



Transition Framework Results Based Lending

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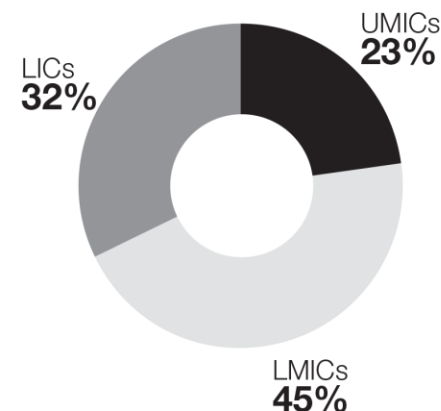
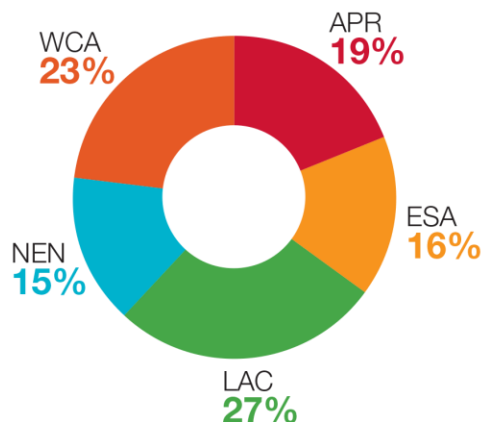
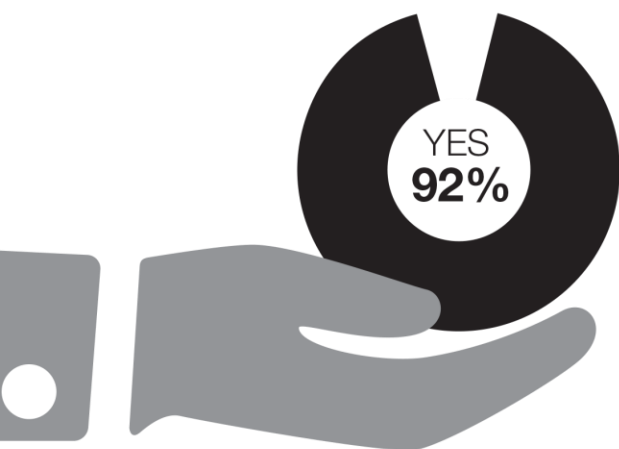
Director, Operational Policy and Results Division, a.i
Programme Management Department

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Investing in rural people

There is high demand for RBL



Priority of RBL (1 to 6)

- ✓ 4.9 LICs
- ✓ 4.8 LMICs
- ✓ 4.8 UMICs
- ✓ 4.6 IFAD respondents
- ✓ 4.8 Government respondents

- 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

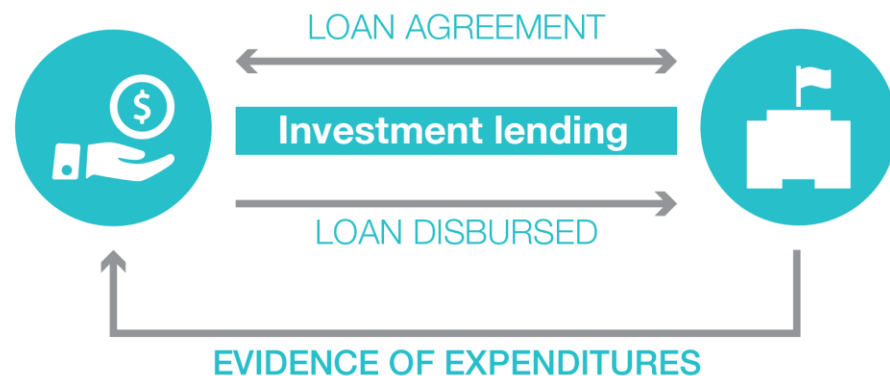
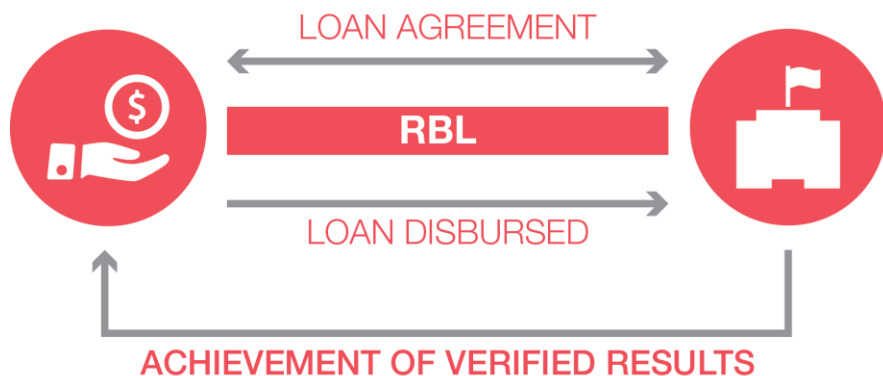
ADB mid term review

Increased operational efficiency of RBL

Description of instrument



Results-Based Lending vs investment lending



Supports **results**

Based on **results** and **systems**

Finances **outputs** and **outcomes**

Uses and improves **country systems**
(in programmatic RBL)





Supports **investments**

Based on **transactions**

Finances **project inputs**
(goods, works and services)

Uses procedures of the **financing subject**

RBL is a continuum of instruments

	Project RBL (example of IPF with DLIs)	Programmatic RBL
 Purpose	Support projects with ring – fenced activities and results	Support a slice of government program focusing on a range of results
 Disbursement mechanism	Eligible expenditures + achievement of DLIs	Achievement of DLIs. No tracking of financing for specific activities
 Fiduciary, Environmental and Social	IFI procurement, FM and safeguards apply (if not otherwise agreed)	Use of country systems for fiduciary, governance and E&S risks
 Measurement	Based on project systems	Use of country systems

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:



e.g. Number of tons of fertilizers and of new seeds varieties distributed to target farmer groups

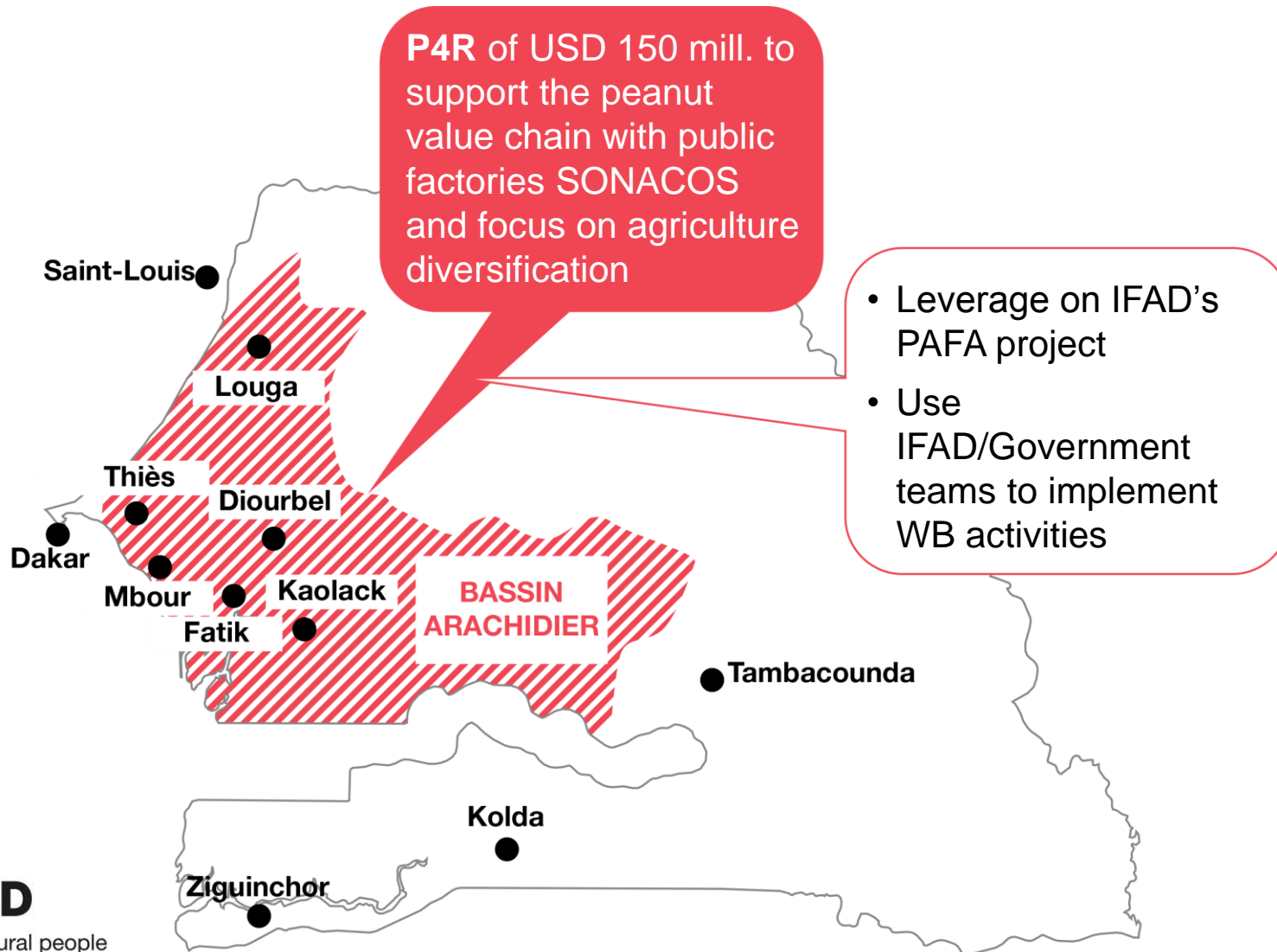
e.g. Number of farmers using fertilizers and new seeds varieties

e.g. Number of farmers who increase rice yields by 50%

RBLs in Agriculture are increasing in IFIs

	Examples	Results
Project RBL Results of project	Performance based agreements with financial institutions for rural finance projects	Number of rural people who make use of deposits, loans and other financial services
	Improved generation and adoption of new technologies	Farmers who have adopted an improved agricultural technology being promoted by the project
Programmatic RBL Results of broader sector-wide programme	Increase in Agriculture productivity and resilience	Enhanced resilience of smallholder farmers to climate change
	Enabling environment and responsive institutions	Evidence based policies development and regulatory framework

Potential programmatic RBL in Senegal



Strong links with IFAD11 Business Model



RBL supports all dimensions of IFAD's Business Model

Key dimensions	IFAD11 focus
Resource mobilization	Cofinancing of Programmatic RBL
Resource allocation	Bringing the perspective of IFAD's target group to the policy table
Resource utilization	<ul style="list-style-type: none">• Broadened product offer• Stronger synergies between lending and non lending through policy dialogue• Increased donor coordination
Transforming resources	<ul style="list-style-type: none">• Focus on results• Increased transparency of public expenditures• Incentive for innovation

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 programmatically 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



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

	Project level	Programmatic
Financing	PBAS	PBAS, by cofinancing larger IFI programs
Design support	Building on existing experiences, specific courses	Initially through lead IFI
Country assessments (fiduciary, environmental, social)	Same as investment lending	Drawing on other IFI assessments

Thank you