Program-for-Results Financing Overview
Overview

- Overview of World Bank Instruments
- PforR: What does it Involve?
Three Complementary Financing Instruments

**Investment Project Financing (IPF)**
- Funds for specific expenditures
  - Bank IPF rules and procedures

**Program-for-Results Financing (PforR)**
- Funds for specific expenditure program
  - Program systems

**Development Policy Financing (DPF)**
- Funds for non-earmarked general budget support
  - Country policy processes
Where Can PforR be Used?

- PforR can be used in any country in support of its development program(s) at national or sub-national levels in any sector.
- Useful in areas where government wants to enhance efficiency, effectiveness, and impact of its program.
- Helps leverage development assistance by fostering the alignment of development partners around the same development program.
- Two types of activities are not included in the PforR:
  1) Potentially significant, irreversible impact on the environment and affected people
  2) Certain high value procurement packages are normally not eligible for financing and are also excluded from the Program*

*In exceptional cases, high value contracts may be included in the Program financed by PforR if they are deemed to be of critical importance to the integrity of the Program
What Clients Like about PforR

80% of clients who responded to a recent survey and who have used PforR are likely to use PforR again, because of:

- Use own country systems and value for their own resources
- Dialogue shift from details to results
- Reduced Bank transaction processes
- Verification of results is institutionalized
- Capacity building and system improvements
Partnership

**Government:** Government/Bank partnerships enhanced because Bank staff focus on helping translate Government strategies into specific programs with clearly identified expenditures and results.

**Development Partners:** PforR emphasizes the importance of development partner coordination and alignment with government programs

- World Bank has supported Asian Development Bank and African Development Bank with creating their own results-based instruments

**Other Stakeholders:** PforR also enables more transparent engagement with other stakeholder including Civil Society organizations

- increased disclosure of preparation documentation and assessments
- groups outside of government involved in verification of DLIs
- requirement of establishing grievance redress arrangements
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What does Program-for-Results Involve?

PforR involves the following steps:

- Identification of **Government program** (national or subnational, sectoral or cross-sectoral, existing or new)
- Definition of the **Program** supported by the operation
- Identification of **key results** and **Disbursement Linked indicators**
- **Assessment** of the program in terms of technical, fiduciary and social and environmental impacts
- Identification of opportunities for **building capacity** and enhancing system performance
- Strong focus on **implementation support** and achievement of results
PforR Processing Cycle

PforR follows the basic processing cycle used for Investment Project Financing operations and has a similar time frame.
Identification Stage

**Preliminarily:**
- Defines the scope of the program (*this is key!*)
- Identifies the results
- Identifies the overall program expenditures, activities and implementation arrangements
- Identifies possible exclusions
- Estimates the scope of financing
- Considers whether the program systems are broadly adequate
- If part of an ongoing program, considers performance to date and lessons learned
- Considers the risks to achieving the Program’s objectives and results
Two Pillars of PforR: Programs and DLIs

**Program Definition/Program of Expenditures**
- PforR has supported a range of government programs
- The majority have supported sub Programs, either sectorally or geographically
- Program boundaries also define the scope of the assessments to be carried out

**Disbursement Linked Indicators (DLIs)**
- PforR has supported a range of DLIs depending on the Program
- DLIs include service delivery indicators, outputs and/or outcomes
- DLIs also include institutional indicators including on fiduciary and environmental and social issues
- Each DLI has a specified verification protocol before disbursement
Program Definition

- If government Program and PforR scope are the same - that is ideal

- PforR operations aim to support Programs that are as close as possible to government program; however in some cases, there are reasons to go smaller

- Defining the PforR Program, including the boundaries it supports, is essential to support the government’s program.

- There is no legal structure required to defining the Program – basic clarity on what is included and what is not. That is part of the identification and preparation of a PforR.

- Defining the PforR Program is also key for determining the scope of the needed assessments as well as the relevant results and action plans.
Program Definition

The Government program

The Program

PforR Financing

Program-for-Results Financing Overview
Key to Incentives - Disbursement Linked Indicators (DLIs)

PforR operations disburse funds based on “Disbursement-linked Indicators (DLIs)”

- Depending on the Program, DLIs can be:
  - Disbursements can be scalable, meaning disbursement is proportional to progress in achieving the DLI. This helps provide a more stable basis for disbursements than threshold-type conditions.

- DLIs should be:
  - Tangible
  - Transparent
  - Verifiable
  - Under government’s influence

- Up to 25% of financing can be advanced
- 25% can be disbursed against results achieved between concept and signing of legal agreement (Prior results)
Variables to take into consideration in selecting DLIs— the quantity, allocation of funding, scalability, and timing
## DLIs from Operations

### Mozambique Public Financial Management For Results Program

<table>
<thead>
<tr>
<th>DLI</th>
<th>Total DLI (Million US$)</th>
<th>% of Total Financing Amount</th>
<th>Indicative Timeline for DLI Achievement and validation*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>March 2015</td>
</tr>
<tr>
<td>DLI 7: Proportion of complete primary schools which receive direct school grant funds on or before February 28 of each year</td>
<td></td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Allocated Amount</td>
<td>6</td>
<td>12%</td>
<td>US$2 million</td>
</tr>
</tbody>
</table>
DLIs: Verification Mechanisms

- Credible verifications arrangements to be put in place
- Verification is typically handled by government independent entities (usually in charge of conducting audits) or by private firms contracted by the government
- Each DLI should have a specified verification protocol agreed upon during preparation and appraisal
Assessment Stage

The Bank conducts for types of assessments:

- Technical Assessment
- Fiduciary Systems Assessment (procurement, financial management)
- Environment and Social Systems Assessment (systems, capacity, consultation)
- Risk Assessment (overall assessment to PforR objective)

- Purpose of Assessment: To understand how systems are currently working and how they can be strengthened
- Within Program boundaries, the Bank works with government and other partners
- Draws on existing studies and analytic work to assess Program systems and technical aspects
Technical Assessment: Key Elements

**Strategic Relevance**
- Assess the borrowers development issues and relevance to economic development and poverty reduction
- Review suitability for public or private support (or mixed)
- Review relevance to sector and country strategies

**Technical Soundness**
- Assess if the Program is designed, organized, and implemented to efficiently produce results and reach the Program’s objectives.
- Assess the Program activities suitability to support the achievement of the Program’s objectives
- Assess the Program against relevant international experience and good practices.

**Institutional Arrangements**
- Review the Program ability to plan, design, execute, and monitor Program activities
- Assess the adequacy of the Client's capacity and commitment to implement the Program
Expenditure Framework Review: Key Points

- The review is the bridge between the technical and fiduciary assessments. Hence needs to be coordinated with both.

- The review is to be driven by the scope and boundaries of the Program.

- Counterparts include Budget departments/Ministry of Finance, Sector Ministries.

- Existing analytics such as PERs, PEFAs, Sector Institutional and Financial reviews provide excellent starting points for information and analysis.

- Team members with skills in PFM could take the lead in doing the review. Local Consultant help may be required for data collection.
Fiduciary Systems Assessment (FSA)

- Task Teams assess whether programs have fiduciary arrangements designed to facilitate and promote **effectiveness, efficiency, economy, transparency, and accountability**
  - Procurement systems
  - Financial management systems
  - Risks of fraud and corruption
- Identifies necessary actions to strengthen or improve these systems
- In addition, the assessment *screens for excluded activities* – i.e., high value contracts
Fiduciary Systems Assessments: Key Elements

The flowchart below represents the Fiduciary Systems Assessment process.

A  Background and Institutional Arrangements

B  Assessment of Fiduciary Performance
   Procurement  Financial Management
   Fraud and Corruption

C  Fiduciary Risk Assessment

D  Formulating Fiduciary Actions and Mitigation Measures

E  Program Monitoring and Implementation Support Plan
Environmental and Social Systems Assessment (ESSA)

- Assesses E&S effects likely to be associated with a program and the capacity and performance of responsible agencies to manage them effectively.
- Identifies necessary actions to ensure consistency with the core environmental and social principles, or to otherwise strengthen environmental or social management capacity.

**Consultation and disclosure.** The Bank reviews how the borrower plans to consult on the program and assesses grievance procedures.

- Before appraisal, Team makes the draft assessment publicly available, and subsequently consults with stakeholders either before or during appraisal.
- The final assessment is also made publicly available.

**Screening for excluded activities.** Bank reviews all program activities to identify any that would be deemed as high risk.
Agreement on:

- the **scope of the program** to be supported
- the program **objectives and results**
- The **DLIs** and **verification protocol**

- Agreement on measures for systems strengthening and capacity building, including with respect to the governance of the program and M&E
  - Described in the **Program Action Plan**

- Consultation on the draft E&S Systems Assessment (if it wasn't already done before appraisal) and finalize to be disclosed after appraisal
Every PforR operation includes a Program Action Plan (PAP)

- A key feature of PforR Preparation, PAP is closely monitored during implementation.

- A limited set of key priority actions for strengthening institutions and improving systems performance, selected from each assessment serve as key inputs to the PAP.

- Types of improvements that may be included in the PAP include:
  - and management of the systems used to implement the program. Actions to improve the technical dimensions of the program and the formal rules and procedures governing the organization
  - 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.
Negotiations & Board Approval

- Negotiations follow overall process as IPF and will require final agreement on DLIs and Program Action Plan as these will be part of the Legal Agreement.
Implementation Support

- The Bank provides implementation support by:
  - Reviewing implementation progress and achievement of results and DLIs
  - Providing support on resolving emerging issues and building institutional capacity
  - Monitoring the adequacy of systems performance
  - Supporting the borrower in monitoring changes in risks
  - Monitoring compliance with the Legal Agreements, including the program’s action plan

- When a DLI has been achieved, the Client informs the Bank and provides evidence as agreed in the DLI verification protocol
Disbursement Process

1. Results are achieved
2. Verification entity reviews results
3. Government sends documentation on results and verification to Bank
4. Bank task team reviews documentation and clarifies
5. Bank task team submits recommendation for disbursement to Country Director
6. Country Director approves
7. Notice to government that disbursement request submitted
Completion & Evaluation

- All Program-for-Results operations will be evaluated upon completion
- Task Team prepares an **Implementation Completion and Results report (ICR)**
Thank you