborates how Program-for-Results will support capacity building efforts at the operational level. In terms of timing, the document clarifies that capacity building can take place before disbursements and/or during implementation depending on the outcomes of each assessment. Additional details on the modalities through which capacity building efforts can be delivered (including stand alone technical assistance where needed) are provided. Also, as agreed to at the CODE meeting, the establishment of a trust fund to support capacity building efforts for Program-for-Results operations is under consideration.
- **Transparency and Accountability.** The paper clarifies that Program-for-Results requires borrower commitment to appropriate transparency and accountability arrangements for the entire program supported by the Bank.
 - The Bank's Access to Information policy will apply to Program-for-Results. Moreover, since the results achieved by the program will be publicly available, stakeholders will have access to information about the performance of the public institutions and their achievements, thereby strengthening accountability and transparency in these programs.
 - The paper makes specific reference to the fact that the review of the program's environmental and social systems assessment will include a review of the arrangements by which program activities that affect communities will be disclosed, consulted upon, and subject to a grievance redress process. Measures to address consultation, disclosure, and grievance should be appropriate to the activities to be supported under the program. This change is also reflected in the Bank Procedures (BP) for Program-for-Results.
- **Addressing the Risk of Fraud and Corruption.** The paper clarifies that the Integrity Vice Presidency (INT) will have the right to investigate any complaints or other indications of fraud and corruption, and to sanction any party engaged in sanctionable practices under the entire program. In addition, it clarifies that the debarment list will apply to all contracts awarded under Program-for-Results operations.
- **Exclusions.** The paper makes it very clear that all Category A activities (those with potentially significant, irreversible adverse impacts on the environment and/or affected people) and all contracts above the Operations Procurement Review Committee (OPRC) review thresholds will be excluded from Program-for-Results. The reference, in the earlier version of the paper, to how such activities may be accommodated under the instrument has been removed. The instrument, as proposed, also

includes specific provisions for addressing environmental and social issues, including those of Indigenous Peoples.

- ***Cautious Roll-out.*** The document provides details on enhanced measures put in place for the first two years of implementation.
 - Management proposes to limit IBRD/IDA commitments to 5 percent of total IBRD/IDA commitments for the first two years from Board approval. Management would propose to the Board to lift this cap if justified by a review of implementation experience.
 - A dedicated corporate-level team will review each operation during the initial period, in addition to reviews that are in place at the Regional level. This team will include technical, procurement, financial management, environmental, and social specialists. In addition, a corporate-level review meeting will be held for the first two operations in each Region followed by a full Board discussion.
 - Management will provide all the tools—system support and templates—that teams need to carry out their tasks and that Management needs to carry out its quality assurance and monitoring functions.
 - Staff will be provided with guidance and support in implementation, and comprehensive internal and external communications and outreach efforts will accompany the introduction of the instrument.
- ***Rigorous review of experience after two years of implementation.*** The paper clarifies that as part of the initial review, the Bank will solicit feedback from countries, development partners, other stakeholders, and staff. While Management will produce the overall report, it will include inputs using a variety of methodologies and sources to provide a comprehensive picture of the status of implementation. This can also include inputs from independent groups that could be involved in undertaking stakeholder surveys and interviews (clients, CSOs, business communities, development partners) and a qualitative assessment of how the instrument is working on the ground. Management also welcomes an early evaluation of implementation by the Bank's Independent Evaluation Group, which would provide a useful independent input for ongoing improvements to the instrument.