Transition Framework
Results Based Lending

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There is high demand for RBL

- More sophisticated needs of borrowing countries
- Strong interest from Ministries of Finance and Budget

4 main IFIs have programmatic RBL:
- WB two year review
- Appreciation for use of country systems
- ADB mid term review
- Increased operational efficiency of RBL
Description of instrument
Results-Based Lending vs Investment Lending

**Results-Based Lending (RBL)**
- Supports **results**
- Based on **results** and **systems**
- Finances **outputs** and **outcomes**
- Uses and improves **country systems**
  (in programmatic RBL)

**Investment Lending**
- Supports **investments**
- Based on **transactions**
- Finances **project inputs**
  (goods, works and services)
- Uses procedures of the **financing subject**
**RBL is a continuum of instruments**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Project RBL (example of IPF with DLIs)</th>
<th>Programmatic RBL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Support projects</strong> with ring – fenced activities and results</td>
<td><strong>Support a slice of government program</strong> focusing on a range of results</td>
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<tr>
<td>Disbursement mechanism</td>
<td><strong>Eligible expenditures</strong> + achievement of DLIs</td>
<td>Achievement of DLIs. <strong>No tracking</strong> of financing for specific activities</td>
</tr>
<tr>
<td>Fiduciary, Environmental and Social</td>
<td><strong>IFI procurement</strong>, FM and safeguards apply (if not otherwise agreed)</td>
<td><strong>Use of country systems</strong> for fiduciary, governance and E&amp;S risks</td>
</tr>
<tr>
<td>Measurement</td>
<td>Based on <strong>project systems</strong></td>
<td><strong>Use of country systems</strong></td>
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Results chain and Disbursement Linked Indicators (DLIs) are the key

Results are measured through the use of Disbursement Linked Indicators (DLIs)

Along the results chain, they can be a mix of:

**Output**
- Delivery of a specific product or service
  - e.g. Number of tons of fertilizers and of new seeds varieties distributed to target farmer groups

**Intermediate outcomes**
- e.g. Number of farmers using fertilizers and new seeds varieties

**Outcome**
- Longer-term and broader
  - e.g. Number of farmers who increase rice yields by 50%
### Project RBL
#### Results of project

<table>
<thead>
<tr>
<th>Examples</th>
<th>Results</th>
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<tr>
<td><strong>Performance based agreements</strong> with financial institutions for rural finance projects</td>
<td>Number of rural people who make use of deposits, loans and other financial services</td>
</tr>
<tr>
<td>Improved generation and adoption of <strong>new technologies</strong></td>
<td>Farmers who have adopted an improved <strong>agricultural technology</strong> being promoted by the project</td>
</tr>
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### Programmatic RBL
#### Results of broader sector-wide programme

<table>
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<th>Results</th>
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<tr>
<td>Increase in <strong>Agriculture productivity</strong> and resilience</td>
<td>Enhanced resilience of smallholder farmers to <strong>climate change</strong></td>
</tr>
<tr>
<td><strong>Enabling environment</strong> and responsive institutions</td>
<td>Evidence based <strong>policies development</strong> and regulatory framework</td>
</tr>
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</table>
Potential programmatic RBL in Senegal

- Leverage on IFAD’s PAFA project
- Use IFAD/Government teams to implement WB activities

P4R of USD 150 mill. to support the peanut value chain with public factories SONACOS and focus on agriculture diversification.
Strong links with IFAD11 
Business Model
RBL supports all dimensions of IFAD’s Business Model

<table>
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<th>Key dimensions</th>
<th>IFAD11 focus</th>
</tr>
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<tbody>
<tr>
<td>Resource mobilization</td>
<td><strong>Cofinancing</strong> of Programmatic RBL</td>
</tr>
<tr>
<td>Resource allocation</td>
<td>Bringing the perspective of IFAD’s target group to the policy table</td>
</tr>
<tr>
<td>Resource utilization</td>
<td>• <strong>Broadened</strong> product offer</td>
</tr>
<tr>
<td></td>
<td>• <strong>Stronger synergies</strong> between lending and non lending through policy dialogue</td>
</tr>
<tr>
<td></td>
<td>• <strong>Increased</strong> donor coordination</td>
</tr>
<tr>
<td>Transforming resources</td>
<td>• Focus on <strong>results</strong></td>
</tr>
<tr>
<td></td>
<td>• Increased <strong>transparency</strong> of public expenditures</td>
</tr>
<tr>
<td></td>
<td>• Incentive for <strong>innovation</strong></td>
</tr>
</tbody>
</table>
Programmatic RBL helps redirect public expenditure to agriculture

- Strengthened government expenditure planning in agriculture
- Increased perspective of smallholders into larger government programmes
- Redirection of government expenditures to specific sectors
- Lifting partnerships with government to the next level
- Strengthened governments systems with benefits beyond single programme

Maputo
Risks in programmatic RBL
Risk sharing calls for ex-ante assessments of borrower systems

1. **Technical assessment**
   - Strategic relevance, technical soundness

2. **Fiduciary assessment**
   - Procurement and Financial management

3. **Environmental and social assessment**
   - Legal and regulatory framework

**Integrated risk assessment**
- Major risks of the programme not achieving development results

**Programme Action Plan (for P4R)**
- Forward-looking institutional strengthening and capacity building
- Closely monitored during implementation
Agriculture as a sector adds challenges

**Challenges**

- Measurement of results
- Outcomes’ volatility
- Productive sector: difficult financial incentives
- Initially more challenging design

**Mitigation measures**

- Right level of indicators (mostly output and intermediate outcomes)
- Good analysis of incentive environment of stakeholders
- Clear understanding of results chain
- Additional design resources
IFAD’s pilot
Learning and adjusting before adopting as an instrument

- Pilot at least 2-3 operations over 6 years
- Pilot programmatic and project level
- Self-assessment after 3 years
- Dedicated training and consultants
- Partnering during pilot for programmatic RBL
- Dedicated resources e.g. FIPS
Conducting an internal and external self-assessment after 3 years

**Internal self-assessment**

- **Design costs** and challenges
- Familiarity about tool
- Type and number of discussions with countries about possible use of RBL
- Criteria for selection of pilots – IFAD role
- Disbursement trends based on data and logframe

**External self-assessment**

- Most useful features of instrument
- Greater challenges of instrument
- Preparation of results framework and DLIs
- Verification mechanism
- Quality of assessments
## Pilot programmatic and project level

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<th>Programmatic</th>
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<tr>
<td><strong>Financing</strong></td>
<td>PBAS</td>
<td>PBAS, by cofinancing larger IFI programs</td>
</tr>
<tr>
<td><strong>Design support</strong></td>
<td>Building on existing experiences, specific courses</td>
<td>Initially through lead IFI</td>
</tr>
<tr>
<td><strong>Country assessments</strong></td>
<td>Same as investment lending</td>
<td>Drawing on other IFI assessments</td>
</tr>
<tr>
<td>(fiduciary, environmental, social)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Thank you