Bank Policy

Program-for-Results Financing

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Content
Establishes the policy framework for the Program-for-Results Financing

Applicable to
IBRD,IDA

Issuer
Vice President, OPSVP

Sponsor
Director, OPSPO

Section I – Purpose and Application

1. This Policy sets forth the policy framework for PforR 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 PforR Program implementation.

4. **Closing Date**: the date after which the Bank may stop accepting withdrawal applications under the PforR Financing, and cancel any undisbursed balance in the PforR Financing account.

5. **IBRD**: International Bank for Reconstruction and Development.

6. **IDA**: International Development Association.

7. **IPF Project**: a project supported by Investment Project Financing, as defined in Bank Policy, “Investment Project Financing”.

8. **Level One**: the restructuring described in paragraph 19 of Section III of this Policy.

9. **Level Two**: the restructuring described in paragraph 19 of Section III of this Policy.

10. **Management**: the President or a Manager, or some or all of these persons, as applicable.

11. **MPA Financing**: the provision for the MPA Program 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. **MPA Program**: a multiphase programmatic approach program that contributes to development objectives of member states, and consists of two or more operations that have a common program development objective(s). In this sentence, an “operation” means an IPF Project or a PforR Financing

13. **OPCS:** Operations Policy and Country Services.

14. **Policy**: a Policy, as defined in Bank Policy, “Policy and Procedure Framework”.

15. **PforR Financing**: the provision for the PforR Program 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.

16. **PforR Program**: a program supported by PforR Financing.

17. **PforR Program Systems**: the relevant systems and rules of the institutions responsible for the PforR Program implementation.

Section III – Scope

1. PforR Financing aims to promote sustainable development and improve the efficiency and effectiveness of expenditures by:

    (a) financing the expenditures of specific development PforR Programs;

    (b) disbursing on the basis of the achievement of key results (including prior results) under such PforR Programs;

    (c) using and, as appropriate, strengthening the PforR Program Systems to provide assurance that PforR Program funds are used appropriately and that environmental and social impacts are adequately addressed by such PforR Programs; and

    (d) strengthening, where appropriate, the institutional capacity necessary for such PforR Programs to achieve their intended results.

2. The PforR Programs have expenditures, activities, and defined results, and promote sustainable development. The PforR 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 PforR Financing may be extended to any type of expenditures, provided the PforR Program is productive and PforR Program oversight arrangements, including the fiduciary arrangements, provide reasonable assurance that the PforR Financing proceeds will be used for the purposes for which the Financing is granted, with due consideration of economy and efficiency. The amount of PforR Financing is equal to or less than the total PforR Program expenditures. If by the end of the PforR Program, the PforR Financing amount disbursed exceeds the total amount of PforR Program expenditures, the Borrower refunds the difference to the Bank.

4. Subject to the other applicable provisions of this Policy, the PforR 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 PforR Program to start or to facilitate the achievement of disbursement-linked indicators, the Bank may agree to disburse a portion of the PforR Financing proceeds as an advance for disbursement-linked indicators that have not yet been achieved.

5. PforR Financing may support an MPA Program.

Considerations for PforR Financing

6. The Bank's assessment of a proposed PforR Program, and, when applicable, the MPA Program, is based on various country and PforR Program-specific strategic, technical, and risk considerations. These include the PforR 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 PforR Program implementation.

7. The *technical assessment* considers, among other things, the PforR 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 PforR Program's activities and expenditures framework; the degree to which the PforR 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 PforR Program.

8. The *fiduciary systems assessment* considers whether the PforR 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 PforR 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 PforR Program will achieve intended results through its procurement processes and procedures. The PforR 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 PforR Program funds and safeguarding of its assets. The fiduciary assessment also considers how PforR Program Systems handle the risks of fraud and corruption, including by providing complaint mechanisms, and how such risks are managed and/or mitigated.

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

   (a) promote environmental and social sustainability in the PforR Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making relating to the PforR Program's environmental and social impacts;

   (b) avoid, minimize, or mitigate adverse impacts on natural habitats and physical cultural resources resulting from the PforR 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 PforR Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the PforR 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, PforR 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.

10. 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 PforR Financing, and are excluded from the PforR 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 PforR Financing, and are excluded from the PforR Program. However, such contracts may be included in the PforR Program if they are deemed to be important to the integrity of the PforR Program and their monetary value in relation to the overall PforR Program is modest.[2]

11. The PforR Program *integrated risk assessment* considers key risks to achieving the PforR 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 PforR Financing. This decision takes into account country/sector/multisector-specific circumstances, potential benefits of the PforR Program, the needs and capacity of the Borrower, and the degree to which the Financing and implementation support will contribute to the overall PforR Program objectives and results.

Borrower and Bank Roles and Responsibilities in PforR Program Preparation and Implementation

12. The Borrower is responsible for preparing and implementing the PforR Program. The PforR 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 PforR Program with due diligence, and to maintain appropriate monitoring and evaluation arrangements (including credible disbursement-linked indicator verification protocols), fiduciary and environmental and social PforR 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.

[1] See paragraph 6 of Section II of Bank Directive, "PforR Financing".
[2] See paragraph 6 of Section III of Bank Directive, "PforR Financing".

13. The Bank assesses and appraises the PforR Program, and, when applicable, the MPA 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 PforR 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 PforR Program, including measures to address identified weaknesses and risks and to strengthen institutional capacity.

14. The Bank provides implementation support to the Borrower by reviewing implementation progress, achievement of the PforR Program results and disbursement-linked indicators, and associated PforR Program risks. The Bank monitors the Borrower's compliance with its contractual obligations, including actions to strengthen institutional capacity.

Recourse, Remedies, and Sanctions

15. 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 PforR Financing. The Bank exercises such remedies when warranted and as it deems appropriate, taking into account, among other things, country-, sector-, and PforR 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.

16. 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 PforR Program. The Bank has the right to investigate allegations of fraud and corruption in the PforR Program and to sanction parties that engage in sanctionable practices.

Managing PforR Financing

17. *Approval*. The Board decides whether to approve the IBRD and IDA PforR Financing proposals, except that in the case of the MPA Program, the Board decides whether to approve the IBRD and IDA MPA Financing proposal. Except for IDA grants and trust-fund-financed grants explicitly requiring approval by the Board, all other grants are approved by Management.

18. *Signing*. Signing of legal agreements for the PforR 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. In the case of an MPA Program, when a PforR Program introduces a new disbursement linked indicator(s), prior to signing of the legal agreement(s), Management seeks the approval of the Board.

19. *Restructuring*. During the implementation of the PforR Program, and as part of Bank implementation support, the PforR 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 PforR 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, under the MPA Program, (i) a substantive or significant change to the MPA Program development objectives, (ii) the addition of a new Borrower(s), or (iii) the addition of a new disbursement linked indicator(s), is referred to as a Level One restructuring and is submitted for approval by the Board (or by Management, when the approval authority for the original PforR Financing or MPA Financing, as the case may be, resides with Management). A restructuring involving any other modification of the PforR 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.

20. *Closing Date*. The Closing Date is not extended: (a) for the PforR Financing subject to suspension of disbursements; or (b) for the PforR 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 PforR Financing

21. The Bank may agree to provide additional financing to an ongoing PforR Program to meet: (a) unanticipated significant changes to expenditures parameters required to achieve the original PforR 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 PforR Program. The Bank provides the additional financing if it is satisfied with the overall implementation of the original (or restructured) PforR Program. The Bank considers the proposed additional financing based on, 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 appropriate.

22. The Bank may agree to provide additional financing to an ongoing MPA Program if it is satisfied with the overall implementation of the MPA Program. A proposal for additional MPA Financing is submitted for approval by the Board or Management, as appropriate, considering the source of such financing. Additional financing for an individual PforR Program within the MPA Program is committed by Management if the overall Bank financing for the MPA Program does not exceed the MPA Financing approved by the Board.

Section IV – Waiver

A provision of this Policy may be waived in accordance with Bank Policy, “Operational Policy Waivers”, and the Bank Procedure “Operational Policy Waivers and Waivers of Operational Requirements”.

Section V – Effective Date

This Policy is effective as of the date on its cover page.

Section VI – Temporary Provision

N/A.

Section VII – Issuer

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

Section VIII – Sponsor

The Sponsor of this Policy is the Director, OPSPO.

Section IX – Related Documents

Bank Directive, “Program-for-Results Financing”.

Bank Procedure, “Program-for-Results Financing”.

Bank Procedure, “Additional Financing for Program-for-Results Financing”.

Bank Policy, “Operational Policy Waivers”.

Bank Procedure “Operational Policy Waivers and Waivers of Operational Requirements”.

Bank Procedure, “Suspension, Cancellation and Placement of Bank Loans in Nonperforming Status”.

“Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing.”

R2015-0060; IDA/R2015-0052 “Program-for-Results: Two-Year Review”, March 18, 2015.

R2011-0282; IDA/R2011-0350 “A New Instrument to Advance Development Effectiveness, Program-for-Results Financing”, December 29, 2011.

R2017-0160/4; IDA/R2017-0242/4 “Streamlining Restructuring Procedures for Investment Project Financing and Program-for-Results Financing”, July 19, 2017

R2017-0159/4; IDA/R2017-0241/4 “Multiphase Programmatic Approach”, July 19, 2017.

Section X – Other Applicable Rules

Operations supported by Program-for-Results Financing are governed by this Policy, the related Directive, and the following OPs/Policies and BPs/Directive, among others, as appropriate (including any relevant Operational Memoranda and internal Instructions/Procedures available only to staff): Bank Policy, *Operational Policy Waivers*; OP 1.00, *Poverty Reduction*; *World Bank Group Directive Country Engagement*; Bank Policy, *Development Cooperation and Fragility, Conflict, and Violence*; Bank Policy/Directive, *Financial Terms and Conditions of Bank Financing*; Bank Policy/Directive, *External Debt Reporting and Financial Statements*; OP 4.07, *Water Resource Management*; OP/BP 4.20, *Gender and Development*; OP 4.76, *Tobacco*; Bank Policy, *Lending Operations: Choice of Borrower and Contractual Agreements*; Bank Policy, *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 14.20, *Cofinancing*; Bank Policy, *Trust Funds*; World Bank Group Procedure, *Communications with Executive Directors*; and Bank Procedure, *Inspection Panel.*

Section XI – 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 replaced 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.

4. This Policy was updated on August 18, 2017 to reflect the recommendations in “Streamlining Restructuring Procedures for Investment Project Financing and Program-for-Results Financing” (R2017-0160/4; IDA/R2017-0242/4), which was approved by the Board on July 21, 2017.

5. This Policy was updated to reflect the recommendations in “Multiphase Programmatic Approach” (R2017-0159/4; IDA/R2017-0241/4), which was approved by the Board on July 21, 2017.

Questions regarding this Policy should be addressed to the Sponsor.