Program-for-Results:

An Innovative Financing Tool to Incentivize Results and Build Capacity in Government Programs

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Overview

- WBG toolbox to support clients
- PforR by the numbers
- PforR key elements and design considerations
- Examples with relevance to climate change
World Bank Group Toolbox

Country Partnership Framework

World Bank

Financing instruments

- Investment Project Financing
- Program-for-Results Financing
- Development Policy Financing

Advisory Services and Analytics (ASA)

IFC

MIGA
Three Complementary Financing Instruments

**Investment Project Financing (IPF)**
- Bank IPF rules and procedures
- Funds for specific inputs

**Program-for-Results Financing (PforR)**
- Program systems
- Funds for program of expenditure

**Development Policy Financing (DPF)**
- Country policy processes
- Funds for non-earmarked general budget support
Why Did the Bank Develop the PforR Instrument?

<table>
<thead>
<tr>
<th>Development Effectiveness and Client Demand</th>
<th>Focus on Results</th>
<th>Institutional and Capacity Building</th>
<th>Enhanced Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>PforR responds to client demand that could not be fully met through existing instruments; it enhances development effectiveness of client programs and development assistance</td>
<td>PforR places attention on results through more direct linkage of funding to the achievement of verifiable results and performance actions</td>
<td>By using program institutions and systems, PforR will strengthen institutions/capacity of the whole program</td>
<td>PforR provides an opportunity to improve coordination among development partners in government programs</td>
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PforR entails a significant paradigm shift which moves the operational focus from:

- financing expenditures and controlling transactions to directly supporting results
- a rules-based approach to a principle-based approach
- ring-fencing Bank financing to positively influencing entire government-owned program and systems
Trends in IBRD/IDA Lending by Instrument

* Data as of April 30, 2017.
Since its inception in 2012, PforR has made very good progress:

- **66** operations approved by World Bank Board of Directors
- **$14.8** billion Bank Financing
  Supporting more than **$61** billion of Government programs
- **66** operations in the pipeline
- **worth $16** billion
PforR by the Sectors ($m)
Demand Speaks Volumes – Repeat Clients

- **India**
  - 6 operations, $2.7 B
  - (6 pipeline)

- **China**
  - 3 operations, $1.6 B
  - (5 in pipeline)

- **Vietnam**
  - 5 operations, $1.1 B
  - (1 in pipeline)

- **Indonesia**
  - 2 operations, $0.7 B
  - (9 in pipeline)

- **Ethiopia**
  - 4 operations, $1.2 B
  - (5 in pipeline)

- **Egypt**
  - 3 operations, $1.6 B
  - (3 in pipeline)
Key Elements of PforRs

- Identification of **Government program** (national/ subnational, sectoral/ cross-sectoral, existing/ new) and definition of **Program** supported by the operation

- Identification of **key results** and **Disbursement Linked Indicators**

- **Assessment** of the program in terms of technical, fiduciary, and social and environmental impacts

- Identification of opportunities for **building capacity** and enhancing system performance

- Strong focus on **implementation support** and achievement of results

- Institutionalizing **verification** of results

Note:

- **Exclusion**: activities with potentially significant, irreversible impact on the environment and affected people

- **Exemption**: high value procurement packages
Program definition

- $P = p$
- $P < p$

Funds not earmarked
- Underlying Program of expenditures
- Reconciliation
- Donor co-financing possible (but reliance on Program systems)
- Boundary important for assessments,
- Funds flow relies on regular budget mechanisms
- ACGs, identifying results, systems strengthening

PforR Financing
Key to Incentives - Disbursement Linked Indicators (DLIs)

PforR operations disburse funds based on “Disbursement-linked Indicators (DLIs)”

- Depending on the Program, DLIs can be:

- DLIs should be:

- DLIs can be scalable, meaning disbursement is proportional to progress in achieving the DLI. This helps provide a more stable basis for disbursements than threshold-type conditions.
Disbursement: PforR Links Financing Directly to Results

1. Results are achieved
2. Verification entity reviews results
3. Government sends documentation on results and verification to Bank
4. WBG Reviews documentation and approves
5. Government receives funds

Program-for-Results Financing Overview
Development Challenge
Air pollution is a challenge in the areas around Beijing.
Energy efficiency and clean energy are ‘win-win’ options to mitigate both air pollution and climate change simultaneously.

Program Development Objective
Reduce air pollutants and carbon emissions through increasing energy efficiency and clean energy, with a focus on Jing-Jin-Ji and neighboring regions.

Financing Amount: US$500 Million (Total Program is US$1 Billion), 2016 – 2022

PforR Program Results Focus
- Reduced coal consumption from improved energy efficiency in the industrial and building sectors and increased renewable energy supply of solar PV, wind, and biomass technologies.
- Reduced air pollution emissions from pollution abatement measures.
- Stronger institutional capacity of Hua Xia Bank, establishment of a Green Finance Center, development of green lending procedures, piloting of innovative financing models, products, staff training.
<table>
<thead>
<tr>
<th>Result Area</th>
<th>Actions</th>
<th>Outputs/Intermediate results</th>
<th>Outcomes</th>
</tr>
</thead>
</table>
| PDO-level indicators: Reduced air pollutants and GHG emissions | (1) Scale up EE and RE investments.  
(2) Increase financing for pollution abatement.  
(3) Strengthen institutional capacity of HXB. | (1) Subloans (for eligible EE, RE, and pollution abatement subprojects) disbursed to sub-borrowers (US$)  
(2) Total investments in eligible EE, RE, and pollution abatement equipment | Particulate, SO$_2$, NO$_x$, and CO$_2$ emissions reduced from eligible EE, RE, and pollution abatement subprojects (tons) |
| Result Area I: Reduced coal consumption from increased EE and RE | Scale up EE and RE investments. | (1) Subloans for eligible EE and RE subprojects disbursed to sub-borrowers (US$)  
(2) Energy savings from eligible EE subprojects (tce)  
(2) Energy savings from eligible RE subprojects (tce)  
(3) Improved EE, increased clean energy, and installed pollution abatement equipment | (1) Coal reduction from eligible EE and RE subprojects (tce)  
(2) Particulate, SO$_2$, NO$_x$, and CO$_2$ emissions reduced from eligible EE and RE subprojects (tons) |
| Result Area II: Reduced air pollution emissions from pollution abatement measures | Increase financing for pollution abatement measures, such as installing desulfurization and denitrification, replacing coal with natural gas, and replacing gasoline vehicles with electric and CNG vehicles. | (1) Subloans for eligible pollution abatement subprojects disbursed to sub-borrowers (US$)  
(2) Increased installation of FGD and denitrification  
(3) Increased use of natural gas  
(4) Increased clean vehicles | (1) Reduction of SO$_2$ emissions from desulfurization subprojects (tons)  
(2) Reduction of NO$_x$ emissions from denitrification subprojects (tons) |
| Result Area III: Strengthened institutional capacity of the HXB | (1) Establish a Green Finance Center.  
(2) Set up internal green credit procedures and provide sticks and carrots to incentivize staff.  
(3) Provide training to staff.  
(4) Undertake marketing and business development for deal origination.  
(5) Develop and pilot innovative financing models and products.  
(6) Increase lending to ESCOs.  
(7) Strengthen supervision | (1) Establishment of a Green Finance Center and adoption of internal procedures for the identification, risk assessment, appraisal, and approval of green lending  
(2) Number of different eligible innovative financial products for green financing deployed  
(3) Number of different ESCOs receiving subloans (for eligible EE and RE subprojects)  
(4) Number of new users of the Green Finance Center | Institutional capacity improved and green financing mainstreamed at the HXB |
<table>
<thead>
<tr>
<th>DLI</th>
<th>Total DLI Allocation (US$, millions)</th>
<th>As % of Total Financing Amount</th>
<th>DLI Baseline</th>
<th>Timeline for DLI Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI-1: Subloans (for eligible EE, RE, and pollution abatement subprojects) disbursed to sub-borrowers (US$, millions)</td>
<td>1,000.00</td>
<td>0.00</td>
<td>50.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Allocated IBRD amount:</td>
<td>300.00</td>
<td>60</td>
<td>15.00</td>
<td>30.00</td>
</tr>
<tr>
<td>DLI-2: Coal reduction from eligible EE and RE subprojects (thousand tce)</td>
<td>550</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Allocated IBRD amount:</td>
<td>125.00</td>
<td>25</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>DLI-3a: Reduction of SO₂ emissions from desulfurization subprojects (thousand tons)</td>
<td>8.60</td>
<td>0</td>
<td>0</td>
<td>0.50</td>
</tr>
<tr>
<td>Allocated IBRD amount:</td>
<td>10.00</td>
<td>2</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>DLI-3b: Reduction of NOx emissions from denitrification subprojects (thousand tons)</td>
<td>5.90</td>
<td>0</td>
<td>0</td>
<td>0.40</td>
</tr>
<tr>
<td>DLIs</td>
<td>Total DLI Allocation (US$, millions)</td>
<td>As % of Total Financing Amount</td>
<td>DLI Baseline</td>
<td>Timeline for DLI Achievement</td>
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</tr>
<tr>
<td><strong>Allocated IBRD amount:</strong></td>
<td>15.00</td>
<td>3</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>DLI-4:</strong> Establishment of a Green Finance Center and adoption of internal procedures for the identification, risk assessment, appraisal, and approval of green lending</td>
<td>–</td>
<td></td>
<td>0</td>
<td>Prior Result</td>
</tr>
<tr>
<td><strong>Allocated IBRD amount:</strong></td>
<td>10.75</td>
<td>2</td>
<td>–</td>
<td>10.75</td>
</tr>
<tr>
<td><strong>DLI-5:</strong> Number of different eligible innovative financial products for green financing deployed (# of products)</td>
<td>3</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Allocated IBRD amount:</strong></td>
<td>18.00</td>
<td>4</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>DLI-6:</strong> Number of different ESCOs receiving subloans (for eligible EE, RE, and pollution abatement subprojects) (# of ESCOs)</td>
<td>10</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Allocated IBRD amount:</strong></td>
<td>20.00</td>
<td>4</td>
<td>0.00</td>
<td>0.00</td>
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</tbody>
</table>
Morocco Integrated Disaster Risk Management and Resilience

Development Challenge
Exacerbated by climate change, the impact of natural disasters on Morocco’s economy amounts to an average US$800 million per year and causes significant human casualties.

Program Development Objective
Improve the institutional framework to finance disaster risk reduction activities and strengthen financial resilience to natural disasters for targeted populations in the Program Area.

Financing Amount: US$200 Million
(Total Program is US$258 Million), 2016 – 2021

PforR Program Results Focus
- Building institutional resilience through improved government coordination
- Building physical resilience through investment in risk reduction
- Financial resilience through catastrophe risk insurance
India Grid-Connected Rooftop Solar Program

Development Challenge
Despite energy shortages, and the high cost of backup supply, rooftop solar PV systems have not yet become widespread in India

Program Development Objective
To increase installed capacity of Grid-connected Rooftop Solar Photovoltaic (GRPV) and to strengthen the capacity of relevant institutions for GRPV.

Financing Amount: US$500 Million IBRD/IDA, 2016 – 2021  (Total Program is US$ 915 Million)
US$125 Million CTF
US$23 Million GEF

PforR Program Results Focus
- Improve institutional capacity for GRPV
- Market Development of GRPV
- Expanding GRPV generation

*Program Environmental Objective (PEO) is to achieve reductions in GHG emissions through the displacement of thermal energy with solar energy.
Opportunities for Coordinated Support

**Opportunities for Results-Based Climate Finance**
- Growth in portfolio: e.g. energy efficiency/ large markets
- Harmonized donor support to Government programs - ADB, DFID, EU, SIDA, multi-donor TFs co-financing (AfDB and IDB developing similar instruments)
- Leveraging private sector
- Focus on results shifts the dialogue

**Consideration of limitations**
- Need a government program
- Exclusions: activities “significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people are not eligible”
- Funds flow and issue of incentives
- Verification protocol
- Achievement within timeframe; sometimes not final outcomes
- Reconciliation
Thank You

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For more information:
www.worldbank.org/pforr
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