During the preparation of the Operational Policy for the new lending instrument of the Bank called Program for Results (or "P4R"), approved by the Board on 24 January, 2012, the Inspection Panel received several requests regarding its views on the accountability aspects of the proposed new lending instrument, and how it might relate to the work of the Panel. The Panel shared its observations with Executive Directors and Management in October/ November 2011. The Panel notes that these observations related to a July 18, 2011 paper and draft of the proposed Operational Policy, and that changes were made to this draft during the process including with respect to accountability aspects of the instrument.

With reference to the Bank's commitment to enhanced transparency, the Panel is pleased to share this note reflecting its contribution to the process of consultations relating to the P4R instrument.

Observations of Inspection Panel on P4R

This note provides observations of the Inspection Panel on accountability aspects of the new proposed World Bank lending instrument, Program for Results (P4R).

Context

The Panel views the new proposed lending instrument, P4R,[1] in the context of efforts over the last decade to foster reforms in the international aid architecture. The objectives and outcomes of this process are embodied in the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action. Central to these agreements, to which the Bank is a signatory, are the five principles of (i) strengthening ownership by developing countries, (ii) donors aligning to country priorities, (iii) donors harmonizing approaches to aid, (iv) managing for development results, and (v) fostering mutual accountability between developing countries and donors in achieving development results, building upon accountability towards their respective constituencies.

At the outset, the Panel would like to underscore that it fully recognizes the importance of these principles for greater aid effectiveness and better development outcomes, and notes the importance of results-based lending approaches in this context. The Panel also firmly believes that the core principles of the Panel process remain equally important with the current reforms of the aid architecture. These include: providing "bottom-up" accountability on behalf of affected people and communities, directed at the World Bank as an aid-provider; and providing an independent check-and-balance for the Board on situations relating to policy compliance and harm. In these ways, the Inspection Panel contributes directly to the achievement of the last of the Paris Declaration principles noted above.

Questions for accountability

In reviewing the proposed P4R, the Panel notes that the accountability framework embedded in the proposed P4R policy could be assessed with reference to the Paris Declaration. The Panel understands that the overall intent of P4R is clearly to enhance the mutual accountability

[1] This refers to the paper entitled "A New Instrument to Advance Development Effectiveness: Program-For-Results Financing", dated July 18, 2011 and posted on the website of the World Bank.

between the Bank and Borrowers in the achievement of development results. Questions arise, however, as to whether the instrument as currently described fully fosters key dimensions of mutual accountability.

- **Rights of access for affected communities and eligibility**: Does P4R maintain or enhance accountability for potentially affected people and communities? Is there enough clarity on the criteria that would be applied to determine access of affected parties to recourse under the Panel process? Can the instrument be further improved in this respect?

- **Norms for determining accountability**: How does P4R prescribe the Bank's accountability/role with respect to adverse impacts that may be caused by activities of a program supported by the Bank? Is there a need for more clarity, especially given the important relationship between clarity in norms and accountability? Would less stringent requirements on the Bank's side with respect to environmental and social accountability be matched by commensurate strengthening of accountability at the country level, as envisaged in the Paris Declaration?

- **Results indicators as an instrument of accountability**: Can the principle of disbursement against verification of development results be a vehicle for enhancing accountability?

Observations of the Panel

The Panel offers the following observations as seen from the perspective of the Panel's mandate. For the Panel process to function effectively in relation to P4R lending, the following considerations are important:

- **Rights of access and eligibility**

  The Panel notes that the document entitled "A New Instrument to Advance Development Effectiveness: Program-For-Results Financing" dated July 18, 2011, states that P4R-lending would be subject to oversight by the Inspection Panel. The document does not, however, elaborate on the challenges that the P4R poses to accountability at the World Bank delivered via the Panel process.

  In particular, there is lack of clarity on the basis for determining the eligibility of requests submitted to the Panel under the new instrument, since Bank financing may constitute a small portion of the program, and the concept of disbursement against development results makes it even more difficult to trace Bank financing to particular activities on the ground. A key difficulty relates to establishing the causality or the linkage between the harm alleged by the requesters and non-compliance by the Bank with its operational policies and procedures.

  More generally, it is important to confirm that affected people fully retain access to recourse under the Panel's independent investigation process and clarify in the proposed Operational Policy that people who feel affected by activities included in the program supported by the Bank under this Policy, and who have raised their

issues with Management and are not satisfied with the response, may submit a Request for Inspection to the Inspection Panel, based on the failure of the Bank to comply with the provisions of this Policy.

- **Norms for determining compliance**

The Panel process operates on the basis of Bank's OP/BPs as representing standards and safeguard requirements against which Management's compliance can be judged. In this regard, the Panel notes four areas of particular concern in the current draft OP/BP.

1. ***Minimizing social and environmental risks****:* The Panel notes that Management has indicated that high risk activities for people and the environment will not be eligible for P4R financing, and that Category A activities will be excluded from P4R.

The Panel's experience over the years has indicated that some projects not initially categorized as A also can turn out to have highly significant impacts on people and the environment. In recent years, several significant projects that came to the Panel were not classified as Category A, including sensitive projects involving land administration, forest reform and indigenous peoples' issues. **The Panel observes that it is not just "classic infrastructure" projects which can pose significant harm to people and the environment, and the availability of policy safeguards has been an important element in safeguarding the affected people and the environment from harm, and the Bank against significant reputational risk. Hence, clarity on principles for screening activities that could be included in the program supported by the Bank is important from an accountability perspective.**

2. ***Policy framework****:* In the document and the draft Operational Policy there are references to Guidance Notes to be prepared, including on social and environmental safeguards. Since the Panel's mandate does not extend to Guidance Notes and other such documents *per se,* it is important as a matter of accountability that clarifications of key terms and principles be adequately referenced in the OP/BP itself, or an Annex to it. This is particularly important for issues related to environmental and social principles. For example, it is referred to the Guidance Note to define 'program stakeholders'. **The Panel observes that it would maintain and reinforce accountability for these issues related to environmental and social principles to be included in the Policy or as an annex to it, rather than in the guidance notes to staff**.

3. ***Criteria for systems assessment****:* In contrast to the Policy on Use of Country Systems (OP 4.00) there is no concept of equivalence or acceptability of country level program systems. The policy prescribes assessment of *to what degree* program systems address or meet principles/standards established in the Bank's safeguard policies. This approach and ambiguity in terms of thresholds or standards is likely to make it more challenging for staff to understand what is required under the policy, for the Panel to assess compliance, and for affected people to know what is expected of the Bank. The Panel notes furthermore that the language used in the OP 4.00 to summarize and describe the various safeguard policies has not been incorporated in the draft OP 9.00, and that new and non- equivalent language has been used. **The Panel observes that clarity in establishing standards to be met is of significant value in maintaining accountability, and helping ensure that affected people and Bank staff have an adequate understanding of what is required.** In addition, our preliminary review of comparing the objectives and operational principles set forth in Table A1 of OP 4.00 and the principles related to environmental and social systems referred to in the draft Operational Policy (OP/BP 9.00) indicates that there may be important differences between these documents.

4. ***Bank's role in supervision:*** The document states that the Bank Policy on Supervision (OP/BP 13.05) would not be applicable to the Policy on P4R. The draft Policy notes that the Bank's role is to provide implementation support to the borrower by reviewing implementation progress and achievement of the program results and Disbursement-linked Indicators (DLIs), monitoring program risks, and monitoring the borrower's compliance with its contractual obligations. It is not clear how to hold the Bank accountable for harm to affected communities during the implementation of the program within the implementation support framework, and the impression given is of a lesser level of Bank accountability than under current policy. **The Panel observes that more clarity in describing the responsibility of Bank Management to support implementation, identify problems, and respond appropriately would be of significant value in maintaining accountability, and helping to assure that both affected people and Bank staff have an adequate understanding of what it expected.**

- **Use of results indicators for accountability**

Finally, the Panel would like to note two considerations that might contribute to strengthen the overall accountability framework of P4R, in line with the Paris Declaration's emphasis on mutual accountability. Both considerations relate to the potential to further enhance accountability by using Disbursement-linked Indicators (DLIs).

Firstly, there could be a stronger emphasis on transparency and involvement of third parties in verification of DLIs. This would serve to strengthen in-country accountability as well as facilitate the Bank's role in reviewing the monitoring and verification of the program's results and DLIs.

Secondly, there could be direct reference in the policy to the possibility to include standards/requirements related to social and environmental safeguards as DLIs. This might relate to the process of building capacity for addressing safeguards matters, or the functioning of effective grievance redress mechanisms.