A NEW INSTRUMENT
TO ADVANCE DEVELOPMENT EFFECTIVENESS:
PROGRAM-FOR-RESULTS FINANCING

COVER NOTE

The World Bank is proposing to introduce a new lending instrument that will help member countries to better deliver their own development programs. Program-for-Results financing would link disbursement of Bank financing to the verified achievement of results. It would also work to strengthen program institutions and systems, and would allow the Bank to have more effective partnerships with governments and other donors in support of larger development programs.

The attached paper describes the new instrument and how it is proposed to work. It builds on earlier concept notes discussed by the Committee on Development Effectiveness (CODE) of the World Bank's Board of Executive Directors. It also incorporates feedback received from global consultations conducted between March and June 2011 with 39 countries and 15 development partners. In addition, more than 50 sessions of internal Bank consultations were held with corporate units, Networks, Regions, and field offices.

On August 3, 2011, CODE considered the attached paper. It indicated its continued support for the instrument. The meeting raised several issues that Bank management agreed to consider further. These include a suggestion to cap the share of IDA and IBRD lending volumes during the first two years after approval; a clearer articulation that the instrument will not finance investments that under investment lending policy would be considered Category A activities due to social and environmental issues; whether sectoral exclusions would reduce the development impact of the instrument; the need for more detail on the approach to be adopted to fight fraud and corruption, including the role of the Bank's Integrity vice-presidency; more information on how the Bank will support improved governance and the development of country capacity; and more clarity on the definition of disbursement indicators. The meeting endorsed a second phase of external and internal consultations.

The consultation period will continue to the end of September 2011. Following this period, Bank management will submit the final policy paper for Board approval later in the year. This paper will reflect how Bank management proposes to address the issues raised during the CODE meeting as well as those that will arise during the consultation period.

Those interested in providing comments should do so at www.worldbank.org/ProgramforResults. Questions may be directed to ProgramforResults@worldbank.org.

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Operations Policy and Country Services

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ABBREVIATIONS AND ACRONYMS

AFR	Africa Region
BP	Bank Procedure
CCT	Conditional cash transfer
CAS	Country Assistance Strategy
CODE	Committee on Development Effectiveness
CPS	Country Partnership Strategy
DLI	Disbursement-linked indicator
DPL	Development policy lending
EAP	East Asia and Pacific Region
ECA	Europe and Central Asia Region
EFA FTI	Education for All—Fast-Track Initiative
FM	Financial management
GAVI	Global Alliance for Vaccines and Immunization
GPOBA	Global Program on Output-based Aid
IBRD	International Bank for Reconstruction and Development
IAD	Internal Audit Department
IDA	International Development Association
IDB	Inter-American Development Bank
IEG	Independent Evaluation Group
IL	Investment lending
INT	Integrity Vice Presidency
IP	Inspection Panel
ISR	Implementation Status and Results Report
LCR	Latin American and Caribbean Region
M&E	Monitoring and evaluation
MCC	Millennium Challenge Corporation
MNA	Middle East and North Africa Region
OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
OBA	Output-based aid
OP	Operational Policy
OPCS	Operations Policy and Country Services
PAD	Program-for-Results Appraisal Document
PCN	Program-for-Results Concept Note
PFM	Public financial management
PID	Project Information Document
RBFH	Results-based Financing in Health
SAI	Supreme audit institution
SAR	South Asia Region
SIL	Specific investment lending
SWAp	Sectorwide approach
UNICEF	United Nations Children's Fund
WHO	World Health Organization

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A NEW INSTRUMENT TO ADVANCE DEVELOPMENT EFFECTIVENESS: PROGRAM-FOR-RESULTS FINANCING

EXECUTIVE SUMMARY

1. World Bank Management is proposing a new lending instrument—Program-for-Results—to respond to rapidly changing development needs and urgent demand from borrowing countries. Under Program-for-Results, Bank support will help member countries improve the design and implementation of their own development programs in infrastructure, education, health, and other sectors, in local government and community development, and in cross-sectoral areas such as public sector management and private sector development. While results are at the center of all that the Bank does, Program-for-Results will place more direct emphasis on development results by linking disbursements to results or performance indicators that are tangible, transparent, and verifiable. Program-for-Results will work directly with the program's institutions and systems and, when appropriate, seek to strengthen those institutions' governance and their capacities and systems over time. Finally, Program-for-Results will be an instrument for strengthening partnerships with government as well as other development partners and other stakeholders by allowing the Bank to effectively support larger programs and cofinance in pooled funding arrangements.

2. ***Lessons of Experience.*** Program-for-Results builds on experience with sectorwide, program-based, and results-focused operations. The Bank has never had a stand-alone program-based lending instrument under a dedicated policy framework, but features of program-based lending have been used in operations approved and implemented over more than a decade. The overall performance of such operations compares favorably with the performance of the lending portfolio as a whole, and member countries are requesting more of such operations. But a lack of clarity on how to process such operations, and the need to squeeze them into a set of policies designed for investment lending (IL), have created problems and missed opportunities. Experience from outside the Bank with similar types of operations provides useful examples of how to effectively focus on results that Program-for-Results can learn from, including the value of putting in place a clear results framework and effective monitoring and evaluation (M&E) systems. This experience also highlights the importance of looking carefully at the implementation modalities for such operations and the risks of using procedures structured for more input-based projects.

3. ***Feedback from Consultations.*** The design of the proposed new instrument takes account of the feedback from external and internal consultations. External consultations were held in 39 countries (33 client countries and 6 donor countries) in all six Regions.[1] For each consultation, efforts were made to ensure the participation of a balanced range and representation of stakeholders. Similarly, more than 50 sessions of internal consultations were held with corporate units, Networks, Regions, and field offices. Program-for-Results is seen as a natural complement to the Bank's existing lending instruments and as a potentially effective way to help build government systems and institutions and thereby enhance development impact, governance, and sustainability. Member countries have welcomed the flexibility of the instrument and the

[1] In addition, consultations were held with representatives from 9 Part I countries and 9 development partners.

opportunity to use it in areas beyond the education and health sectors. They have stressed the importance of the programs remaining government-owned, and of using government systems to produce results that are clear, feasible, and verifiable. The consultations have also emphasized the importance of ensuring that the money provided by the Bank is used for its intended purpose and that environmental and social effects are systematically identified and addressed.

4. ***Key Features of Program-for-Results.*** The key features of the new instrument are proposed to be as follows:

(a) ***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. With other development partners, where relevant, the Bank will assess the quality of programs, their supporting systems, their ability to deliver the desired results, and the scope for system-strengthening measures and other improvements.

(b) ***Disburses upon achievement of results and performance indicators, not inputs.*** Disbursements will finance the defined borrower programs that are designed to achieve the program's specific results. Disbursement s will be pooled with funds from other sources (including government and development partners) and will not be attributable to individual transactions. Disbursements will be determined by reference to progress on monitorable and verifiable performance indicators, rather than by whether an expenditure has been incurred.

(c) ***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 to strengthen the institutional capacity of the program's own systems, and thereby enhance development impact and sustainability. This will include focusing on transparency, accountability, participation, and other governance aspects of the program.

(d) ***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.

5. ***Program-for-Results Complements Development Policy and Investment Lending.*** Program-for-Results will provide client countries with a wider range of instruments to choose from, depending on the nature of the support they are seeking, the risks, and the desired results. Development policy lending will remain the primary Bank instrument to support policy actions to achieve a country's overall development objectives, with rapidly disbursing general budget support to help address overall development financing needs. IL will remain the Bank's main

instrument to support projects, with disbursement against specific expenditures and transactions. Program-for-Results will be the instrument of choice when the objective is to support the performance of a government program using the government's own systems; when the results require expenditures; and when the risks to achieving the program's objectives relate to the governance and capacity of the systems to achieve better results, including with respect to fiduciary and environmental and social issues.

6. ***Appropriateness of Program-for-Results.*** The Bank will determine the appropriateness of Program-for-Results for specific countries, sectors, and programs in the context of the Country Assistance Strategy/Country Partnership Strategy (CAS/CPS) and the Bank's overall assessment of the country's policies and programs, its institutional capacity to undertake those programs, and its commitment to improving those programs and the associated systems. In using the program's own systems and focusing on how best to improve them, Program-for-Results has the potential to make a major difference in terms of governance, institution building, and sustainability. But there are also important risks involved with such an approach, which will need to be carefully assessed and managed. To reduce up-front risks that might be associated with the use of Program-for-Results, specific activities have been excluded from the program. The exclusions include activities that pose a risk of potentially significant and irreversible negative impacts on the environment and/or affected people, and contracts whose cost estimates exceed specified monetary amounts. The paper describes how such exclusions will be managed.

7. ***Preparation of Program-for-Results Operations.*** During the preparation of a proposed Program-for-Results operation the Bank team, working with other partners and drawing on relevant studies and other work, will assess the technical soundness of the program, the capacity and performance of the program's systems and the key risks that the program will not achieve its development objectives. The technical assessment will focus on the strategic relevance of the program (how the program is situated in a strategic context in the country and sector), its technical soundness, and its institutional quality and implementation capacity. It will also examine the program's expenditure framework, including the level, allocation, efficiency, and financial sustainability of program expenditures, the program's economic impact, as well as the quality of the results framework for the program and the accompanying M&E arrangements. It will give particular attention to whether the expected results of the program are well defined, monitorable and verifiable. The systems assessments will cover the fiduciary and the environmental and social aspects of the program. The fiduciary assessment will focus on the systems' ability to facilitate and promote effectiveness, efficiency, economy, transparency, and accountability, and the environmental and social assessment will focus on the systems' ability to address the environmental and social impacts and risks of the program. The assessments will involve a review of the framework and accompanying rules and procedures that are in place, the capacity to implement those rules and procedures, and past performance, if applicable. They will also involve working with government counterparts and other partners, when relevant, to assess the potential for strengthening the framework and the rules/procedures, enhancing capacity and systems performance, and the risks associated with the program. The assessments of risk will feed into the integrated risk assessment that will be a key input to Management's decision to accept, modify or reject a proposed Program-for-Results operation.

8. ***Appraisal of Program-for-Results Operations.*** In appraising a proposed Program-for-Results operation, the Bank will focus on the findings of the various assessments, the risks that

the program will not achieve its expected development results, and the economics of the proposed operation, including the value-added of the Bank. With government counterparts and other stakeholders, as appropriate, the Bank will discuss proposals for program strengthening and capacity building, including with respect to the governance of the program and its monitoring and evaluation. Agreed improvement measures, if needed, will be reflected in an action plan for the operation. The Bank and government counterparts will also reach agreement on a set of disbursement-linked indicators (DLIs)—the indicators that will form the basis for disbursements. While DLIs could be of varying natures, they will be driven by desired outcomes and outputs. They could also be intermediate outputs or process indicators that are key actions needed to address specific risks or constraints to achieving development results. In selecting DLIs, the Bank will aim to ensure that all DLIs are key milestones that can be achieved by the completion of the Program-for-Results operation. A clear verification protocol will be structured for each DLI under the Program-for-Results operation, to ensure that a credible mechanism is in place for monitoring and verifying its achievement. As part of appraisal, taking account of the country context, the nature of the program, and the risk assessment, the Bank will agree with the borrower on the audit arrangements, to the extent possible using and strengthening, if appropriate, existing program oversight entities.

9. ***Approval of Program-for-Results Operations.*** The Bank's decision on whether or not to support a borrower program with the Program-for-Results instrument will be based on the scope and quality of the program and accompanying systems, the commitment to and the potential to make improvements, the ambitiousness of the improvements planned, the results to be expected, and the risks associated with the program. These will all influence the balance between the benefits and risks of proceeding with the proposed operation and the final decision of the Bank. Many of these variables can and will be adjusted as part of the preparation and appraisal process to arrive at an appropriate balance between benefits and risks. In some cases, the quality of an existing program or the systems supporting it may be low, but the commitment to make major improvements with the support of the Bank and other development partners, as appropriate, may be high and the activities included in the program relatively low in risk from a fiduciary, environmental, social or other perspective. In such cases, Program-for-Results may be the most appropriate instrument to use. Also, in cases where the quality of ongoing programs and supporting systems is good and there is little need for making improvements, the value-added of the Bank may be much less, though it may still make sense to move ahead with a Program-for-Results operation. A rigorous assessment of all the various dimensions of benefits and risks will therefore be essential, and a considered judgment will be made on the basis of that assessment.

10. ***Implementation Support and Oversight.*** Once a Program-for-Results operation has been approved, the borrower is responsible for the program's overall implementation, with the Bank providing implementation support. The Bank, working with other partners as appropriate, will provide direct support to the borrower on the agreed governance, institutional-strengthening, and capacity-building activities for medium- and longer-term sustainability. The Bank will also monitor progress on the action plan and on achieving the program's results (including the DLIs and associated disbursements). Timely monitoring on the basis of program progress and other reports and field visits will enable the Bank to give advice on, and enable the borrower to implement, any corrective actions needed to achieve the expected results in the face of changing circumstances. If changes cannot be accommodated within the framework of the original legal agreements, the Bank may consider a request from the borrower to restructure the program or

provide additional financing. When performance problems are identified, the Bank will promptly bring these problems to the attention of the borrower and others concerned. The Bank will work with borrowers to overcome or reverse program failures; and if the borrower fails to take corrective action, the Bank may exercise remedies to address the situation. In addition, Program-for-Results will be subject to the same corporate oversight functions as other lending instruments, with appropriate account taken of the systems as opposed to transactions nature of the instrument.

11. ***Approach to Fraud and Corruption.*** Program-for-Results provides an opportunity for the Bank to expand how it helps borrowers to fight fraud and corruption. Linking Bank financing to verifiable results is itself one of the indicators that funds are used appropriately. In addition, the Bank supports the borrower in managing the risk of fraud and corruption as one element of the borrower's overall responsibility for program implementation. The focus is on how the borrower manages *all* program resources, not only those provided by the Bank. The Bank reviews the systems and processes by which program implementing agencies do this. The results of this review inform the Bank's overall program risk rating, and the action plan it agrees with the borrower to respond to those risks. Programs will be governed by the Anticorruption Guidelines developed for this instrument. These may be complemented by country- or program-specific protocols agreed between the Bank and the borrower. Even as it encourages and helps borrowers to take the lead in managing fraud and corruption risks, the Bank has the right to carry out investigations where it judges that these are required to fulfill its fiduciary duty under the Articles, and to sanction entities determined as result of such investigations to have engaged in fraud and/or corruption. The Bank's debarment list applies to the programs, subject to limited exceptions (see paragraph 76).

12. ***New Operational Policy.*** The distinct nature of Program-for-Results requires a dedicated instrument and associated set of operational policies. Under Program-for-Results, the activities to be financed support a government development program that may predate Bank involvement and involve other development partners; Bank funding may represent a modest part of the total financing, with partners, when possible, endeavoring to rely on and improve the program's own systems and controls. In these circumstances, it is more appropriate to make the performance of the program systems and institutions a central focus of the Bank's engagement. Therefore, it is not realistic for the program to follow the Bank's IL policies. IL policies were designed to fit a discrete investment project in which close attention to the details of how inputs are obtained is a critical ingredient to success. IL policies are transaction-based and are, in many ways, detached from government legal and other frameworks; some assume that the Bank funds can be segregated from other sources of finance or earmarked for specific expenditures. Similarly, the Bank's operational policy for development policy lending is also not applicable for the proposed new instrument because it focuses on the appropriateness of the macroeconomic framework and on critical policy and institutional actions necessary to enhance growth and reduce poverty, rather than on the quality of specific sectoral or other development programs and their accompanying systems and the measures necessary to improve those programs and systems. Accordingly, once approved by the Board, the Program-for-Results instrument will be governed by a single dedicated operational policy (OP) and Bank procedures (BP) statement, accompanied by additional technical guidance notes to staff. With Board approval, the Program-for-Results instrument described in this paper complies with the Articles of Agreement requirements.

13. ***Working in Partnership.*** Program-for-Results will enhance the Bank's ability to work in partnership with governments, other development organizations, and other stakeholders. In the context of Program-for-Results the Bank can play a helpful and supportive role in strengthening the design and implementation of government programs for longer-term effectiveness and sustainability, through institution- and capacity-building and enhanced focus on results. Program-for-Results will also provide the Bank with many opportunities to partner with other development organizations in carrying out program and systems assessments, in the dialogue with government counterparts on how best to improve program quality, in the system-strengthening and capacity-building aspects of Program-for-Results supported programs, and in the financing, including grant financing, of such programs. This should help enhance the effectiveness of development partners' collective efforts and reduce transactions costs for governments and for development partners themselves. Finally, Program-for-Results will provide the Bank with significant opportunities for partnering with other stakeholders in helping governments improve the design and implementation of their programs and their ability to monitor and evaluate them effectively.

14. ***Management/Board Oversight of the Rollout of Program-for-Results.*** Management believes that the proposed introduction of Program-for-Results responds to client demand and that it will strengthen the Bank's contribution to results. But the proposal faces a range of challenges: the specification, verification, and achievement of results; the adequacy of fiduciary and environmental and social impact and risk management; and the effectiveness of system strengthening and capacity building. Accordingly, Program-for-Results will be rolled out cautiously, with Management aiming to find a balance between responding to demand and learning from implementation experience. Management will put in place enhanced corporate oversight arrangements during the initial phase. This will help ensure appropriate and consistent application of the new lending instrument. This approach builds on experience with introducing other new initiatives, such as Additional Financing. In all new CASs/CPSs, the proposed use of Program-for-Results will be included in the overall analysis of financing instrument mix to support the engagement strategy. All proposed Program-for-Results operations will be reviewed by a dedicated team at the corporate level that will include technical, procurement, financial management, environment, and social specialists. Management will also put in place a strong feedback loop so that the lessons of experience are fed back into the guidance to staff and the review of new operations. There will be a full Board discussion on the first two operations in each Region. Management will report on progress with implementation and recommend adaptations to the instrument when lending reaches 50 projects or $5 billion, whichever comes first (current projections are that this point will be reached between 18 and 30 months after rollout).

15. ***Next Steps.*** Following CODE discussion of this paper, the Bank will embark on the second phase of consultations: internal and external audiences will have another opportunity to provide feedback on the draft policy framework and the draft Program-for-Results OP/BP. Reflecting the feedback, Bank Management will then finalize the necessary documentation to support the introduction of the new instrument and present the final package to the Bank's Board of Executive Directors for approval. Bank staff will be provided with substantial guidance, support, and training in using the new instrument; a comprehensive internal and external communications and outreach effort will be undertaken; and, consistent with the Bank's overall policy on transparency and information access, all key documents associated with each Program-

for-Results operation, as well as periodic progress and evaluation reports provided to the Board, will be available to the public.

A NEW INSTRUMENT TO ADVANCE DEVELOPMENT EFFECTIVENESS: PROGRAM-FOR-RESULTS FINANCING

I. INTRODUCTION

1. World Bank Management is proposing a new instrument—Program-for-Results financing—to respond to borrowing countries' rapidly changing development needs. Under Program-for-Results, Bank support will help member countries improve the design and implementation of their own development programs. Program-for-Results will focus on development results by linking disbursements to results or performance indicators, which can be outputs, outcomes, or other actions/results that are tangible, transparent, and verifiable. Program-for-Results will work directly with the program's institutions and systems and seek to strengthen those institutions' governance, capacities, and systems over time. Finally, Program-for-Results will be an instrument for strengthening partnerships with governments and development partners, allowing the Bank to effectively support larger programs and cofinance in pooled funding arrangements.

2. ***Context.*** In March 2010, in the context of updating the Board's Committee on Development Effectiveness (CODE) on progress on investment lending (IL) reform, Management explained that the new instrument had been conceived in the context of IL reform but, after careful consideration, would be proposed as an instrument separate from and complementary to both IL and development policy lending (DPL). CODE members welcomed the initial discussion and expressed their support for a "program-based" approach as a complement to the "transaction-based" approach of IL. They also commented on the rationale for the new instrument and its expected impact on the way the Bank engages with clients and development partners, the review of defined government expenditure programs, and the fiduciary and environmental and social aspects of such operations. In October 2010, Management provided CODE with a draft concept note for the new instrument. CODE supported the broad directions proposed in the note, including the focus on programs and the clear link to results. Members asked for additional details—particularly with respect to the rationale for a new instrument separate from IL and DPL, the definition and treatment of results and their links with disbursements, the assessments of procurement and environmental and social impact, risk management, and the name of the proposed instrument. Management revised the concept note and, following an informal Board meeting in February 2011, the note has been used as the basis for extensive internal and external consultations on the proposed new lending instrument.

3. ***Consultations.*** The Bank has carried out internal consultations (with the Board and Bank staff[1]) and broad external consultations (with representatives of governments, development partners, other international organizations, parliamentarians, the private sector, civil society, foundations, academia, think tanks, and practitioners). The global consultations—web-based and face-to-face—have included IDA and IBRD borrowers, fragile states, and 39 countries (33 client and 6 donors), in all six Regions, with large and small operations.[2] For each consultation, efforts

[1] More than 50 sessions were held with corporate units, Networks, Regions, and field offices.
[2] In addition, consultations were held with representatives from 9 Part I countries and 9 development partners.

were made to ensure the participation of a balanced range and representation of stakeholders. A dedicated webpage has hosted the consultation materials in six languages: Arabic, Chinese, English, French, Russian, and Spanish. The consultation plan has been publicly available on the Bank's external website and has outlined the areas in which the Bank was seeking feedback: the overall concept and approach of Program-for-Results, its potential for development effectiveness and capacity building, its risks, and fiduciary and environmental and social issues. Detailed information about the consultations—participant lists, discussion summaries, and so on—has been available on the consultation webpage, which has been visited by people from 124 countries. (Annex A provides a summary of the consultations.)

4. ***Consultation Feedback.*** Overall, there has been broad support for the introduction of the new instrument; participants have received the proposal to introduce Program-for-Results positively, seeing it as a natural complement to the Bank's existing lending instruments. They feel that it will be an effective way to help build government systems and that, by rewarding performance, it should help address inefficiencies in government. They agree that by using the country's own systems, Program-for-Results will enhance the focus on institutional strengthening, and thus should enhance development impact and sustainability, and that it will also create an enabling environment for partnerships. Regardless of income level, client countries have generally welcomed the flexibility of the instrument and the opportunity to use it in sectors beyond education and health. They have stressed the importance of ownership and the need for results and the disbursement-linked indicators associated with some of the results to be under the government's control, feasible, and verifiable. Participants have noted the importance of a clear definition of results; clarity on roles, responsibilities, and accountabilities; and effective monitoring, evaluation, and verification (including potential involvement by civil society organizations). Several participants asked what checks and balances the Bank will put in place to ensure that money is used for its intended purposes and that environmental and social effects are systematically identified and addressed—and specifically, how fraud and corruption will be addressed in Program-for-Results, what procurement principles will be applied under Program-for-Results operations, how the environment and social policies applicable under Program-for-Results will relate to the Bank's current safeguard policies for investment lending, and what oversight functions will apply to Program-for-Results operations (a more detailed summary of the feedback from the consultations is provided in Annex A). The detailed design of the new instrument described in this paper endeavors to respond to the feedback and questions.

5. ***Organization of Paper.*** Following this introduction, Section II of this paper reviews the demand for Bank financing as reflected in country strategies and the lessons from experience within and outside of the Bank with operations that have programmatic features and link disbursements to results. Section III provides an overview of the new instrument. Sections IV, V, and VI describe the process for preparing, appraising, and implementing Program-for-Results operations. Section VII outlines the new operational policy for the instrument, and Section VIII summarizes how the Bank would work in partnership with others in using the new instrument. Section IX discusses how to address some of the challenges and risks to the further development and introduction of the proposed instrument, and Section X summarizes the proposed next steps. Annex A summarizes the feedback from consultations; Annex B summarizes some of the Bank's experience with operations with programmatic investment lending features; Annex C presents the draft policy, procedures, and anticorruption guidelines for the new instrument; and Annex D provides an illustrative list of possible Program-for-Results operations for FY12.

II. Responding to Demand and Building on Experience

6. The Bank has never had a stand-alone program-based lending instrument under a dedicated operational policy framework. However, demand for this type of lending has been strong, and features of program-based lending have been used in operations that have been approved and implemented over more than a decade. Other development agencies have also been developing more program-based approaches with stronger links between financing and results. A review of experience with these types of operations provides perspective and useful lessons for the design and implementation of Program-for-Results operations (Annex B provides additional detail).

A. Demand for Program-based Lending

7. ***Demand for Program-based Lending.*** A review of 51 Country Assistance Strategies (CASs)/Country Partnership Strategies (CPSs) discussed by the Board between 2008 and 2010 yields information on country demand for the Bank's lending, advisory, and other services. With respect to lending, almost all the countries covered expect to continue benefiting from traditional IL, while 36 of the 51 countries (69%) expect to benefit from DPL and 34 (65%) request some form of programmatic lending or program-based or sectorwide approach (SWAp). Demand for program-based lending comes from countries in all income categories and all Regions and includes a broad range of sectors—education, health, social protection, roads, water, energy, urban development, and agriculture—as well as support to states or subnational levels of government. It is also clear that countries want a program-based approach that is integrated, holistic, and focused on performance measurement and results. The programs to be supported need to be owned by the government, aligned with sector and macro priorities, and focused on system strengthening, with the financing of the programs integrated into national budgets. Countries would also like such approaches to be used as a mechanism for better coordinating the support of all external partners, including through possible joint funding.

B. Summary of Bank Experience

8. ***Programmatic Features Are Not New.*** Many of the operations with programmatic features have their roots in what has come to be known as "program-based approaches."[3] The numbers of these operations have increased since the 1990s in response to a stronger focus on results and to clients' increasing demand for support of government programs and assistance in addressing system-level weaknesses. Vehicles used have included SWAps, 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. The sectoral, regional, and product design profile of such program-based IL operations has adapted and evolved to meet different country conditions (client demand, development needs, and institutional arrangements) and to

[3] There is no single definition of a program-based approach. The most commonly used description is the OECD-DAC's: "A way of engaging in development cooperation based on the principle of coordinated support for a locally owned program of development. It includes four elements: leadership by the host country organization; a single program and budget framework; donor coordination and harmonization of procedures; and efforts to increase the use of local procedures over time with regard to program design and implementation, financial management, and monitoring and evaluation."

focus more on results. Box 1 provides an example of programmatic lending for the education sector in Pakistan.

Box 1. Programmatic IL: The Experience in Pakistan

The Punjab Education Sector Project and Sindh Education Sector Project, approved by the Board in June 2009, use an IL instrument with program-based features to support education reforms in their respective provinces. These projects built on the experience of projects in LCR: Minas-Gerais Partnership II SWAp and Ceara Multi-Sector Social Inclusion Development in Brazil. Minas supported five sectors, including health and education, and Ceara supported human development and sustainable resource management. The Pakistan teams, learning from the LCR operations, designed specific IL credits to support the governments' programs for primary and secondary education. The projects disburse against eligible expenditure programs based on the achievement of predetermined disbursement linked-indicators (DLIs). The DLIs include intermediate outcomes, implementation performance/institutional change indicators that build incrementally over the life of the project.

Evolution of support. The Bank previously engaged in education reform programs in Punjab and Sindh through development policy credits that supported policy reforms in the sector. The program then followed up with a specific investment credit building on the achievements of the development policy credits while focusing on implementation outcomes and outputs through the achievement of measurable targets (DLIs). The new approach also provided enhanced focus on strengthening associated provincial systems (e.g., fiduciary, safeguards, and monitoring and evaluation, or M&E) through technical capacity building and implementation support.

Flexibility in design. The flexibility in design allowed the Bank to support a part of the government's program and priorities while maintaining a strong focus on the achievement of key results. The DLIs were determined in partnership with the provincial governments, reflecting priority elements in the provincial reform programs. This also allowed for the DLIs to be tailored to the specific needs in each province.

Focus on governance and M&E. The use of this lending approach facilitates an emphasis on governance improvements by targeting subprogram design at strengthening education sector governance and institutionalizing accountability in the delivery of education. Some examples:

- Merit and need-based teacher recruitment in Sindh;
- Implementation of a teacher incentives program in Punjab; and
- Strengthening of school-based management, with establishment and capacity building of school management committees in both Punjab and Sindh.

A strong focus on M&E is also a part of project design to complement governance reform. The government's own M&E systems, such as the annual public school census, have been strengthened and are now used to motivate policy and implementation decisions. Also, project design includes third-party validations to evaluate subprogram performance and achievement of DLIs, and evaluations for key interventions to provide valuable information to inform future program directions and decisions.

9. ***Good Implementation Record.*** Reviewing the overall performance of programmatic ILs is complicated by the fact that these operations are not separately coded and can therefore be difficult to identify. A sample of 41 such projects identified by the Regions[4] revealed that they perform at least as well as the overall IL portfolio; and a more recent analysis of SWAps, conditional cash transfers, and output-based aid confirms that their project performance indicators compare favorably with those of the overall lending portfolio. These types of operations appear to have a stronger results orientation, at least in part because several of them include disbursement-linked indicators (DLIs). Implementation Status and Results reports (ISRs) rated monitoring and evaluation (M&E) as moderately satisfactory or better for 90 percent of these projects by number and 97 percent by value. The types of results have varied and (like

[4] The review included operations from all Regions (13 from AFR, 3 from EAP, 4 from ECA, 12 from LCR, 3 from MNA, and 6 from SAR) and in education, health, other social sectors, infrastructure, local government/urban, and finance, as well as multisectoral programs. The total lending volume was US$9 billion.

other aspects of program design) have been tailored to the development stage of the supported government program and its expenditures.

10. ***Lessons.*** Some key lessons can be drawn from program-based approaches used by the Bank: (a) enhanced development effectiveness requires that resources be linked to results; (b) an early focus on design and assessment of the program supported produces better results in the long term; (c) the precise definitions of expected results and assignment of accountability are needed; and (d) credible verification of results is essential. At the same time, staff report that the continued process- and input-intensity of the IL product and a lack of clarity on how to approach and how to interpret the current IL operational framework (which was designed for a very different kind of lending) has caused confusion among staff, clients, and development partners, taken time away from focusing on substantive results, and made the processing of such operations costly in time and effort for development partners and countries.

C. Lessons from Other Development Partners

11. The call for more focus on results and for stronger links between financing and results is not unique to the World Bank; other agencies have also been exploring such options. A number of global initiatives have been created to support closer links between funding and results—for example, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Millennium Challenge Corporation, and the GAVI Alliance (formerly known as the Global Alliance for Vaccines and Immunizations). The Inter-American Development Bank (IDB) has also developed a performance-driven lending instrument, and the sector budget support programs of several development partners have many of the features of programmatic and more results-focused lending (see Annex B).

12. ***Lessons.*** While the World Bank cannot adopt some of these approaches wholly, they yield several important lessons:

- More performance-based financing can incentivize progress on results in terms of outputs and outcomes, and client countries appreciate it.
- Flexibility in instrument design is needed to accommodate diverse country and sector contexts.
- Keeping project design as simple as possible improves the focus and ease of implementation of an operation.
- The selection of DLIs should reflect the fact that results mean different things at different stages in the program cycle, and outcomes may take many years to achieve.
- Data quality and adequate monitoring systems are the cornerstone of a robust focus on results.

D. Missed Opportunities

13. While demand for program-based lending is increasing, the ability to meet that demand is constrained by the limitations of the existing menu of lending instruments. This has led to missed

opportunities to achieve better development impact. While all Bank instruments strive to deliver results and development impact in support of Bank country programs and will continue to be the leading lending instruments, none fully allow support to be tied to the results from specific programs of expenditures. Therefore, the Bank is missing opportunities to partner with clients in improving the efficiency, effectiveness, and governance of some development programs and thereby enhance its overall development effectiveness. By aligning more of its support directly with government programs, focusing directly on systems improvement and capacity building, and working in partnership with governments and other stakeholders to reorient programs to be more results-based, the Bank has the opportunity to build on its track record of delivering results across a broad range of sectors and countries, and to significantly increase the sustainability of its impact.

14. ***Application of IL Operational Policies and Procedures.*** Until now, program-based investment operations have had to be squeezed into the existing IL fiduciary and safeguards policies, which are designed for traditional ring-fenced IL projects rather than a results-led program approach. This creates a number of problems (see Box 2):

(a) It often requires a double layer of controls (to ensure the implementation of activities supported by the operation with respect to the requirements of both the government and the Bank), which can impose additional costs on clients without any perceived additional value.

(b) It has led to project designs that are biased toward activities that are easier to accommodate within the current Bank procedures rather than being primarily driven by delivering maximum results.

(c) "Cherry-picking" specific activity types under a program limits the Bank's ability to partner with the client on implementing improvements in the effectiveness and efficiency of the entire program.

(d) Overlaying concerns about the application of Bank rules to a country program and compliance with the Bank's rules has often resulted in giving greater attention to procedural compliance than to key institutional issues.

(e) Uncertainty about how Bank policies and procedures (including those on procurement and environmental and social safeguards) designed for more traditional IL projects should apply to more program-based lending has heightened risks for both client countries and the Bank.

(f) When relying on government systems, it has been difficult to use procedures designed for project lending for more program-based and results-focused lending—for example, matching expected results with programmed resources or tracking eligible expenditures to specific outputs and outcomes established in the results matrix.

Box 2. Using the IL Instrument in India and Brazil: Achievements and Limitations

The ***India PMGSY Rural Roads Project*** (P124639), financed by an IDA credit of US$1 billion and an IBRD loan of US$500 million, is supporting the Government of India's Rural Roads Program, which aims at providing all-season road access to all villages with a population above 500. About 30 percent of India's villages (or 300 million people) are without all-season access to social services and economic opportunities. Launched in 2000, the Government program has already financed the connection of 70,500 villages through 270,000 km of new or improved rural roads, at a cost of US$14.7 billion. It is estimated that it will cost another US$40 billion to achieve the program's target by 2020.

Bank financing supports implementation of a time-slice of the program in the seven Indian states where most progress will be needed to achieve the program's targets. Bank funds will be disbursed against results achieved in those states: enhancing connectivity (another 8,200 villages would be connected), improving effectiveness of public administration (including new, more efficient, countrywide specifications applied to manage rural roads and procure civil works), and maintaining the roads (increased portion of the rural road network under maintenance contracts).

While the program is generally acceptable to the Bank, Government procedures under the program had to be modified to conform to the Bank's IL policies, especially in the procurement and social impact areas. The Bank was able to accept a modified version of the program procedures mainly because the contracts under the program are of low value and complexity and have the potential to generate only small negative impacts on the environment and society. The combination of support to a program of small infrastructure expansion with the use of a modified version of program procedures and of results-based disbursements make this operation one of the frontier Bank IL operations providing program-based support.

However, this approach came at a cost. First, it excluded all contracts under the program that were ongoing at financing effectiveness, reducing the Bank's ability to influence the performance of those contracts. Second, both the Government and Bank spent much of their project preparation resources in finding an acceptable way for the Government to conform to prescriptive IL requirements, instead of partnering to improve the program's cost-efficiency and sustainability. Third, because of the transaction focus of IL policies, the transaction cost of implementation support will be high: the project is expected to finance over 7,000 contracts, spread over a territory covering about one-third of India.

Under the ***Brazil Minas Gerais Partnership for Development II*** project, cumulative IBRD lending of $1.5 billion supports the Minas Gerais "State for Results" program for improved public sector management in several sectors and stronger results management by the state government. IBRD resources are disbursed against indicators in six sectors: public sector management, private sector development, health, education, transport, and rural poverty reduction. The operation includes extensive technical assistance, some of it financed under the loan and some provided by Bank staff as part of project support, including in the areas of public procurement and performance-based contracting of infrastructure and services. IBRD provides around 18 percent of program financing. Semiannual disbursements are proportionate to the achievement of indicators, provided that the Government has financed at least 70 percent of total program expenditures.

The project has helped the Government implement a broad array of reforms and efficiency improvements under 20 expenditure programs or initiatives. In particular, it has supported the Government in modernizing fiscal management and improving tax efficiency; introducing a results-based public sector management culture; further involving the private sector in the state's development; improving coverage, quality, and efficiency in health services delivery; achieving faster improvement in school quality and education; improving the condition of the state road network; and providing all-weather access to all municipalities in the state.

However, to fit within the parameters of the IL instrument, the Bank had to exclude about 50 percent of the civil works contracts from the program because such contracts, while deemed to follow good procurement practice, did not strictly follow Bank procurement rules. For the same reason, the program could not include any consulting services contracts procured following Government processes. Choosing projects that avoid procurement (and safeguards) for procedural reasons deprives the Bank of the opportunity to support important improvements in both of these critical areas.

15. ***Application of DPL.*** While DPL is an excellent option for supporting policy and institutional reforms, it is not easily applicable to the provision of the medium- and long-term support for system improvements and capacity development—core aspects of the type of program support client countries are now requesting.

III. Overview of Proposed Program-for-Results Financing

16. In proposing a new instrument, Management is responding to changing demand and a changing country engagement model, and drawing on experience with program-based operations. Client countries are increasingly implementing their own programs for development and poverty reduction, programs that are rooted in their own legal, policy, regulatory, and institutional environments. They are asking development partners for finance and expertise to improve such programs' effectiveness and efficiency in achieving results. In this context, Management believes that the Bank needs a suite of lending instruments that responds to three broad sets of demands from clients:[5]

(a) ***Policy support operations:*** operations that support policy and institutional actions to achieve a country's overall development objectives and provide rapidly disbursing general budget support to help address development financing needs.

(b) ***Project support operations:*** operations that support specific investment projects and disburse against specific expenditures and transactions.

(c) ***Program support operations:*** operations that support government programs and system strengthening, and that disburse against results.

17. ***Key Features of Program-for-Results.*** The Bank responds to the first two sets of demands with DPL and IL operations. To address the third group, Management is proposing a new instrument with four key features:

(a) ***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. With other development partners, where relevant, the Bank will assess the quality of programs, their supporting systems, their ability to deliver the desired results, and the scope for system-strengthening measures and other improvements.

(b) ***Disburses upon achievement of results and performance indicators, not inputs.*** Disbursements will finance the defined borrower programs that are designed to achieve the program's specific results. Disbursements will be pooled with funds from other sources (including government and development partners) and will not be attributable to individual transactions. Disbursements will be determined by reference to progress on monitorable and verifiable performance indicators, rather than by whether an expenditure has been incurred.

[5] The Bank also offers guarantees to help mobilize private sector finance.

(c) ***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 to strengthen the institutional capacity of the program's own systems, and thereby enhance development impact and sustainability. This will include focusing on transparency, accountability, participation, and other governance aspects of the program.

(d) ***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.

In addition to these features, Program-for-Results will enhance the Bank's ability to partner with other development organizations by pooling resources and focusing directly on capacity building. There will be important opportunities for the Bank to work with other partners at all phases of the development and implementation of Program-for-Results operations, and this should enhance the effectiveness of development partners' collective efforts. It should also increase efficiency by reducing transaction costs for the government and development partners themselves.

18. ***Instruments to Respond to Different Development Challenges.*** The proposed new Program-for-Results instrument will complement, not replace, the Bank's existing lending products. While all Bank instruments focus on development results, borrowers will be able to choose from a wider range of instruments to suit their objective, the results they desire, and risks they face. The description below illustrates the differences and complementarities among the instruments (see also Table 1).

(a) ***Development policy lending.*** DPL will remain the primary Bank instrument to support policy and institutional actions. It focuses on discrete policy actions within the direct control of governments, and links disbursements to evidence that those actions have been adopted. DPL is a practical and effective way of supporting policy actions that help create the enabling conditions for improving results—for example, when new regulations are required for the better functioning of markets or new policy frameworks are necessary to improve government efficiency. DPLs provide general budget support and do not earmark loan proceeds for specific programs. Moreover, DPLs disburse against specific policy and institutional actions and not against the results or outputs/outcomes associated with sector/program expenditures.

(b) ***Specific investment lending.*** Specific investment lending (SIL) is the Bank's main instrument to finance investment projects. It supports a heterogeneous range of operations, but their common characteristic is typically the financing of specific investment activities that involve a set of expenditure transactions, most of which are used for the purchase of works, goods, and services. SIL is a practical and effective way of supporting the achievement of results when risk management and controls are needed on the inputs side (e.g., construction, technology) and when technical design and implementation challenges are critical bottlenecks to achieving results. Often such situations involve discrete, one-off activities (for example, the construction of a large infrastructure project or the purchase of expensive and technically complex equipment). By focusing on the proper implementation and risk management of individual transactions, SIL operations put the emphasis of Bank-client relations on making sure that the right inputs and technology are in place and are implemented as planned.

(c) ***Program-for-Results.*** Many of the development challenges countries face cannot be addressed just through discrete policy actions or through the proper technical implementation of a project. For example, improving service delivery (e.g., better maintained roads, functioning schools and health clinics, effective agricultural extension services) may well require both policy actions (e.g., a decentralization law) and some discrete investment activity (e.g., constructing new schools or contracting works for road maintenance). But in many cases, these are not sufficient for the achievement of results. Schools can be built, but teachers may remain absent; health clinics may have new equipment, but essential drugs may not be available at the point of service; and rural roads may remain un-maintained in spite of the existence of contracts. Addressing such bottlenecks involves improvements in the governance of institutions and systems, including capacity building and changes in management practices and behaviors by service providers and users alike. Program-for-Results will be the instrument of choice when the objective is to support the performance of a government program using the government's own systems, when the results require expenditures, and when the risks to achieving the program's objectives relate to the capacity of the systems—for example, the M&E, fiduciary, and environmental and social systems—to achieve better results. Program-for-Results will also enhance the Bank's ability to partner with other development organizations in supporting government programs by pooling resources and focusing more directly on capacity building.

Table 1. Complementary Lending Instruments

Category	***Project support lending (SIL)***	***Program-for-Results financing***	***Policy support lending (DPL)***
Purpose	Supports specific investment operations	Supports government programs or subprograms	Supports policy and institutional actions
Disbursement mechanism	Disburses against specific expenditures that support the operation	Disburses upon achievement of results and performance indicators	Disburses against policy and institutional actions
Implementation mechanisms	Bank IL rules and procedures Funds for specific expenditures	Program systems Funds for specific expenditure program	Country policy processes Funds for non-earmarked general budget support

19. ***New Operational Policy.*** Management proposes that the distinct nature of Program-for-Results requires a dedicated instrument and associated set of operational policies. Under

Program-for-Results, the activities to be financed will support a government development program that may predate Bank involvement and involve other development partners; and Bank funding may often represent only a modest part of the total financing, with all partners endeavoring to rely on and improve the program's own systems and controls. In these circumstances, it is more appropriate to make the performance of the program systems and institutions a central focus of the Bank's engagement. Therefore, it is not realistic for the program to follow the Bank's IL policies. IL policies were designed to fit a discrete investment project in which close attention to the details of how inputs are obtained is a critical ingredient to success. IL policies are transaction-based and are, in many ways, detached from government legal and other frameworks; and some assume that the Bank funds can be segregated from other sources of finance or earmarked for specific expenditures. Similarly, the operational policy for DPL is not applicable because it focuses on the appropriateness of the macroeconomic framework and on critical policy and institutional actions necessary to enhance growth and reduce poverty, rather than on the quality of specific sectoral or other development programs and their accompanying systems and the measures necessary to improve those programs and systems. Accordingly, it is more appropriate that Program-for-Results be governed by a single dedicated operational policy (OP) and Bank procedures (BP) statement, accompanied by additional technical guidance notes to staff.

20. ***Support for Country Systems.*** Effective country systems and institutions are fundamental to the Bank's development mission. The Bank has joined developing countries and other development partners in endorsing the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, which express the international consensus in favor of strengthening and expanding the use of country systems. Program-for-Results provides an additional opportunity for the Bank to use and thereby strengthen governance and the performance of the country institutions that are responsible for implementation of the program being supported. The introduction of Program-for-Results will therefore enable the Bank to focus more systematically on the strengthening of country systems by improving or enhancing such systems at the sector and program levels. The proposed approach to meeting the Bank's fiduciary and environmental and social concerns under Program-for-Results will focus on an assessment of the quality of program processes and systems, on the improvements necessary to ensure better results, and on what the Bank can do to help realize such improvements. Implementation support will provide more focused technical advice to improve systems and capacity building to improve performance. While Program-for-Results will contribute to the broad agenda of country systems, it will be different from the country systems pilots in two ways. First, it will recognize that institutional performance is not homogeneous within a given country, and that it may be possible to work with some institutions even when there are wider national weaknesses. Second, while maintaining the Bank's overall commitment to high international standards, Program-for-Results will not seek procedural equivalency to the Bank's policies and procedures designed for IL operations.

21. ***Appropriateness of Program-for-Results.*** Demand for Program-for-Results comes from a broad range of member countries, including both low- and middle-income countries, and covers a broad range of program types in many different sectors. As for both 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. Instead, decisions on the feasibility and scope of Program-for-Results will take account of the following considerations.

(a) ***Consistency with CAS/CPS.*** The appropriateness of Program-for-Results will be determined in the context of the CAS/CPS and the Bank's overall assessment of the country's policies and programs, its institutional capacity to undertake those programs, its commitment to improving those programs and the associated systems, and the risks associated with those programs and systems.

(b) ***Priority and definition of the program.*** Since Program-for-Results operations are expected to support new or existing programs, the Bank will assess the priority attached to the program to be supported in the context of a country's overall development strategy and plans. It will also assess the overall scope of the program. A program could cover an entire sector or subsector, or it could be a subnational program or a multisectoral program. In many cases it will be a "time-slice" of an ongoing program.

(c) ***Constraints to achieving development outcomes.*** Once the program is defined, a determination of the constraints to achieving the development outcomes will be carried out to decide on the appropriate instrument to use. If the primary bottleneck is one that requires policy actions, it may be more appropriate to use a DPL. If the key bottleneck relates more to the right inputs and technology being in place, then a focus on managing inputs using the SIL instrument may be more appropriate. For Program-for-Results, the implementation challenges will be predominantly institutional, with improved overall program performance demanding a focus on incentives and accountability for results.

(d) ***Exclusion of certain high-risk activities.*** To reduce up-front risks normally associated with certain activities, activities (i) with potentially significant and irreversible adverse impacts on the environment and/or affected people (this is analogous with how Category A projects are classified as such in IL),[6] or (ii) that involve the procurement of goods, works and non-consulting and consulting services under high-value contracts[7] will be excluded from Program-for-Results programs. In such cases, the excluded activities could potentially be financed through the Bank's IL instrument, either as a separate IL project (or part of an IL project) parallel to the Program-for-Results operation, or as a distinct IL activity under the program operation (which would then be a hybrid Program-for-Results/IL operation).

There may be selected and limited cases where such activities are deemed to be important to the integrity of the program (so their exclusion and separation from the program would be hard to justify) and, at the same time, their monetary value and/or

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6 Under the above formulation, new or major expansion of large-scale infrastructure investments are not eligible for Program-for-Results financing. Examples include: power plants; transport infrastructure such as highways, expressways, urban metro systems, railways, and ports; investments in extractive industries; commercial logging or industrial plantation development; water (surface and groundwater) resource infrastructure, including dams, or projects involving allocation or conveyance of water, including inter-basin water transfers or activities resulting in significant changes to water quality or availability; and construction of manufacturing or industrial processing facilities.

7 The amounts are those, as may be amended from time to time, that require mandatory review by the Bank's Operations Procurement Review Committee (OPRC). These amounts are presently $50 million for Works, Turnkey and Supply and Installation contracts, $30 million for Goods, $25 million for IT systems and Non-consulting Services, and $15 million for Consulting Services.

potential environmental and social impacts in relation to the overall program are modest. In such cases, consistent with the program and risk-based approach underlying the Program-for-Results concept, it is proposed that such activities could remain a part of the Program-for-Results operation and be carried out under the program fiduciary and environmental and social systems. The Bank's assessment of the activities and risks and benefits associated with their inclusion in the program will adhere to the provisions set out in paragraphs 7 and 8 of the proposed OP 9.00 in Annex C. The included activities will be subject to enhanced monitoring and supervision by the Bank. All such cases and the relevant justifications will be described in the program documents submitted to the Board as part of proposed Program-for-Results financing.

As part of the Bank's periodic review of Program-for-Results implementation, experience with the management of the above high risk activities will receive particular attention, and the Bank may propose modifications to how it manages such activities.

22. ***Processing Program-for-Results Operations.*** For each Program-for-Results operation, as for the Bank's other lending instruments, the Bank will carry out a process of identification, preparation/assessment, appraisal, and implementation support, described in the next chapters.

(a) ***Identification.*** In preparing the Program-for-Results concept note (PCN), the Bank will provide a preliminary description and assessment of the program, including its strategic relevance and economic impact, the level of borrower commitment, the program's objectives and key results (and associated risks), implementation arrangements, and overall performance (for ongoing programs).

(b) ***Preparation/Assessment.*** The task team will work in close partnership with the borrower and, as relevant, any other development partners to deepen the assessment of the technical aspects of the program and the quality of the systems supporting the program. All of these assessments will involve a rigorous review of frameworks, capacity, and performance.

(c) ***Appraisal.*** The task team will pull together the findings of the various assessments and review with the government the scope of the program and proposals for program strengthening and capacity building. The Bank will also complete the program's economic evaluation.

(d) ***Implementation.*** The Bank will support the borrower in carrying out the improvement measures agreed at appraisal and will monitor the overall progress of the program (including the achievement of results), as well as changes in the program's risks and compliance with the provisions of the legal agreements. It will also provide support to resolve emerging program implementation issues and build institutional capacity.

23. ***Resource Implications***. While past experiences with IL projects with Program-for-Results features suggest that costs are within the norm for IL projects, it is difficult to predict

the internal budget implications because cost will be influenced by many factors—previous engagement in the sector and with the institutions that will implement the program, capacity of the clients, involvement of other donors, and so forth. No additional resources are requested for Program-for-Results. As the instrument is totally demand-driven, Bank Management will make the trade-offs and allocations within the overall country/regional budget envelopes, depending on needs.

IV. PREPARATION OF PROGRAM-FOR-RESULTS OPERATIONS

24. During the preparation of Program-for-Results operations, the Bank will work with government counterparts to assess the scope of the program and its expected results, the technical arrangements and supporting systems for achieving the program's results, and the risks that the program will not achieve those results. In this context, the Bank will conduct three types of assessments: technical, fiduciary, and environmental and social. Each assessment will assess the overall quality of the program in its area—the framework/rules, implementation capacity, and actual performance under the program, with the objective of assessing the overall quality of the program and associated systems, and will identify improvements, including measures to mitigate major risks that the program will not achieve its expected results. Each assessment will provide inputs to the Program-for-Results integrated risk assessment, which will in turn provide feedback on the scope of the Program-for-Results program and the types of mitigation measures that might be needed. To the extent possible, assessments may be based on, or coordinated with, those of other development partners, and may use as inputs any relevant source of information, including existing assessments in earlier projects and analytic work at the country, sector, or program level.

25. ***Strengthening Governance and Institutional Capacity.*** A key feature of Program-for-Results operations will be the focus of Bank support on strengthening the governance and institutional capacity essential to ensure that the programs achieve their expected results and can be sustained. The assessments will identify, as appropriate, key program improvements and actions that can be undertaken over the time period of the Program-for-Results operation. Such improvements may be implemented during the operation's preparation, or during its implementation (as part of the operation's action plan, when one is required). From all key improvements that will be required to improve the long-term efficiency of a borrower's program, the operation will support those that are realistically achievable within the operation's timeframe. Important aspects of governance will be integrated into each of the assessments, as relevant, and will focus on both supply-side and complementary demand-side initiatives based on the principles of transparency, accountability, and participation. Technical assistance, where needed, can be provided as an integral part of a Program-for-Results operation, as a separate stand-alone IL or an IL component within a Program-for-Results operation (hybrid). If other development partners are engaged with the program and are willing to provide the support for technical assistance, that can also be an option.

26. ***Addressing Material Weaknesses.*** If the assessments reveal material weaknesses, the Bank's response will depend on the severity of those weaknesses and the potential for addressing them. If the weaknesses are so severe that credible remedial measures at the program level are judged unlikely to work, the Bank may decide not to finance the operation or to use another instrument that can better mitigate the risks. For less severe risks, the Bank will agree with the

borrower on measures to address and rectify them before or during program implementation—for example, in one or more of the following ways:

(a) Measures could be identified to improve capacity, systems, and procedures, and could be supported by the Bank financing, or another donor's, or from the client's own resources. Progress in implementing these measures—some of which could be in the form of legal covenants or included in an action plan —would be monitored during implementation.

(b) The DLIs could include specific actions, covering the areas of weakness, as results that would be monitored during implementation.

(c) Specific actions could be agreed for inclusion in an operations manual for the program (if one is available or required) or in the internal regulations of the client, and would be monitored during implementation.

(d) Adjustments could be made to the terms of reference of the audits and/or Bank monitoring during implementation to focus on the areas of weakness or riskiness.

A. Technical Assessment

27. The technical assessment is a critical step of the processing of Program-for-Results operations—it includes a dialogue about strategic relevance of the program to be supported, the results framework, monitoring and evaluation, the technical and institutional dimensions of the program and related governance and capacity issues, and so forth. The focus on the achievement of results, and its direct link to the disbursement of Bank financing, will reinforce the results-orientation of the program while also serving as an indicator that funds are being used appropriately.

28. Among others, the technical assessment will address the following questions. How will programs supported by a Program-for-Results operation be situated in a strategic context in the country? Is the program economically justified?[8] How will the expenditure program be framed and addressed? And how will results be defined, measured, and monitored to ensure the desired development impact? The assessment will use existing documentation, analytical work, and sectoral best practices as its basis, thereby building on the evaluation tools developed by the Bank and its partners over past decades.

1. Strategic Relevance, Technical Soundness, and Institutional Quality

29. ***Strategic Relevance.*** The Bank will seek to determine that the program will address an important goal in the sector, and that there is a clear rationale for government intervention. This will involve establishing that the issue to be addressed by the program is a priority issue for economic development and poverty reduction in the country. It will also establish that there is a case for government intervention in resolving the issue (for example, market failure, spillovers, redistribution, social concerns) and to identify whether government intervention should take the

[8] For more information on the program economic evaluation, see Section V, Subsection D.

form of regulation, financing, or outright provision. The possibility of some form of public-private partnership (PPP) may also be considered. The Bank will then examine whether the proposed program is adequately structured to resolve the issue at hand, taking into account international good practice, and whether there is a significant likelihood that the issue can be substantially resolved as a result of the program's implementation. Much of the information for such an assessment is likely to be available in development plans, sector strategies, and studies.

30. ***Technical Soundness.*** The Bank will seek to determine that the program is designed and implemented to efficiently produce results and achieve the program's objectives. The assessment will review whether the nature and technical design of the program activities are adequate to reach the program's objectives; whether the incentives are in place for program stakeholders to contribute effectively to the program's success; what the quality of the program's organization is, including its ability to plan, design, execute (including manage and supervise contracts), and monitor program activities; and, for ongoing programs, what the overall performance of those programs has been. Some of the information needed for such an assessment is likely to be available in program reports and evaluations. The Bank will also be able to rely on the knowledge and experience of internal and external experts, including experts on project management, M&E, and sector-specific technical issues.

31. ***Institutional Arrangements.*** The Bank will assess the institutional arrangements for program implementation and monitoring by reviewing whether the necessary entities are involved, roles and responsibilities are clearly defined, incentives are adequate to ensure cross-entity collaboration, and the government's commitment to the program's objectives. The assessment will then focus on the institutional arrangements of the program implementing agency, including whether it has the leadership and human resources needed to carry out the program, and whether there are clear processes for decision-making in the agencies and adequate incentives for staff and service providers. In addressing these various dimensions of institutional quality, the assessment will help determine the quality of governance of the implementing agencies in terms of their transparency, accountability, and skills and competence. This institutional assessment will draw on available sector and program studies, the findings of the systems assessments, and feedback from stakeholders and experts.

2. Expenditure Framework

32. Expenditure analysis will review the level, efficiency, and effectiveness of the government expenditures on the entire program, not just on the share or components "financed" by the Bank. The scope of expenditure analysis will be determined by the size and complexity of the government program, not the size of the Bank's financing. As relevant, key questions for the assessment will include, among others: (a) Does the budget classification system permit tracking of expenditures and provision of timely information on expenditure composition? (b) Are program expenditures—especially those with direct implications for the long-term sustainability of the program—part of a medium-term expenditure profile that provides financial sustainability and funding predictability, including consistency with the country's overall financial profile? (c) Is the borrower is able to execute the expenditures budgeted under the program, for example, avoiding generating a pattern of arrears and "stops-and-goes" under contracts with the private sector? (d) Do the level of the budget and its allocation across activities adequately reflect the resources required to generate the expected results?

3. Results Framework and Monitoring and Evaluation

33. While the Bank gives attention to results in all the operations it finances, Program-for-Results supported programs will make results the basis for disbursements, for the first time formally codifying the link between the two. Measuring results will move from being just one element of project design to being the primary driver of Bank financing. Program-for-Results operations will therefore have strong built-in incentives for both the client and the Bank to focus attention on the definition, achievement, and measurement of results. Thus it will be particularly important to have in place effective M&E systems.

34. ***Framework for Results.*** The results of the government program will be the results of the Program-for-Results operation. The Bank will assess the program's results framework that defines program outputs, intermediate outcomes, program outcomes, and goals. While disbursements will be based on a selection of key milestones from the indicators in the results framework, a clear understanding of the whole results chain is essential to ensuring that incentives for program improvement and strengthening are in place.

35. Results frameworks can be expected to vary in complexity and scope, depending on the definition and scope of the program to be supported, the indicators selected, and the client's capacity to implement the program and monitor results. In many cases the results framework for an ongoing program may be implicit in a government strategy or other document. In such cases the process of defining and assessing the results framework may involve working with the client to frame and refine the program and establish expected results, including any actions or processes that may be required to achieve the program's

36. ***Monitoring and Evaluation Arrangements.*** The Bank will assess the government's capacity to monitor, evaluate, and validate program results, reviewing the following with reference to the requirements and results framework of the program to be supported by the Program-for-Results operation: the institutional arrangements for monitoring and evaluating results; existing M&E plans; the quality and reliability of existing M&E products; the framework to support effective M&E and information sharing; staffing and resources to support M&E functions; and capacity development needs. The assessment of the M&E systems of some government programs may indicate that existing arrangements and capacity are adequate; but in most cases, it is likely that M&E systems will need to be improved and their capacity strengthened.

B. Assessment of the Program Fiduciary Systems

37. To make sure that funds are used appropriately, during the preparation of a Program-for-Results supported program, the Bank will assess the program fiduciary systems against the principles and elements articulated in the OP/BP 9.00 in Annex C. The assessments will build on available analytic work and country diagnostics (including work undertaken by other development partners), and will draw on the Bank's extensive experience acquired in supporting IL projects and other operations. The scope of the assessments will include the following:

(a) A review of applicable rules and procedures, including oversight mechanisms.

(b) A review of the capacity of the implementing agencies to follow those rules and procedures, and measures that could be introduced to strengthen that capacity

(c) An assessment of the agencies' performance in implementing these procedures under the program.

(d) The definition of improvements to be carried out as part of the Program-for-Results action plan.

38. ***Fiduciary Principles.*** From a fiduciary perspective, program systems arrangements will be consistent with the key principles of economy, efficiency, effectiveness, accountability, and transparency. Overall procurement arrangements will be assessed as to the extent to which the regulatory and procedural framework, institutional framework of functional responsibilities and accountabilities, procurement operations, and market practices all are expected to provide "best fit for purpose" through procurement processes that have acceptable planning, bidding, evaluation, contract award, and contract management. The financial management arrangements will be assessed as to the degree to which the relevant planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements provide reasonable assurance on the appropriate use of Program-for-Results funds and safeguarding of its assets.

39. ***Fiduciary Systems Assessment.*** The assessment will be carried out at the program level using, where available, existing knowledge on country systems and the implementing agency. The nature and scope of additional analysis to support program design and implementation support will vary between countries, sectors, levels of subnational government, and organizations. The assessment also considers how program systems handle the risks of fraud and corruption, including by providing complaint mechanisms, and how such risks are managed and/or mitigated. Based on the findings of the assessment, and where needed, the Bank and the borrower will agree on measures to be included in the action plan for the operation.

40. The fiduciary systems assessment focuses on the borrower's regulatory framework, program procedures, and fiduciary management capacity and implementation performance against the requirements of OP/BP 9.00 and the new Anticorruption Guidelines (AGC) for Program-for-Results. Program implementing institutions with demonstrated implementation effectiveness can be expected to manage significantly greater levels of risk, while new programs or newly organized implementing agencies will warrant deeper scrutiny and, depending on program context, may require more risk management and capacity-building activities in the action plan.

41. ***Coverage of the Assessment.*** The coverage of the fiduciary systems assessment will depend on the nature and scope of the program. The fiduciary assessment will be carried out at the program level using information available from diagnostics conducted by the Bank or other donors and complemented, as needed, with program-specific fiduciary considerations. Based on the findings of the assessment, and where needed, the Bank and the borrower will agree on measures to be included in an overall action plan for the operation and would identify (a) measures to improve the performance of the program, (b) measures to strengthen design, preparation implementation, control and oversight capacity, and (c) any specific mitigation

measures to ensure consistency with the fiduciary requirements, taking into account new ACGs. Progress in implementing these measures would be monitored during implementation.

42. ***Exclusion Screening Related to Procurement Risks.*** Contracts whose cost estimates exceed specified monetary amounts will not form part of programs supported by Program-for-Results financing. The amounts are those, as may be amended from time to time, requiring mandatory review by the Bank's Operations Procurement Review Committee (see paragraph 21 (d)).

C. Assessment of the Management of Environmental and Social Effects

43. Program-for-Results will seek to make sure that the environmental and social effects of the program are adequately addressed. During the preparation of a Program-for-Results operation, the Bank will assess, against the requirements of OP/BP 9.00, the degree to which the program systems manage and mitigate the environmental and social effects of the overall program.

44. ***Key Principles.*** The assessment will be based on the following core principles:

- Environmental and social management procedures and processes are designed to: (i) promote environmental and social sustainability in program design; (ii) avoid, minimize, or mitigate against adverse impacts; and (iii) promote informed decision-making relating to a program's environmental and social effects.

And where relevant,

- The program avoids, minimizes, and mitigates adverse effects on natural habitats and physical cultural resources resulting from the program.

- The program protects public and worker safety against the potential risks associated with (i) construction and/or operations of facilities or other operational practices under the program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards.

- Land acquisition and loss of access to natural resources is managed in a way that avoids or minimizes displacement; and affected people are assisted in improving, or at the minimum restoring, their livelihood and living standards.

- Due consideration is given to cultural appropriateness of, and equitable access to, program benefits, with special attention provided to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups.

- The program avoids exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

45. ***Systems Assessment.*** The systems assessment will first take account of the range of environmental and social tasks to be undertaken and the scale of potential effects. The assessment will then focus on the organizational and procedural considerations that are relevant

to environmental and social management, as well as the capacity of the implementing agency to effectively implement necessary actions and its performance in practice. The assessment will be adapted to the country and program context, and will review the regulatory and policy bases for appropriate environmental and social planning and action, organizational authority and capacity, any interagency coordination arrangements, and the effectiveness of environmental and social management in practice. Key organizational dimensions include, among others, whether the program implementing agency has the necessary authority to manage the environmental and social effects of the program; whether the staffing and skills of the agency are adequate; how the program is coordinated; and whether it promotes credibility and accountability. Other dimensions are the effectiveness of the implementation of the existing regulatory framework; the quality of early screening for environmental and social effects and of up-front review of any proposed subprojects; the extent and quality of consultations with stakeholders; and the effectiveness of established grievance procedures.

46. ***Consultation and Disclosure.*** The assessment process itself would include a stakeholder consultation with the objective of testing the findings of the draft assessment against the knowledge and perceptions of stakeholders who are involved in the government program. Relevant information regarding environmental and social issues would be disclosed via an enhanced Project Information Document (PID), replacing the Integrated Safeguards Data Sheet that was designed specifically for IL operations. The PAD would describe the potential environmental and social impacts, program capacity to mitigate impacts, and capacity-strengthening or other specific measures deemed necessary to ensure effective performance. The PID would summarize potential impacts and mitigation arrangements described in greater detail in the PAD. Both PID and PAD would be disclosed in accordance with the Bank's Access to Information Policy.

47. ***Exclusion Screening Related to Environment and Social Effects.*** Program-for-Results will not support activities that could cause significant and irreversible adverse impacts on the environment or affected people (see para 21 (d)).

D. Integrated Risk Assessment

48. Risk assessment is an important aspect of Program-for-Results operations. For each operation, an integrated risk assessment will build on the work done in the various assessments outlined above. The assessment will focus primarily on the risks to achieving the development objectives and results. The risk assessment will be a dynamic process, starting in early stages of preparation, and continuing through implementation. This assessment will be an important input for Management to determine and maintain an adequate balance between expected program results and related risks. It will also help staff to continuously monitor the evolution of risks, identify the emergence of new risks, assess progress in implementing risk management measures and their impact, and, as necessary, devise appropriate adjustments to support the achievement of program results. The results of the risk assessment are a key input to the Bank's decision on whether to go forward with the preparation of a Program-for-Results operation, to authorize the operation's appraisal, and to determine the level of Bank implementation support to a given government program. If the overall program risk is deemed to be high, Management may decide not to move ahead with preparation of the operation or may raise the decision to the corporate level.

49. ***Risk Categories*****.** The risk framework will draw on the lessons of the investment lending Operational Risk Assessment Framework, which will be adapted to the program nature of the intervention. It will include key risk categories, such as:

- ***Operating environment risks,*** including (a) country risk, examining for example the extent to which macroeconomic conditions may affect prospects for implementation of the program supported and consistency with the Government's overall fiscal program. It will also look at issues like political economy, governance (including fraud and corruption), and the independence of civil society; and (b) stakeholder risk, including risks emanating from the government, the general public, key donors, development partners, or other stakeholders.

- ***Program risks,*** including (a) technical risk, relating to the program's economic rationale, technical soundness, institutional capacity, governance, sustainability, and M&E arrangements; (b) fiduciary risk, relating to the program's fiduciary systems arrangements, capacity, and performance, as well as to controls and audits; (c) environment and social risk, relating to the potential impacts of the program, the system in place, and capacity and performance for avoiding, mitigating, or managing such impacts; (d) DLI risk, relating to the program's results framework, the type of indicators selected, and the measurement and verification of results, and (e) other risks, those program-related risks not covered under the above four dimensions. As governance is a cross-cutting theme, risk evaluation under each of these dimensions takes into account governance risks pertaining to that dimension.

V. APPRAISAL AND APPROVAL OF PROGRAM-FOR-RESULTS OPERATIONS

50. In appraising a Program-for-Results operation, the Bank will integrate the findings of the various assessments to determine the overall quality of the program and its associated systems, the borrower's commitment to and potential for making improvements, and the risks (with and without improvements) that the program will not achieve its expected development results. On the basis of these findings, the Bank will agree with government counterparts on the scope of the program to be supported and its objectives, results, and a set of DLIs, as well as on measures, if needed, for program strengthening and capacity building, including with respect to the governance of the program and M&E. As necessary, these improvements will be described in an action plan for the operation. As part of operation appraisal, the Bank will also agree with the borrower on the audit arrangements. The Bank will also finalize the economic evaluation of the proposed operation before Management decides whether the overall balance between the benefits and risks of the operation justifies proceeding with the negotiations of the operation and presenting it to the Bank's Board of Directors for approval.

A. Program Action Plan and Capacity Building

51. An action plan, if warranted, describes the agreed actions to be undertaken by the borrower (with Bank support as needed) to address key areas for improvement. At least three types of improvements may be included in the action plan:

- Changes to the technical dimensions of the program and to the formal rules and procedures governing the organization and management of the systems used to implement the program.

- Actions to enhance the capacity and performance of the agencies involved.

- Risk-mitigating measures to increase the potential for the program to achieve its results and to address fiduciary, social, and environmental concerns.

An initial draft of the action plan will be developed as part of the preparation/assessment process and further refined during appraisal.

52. Of particular importance for Program-for-Results supported programs will be the measures for improving capacity and strengthening institutions. Building on the findings of the assessments, the Bank (and other development partners, as relevant) will work with country counterparts to develop a better understanding of the governance and capacity constraints to program performance and development results, and the devise measures to, among others, enhance transparency, strengthen incentives and accountability, improve the demand-side aspects of governance, and increase the effectiveness of training. Capacity building in monitoring, evaluation, and reporting as well as in enhancing the program's performance will be a central theme for many Program-for-Results supported programs and will provide a platform for focusing development assistance. As noted above, technical assistance can be provided through a number of modalities through Program-for-Results to support capacity-building efforts, depending on the needs of the specific operation.

B. Disbursement-Linked Indicators and Disbursement Arrangements

53. While DLIs will vary in nature, they will be driven by desired outputs or outcomes in the program's results framework (e.g., the number of service connections of a particular specification or number of children vaccinated or confirmed as going to school), they can also be complemented by intermediate outputs or process indicators (e.g., confirmation of substantive participation in decision-making by specified communities), or financing indicators (e.g., share of strategic projects in total expenditures), provided they contribute to outcomes. DLIs can also be key actions aiming to address specific risks or constraints to achieving the results (e.g., implementation of an information system or establishment of a complaints or grievance system). DLIs will represent key milestones in achieving the program's development objective and incentivizing behavioral change in program implementation. Some DLIs may be a single action to be achieved at a certain point in time, while others may be progressive. DLIs can also be scalable—disbursements can be proportional to achievement of the specific DLIs. An agreed verification protocol will indicate in each operation which DLIs are discrete (i.e., all of nothing) and which are scalable and will substantiate the achievement of results for each DLI.

54. ***Timing.*** Most borrowers are expected to request Bank disbursements to occur relatively regularly, and in a relatively linear fashion, throughout the Program-for-Results implementation period. When determining the time at which a specific DLI will be achieved, the Bank will take the borrower's funds flow needs into account along with the critical paths that will ensure that all DLIs can be achieved by the completion of the Program-for-Results operation. The DLIs, the

related results, and the loan amounts allocated to the achievement of those results are recorded in a DLI matrix.

55. ***Financing Prior Results.*** In some circumstances, certain results may need to be achieved before the legal agreement is signed so that the desired program results can be achieved—for example, establishing credible baseline data or setting up the monitoring arrangements for the main program—particularly for new programs. In such cases the Bank will allow financing of DLIs achieved from the Concept Review to the signing of the Financing Agreement, as long as the aggregate amount assigned to such DLIs does not exceed 25 percent of the amount of the Bank financing.

56. ***Revolving Advances.*** In some situations, advances may be helpful, or even necessary, for the borrower to finance the activities needed to achieve the results for one or more particular DLIs. Such situations might occur, for example, in fragile and conflict-effected states or where the Program-for-Results financing is supporting the start-up of a new program in a budget-challenged country. In these cases, advances could be considered, to achieve not only the initial set of DLIs but also subsequent DLIs during the implementation period. Advances should not exceed 25 percent of the total Program-for-Results financing. The amount of the advance is deducted (recovered) from the amount to be disbursed subsequently. Further advances can be made once an advance has been recovered, or partially recovered, so long as the overall limit is not exceeded. Advances plus prior results financing should not exceed 30 percent of the overall financing.[9]

57. ***Disbursement Arrangements.*** Program-for-Results supports existing or new programs. As existing programs are generally part of the general budget process, when a DLI is achieved, the Bank will disburse the agreed amount as a contribution to the program that underpins the results. The government can request that the Bank loan proceeds be disbursed either into the government's account at the central bank, or in some situations (for example, if the program is defined to be outside the government's general budget or part of a stand-alone revolving road fund, a state-owned entity, or a municipality) into the separate account of the relevant entity.

C. Program Audit

58. As part of appraisal, and taking the program nature, country context, and risk assessment into consideration, the Bank will agree with the borrower on an audit approach for the program. The scope of the audit approach will be determined by the potential vulnerable areas the fiduciary assessment identified as needing independent review/verification. The audit may not necessarily be undertaken by a single entity. Building on existing capacity for accountability and oversight, different entities may be in charge of conducting different audits. The approach will be to use and, to the extent possible, strengthen existing program oversight entities. The audit will generally cover the following areas:

- ***Program Financial Statements Audit.*** The borrower is required to submit annual audited Program financial statements after the close of the borrower's financial year. Audits need to be carried out by auditors with independence, experience, and capacity

[9] Increases to the maximum percent of financing for prior results, advances, or their combination can be approved by Management.

acceptable to the Bank, and under terms of reference acceptable to the Bank. The Bank and borrower agree on, and confirm in the legal agreement, the period for receipt of the annual audit reports (e.g., within 12 months after the close of the borrower's financial year), taking into consideration the country and Program context. Countries' supreme audit institutions (SAIs)[10] generally carry out regular financial audits of the execution of the state budget, including the programs supported by the Bank. However, in many cases SAIs do not issue a separate audit report for each individual program; or they may issue such a report, but only with significant delays. The Bank will discuss and reach agreement with the SAI on acceptable terms of reference to ensure that the annual program financial statements audit will be done in a timely and reliable manner and the audit report will be made public in a time and manner acceptable to the Bank. The Bank will monitor how the responsible agency(ies) implement the findings and recommendations of the audit report.

- ***Program Technical Audits/Reviews.*** The annual financial audit may need to be complemented with other audits or independent reviews conducted by the SAI, private audit firms, third-party verification agents, internal audit departments, or other arrangements (e.g., social inspection). These audits/reviews may include such areas as assessment of the performance of environmental and social impacts management; overall best fit for purposes of the procurement under the program, using proxy indicators; physical inspections assessing the quality of goods and works and the reliability of grievance mechanisms; and verification of outputs/results linked to disbursement (using the verification protocol for each DLI).

D. Economic Evaluation

59. The economic evaluation will take into account the scope of the program, the improvements to be made, the results to be expected, and the conclusions of the various assessments in an overall assessment of the economic justification (or evaluation) of the proposed operation by answering the following questions: (a) Is public provision appropriate for the programs to be supported by a Program-for-Results operation; (b) Is the current program economically efficient; (c) What is the development impact of the improved program; and (d) What is the World Bank's value-added?

60. ***Public Rationale and Economic Efficiency.*** Assessing the rationale for public provision of goods and services is an integral part of the economic evaluation of any government development program. The main rationales for public action—market failures, spillovers, redistribution, social and political concerns, and so on—will have been assessed as part of the strategic relevance assessment of the overall program. The assessment of the program's expenditure framework should help determine whether an existing program is being delivered efficiently, taking account of available resources, and at a reasonable cost.

61. ***Development Impact.*** The economic evaluation should confirm that the program proposed for Program-for-Results support contributes to development, with expected benefits

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[10] If the SAI is unable (because of capacity considerations) or unwilling (because of independence concerns) to audit the program, the borrower and the Bank may agree on alternative audit arrangements for the program (for example, recruiting a private audit firm).

adequately exceeding expected costs. For many programs, this evaluation may take the form of a comparison of the *with* and *without* situations, supported wherever possible by evidence from similar programs in the country or elsewhere. If benefits are quantifiable but not in monetary terms, it may be possible to measure them with and without the improved program—for example, in terms of a reduction in the incidence of malaria—without being able to express them in monetary terms.

62. ***World Bank Value-Added.*** The Bank's resources, principally funds and staff, increase the development impact of a Program-for-Results operation when their contribution adds to what can be realized by an exclusive reliance on the client's own resources or those provided by other development agencies. Conceptually, the Bank's value-added is the difference in the program's development impact with and without the Bank's involvement. It should be clear that the allocation of staff and resources to the Program-for-Results operation under consideration adds significant value and that the specific activities are well chosen. Three broad sets of activities can be identified: training, capacity building, and institutional strengthening; the learning dimension of Program-for-Results operations; and the risk mitigating measures required under the risk assessment for Program-for-Results operations.

E. Management Assessment of Benefits and Risks

63. At various stages in the processing of a proposed Program-for-Results operation, the Bank will assess the overall balance between the benefits and the risks of proceeding with the operation and come to a considered judgment as to the best way forward. This will be a focus of discussion as early as during the Program-for-Results concept review meeting; depending on the results of that discussion, a decision could be reached early on that the Program-for-Results instrument is not the appropriate one to use, perhaps because the major constraints are more policy or technical than institutional—implying that DPL or IL may be a more appropriate instrument. During preparation, the Bank will keep under review the balance of risks, capacity, and rewards and, as necessary, adjust the various dimensions of the proposed operation accordingly. If there are significant changes in some of these critical areas, the team will alert Management to those issues. The balance of rewards and risks will again be considered during the Management decision meeting before appraisal.

64. ***Program-for-Results Operation Scope, Results, and Risks.*** The scope and quality of an ongoing program and of its accompanying systems, the borrower's commitment to and potential to make improvements, the ambitiousness of the improvements planned, the results to be expected, and the risks associated with the program (both with and without improvements) will all influence the balance between results and risks. For example, the broader the scope of the program and the more ambitious the objectives for system-strengthening (e.g., with respect to fiduciary issues and environmental and social impacts), the greater will be the anticipated results—but probably also the greater the risk to achievement of the projected results. Working with government counterparts and other development partners, the Bank will come to an appropriate balance between results and risks—perhaps by adjusting the scope of the program or agreeing strengthening or other risk management measures. (The introduction of a large number of special risk management measures would likely signal that the scope of the operation is too ambitious or that the environment is too risky for Program-for-Results to be the most appropriate instrument, even if the country is requesting Program-for-Results support.)

65. ***Overall Judgment in Determining the Fit of a Program for Program-for-Results Support.*** The Bank's decision on whether to support a borrower program with the Program-for-Results instrument will be based on the results of all the assessments. A number of factors will be considered in determining whether the instrument is the right choice. For instance, if the quality of an existing program or the systems supporting it is low, but the commitment and potential to make major improvements with the support of the Bank and other development partners are high and the activities included in the program relatively low-risk from a fiduciary, environmental, social, or other perspective, Program-for-Results may well be an appropriate instrument to use. At the other end of the spectrum, in some cases the quality of an ongoing program and its supporting systems may be good but there is relatively little interest in or commitment to making improvements or the activities to be supported by the program are complex and potentially high risk. If the added value of Bank involvement is small and the risks relatively high, the Program-for-Results instrument may not be appropriate. Over time, the Bank will build up a case-load of experiences and best practices that will facilitate decision making. Until then, while the instrument is new, enhanced corporate oversight will be put in place.

VI. SUPPORTING THE IMPLEMENTATION OF PROGRAM-FOR-RESULTS OPERATIONS

66. ***Overall Borrower and Bank Responsibilities.*** While the borrower will be responsible for the program's overall implementation, the Bank will monitor and provide implementation support, including (a) reviewing the implementation progress of the program, including the action plan and the achievement of program results and DLIs; (b) providing support on resolving emerging program implementation issues and on building institutional capacity; (c) monitoring the adequacy of systems performance through program monitoring reports and audit reports, as well as through field visits, and monitoring compliance with legal agreements; and (d) supporting the borrower in monitoring changes in risks in Program-for-Results operations. The Bank will work closely with other development partners, as relevant, during implementation, by conducting joint missions and sharing implementation support responsibilities, as appropriate.

A. Implementation Support

67. ***Monitoring Progress.*** The Bank will monitor the progress on the overall program, including the action plan and achievement of the program's results. The team will identify bottlenecks, emerging issues, and potential risks to the achievement of the program's results. Timely monitoring on the basis of program progress and other reports and field visits will enable the Bank to give advice on, and will enable the borrower to implement, any corrective actions needed to achieve the expected results in the face of changing circumstances. In this context, the quantitative/qualitative indicators developed for monitoring program performance will assist in comparing baseline and implementation information and in identifying areas that appear to be underperforming. For field visits, particularly when program sites are numerous and dispersed across wide areas, task teams will devise a plan to ensure that, over time, they observe a representative sample of areas. Additionally, task teams will support the borrower in ensuring the continuing adequacy of program performance and underlying systems, and will review financial, technical, and progress reports prepared by the borrower and audit reports prepared by external and internal auditors. Staff will continue sector/program dialogue throughout the program's implementation.

68. ***Capacity-Building Support.*** Bank task teams will also provide support to the borrower in (a) undertaking the action plan and institutional capacity-building activities defined during project preparation; and (b) identifying and resolving program implementation issues that may arise during the implementation of a Program-for-Results operation. Drawing on the list of technical support activities agreed during the preparation of the operation, the task team and the borrower will confer regularly on the specific activities to be carried out and structure a joint timetable of concrete actions to be undertaken. As needed, the initial list of technical support activities will be modified to accommodate unforeseen priority needs for technical support from the Bank or other partners. Capacity-building support will be focused on improving governance and performance and on institutionalizing those improvements for medium- and longer-term sustainability. For new programs, the development of a practical and functioning M&E system could be an area of focus for support.

69. ***Achievement of Results.*** During the implementation of a Program-for-Results operation, the Bank will monitor progress toward the achievement of DLIs on the basis of agreed reporting arrangements, including the program's M&E data in the progress reports. When a DLI has been achieved, the borrower will inform the Bank and provide any evidence agreed in the DLI verification protocol, and the Bank determines that the DLI has been met. If DLIs were not well defined during the preparation of a Program-for-Results operation, or cannot be met because of unexpected events, the definition of these DLIs may be modified during the operation's implementation, following normal Bank project restructuring processes.

70. ***Monitoring Risks.*** During implementation, Bank staff will continue to use the integrated risk framework in (a) monitoring the evolution of risks and identifying the emergence of new risks; (b) assessing progress in implementing risk management measures and their impact, working with the authorities and partners to make adjustments as necessary; and (c) determining the level of staff and Management oversight.

71. ***Restructuring.*** If, as part of program implementation support, the Bank identifies significant changes in the program circumstances and/or risks or changes in the borrower's priorities and needs, the program financing arrangements may need to be modified to make the original program objectives and the results framework more realistic, or to increase the development impact of the program. If such changes cannot be accommodated within the framework of the original legal agreement(s), the operation may be restructured, in a smilar manner to existing restructuring procedures.

72. ***Additional Financing***. During the implementation of the program, the Bank may provide additional financing to the borrower to finance (a) an unexpected financing gap or cost overrun under the program to achieve the original DLIs, as described in the PAD; or (b) new or modified DLIs or additional or modified results aimed at scaling up the impact or development effectiveness of the original program or addressing major economic and/or social impacts of a natural or man-made crisis or disaster. The Bank's decision to extend additional financing will be based on the same considerations as its decision regarding the original program financing. In addition, the Bank will need to be satisfied with the implementation and performance of the original program, and with the results of the assessments related to the new or modified DLIs and results.

B. Performance Issues and Remedies

73. ***Performance Issues.*** When performance problems are identified, Bank staff will promptly bring them to the attention of the borrower and others concerned. The Bank will also follow up on the results of independent audits and on the functioning of grievance processes. The Bank will support the borrower in taking the steps necessary to address performance issues. If the borrower fails to take corrective action promptly, or if performance continues to lag, the Bank may invoke remedies as specified in the program legal documentation.

74. ***Remedies and Recourse.*** The Bank's standard legal remedies will apply to Program-for-Results operations. Remedies (to be distinguished from not disbursing Bank funds when DLIs are not met) may be applied when standard events (set out in the Bank's General and Standard Conditions, which are part of the legal agreements) and operation-specific events (set out in the legal agreements) occur. During preparation of a Program-for-Results operation, the government and the Bank will agree on the specifics of the program to be supported and the systems to be adhered to by the client. These operation-specific undertakings will be reflected in the legal agreements. During implementation, the Bank will monitor the borrower's compliance with its legal undertakings. If the borrower does not comply with its legal obligations, the Bank will require the borrower to institute timely and appropriate corrective measures. If such measures are not taken, the Bank may exercise remedies—including suspension of disbursements and cancellation of the loan—to address the situation, reflecting the degree of severity of the borrower's noncompliance.[11] The Bank will also have a refund right if a disbursement is made in connection with a DLI that is subsequently shown not to have been met, or only partially met.

C. Role of Corporate Oversight Units

75. ***Dealing with Fraud and Corruption Cases.*** Consistent with the overall Program-for-Results approach of using and strengthening overall governance and systems, the preferred approach will be for the government to carry out investigations into allegations of fraud or corruption in connection with Program-for-Results operations and pursue follow-up actions as appropriate. At the same time, in light of its fiduciary duty under the Articles, the Bank will also have the right to investigate allegations of possible fraud and corruption under a Program-for-Results supported operation. New Anticorruption Guidelines for Program-for-Results (ACGs) will be issued to take account of the fact that, in the context of these operations, the Bank will not be funding specific transactions—that is, Bank funds will not be linked to specific expenditures within a program (see Box 3).

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[11] Section 7.02 (a) through (m) of IBRD's General Conditions and Section 6.02 (a) through (m) of IDA's General Conditions set out the events that may lead to suspension: payment failure, performance failure, fraud and corruption, cross suspension, extraordinary situation, event prior to effectiveness, misrepresentation, co-financing, assignment of obligations; disposition of assets, membership, condition of borrower or Program Implementing Entity, ineligibility, and additional event. Similar provisions are set out in Article IV of the Standard Conditions.

Box 3. Overall Approach to Fraud and Corruption in Program-for-Results

Program-for-Results provides an opportunity for the Bank to expand how it helps borrowers to fight fraud and corruption. Linking Bank financing to verifiable results is itself one of the indicators that funds are used appropriately. In addition, the Bank supports the borrower in managing the risk of fraud and corruption as one element of the borrower's overall responsibility for program implementation. The focus is on how the borrower manages *all* program resources, not only those provided by the Bank. The Bank reviews the systems and processes by which program implementing agencies do this. The results of this review inform the Bank's overall program risk rating, and the plan of actions it agrees with the borrower to respond to those risks. Programs are subject to the ACG. These may be complemented by country- or program-specific protocols agreed between the Bank and the borrower. Even as it encourages and helps borrowers to take the lead in managing fraud and corruption risks, the Bank has the right to carry out investigations where it judges that these are required to fulfill its fiduciary duty under the Articles, and to sanction entities determined as result of such investigations to have engaged in fraud and/or corruption. The Bank's debarment list applies to the programs, subject to limited exceptions that reflect the programmatic nature of the instrument.

76. Under the ACGs, allegations of possible fraud and corruption brought to the attention of the government or Integrity Vice-Presidency (INT)/the Bank would normally be communicated to the other party, leading to consultation on appropriate follow up action. The findings by the responsible investigative unit and proposed actions would be shared with the Bank, and, as appropriate, the parties would consult on the corrective actions warranted. The ACGs would also provide that the borrower would ensure that entities debarred and suspended by the Bank do not participate in contracts awarded during implementation of the operation during their periods of debarment or suspension. In exceptional circumstances involving ongoing contractual or operational relationships, the Bank may consider exempting particular contracts from this requirement, so long as it does not pose an unacceptable fiduciary or reputational risk. The Bank's standard remedies under the General Conditions (e.g., suspension of disbursements, cancellation of the loan, repayment of monies already provided) provide sufficient scope for the Bank to respond when issues of fraud and corruption are not being satisfactorily addressed. The detailed arrangements by which the ACGs would be implemented in each program would be set out in a protocol to be agreed between the Bank and the borrower.

77. In line with its current practices, INT would be unlikely to investigate all the complaints that may arise in the context of a particular operation. However, the Bank would have the right to conduct its own investigations and would exercise this right as the circumstances require (e.g., the nature of the case, lack of action or the capacity of the government) when it believes it necessary to do so to fulfill its fiduciary duty. The Bank would be able to impose sanctions against firms and individuals in accordance with its sanctions policies and procedures.

78. ***Role of Other Corporate Oversight Units.*** Program-for-Results will be subject to the same oversight functions as other lending instruments:

- ***The Inspection Panel*** is an independent, "bottom-up" accountability and recourse mechanism that investigates IBRD/IDA-financed projects to determine whether the Bank has complied with its operational policies and procedures, and to address related issues of harm.

- ***The Internal Audit Department*** provides objective and independent review and assessment of the World Bank Group's business activities and controls.

- ***The Independent Evaluation Group*** is responsible for providing an objective assessment of the results of the Bank Group's work and identifying and disseminating the lessons of experience.

VII. NEW OPERATIONAL POLICY

79. ***Single Operational Policy and Bank Procedure Statement.*** Once approved by the Board, the Program-for-Results instrument will be governed by a single dedicated Operational Policy (OP) and Bank Procedure (BP) statement, accompanied by additional guidance notes to staff.

80. ***Scope of OP and BP.*** The draft OP sets out the essential components of the new instrument, describing the general purposes of a Program-for-Results operation and covering the regulatory, governance, institutional, financial management, procurement, environment, and social areas. The OP makes clear that these policies apply to the entire program to be supported by a Program-for-Results operation. The draft BP spells out the related procedures that will need to be carried out during preparation, appraisal, and implementation. These two documents are mandatory for staff.

81. ***Guidance Notes.*** Guidance notes that provide additional guidance to staff will discuss such technical matters as (a) how to monitor a Program-for-Results operation in general, and in relation to specific areas such as fiduciary and environment and social effects; (b) how to assess, mitigate, and monitor risks; (c) how to design and measure results and what to do if results targets are not met; and (d) how to follow up if some agreements are not complied with.

82. ***Conformity with Articles of Agreement.*** With Board approval, the Program-for-Results instrument described in this paper would comply with the Articles of Agreement. The Articles provide, in part, that Bank loans should be used for productive purposes, for specific projects (except in exceptional circumstances), for intended purposes with due attention to considerations of economy and efficiency, and for expenses as they are actually incurred. Programs proposed to be financed by Program-for-Results will meet these requirements. Thus the Articles provide sufficient legal basis to allow for Board approval of the new instrument.

VIII. WORKING IN PARTNERSHIP

83. Program-for-Results will enhance the Bank's ability to work in partnership with governments, other development organizations, and stakeholders. Participants in the external consultations have recognized this aspect but have raised important questions about how this will work in practice.

84. ***Government Ownership and Leadership.*** The Bank will partner with governments in assessing programs and the potential for improvements, and in agreeing with government counterparts on specific improvements and the role of the Bank in supporting those improvements. The Bank will help strengthen the design and implementation of programs. The Bank believes that the longer-term effectiveness and sustainability of such programs requires strong government ownership and leadership.

85. ***Development Partners***. Program-for-Results will help the Bank work better with other partners at all phases of the development and implementation of Program-for-Results operations—for example, carrying out the technical and systems assessments and drawing on diagnostic work that development partners have carried out; and appraising Program-for-Results operations, including finalizing the scope and financing of the program and the agreed improvement measures. Development partners will often play an important role in the system-strengthening and capacity-building aspects of a Program-for-Results supported program, both because of their expertise and because they often provide technical support on a grant basis. Program-for-Results will increase efficiency by reducing transactions costs for the government and for development partners.

86. ***Stakeholders.*** Program-for-Results will offer opportunities for the Bank to partner with other stakeholders—the private sector, civil society, and others—in helping governments improve the design of their programs and implement them more effectively. Stakeholders may be involved in the Bank's assessment of the government's program and its capacity to manage the program's environmental and social effects, and in the monitoring and evaluation of programs and their results, including the independent verification of program results and DLIs. In addition, Program-for-Results gives the Bank an opportunity to discuss with government counterparts improvements to the overall governance of programs, including strengthening the demand-side aspects of governance.

IX. CHALLENGES AND RISKS

87. Management believes that this proposal responds to client demand and will strengthen the Bank's contribution to results. At the same time, it presents a range of challenges and risks, which this section discusses.

88. ***Scope of Program and Systems Assessments***. There is a risk that the various technical and systems assessments that are integral to the development of Program-for-Results operations may become excessively complex or detailed, time-intensive, costly, and prescriptive. There is also a risk of inconsistencies in approach and application.

89. The Bank will seek the right balance between preserving the flexibility of the instrument and ensuring that it is used only where it can be expected to achieve the desired results. Guidance to staff on the conduct of the assessments will assist in this area, including by recognizing that assessments should draw on other credible analytic work as well as on the experience of the Bank and other development partners in working in particular countries and particular program areas. In addition, a corporate team will be established to provide oversight on all Program-for-Results operations. This team will both provide the support that is needed and ensure consistency and high levels of quality assurance.

90. ***Specification, Verification, and Achievement of Results***. Linking disbursements to results presents a number of challenges. First, specifying the outcomes and outputs that the program is intended to achieve, determining the associated performance measures, and, where relevant, mapping intermediate results/indicators to final outcomes is a relatively new approach worldwide, especially in environments with weak institutions. Second, with Bank financing conditional on measured results, both clients and Bank staff may feel pressured to compromise

on results measurement. Third, to the extent that expected results are not achieved and disbursements cannot be made, some clients may face financing gaps in important development programs and challenges in filling those gaps.

91. The Bank will develop appropriate quality mechanisms to address these challenges. Through the operation, it will support the clients' capacity to develop sound results frameworks and to monitor and evaluate such frameworks, and it will train Bank staff. Program-for-Results operations will seek to establish independent verification and monitoring mechanisms, with transparent, timely, and accurate reporting and clear requirements for follow-up actions if problems are identified. Making DLIs scalable, to allow for proportionate disbursement in the case of partial achievement of results, will also help reduce the financing risks for governments. A separate guidance note on how to develop and implement results frameworks for Program-for-Results operations has been prepared.

92. ***Adequacy of Fiduciary and Environmental and Social Impact and Risk Management Measures.*** Program-for-Results operations will provide assurance that Bank financing is used appropriately and that the environmental and social impacts and risks of the program are adequately addressed. This assurance will be heavily influenced by the system assessments and by efforts to improve the systems' performance and mitigate risks as well as to monitor such performance throughout implementation. Still, the shift away from transactions and very specific procedural aspects may be perceived by some as influencing such standards.

93. To address this risk, systems assessments will be carried out rigorously, consistently, and transparently, and a summary will be included in the Program-for-Results operation's documents and made available to the public. In addition, working on the system level can enhance the overall performance of the program and produce higher sustainability and impact on addressing fiduciary, social, and environmental issues. The additional corporate quality assurance will help ensure that such assessments are done well. In addition, the Bank will provide both hands-on and structured training to staff.

94. ***Effectiveness of System Strengthening and Capacity Building***. Institutional strengthening and capacity building to ensure that programs achieve their expected results is a core feature of Program-for-Results, especially in situations of weak capacity. But institution and capacity building are challenging. Some countries may be unwilling to request Bank financing for the technical assistance and other measures necessary to help build capacity.

95. To address this challenge, Bank implementation support activities will focus on capacity building in a broad range of areas, including the program's results frameworks and its fiduciary and environmental and social systems, processes, and procedures. The Bank will support institutional strengthening and capacity building through complementary analytic work and technical assistance. It will also develop partnership arrangements with other development partners, which may be in a better position to support the necessary capacity building, including through grant financing.

96. ***Risk of Results or Other Actions Being Imposed on Countries***. Program-for-Results operations provide an opportunity to improve development partners' coordination around government-owned programs, thereby contributing to significant improvements in both the

efficiency and effectiveness of development assistance. But in countries where there are many development partners and development assistance accounts for a large proportion of the financing of a government program, there is also the risk that development partners may (perhaps inadvertently) impose results on countries and programs or insist on the use of external review mechanisms of various kinds, thereby creating new forms of conditionality.

97. Governments and development partners all need to be aware of and guard against such risks. Since Program-for-Results explicitly puts country objectives, programs including their results, and institutions at its center, any imposition of results on countries would be counter to the spirit of the instrument. Similarly, Program-for-Results provides the platform for harmonizing and aligning development assistance around the government's program and systems, and any deviation from that would imply that another funding modality should be used.

98. ***Expansion of Bank Corporate Oversight.*** Although Program-for-Results focuses on systems rather than transactions and the Bank itself may be financing a small part of a larger program, Program-for-Results will be subject to the same oversight functions as other lending instruments. If such oversight is not carefully interpreted and managed, this could result in expanded Bank oversight of government-owned programs that could undermine the ownership of such programs and discourage governments from making use of the instrument.

99. The clients that request a Program-for-Results operation are likely those that want to enhance the performance of their overall programs and systems to achieve results that are sustainable and effective. In such situation, the intent of the instrument and the government objective would be aligned. Every effort has been made to get a good balance between ensuring the role of corporate oversight and maintaining strong ownership and relying on government systems.

100. ***Readiness for Introduction of the Instrument.*** The introduction of a new instrument will require that all necessary elements of support are in place. In view of the demand for the new instrument, there is some urgency to proceed with its further development and introduction.

101. While the Program-for-Results will be a new instrument, there is broad experience with using Program-for-Results type features in IL operations in recent years. In many ways, the introduction of the Program-for-Results codifies the lessons learned from that experience. Reflecting the results of the consultation process, detailed guidelines to staff have been prepared to accompany the new OP/BP. A structured training program will be in place, and guidance notes, best practices, and tools will also be made available to staff. Moreover, during the initial phase of the rollout, Management will also put in place enhanced oversight to ensure effective use of the new instrument—a corporate team (including fiduciary, social, environmental, and technical staff) who will provide hands-on support to all task teams. The corporate team will review every Program-for-Results operation. This special oversight will be in place until Management takes the first progress report to Board (see para 109).

102. ***Risks of "Muddling Along."*** There are important challenges and risks that need to be addressed in the further development and implementation of the Program-for-Results instrument. But there are also major risks in not developing such an instrument. As this paper has described, the current "muddle-through" approach is resulting in inconsistent and selective application of

programmatic approaches across the institution, with missed development opportunities and significant frustrations to borrowers and Bank staff. It also seems clear that if Program-for-Results were included as one of the IL options,[12] it could get caught up between the transaction orientation and the systems focus, making it of limited value to many client countries.

X. NEXT STEPS AND ROLLOUT

103. Program-for-Results benefits from strong client demand, support of key stakeholders, and alignment with institutional goals and objectives. It therefore has several key ingredients for success. Its potential will be better realized by continuing to take into account the views of stakeholders, and providing support to staff in its application. Following the CODE discussion of this paper, the key next steps are as follows.

104. ***Feedback on Draft OP/BP.*** The Bank will embark on a further phase of consultations. Internal and external audiences will have another opportunity to comment on the revised paper and draft policy framework. The Program-for-Results package will be updated to take the feedback into account, and will be presented to the Board of Executive Directors for approval.

105. ***Preparation of Final Paper and Supporting Documents.*** Reflecting the feedback on the draft OP/BP, the Bank will finalize the necessary documents to support the introduction of the new lending instrument (OP/BP documents, any amendments that may be needed to legal documentation, and guidance and training materials for staff) and any changes that may be needed to the internal information systems. The paper setting out the full details of the new instrument will be submitted to the Board for discussion and approval before end-CY 2011.

106. ***Staff Guidance.*** Staff will be provided with substantial guidance and support in implementation. Management will work to balance consistency in policy application (and, in particular, to ensure consistent policy interpretations across individual departments) with the need to adapt to diverse client situations and to innovate. Training will be included in the core curriculum for task teams that is currently under construction. Targeted support will be provided to teams working on the early operations. Communications and additional training and orientation will be carried out in consultation with the Regions.

107. ***Communications and Outreach.*** In addition to staff guidance and training, the introduction of the new instrument will be supported by a comprehensive internal and external communications and outreach effort.

108. ***Enhanced Oversight, Stocktaking, and Support.*** Program-for-Results will be rolled out cautiously, with Management aiming to find a balance between responding to demand and learning from implementation experience. Management will put in place enhanced corporate oversight arrangements during the initial phase through the first formal report back to the Board. This will help ensure appropriate and consistent application of the new lending instrument. This approach builds on experience with introducing other new initiatives, such as Additional

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[12] The current menu of seven IL options includes adaptable program loan (APL), emergency recovery loan (ERL), financial intermediary loan (FIL), learning and innovation loan (LIL), specific investment loan (SIL), sector investment and maintenance loan (SIM), and technical assistance loan (TAL).

Financing. In all new CASs/CPSs, the proposed use of Program-for-Results will be included in the overall analysis of financing instrument mix to support the engagement strategy. Enhanced oversight will include the following:

- All proposed Program-for-Results operations through the first formal report back to the Board will be reviewed by a dedicated corporate-level team that will include technical, procurement, financial management, environment, and social specialists.

- The first two operations in each Region will have a corporate review meeting (ROC or OC), followed by full Board discussion.

- Arrangements will be put in place to collect and share lessons of experience with staff and Management.

- A progress report that reviews implementation experiences and, as warranted, makes recommendations for adjustments will be prepared for Board discussion when lending reaches 50 operations, or $5 billion, whichever comes first. Current projections are that this point will be reached between 18 and 30 months from rollout. The progress report will also include a structured survey of clients, development partners, and task team leaders regarding the instrument.

- Management would welcome an IEG review of Program-for-Results once a critical mass of implementation experience is in place.

- Preparation and implementation of a detailed rollout plan will include (a) a continuing communications campaign to staff and clients; (b) training and best practice dissemination for staff; (c) design of relevant systems and tools for staff; and (d) support to task teams from the corporate team.

ANNEX A. SUMMARY OF CONSULTATIONS

1. The Bank undertook an extensive global consultation process to inform the development of its proposed new instrument—Program-for-Results—seeking views and inputs through external consultations in over 33 client countries, 6 donor countries, and with representatives from 10 shareholder countries from March 1- June 30, 2011. In addition, consultations were held with nine development partners. Feedback from the consultations clearly highlighted broad support for the Program-for-Results instrument, with countries and citizens welcoming the approach and the instrument's potential to enhance development effectiveness. The comments, feedback and suggestions from the consultations are reflected in the draft policy and guidance notes.

2. ***Whom did we Consult?*** Following the discussion of the Program-for-Results concept note by the Bank's Executive Directors on February 22, 2011, the Bank consulted with representatives of governments, development partners, international organizations, multilateral development organizations, United Nations agencies, parliamentarians, the private sector, civil society, foundations, academia, think tanks, and practitioners.

3. ***Internal consultations.*** Extensive internal consultations were held in parallel through over 50 specific meetings and numerous informal consultations. Internal consultations were also often included in country visits, in addition to being held using videoconferencing opportunities. Staff also provided feedback via e-mail.

4. ***Resources and Translations***. In addition to the Program for Results webpage in English, the concept note and other supporting documents were made publicly available on web pages in Arabic, Chinese, French, Russian, and Spanish. A range of materials, including the Consultation Plan, a Fact Sheet, a set of Frequently asked Questions and Answers, and PowerPoint presentations helped clarify the scope of the proposed new instrument. An electronic feedback form provided an additional feedback channel

5. ***Innovative Outreach Channels.*** Facebook and Twitter were used to help guide the public to the Program-for-Results page. Statistics show that this approach was fairly successful, with Facebook being the second largest referral to the Program-for-Results page, preceded only by Google (including all its country domains).

6. ***Feedback Highlights.*** The feedback was thoughtful. Almost all the participants indicated broad support for the instrument. Most welcomed the flexibility of the instrument and the opportunity to use it in areas beyond the education and health sectors. They clearly articulated a focus on ownership—i.e., that the programs to be supported remain government-owned programs that use government systems—and stressed that the program's results would need to be clear, feasible, and verifiable.

- ***Results.*** One of the most interesting aspects of the consultations was how the discussion on "results" became the focus of the meetings in most countries. Questions asked included the definition of results, whose results, how results would be measured and validated, what steps Bank would take if there were no results, how disbursements would occur, and whether advance financing would be an option for resource-scarce countries, and so on.

- ***Assessments.*** Many participants expressed concerns that the fiduciary, environmental/social, and other assessments might become so demanding as to discourage the use of the instrument; or that lack of capacity might not allow countries to use this instrument. Participants welcomed the focus on partnerships and capacity building but sought more details on how this would be implemented in countries.
- ***Procurement and environmental and social issues*** were of interest and concern to a number of participants. While there was recognition of the need to move from transactions to systems if the Bank is to support borrowers' programs, there was also concern at the implications for the Bank's position on these issues. The views were varied and diverse. On the one hand, in a few shareholder countries, some representatives of the private sector felt that the introduction of the Program-for-Results could restrict opportunities for business with the Bank. A few civil society organizations felt the Bank was diluting its commitments to social and environmental safeguards and trying to sidestep its commitment to protecting people and the environment by what it perceived as the Bank "promoting" the use of the Program-for-Results at the expense of its other instruments. On the other hand, some participants felt that the "exclusions" proposed in the concept paper would limit the impact of the instrument. They raised a number of questions on why the Bank had restricted the use of this instrument and sought information on the criteria for exclusion. However, the majority felt that the Bank's decision to exclude high-risk activities is the right approach as it would allow teams to focus more on the application of the instrument and less on the question of eligibility.

The attached matrix summarizing the main issues raised and the Bank responses to those issues illustrates the range of queries and comments. Broadly speaking, similar concerns were raised by external and internal audiences—questions about the rationale for the instrument, its relationship with the Bank's other financing instruments, definition of results and DLIs, accountability, monitoring and evaluation, environment and social issues, fraud and corruption, partnerships, procurement, disbursements, and implementation support.

7. ***Conclusion.*** By engaging a wide range of stakeholders, the consultation process elicited clients' and stakeholders' views that helped define the instrument further and address concerns regarding the Program-for-Results. It also helped raise participants' awareness about the rationale for the Program-for-Results, and provide information and guidance on the potential benefits this new instrument could bring to clients, borrowers, and the Bank's key stakeholders. The consultations provided a platform where stakeholders could provide input and feedback on the design of the instrument. The feedback from the consultations helped shape the current document and the specific guidance to staff. This process of learning and soliciting feedback will continue as we move Program-for-Results forward.

Summary of Feedback from Public Consultations

Feedback	*Bank Response*
Rationale for Program-for-Results	
Why Program-for-Results? What is the rationale behind the proposal of this new instrument?	The development landscape has changed. Bank clients are increasingly implementing their own programs for development and poverty reduction and are asking development partners for finance and expertise to improve such programs' effectiveness and efficiency in achieving results. Management believes that the Bank should provide lending instruments that respond to three broad demands: policy support; project support; and program support. The first two are addressed by Development Policy Lending and Investment Lending respectively. Program-for-Results would fill the gap that currently exists and offer program support and would place more direct emphasis on results by making them the basis for disbursement. It would focus the Bank's technical and financial support more strongly on institutional development, particularly capacity to monitor results and strengthen the public expenditure systems of a country. It would also enable the Bank to leverage its own financing and collaborate with other development partners through pooling resources and focusing efforts on supporting government programs.
How is Program-for-Results Different from IL and DPL? What is new about Program-for-Results?	With its program level orientation, Program-for-Results would be complementary to but different from Investment Lending (IL), which supports specific projects and disburses against specific expenditures and transactions, and development policy lending (DPL), which supports policy and institutional reforms and provides general budget support. As with the DPL and IL, the decision on the choice of instrument would depend on the client, the development objectives and nature of development constraints.
How does Program-for-Results relate to current IL options such as SWAPs, APLs, and OBA?	IL has a number of options including SWAPs, APLs and OBA. All these options are governed by the IL policy framework, i.e. are transaction based and disburse against expenditures incurred. Some of them have program support features. For instance, SWAPs allow for pooled funding, OBA links disbursements to the achievement of specific outputs, and APLs allow for a longer term engagement with a government program. However, these options fall short of achieving what Program-for-Results is designed to do—i.e. support government programs that rely on the program's institutions and systems, and link disbursements to achievement of results. While the design of the Program-for-Results has benefitted from the Bank's experience with these IL options, after careful review of the lessons learned, it was clear that the IL policy framework would not enable an adequate response to client demands for support to their programs.
How will Program-for-Results work in different country contexts – Middle Income, low income, fragile states/conflict situations?	Access to Program-for-Results by any country will depend on a careful assessment of program systems in terms of performance, capacity and risks and the potential for improvements. In contexts where the existing systems are strong, the Bank may support very wide ranging and ambitious programs. In countries with weaker systems and capacity, it is likely that the scope of a Program-for-Results operation may be adjusted to strike the right balance between benefits and risks. Accordingly, how Program-for-Results is used will vary from country to country as well as from sector to sector; but the flexibility of the instrument should enable it to be used in a very wide range of country and sectoral situations.

Feedback	*Bank Response*
Is it possible for countries to opt for a hybrid, e.g. Program-for-Results with an IL technical assistance component?	If there is a need for additional technical assistance, such support can be provided through several ways: • a separate IL operation that can be processed in parallel; • through a TA component in the same operation that would follow IL policies; or • through a TA component embedded in the Program-for-Results operation. The decision on the appropriate option would be made jointly by the client and the Bank depending on what works best for the program.
Has the Bank relevant experience from within and outside the institution into account while designing the Program-for-Results instrument?	Yes, the Bank has taken into account the experiences of European Union, Norway, DFID, IDB and organizations such as the Center for Global development, Millennium Challenge Corporation, and others. The Bank has also learned from its own work, from the program-based lending it has done in the past. These experiences—including sector-wide approaches (SWAps), 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—have highlighted the limitations of trying to achieve a Program-for-Results type of operation under the Bank's existing lending instruments.
Design of the Instrument	
What types of sectors/programs can Program-for-Results support? Can they include private sector development programs and sub national programs?	The Program-for-Results instrument can be used to support all sectors, new and existing programs, as well as for a specific geographic location, including sub-national, depending on how the program is designed and defined. Support to the private sector may be included in a program in a manner similar to existing practice in IL. Two types of activities are excluded from the Program-for-Results— activities with potentially significant, irreversible adverse impact on the environment and affected people, and activities that involved procurement of goods, works and consultant services under contract whose estimated value exceeds specified monetary amounts.
How will the Bank determine the suitability of a program for Program-for-Results support?	Programs to be considered for Program-for-Results will be typically identified through engagement with client countries as part of the country assistance strategy process and policy dialogue. However, if a country requests Program-for-Results program support. the Bank will appraise several aspects of the program including: (a) technical assessment that focuses on the technical soundness of the program, the expenditure framework, and the results framework; (b) systems assessment that includes fiduciary and environmental and social impacts and risks of the program;(c) and an overall risk assessment. The Bank will also assess capacity to implement and performance and the accompanying systems and discuss with government counterparts how the program could be strengthened. Following these assessments, a program may or may not be considered suitable for Program-for-Results, or actions may be agreed upon to enhance the program's system and performance, as needed, and identified and included as part of implementation
How will Program-for-Results ensure that the programs remain government owned programs and that the Bank is not dictating to governments?	Program-for-Results will finance government programs following the rules and procedures of the program, not the World Bank. The results to be achieved would be those of the program, and any institutional strengthening and capacity building will focus on program institutions and systems. Moreover, the results framework and choice of indicators will also be based on the program's results.

Feedback	*Bank Response*
Can the Bank influence the design of programs if it is only providing a small amount of the financing?	By working at the program and systems-level, Program-for-Results increases the potential reach and impact beyond the actual amount of financing provided by the Bank. In this context, the influence and value added of the Bank will depend on the quality of the Bank's technical work and advice and the strength of its partnerships with government s and other stakeholders.
How will Program-for-Results address the issue of long term sustainability of programs?	The focus on strengthening the borrower's program and capacity increases the likelihood of the program continuing beyond the finite period of the Bank's financial support. The overall focus on systems and their enhancement will increase the chances of the program achieving results and sustainability over time.
The proposed program and systems assessments for Program-for-Results are overly complex.	The assessments of the technical soundness of the program, the capacity and performance of the program's systems and the key risks of the program not achieving its development objectives are fundamental to understanding the quality of the program and its potential for improvement. They provide g assurance that the program has the necessary underpinnings in place for an effective Program-for-Results operation. The complexity of the assessments will be determined by the complexity of the programs being considered for Program-for-Results support and will be made easier and less complex if (as will be the case for most programs) there is other analytic work to draw on, whether from the government, other development partners or the Bank itself.
Results	
Who will be responsible for determining the results chain for a program?	The results to be achieved under a Program-for-Results operation are the results of the government program. The government will therefore be responsible for defining the results. The Bank will review the results from the perspective of relevance, achievability, and monitorability and will discuss the potential for and desirability of any changes with government counterparts.
How will the Bank evaluate progress?	As with the Bank's other lending instruments, the Bank will prepare a completion report on the extent to which the operation has achieved its overall objectives and provide reasons for success or lack thereof. These completion reports will draw on the government's own evaluation of progress as well as on any evaluations conducted by others—evaluations which are expected to be more rigorous than before because of the stronger focus on results and on monitoring and evaluation. The Bank's Independent Evaluation Group will also review the performance of Program-for-Results operations as it does for the Bank's other lending operations.
How will the results be defined, measured and verified?	As noted above, the results are those of the program supported by Program-for-Results. A specific set of results will be selected for the program, defined in relation to the specific objectives of the program and the expected timelines for achieving those objectives. Indicators will be established for measuring those results. The necessary data collection systems for those indicators will be strengthened or put in place to facilitate timely and accurate reporting. Results will be verified by the agency responsible for program implementation as well as by other parts of the government or, as appropriate, by other bodies independent of the government. As part of the overall assessment process, the Bank will assess the M&E capacity of participating institutions to identify gaps and capacity building activities. The M&E plan will include various ways in which data will be collected. A verification protocol will also be developed for each disbursement-linked indicator (DLI).

Feedback	*Bank Response*
How will program monitoring and evaluation be carried out, and by whom?	The M&E system (including what will be done and by whom) will be typically that of the government and will be carried out by the institution(s) implementing the program. In some cases, it will be possible to rely on existing system, while in others it will be necessary to enhance the system (including capacity building, system improvements, adding new options like using third party verification etc.) or establish entirely new systems. The Bank will agree with the government on the specifics of the M&E system in the context of finalizing the agreement on a Program-for-Results operation.
Is it possible to have qualitative and quantitative results?	Yes, both qualitative and quantitative results are possible. However, if a result is to be included as a DLI, it needs to have a verification protocol that is credible and clearly defined and agreed at the time of appraisal.
How can the focus on results be used to help improve governance?	The focus on results can help enhance the focus on governance in a number of ways. Linking Bank financing to verifiable results is itself an indicator that funds are used appropriately. In addition, the Bank supports the borrower in managing the risk of fraud and corruption as one element of the borrower's overall responsibility for program implementation. The focus is on how the borrower manages all program resources, not only those provided by the Bank. In addition the verification protocols for DLIs will assign clear accountability; the disclosure of program results will increase transparency, and the strengthening of institutions and capacity are likely to improve overall governance of the program. Lastly, Program-for-Results will improve public management and performance and hence increase efficiency and effectiveness of the program under support.
Is there a risk that Program-for Results financing will focus on sectors where achieving results may be considered easier than others?	The challenges in results measurements are several – nature of the sector, stage of development of the program and the related nature of the results that are desired for the program. For instance, capacity building efforts are generally harder to measure than some outputs related to service delivery coverage etc. While this may be a risk, decisions on Program-for-Results depend on the demands and needs of the client; the desire to enhance the performance of the overall program of the government, and on the outcome of the appraisal process. The sectors to be supported by Program-for-Results will be determined in the context of the Bank's CAS/CPS for that country, take account government priorities as well as the potential value added of the Bank. The results to be supported will be the sectoral program's results - expected to be challenging but realistic - and will be reviewed by the Bank in the context of its technical assessment of the program.
To whom will the results be attributed?	The results will be the country's and program's results, defined by the government in consultation with the Bank. The results will be attributed to the agencies responsible for implementing the program.
Will there be impact evaluation to enhance learning in the process?	The evaluations of the program will be carried out by the implementing agency, the Bank and other partners and will be very much about impact because they will focus on the overall development results to be expected from the program. Additionally, in-depth impact evaluations will help further enhance cross country global learning and the understanding of the performance of the Program-for-Results instrument. The extent and frequency of impact evaluations will depend on the individual programs.

Feedback	*Bank Response*
Fiduciary and Fraud and Corruption	
How will the Bank ensure that money, people and the environment are protected?	The Bank is committed to addressing fiduciary as well as social and environmental concerns and will make an upfront assessment of these issues prior to determining whether to proceed with a Program-for-Results operation or with the scope of the program to support. As necessary, the Bank will also agree with the government on measures to strengthen fiduciary arrangements and/or the arrangements for managing the environmental and social effects of particular programs—measures that may be introduced prior to or as part of the implementation of a Program-for-Results operation. The Bank will make a judgment about the suitability of a Program-for-Results operation taking into account the risks and capacity of programs including fiduciary, social and environmental aspects.
How will Program-for-Results address weaknesses in country fiduciary and safeguard systems?	The Bank will agree with the government on measures to address weaknesses and gaps and Bank staff will monitor the implementation of those measures as well as the overall performance of the systems assessed during project implementation. If performance is lagging, the Bank will ask the client to take timely and appropriate action; and if performance continues lagging, the Bank will have the right to apply the relevant remedies.
What fiduciary principles-related to investment lending - will apply to Program-for-Results?	Program-for-Results will have its own operational policy that will cover, inter alia fiduciary management. The policy will draw on similar fiduciary principles as those for investment lending operations focus on assessing the quality of government systems and how they can be improved. Hence, a main difference is in terms of the "how" such policies are applied at the system level instead of at the level of specific transactions
With the shift to systems, will the Bank be able to take action if something goes wrong? What about system performance beyond preparation, how will that be monitored?	The same legal remedies that are available to IL will also be available to Program-for-Results. If there is non-compliance with contractual commitments between the Bank and the borrower, these remedies can be utilized. Moreover, the Bank will be monitoring system performance (fiduciary, M & E, social and environment) throughout program implementation and can address any weakness or new issues that may emerge as needed.
What is the difference between the approach to be followed by Program-for-Results and the Bank's country systems approach/pilots?	Program-for-Results calls for the use of the program's institutions, assessing those against a set of principles and, as needed, agreeing on enhancements and improvements in performance. The country systems pilot for procurement and safeguards adopted a different approach – one that looked at the whole country and that sought to seek policy and procedural equivalence to the Bank's IL policies. The Program-for-Results approach differs in many dimensions - from the scope of the assessment to the methodology.
What is the link between the Program-for-Results and the GAC agenda?	Program-for-Results has important governance dimensions. It looks at the overall performance of the program's institutions and helps link those more directly to results. It also asks for clear results and for a credible verification process before disbursements are processed. These are at the heart of the GAC agenda.

Feedback	*Bank Response*
How will fraud and corruption be addressed in Program-for-Results supported operations?	The Bank is committed to the highest standards of integrity and transparency and to addressing fraud and corruption. The operational policy for Program-for-Results will set out how issues of fraud and corruption will be addressed. New anti-corruption guidelines for Program-for-Results are being developed. There will be a strong focus in Program-for-Results operations on good governance including provisions for how to handle cases of fraud and corruption. In some Program-for-Results operations, it is expected that progress in fighting corruption and improving procurement will be among the results needed to release Bank disbursements (i.e. they would be part of the Program-for-Results disbursement-linked indicators).The Bank will reserve the right to launch an investigation as needed; however, the preferred approach will be for government systems to carry out initial investigations.
Will INT's right to investigate be preserved?	The Bank (INT) will reserve the right to conduct its own investigations and would exercise this right as the circumstances require (e.g. the nature of the case, lack of action or the capacity of the government). The Bank would also be able to impose sanctions against firms and individuals in accordance with its sanctions policies and procedure
Environmental and Social Dimensions	
How will Program-for-Results ensure that the environment and social aspects are protected?	The Bank is committed to addressing social and environmental concerns and will make an upfront assessment of these issues prior to determining whether to proceed with a Program-for-Results operation to adapt the scope of the program to be supported. As necessary, the Bank will also agree with the government on measures to strengthen the arrangements for managing the environmental and social effects of particular programs – measures that may be introduced prior to or as part of the implementation of a Program-for-Results operation. In addition, activities with potentially significant, irreversible adverse impacts on the environment and affected people would be excluded from Program-for-Results. The paper describes how such exclusions will be managed.
Has the Bank thought about having one set of safeguards policies for all instruments?	The existing suite of environmental and social safeguard policies were devised primarily to avoid, minimize, and otherwise mitigate adverse impacts and risks associated with Bank supported projects in mainly large scale infrastructure. While current safeguard policies have been effectively applied to such projects, a different and more customized approach to addressing environmental and social concerns is needed for the types of program activities to be supported under the proposed Program-for-Results lending instrument. These activities are often wide ranging, implemented in a less time-bound or tightly sequenced manner, and often occur in large numbers of dispersed locations.
How does the Program-for-Results policy on social and environmental issues relate to the existing safeguards policies for IL?	The principles incorporated in the Program-for-Results instrument are similar in substance and purpose to those guiding environmental and social aspects of IL projects. While their application differs from those in IL, they are intended to achieve similar outcomes. Program-for-Results emphasizes upfront assessments and strengthening of the program system to promote acceptable and sustainable environmental and social management.
How does Program-for-Results relate to the review of safeguards policies that is currently underway?	The current safeguards policies apply to investment lending while Program-for-Results will have its own policy framework. The two processes can inform each other.

Feedback	*Bank Response*
Will there be any consultations on the social and environmental aspects in a Program-for-Results operation?	Relevant stakeholders will be consulted regarding social and environmental aspects of the Program-for-Results operation. When the draft system assessment is prepared, the Bank will solicit views and preferences from stakeholders involved in, or affected by, the government program. The Bank will make draft and final versions of the system assessment available to the public. The system assessment process includes a review of existing borrower consultation arrangements associated with the program (or proposed for a new program), and if relevant, suggest measures to improve effectiveness.
Disbursements and Financing	
Who will design the disbursement linked indicators (DLIs) and on what basis?	Program-for-Results operations will include a set of "disbursement-linked indicators" (DLIs)—the indicators that would be the basis for disbursements. They will be designed by the Government in collaboration with the Bank and are a key aspect of the appraisal process of a Program-for-Results operation. The indicators will be tangible, transparent, verifiable, and will have been generated by expenditures supported by the program. Discussion will need to take place between the Bank team and the Government (including Ministry of Finance) to work out the best choice of indicators, timeline and amounts to be linked to DLIs. While DLIs could vary in nature, they will be driven by 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). Moreover, while it is also desirable for DLIs to be primarily outcomes or outputs, they can also be complemented by intermediate outputs or process indicators (e.g. confirmation of substantive participation in decision-making by specified communities); financing indicators (e.g. share of strategic projects in total expenditures). DLIs can also be key actions aiming to address specific risks or constraints to achieving the results (e.g. implementation of an information system). The indicators chosen will be these judged to be critical to achieving the outputs and outcomes efficiently and effectively.
Are DLIs a form of conditionality.	No, DLIs are not a form of conditionality, as the term is understood in the context of the once used Bank's Structural Adjustment Loans. The selected DLIs are part of the program's results which are key milestones in achieving the program objectives. They are defined by the government. By linking the DLIs to disbursement provides an incentive for the program implementing agency to achieve its own results
What happens if agreed DLIs are not achieved?	Disbursements will occur when results are achieved and verified. Program-for-Results also includes the concept of scalability—that is, partial disbursements if some DLIs are partially met – as well as the possibility for disbursements against prior results, if countries request it. If DLIs are not achieved, there will be no disbursements unless there are unexpected developments that justify a restructuring of the operation and, in that context, some adjustment of the DLIs.
How will Program-for-Results facilitate predictability of funding?	As part of the CAS/CPS agreed with the Bank, countries will choose the mix of Bank instruments that best meets their needs. By linking disbursements to intermediate results and other actions, it will be possible to phase the expected timing and level of disbursements over the implementation period of the operation. Scalability (partial disbursements against partially achieved DLIs), is also an option to facilitate predictability of fund flow. Additional details will be provided as part of the new policy that will govern the Program-for-Results instrument.

Feedback	*Bank Response*
What are the possibilities for advance funding and scalability of funding?	For a government that needs advance funds to achieve the initial DLIs, provisions will be made for advances up to 25 percent of the total Program-for-Results financing before the achievement of initial set of DLIs as well as subsequent DLIs during the implementation period. The amount of the advance will be deducted (recovered) from the amount to be disbursed subsequently. Further advances can be made once an advance has been recovered, so long as the overall limit is not exceeded. Scalability is also a possibility, as indicated above.
How will Program-for-Results deal with uncertainties and the long time horizon required to accomplish many results?	Because many results will take a long time to achieve, disbursements can be based on intermediate indicators and results. The Bank has also clarified that there will be options with respect to scalability, the use of advances and the disbursements against prior results – all of which should help reduce uncertainties.
How will Bank funds be pooled with the government and other partners? And will there be a need for counterpart funding from the government?	Program-for-Results would enhance the Bank's ability to partner with other development organizations in supporting government programs by permitting Bank financing to be disbursed into a government account and pooled with resources from the government and other development partners. Government counterpart financing, as it is defined in the context of Investment Lending operation to be a "counterpart" to Bank financing, will not be required, as programs supported will be primarily government financed.
Will additional resources be available for Program-for-Results, and what will be the terms and conditions of Program-for-Results financing?	No additional resources will be made available for Program-for-Results. Through the country dialogue and CAS process, countries will choose the instrument that best suits their needs Countries will face the same terms and conditions for Program-for-Results lending as for other types of Bank lending.
Institution/Capacity Building	
Does Program-for-Results assume that adequate capacity is already in place?	A key feature of Program-for-Results is institutional and capacity building. Program-for-Results does not assume that adequate capacity is already in place. As part of the process of preparing a Program-for-Results operation, the Bank will undertake a rigorous and detailed assessment of client capacity. If adequate arrangements are not yet in place or capacity is weak, the Bank will discuss with the government what measures could be taken prior to and/or as part of implementation to address such weaknesses and enhance capacity. Only if it is not possible to reach an understanding or the risks to implementation remain too high, would the Bank decide that the program is not be ready for Program-for-Results. Indeed because capacity building is an integral feature of Program-for-Results, it is expected that it will be used in many cases to help countries strengthen existing institutions and capacity.
How will Program-for-Results help strengthen institutions and build capacity?	Institutional strengthening and capacity building to ensure that programs achieve their expected results is a core feature of Program-for-Results, especially in situations of weak capacity. A priority area for both preparation and implementation support will be to strengthen the institutional capacity of the program's own systems, such as monitoring and evaluation, fiduciary, and environmental and social impacts and risk management. Capacity building can be financed as part of the PROGRAM-FOR-RESULTS operation; as a separate IL operation; or as a parallel operation co-financed by development partner(s) who may be in a better position to support the necessary capacity building, including through grant finance in certain countries

Feedback	*Bank Response*
Will Program-for-Results link capacity building to results?	Capacity building will take a number of forms. First, through the assessments and identification of actions to improve system assessments; second through implementation support; third, through additional technical assistance, where needed; and fourth, through linking resources to results and alignment of internal incentives to results. Hence, the whole focus on results and institutions will in some sense link the two efforts together. Explicit linkages of some capacity building to DLIs is possible and is a choice made on a case by case basis depending on how critical some of the actions needed are to achieving the program objectives.
Will there be parallel institutional arrangements for the government program and for Program-for-Results?	No, there will be no parallel institutional arrangements for the government programs and Program-for-Results as Program-for-Results will follow the program's arrangements. Clear action plans with adequate incentive structures will be important to attract, retain and motivate staff in circumstances where there is a lack of adequate capacity among existing government staff.
Will there be any training for local agencies?	Program-for-Results will be using country systems to deliver results and will be helping to build the capacity of those systems and enhance their efficiency. Capacity building programs could include training of various kinds, including training for local agencies.
Partnerships	
How will Program-for-Results promote partnerships with other donors and make the Bank a better partner?	Program-for-Results 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 Program-for-Results, the Bank can be a more effective development partner since it will be able to pool its resources with governments and other development partners. Program-for-Results will also address some of the rigidities in current IL that have been at times been perceived as a constraint to good partnerships.
How will the Bank draw on the analysis and assessments of other partners?	The Bank will build on existing knowledge, assessments and work of others, including other development partners and credible country institutions. Assessments can also be done jointly with other partners.
How might civil society and the private sector be directly involved in Program-for-Results supported operations?	As with all development programs, participation of key stakeholders will be important in Program-for-Results supported operations. The degree and nature of such participation will be decided at the specific program level. CSOs, in particular, could be involved in the implementation of the program as well as in its monitoring and evaluation.
New Policy Framework	
Why is it necessary to have a new operational policy for Program-for-Results?	Since Program-for-Results will be a new instrument and distinct from both IL and DPL, it will need its own Operational Policy (OP) and Bank Procedure (BP) statement, accompanied by additional technical guidance notes or guidelines to staff. The OP will set out the essential components of the new instrument, describing the general purposes of a Program-for-Results operation and covering the regulatory, governance, institutional, financial management, procurement, environment, and social areas. The OP will make clear that these policies apply to the entire program to be supported by a Program-for-Results operation. The BP will spell out the related procedures that will need to be carried out during preparation, appraisal, and implementation.

Feedback	*Bank Response*
Will the Public have a chance to comment on the OP/BP before they are approved?	Yes, following the first phase of consultations, a draft OP/BP and policy paper will be discussed with the Bank's Board of Executive Directors., followed by the second phase of consultations (for a six week period) on the draft Policy (including OP/BP)..
The exclusions imposed on Program-for-Results will come at a cost and are likely to reduce its effectiveness as an instrument. They should be based on risks and client capacity and not decided a priori.	The overall scope of a program will be determined primarily on the basis of an assessment of the program's procedures, capacity and performance and the risks associated with using the program's systems with and without improvements. But there are some high risk activities that are better addressed within the policy framework of investment lending. These include activities that have significant and irreversible impact on the environment and affected people and, high value procurement contracts. While there exclusions might result in missed opportunities, on balance, they have been identified as activities that are best suited for Investment Lending..
Risks	
What are the risks facing the Bank in introducing this new instrument and how will these risks is addressed?	The Bank faces a range of risks with respect to the nature of the instrument. These include - whether it will be possible to adequately specify and monitor results, to effectively address fiduciary and environmental and social concerns, and to successfully build institutions and capacity. There is also the risk of widely differing expectations of the new instrument. To address these risks the Bank will put in place a new OP/BP, associated guidance notes, support to clients and staff, and extensive communications.
Role of the World Bank	
What will be the Bank's role in the preparation, appraisal and implementation of Program-for-Results supported operations?	The Bank will be responsible for assessing the quality of the government program to be supported by a Program-for-Results operation and its associated systems. It will also agree with the government, in the context of appraisal, on any necessary improvement measures and on the Bank's role in supporting the implementation of those measures. There will be a strengthened focus on implementation support. The Bank s will be responsible for providing close and frequent implementation support to government teams implementing Program-for-Results. Work with other development partners will also be critical for implementation support as noted above.
Does the Program-for-Results imply any resource implications for the Bank?	Based on the experience with programmatic operations supported as part of IL, it is not clear that Program-for-Results operations will cost on average more than the average for other types of Bank lending. However, it is difficult to predict the resource requirements due to a number of uncertainties. Cost will be influenced by many factors—previous engagement in the sector and with the institutions that will implement the program; capacity of the clients; involvement of other donors, some of whom may "share" the costs of us all getting what we need; and the cautious roll-out and enhanced oversight. However, there is large potential for saving staff time on review of specific transactions (for example small procurement contracts) and shifting these staff resources to direct support for the strengthening of government systems and capacity and achievement of results. Management is not asking for additional resources as a result of the introduction of Program-for-Results but will monitor the cost of preparation and implementation during the initial years of the roll-out

Feedback	*Bank Response*
Will Bank staff have the necessary training, support and incentive to work on such operations?	A training program on the new instrument will be put in place for staff to ensure that staffs are trained on the new policy and its implementation. In addition, guidance notes will be provided to staff. In the initial phase, a corporate support team will be put in place to help/guide task teams of new Program-for-Results operations through the process. As for incentives, many staff see the Program-for-Results as an opportunity to respond to client demands and needs and do more in terms of institutional capacity building and be better partners. Support and guidance to staff and clarity about their roles will be addressed in the various Program-for-Results supporting documents.
What will be the role of the Bank's oversight units?	Program-for-Results will be subject to the same oversight functions as other lending instruments. The independent corporate oversight units—Inspection Panel (IPN), Institutional Integrity (INT), the Internal Audit Department (IAD), and the Independent Evaluation Group (IEG)—will oversee Program-for-Results operations. The new OP for Program-for-Results will discuss the specific role of each of the units, as appropriate.
What will the Bank's supervision process be?	Bank teams will be responsible for supervising the implementation of Program-for-Results operations, in collaboration with development partners. During implementation support, task teams would focus on reviewing the monitoring and validation of results and DLIs, capacity building efforts, resolving implementation issues, implementation of the agreed action plans, as needed, monitoring overall performance of the systems, and so forth.
Rollout of the Instrument	
How will Program-for-Results be rolled out? And will there be a piloting stage?	Because the Bank has already endeavored to undertake program- based operations under IL, many of the features of Program-for-Results have already been piloted, so no new pilot is necessary. However, the Bank will be rolling out Program-for-Results cautiously and progressively with enhanced corporate oversight in the initial phase to ensure the appropriate and consistent application of the new lending instrument.
What are the expectations for the share of Program-for-Results relative to IL and DPL? Will there be a cap on Program-for-Results lending?	While there is no cap on Program-for-Results lending, it is expected to be no more than 10% of the Bank's overall lending in the first year of the new instrument.
What's the expected timeline on next steps?	The global consultation process began on March 1 (including via the website www.worldbank.org/p4r) and concluded on June 30th. A draft policy paper will be discussed by a committee of the Bank's Board along with the summary of the March – June 30th consultations, draft operational policy (OP/BP) and other relevant documents. Internal and external audiences will have another (6 weeks) opportunity to provide feedback on the revised paper and draft policy framework. The Program-for-Results package will be updated, taking into account the feedback throughout the process, and presented to the Bank's Board of Executive Directors for approval this (2011) Fall.

Feedback	*Bank Response*
Will there be any consultations on the social and environmental aspects in a Program-for-Results operation?	Relevant stakeholders will be consulted regarding social and environmental aspects of the Program-for-Results operation. When the draft system assessment is prepared, the Bank will solicit views and preferences from stakeholders involved in, or affected by, the government program. The Bank will make draft and final versions of the system assessment available to the public. The system assessment process includes a review of existing borrower consultation arrangements associated with the program (or proposed for a new program).

List of Countries Included in the Consultations

From March 30, 2011 to June 30, 2011, the Bank held consultations with 33 client countries and 6 donor countries. Multi-stakeholder meetings were also held with 9 donor countries. In addition, representatives from 9 development partners took part in discussions.

Client Countries (33 Total)
AFR (8 Total)
Cameroon (VC with HQ)
Ethiopia
Ghana (VC to Senegal)
Malawi (VC with HQ)
Mozambique (VC with HQ)
Nigeria
Senegal
South Africa
EAP (4 Total)
Indonesia
Laos
Philippines
Vietnam
LCR (11 Total)
Argentina
Brazil
Colombia
Dominican Republic
Jamaica
Nicaragua (+ Guatemala, Honduras, El Salvador, Costa Rica)
Uruguay
ECA (4 Total)
Romania
Russia (VC to Beirut)
Serbia (VC to Romania)
Turkey
MNA (3 Total)
Egypt (VC to Beirut)
Lebanon
West Bank and Gaza
SAR (3 Total)
Bangladesh (VC to HQ)
India
Pakistan (VC to India)

Donor Countries (16 Total)
Donor Country Consultations (6 Total)
Belgium
France
Germany
Japan
Switzerland
UK
Multi-Stakeholder Meetings with Donor Countries (9 Total)
Nordic-Baltic Representatives (Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden)
USA

Development Partners (9 Total)
ADB
AFD
AfDB (VC with Tunis)
AusAID
DFID
EC
JICA
IDB
UN/New York

Other Consultation Events (4 Total)
Center for Global Development
IFI Liaison Officers
Spring Meetings (US Civil Societies)
US Business Representatives

ANNEX B. SUMMARY OF EXPERIENCE

1. In October 2009, OPCIL carried out a review of the Bank's experience with various lending operations that incorporate programmatic-type features (referred to here as "programmatic IL): sectorwide approaches (SWAps), conditional cash transfers (CCTs), output-based aid (OBA), results-based financing in health (RBFH), and operations under the Education for All—Fast-Track Initiative (EFA FTI). The review also looked at the approaches of three external agencies created in the last decade that pursue important dimensions of program-based aid—the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Millennium Challenge Corporation (MCC), and the GAVI Alliance. During the development of the proposed Program-for-Results (Program-for-Results) instrument, the Inter-American Development Bank's Performance-Based Loans (PDLs) and the European Commission's General Budget Support were also reviewed. This summary illustrates the demand for results-based instruments and describes approaches and lessons learned.

A. Sectorwide Approaches

2. Since the mid-1990s, an increasing number of Bank operations support sectorwide programs. A recent analysis identified 111 IBRD/IDA SWAps approved since 2000, with a combined commitment amount of $16.5 billion. In terms of volume, 46 percent of SWAps are in LCR and 26 percent in AFR, but AFR has the greatest number of projects, 50. Of the 111 SWAps, the largest percentage (by value) were in social protection, education, and public sector governance.

3. ***Evolution of SWAps.*** SWAps were first used largely in the social sectors in donor-intensive countries in AFR and SAR, but are now used much more broadly. They have grown strongly in middle-income countries, notably in LCR; and they have grown beyond social sectors to include water, transport, agriculture, and others. The Regions report that client demand for SWAps is strong. SWAps have helped advance donor alignment to country strategies, better coordinate donors, and make significant institutional change and reform in many countries, notably in public financial management. The SWAp concept has been a platform for innovation and greater flexibility. It has also allowed the Bank, other donors, and the countries themselves to focus more strongly on results. A recent analysis of SWAp project performance shows indicators that compare favorably with the overall lending portfolio, with the share of commitments at risk and problem projects significantly lower.

4. ***Lessons Learned.*** At the same time, there have been difficulties. Initial assumptions have often proved too optimistic, especially in terms of low-income countries' institutional capacity to manage larger and often more complex programs. The early momentum in some (mainly low-income) countries has been difficult to sustain. SWAps have increased the transaction costs for donors, particularly the lead donor. New donors, especially in the social sectors, have found the SWAp framework insufficiently flexible to allow the degree of focus they wished to have on the area to which they are dedicated. Some established donors, including the Bank, have judged it appropriate to do stand-alone, parallel interventions alongside SWAps. The absence of clear policies and guidance on SWAps has led to confusion and inconsistent

approaches among staff. Bank staff routinely report the internal processing costs of these types of operations to be excessive, diverting time and attention from substantive matters. More recently, staff have expressed a lack of clarity about the applicability of the Bank's fiduciary and fraud and corruption policies in an IL environment in which the Bank finances broader expenditure programs rather than individual transactions.

B. Conditional Cash Transfers

5. CCTs have grown strongly in the last 15 years.[1] The Bank estimates that they are being implemented in more than 30 countries, with the heaviest concentration in LCR, but with large-scale programs in Bangladesh, Philippines, and Turkey, and with pilot programs in Cambodia, Malawi, Morocco, Pakistan, and South Africa. In addition, there has been impressive growth in the numbers of beneficiaries reached: Mexico's PROGRESA, which started with approximately 300,000 beneficiary households in 1997, now covers 5 million households;[2] and Bolsa Família in Brazil now covers 11 million families, or around 46 million people—almost one-quarter of the population. Bank support for CCT programs has grown sharply. It is mainly concentrated in LCR, where the Bank has approved $3.8 billion in loans to support 14 operations in nine countries. The largest sectoral concentration is in social protection and education. The Regions report strong demand for further CCT lending.

6. ***Results and Lessons.*** CCT operations compare well to the total portfolio, and there is considerable evidence that CCTs have improved the lives of poor people. Transfers generally have been well targeted, have raised consumption levels, and have reduced poverty—by a substantial amount in some countries. CCTs have provided an entry point to reforming badly targeted subsidies and upgrading the quality of safety nets, while making sure that offsetting adjustments have been modest. CCTs also have a strong evaluation culture, well beyond traditional practice in social policy; and this culture is spreading from one CCT to another, as well as to other programs in the same country. At the same time, the evidence on improvements in final outcomes in health and education is more mixed. CCTs have worked best when the supply side has been in place to respond to the demand; in this area various Bank instruments and tools can help countries achieve optimal outcomes when applied to solving the appropriate constraint. Experience also suggests the need to experiment with conditions that focus on outcomes rather than on the use of services alone. A key lesson from the financial management perspective is that no CCT program is immune from error or even some degree of fraud, even with best controls in place; thus an important part of assessing a potential CCT project for Bank support is to determine whether the level of risk is acceptable.

C. Output-based Aid

7. OBA, broadly defined, seeks to tie disbursement to the achievement of specific outputs. The Bank-administered Global Program on Output-based Aid (GPOBA) started in 2000 to both directly support OBA activities using trust funds and promote the wider use of OBA in the

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[1] See *Conditional Cash Transfers—Reducing Present and Future Poverty*, World Bank Development Research Group, February 2009.

[2] This program, now known as *Oportunidades*, is supported by an IBRD loan of $1.5 billion, the Bank's largest CCT loan.

development community.[3] With a modest level of resources, the program used a more focused definition of OBA—a mechanism that ties the disbursement of explicit, performance-based subsidies or grants to the achievement of specified outputs that directly support improved access to basic services by poor households.[4] GPOBA has supported such basic services as improved water supply, energy, health care, education, information and communications technology, and transport. It places particular emphasis on explicitly targeting output-based subsidies to the poor. Hence, an OBA subsidy finances the funding gap between the cost of service delivery and the beneficiaries' ability and willingness to pay user fees for the service. Services are contracted out to a third party (service provider) through either a competitive process or a single-source selection process, in both cases following Bank Procurement Guidelines, with elaborate processes in place to determine the amount of subsidy, share risk, and independently verify the output.

8. ***Results.*** The OBA portfolio includes 115 closed and active projects. Of these, 57 projects are funded by IDA, 25 by IBRD, and the rest by trust funds and GEF. The size of the OBA subsidy portfolio is $4 billion, of which IBRD has the largest share ($2.5 billion) despite the smaller number of projects. Most of the projects are in AFR (because of recent piloting efforts by GPOBA) and in LCR (where OBA was first piloted in many sectors). LCR accounts for 51 percent of the total volume of subsidies, while AFR accounts for 23 percent of projects that are active or have closed. Disbursements have similar shares. It is estimated that of the active and closed projects with OBA components, 80 percent of the funds—$3.2 billion—have been disbursed. The largest share of OBA projects, both in terms of volume and number of projects, is under the Transportation Sector Board. The energy and mining, health, and education sectors also have relatively large shares in OBA projects.

9. ***Lessons Learned.*** The OBA operations provide important lessons for the further development of results-based financing.

- They offer increased transparency through the explicit targeting of subsidies. The focus on subsidies for access is inherently pro-poor: the poorest segments of the population often cannot afford initial access and therefore often do not benefit from subsidies for ongoing service provision. Furthermore, if outputs are explicitly defined, targeting can be made more precise. The process of output verification, which can serve as an additional check on the targeting of subsidies, is helping to provide early evidence that OBA schemes are reaching the poor.
- There is increased accountability because performance risk is shifted to service providers: OBA pays providers only after delivery of verifiable access and service.
- OBA leverages some private funding, but because of its generally pro-poor nature, private financing leveraged is limited by the extent that user fees can incorporate investment costs while remaining affordable.

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[3] See www.gpoba.org and *Output Based Aid: A Compilation of Lessons Learned and Best Practice Guidance*, GPOBA/IDA-IFC Secretariat, June 2009.

[4] GPOBA also draws a distinction between OBA and output-based disbursement (OBD), defining the latter as disbursement to improve the efficiency of assets or government systems, while OBA tends to support private provision of services.

- Some evidence indicates that output-based payments have led to improvements in operational efficiency and the delivery of innovative, often pro-poor, access-to-service solutions.
- Finally, OBA enhances the monitoring of results by paying on verified outputs. Best practice would also use the monitoring platform of OBA beyond just the verification of outputs to check other aspects of service delivery. With OBA schemes, accountability also increases for donors and governments because public funding is linked to delivery of pre-identified outputs, therefore waste or inappropriate allocation of such funding should be minimized.[5]

10. GPOBA considers that the main challenge for mainstreaming OBA approaches lies in reconciling the Bank's requirement that investment lending needs to be "expenditure-based" with the "performance-based" nature of OBA and similar mechanisms. It wishes to see the Bank go beyond the guidance is has provided to staff on procurement for OBA. Specifically, it would like to see incentives for innovation and a greater emphasis on outputs rather than inputs, including more amenable fiduciary procedures.

D. Results-based Financing for Health

11. In general, results-based financing mechanisms operate on the basis of payment for agreed outputs rather than the traditional payment for inputs. For several years the Bank has worked with other donors to promote results-based financing in health (RBFH), an innovative financing strategy that aims to increase the impact of investments in health by providing a financial or in-kind reward upon achievement of agreed performance goals—payment to a provider, payer, or consumer is made when measurable actions are taken or defined performance targets are achieved.[6] RBFH is an umbrella term that includes output-based aid, performance-based financing, provider payment incentives, vouchers, contracting linked to particular targets, and conditional cash payments and transfers to households. In some countries, RBFH may take the form of paying a bonus to health facilities that meet certain quantity or quality targets, such as percentage of women delivering their babies in a facility. Other countries are designing RBFH mechanisms to provide incentives and support to poor people to overcome hidden barriers—such as the cost of transport—to using services.

12. ***Prevalence, Scope, and Support.*** A recent stocktaking of Bank RBFH experience identified 260 active and closed projects over the period FY95-FY08. Of these, 15 percent identified an RBFH element, which was considered "substantial" in 60 percent of the cases. Of those considered "substantial," 43 percent were in LCR and 27 percent in AFR. Most of these projects were approved in the last five years. The mechanisms spanned a wide range—from performance agreements with national and subnational governments, insurance entities, public facilities, private providers, and NGOs; to performance-based worker incentives and arrangements with communities; to conditional cash transfers. The dominant Bank lending instrument was IL. The total value of support by IBRD/IDA was $3.79 billion, and IDA financing represented 68 percent of support in active projects. RBFH received an added impetus

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[5] Output-Based Aid: Lessons Learned and Best Practices (2010).

[6] See www.rbfhealth.org and *Taking Stock: World Bank Experience with Results-based Financing in Health*, Brenzel and others, HDNHE, World Bank, June 2009.

in September 2009, when members of the High-Level Task Force on Innovative Health Financing committed a total of $5.3 billion to accelerate progress toward the Millennium Development Goals. The UK and Norway will contribute $420 million to support results-based financing programs and buy-downs to improve maternal and child health, and the Government of Australia will provide AUD336 million over the next four years for performance-linked aid to help partner governments in Asia and the Pacific. A significant portion of the new funds committed will be channeled through the Bank's Health Results Innovation Trust Fund.

13. ***Challenges.*** Teams working in this area have noted that the Bank is missing opportunities for adding impact through results and have identified several areas for attention: the need for feasible mechanisms for disbursing against results, better analysis, and in-country capacity building, and the need to help staff to put in place adequate monitoring frameworks (including baseline data) and to integrate RBF into bigger operations and initiatives,.

E. Education for All—Fast-track Initiative

14. EFA FTI was created in 2002 to help low-income countries achieve free, universal basic education by 2015.[7] Eighteen donors pledged $1.6 billion to the FTI Catalytic Fund between 2003 and 2010. Of this, $1.47 billion had been committed to 31 countries (all IDA) as of September 15, 2009, with 42 percent disbursed. FTI expects 25 to 30 low-income countries to apply for financial support before the end of 2010, creating a funding shortfall of US$1.2 billion; an additional several billion US dollars will be required after that date to meet 2015 education goals.

15. ***EFA Compact.*** Under the EFA Compact, partner countries commit to develop sound education sector programs through broad-based consultation, show commitment to education through strong domestic support, demonstrate results on key performance indicators, and exercise leadership in developing and implementing the program and coordinating donor support. Donors commit to help mobilize resources and make them more predictable, align with country development priorities, coordinate support around one education plan, and harmonize procedures as much as possible. The initiative seeks to apply the 2005 Paris Declaration on Aid Effectiveness. Staff and partners associated with the program report that rigid application of existing Bank fiduciary rules (mainly procurement), or failure to adapt them to the programs being supported, causes unnecessary delay and undermines program implementation and the achievement of results.

F. Global Fund to Fight AIDS, Tuberculosis and Malaria

16. The Global Fund to Fight AIDS, Tuberculosis and Malaria is a global public/private partnership—of governments, civil society, the private sector, and affected communities—dedicated to attracting and disbursing additional resources to prevent and treat HIV/AIDS, tuberculosis, and malaria. It works in close collaboration with other bilateral and multilateral organizations. Created in 2002, the Global Fund has become the main source of finance for programs to fight the three diseases, with approved funding of US$15.6 billion for more than 572

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[7] See www.educationfasttrack.org and *A Fast Track to 2015: Educating the World's Children for a Better Future*, October 2009.

programs in 140 countries. Globally, it provides one-quarter of all international financing for AIDS, two-thirds for tuberculosis, and three-quarters for malaria.[8]

17. ***Operating Model.*** The Global Fund placed performance-based funding at the heart of its operating model, to ensure that funding decisions are based on a transparent assessment of results against time-bound targets.. Global Fund programs receive initial funding on the basis of the quality of their applications. To receive subsequent financing, they must demonstrate results against defined performance targets. These targets are proposed by the country (for approval by the Global Fund) to ensure that they are appropriate to the national context and local program realities. This system of performance-based funding was developed to

- Link funding to the achievement of country-owned objectives and targets;
- Ensure that money is spent on delivering services for people in need;
- Provide incentives for grantees to focus on programmatic results and timely implementation;
- Encourage learning to strengthen capacities and improve program implementation;
- Invest in measurement systems and promote the use of evidence for decision-making;
- Provide a tool for grant oversight and monitoring within countries and by the Global Fund Secretariat;
- Free up committed resources from nonperforming grants for reallocation to programs in which results can be achieved.

18. ***Fiduciary Procedures.*** The Global Fund established its own fiduciary arrangements. Its experience illustrates the difficulties posed by equating specific operating procedures (which can quite appropriately vary from country to country, or from organization to organization) with overall fiduciary objectives.

G. The Millennium Challenge Corporation

19. The MCC was created in 2002 as an independent foreign aid agency of the United States to help in the fight against global poverty in innovative ways. Rather than delivering development finance in traditional ways, it focuses on good policies, country ownership, and results.[9] The MCC places great emphasis on achieving and measuring results, concentrating on identifying activities that have the greatest promise of poverty reduction through growth, measuring progress during implementation, and learning from experience.

20. ***MCC Approach.*** The MCC has approved $6.9 billion in "compact" funding to 19 countries, and $470 million in "threshold program" funding to a further 19. It has disbursed $1.1

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[8] See www.theglobalfund.org.
[9] See www.mcc.gov.

billion. Beneficiary countries are selected competitively on the basis of 17 policy indicators and their policy performance. The countries are required to identify their priorities for achieving sustainable economic growth and poverty reduction, and to develop their MCC proposals in broad consultation within their society. For compact countries, a local, country-owned Millennium Challenge Account (MCA) accountable entity is set up to manage and oversee all aspects of implementation, including overseeing the MCC program and its components, allocating resources, overseeing and implementing a financial plan, approving expenditures and procurements, and being accountable for MCC program results. Funding has been in such sectors as agriculture and irrigation, transportation (roads, bridges, ports), water supply and sanitation, access to health, finance and enterprise development, anticorruption initiatives, land rights and access, and access to education.

21. ***Lessons Learned.*** A recent MCC publication highlights the main lessons learned from the agency's experience thus far.[10]

- *Transparency is a big part of accountability for results*. Easy access to financial and program information allows partner governments to plan and budget their own development strategies and allows citizens to hold their governments accountable for good investments and results. For this reason, MCC makes information available along the full cycle of country engagement, from country selection through implementation to results.
- *"Results" means different things at different times in the project cycle*. MCC results exist along a continuum—from policy changes countries may make to become compact-eligible, to interim outputs and outcomes as compacts mature, to post-compact increases in incomes. As compacts enter into force, M&E mechanisms begin to track process milestones, such as key contracts signed and program financial progress. As implementation advances, they track output indicators, such as number of farmers trained, hectares planted with high-value crops, miles of road constructed, or land titles granted—because these are the drivers of the income gains MCC investments aim to achieve.
- *Detailed project design in the early years produces better results in the long-term.* In MCC's start-up years, much of the detailed project preparation work, including establishing key implementation structures, staffing, feasibility and design studies, and environmental and social impact assessment, was delayed until after the compact was signed. As a result, the first years of implementation in the early compacts often were dedicated to detailed program planning and program start-up, rather than to implementing activities that would show significant disbursements and tangible outputs.
- *Data quality is the cornerstone of robust focus on results.* Reporting on results is basically about data—capturing it, vetting it, reporting it publicly, and putting it into context to tell a story about MCC investments. The better the data quality, the better the reporting. Factors that affect data quality are varied, and include the capacity of local survey firms collecting baseline and follow-up data; the degree to which household and targeted beneficiaries are accustomed to formally tracking key

[10] *Principles into Practice: Focus on Results*. Department of Policy and Evaluation, MCC (2011).

indicators; timeliness of data collection; MCA staff previous experience with M&E techniques; and MCA staff ability to manage a growing number of indicators to meet program monitoring and external reporting needs.

H. The GAVI Alliance

22. The GAVI Alliance (formerly known as the Global Alliance for Vaccines and Immunization) was launched in 2000 as a global health partnership of the private and public sectors to accelerate access to underused vaccines, strengthen countries' health and immunization systems, and introduce innovative new immunization technology, including vaccines. The partnership comprises developing world and donor governments, private sector philanthropists such as the Bill & Melinda Gates Foundation, the financial community, developed and developing country vaccine manufacturers, research and technical institutes, civil society organizations, and multilateral organizations like the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), and the World Bank. It aims to contribute to achievement of the Millennium Development Goal for child health—a two-thirds reduction in the number of deaths in children under five years of age by 2015.

23. ***GAVI Approach.*** GAVI support is subject to performance monitoring designed to track progress achieved in the previous year, declare planned targets for the following year, and verify the sustainability of existing financing mechanisms. It therefore gives considerable prominence to monitoring through annual progress reporting, data quality auditing, and vaccine management assessment. An Independent Review Committee reviews each annual progress report, making technical comments and suggestions, and recommends one of the following three outcomes to the GAVI Alliance Board—to continue providing support, request clarifications before continuing to provide support, or request the country to resubmit its report as insufficient information has been provided. Independent verification is pursued though data quality audits, which are required for countries receiving immunization services support during the second year.

24. ***Lessons Learned***. A report on the experience of countries that received GAVI support provides some lessons for the development of a results-based financing instrument.[11] For example, the predominant concern of many countries was that five years is too short a period to introduce and transfer responsibility for funding new vaccines and attain global targets. Monitoring and reporting processes were considered burdensome and the collection of data difficult in the developing country context. A recommendation from stakeholders was to consolidate reporting to reduce duplication. Another lesson related to monitoring was that the Data Quality Audit process, conducted in Year 2 to verify reporting systems and identify areas of the immunization monitoring and reporting systems that require improvement, was reported to have a catalytic effect on country reporting systems. Finally, countries appreciated the incentive benefits of a performance-based mechanism for GAVI systems support; however, understanding of the precise nature of the investment and reward mechanism was fairly limited.

I. Inter-American Development Bank Performance-Driven Loans (PDL)

[11] Lessons Learned from GAVI Phase 1 and design of Phase 2: Findings of the Country Consultation Process. Report to GAVI Secretariat (2005).

25. In December of 2003, the Inter-American Development Bank (IDB) approved a proposal for a six-year pilot program for Performance-Driven Loans (PDLs). Designed to tie disbursements to the achievement of actual results, the PDLs focused on project outcomes rather than project inputs and processes. The focus of preparation was primarily on identifying project outcomes, selecting outcome indicators, setting outcome targets, ensuring that a solid and reliable system was in place to track outcome indicators, and verifying the achievement of targets for disbursement. Between 2005 and 2008, the IDB approved nine PDL projects (US$515 million).

26. ***Lessons Learned.*** The low use of the PDL is related primarily to two factors—the difficulty of matching expected results with programmed resources, and implementation problems associated with needing to verify expenditures. Establishing a direct relationship between expenditures and performance outcomes is considered challenging, and in many cases unrealistic, particularly in sectors where the IDB and other multiple donors are supporting a national development goal. In the health sector, for example, outputs such as training of health professionals can be costed-out, but the final outcome of reducing mortality rates for children under five years of age is actually achieved through financing a combination of activities and many outputs. Given that the accountability rests with the executing agency to select the most cost-effective input-output mix for achieving the performance targets, the task of costing activities and outputs loses relevance. The fact that PDLs, as investment loans, are required to track eligible expenditures directly related to the outputs and outcomes established in the results matrix constitutes a burden for both the borrower and IDB staff, since PDLs carry the same accounting and reporting requirements as regular investment loans.[12]

J. European Commission Budget Support

27. The European Commission (EC) defines budget support as the transfer of financial resources from an external financing agency to the national treasury of a partner country, where they form part of the partner country’s global resources and are used in accordance with the country’s public financial management (PFM) system. The EC provides budget support only to countries that meet three eligibility conditions: they have in place (a) a well-defined national or sectoral development or reform policy and strategy, (b) a stability-oriented macroeconomic framework, and (c) a credible and relevant program to improve PFM. General Budget Support (GBS) is a transfer to the national treasury in support of a broad range of development or reform policies set out in a national strategy. Under such programs the focus is on the overall fulfillment of development and reform objectives and important cross-cutting issues with implications for the efficiency and effectiveness of policies in all sectors. Sector Budget Support (SBS) is a transfer to the national treasury in support of a narrow range of development or reform policies set out in a sectoral strategy. Under such programs the focus is on development and reform objectives in a particular sector—water, road maintenance, health, and so on. The EC provides both GBS and SBS as direct, untargeted budget support; there is no procedural distinction between them.

[12] The Evaluation of the New Lending Framework, 2005-2008. Office of Evaluation and Oversight, IDB (2008).

28. In 2004 a group of 24 aid agencies and 7 partner governments commissioned a joint evaluation of GBS,[13] which identified several main challenges of GBS: (a) the short-term predictability of GBS has been a frequent problem; (b) GBS has been criticized for bias toward the expansion of public services, without enough attention to quality, and for neglecting private sector growth and development; and (c) corruption is a serious problem, but there was no clear evidence that budget support funds were more affected by corruption than other forms of aid.

29. ***MDG Contract***. In 2009, the EC launched the MDG Contract, a longer-term, more predictable form of general budget support[14] with the following key features: (a) a commitment of funds for the full six years of EDF 10; (b) a base component of at least 70 percent of the total commitment, which will be disbursed if there is no breach in eligibility conditions for general budget support, or in the essential and fundamental elements of cooperation; and (c) a variable performance component of up to 30 percent, made up of an MDG-based tranche and an Annual Performance Tranche. Countries eligible for the MDG Contract are those with general budget support programmed under EDF 10 that have a successful track record in implementing budget support, show a commitment to monitoring and achieving the MDGs and to improving domestic accountability for budgetary resources, and have active donor coordination mechanisms to support performance review and dialogue.

30. Although it is still quite early in the implementation of the MDG Contract, several lessons can be learned from the principles guiding the instrument's design:

- *Annual monitoring and focus on results.* Country performance with respect to key MDG-related results, PFM reforms, and macroeconomic stability are monitored annually in the context of joint reviews of PRSPs and Performance Assessment Frameworks.
- *Design and implementation aims to support processes of donor harmonization and alignment* to minimize the transaction costs and maximize the coherence of donor budget support.
- *Design is kept as simple as possible* to improve the ease and transparency of operation.
- *Flexibility at country level*. To accommodate diverse country contexts, the program incorporates flexibility at the country level in several key areas: the set of indicators to be followed, the precise rules for translating performance assessments into disbursement decisions, and the potential disbursement profile and subdivision of the variable performance element.

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13 The Joint Evaluation of General Budget Support 1994–2004. IDD and Associates (2006).

14 See http://ec.europa.eu/europeaid/what/millenium-development-goals/contract_mdg_en.htm

ANNEX C. DRAFT OF OP, BP, AND ANTICORRUPTION GUIDELINES

OP 9.00 – Program-for-Results Financing

This operational policy statement (OP) was prepared for use by World Bank staff and is not necessarily a complete treatment of the subject. **OP 9.00**
_______, 2011

Note: OP 9.00 is based on *Program-for-Results Financing* (______), approved by the Executive Directors on _________, 2011.

This OP and the related BP 9.00 govern the operational and procedural requirements specific to Bank-financed program-for-results projects, including their preparation, assessment, appraisal, and implementation support considerations; related fiduciary, environmental, and social impacts; and disbursement requirements. In addition to OP/BP 9.00, the following OPs/BPs apply generally to operations financed by IBRD, IDA, and/or Bank-administered trust funds and, therefore, apply, as appropriate, to program-for-results projects:[1]

OP/BP 3.10, *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*
OP 4.07, *Water Resource Management*
OP 4.76, *Tobacco*
OP/BP 4.20, *Gender and Development*
OP/BP 7.00, *Lending Operations: Choice of Borrower and Contractual Arrangements*
OP 7.20, *Security Arrangements*
OP 7.30, *Dealing with De Facto Governments*
OP/BP 7.40, *Disputes Over Defaults on External Debt, Expropriation, and Breach of Contract*
OP/BP 7.50, *Projects on International Waterways*
OP/BP 7.60, *Projects in Disputed Areas*
OP/BP 13.00, *Signing of Legal Documents and Effectiveness of Loans and Credits*
OP/BP 13.30, *Closing Dates* [May be incorporated into BP 9.00 or related processing instructions]
OP/BP 13.40, *Suspension of Disbursements* [May be incorporated into BP 9.00 or related processing instructions]
OP/BP 13.50, *Cancellations* [May be incorporated into BP 9.00 or related processing instructions]
OP/BP 14.10, *External Debt Reporting* [May be incorporated into BP 9.00 or related processing instructions]
BP 17.55, *Inspection Panel*

The following OPs/BPs (and the related Operational Memoranda) do not apply to program-for-results operations:

OP/BP 4.00, *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects*
OP/BP 4.01, *Environmental Assessment*
OP/BP 4.02, *Environmental Action Plan*
OP/BP 4.04, *Natural Habitats*
OP 4.09, *Pest Management*
OP/BP 4.10, *Indigenous Peoples*
OP/BP 4.11, *Physical Cultural Resources*
OP/BP 4.12, *Involuntary Resettlement*
OP/BP 4.36, *Forests*
OP/BP 4.37, *Safety of Dams*
OP/BP 6.00, *Bank Financing*
OP/BP 8.00, *Rapid Response to Crises and Emergencies*
OP/BP 8.10, *Project Preparation Facility*
OP/BP 8.30, *Financial Intermediary Lending*
OP/BP 8.40, *Technical Assistance*
OP/BP 10.00, *Investment Lending: Identification to Board Presentation*
OP/BP 10.02, *Financial Management*
OP/BP 10.21, *Investment Operations Financed by the Multilateral Fund for the Implementation of the Montreal Protocol*
OP/BP 11.00, *Procurement*
OP/BP 12.00, *Disbursement*
OP/BP 13.05, *Project Supervision*
OP/BP 13.20, *Additional Financing for Investment Lending*
OP/BP 13.25, *Use of Project Cost Savings*
OP/BP 13.55, *Implementation Completion Reporting*
OP 13.60, *Monitoring and Evaluation*
OMS 2.20, *Project Appraisal*

Questions related to this OP/BP may be addressed to the *[OPCS Help Desk]*.

[1] [Drafting note: other OPs/BPs may also apply to operations under this OP (for example OP/BP 8.45, *Grants*; OP/BP 14.40, *Trust Funds*; or BP 17.30, *Communications with Individual Executive Directors*) – at this point, they are not listed in this draft. Generally, the list of stand-alone "general" OPs/BPs applicable to program-for-results operations will need to be reviewed, especially in view of the ongoing IL OP/BP consolidation exercise.]

1. Program-for-results Bank financing aims to promote sustainable socioeconomic development and improve the efficiency and effectiveness of expenditures by:

(a) financing the expenditures of specific borrower development programs;
(b) disbursing on the basis of the achievement of key results (including prior results) under such programs;
(c) using, and, as appropriate, strengthening the program systems to provide assurance that program funds are used appropriately and that environmental and social impacts are adequately addressed by such programs; and
(d) strengthening, where appropriate, the institutional capacity necessary for such programs to achieve their intended results.

2. Programs supported by the Bank's program-for-results financing (hereinafter "Programs") need to be clearly defined and may consist of programs or activities that are (a) new or already under implementation, (b) national, subnational, multisectoral, sectoral, or sub-sectoral in scope, (c) part of broader, longer-term, or geographically larger programs, and/or (d) carried out by governmental and/or nongovernmental parties.

3. Bank Program financing may be in the form of a loan, credit, or grant[2] financed from the Bank's resources or from trust funds financed by other donors and administered by the Bank,[3] or a combination of these (the "financing"). Subject to the other applicable requirements of this OP and other operational policies and procedures, Program financing may be extended to any type of expenditures and activities, provided the Program is productive, and Program oversight arrangements, including the fiduciary arrangements, provide adequate assurance that financing proceeds will be used for the purposes for which the financing is granted, with due consideration of economy and efficiency. The amount of Bank financing should be equal to or less than the total expenditures under the Program. If by the end of the Program (Program completion), the disbursed financing proceeds exceed the expenditures under the program, the borrower is required to refund the difference.

4. Subject to the other applicable provisions of this OP, financing proceeds are disbursed upon the achievement of results specified as disbursement-linked indicators (DLIs). Such disbursements are not dependent upon or attributable to individual transactions or expenditures. Under appropriate circumstances, such as to provide the borrower with resources to allow the Program to start or to facilitate the achievement of one or more DLIs, the Bank may agree to disburse a portion of loan proceeds as an advance for DLIs that have not yet been achieved.

Considerations for Program Financing

5. The Bank's assessment of a proposed Program is based on various country and Program-specific strategic, technical, and risk considerations. These include the Program's strategic relevance, technical soundness, expenditure analysis, economic rationale, results framework,

[2] Inclusion of Program guarantees is under consideration.
[3] "Bank" includes IBRD and IDA.

fiduciary and environmental and social systems[4] and risks, and governance arrangements.[5] The assessments consider the relevant risks and the scope for improvements and managing such risks, including proposed institution strengthening activities to be undertaken before, if deemed appropriate, and during Program implementation.

6. The *technical assessment* considers, among other things, the Program rationale and its development objectives (taking into account consistency with the Bank's overall assistance strategy for the member country in question); the borrower's commitment; relevant institutional and implementation arrangements, including governance; the Program's activities and expenditures framework; the degree to which the Program aims to achieve specific, measurable, and verifiable results; the monitoring and evaluation arrangements (in particular as they relate to the program results and DLIs); and the general policy, legal, regulatory, and institutional frameworks relevant to the Program.

7. The *fiduciary systems assessment* considers whether Program systems provide reasonable assurances that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The Program procurement systems are assessed as to the degree to which the planning, bidding, evaluation, contract award and contract administration arrangements and practices provide a reasonable assurance that the Program will achieve intended results through its procurement processes and procedures. The financial management systems are assessed as to the degree to which the relevant planning, budgeting, accounting, internal controls, funds flow, financial reporting and auditing arrangements provide a reasonable assurance on the appropriate use of Program funds and safeguarding of its assets. The fiduciary assessment also considers how Program systems handle the risks of fraud and corruption, including by providing complaint mechanisms, and how such risks are managed and/or mitigated.

8. The *environmental and social systems assessment* considers (as may be applicable or relevant in a particular country, sector, or Program circumstances), to what degree the Program systems:

(a) promote environmental and social sustainability in the Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making relating to the Program's environmental and social effects;
(b) avoid, minimize, or mitigate adverse effects on natural habitats and physical cultural resources resulting from the Program;

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4 In this OP, the term "systems" refers generally to the relevant Program rules, procedures, controls, risk identification and mitigation arrangements, institutions, and, when applicable, past implementation experience and record.

5 The term "governance" refers generally to the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services. Fraud, corruption, coercion, collusion, and similar activities (referred to in this OP as "fraud and corruption") often result from poor governance. In this OP, references to the Program governance arrangements and risks refer to (a) good governance principles (transparency, integrity, accountability and effectiveness); (b) handling the risks of fraud and corruption, and how such risks are managed and/or mitigated, and (c) compliance with the requirements set out in the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-results Lending (________, 2011), as such guidelines may be amended from time to time.

(c) protect public and worker safety against the potential risks associated with (i) construction and/or operations of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards;
(d) manage land acquisition and loss of access to natural resources in a way that avoids or minimizes displacement, and assist the affected people in improving, or at the minimum restoring, their livelihoods and living standards;
(e) give due consideration to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups; and
(f) avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

9. Activities that pose a risk of potentially significant and irreversible adverse impacts on the environment and/or affected people, and activities that involve procurement of works, goods, and services under contracts whose estimated value exceeds specified monetary amounts (high-value contracts)[6] are normally not eligible for Program financing, and are excluded from the Program. However, such activities may be included in the Program if they are deemed to be important to the integrity of the Program, their monetary value and/or potential environmental and social impacts in relation to the overall Program are modest,[7] and they adhere to the provisions set out in paragraphs 7 and 8 of this OP 9.00.

10. The Program *integrated risk assessment* considers key risks to achieving the Program's results and development objectives. The integrated risk assessment is informed by the results of the technical, fiduciary, and environmental and social systems assessments and provides a key input into the Bank's decision regarding Bank financing. This decision takes into account country-and sector/multisector-specific circumstances, potential benefits of the Program, the needs and capacity of the borrower,[8] and the degree to which the Bank's financing of the Program and implementation support are likely to contribute to the overall objectives, results, and arrangements under the Program.

Borrower and Bank Roles and Responsibilities in Program Preparation and Implementation

11. The borrower prepares and implements the Program in accordance with its legal and institutional responsibilities. The Program's objectives and the borrower's contractual obligations are set out in the legal agreements with the Bank. These include the requirements to maintain appropriate monitoring and evaluation arrangements, fiduciary and environmental and social Program systems, and governance arrangements, and to deal in a timely and effective manner with actual or alleged problems or violations (individual or systemic) in these areas.

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6 See paragraph 5 of BP 9.00.
7 See ______ [reference to the Guidance Note which will explain this term].
8 In this OP, unless the context requires otherwise, references to the "borrower" include the borrower of record and any other entities involved in the Program implementation.

12. The Bank assesses and appraises the Program in accordance with this OP, BP 9.00, and other applicable policy, technical, operational, and procedural requirements. As appropriate, the Bank agrees with the borrower on specific actions and arrangements to be maintained during the period of the Program, including on actions and arrangements to address identified weaknesses and risks and to strengthen institutional capacity.

13. The Bank provides implementation support to the borrower by reviewing implementation progress and achievement of the Program results and DLIs, monitoring Program risks, and monitoring the borrower's compliance with its contractual obligations.

Recourse, Remedies, and Sanctions

14. If the borrower does not comply with its contractual obligations, the Bank consults with the borrower, and requires the borrower to take timely and appropriate corrective measures. The Bank's right to exercise legal remedies and apply sanctions is specified in the relevant legal agreements. The Bank exercises such rights when warranted and as it deems appropriate, taking into account, among other things, country-, sector-, and Program-specific circumstances, the degree of violations and possible harm, and the borrower's commitment and actions to address the identified problems.

15. The borrower is responsible, among other things, for taking appropriate measures to prevent, detect, and respond to fraud and corruption or allegations of fraud and corruption in the Program. The Bank has the right to investigate allegations of fraud and corruption in the Program and to sanction parties that engage in sanctionable practices.

Restructuring

16. During the implementation of the Program, and as part of Bank implementation support, Program financing may, with the agreement of the Bank and the borrower, be restructured to strengthen the development impact of the Program, modify its development objectives or DLIs, improve Program performance, address risks and problems that have arisen during Program implementation, make appropriate use of undisbursed financing funds, extend the Program completion date or Program financing closing date, or otherwise respond to changed circumstances. A restructuring involving a modification of the original Program objectives is referred to as a Level One restructuring and is submitted for approval by the Executive Directors under absence-of-objection procedures. A restructuring involving any other modification of the Program is referred to as a Level Two restructuring. The authority to approve Level Two restructuring is delegated by the Executive Directors to Management. Management periodically informs the Executive Directors of Level Two restructurings.

Additional Financing

17. The Bank may agree to provide additional Program financing to an ongoing Program to meet (a) unanticipated significant additional expenditures are required to achieve the original Program results or DLIs, or (b) for new or modified results, to be reflected in new or modified DLIs, that aim to scale up the impact or development effectiveness of the original Program. The

Bank provides additional Program financing if it is satisfied with the overall implementation of the original (or restructured) Program. The Bank considers the proposed Program's additional financing on the basis of updated or additional technical, fiduciary, environmental and social impacts, and integrated risk assessments. Additional financing is separate and distinct from the original Program financing and is submitted for approval by the Executive Directors. Approved additional financing is formalized through a separate legal agreement or, if appropriate, through amendments to the original legal agreement(s).

Disclosure of Information

18. During Program preparation and implementation support, the Bank discloses Program-related information in accordance with the Bank's Access to Information Policy.

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PROGRAM-FOR-RESULTS FINANCING
BANK PROCEDURES (BP) STATEMENT 9.00[1]

I. Introduction

1. The Bank assesses a program proposed for Program-for-results financing[2] (hereinafter the "Program") and, upon financing approval, provides implementation support to the borrower[3] in accordance with the requirements set forth in the Articles of Agreement, OP 9.00 and this BP, and other applicable operational policies and procedures, and processing instructions.

II. Preparation of the Program Operation

2. The preparation phase includes identification, assessment, and appraisal of the Program, and various interim processing and decision steps such as concept review, decision meeting, negotiations, Board presentation, signing, and effectiveness.

Identification to Concept Review

3. At the identification stage, the Bank, in consultation with and with input from the borrower's representatives, identifies the overall parameters, objectives, and scope of the Program, the general Program financing requirements and the level and timing of proposed Bank financing, and other general information relevant for Program identification. After the Bank and borrower have reached preliminary agreement on the Program concept, Bank budget is made available for further Program preparation, and a task team is formed, led by a team leader and comprising relevant specialists.

4. The task team preliminarily:

(a) defines the Program parameters and assesses its development objectives, strategic relevance, and rationale, and its relation to the relevant Country Assistance Strategy (CAS), Country Partnership Strategy (CPS), or similar instrument;
(b) when the proposed Program is a part of an ongoing program, considers its performance to date and, if applicable, lessons learned from similar programs in the country;
(c) identifies the results to be achieved under the Program and the design and implementation arrangements;
(d) discusses with the borrower the possible scope of Bank financing of the Program;

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1 BP 9.00 is derived from and accompanies OP 9.00, and may be further supplemented by Supplemental Procedures (SPs) and various Program-related Guidance Notes issued by Management.

2 Bank program financing refers to the provision of loans, credits or grants financed by the Bank from its resources or from trust funds financed by other donors and administered by the Bank, or a combination of these (hereinafter "financing").

3 In this BP, unless the context requires otherwise, references to the "borrower" include the borrower of record and any other entities involved in the Program implementation.

(e) considers whether the Program systems[4] in the fiduciary, environmental and social, and governance[5] areas are broadly adequate; and
(f) considers the risks to achieving the Program's objectives and results.

5. In accordance with paragraph 9 of OP 9.00, the task team assesses whether the proposed Program may involve activities (a) with potentially significant and irreversible adverse impacts on the environment and/or the affected people,[6] or (b) that involve procurement of goods, works, and services under contracts whose estimated value exceeds specified monetary amounts (high-value contracts). For the purposes of this BP, "high-value contracts" means contracts that require mandatory review by the Bank's Operations Procurement Review Committee (OPRC).[7] Such activities are normally not eligible for Program financing, and are excluded from the Program. However, such activities may be included in the Program if they are deemed to be important to the integrity of the Program, their monetary value and/or their potential environmental and social impacts in relation to the overall Program are modest,[8] and they adhere to the provisions set out in paragraphs 7 and 8 of OP 9.00, and paragraphs 28-31 of this BP.[9] The Program documents explain the rationale and provide justifications for the inclusion of such activities, and describe, as appropriate, the relevant enhanced monitoring and supervision arrangements.

6. The Bank coordinates its preparatory work with development partners and other parties who may cofinance the Program or be otherwise involved in Program-related activities.

7. After the Program concept is developed, but before further preparation takes place, the task team prepares a Program Concept Note (PCN) that describes the proposed Program, including the information under paragraphs 4 and 5 above. The task team also prepares an initial

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4 In this BP, the term "systems" refers generally to the relevant Program rules, procedures, controls, risk identification and mitigation arrangements, institutions, and, when applicable, past implementation experience and record.

5 The term "governance" refers generally to the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services. Fraud, corruption, coercion, collusion, and similar activities (referred to in this OP as "fraud and corruption") often result from poor governance. In this BP, references to the Program governance arrangements and risks refer to (a) good governance principles (transparency, integrity, accountability and effectiveness); (b) handling the risks of fraud and corruption, and how such risks are managed and/or mitigated, and (c) compliance with the requirements set out in the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-results Lending (________, 2011) (ACGs), as such guidelines may be amended from time to time.

6 For example, the following new or major expansion of large-scale infrastructure investments would normally not be financed under (a) above: power plants; transport infrastructure such as highways, expressways, urban metro-systems, railways, and ports; investments in extractive industries; commercial logging or industrial plantation development; water (surface and groundwater) resource infrastructure, including dams, or projects involving allocation or conveyance of water, including inter-basin water transfers or activities resulting in significant changes to water quality or availability; and construction of manufacturing or industrial processing facilities.

7 See ________ [reference]. These amounts are presently $50 million for works, turnkey and supply and installation contracts, $30 million for goods, $25 million for information technology (IT) systems and non-consulting services, and $15 million for consulting services.

8 [Drafting note: the Guidance Notes will explain this term.]

9 In determining whether to propose the inclusion of the activities described under (a) above, the task team may need to obtain the advice and recommendations of independent technical experts. [Drafting note: the E&S Guidance Note will elaborate this point.]

Program Information Document (PID) that summarizes the main elements of the Program and the proposed Bank financing. The PCN and the PID are submitted for the Concept Review. The Concept Review decides, among other things, (a) whether the Bank should proceed with the preparation of the Program operation; (b) the overall parameters of the assessments to be carried out; (c) the level of the future Bank review(s);[10] and (d) the timetable and resources for Program preparation.

8. Upon receiving authorization to continue with the preparation of the operation, the task team submits the PID for public disclosure.

Assessment and Appraisal

9. The Bank continues to prepare the Program operation by carrying out the technical, fiduciary systems, environmental and social systems, and integrated risk assessments (described in Part III of this BP), taking into account the country-, sector-, and Program-specific circumstances, the scope for improvements before and during Program implementation, the risks to achieving Program objectives and results, and associated risk mitigation measures. The integrated risk assessment is an ongoing process that requires periodic consultations between the task team and Management, and between the Bank and the borrower.

10. After the assessments have been carried out and most design and assessment issues have been resolved, the task team submits for Management's Decision Review Meeting the draft Program Appraisal Document (PAD), an updated draft PID, and the draft legal agreements.[11] The Decision Review Meeting decides on, among other things, the following matters:

(a) the adequacy of the recommendations from the technical, Program systems, and integrated risk assessments, as well as any action plan(s) for enhancing the Program systems and mitigating risks;
(b) the adequacy of the disbursement-linked indicators (DLIs), and related verification protocols;
(c) the overall Program risk assessment;
(d) the inclusion in the Program of activities referred to in paragraph 5 of this BP;
(e) Program conditions, including conditions of appraisal, negotiations, and Board presentation, and Program-specific legal conditions, including any conditions of effectiveness;
(f) the proposed implementation support arrangements; and
(g) whether the task team should proceed with Program appraisal or whether the Program can be considered already appraised.

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[10] Decision reviews may take place at either (a) the corporate review level, through a Regional Operations Committee (ROC), or the Bank's Operations Committee (OC); or (b) at a subcorporate level (review by country or regional management). For more details, see the Guidelines and Procedures for Corporate Review of Operations and Country Strategies.

[11] When significant Program design or other legally relevant issues remain partially unresolved, the draft legal documents may be excluded from the documents submitted for the decision meeting.

11. Once appraisal is authorized (unless the operation has been determined to have been already appraised), the task team appraises the Program operation to confirm any relevant Program- and financing-related information and resolve any outstanding legal, design, and implementation issues, and then finalizes the draft PAD and draft legal documents. The updated PID is disclosed before the Program appraisal is completed.

12. Generally, the following information is finalized following the appraisal:

(a) the Program's development objective, rationale, and scope, taking into account the provisions of paragraph 9 of OP 9.00 and paragraph 5 of this BP, planned expenditures, financing requirements, and implementation and flow of funds arrangements;
(b) the technical, fiduciary, environmental and social systems, and integrated risk assessments carried out and the conclusions of such assessments, and, as necessary, the relevant risk management and other actions undertaken or to be undertaken during the preparation of the Program operation, and/or during Program implementation, to enhance Program systems and performance;
(c) the main Program-specific legal terms and conditions, protocols, and/or action plans, as applicable;
(d) the results framework and the monitoring and evaluation arrangements, and, as appropriate, baseline references to be used in monitoring Program implementation and Program systems performance and assessing the development effectiveness of the Program at completion;
(e) the DLIs and the related verification protocols, and other disbursement-related provisions;
(f) cofinancing or other collaboration arrangements with other development partners and stakeholders;
(g) any proposed exceptions to or waivers from Bank policies or procedures; and
(h) Program implementation support arrangements.

13. *DLIs and Disbursement.* The DLIs are specific, measurable, verifiable and, where appropriate, auditable indicators related to and/or derived from the Program development objectives and the results framework.[12]

14. The Bank may agree to disburse up to 25 percent of Program financing proceeds (unless a higher percentage is approved by Management) on account of the DLIs met by the borrower between the date of the Program Concept Review and the date of the legal agreement for Program financing ("prior results financing").

[12] [Drafting note: the BP or the Guidance Note will provide that DLIs may be expressed as qualitative or quantitative outputs or outcomes (including intermediate outcomes), or as actions or processes results deemed critical for strengthening performance under Program; DLIs may also be formulated as indicators of key institutional changes, outputs, or outcomes; DLIs may be expressed as open-ended or time-specific indicators, and may allow partial disbursement if the DLIs have been met partially; DLIs may also be expressed as scalable indicators, with Bank disbursements proportionate to the progress under the DLI.]

15. To provide a borrower with resources to allow the Program to start or to facilitate the achievement of one or more DLIs, the Bank may agree to make an advance payment (following the effectiveness of the Program loan agreement) of up to 25 percent of Program financing (unless a higher percentage is approved by Management) for one or more DLIs that have not yet been met ("advance"). When the DLI(s) for which an advance has been disbursed are achieved, the amount of the advance is deducted (recovered) from the amount due to be disbursed under such DLIs. The advance amount recovered by the Bank is then available for additional advances ("revolving advance" concept). The Bank requires that the borrower refund any advances (or a portion of advances) if the DLIs have not been met (or have been only partially met) by the Program completion date.

16. The combined amount of the revolving advance and prior results financing may not exceed 30 percent of the Program financing (unless a higher percentage is approved by Management).

Negotiations, Board Presentation, Signing and Effectiveness

17. Following the appraisal, the task team submits for Management approval a request, supported by the relevant documents,[13] to negotiate the Program financing. After negotiations have been authorized, the Bank and borrower and any other Program-related parties conduct the negotiations and seek to reach agreement on all Program-related issues and documents. If new substantive issues or significant changes in the design of the Program or Bank financing are raised during the negotiations, the task team consults with Management. If the negotiations are successfully completed, and there are no Program-specific Board conditions, the task team finalizes the relevant draft Program documents for submission to the Board. If any information in the PAD raises issues of confidentiality or sensitivity, or may adversely affect relations between the Bank and the borrower, and this information is deemed to be relevant to the Executive Directors in their decision-making process, the task team, in consultation with Management, removes this information from the PAD and incorporates it in the draft MOP.

18. After all requirements for Board presentation have been met, the Executive Directors consider the proposed Bank Program financing at a Board meeting, following streamlined or regular procedures.[14] The final PAD is disclosed following submission of the relevant documents to SECPO (if the borrower agreed to do so in writing during negotiations), or following Board approval.[15]

III. Program Assessments

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[13] [Drafting note: the processing instructions will provide that the documents include a draft SECPO negotiations notice, Memorandum of the President (MOP), PAD, the draft legal agreements, disbursement letter, and invitation to negotiate.]

[14] For more details, consult the OPCS Processing Steps Guidelines and SECPO guidance detailing eSubmission of Board documents.

[15] [Drafting Note: additional processing and clearance steps will be specified in this BP or processing instructions regarding the negotiations, Board presentation, signing and effectiveness topics.]

Technical Assessment

19. The technical assessment is carried out in accordance with the provisions set out in paragraph 6 of OP 9.00 and paragraph 9 of this BP, and addresses the following matters:

20. *Strategic relevance, technical soundness, and institutional arrangements.* The task team assesses whether:

(a) there is a clear rationale for the Program, with the Program addressing an important development goal, and whether there is potential to significantly improve the Program's performance (if appropriate);
(b) the Program is consistent with the Bank's overall assistance strategy for the member country in question (as expressed in the CAS, CPS, or similar instrument);
(c) the technical approach proposed by the borrower under the Program, and the Program's structure and implementation arrangements (including governance arrangements), are reasonable and consistent with country-specific and general lessons and experience, and address key incentives that influence Program performance;
(d) the borrower's institutional capacity is reasonable; and
(e) the general legal, regulatory, and institutional environment within which the Program will operate is reasonable.

21. *Expenditure Framework.* The task team assesses the level, efficiency, transparency, and effectiveness of the expenditures under the Program. This includes consideration of whether the Program budget adequately reflects the resources required to achieve the Program results, whether the medium-term budget is sustainable, and whether there are major discrepancies between budget allocations, releases, and actual expenditures.

22. *Results Framework*. The task team assesses the Program's (a) results framework, which may include outputs, intermediate outcomes, outcomes, and goals, including the degree to which the Program aims to achieve specific, measurable, and verifiable results; (b) DLIs and the related verification protocols; and (c) monitoring and evaluation framework.

23. *Economic Evaluation.* The task team undertakes an economic evaluation providing the rationale for the public provision of the Program, where appropriate, as well as the impact of the Program, describing, among other things, the expected added value of Bank support. Evaluation methods are Program-specific, and may range from narrative comparisons of scenarios to quantitative methods.

Fiduciary Systems and Environmental and Social Impacts System Assessment

24. The task team carries out the fiduciary and the environmental and social systems assessments (integrated to the extent appropriate) in accordance with the provisions set out in paragraphs 7 and 8 OP 9.00. The assessments consider whether the Program institutions have the capacity to carry out adequate planning, decision making, execution, reporting, monitoring and evaluation, auditing and information disclosure under the Program. The assessments include (a) a review of the existing systems; (b) identification of areas in which the implementing entities

should improve procedures and performance (which may be expressed through an action plan, as necessary); and (c) inputs to the subsequent integrated risk assessment.

25. *Fiduciary Systems Assessment.* The assessment is based on the provisions set out in paragraph 7 of OP 9.00. The task team evaluates the Program fiduciary systems to determine whether they contribute to a reasonable assurance that the Program expenditures will be used appropriately to achieve their intended purpose. The fiduciary systems assessments consider the degree to which:

(a) from a procurement perspective (i) there are reasonable arrangements for Program planning and budgeting, (ii) the relevant procurement rules are reasonable and are easily accessible to the public, (iii) there is reasonable capacity for contract management and administration, (iv) there are reasonable complaint mechanisms, (v) there are reasonable systems for Program oversight and control; and

(b) from a financial management perspective (i) the Program budget is realistic, prepared with due regard to relevant policies, and implemented in an orderly and predictable manner, (ii) reasonable Program records are maintained and financial reports produced and disseminated for decision-making, management, and Program reporting, (iii) adequate funds are available to finance the Program, (iv) there are reasonable arrangements to monitor, evaluate, and validate Program results and exercise control of Program funds, and (v) reasonable independent audit arrangements are in place, taking into account the country and Program context and the nature and overall risk assessment of the Program.

26. As part of the assessments, and taking into account the requirements of the ACGs, the Bank also considers the degree to which Program systems handle the risk of fraud and corruption, including complaint mechanisms, and how such risks are managed and mitigated. The Bank and the borrower may agree on a Program-specific protocol describing the arrangements to handle allegations, information, and investigations related to fraud and corruption.[16]

27. The fiduciary systems assessment provides a reference that is used to monitor fiduciary systems performance during Program implementation, and identifies actions, as needed, to enhance the fiduciary systems during Program preparation and implementation (the latter are included in the relevant action plan(s)). The fiduciary risks and proposed mitigation measures, as appropriate, are inputs to the integrated risk assessment.

28. *Environmental and Social Systems Assessment*. The task team assesses the Program systems for manage environmental and social impacts, taking into account, among other things, the capacity to plan, implement, monitor and report on the environmental and social mitigation measures, the scope for improvements, and the risks and related mitigation measures.

[16] Such a protocol may be expressed in various forms, for example as a binding agreement between the Bank and borrower, letter or memorandum of understanding, or a part of the minutes of negotiations.

29. The assessment is based on the provisions set out in paragraph 8 of OP 9.00, and considers the degree to which the Program systems (as may be applicable or relevant under particular country, sector, or Program circumstances):

(a) operate within an adequate legal and regulatory framework to guide environmental and social impact assessments at the Program level;
(b) incorporate recognized elements of environmental and social assessment good practice, including (i) early screening of potential effects; (ii) consideration of strategic, technical, and site alternatives (including the "no action" alternative); (iii) explicit assessment of potential induced, cumulative, and transboundary impacts; (iv) identification of measures to mitigate adverse environmental or social impacts that cannot be otherwise avoided or minimized; (v) clear articulation of institutional responsibilities and resources to support implementation of plans; and (vi) responsiveness and accountability through stakeholder consultation, timely dissemination of Program information, and responsive grievance redress measures;
(c) include appropriate measures for the early identification and screening of potentially important biodiversity and cultural resource areas;
(d) support and promote the protection, conservation, maintenance, and rehabilitation of natural habitats; avoid the significant conversion or degradation of critical natural habitats; and if avoiding the significant conversion of natural habitats is not technically feasible, include measures to mitigate or offset the adverse effects of Program activities;
(e) take into account potential adverse effects on physical cultural property and provide adequate measures to avoid, minimize, or mitigate such effects;
(f) promote adequate community, individual, and worker safety through the safe design, construction, operation, and maintenance of physical infrastructure; or, in carrying out activities that may be dependent on such infrastructure, incorporate safety measures, inspections, or remedial works as appropriate;
(g) promote the use of recognized good practice in the production, management, storage, transport, and disposal of hazardous materials generated under the Program; promote the use of integrated pest management practices to manage or reduce pests or disease vectors; and provide training for workers involved in the production, procurement, storage, transport, use, and disposal of hazardous chemicals in accordance with the relevant international guidelines and conventions;
(h) include adequate measures to avoid, minimize, or mitigate community, individual, and worker risks when Program activities are located in areas prone to natural hazards such as floods, hurricanes, earthquakes, or other severe weather or climate events;
(i) avoid or minimize land acquisition and related adverse impacts; identify and address all economic and social impacts caused by land acquisition or loss of access to natural resources, including those affecting people lacking full legal rights to resources they use or occupy; provide prior compensation sufficient to purchase replacement assets of equivalent value and to meet any necessary transitional expenses, paid before taking land or restricting access; provide supplemental livelihood improvement or restoration measures if taking of land causes loss of income-generating opportunity (e.g., loss of crop production or employment); and restore or replace public

infrastructure and community services that may be adversely affected by the Program;

(j) undertake free, prior, and informed consultations if the Indigenous Peoples are potentially affected (positively or negatively), to determine whether there is broad community support for the Program activities;

(k) ensure that the Indigenous Peoples can participate in devising opportunities to benefit from exploitation of customary resources or indigenous knowledge, the latter (indigenous knowledge) to include the consent of the Indigenous Peoples;

(l) give attention to groups vulnerable to hardship or disadvantage, including as relevant the poor, the disabled, women and children, the elderly, or marginalized ethnic groups; and, if necessary, take special measures to promote equitable access to Program benefits; and

(m) consider conflict risks, including distributional equity and cultural sensitivities.

30. The environmental and social systems assessment provides a reference that is used to monitor environmental and social systems performance during Program implementation, and identifies actions, as needed, to enhance the systems during Program preparation and implementation (the latter are included in the relevant action plan(s)). The environmental and social risks, and proposed mitigation measures, as appropriate, are inputs to the integrated risk assessment.

31. Before Program appraisal, and as part of the environmental and social system assessment, the task team consults with the Program stakeholders[17] on the findings and proposed recommendations of the assessment. The Bank discloses the draft environmental and social impacts systems assessment before appraisal, and discloses the final version of the assessment after appraisal.

Integrated Risk Assessment

32. At different points during the preparation of the Program (and subsequently during Program implementation support), the Bank undertakes, with the borrower's inputs, an integrated risk assessment to identify the major risks that the Program will not achieve its results, determine appropriate mitigation measures, and monitor the evolution of risks, the implementation of mitigation measures, and their impact.

33. The task team uses the risk assessment to identify key risks and mitigation measures to be undertaken during Program preparation and implementation, and to monitor their progress during Program implementation, making adjustments as may be appropriate. The integrated risk assessment provides a key input into the Decision Meeting Review regarding the overall suitability of the Program for Bank financing.

IV. Program Implementation Support and Program Completion

[17] [Drafting note: term to be explained in the E&S Guidance Note.]

34. *Borrower's Role.* The borrower is responsible for implementing the Program, monitoring its progress, and evaluating results on completion, in accordance with its legal and institutional responsibilities, the Program's objectives and parameters, and the relevant contractual obligations (including action and risk mitigation plans) set out or referred to in the legal agreements with the Bank. These responsibilities include the requirement to maintain the fiduciary, environmental and social, and risk management systems, and to deal in a timely and effective manner with actual or alleged violations (individual or systemic) in these areas.

35. *Bank's Role.* The Bank provides implementation support to the borrower in accordance with paragraph 13 of OP 9.00. The task team pays particular attention to reviewing the monitoring and verification of the Program's results and DLIs, and the borrower's compliance with its contractual undertakings in the fiduciary, environmental and social, and risk management areas, including obligations set out in the relevant action plan(s). The task team regularly assesses the Program in terms of the integrated risk assessment developed during the preparation stage, uses the risk assessment to respond to and assist the borrower to respond to pre-identified and new risks, and recommends adjustments to the risk assessment, as may be appropriate. The task team undertakes field visits, liaises as necessary with relevant partners, provides appropriate support to the borrower, and reviews Program audit reports and progress reports prepared by the borrower. The task team regularly reports to Management on Program implementation by sharing the aide-mémoires that reflect review of documents, discussions with the borrower and relevant partners, and visits to Program sites and facilities.

36. *Program Financial Statements Audits.* The borrower is required to submit annual audited Program financial statements after the close of the borrower's financial year. Audits need to be carried out by auditors with independence, experience, and capacity acceptable to the Bank, and under terms of reference acceptable to the Bank. The Bank and borrower agree on, and confirm in the legal agreement, the period for receipt of the annual audit reports (e.g., within 12 months after the close of the borrower's financial year), taking into consideration the country and Program context.

37. *Additional Reviews.* Depending on the nature of the Program and the findings of the assessments, the Program's annual financial statements audit may need to be complemented by other reviews to address identified risks that cannot be otherwise mitigated through the Program's fiduciary arrangements, or to strengthen the Program's audit/inspection arrangements.[18]

38. *Restructuring.* If, as part of Program implementation support, the task team identifies, normally with the borrower's input, a need to restructure the Program, the restructuring takes place in accordance with paragraph 16 of OP 9.00.[19]

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[18] Such reviews may involve the following: procurement performance measures/indicators; physical inspections assessing the quality of goods, works and services; verification of DLIs, where appropriate; the efficiency and effectiveness of administrative activities; reviews of fraud and corruption "red flags" and complaint handling mechanisms.

[19] [Drafting note: detailed operational procedures on processing Program restructurings will be added later.]

39. *Additional Financing.* Additional financing may be provided by the Bank in accordance with paragraph 17 of OP 9.00.[20]

40. *Fraud and Corruption.* Program financing is subject to the ACGs. In providing Program financing, the Bank has the right to investigate allegations of fraud and corruption in the Program and to sanction parties engaged in sanctionable practices in the Program.

41. The ACGs require the borrower to report complaints and undertake follow-up actions. When allegations of fraud and corruption under the Program are brought to the attention of the borrower or the Bank, the Bank's Integrity Vice Presidency (INT) informs and consults with as many relevant parties as is appropriate given the nature of the allegations and the impact that such discussions would have on any related investigations. Task team members report suspected or reported cases of possible fraud and corruption to INT. Fraud and corruption investigations may be launched by INT in response to complaints received by the Bank directly or through the reporting on complaints received by the borrower. When the borrower carries out its own investigation into complaints under the Program, the findings by the responsible investigative agency and proposed actions are shared with INT and, as appropriate, other partners. INT monitors the progress in the borrower's investigation and, as appropriate, provides the task team with information relevant to the allegation.

42. When allegations of fraud and corruption are substantiated by the borrower or the Bank, INT may seek administrative sanctions under the Bank's sanctions procedures against the individual(s) and/or entity(ies) involved, which may result in (a) temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding; (b) debarment or other sanctions; (c) cross-debarment as agreed with other international financial institutions, including multilateral development banks; and (d) debarment by the World Bank Group's General Services Department (GSD). Based on its own findings or those provided by the borrower, INT makes referrals to relevant stakeholders in accordance with its customary policies and practices.

43. The borrower must undertake not to allow parties on the Bank's debarment or suspension lists to be awarded contracts under, or otherwise initiate participation in, the Program during their debarment/suspension period. In exceptional circumstances involving ongoing contractual or operational relationships, Management may consider exempting particular contracts from this requirement, so long as it does not pose an unacceptable fiduciary or reputational risk.

44. *Recourse, Remedies, and Sanctions.* The Bank's right to exercise legal remedies and apply sanctions is specified in the relevant legal agreements. If the task team identifies breaches in the borrower's compliance with its contractual obligations, including undertakings in the fiduciary, environmental and social, and risk management areas, or obligations set out in action plan(s), the task team informs Management and makes appropriate recommendations. Normally, before exercising its remedies, the Bank provides the borrower with an opportunity to take timely and appropriate corrective measures agreed with the Bank.

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[20] [Drafting note: detailed operational procedures on additional financing will be added later.]

45. Management determines whether to exercise such legal remedies, taking into account, among other things, country-, sector-, and Program-specific circumstances, the degree of violation and possible harm, and the borrower's commitment and actions to address the identified problems.

46. *Program Completion.* The Program documents specify the Program completion date. On completion of the Program, the task team prepares an Implementation Completion and Results report (ICR), which covers, among other matters, the degree to which the Program objectives and results have been achieved, the Program's performance, and the results of the risk mitigating measures deployed. The ICR incorporates the borrower's evaluation of the Program and Program financing, as well as of its own performance and the performance of the Bank. Program implementation support and monitoring carried out by the Bank during the implementation period end at completion of the Program.

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GUIDELINES

On Preventing and Combating Fraud and Corruption in Program-for-Results Financing

Dated _________, 2011

Purpose and General Principles

1. These Guidelines are designed to prevent and combat fraud and corruption that may occur in connection with the preparation and/or implementation of programs financed, in whole or in part, by the International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) through P4R. They set out the general principles, requirements and sanctions applicable to such programs.

2. All persons and entities participating in projects and programs financed through P4R must observe the highest standard of ethics. Specifically, all such persons and entities must take all appropriate measures to prevent and combat fraud and corruption, and refrain from engaging in, fraud and corruption in connection with the P4R programs.

Legal Considerations

3. The Loan Agreement[21] providing for a Loan[22] governs the legal relationships between the Borrower[23] and the Bank[24] with respect to the Program[25] for which the Loan is made. The responsibility for the implementation of the Program under the Loan Agreement rests with the Borrower. The Bank, for its part, has a fiduciary duty under its Articles of Agreement to "make arrangements to ensure that the proceeds of any loan are used only for the purposes for which

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[21]References in these Guidelines to "Loan Agreement" include any Guarantee Agreement providing for a guarantee by the Member Country of an IBRD Loan, Financing Agreement providing for an IDA Credit or IDA Grant, agreement providing for a project preparation advance or Institutional Development Fund (IDF) Grant, Trust Fund Grant or Loan Agreement providing for a recipient-executed trust fund grant or loan in cases where these Guidelines are made applicable to such agreement, and the Program Agreement with a [Project] Implementing Entity related to any of the above.

[22]References to "Loan" or "Loans" include IBRD loans as well as IDA credits and grants, project preparation advances, IDF grants and recipient-executed trust fund grants or loans for projects to which these Guidelines are made applicable under the agreement providing for such grant and/or loan, but excludes development policy lending, unless the Bank agrees with the Borrower on specified purposes for which loan proceeds may be used.

[23]References in these Guidelines to the "Borrower" include the recipient of an IDA credit or grant or of a trust fund grant or loan. In some cases, an IBRD Loan may be made to an entity other than the Member Country. In such cases, references in these Guidelines to "Borrower" include the Member Country as Guarantor of the Loan, unless the context requires otherwise. In some cases, the project, or a part of the project, is carried out by a [Project] Implementing Entity with which the Bank has entered into a Program Agreement. In such cases, references in these Guidelines to the "Borrower" include the [Project] Implementing Entity, as defined in the Loan Agreement.

[24] References in these Guidelines to the "Bank" include both IBRD and IDA.

[25] Reference in these Guidelines to the "Program" means the Program as defined in the Loan Agreement.

the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations."[26] These Guidelines constitute an important element of those arrangements and are made applicable to the preparation and implementation of the Program as provided in the Loan Agreement.

Definitions of Practices Constituting Fraud and Corruption

4. These Guidelines address the following defined practices in connection with the Program:[27]

a) A "corrupt practice" is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.[28]

b) A "fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly[29] misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

c) A "collusive practice" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

d) A "coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

e) An "obstructive practice" is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the Bank's contractual rights of audit or access to information.

5. The above practices, as so defined, are sometimes referred to collectively in these Guidelines as "fraud and corruption".

Borrower Actions to Prevent and Combat Fraud and Corruption in connection with the Program

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[26] IBRD's Articles of Agreement, Article III, Section 5(b); IDA's Articles of Agreement, Article V, Section 1(g).

[27] Unless otherwise specified in the Loan Agreement, whenever these terms are used in the Loan Agreement, including in the applicable General Conditions, they have the meanings set out in paragraph 4 of these Guidelines.

[28] Typical examples of corrupt practice include bribery and "kickbacks".

[29] To act "knowingly or recklessly", the fraudulent actor must either know that the information or impression being conveyed is false, or be recklessly indifferent as to whether it is true or false. Mere inaccuracy in such information or impression, committed through simple negligence, is not enough to constitute fraudulent practice.

6. In furtherance of the above-stated purpose and general principles, and except as otherwise agreed in writing by the Borrower and the Bank, the Borrower will:

(a) take all appropriate measures to ensure that the Program is carried out in accordance with these Guidelines;

(b) take all appropriate measures to prevent fraud and corruption in connection with the Program, including (but not limited to) adopting and implementing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted;

(c) promptly inform the Bank of all credible and material allegations or other indications of fraud and corruption in connection with the Program that come to its attention, together with the investigative and other actions that the Borrower proposes to take with respect thereto;

(d) unless otherwise agreed with the Bank with respect to a particular case, take timely and appropriate action to investigate such allegations and indications; report to the Bank on the actions taken in any such investigation, at such intervals as may be agreed between the Borrower and the Bank; and, promptly upon the completion of any such investigation, report to the Bank the findings thereof;

(e) if the Borrower or the Bank determines that any person or entity has engaged in fraud and corruption in connection with the Program, take timely and appropriate action, satisfactory to the Bank, to remedy or otherwise address the situation and prevent its reoccurrence;

(f) cooperate fully with representatives of the Bank in any investigation conducted by the Bank into allegations or other indications of fraud and corruption in connection with the Program, and to take all appropriate measures to ensure the full cooperation of relevant persons and entities subject to the Borrower's jurisdiction in such investigation, including, in each case, allowing the Bank to meet with relevant persons and to inspect the relevant books and records and take copies thereof; and

(g) ensure that any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise participate[30] in the Program during the period of such debarment or suspension.

Sanctions and Related Actions by the Bank in Cases of Fraud and Corruption

7. In furtherance of the above-stated purpose and general principles, and except as otherwise agreed in writing by the Borrower and the Bank, the Bank will:

(a) promptly inform the Borrower of all credible and material allegations or other indications of fraud and corruption in connection with the Program that come to its

[30] For purposes of paragraph 6(g), participation does not include the performance of contracts or other engagements entered into prior to the date of the Loan Agreement.

attention, consistent with Bank policies and procedures;

(b) have the right to conduct an investigation of such allegations or other indications, independently or in collaboration with the Borrower;

(c) inform the Borrower of the outcome of any such investigation, consistent with Bank policies and procedures;

(d) have the right to sanction in accordance with prevailing Bank's sanctions policies and procedures, any individual or entity other than the Member Country,[31] including (but not limited to) declaring such individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the Program or any other project or program financed, in whole or in part, by the Bank, if at any time the Bank determines that such individual or entity has engaged in fraud and corruption in connection with the Program.[32]

8. The Bank also has the right to sanction individuals and entities other than the Member Country if:

(i) at any time the Bank determines that such firm or individual has engaged in fraud and corruption in connection with any other Bank-finance activity;

(ii) another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such individual or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier;

(iii) the Bank's General Services Department has found the individual or entity to be non-responsible on the basis of fraud and corruption in connection with World Bank Group corporate procurement; or

(iv) at any time the Bank determines that such individual or entity has violated a material term of the Terms & Conditions of the Bank's Voluntary Disclosure Program.

Miscellaneous

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[31] For purposes of these Guidelines, "Member Country" includes (i) officials and employees of the national government or of any of its political or administrative subdivisions and (ii) non-autonomous government owned enterprises.

[32] The sanction may, without limitation, also include restitution of any amount of the loan with respect to which sanctionable conduct has occurred. The Bank may publish the identity of any individual or entity declared ineligible under subparagraph 7(c).

9. The provisions of these Guidelines do not limit any other rights, remedies[33] or obligations of the Bank or the Borrower under the Loan Agreement or any other document to which the Bank and the Borrower are both parties.

[33] The Loan Agreement provides the Bank with certain rights and remedies which it may exercise with respect to the Loan in the event of fraud and corruption in connection with the Program, in the circumstances described therein.

ANNEX D. ILLUSTRATIVE LIST OF POSSIBLE PROGRAM-FOR-RESULTS OPERATIONS

The Regions identified 16 operations that aim to use the Program-for-Results instrument in the first 12 months after its approval. These operations are diverse in terms of country income, targeted sectors, and types of program activities.

The pipeline operations are balanced between IDA (9) and IBRD (7) countries. Sectors represented vary widely, including: health (4), local government/decentralization (3), education (1), urban development (1), water and sanitation (1), forestry/climate change (1), agriculture (1), transport (1), and rural development (1). In addition there are 2 multi-sector, state-level operations that encompass education, private sector development, transport, public administration, and public sector management.

Africa Region
ETHIOPIA
Title: Ethiopia Health MDG Support Operation **Sector**: Health, Nutrition and Population **Proposed Amount:** US$150 million (TBD) **IBRD/IDA:** IDA The objective of this operation is to assist Ethiopia in implementing the country's new health sector strategy (estimated at US$8.4 billion) and achieve the health MDGs by scaling up government programs aimed at delivering and improving quality of maternal, child and disease control interventions that will have a high impact on the health MDGs. ***The main component of the operation would be an MDG cash-on-delivery facility for results to reward performance of scaled up high impact health interventions.*** Other components could include (a) a demand-based Innovation Fund for Achieving Results with the intention of encouraging effective service delivery techniques to achieve results. This component would provide financing for regions to test or carry out innovative ways of delivering services in order to achieve the targets; and (b) strengthening the data system to measure and verify performance. The component will also include evaluation of the impact of the project. Results may be measured against number of out-patient visits per capita, contraceptive prevalence rate, proportion of pregnant mothers received antenatal care, proportion of births attended by skilled health personnel, TB case detection rate and the proportion of 12-23 months-old children immunized for Pneta .
SIERRA LEONE
Title: Decentralized Service Delivery II [P119355] **Sector:** Local government/decentralization (Social Services, Sub-national government administration, and others) **Proposed Amount:** US$20 million **IBRD/IDA:** IDA The overall objective of the government program is to support decentralized delivery of basic services in Sierra Leone, in addition to providing Local Councils with substantially more funding for basic service delivery. Phase I of the program focused on strengthening Government institutional and organizational capacity at the central and local level to enable Local Councils to fulfill their core devolved functions while laying the basis of an "umbrella" platform to consolidate all financial flows to Local Councils. ***Phase II of the program will focus more explicitly on translating Local Council institutional and organizational capacity into better service outcomes, including a performance monitoring***. It will include the following components: (1) grants to Local Councils to supplement central budget transfers, adding some results based elements to the Phase I program; (2) capacity development and technical assistance to strengthen the Local Councils' capacity to perform their core functions and central government's capacity to provide adequate strategic guidance and oversight to Local Councils; (3) monitoring including community scorecards, Comprehensive Local Government Performance Assessment System (CLOGPASS) as well technical audits to assess quality and standards of Local Council financed activities; and (4) a program management component. The emphasis will be on improved planning, budgeting, monitoring and accountability mechanisms with civil society and citizen participation.

TANZANIA
Title: Second Local Government Support Project (LGSP 2) [P118152] **Sector**: Local government/decentralization (Sub-national government administration) **Proposed Amount:** US$200 million (with possible additional funding from KfW, AFD and Government of Finland) **IBRD/IDA:** IDA The proposed long-term development program objective supported by this operation is to establish a progressive system which enables urban local government authorities (LGAs) to deliver and maintain urban infrastructure. The proposed specific objective of the operation is to strengthen the management of public finance, procurement, capital budgeting and accountability mechanisms in all LGAs (rural and urban), and to ensure improved infrastructure in urban local governments. The higher level goal of the proposed program supports is to increase urban economic productivity, service-delivery and governance in these areas. The key result areas for the proposed project are: (a) strengthened public financial management and procurement systems in LGAs; (b) ***a transparent performance-based urban infrastructure grant system established and strengthening of own revenue systems***; (c) increase in upgraded urban infrastructure and capital budgeting systems; and (d) the number and gender of direct project beneficiaries. LGSP2 will follow and build on safeguards systems and implementing arrangements established under LGSP and TSCP.
UGANDA
Title: Uganda Support to Municipal Infrastructure Development (USMID) Project [P117876] **Sector**: Urban local government/decentralization (Roads and highways; Sub-national government administration; General water, sanitation and flood protection sector) **Proposed Amount:** US$150 million **IBRD/IDA:** IDA The long-term development program objective supported by this operation is to improve municipal management and delivery of urban services. The specific objective of the operation is to ***pilot a municipal infrastructure financing instrument and enhance management capacity to address service gaps in 14 municipalities***. The proposed operation will use the existing intergovernmental system (IGS) to strengthen capacity at both central and LGs for urban development and management. In addition, all pilot municipalities will benefit from some basic minimum institutional strengthening to prepare them for future investment and avoid penalizing weak municipalities. The proposed operation will have four components: (i) municipal infrastructure development; (ii) institutional support to MoLHUD (iii) institutional support to participating municipalities; and (iv) M&E and project implementation support. The key results of the proposed Phase 1 of the operation are expected to be (a) national municipal infrastructure financing strategy in place, (b) increase in the population living in planned urban settlement (number, %); (c) roads/drainage systems in good or fair condition (Kms, %); (d) increase in municipalities' own source revenue (UGX, %); (e) Waste collected out of total waste generated (Kgs, %), and (f) the direct and indirect project beneficiaries (numbers/percentages) disaggregated by gender.
East Asia and Pacific Region
VIETNAM
Title: School Readiness Promotion [P117393] **Sector:** Pre Primary Education **Proposed Amount**: US$100 million **IBRD/IDA**: IDA The operation would support implementation of the government's program on universalizing early childhood education (ECE) for 5-year old children (preschool program) by focusing, in particular, on the needs of the most disadvantaged children and their improved school readiness. The main component of the operation would support efforts to promote school readiness through: (i) strengthening of teacher and staff qualifications, (ii) improving preschool quality in participating provinces to achieve the basic quality level 1 in the new quality standard system, and (iii) expanding full-day preschool enrolments of 3-5 year old children. ***The design of this component would follow a results-oriented implementation mechanism with disbursements against achievement of prior agreed Disbursement-Linked Indicators (DLI). The operation would co-finance the government's national targeted program in education (ENTP) in its support of the government's preschool program.*** Identified DLIs include evidence on the approval and implementation of a new professional development program for ECE staff, progress in accreditation of preschools at quality level 1, and increases in enrollment and attendance in preschool of children aged 3-5. There would also be a smaller component to support capacity strengthening for implementation of the program to enable results-based credit disbursements and support the further development of ECE policy.

Title: North East and Red River Delta Regional Health Project [P122629] **Sector:** Health **Proposed Amount:** US$180 million **IBRD/IDA**: IDA The operation intends to cover 18 provinces with a total population of approximately 35 million. ***The proposed US$80 million are to be disbursed using result-based financing arrangements. This component would focus on key health interventions and performance dimensions that are relevant to the National Health Strategy as well as provincial health sector needs.*** The program would provide extra-budgetary support to participating provinces in the form of a capitation payment per each person enrolled in the social health insurance scheme. Capitation payments for the near-poor would be adjusted upwards to motivate provinces to increase the enrollment of the vulnerable groups. While the size of the insured population determines the total amount the province can potentially receive, the actual amount would depend on achievement of performance targets by provinces. Capitation payment would be treated as a distinct expenditure category. The program would use an independent verification agent for auditing the performance reports. There will be a separate impact evaluation conducted to assess the effectiveness of the result-based financing mechanism. The operation would also focus on strengthening the capacity of health service delivery infrastructure to enable the participating provinces and districts deliver on the performance indicators. The operation is likely to receive additional grant funding in the amount of US$17.4 million from the Health Results Innovation Trust Fund, which supports result based financing mechanisms in IDA operations.
Title: Rural Water Supply and Sanitation Operation **Sector:** Water and sanitation **Proposed Amount:** US$200 million **IBRD/IDA:** IDA The operation, scheduled to be delivered in FY 2013, builds on the ongoing IDA-financed Vietnam Red River Delta Rural Water Supply and Sanitation Project. The operation would ***support eight provinces in the Red River Delta region in providing sustainable water supply, sanitation and hygiene services using a results-based approach and in alignment with the National Target Program*** (estimated to be about $250-$300 million annually). The key features would be: (a) building on strong government-led national Rural Water Supply and Sanitation program with existing national framework; (b) developing government institutional capacity, especially at the provincial level; (c) strengthening of governmental M&E systems for measuring results, including poverty and health impacts; and (d) scaling up of sustainable RWSS services from ongoing Bank-financed project across the region, with results feeding into NTP at national level.
INDONESIA
Title: Local Government and Decentralization II [P123940] **Sector:** Sub-national Government Admin **Proposed Amount:** US$200 million **IBRD/IDA:** IBRD The operation will be ***an expansion of the ongoing pilot Local Government and Decentralization Project. The pilot focused on strengthening the fiduciary and monitoring and evaluation systems for the local infrastructure.*** The operation would build on lessons from the pilot. The Bank is playing an important role in strengthening the capacity of the government to conduct the verification of outputs. The verification in the pilot is being carried out under terms of reference agreed between the Indonesia Ministry of Finance and the State Finance and Development Supervisory Board (BPKP); and between the Bank and BPKP. The Bank is also helping to strengthen the M&E and fiduciary systems of the government program. The new operation would help deepen the governance and accountability reforms associated with the use of the special allocation (DAK) grants, and expand the program to another set of provinces and their districts. The Bank loan would reimburse DAK upon verification of physical outputs. The proposed mechanism for the operation would be using Disbursement Linked Indicators (DLIs) tied to actual outputs. The new operation would include a technical assistance component to support capacity enhancement of the local governments.

East and Central Europe Region

ROMANIA

Title: Results-Based Health Sector Reform Project [P121675]
Sector: Health
Proposed Amount: US$336.94 million
IBRD/IDA: IBRD

The proposed Program-for-Results operation would enhance the service delivery system, strengthen financing and payment methods, and improve governance in the health system. The operation aims to develop a coordinated response to the specific health needs of the population and to introduce incentives for higher quality services. ***The proposed operation would support the Government's health sector reform efforts through a Results-Based Sector Loan, where disbursements will be directly linked to outputs achieved.*** The proposed operation would disburse funds every 6 months based on 100 percent achievement of results. Disbursements would reimburse the Government for funds already spent in the health sector program.

ALBANIA

Title: Social Assistance Reform Project [P122233]
Sector: Health and other social services
Proposed Amount: US$25 million
IBRD/IDA: IBRD

The proposed Program-for-Results operation would ***focus on strengthening the performance of the Government's social assistance programs to improve coverage of the extreme poor, administrative efficiency, transparency and human capital links***. It would build on the new Framework Social Assistance Law that was approved in April 2011 and that was supported by a Bank financed Development Policy Operation. The operation would provide support to the Government in further designing, piloting and implementing these reforms, with a particular focus on the Ndihme Ekonomike Program of cash transfers and disability benefits. The operation would likely be implemented in stages (within the operation), first focusing on the Government's immediate priority goal of eradicating extreme poverty by strengthening the cash transfers program, then building in human capital incentives to promote longer-term poverty reduction impacts, and then also designing and implementing reforms to rationalize disability benefits.

Latin America and Caribbean Region

BRAZIL

Title: Recife SWAp – Education and Public Management [P126372]
Sector: Multi Sector (Pre-primary Education, Public Administration, General Transportation)
Proposed Amount: US$130 million
IBRD/IDA: IBRD

This operation is proposed to support various state programs aiming to expand coverage of improved early child education and to create conditions more conducive to learning in primary education. The operation will strengthen coverage and quality of early child and primary education and strengthen institutions for more efficient and effective public management. As part of support to existing government programs in early child and primary education, ***the operation will support the provision technical assistance to strengthen municipal public sector management in five areas: education, human resource policy, public management, financial systems, and transport***.

Title: Rio Grande do Sul SWAp [P120830]
Sector: Multi Sector (Education, Private Sector Development, Transport)
Proposed Amount: US$479.9 million
IBRD/IDA: IBRD

The project development objective is to support the state's efforts to promote equitable and sustainable growth through carefully targeted and more effectively managed public investments in education, private sector development and transport logistics. This will be achieved largely through the ***strengthening of public sector capacity for investment planning, contract management and impact assessment***. It will also contain a transverse component of technical assistance focused on improving public sector management, in particular capacity for investment planning, monitoring and evaluation and public-private coordination.

MEXICO
Title: Forest and Climate Change [P123760] **Sector:** Forestry, General Agriculture **Proposed Amount:** US$300 million **IBRD/IDA:** IBRD The operation would support the Government's national forest program focused on community management (forests in Mexico legally belong to rural communities), payments for environmental services, and climate change *(Bosques y Cambio Climatico).* The operation would build upon and scale up two previous successful Bank operations in the same areas. The program is implemented by CONAFOR, the National Forestry Commission, which appears to have adequate fiduciary, social, and environment systems in place (assessments underway). Most operation resources would be transferred as ***demand-driven matching grants to support community management initiatives*** following several program windows. The operation would also help strengthen coordination among public institutions at federal, state and municipal levels, and strengthen CONAFOR's existing monitoring system. Disbursement-linked indicators would include for example: numbers of communities adopting improved forest management practices, increased community income from forest products and services, number of hectares/percentage of forests under sustainable management, number of inter-municipal collaboration agreements, and performance of CONAFOR's own systems.
South Asia Region
BHUTAN
Title: Improving Rural Livelihoods [P123820] **Sector:** Agriculture **Proposed Amount:** US$12 million **IBRD/IDA**: IDA The proposed operation would ***support the government's rural development programs*** that entail expanding the network of rural roads to improve access to markets, public and private measures to enhance agricultural productivity and strengthen the marketing of agriculture commodities; and expanded opportunities for rural livelihoods, improved technologies, market information systems, skills training and entrepreneurship. The operation will contribute to the Renewable Natural Resources (RNR) sector program, the objective of which is to reduce the proportion of rural households living below the poverty line through enhanced food security. The operation will have a regional focus, including some of the most disadvantaged rural areas of Bhutan.
NEPAL
Title: Results-Based Bridges Improvement and Maintenance Project [P125495] **Sector:** Transportation/Infrastructure **Proposed Amount**: US$60 million **IBRD/IDA**: IDA The operation would ***support the overall bridge program of the Department of Roads (DOR) by enhancing the effectiveness through improvements in its overall system processes. Results measured by Disbursement-linked Indicators (DLIs) will trigger the disbursements***. The majority of funds (US$56 million) would be used for the maintenance and rehabilitation of existing bridges (with a potential of financing short-span, potentially up to 100m span, bridge construction on existing roads) on the strategic roads network. Given the poor quality of the existing stock of bridges backlog periodic maintenance and rehabilitation/replacement works will be prioritized as well as scaling up the existing routine maintenance activities. Large bridge works will not be eligible for financing under the project. The operation is also expected to include a strong institutional strengthening component. This component will develop DOR's capacity in the sustainable planning, development and management of bridges on SRN. Since the focus will be on bridge maintenance and construction, it is envisaged that the risks associated with environmental and social issues are likely to be considerably lower than that would be expected in a typical roads project. The focus of the operation on maintenance and rehabilitation of existing bridges means minimum land acquisition and resettlement. Also, environmental impact will be limited to the immediate area of the bridge, even in the case of new bridge construction. For procurement, works are expected to be $3 million or below, and will support the capacity to design, implement and manage large bridges through the technical assistance program.

Middle East and North Africa Region
MOROCCO
Title: National Initiative for Human Development (INDH) Phase II [P116201] **Sector:** Rural Development **Proposed Amount:** US$120 million **IBRD/IDA:** IBRD The proposed operation would build on the experiences of INDH1, which worked to alleviate poverty and eliminate social exclusion and vulnerability through a CDD type of approach. It was a SWAp with 15 other donors. More than 22,000 sub-projects were financed, targeting more than 5.2 million beneficiaries. The total budget for INDH2 program will be US$2 billion over 5 years. The objective of INDH 2 would be to strengthen social and economic inclusion of the poor and most vulnerable groups by reinforcing participatory approaches, strengthening accountability mechanisms to and promote economic opportunities. The key results areas would be to: (i) ***improve livelihoods of INDH targeted population through the introduction of new economic inclusion approaches (including, among others, cash for work, CCT, OBA and the Micro and Meso credit schemes***), (ii) strengthen local and central level accountability on access to and quality of public investments through the consolidation of good local governance and the development of performance monitoring tools, with a view to improve quality, accessibility, and relevance of service delivery and public works, and reduce leakages and corruption and (iii) improve sustainability and alignment of social investments with community needs by introducing institutional mechanisms. The vulnerability program will be extended to include new groups (HIV/AIDS, drug users), and will focus on sustainability of existing social centers. In addition, a new program will finance social services and basic infrastructure (education, health, water, electrification and roads) in 22 provinces. Targeting would remain based on geographic criteria (rural and urban), but programs will be extended to include additional communes.