

September 30, 2011

Via Electronic Submission

The World Bank Group
1818 H Street, N.W.
Washington DC 20433 USA
ProgramforResults@worldbank.org

Re: Comments on Draft Operational Policy 9.00: Program-for-Results Financing

Dear Program-for-Results Staff,

We are writing on behalf of Accountability Counsel, an organization that defends the environmental and human rights of communities around the world by creating, strengthening, and using accountability systems. Among the accountability mechanisms that we seek to improve and assist communities around the world to use is the World Bank Inspection Panel. As such, our work to ensure that the World Bank maintains its commitment to the Inspection Panel requires a close examination of the Bank's proposed Program-for-Results ("P4R"), with its draft Operational Policy (OP) 9.00.

The World Bank's mandate to promote long-term economic development and poverty reduction cannot be achieved without ensuring transparency, social and environmental standards, and accountability in all of its financing activities. While we laud the Bank's emphasis on outcomes based lending in the proposed Program-for-Results, the draft Operational Policy (OP) 9.00 will undermine decades of the Bank's work to provide the best development finance services to countries and communities around the world if certain key elements are excluded.

The World Bank has been a leader in both the public and private sectors in setting global standards for development financing, and should continue to mainstream and foster the internalization of pioneering safeguards, transparency and accountability norms in borrower nations that are the foundation of the Bank's poverty alleviation mandate.

These comments discuss various concerns about the Program-for-Results Financing and proposals for addressing shortcomings in the current draft operational policy, with a focus on creating positive development impacts for communities and access to accountability mechanisms.

1. Transparency

Transparency in the World Bank's activities is a crucial element in guaranteeing community participation in development projects for positive long-term outcomes. The World Bank's access to information policy should be applied evenly to all World Bank operations, including to Program-for-Results Financing, not only at the program level but also at the project level. Not assuring transparency at the project level would intentionally obfuscate important

information that potentially affected individuals, communities, and the public have a right to access.

Proposal: Clarify the Program-for-Results requirements for transparency and public consultation, including disclosure of information at the project level, so that borrowers have clear expectations when implementing programs and affected people have access to information.

2. Safeguards, Supervision, and Accountability Mechanisms

The World Bank has worked for many years to create social and environmental safeguards to promote sustainable and long-term development, which OP 9.00 excludes from application to Program-for-Results Financing. The Bank states that there is a need for a more flexible lending instrument to improve the impact of development programs, that investment lending safeguards cannot be applied at the program level, and that World Bank lending through this financing instrument cannot be fenced in from other sources of funds by safeguards.

Flexibility in lending, however, does not equate to flexible or reduced safeguards. If improved development impacts are the goal of Program-for-Results Financing, the Bank should endeavor to transfer the institutional knowledge and experience they have gained to borrower programs by extending social and environmental safeguards, as well as access to accountability mechanisms, to the entire program. Some adjustment in how safeguards are conceived may be necessary, but all projects within programs should comply with these basic protections and requirements.

Furthermore, to assure continued United States support for Bank Operations under Program-for-Results Financing, the Bank must continue to show leadership in Environmental Assessment consistent with the Pelosi Amendment. *See* Title XIII, Section 1307, 22 U.S.C. 262m-7 (“...any MDB action which would have a significant effect on the human environment, unless for at least 120 days before the date of the vote an assessment analyzing the environmental impacts of the proposed action and of alternatives . . . has been completed by the borrowing country or the institution, and made available to the board of directors of the institution.”).

The stated intention for Program-for-Results Financing is low-risk development projects, but the current draft OP 9.00 does not exclude high-risk projects. While Category A is technically excluded apart from a broadly stated exception, all high risk Category B projects, which includes some controversial infrastructure projects, are on the table. All projects within programs that have medium to high social and environmental risk should be treated in the same manner as other Category A and B projects. Furthermore, OP 9.00 fails to consider the regular miscategorization of projects with Category A level impacts that the Bank has routinely Categorized as B. *See, e.g.,* Inspection Panel Investigation Report, Pakistan – National Drainage Program Project (Credit No. 2999-PAK), July 6, 2006 at xiii (“Management assigned the NDP Project under OD 4.01 to EA Category B. The Response acknowledges that Category A would have been more appropriate”).

Currently, the draft policy does not require application of Project Supervision to Program-for-Results Financing, and substitutes this policy with vague forms of Bank support to

borrowers in Paragraphs 12 and 13 in the draft OP 9.00. Though the Bank states that it intends to monitor implementation on the ground and work with borrowers to address performance problems, this is not reflected in the draft operational policy.

Finally, lack of clear social and environmental standards will make a compliance review by the Inspection Panel confusing and potentially futile. Currently, bank policy on the Inspection Panel does apply to Program-for-Results Financing, but there is no clear explanation as to what policies will be used for a panel review. Draft OP 9.00 only requires an environmental and social systems assessment to evaluate the level of impact in Paragraph 8, but no clear standards for borrowers to follow. This will create uncertainty and confusion on the ground during implementation, leading to bad results not only for affected communities but also for the impact of the program as a whole.

Proposal: In order to meet the demands for increased flexibility and improved development impacts, extend application of social and environmental safeguards, as well as accountability mechanisms, to Program-for-Results Financing. In a few instances, this may require some adjustments to reflect the program, rather than project, based nature of this lending instrument. In addition, expand and define the Bank's supervision and monitoring role in the operational policy, particularly in reference to social and environmental impacts, to clarify relationship and role expectations between the Bank and borrowers. The Bank's directive on Project Supervision should explicitly apply to Program-for-Results Financing.

This will provide flexibility to the Bank, assurances of standards to affected communities, and access to Bank knowledge and experience to borrowers. Broad application of the safeguards will address concerns about Category A treatment for Category A projects. Finally, it will provide clear standards and benchmarks by which the Inspection Panel can assess implementation of programs, which is key to the legitimacy of Bank operations.

3. Timing

Program-for-Results Financing presents an innovative but also significant change to the World Bank's lending practices, without providing a clear understanding of the operational draft's scope and mandate. Many important changes have been promised, such as greater detail on transparency requirements, an exclusion list for certain types of high risk projects, and explanation of treatment of Category A projects. Despite these important changes that have yet to be made, among other strong concerns expressed here and other civil society comments, another draft will not be made public before going to a Board vote in November 2011.

Given the novelty of the lending instrument, and unclear expectations and standards established under the draft policy, the consequences of this program are still unknown. Theoretical anticipation will not be sufficient to address the realities of implementation.

Proposals:

- Postpone the Board vote until early 2012, providing time to clarify and define important shortcomings in the draft operational policy.
- Release an updated draft of the operational policy that incorporates changes from this comment period.

- Initiate with a limited pilot before implementing Program-for-Results Financing on a large scale.
- Plan a re-evaluation of Operational Policy 9.00 after implementation of the pilot.

We look forward to further engagement with the World Bank Group on these issues that are critical to ensuring that the World Bank achieves its mission of poverty alleviation. Please feel free to contact us by email (natalie@accountabilitycounsel.org) or by telephone (+1 415.412.6704).

Sincerely,



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