



Performance-Driven Loan

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PERFORMANCE-DRIVEN LOAN

- Investment loan.
- Disburses against achievement of project outcomes.
 - Expected outcome achieved.
 - Outcome expenditures verified.

PERFORMANCE-DRIVEN LOAN

What are outcomes?

- The effects from using the specific products and services (or outputs) that result from a project.

- Example:

Outputs: schools built, teachers trained.

Outcomes: increases in school enrollment, improved quality of education.

CHARACTERISTICS

- **Project Dimension:**

- Estimated expenditures for achieving outcomes.

- **Bank Financing**

- Eligible expenditures for investment loans.

CHARACTERISTICS

- **Disbursements:**

- Released:

- ✓ All outcome targets for particular disbursement fully achieved.

- ✓ Expenditures verified.

- Actual amount disbursed equal to expenditures incurred for outcome achievement

CHARACTERISTICS

- **Verification of outcome target achievement:**
 - Assessment by independent consultants.
 - T of R and consultants approved by IDB

CHARACTERISTICS

■ **Disbursement Plan:**

- Defined during project preparation.
- Specifies:
 - ✓ Number of disbursements.
 - ✓ Outcomes required for each disbursement.
 - ✓ Dollar amount per disbursement equal to estimated cost of achieving all targets linked to particular disbursement.

CHARACTERISTICS

- **Time lag addressed by:**
 - Initial disbursement of up to 20 percent.
 - Disbursing on intermediate outcomes.

CHARACTERISTICS

- **Requirement for approval:**
 - Well-functioning performance measuring and monitoring system prior to project approval.

ENABLING ENVIRONMENT

Eligibility criteria to use country systems:

- **Legal framework on procurement allowing for:**
 - Independent reviews of protests.
 - Enforcement of ensuing decisions.

- **Project entities must:**
 - Follow procurement procedures governed by principles of competition, economy, transparency, equity, publicity and due process.
 - Have strong financial management, accounting and control systems.

ENABLING ENVIRONMENT

When enabling environment not in place:

- Performance-driven loan can be used.
- Requires:
 - Cannot use procurement and financial management country systems
 - Must use IDB's.
 - Ex-ante review of expenditures.

EXPERIENCE

- Low demand due to greater disbursement requirements than other investment lending instruments.
- 17 projects approved from 2004 to 2011.

EXPERIENCE

- Used by middle (11) and low income countries (6).
- Sectors:
 - Infrastructure (7)
 - Health (3)
 - Governance (3)
 - Education (2)
 - Agriculture (1)
 - Technological Development (1)

EXPERIENCE

- Most did not meet procurement requirement so IDB procurement systems used.
- Tendency to use output or activity disbursement indicators.

