

Bank Policy

Program-for-Results Financing

Bank Access to Information Policy Designation
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Content
Establishes the policy framework for the Program-for-Results Financing

Applicable to
IBRD and IDA

Issuer
Vice President and Head of Network, OPCS

Sponsor
Director, Operations Policy and Quality Department, OPCS



Section I – Purpose and Application

1. This Policy sets forth the policy framework for Program-for-Results Financing.
2. This Policy applies to the Bank.

Section II – Definitions and Acronyms

As used in this Policy, the following capitalized terms and acronyms have the meanings set out below:

1. **Bank:** IBRD and IDA (whether acting in its own capacity or as administrator of trust funds funded by other donors).
2. **Board:** the Executive Directors of IBRD or IDA, or both, as applicable.
3. **Borrower:** the borrower of record and any other entities involved in Program implementation.
4. **Closing Date:** the date after which the Bank may stop accepting withdrawal applications under the Program-for-Results Financing, and cancel any undisbursed balance in the Financing account.
5. **IBRD:** International Bank for Reconstruction and Development.
6. **IDA:** International Development Association.
7. **Management:** the President or a Manager, or some or all of these persons, as applicable.
8. **OPCS:** Operations Policy and Country Services.
9. **Policy:** a Policy, as defined in Bank Policy, "[Policy and Procedure Framework](#)", January 8, 2014, Catalogue No. EXC4.01-POL.01.
10. **Program:** a program supported by Program-for-Results Financing.
11. **Program-for-Results Financing or Financing:** 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.
12. **Program Systems:** the relevant systems and rules of the institutions responsible for the Program implementation.

Section III – Scope

1. Program-for-Results Financing aims to promote sustainable development and improve the efficiency and effectiveness of expenditures by:
 - (a) financing the expenditures of specific 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. The Programs have expenditures, activities, and defined results, and promote sustainable development. The Programs may be: (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. Subject to the other applicable requirements of this Policy, the Financing may be extended to any type of expenditures, provided the Program is productive and Program oversight arrangements, including the fiduciary arrangements, provide reasonable assurance that the Financing proceeds will be used for the purposes for which the Financing is granted, with due consideration of economy and efficiency. The amount of Financing is equal to or less than the total Program expenditures. If by the end of the Program, the Financing amount disbursed exceeds the total amount of Program expenditures, the Borrower refunds the difference to the Bank.
4. Subject to the other applicable provisions of this Policy, the Financing proceeds are disbursed upon the achievement of verified results specified as disbursement-linked indicators. 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 disbursement-linked indicators, the Bank may agree to disburse a portion of the Financing proceeds as an advance for disbursement-linked indicators that have not yet been achieved.

Considerations for Program-for-Results 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, fiduciary and environmental and social systems and risks. The assessments evaluate 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 the Program implementation.

6. The *technical assessment* considers, among other things, the Program's 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; 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; and the general policy, legal, regulatory, and institutional frameworks relevant to the Program.
7. The *fiduciary systems assessment* considers whether the Program Systems provide reasonable assurance 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 reasonable assurance that the Program will achieve intended results through its procurement processes and procedures. The Program 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 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 impacts;
 - (b) avoid, minimize, or mitigate adverse impacts on natural habitats and physical cultural resources resulting from the Program;
 - (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 are judged to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people are not eligible for the Financing, and are excluded from the Program. Activities that involve procurement of works, goods, and services under contracts whose estimated value exceeds specified monetary amounts (high-value contracts)¹ are normally not eligible for the Financing, and are excluded from the Program. However, such contracts may be included in the Program if they are deemed to be important to the integrity of the Program and their monetary value in relation to the overall Program is modest.²
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 to provide the Financing. This decision takes into account country/sector/multisector-specific circumstances, potential benefits of the Program, the needs and capacity of the Borrower, and the degree to which the Financing and implementation support will contribute to the overall Program objectives and results.

Borrower and Bank Roles and Responsibilities in Program Preparation and Implementation

11. The Borrower is responsible for preparing and implementing the Program. The Program's scope and objectives and the Borrower's contractual obligations to the Bank are set out in the legal agreements with the Bank. These obligations include the requirement to carry out the Program with due diligence, and to maintain appropriate monitoring and evaluation arrangements (including credible disbursement-linked indicator verification protocols), fiduciary and environmental and social Program Systems, and governance arrangements. The Borrower is expected to deal in a timely and effective manner with actual or alleged problems or violations (individual or systemic) in these areas.
12. The Bank assesses and appraises the Program in accordance with this Policy, and other applicable policy, technical, operational, and procedural requirements. In relation to the environmental and social systems assessment, the Bank consults with the Program stakeholders and discloses the results and recommendations of its assessment. As appropriate, the Bank agrees with the Borrower on specific actions to be taken and arrangements to be maintained during the period of the Program, including measures to address identified weaknesses and risks and to strengthen institutional capacity.
13. The Bank provides implementation support to the Borrower by reviewing implementation progress, achievement of the Program results and disbursement-linked indicators, and associated Program risks. The Bank monitors the Borrower's compliance with its contractual obligations, including actions to strengthen institutional capacity.

Recourse, Remedies, and Sanctions

¹ See Section II, paragraph 7, Bank Directive, "Program-for-Results Financing", July 10, 2015, Catalogue Number OPCS5.04-DIR.01.

² See Section III, paragraph 5, Bank Directive, "Program-for-Results Financing", July 10, 2015, Catalogue Number OPCS5.04-DIR.01.

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 legal remedies are specified in the relevant legal agreements and include the right to suspend disbursement and to cancel the Financing. The Bank exercises such remedies when warranted and as it deems appropriate, taking into account, among other things, country-, sector-, and Program-specific circumstances, the extent of and possible harm caused by circumstances giving rise to the remedy, and the Borrower's commitment and actions to address the identified problems. However, the Bank takes a graduated approach to suspension for non-payment, and when an IBRD loan or IDA credit payment from the Borrower to the Bank is overdue by 60 days, the Bank suspends all financings to or guaranteed by the country concerned.
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.

Managing Program-for-Results Financing

16. *Approval.* The Board decides whether to approve the IBRD and IDA Financing proposals. Except for IDA grants and trust-fund-financed grants explicitly requiring approval by the Board, all other grants are approved by Management.
17. *Signing.* Signing of legal agreements for the Financing takes place after all required authorizations have been issued; and provided there are no payments on IBRD loans or IDA credits to the Borrower, or to or guaranteed by the member country, that are overdue by 30 days or more, unless, in exceptional circumstances, Management approves the signing and reports such information to the Board.
18. *Restructuring.* During the implementation of the Program, and as part of Bank implementation support, the Program may, with the agreement of the Bank and the Borrower, be restructured to strengthen its development impact, modify its development objectives or disbursement-linked indicators, improve Program performance, address risks and problems that have arisen during implementation, make appropriate use of undisbursed financing, cancel unwithdrawn amounts prior to the Closing Date, extend the 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 Board. 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 Board to Management. Management periodically informs the Board of Level Two restructurings.
19. *Closing Date.* The Closing Date is not extended: (a) for the Financing subject to suspension of disbursements; or (b) for the Financing with any outstanding audit reports or with audit reports which are not satisfactory to the Bank, unless the Borrower and the Bank have agreed on actions to address the deficiencies. Exceptionally, retroactive extensions of a Closing Date may be approved by Management.

Additional Program-for-Results Financing

20. The Bank may agree to provide additional Financing to an ongoing Program to meet: (a) unanticipated significant changes to expenditures parameters required to achieve the original Program results or disbursement-linked indicators; or (b) new or modified results, to be reflected in new or modified disbursement-linked indicators, that aim to scale up the impact or development effectiveness of the original Program. The Bank provides the additional Financing if it is satisfied with the overall implementation of the original (or restructured) Program. The Bank considers the proposed additional Financing on the basis of, as necessary, updated or additional technical, fiduciary, environmental and social impacts, and integrated risk assessments. The additional Financing is separate and distinct from the original Financing and is submitted for approval by the Board or Management (as in paragraph 16 of this Policy).

Section IV – Waiver

A provision of this Policy may be waived in accordance with Bank Policy, "[Operational Policies Waivers](#)", April 7, 2014, Catalogue No. OPCS5.06-POL.01.

Section V – Effective Date

This Policy is effective July 10, 2015.

Section VI – Issuer

The Issuer of this Policy is the Vice President and Head of Network, OPCS.

Section VII – Sponsor

The Sponsor of this Policy is the Director, Operations Policy and Quality Department.

Section VIII – Related Documents

1. Bank Directive, "Program-for-Results Financing", July 10, 2015, Catalogue No. OPCS5.04-DIR.01.
2. Bank Procedure, "Program-for-Results Financing", _____, 2015, Catalogue No. ____.
3. Instructions for Suspension, Cancellation and Placement of Bank Loans in Nonperforming Status, March 6, 2015.
4. Program-for-Results: Two-Year Review, R2015-0060, IDA/R2015-0052, March 18, 2015.

5. [A New Instrument to Advance Development Effectiveness, Program-for-Results Financing](#), R2011-0282, IDA/R2011-0350, December 29, 2011.
6. [Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing](#) (February 1, 2012 and Revised July 10, 2015).

Section IX – Other Applicable Rules

Program-for-Results operations are also governed by the following OPs/Policies and BPs/Directive (including any relevant Operational Memoranda and Instructions/Procedures [internal use only]), as applicable: [OP 1.00](#), *Poverty Reduction*; [World Bank Group Directive Country Engagement](#); [OP/BP 2.30](#), *Development Cooperation and Conflict*; [OP/BP 3.10](#), *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*; [OP 4.07](#), *Water Resource Management*; [OP/BP 4.20](#), *Gender and Development*; [OP 4.76](#), *Tobacco*; [OP 7.00](#), *Lending Operations: Choice of Borrower and Contractual Agreements*; [OP 7.20](#), *Security Arrangements*; [OP /BP 7.30](#), *Dealings 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 8.45](#), *Grants*; [OP/BP 10.20](#), *Global Environmental Facility Operations*; [OP/BP](#); [OP/BP 14.10](#), *External Debt Reporting and Financial Statements*; [OP/BP 14.20](#), *Cofinancing*; [OP/BP 14.40](#), *Trust Funds*; [World Bank Group Procedure](#), *Communications with Executive Directors*, Catalogue No. SECMM9.01-PROC.01; and [Bank Procedure](#), *Inspection Panel*, Catalogue No. OPCS6.04- PROC.01.

Section X – Revision History

1. The original policy, OP 9.00, *Program-for-Results Financing*, was issued in February 2012.
2. OP 9.00 was revised in April 2013, to reflect the recommendations described in “Investment Lending Reform: Modernizing and Consolidating Operational Policies and Procedures” (R2012-0204 [IDA/R2012-0248]), which were approved by the Board on October 25, 2012. The revisions incorporated policies and procedures previously captured in OP/BPs on signing of legal agreements, closing dates, suspension of disbursements, and cancellations.
3. This Policy replaces OP 9.00, to reflect the recommendations described in “Program-for-Results: Two-Year Review” (R2015-0060 [IDA/R2015-0052]) which were approved by the Board on April 9, 2015.

Questions regarding this Policy should be addressed to [Operations Help Desk](#).