U.S. Position on the World Bank's Program-for-Results (P4R)
January 24, 2012

The United States appreciates the work of the World Bank over the past eighteen months on the development of this instrument, which builds on the past experience of the Bank and other development actors, and supports its efforts to take the views of a variety of different stakeholders into account. The United States expects World Bank management to continue to solicit feedback from these stakeholders as it moves from design to implementation.

The United States strongly supports the concept behind this new instrument: formally linking Bank disbursements to the achievement of development results that are tangible, transparent and verifiable. In the past, the link between lending and results at the World Bank – and at other development institutions – has not always been clear-cut. The new Program-for-Results (P4R) instrument makes that link explicit (see World Bank link for more details on P4R)[1]. Disbursements occur in proportion to the degree of success in achieving results. This shift from the Bank's existing instruments, which finance inputs or disburse for the enactment of broad policies, is an important opportunity to validate the promise of results-based lending.

The United States also strongly endorses the objectives of supporting country-owned development programs and strengthening the institutional capacity of client countries. By leveraging World Bank assistance across an entire country program, P4R has the potential to deliver greater impact in this area than standalone investment lending operations or development policy lending.

As any new instrument initially comes with risks, the United States also strongly supports management's plan to roll P4R out slowly and with the incorporation of appropriate limits, evaluations, and oversight. Specifically, the United States supports the limit of commitments under P4R in the first two years of the program. The limit of 5 percent of annual IDA/IBRD commitments – which still equates to approximately $2 billion annually – is sufficient to allow us to test the implementation of the instrument, identify and correct problems, and then consider expansion, as appropriate.

The United States also agrees that the exclusion of Category A activities from P4R financing is appropriate and welcomes the World Bank's unequivocal, public statements in this regard. The significant risks that such activities present are best handled through Investment Lending operations and under the World Bank's well-established safeguard policies.

---

[1] The final version of the World Bank's P4R paper, which is being modified to eliminate any confusion in the Operational Policy about the exclusion of Category A projects, will be posted on the World Bank's P4R public website on or around February 6, 2012.

The continued oversight of World Bank lending under P4R by the Bank's independent oversight mechanisms, specifically the Integrity Vice-Presidency, the Independent Evaluation Group, and the Inspection Panel is also appropriate.

In other areas, the United States believes that the limits that management proposed should have been stronger. For instance, with respect to excluded procurement contracts, the specified monetary amounts for activities above which contracts for works, goods, IT systems and services will be excluded from P4R are too high. The United States expects that in cases where financial management and procurement assessments uncover significant weaknesses, the amount eligible for procurement will be much lower.

The United States also has remaining questions regarding the implementation of P4R and looks forward to engaging closely with the World Bank as the initial P4R operations are brought to the Board. These issues include:

- Key to the success of this instrument will be transparency and accountability in its operation. The ability of affected communities, the private sector, and other stakeholders, in a timely manner, to review and provide input not only on the individual program risk assessments and proposed gap-filling measures, but also on the proposed activities, and to be informed of results at the activity level, is critical and will help to build confidence in P4R. The disclosure of information on a country's entire program, not just the associated World Bank financing, is a welcome component of P4R.

- The United States expects the World Bank to be particularly attentive to the potential for any adverse impacts of P4R activities on Indigenous Peoples and other vulnerable groups, and that in these circumstances the World Bank will seek to mitigate potential risks adequately or determine not to move forward with the P4R investment.

- The use of disbursement-linked indicators (DLIs) is a key innovation in P4R, but we are concerned that DLIs could focus heavily on outputs, rather than outcomes. While the United States recognizes that the development and definition of the DLIs will occur through a dialogue between the World Bank and the client, we expect that P4R operations will, to the maximum extent possible, use DLIs that measure outcomes.

- The United States is disappointed that the final document does not mandate the use of independent monitors to verify the achievement of DLIs, although it allows for their use. Verification of DLIs by independent, third-party monitors would further strengthen the transparency of the instrument, guard against the potential manipulation of results, and best achieve the stated objective of ensuring that a credible verification mechanism is in place. The United States expects that the use of third-party monitors will be the default option in P4R operations.

- The United States will also be closely reviewing the World Bank's risk assessment process as described in the paper and draft Operational Policy and Bank Procedures. The lack of a clear standard to determine a borrower's readiness for P4R and adapting assessments to specific country and program contexts continues to be a problematic approach that could lead to uneven application of the instrument across the World Bank as well as confusion among staff and clients.

- The issue of capacity building remains an important issue for implementation of P4R, particularly as strengthening the institutional capacity of clients is an objective. While the paper lays out a variety of different ways in which clients will be able to access technical assistance to support efforts at capacity building, additional thought should be given to how best to support the weakest borrowers who may have limited resources to expend on technical assistance.

Finally, The United States strongly supports a review of the implementation of P4R by the Bank's Independent Evaluation Group to complement management's own planned review of implementation experience. The United States is pleased that Management plans to solicit feedback from countries, development partners, the private sector, other stakeholders and staff as part of the review process.