

Proposed World Bank Program for Results (P4R) Lending – Revised Concept Note
February 22, 2011
U.S. Position

The United States supports the goal of improving borrowers' implementation capacity and ownership over development programs. We appreciate Management's efforts to address the concerns that were raised at the October 2010 discussion of this proposal in the World Bank's Committee on Development Effectiveness. The following is a list of U.S. concerns about P4R lending in the following areas: capacity building, procurement, social and environmental safeguards, the role of independent accountability mechanisms, and monitoring and evaluation.

Capacity Building

Simply using country systems does not necessarily help to improve them, and the concept note does not adequately address the need to assess, improve and build capacity to enhance borrowers' systems. Numerous reports by the Bank's Independent Evaluation Group (IEG) have shown that the World Bank has not done a consistently effective job building institutional capacity, especially in Africa. Long-term sustainable improvements in capacity are of course difficult to achieve, but given that systems improvement is a primary goal of the proposed instrument, the United States expects that P4R loans would be accompanied by a program for assessment and capacity building to enhance standards and improve country systems.

Procurement

The United States welcomes Management's proposal to exclude from P4R lending those contracts that would not qualify for corporate-level procurement review. However, the United States is concerned by the procurement proposals which would eliminate the application of the Bank's procurement and consulting guidelines, standard bidding documents and prior and post review processes for most contracts. Prior review by procurement specialists, Regional Procurement Managers (RPMs), and the Operations Procurement Review Committee (OPRC) is a proven mechanism to reduce corruption and encourage procurement effectiveness. The United States remains concerned regarding the proposed assessments for determining acceptability for the new instrument and how the acceptable level of risk would be determined.

Environmental and Social Safeguards

The explicit exclusion of Category A projects, or those with high risk that cannot be mitigated through the operation, is very helpful in clarifying the potential universe of projects – or programs – where P4R would be used. The United States would appreciate further clarification from Management on what is considered "high risk projects" in order to ensure that this exclusion would also apply to high-risk Category B projects. The United States supports Management's proposal to conduct an early review of the instrument that would take into account any relevant input from the Safeguards update process and ensure that the proposed

exclusions are adequately capturing those projects better suited to Investment Lending. Finally, the United States is concerned about the language in paragraph 39 that states “the environmental and social principles would be used not as benchmarks in prescribing remedies but rather as a means to evaluate how the government program is designed...” In our view, criteria need to be established for assessing a country’s system. Otherwise, there is a risk that staff will set their own individual criteria which could result in confusion on the part of borrowers and disparity of treatment. Therefore, the United States requests that Management clarify in the next version of the paper a standard or benchmark that demonstrates a borrower’s ability to handle a program’s environmental and social risks.

Role of Independent Accountability Mechanisms

The scope for the Institutional Integrity Department (INT) to review charges of fraud and corruption may need to be updated to take into account the structure of the proposed instrument and the potentially larger universe of actions for which the World Bank will now be assuming reputational risk. The United States stresses the need to review and modify as necessary the Anti-Corruption Guidelines to account for this proposed instrument. INT must continue to have the ability to investigate allegations of sanctionable offenses even in cases where a borrower government has decided to initiate an investigation.

Monitoring and Evaluation

The United States welcomes the views of potential borrowers on how to structure monitoring and evaluation of results under the P4R that creates incentives for strong and continuously improving performance. The United States requests that management clarify in the next version of the paper how to ensure that M&E systems and the definition and selection of the Disbursement-linked Indicators (DLI) are ambitious targets versus a lowest-common denominator threshold. The United States also supports the move towards a greater focus on measuring systems improvements and outcomes and impacts for beneficiaries when developing results frameworks.

Providing products that ultimately improve countries’ ownership over their own development is our shared goal. Ensuring that this proposed instrument achieves that result will require changes to the current concept note along the lines suggested here. The United States welcomes Management's commitment to a continued dialogue on these issues and full public consultations with all stakeholders.