



The World Bank Experience with Results Based Financing

**'The future CAP: towards a performance based delivery model'
ENRD workshop**

Brussels, 30th January 2018

Andrea Liverani
Sustainable Development Program Leader
EU Member States
World Bank Group
aliverani@worldbank.org

Outline

- **What is it?**
 - Key features of PforR
 - Rationale
 - Track record so far
- **A quick dive into one example**
 - Defining the Program
 - Identifying Expenditures
 - Establishing Results chains and disbursement linked indicators (DLIs)
- **Conditions for success**
 - In PforR operations
 - In organizations introducing results based financing

A new instrument for changing needs...

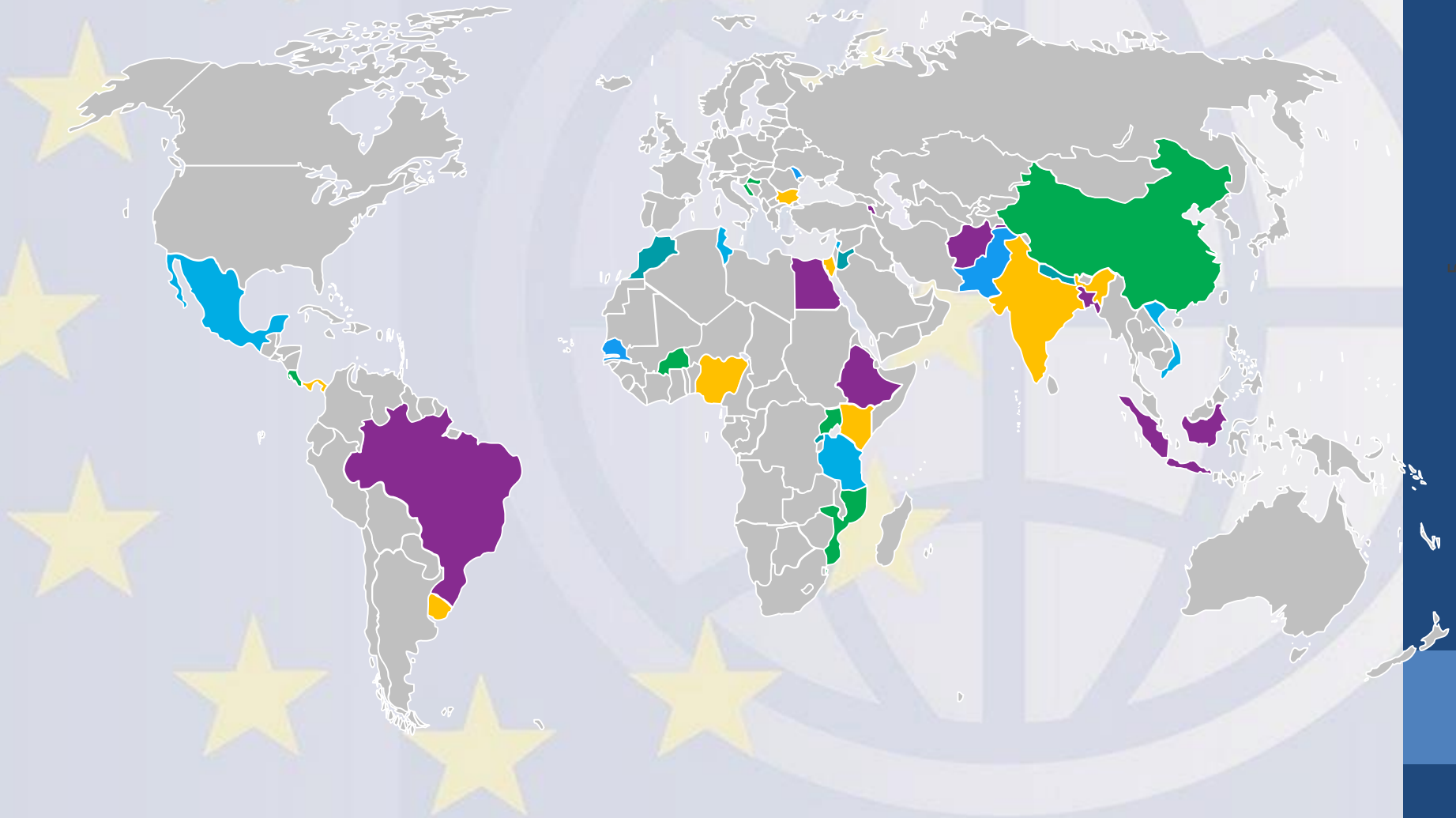


A growing portfolio...

Since its inception in 2012, PforR has been applied in:

- 75 operations approved for a total of US\$ 17 Billion in WB financing, supporting US\$72 Billion of Government Programs.
- 69 Operations in the pipeline, for a total of \$19 Billion of Bank Financing.
- Used across sectors, including Ag

...with global coverage



What do our counterparts like in PforR?

Increased choice in Bank financing instruments (IPF, DPF, PforR) suited to different needs on the ground.

Shift in dialogue from inputs and compliance to results

Verification of results is institutionalized

Focus on capacity building and system improvements

Use of own systems

Reduced Bank transaction processes

Simplification

Key preparation steps

- Identification of **Government program** (national/ subnational, sectoral/ cross-sectoral, existing/ new);
- Definition of **Program** supported by the PforR operation (Program boundaries: geographic, diachronic, sectoral, etc);
- **Assessment** of the Program in terms of technical, fiduciary, and social and environmental impacts;
 - Identification of **key results, Disbursement Linked Indicators and Verification arrangements**;
 - **Identification of technical, fiduciary, E&S management gaps/risks requiring attention**;
 - Identification of opportunities to **enhance capacity, institutional quality** and systems' performance.

An Example from an Agricultural Sector

Strengthening Agri-food Value Chains in Morocco

Context:

- Successful efforts aimed at increasing ag production, but:
 - Limited productivity growth
 - Limited exports
 - Limited benefits for farmers
- **Objective:** To increase the volume of added-value products commercialized in selected agri-food value chains
- **Financing:** US\$450 million (US\$250 million GoM, US\$200 million IBRD);
- **Implementation:** 5 years (January 2018-Dec 2022)
- **Grounded in Government program** (Plan Maroc Vert)
- **Focus on Two Results Areas:**
 - Increased market efficiency and integration;
 - Improved added-value of agri-food products.

Defining Results & Disbursement Linked Indicators (DLIs)

Activities/Actions	Outputs	Intermediate outcomes	Outcomes
Results Area 1: Increased market efficiency and integration			
<p>Supporting intra-branch organizations to fulfill their mandates and ensure their sustainability in the long term</p> <p>Financial and technical support to processing/aggregation (olives, citrus)</p> <p>Prepare an amendment to Aggregation Law allowing direct transaction with buyers outside of wholesale markets</p> <p>Building wholesale markets and creating managing entities</p> <p>Improving and extending reach of the market information system to farmers</p>	Business plans for intra-branch organizations prepared	Business plans approved and intra-branch agreements adopted to secure organization sustainability	<p>Increased volume of added-value products commercialized:</p> <p>- Volume of conditioned citrus</p> <p>- Volume of conditioned olives</p> <p>- Volume of high quality olive oil</p>
	Investment projects either to add value or to integrate small- and medium-sized producers to functioning markets	New and upgraded conditioning, cold storage and processing units (olive, citrus) starting operations	
	Aggregation law amended and ready to be implemented (arrêtés published)	Additional producers aggregated (olives, citrus)	
	At least, one wholesale market built	At least, one wholesale market is operating and applying the new management model	
	Applications for access to market information through mobile telephones created	Use of market information services for mobile phones and of the application Publi-Asaar	



= Disbursement-Linked Indicator

Linking financing to Results – a snapshot of DLIs

	Total DLI Financing	% of Total Financing	DLI Baseline					
				2017	2018	2019	2020	2021
DLI 3: Number of new/upgraded conditioning, cold storage and/or processing units in selected agri-food value chains under operation	70 mil	35%	0	5 5 mil	27 22 mil	53 26 mil	62 9 mil	70 8 mil
DLI 5: Number of small-and/or medium-size agri-food enterprises authorized by Food Safety Agency	30 mil	15%	5,000 (2016)	5,200 6 mil	5,400 6 mil	5,700 6 mil	5,900 6 mil	6,000 6 mil
DLI 7: 7.1 Two Agri-food Innovation Centers (CIAs) constructed/rehabilitated 7.2 Number of small-and/or medium-sized producers and enterprises with added-value project assisted by Innovation Centers	20 mil	10%	7.1 0 7.2 0		7.1 1 2.5 mil	7.1 2 5.5 mil	7.2 30 6 mil	7.2 50 6 mil

Criteria for setting DLI amounts

Results are not costed: The amount of financing by DLI does not need to correspond to the cost of achieving that DLI (see financing for increase in municipal revenues).

Context specificity: Defining DLIs and assigning amounts is typically a function of the following considerations:

- External risks to DLI achievement (this should be mitigated to the extent possible)
- Ambition VS Realism
- Full control or not over conditions for DLI achievement
- Instrumental use of financial incentives (carrot/sticks)
- Predictability of disbursements flow

Gradualism

DPL binary (yes/no) disbursement at the beginning of the prog of reforms:

P4R allows for continuous flows.

DLIs can be scalable: disbursement is proportional to progress

→ Provide a more stable basis for disbursements than threshold-type conditions.

Flexibility: reallocation within the same category of indicator and between indicators are possible. Changing of indicators is also possible, but more cumbersome, particularly if the change impinges on the overall development objective of the operation.

Identifying Program Expenditures

Objectives	Estimated budget US\$m
Result area 1	199
Strengthening the Interprofessions (value chain stakeholders org.)	5
Support for the integration of small and medium producers with markets	135
Modernizing the management of wholesale markets (*)	58
Improving access to information	1
Result area 2	245
Improving food safety	202
Promoting quality standards and certification systems	31
Strengthening business development and technical support services for the agri-food sector	9
Financing innovation	3
Program Management and Monitoring (including Technical Assistance)	6
National Program (total expenditures)	450

Conditions for success, in PforRs

Shared Ownership

Need (or produce) a « Results Coalition »

DLIs used as 'financial carrots/sticks'

To provide incentives to Program stakeholders:
Ministry, Food Safety Agency, Local Authorities,
Beneficiaries

Reliable Verification
Systems

Substantial investments needed in strengthening
monitoring and evaluation systems

Focus on institutional
quality and capacity

Critical importance of continued implementation
support (Resources for Bank ISP)

...and in organizations introducing Results Based Financing

- From identifying specific expenditures to appraising “programs of expenditures”
 - From ex post approval of actual expenditures to ex ante validation of categories of expenditures;
 - From seeking compliance to ensuring gradual capacity strengthening;
 - From “supervision” to “implementation support”
- Requires Behavior change:
- Same titles, different roles.
 - Continued – and perhaps enhanced – relevance.

Some additional resources:

- An early stage evaluation of PforR implementation (2016)

<http://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/program-for-results-full.pdf>

- PforR Two Year Review (2015) Thank you!

<http://documents.worldbank.org/curated/en/624411468140040506/pdf/951230BR0R2015020Box385454B00OUO090.pdf>

- WBG PforR Policy, Directive, Guidance Notes:

<http://www.worldbank.org/en/programs/program-for-results-financing#3>

The background features a light blue gradient. On the left side, there are several yellow five-pointed stars of varying sizes, arranged in a pattern similar to the European Union flag. On the right side, there is a large, faint, light blue globe with a grid of latitude and longitude lines. The text "Thank you!" is centered in the middle of the image.

Thank you!

Annex



Main differences between PforR, IPF and DPLs

Type of Instrument	Purpose	Disbursement Mechanism	Implementation Mechanism	Bank Focus
Investment Project	Supports specific expenditures (e.g: a highway connecting rural areas)	Disburses against specific expenditures (eg: invoices on the highway building contracts)	Bank IPF rules and procedures (eg. Procurement and Safeguards). Funds for specific expenditures.	Supervision (of adherence to and compliance with Bank's rules)
Development Policy Lending	Supports Reforms	Disburses against proof of reforms	Country Systems	Technical support to reforms ahead of disbursement. Monitoring
Program for Results	Supports government programs of expenditures and reforms	Disburses upon achievement of results. Funds support a specific expenditure program	Program systems used in the country.	Implementation Support (focused on strengthening program systems based on results of the Program assessments) ¹⁸

Strengthening Agri-food Value Chains Program

- **Objective:** To increase the volume of added-value products commercialized in selected agri-food value chains in the Program area.
- **Financing:** US\$450 million (US\$250 million GoM, US\$200 million IBRD); Implementation 5 years (January 2018-Dec 2022)
- Grounded in Government program (Plan Maroc Vert)
- Focus on **Two Results Areas:**
 - Increased market efficiency and integration;
 - Improved added-value of agri-food products.

Defining Results & Disbursement Linked Indicators (DLIs)

Activities/Actions	Outputs	Intermediate outcomes	Outcomes
Results Area 1: Increased market efficiency and integration			
Supporting intra-branch organizations to fulfill their mandates and ensure their sustainability in the long term	Business plans for intra-branch organizations prepared	Business plans approved and intra-branch agreements adopted to secure organization sustainability	Increased volume of added-value products commercialized: - Volume of conditioned citrus - Volume of conditioned olives - Volume of high quality olive oil
Financial and technical support to processing/aggregation (olives, citrus)	Investment projects either to add value or to integrate small- and medium-sized producers to functioning markets	New and upgraded conditioning, cold storage and processing units (olive, citrus) starting operations	
Prepare an amendment to Aggregation Law allowing direct transaction with buyers outside of wholesale markets	Aggregation law amended and ready to be implemented (arrêtés published)	Additional producers aggregated (olives, citrus)	
Building wholesale markets and creating managing entities	At least, one wholesale market built	At least, one wholesale market is operating and applying the new management model	
Improving and extending reach of the market information system to farmers	Applications for access to market information through mobile telephones created	Use of market information services for mobile phones and of the application Publi-Asaar	



= Disbursement-Linked Indicator

Activities/Actions	Outputs	Intermediate outcomes	Outcomes
Results Area 2 : Improved added-value of agri-food products			
Strengthening ONSSA to implement the food safety law	4 laboratories upgraded and ready to be certified according ISO 17025	Operators (small-/medium-sized enterprises) authorized and included in ONSSA' register	
Accompanying private operators to adopt food safety standards	A monitoring and risk mitigation plan for the food industry established, based on a risk assessment	Center for the production of sterile ceratitis males providing farm treatment services to citrus producers	
Creating a center to produce sterile males for Citrus Mediterranean Flu (ceratitis) treatment	An input register in the Souss-Massa region created for horticulture (vegetables), citrus, and "primeurs", to facilitate certification	Producers with an input register in the Souss-Massa region	Increased volume of added-value products commercialized:
Supporting the adoption of SDOQ and organic certification	Center for ceratitis treatment built	SDOQ Products being certified by the OCC	- Volume of conditioned citrus - Volume of conditioned olives
Setting out campaigns to encourage consumers to buy better quality olive oil	Campaigns carried out	Operators (small-/medium-sized producers/enterprises) assisted by the Innovation Centers	- Volume of high quality olive oil
Creating two centers to foster innovation and entrepreneurship in the agri-food sector	Innovation centers established/built Financing mechanism for innovation defined and incorporated into the Operational Manual	Projects using green technologies	
Establishing a financing mechanism for projects to develop innovative products and green technologies			

= Disbursement-Linked Indicator

Linking financing to DLIs

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline (2017)	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)	Year 4 (2021)	Year 5 (2022)
DLI 1: Number of Interprofessions with business plans approved and intra-branch agreements adopted to ensure sustainability	10 mil	5%	0		1 5 mil	2 5 mil		
DLI 2: Amended Law no. 4-12 on Agricultural Aggregation is under implementation: 2.1 Adoption by the Council of Government 2.2 Amended Law published 2.3 Implementation Decree and arrêté published	10 mil	5%	2.1 No 2.2 No 2.3 No	2.1 Yes 2 mil	2.2 Yes 5 mil	2.3 Yes 3 mil		
DLI 3: Number of new/upgraded conditioning, cold storage and/or processing units in selected agri-food value chains under operation	70 mil	35%	0	5 5 mil	27 22 mil	53 26 mil	62 9 mil	70 8 mil
DLI 4: At least one wholesale market operating and applying the new management model 4.1 Société de Développement Local established and registered 4.2 Wholesale market constructed and fully equipped 4.3 New wholesale market is fully operational	34.5 mil	17.25%	4.1 No 4.2 No 4.3 No		4.1 Yes 10 mil		4.2 Ye 12.5 mil	4.3 Yes 12 mil

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline (2017)	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)	Year 4 (2021)	Year 5 (2022)
DLI 5: Number of small- and/or medium-size agri-food enterprises authorized by ONSSA	30 mil	15%	5,000 (2016)	5,200 6 mil	5,400 6 mil	5,700 6 mil	5,900 6 mil	6,000 6 mil
DLI 6: The Borrower's center for the production of sterile ceratitis males providing farm treatment services to citrus producers: 6.1 Agreement between the Borrower and IAEA signed 6.2 The center has been constructed and fully equipped, and has launched its activities	15 mil	7.5%	6.1 No 6.2 No	6.1 Yes 5 mil			6.2 Yes 10 mil	
DLI 7: Number of small- and medium-size producers and enterprises assisted by the Agri-food Innovation Centers (CIAs): 7.1 Two Agri-food Innovation Centers (CIAs) constructed/rehabilitated 7.2 Number of small- and/or medium-sized producers and enterprises with added-value project assisted by the CIA	20 mil	10%	7.1 0 7.2 0		7.1 1 2.5 mil	7.1 2 5.5 mil	7.2 10 6 mil	7.2 50 6 mil
DLI 8: Establishment of Integrated Financial Management system to improve program management: 8.1 System designed 8.2 System fully operational	10 mil	5%	8.1 No 8.2 No	8.1 Yes 3 mil	8.2 Yes 7 mil			
Front End Fee	0.5 mil	0.25%						
Total Financing Allocated:	200 mil	100%	0.5	21.0	57.5	45.5	43.5	32.0

Identifying Program Expenditures

Activities	Estimated budget US\$m
<i>Result area 1</i>	199
Strengthening the Interprofessions	5
Support for the integration of small and medium producers with markets	135
Modernizing the management of wholesale markets (*)	58
Improving access to information	1
<i>Result area 2</i>	245
Improving food safety	202
Promoting quality standards and certification systems	31
Strengthening business development and technical support services for the agri-food sector	9
Financing innovation	3
<i>Program Management and Monitoring (including Technical Assistance)</i>	6
National Program expenditure	450