Piloting Results-Based Lending for Programs

Asian Development Bank

2014

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Outline

1. Why RBL

2. Defining RBL

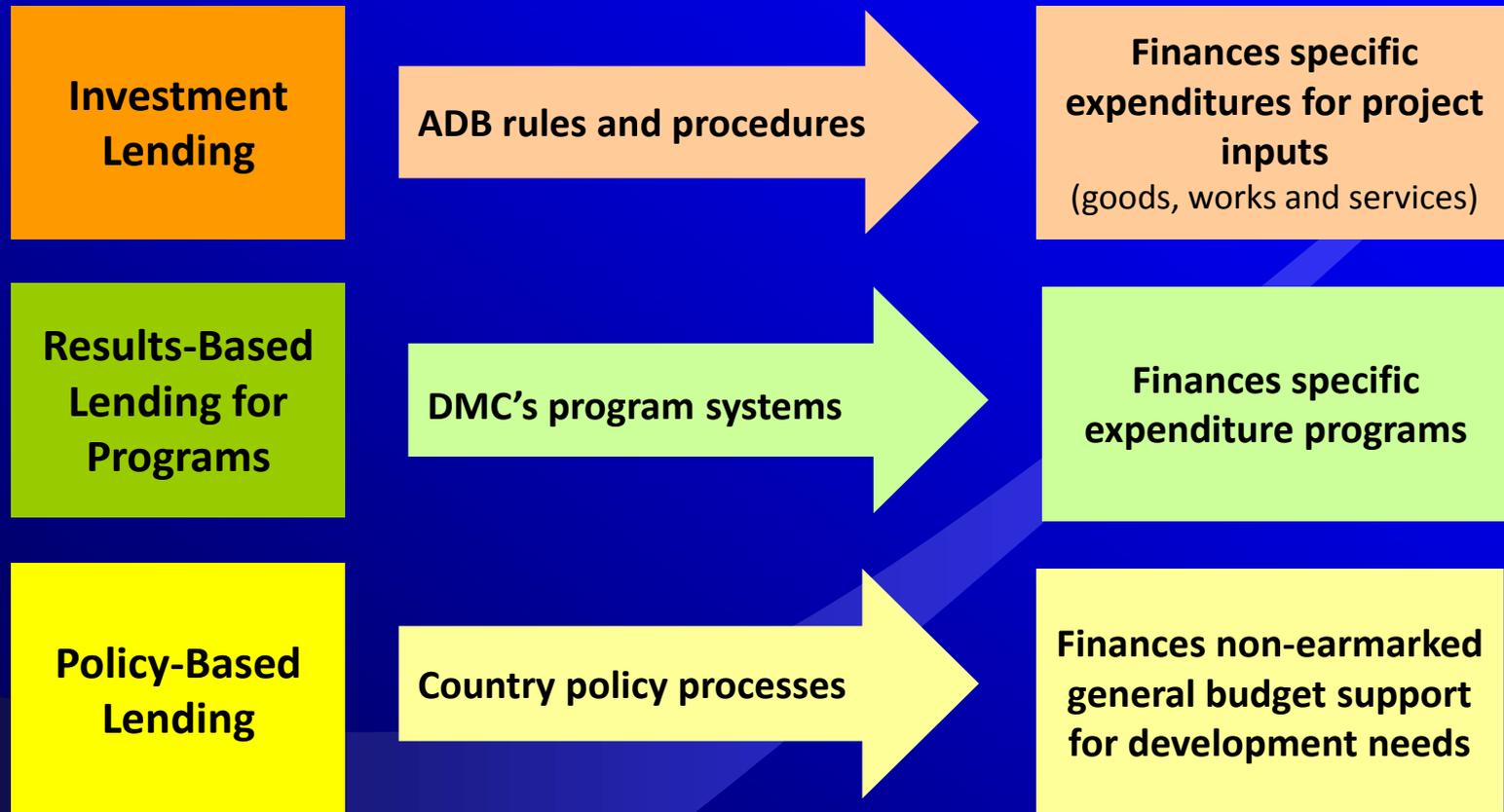## 3. Defining and Assessing Programs

4. Questions

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Supporting Development Effectiveness

- ✓ Measurable results

- ✓ Institutional development

- ✓ Development coordination

- ✓ Lower transaction costs

- ✓ Higher development impacts

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Resolving Operational Challenges

✓ Sector-wide interventions

✓ Numerous infrastructure transactions

✓ Decentralized operations

✓ Community development operations

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Additional Tool

Investment Lending	ADB rules and procedures →	**Finances specific expenditures for project inputs** (goods, works and services)
Results-Based Lending for Programs	DMC's program systems →	**Finances specific expenditure programs**
Policy-Based Lending	Country policy processes →	**Finances non-earmarked general budget support for development needs**

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Processes

- ✓ Internal discussions
- ✓ External consultations
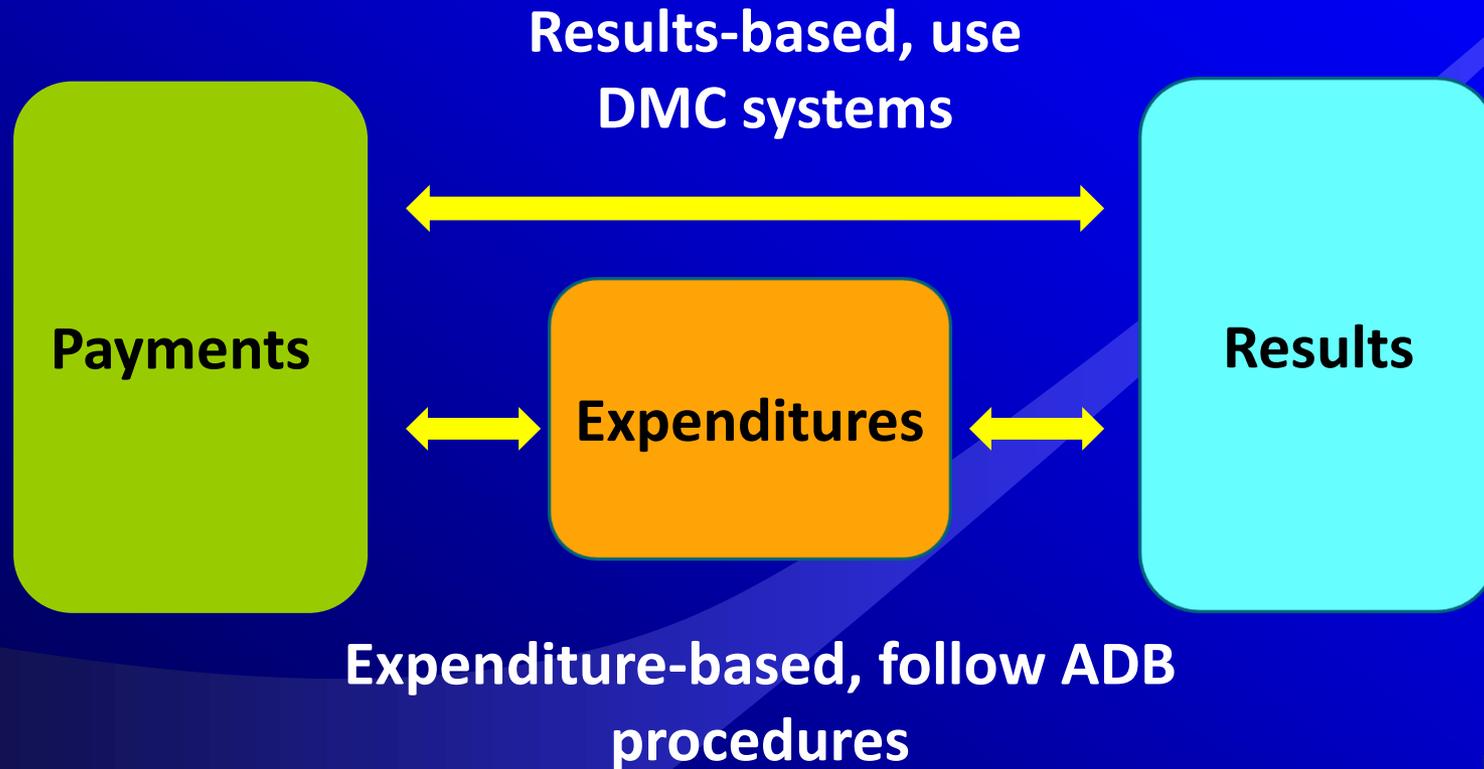- ✓ Approval processes

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Results- and Expenditure-Based

Objective: To achieve results

**Results-based, use
DMC systems**

Payments

Expenditures

Results

**Expenditure-based, follow ADB
procedures**

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Key Features

- ✓ Supports government programs

- ✓ Links disbursements to results

- ✓ Finances expenditure programs

- ✓ Assesses, uses, and improves program systems

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Paradigm Shifts

Principle-based — not rule-based

System-based — not transaction-based

Program-based — not ring-fencing ADB financing

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Policies in MDBs

ADB: RBL
(Results-Based Lending)

Approved: 6 March 2013

Effective: 6 June 2013

Operations: 1 approved

WB: PforR
(Program-for-Results)

Approved: 24 January 2012

Operations: 9 approved (16 in pipeline)

IDB: PDL
(Performance-Driven Loan)

Approved: December 2003

Piloted: 2003-09

Operations: 17 approved

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The Government Program

✓ Whole, part, or a time slice of a sector

✓ New or ongoing

✓ A sector, a subsector, multisectors, or a cross-sectoral theme

✓ National or subnational

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Building Blocks

Program Soundness	Expenditures and Financing	Results and Links with Disbursements	Systems and Institutions
Relevance and justification	Expenditure framework	Results (outcomes, outputs, other results)	Monitoring and Evaluation
Adequacy	Financing plan	Links with disbursements	Fiduciary systems (FM, procurement, anticorruption)
Implementation arrangements			Safeguard systems
			Other institutional aspects

← **Technical Assessment** → ← **System Assessment** →

FM = financial management

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How will Institutional Changes Happen?

*"the single most important point about institutional change, which must be grasped if we are to begin to get a handle on the subject, is that **institutional change is overwhelmingly incremental.**"*

– Douglass North (1990)

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Is RBL More Risky than Investment Lending?

Donor-required project procedures commonly reduce risk of corruption. However, short-term project structures also create new incentives for abuse especially where large funds are involved and/or new lines of accountability and patronage are created. It cannot be assumed, therefore, that ADB financial and procurement systems (or those of other donors in the sector) are succeeding in reducing corruption; this must be assessed.

Source: ADB. 2008. *Guidelines for Implementing ADB's Second Governance and Anticorruption Action Plan (GACAP II).* Manila. (para. 31, p. 7-8)

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Does RBL Involve Higher Transaction Costs?

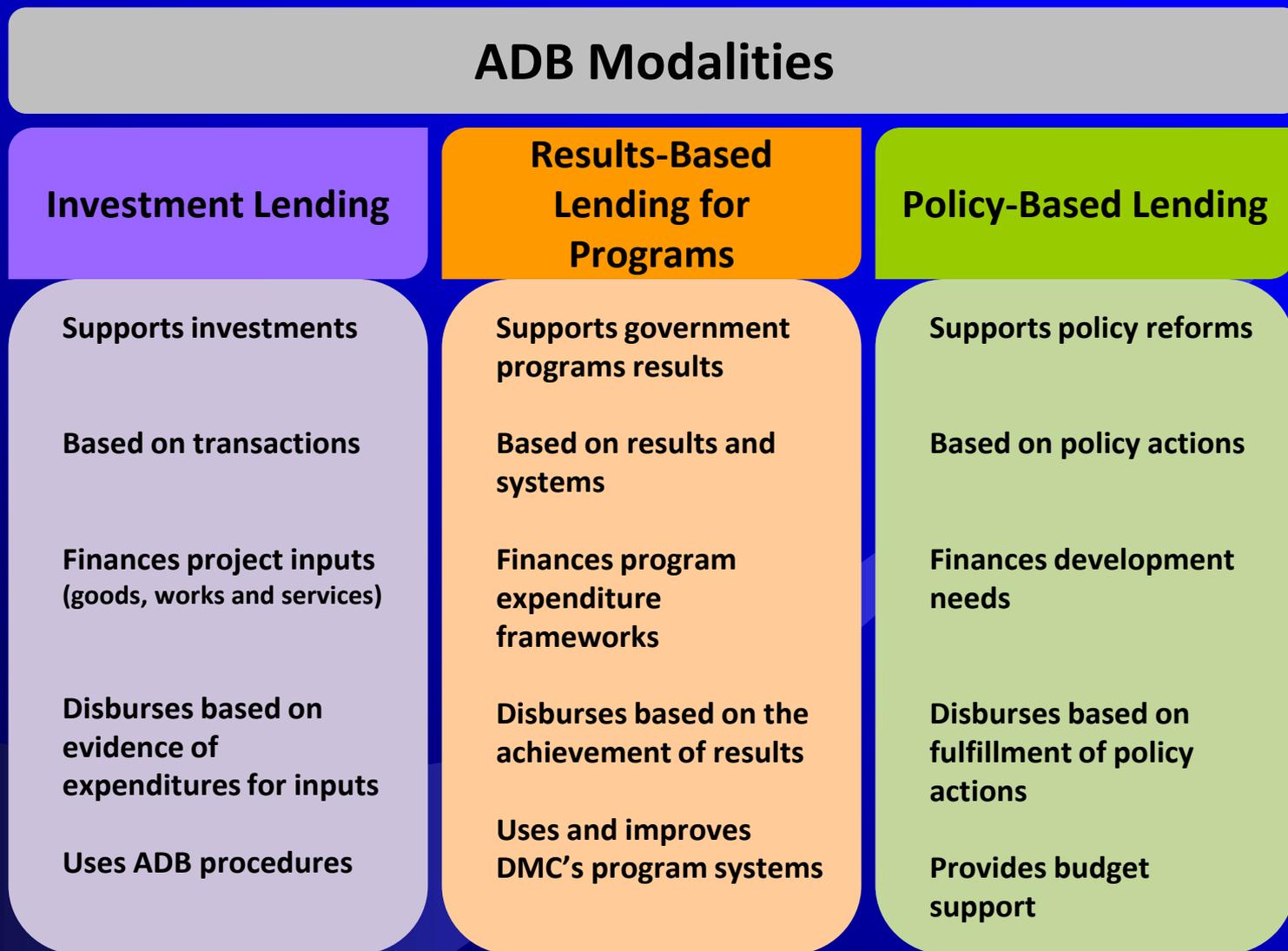| Areas of Work	Expected Transaction Costs: RBL vs. Investment Lending
Assessments of program systems	Depending on the operation
Setting up parallel arrangements	Decrease (-)
Paper-based review of (numerous) transactions during program implementation	Decrease (-)
Results verification	Increase (+)
Implementation support	Depending on the operation
Overall	**Expected to be lower**

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ADB RBL webpage

http://www.adb.org/site/public-sector-financing/results-based-lending-programs

World Bank website

http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:23215867~pagePK:41367~piPK:51533~theSitePK:40941,00.html

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Key Features of ADB Lending Modalities

ADB Modalities

Investment Lending	Results-Based Lending for Programs	Policy-Based Lending
Supports investments	Supports government programs results	Supports policy reforms
Based on transactions	Based on results and systems	Based on policy actions
Finances project inputs (goods, works and services)	Finances program expenditure frameworks	Finances development needs
Disburses based on evidence of expenditures for inputs	Disburses based on the achievement of results	Disburses based on fulfillment of policy actions
Uses ADB procedures	Uses and improves DMC's program systems	Provides budget support

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ADB's RBL Operations

	Country	Program	Sector
	Approved		
1	Sri Lanka	Education Sector Development Program	Education
2	Sri Lanka	Skills Sector Enhancement Program	Education
	Pipeline		
1	Philippines	Senior High School Support Program	Education
2	Solomon Islands	Sustainable Transport Infrastructure Improvement Program	Infrastructure
3	India	Supporting Additional Skill Acquisition Program in Kerala	Education
4	Viet Nam	Secondary Cities Development Project II (Green Cities)	Urban development

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WB's PforR Operations - Approved

	Country	Program	Sector
1	Brazil	Strengthening Service Delivery for Growth, Poverty Reduction and Environmental	Multisector (60% social sector)
2	Ethiopia	Ethiopia Health MDG Support Project	Health
3	Kenya	National Integrated Safety Net Program	Social protection
4	Morocco	National Initiative for Human Development (INDH) Phase II	Social development
5	Nepal	Results-Based Bridges Improvement & Maintenance Project	Transport
6	Tanzania	Urban Local Government Strengthening Program	Public sector management
7	Uganda	Support to Municipal Infrastructure Development	Infrastructure
8	Uruguay	Road Infrastructure Program for Results	Transport
9	Viet Nam	Results-Based Rural Water and Sanitation Under The National Target Program	Water and sanitation
10	Pakistan	Punjab Governance and Service Delivery	Public sector management

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WB's PforR Operations – Pipeline

	Country	Program	Sector
1	Afghanistan	Rural Water Supply and Sanitation Project	Water and sanitation
2	Bangladesh	Enabling Open Government	Public sector management and ICT
3	Bolivia	National Road Sector Management Program	Infrastructure
4	Croatia	Health Sector Reform Program	Health
5	Ethiopia	Local Government Development Program II	Public sector management
6	India	Third Maharashtra Rural Water Supply and Sanitation Project (Jalswarajya-II)	Water and sanitation
7	India	Enhancing Teacher Education through ICT in Bihar	Education
8	Indonesia	Road Asset Preservation Program	Transport
9	Mexico	Oaxaca WSS Sector Modernization	Water and sanitation
10	Moldova	Health Transformation Operation	Health
17	Vietnam	Northern Mountains Urban Program	Infrastructure

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WB's PforR Operations – Pipeline (cont'd)

	Country	Program	Sector
11	Morocco	Integrated Risk Management Program	Public sector management
12	Morocco	Health Sector Support Program	Health
13	Morocco	Urban Transport Program	Transport
14	Mozambique	Public Financial Management for Results Program	Public sector management
15	Tanzania	Big Results Now in Education Program	Education
16	Tunisia	Urban Development and Local Governance	Urban development and PS management
17	Vietnam	Northern Mountains Urban Program	Infrastructure

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