

Role of Program-for-Results Financing System in Infrastructure Sector: Evidence from Egypt and Ethiopia

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Abstract: This study aims are two folds: First is to investigate the role of the World Bank funding through using a novel financing instrument called Program-for-Results (P for R) to strengthen the government programs and second is to assess the P for R programs adopted in countries focusing on the direct effects and the results. The Bank currently has three integral financing options to offer client countries: Investment Project Financing supports specific projects and disburses against specific expenditures and transactions, Development Policy Lending supports policy and institutional reforms and provides general budget support, and P for R Financing supports government programs and disburses against results. Results for the P for R reflect on the new level because disbursements are directly linked to the achievement of measurable and verifiable outcome. As well, the Disbursement-Linked Indicators (DLIs) are used to provide governments with incentives to achieve critical program milestones and enhance the performance of programs. This study structured based on descriptive and observed the behavior of two countries' government (Egypt and Ethiopia) for using P for R financing loan in a national project. On the ground, the field of practices was the main indicator in this stage of the investigation, then one of the P for R programs was compared to observe the effectiveness of this kind of financing system in these two countries specifically in the infrastructure sector, and classifications of DLIs were the main parameter in this comparison. The outcome and the existing literature are analyzed to develop a multibeneficial for country adopting P for R collaborative programs, as they should be applied to mitigate the same challenges and solve the institutional complications for the beneficial countries homogeneously. Furthermore, enhance the

profit generated from this kind of program targeting via sustainable management tools.

Keywords: *program for results; foreign aid; international financial institutions; world bank; results-based aid; disbursement-linked indicators*

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0 Introduction

Researcher has identified three main criteria for the choice of the resource of finance in large-scale projects; the size of the financial intermediary, experience in providing finance for projects of similar nature, and technical support of this bank can offer with respect to the finance methods and financial planning^[1]. In 2012, The World Bank (WB) created new Program-for-Results (P for R) instrument; it is only the third financing instrument approved by its board since the Bank was created in 1944. Although elements of results-based disbursement can be found in some previous operations, P for R is the first instrument designed to directly link disbursements to results. The development of the instrument was largely motivated by the need to fill a gap between investment (project) lending and development policy lending to enable the Bank to support programs of service delivery^[2]. Over the first 2 years, the volume of lending under P for R was restricted to not >5% of the sum of the International Bank for Reconstruction and Development (IBRD) and IDA commitments. Following a review of the program at the 2-year mark, this was replaced by an

indicative limit of 15% of commitments, computed as an average over the 3 most recent years. The P for R program has expanded rapidly since its inception. As of March 1, 2016, 35 projects had been approved for a total commitment of \$8.1 billion. It is too early to predict the long-term equilibrium share of P for R in the Bank's portfolio^[1], but based on the initial response, it could be very substantial. Other Multilateral Development Banks, including the AfDB and the Asian Development Bank (ADB), are also introducing results-based instruments so that the scope of the approach is extending beyond the WB^[2]. The Bank's P for R-based lending already represents a sizeable sum compared with the resources under other results-based initiatives, some of which have been in existence for far longer^[3]. Besides its larger scale, the P for R program also generally demonstrates a more global mandate and broader sectoral focus than performance-based programs in other settings. It leverages differential country contributions, involves no upfront investment component, and operates on a loan basis only. Not all of the funding passing through these programs is disbursed strictly on the basis of results, including in the case of the P for R^[3].

1. The \$8.1 billion in total expected disbursements under the P for R represents about 3% of the WBs combined IBRD and IDA portfolio, which stood at \$287 billion at the end of 2015.
2. As of March 2016, the ADB's portfolio of results-based lending comprised eight operations with commitments totaling \$1.8 billion.
3. For an overview of recent performance-based initiatives, see Perakis and Savedoff (2015). They include GPOBA (portfolio of \$256 million), Salud Meso America (portfolio of \$155 million, including \$41 million from host governments), DFID-funded results-based programs for education (about \$60 million), and parts of the large GAVI program (total resources over 2000-2015 \$11.6 billion).

The P for R instrument meets the demand of client countries for financing and expertise to improve the performance and effectiveness of their own development programs. P for R operations disburse on achievement of program results, provide support for the use of a government's own systems, provide assurance that Bank financing is used appropriately, and ensure that the environmental and social impacts of the programs are adequately addressed. For each P for R operation, the Bank carries out a process of

identification, preparation/assessment, appraisal, and implementation support. The appraisal is informed by three assessments: A technical assessment (with a focus on strategic relevance and technical soundness of the program and its expenditure framework), a fiduciary assessment (with a focus on the procurement and financial management arrangements), and an environmental and social systems assessment (with a focus on the potential environmental and social impacts and risks). These assessments identify measures to enhance performance, build capacity, and mitigate risks, which are reflected in an integrated risk assessment and in the resulting Program Action Plan (PAP). Preparation also includes the identification of disbursement-linked indicators (DLIs), each with a verification protocol to ensure that a credible mechanism is in place to monitor and verify its achievement.

The P for R instrument is an increasingly important lending vehicle for the WB. Overall, the structure of the Bank's assessments for the P for R - technical, fiduciary, and environmental and social - has proven to be appropriate, and the assessments have generally been credible and comprehensive. The results frameworks, DLIs, and PAPs are often reasonably coherent, and risks related to P for R operations have generally been well identified and assessed. Nevertheless, there are areas in need of improvement when it comes to designing the programs to achieve results and to the monitoring and reporting systems. The P for R was envisioned to help focus more on results than other existing instruments, as well as to help strengthen country systems, and to induce further alignment/harmonization among donors. Since none of the P for R programs has yet closed, it is too early to draw definite conclusions about whether the instrument is doing a better job of achieving these objectives than alternative approaches. Nevertheless, some insights can be derived from the early design and implementation experience.

While the programs focus on results more explicitly than other instruments through the introduction of DLIs, these indicators are often-but not always-well integrated with the results frameworks. Moreover, while the results frameworks are often reasonably coherent, the program development objectives (PDOs) are rarely at the outcome level, and explanations of how the P for R objectives relate to the longer-term objectives of the supported government program are mostly absent from the program appraisal documents. To ensure a higher likelihood of achieving the ultimately desired

developmental results, more consistent linking of the DLIs to the results frameworks and a clearer line of sight to the longer-term objectives of the program will be required.

The DLIs are designed with two main objectives: To be triggers for disbursements, with an inherent need for predictability, and to provide incentives for performance stretch targets.

In a number of cases, the DLIs are linked to relatively small shares of total program disbursements or to routine and repetitive actions, rather than key activities necessary to achieve the PDOs; this points to an inherent tendency to shift the balance toward the disbursement objective. IEG finds that both ownership and partnership are well addressed in the Bank's program documents, and the field visits found a considerable degree of government ownership of the programs under implementation. However, there is no evidence yet that the instrument has encouraged much additional financing by other donors, let alone any broader use of the strengthened country systems. Capacity building is an important part of the programs, but specific goals could have been defined more clearly in some cases, and the implementation of capacity building programs frequently has been delayed. Both the Bank teams and government counterparts have moved well up the learning curve for this new instrument, and countries have been eager to rely on their own financial management systems and procedures. So far, the Bank's average costs for the preparation of new programs have been similar to those of other Investment Policy Financing (IPF) operations, with significant variations among programs, while average Bank implementation costs have been significantly higher than for IPF operations. There may be increased positive externalities/public good aspects from strengthened country systems. Overall, however, there is not as yet sufficient evidence to derive any conclusions about the overall efficiency of P for R.

P for R operations, as described in the original Board paper, are expected to do the following^[4]:

1. Support and finance borrowers' programs either ongoing or new, sectoral or subsector, national or sub national, as well as community development programs.
2. Disburse on achievement of program results, as determined by the achievement of indicators that can be monitored and verified rather than disbursing for inputs. Advances of up to 25% of outstanding

commitments are allowed. Together with funds from other sources, Bank disbursements will finance a borrower's expenditure program rather than being linked to individual transactions.

3. Provide support for the use of a government's own systems to implement the program, including for financing planning, procurement, anti-corruption, and environmental and social standards.
4. Provide assurance that Bank financing is used appropriately and that the environmental and social impacts of the programs are adequately addressed. To this end, the Bank will assess a program's fiduciary and environmental and social management systems and agree as necessary with a borrower on any additional measures to provide assurance those potential impacts to the environment and affected people are adequately addressed.
5. Focus on strengthening the institutional capacity needed for programs to achieve their desired results, thereby enhancing development impact and sustainability. The strengthening of the capacity to implement a program will be a priority area for both preparation and implementation support.
6. Support improvements in governance and transparency by emphasising on the program available information publicly and monitoring the achievement of results, through enhancing the role of beneficiaries and civil society organizations.
7. Help to strengthen partnerships with governments and development partners, and increase efficiency by reducing transaction costs for the government and development partners. While the Board paper (WB 2011a) found it difficult to predict the budget implications for the Bank, experience with P for R features suggested that costs might be within the norm for IPF projects.

The theory of change of the P for R instrument is that P for R operations, working alongside the other two instruments, will enable the Bank to assist country clients in delivering priority results more efficiently by working through their own country systems, leveraging Bank financing with that of partners and other development organizations, and strengthening their own systems. The theory of change rests on three assumptions. The first is that working with country program systems will help strengthen them. This is a reasonable assumption for three reasons. First, sector ministries engage directly in the budget process and are less likely to work off budget due to their close

relationships with donors. Second, donors have developed heightened concern about public financial management (PFM) and combating corruption, due to fiduciary concerns about their resources passing through national PFM systems and due to the key role of these systems in linking policy and implementation. Third, it reduces transaction costs by avoiding multiple donor procedures and adopting the government standard.

A second assumption is that the costs of achieving the intended results have been accurately estimated and presented by the borrower and that the borrower can track these costs. This is important to provide reasonable assurance that program expenditures are used with due attention to the efficient use of resources. A third assumption is that it is possible to carry out technical, fiduciary, and environmental and social assessments and in each case come to a clearly formulated, reliable conclusion. When systems are not adequate, they can be made so through targeted strengthening^[4].

P for R operations focus on the behavioral and institutional changes that are required to realize this targeted strengthening and, in turn, achieve results and manage associated risks. Hence, it is expected that many will require some level of capacity-building activities, which will be informed by the technical, fiduciary, and environmental and social systems assessments. Capacity-building support, where needed, can be provided through different modalities, from direct technical assistance and training to specific actions or indicators that will strengthen performance. The P for R instrument is intended to complement, not replace, the Bank's two existing lending instruments. While all Bank instruments focus on development results, borrowers are now able to choose from a wider range of instruments to suit their objectives, desired results, and risks. The description below, largely taken

from the Board paper, summarizes the differences and complementarities among the instruments [as per Table 1]^[4].

The Bank will determine the choice of lending instrument for specific countries, sectors, and programs in the context of its Country Partnership Framework and its assessment of the country's policies, programs, and institutional capacity. P for R has the potential for significant development impacts, though it also has risks. For that reason, certain high-risk activities have been excluded from P for R operations: Activities that pose a risk of potentially significant and irreversible adverse impacts on the environment or affected people (activities classified as Category A under IPF) and activities that involve procurement of works, goods, and services under contracts whose estimated value exceeds specified monetary amounts^[2]. The following points describe the instrument approach:

- In P for R financing system operation, WB carries out a process of identification, preparation and assessment, appraisal, and implementation support.
- Appraisal of each operation is informed by assessments in three areas that are then applied to the overall program and its expenditures. The technical assessment focuses on the strategic relevance and technical soundness of the program and its expenditure framework, the results framework, and the monitoring and evaluation (M and E) arrangements.
- The Fiduciary assessment, covering the procurement and financial management arrangements, seeks to make sure that program funds are used appropriately. Both national and international competitive bidding systems are assessed.
- The Environmental and Social Systems Assessment seeks to make sure that the potential environmental and social impacts and risks are adequately addressed. These assessments are expected to

Table 1. Complementary lending instruments

Category	Project support lending (IPF)	Program-for-results	Policy support lending (DPF)	Category
Purpose	Supports specific investment operations	Supports government programs or subprograms	Supports policy and institutional actions	Purpose
Disbursement mechanism	Disburses against specific expenditures that support the operation	Disburses on achievement of results and performance indicators	Disburses against policy and institutional actions	Disbursement mechanism
Implementation mechanisms	Bank IPF rules and procedures funds for specific expenditures	Program systems funds for specific expenditure program	Country policy processes non-earmarked funds for general budget support	Implementation mechanisms

Source: World Bank 2011a, IPF: Investment Policy Financing, DPF: Development Policy Financing

identify measures to enhance performance, build capacity, and mitigate key risks and are reflected in an integrated risk assessment.

- The resulting PAP is then reflected in the legal agreement between the Bank and the government. A central focus of preparation is the identification of DLIs, each with a verification protocol to ensure that a credible mechanism is in place for monitoring and verifying its achievement. During implementation, the Bank task teams are expected to monitor overall program progress, associated expenditures, and the achievement of results (including the DLIs). Task teams monitor progress in implementing the PAP, changes in the program's risks, and compliance with the provisions of the legal agreements.
- Technical support from the Bank team focuses on improving systems performance and resolving implementation issues.
- Operations are subjected to the same corporate oversight functions as other Bank lending instruments, and the Bank retains the right to carry out investigations that it deems necessary. moreover, impose sanction on entities that are found engaged in fraud or corruption.
- The monitoring and verification of results are an essential feature of the instrument, and the DLIs require a credible verification process that is acceptable to the Bank and is agreed at the time of appraisal. DLIs are public information and their progress is supposed to be reported in the implementation reports. For transparency aspects, P for R documents are available to the public, giving stakeholders access to information about the performance of the public institutions and programs.

This evaluation provides early feedback on how the P for R instrument is working and its adherence to the stated objectives and intentions in the Board paper (WB 2011a). It has two objectives: (i) To assess the early experience with the design and implementation of P for R operations and (ii) to provide lessons and recommendations relevant for the use and possible improvement of this instrument. Since this is a new instrument, the evaluation has also paid significant attention to possible risks particularly the fiduciary, environmental, and social risks that have been in the forefront during discussions so far.

1 Methods

1.1 Evaluation questions

Any evaluation report for each P for R program should be included in the following question:

1. What has been the overall experience to date with the design, preparation, and early implementation of P for R operations and the associated opportunities and challenges?
2. What is the quality of the program assessments, including the technical, fiduciary systems, and environmental and social assessments?
3. How effective has the P for R instrument (including policies, procedures, and guidelines, and their application) been in identifying, assessing, and mitigating critical risks?
4. To what extent is the P for R instrument being used to strengthen national systems for financial management, procurement, environmental and social safeguards, and M and E?

1.2 Growth and diversification of the P for R portfolio

WB's P for R portfolio has grown rapidly. As of March 31, 2016, the Board had approved a total of 39 P for R operations, providing \$9.5 billion of Bank financing to support a total of \$49.9 billion in government programs as shown in Table 2, with an additional 21 operations under preparation (having completed the concept stage), a total of \$5.4 billion in expected Bank financing^[5].

As of March 31, 2016, all Bank Regions had at least two approved P for R operations [Figure 1a]. The introduction of P for R to different regions appears to be influenced by a range of factors. In Africa, for example, it has been influenced by the perspective that the P for R is a good instrument for supporting the regional agenda of building stronger institutions and delivering better services. In the Middle East, North Africa. and East Asia and Pacific Regions, the instrument is regarded as a good fit for efforts to increase the emphasis on results and institutional capacity building. P for R operations cover most of the sectors in which the Bank traditionally provides financing. The program provide leading paractices as it has been applied in many sectors such as : water, social activities, health, nutrition and population [Figure 1b]^[2].

Egypt was ranked 118 of 148 countries in terms of infrastructure (WB, 2015). Improvements in

Table 2. IBRD/IDA lending, total, and P for R operations, Fiscal 2012–2016 (US \$, billion)

Commitments	FY12	FY13	FY14	FY15	FY16a
P for R-IBRD lending	0.3	0.1	0.5	0.9	3.3
P for R-IDA lending	0.1	0.7	1.2	1.3	1.1
Total P for R-IBRD/IDA lending	0.4	0.8	1.7	2.2	4.4
IBRD lending	20.4	14.8	18.2	23.1	23.6
IDA lending	14.3	16.2	21.3	18.4	6.8
Total IBRD/IDA lending	34.7	31.0	39.5	41.5	30.4
Total P for R as percentage of total IBRD/IDA lending	1.2	2.6	4.3	5.3	14.5

Source: Business Intelligence As April 28, 2016, A: Commitment Amount For Fiscal 2016 Is As Of March 31, 2016, IBRD: International Bank For Reconstruction And Development, P For R: Program for Results

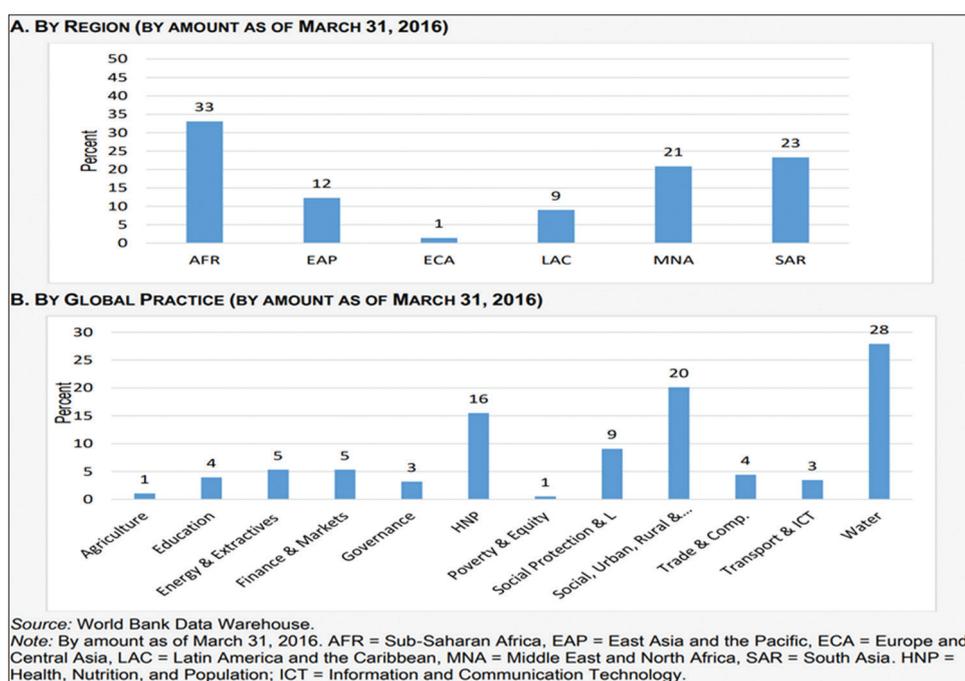


Figure 1. (a and b) The Program-for-Results portfolio (percentage of operations)
 Source: World bank data warehouse.

infrastructure are necessary to improve quality of life by 8 increasing access to basic services, create jobs, and encourage economic growth. The Government of Egypt (GoE) plans to allocate EGP 135.4 billion of the General State Budget for the fiscal year 2017/2018 for investments on its infrastructure^[6].

By amount as of March 31, 2016. AFP=Sub-Saharan Africa, EAP=East Asia and Pacific, ECA=Europe and Central Asia, LAC=Latin America and Caribbean, MNA=Middle East and North Africa, SAR=South Asia, HNP=Health, nutrition, and population; ICT=Information and communication technology
 According to Figure 1, it can be noted that the application of P for R financing system in Egypt is matching with the most two common practices that it is implement in water and social, urban, rural), on the

other hand, the need of P for R funding for water sector was not considered one of the Ethiopian governmental priorities, it will appear clearly during this comparison study.

1.3 Classification of DLIs and projects

Table 3 outlines six types of DLIs. Classic investment operations typically finance the costs of the inputs required for a project and procured in a manner acceptable to the donor. The DLIs for such a project [denoted I in Table 3] will, therefore, be based on evidence of spending, for example, on materials to repair bridges. Classic policy-based operations, on the other hand, are expected to have DLIs based on specific policy actions [denoted A in Table 3]. In cases where the actions mandate a complex set of multiple measures

Table 3. DLI classification

DLI type	Abbreviation	Example
Input	I	Presentation of invoice for purchase of approved construction materials
Action	A	Preparation of environmental and social guide
System action	SA	Implementation of an agreed program to strengthen the management system
System output	SO	Increased percentage of works completed per pre-agreed schedule
Output	O	Number of new constructions or rehabilitated with allowance for the extent of repairs needed
Outcome	OO	Percent of secondary-school girls reaching agreed standard of achievement on standardized test

SO: System output, DLI: Disbursement-linked indicators

to build institutions and improve the functioning of particular systems, the selected classification such as DLIs as SA, or system actions. Both A and SA DLIs are prescriptive in the sense that the actions of the borrower have to conform to detailed conditions agreed with the lender. The former will usually be more transparent than the latter due to the complexity of SA measures^[7]. Turning to “results,” the methodology distinguishes three DLIs. Output DLIs (O) involve the delivery of a specific product or service: For example, bridges constructed or repaired as in the case of the Nepal Bridges project. Outcome DLIs (OO) entail longer-term, broader achievements further down the results’ chain. Projects following the COD Aid concept would rely only on these types of performance measures. Outcomes are conceptually preferable but may be difficult to calibrate and cost out and are usually less subject to the direct control of those implementing the program supported by the project. They may, therefore, be more difficult to use as contractually acceptable DLIs. Moreover, while outputs and outcomes have a clear conceptual distinction, the first is a tangible good or service produced or delivered, while the second is an achievement that the paper focuses in it, in practice, this can be less clear because it involves judgment on where the results chain starts and ends^[8].

The third type of “result” DLI is a system output (SO), a measure of system performance or capability that does not necessarily reflect the delivery of the main outputs or outcomes that the system is intended to produce. SOs can be thought of as achievements that are further upstream than outputs but that may nevertheless be important in terms of signaling that the system is making progress towards effectiveness and sustainability. In Table 1, the example is the capacity to process and complete bridge repairs on schedule. Unlike A and SA DLIs, the O, OO, and also the SO DLIs are essentially “hands-off.” They specify the goals

rather than the steps needed to attain it.

Results-based projects can end their interventions at different points on the results chain. Some institution-building projects may disburse against SOs, while others follow through Os or even OOs. This complicates the classification of DLIs: If a particular system improvement is the development objective of the project, does this mean that it should be considered as an output or even an outcome? In our view, doing so would debase these concepts which should relate to the provision of goods or services valued by project beneficiaries or even better measurable improvements in their well-being. In classifying the DLIs for the operations, then it is considered as independently of the development objectives of the project. Table 4 includes details of all DLIs across all projects together with their classification.

The classification of DLIs according to whether a disbursement is scaled in proportion to performance (S) or is conditional on achieving a 1-time threshold (T), an additional “scaled threshold” indicator captures DLIs that involve a staircase of progressively increasing hard thresholds each year. For example, Service Delivery Project, the establishment of a monitoring system is a simple threshold, as a 1-time accomplishment is recognized by a 1-time disbursement. Implementation of a Water Quality Monitoring System is a scaled threshold, as the beneficiary must meet an annually increasing bar to receive payment. Disbursements for the percentage of households connected to the sewage systems are scaled to the level achieved.

2 Results

Results note whether a clear baseline is spelled out for the DLI in the project document (Yes/No). In some cases, baselines may be implicit (Im): For example, when the DLI requires applying a policy or creating a

Table 4. List of the Egypt P for R operations and DLIs listed by category

Project name	Dli description	Type	Scale/threshold	Baseline	Value \$ mill
Inclusive Housing Finance Program-for-Results Project Egypt	Establishment and operation of an internal audit function within the SHF providing assurance service for the ownership and rental programs affiliated with the SHF	SA	T	Im	25
	Establishment and functioning of a housing monitoring and evaluation system and an M and E unit within SHF, and the preparation of the multiyear plan and annual targets informed by the M and E system	SA	T	Im	25
	Establishment and functioning of an accountability and transparency mechanism within SHF for implementing the program	SA	T	Im	50
	Establishment by SHF of a functioning mechanism to monitor occupancy and vacancy of housing units by HH receiving demand-side housing subsidy	SA	T	Im	20
	Percentage of ownership housing units occupied by low-income HH after at least 1 year of receiving subsidies under the AMP	SO	S	Im	30
	Number of HH receiving demand side homeownership subsidies for new housing units in each fiscal year during program implementation under the AMP	O	S	Y	225
	Number of new HH participating in rental subsidy programs in each fiscal year during program implementation	O	S	Y	48.75
	Percentage of demand-side subsidies provided supporting the purchase or rental of housing units located within a commute of 60 min or less to an employment centre	O	S	Y	25
	A number of demand-side subsidies provided supporting the purchase or rental of housing units developed by private sector entities in each fiscal year during Program implementation. (Private sector entities are those that are owned at least 51% by private individuals or are listed on the stock exchange)	O	S	Y	50
Sustainable rural sanitation Services Program-for results Egypt	Establishment and functioning of at least 167,000 new HH connections to working sanitation systems in villages and satellites of which at least 10% of the connections are in satellites				
	Annual transfer of PBGC by the MHUUC to eligible WSCs	A	ST	Im	40
	Design and implementation of the APA system for the WSCs, and WSC achievement of the required APA threshold scores in accordance with the program operations manual	SA	T + S	Im	170
	Preparation and approval of new national tariff structure for water and sanitation services by MHUUC to allow for sustainable cost recovery	A	T	Im	50

(Contd...)

Table 4. (Continued)

Project name	Dli description	Type	Scale/threshold	Baseline	Value \$ mill
	Establishment of PMU and approval of a national rural sanitation strategy by MHUU	A	T	Im	50
	Approval of standard operating procedures for land acquisition under the national rural Sanitation program by MHUUC	A	T	Im	18.625
Enhancing shared prosperity through equitable services Ethiopia	Per capita increase in budgeted federal government block grant transfers to regions, excluding Addis Ababa				
	Increased proportion of qualified female agricultural development agents (diploma level)	SO	T + S	Y	30
	Increased number of health extension workers who have graduated with a Level 4 qualification	SO	T + S	Y	30
	Increases in total number of students enrolled (net) in Grades 5–8, in all regions, excluding Addis Abab	O	T + S	Y	60
	Improved geographic equity in education and health service delivery outcomes, based on Net Enrollment Rate and Penta 3 Vaccine indicators for the bottom 10% of Performing Woreda	OO	T + S	Y	60
	Improved wealth equity in education and health service delivery outcomes, based on net attendance rate and Penta 3 vaccine indicators for the bottom wealth quintile group	OO	T + S	Y	30
	Improved environmental and social management capacity at woreda level	SA	T + S	Y	50
	Enhanced transparency and accountability through citizen engagement	SA	T + S	Y	80
	Establishment of a government system for benchmarking woreda “PFM” performance (the “PFM benchmarking rating”)	SA	T + S	Im	42
	Oversight functions of regional procurement regulatory bodies has been improved	SA	S	N	20
	Strengthened capacity of woredas to effectively respond to fraud and corruption complaints	SA	S	Y	30
	Strengthened capacity of woreda council finance and Budget Standing Committee members to provide effective oversight, transparency, and accountability for budgets	SA	T + S	Y	18
	Improved development information and data for service delivery	SA	ST	N	60
Second ULGDP II Ethiopia	ULGs have achieved program minimum conditions as demonstrated in the APA				
	ULGs have strengthened institutional performance as demonstrated in the APA	SA	S	Im	158
	ULGs have delivered infrastructure, maintenance, and supported job creation as per their capital investment plans and annual action plans, as demonstrated in the APA, and ensured that value for money is achieved	O	S	N	75

(Contd...)

Table 4. (Continued)

Project name	Dli description	Type	Scale/threshold	Baseline	Value \$ mill
	Regional government capacity building and support teams in place and support urban service delivery	SA	ST	Im	13
	Offices of regional auditor generals carry out timely audits of ULGs' financial reports (by January 7 of each financial year)	A	S	Y	7
	REPA timely review ULGs' safeguards compliance.				
	Regional revenue authorities support ULGs' efforts to generate revenue				
	The annual ministry of urban development housing and construction capacity building activities for program ULGs, regional governments, and the ministry complete				
	The APAs, independent procurement audits, and value for money audits are procured and completed on time				
Health Millennium Development Goals ETHIOPIA	Deliveries attended by skilled birth providers (%)				
	Children 12–23 months immunized with Prevalent 3 vaccine (%)	O	S	Y	19
	Pregnant women receiving at least one antenatal care visit (%)	O	S	Y	14.3
	Contraceptive prevalence rate (%)	OO	S	Y	20.5
	Health centers reporting HMIS data in time (average number for four quarters) (%)	A	S	Y	5
	Development and implementation of balanced score card approach to assess facility performance and related institutional incentives	SA	ST	Im	20.2
	Development and implementation of annual rapid facility assessment to assess readiness to provide quality MNCH services	SA	ST	Im	14
	Improved transparency of the PFSA procurement processes	SA	ST	Im	7

SHF: Social Housing Fund, M and E: Monitoring and evaluation, PFSA: Pharmaceutical Fund and Supply Agency, APS: Annual Performance Assessment, MHUUC: Ministry of Housing, Utilities and Urban Communities, ULGs: Urban Local Governments, AMP: Affordable Mortgage Program, PFM: Public Financial Management, PMU: Program Management Unit, PBGC: Performance-based Capital Grants, HH: Households, WSCs: Water and Sanitation Company, ULGDP II: Urban Local Government Development Program, DLI: Disbursement-linked indicators

program that clearly did not exist before the project, see Table 4-6^[2].

3 Discussion

The following part provides a comparison between Sustainable Rural Sanitation Services Program (SRSSP) and Urban Government Development Program II (ULGDP II). Throughout the following collected database, this paper looking forward to compare between the two P for R cases in Egypt and Ethiopia that look like similar in sector according to

global P for R kind of sectors (social, urban, rural), as follows:

1. The behavior of disbursement and the financial mechanisms will be explained through the following tables for both case studs. DLIs are the main key factor for this comparison.
2. The development objective of the Egyptian case study “sustainable rural sanitation services P forR project for Egypt” is to strengthen institutions and policies for increasing access and improving rural sanitation services in the Governorates of Beheira,

Table 5: Disbursement-linked indicator matrix for Egyptian case

#	DLI	Bank financing allocated to the DLI	Of which financing available for:		Deadline for DLI Achievement ¹	Minimum DLI value to be achieved to trigger disbursements of Bank Financing 2	Maximum DLI value(s) expected to be achieved for bank disbursements purposes 3	Determination of financing amount to be disbursed against achieved and verified DLI value(s) 4
			Prior results	Advances				
1	Establishment and functioning of at least 167,000 new HH connections to working sanitation systems in villages and satellites, of which at least 10% of the connections are in satellites	US\$220M	0	US\$55M	June 2020	This is a linearly scalable DLI for the new HH connections Y1 (2016): 25,000 Final designs Y2 (2017): 67,000 Final designs 2000 connections (20% of 10,000)* Y3 (2018): 8000 Connections (20% of 40,000)* Y4 (2019): 10,000 connections (20% of 50,000)* Y5 (2020): 13,400 Connections (20% of 67,000)* *Further, 10% of total connections made must be made in satellites	This is a linearly scalable DLI for the new HH Connections. Maximum for new HH connections is: US\$192,050,000 Maximum for final designs is: US\$ 27,950,000	Y1 (2016): US\$15M on final designs Y2 (2017): US\$12,950,000 on final designs Y2 (2017): US\$1,150 per new connection verified Y3 (2018): US\$1,150 per new connection verified Y4 (2019): US\$1,150 per new connection verified Y5 (2020): US\$1,150 per new connection verified
2	Annual transfer of PBCGs by MHUCC to eligible WSCs	US\$40M	0	US\$10M	June 2020	N/A (not scalable)	N/A (not scalable)	US\$8M per year when yearly results are achieved and verified
3	DLI 3: Design and implementation of the APA system for the WSCs, and WSCs achievement of the required APA threshold scores in accordance with the program operations manual	US\$170M	0	US\$42.5M	June 2020	N/A (not scalable)	N/A (not scalable)	Y1 (2016): US\$15M on performance improvement action plans prepared Y2 (2017): US\$20M on APA Manual prepared and the first APA for each WSC carried out Y3–Y5 (2018–2020): US\$45M Each WSC achieves the minimum threshold APA scores
4	Preparation and approval of a new national tariff structure for Water and Sanitation Services by MHUCC to allow for sustainable cost recovery	\$50M	10	US\$12.5	June 2017	N/A (not scalable)	N/A (not scalable)	Prior Result of New National Tariff Structure prepared: US\$10M Y2 (2017): \$40M New National Tariff Structure approved by MHUCC and decree issued

(Contd...)

Table 5: D (Continued)

#	DLI	Bank financing allocated to the DLI	Of which financing available for:		Deadline for DLI Achievement ¹	Minimum DLI value to be achieved to trigger disbursements of Bank Financing 2	Maximum DLI value(s) expected to be achieved for bank disbursements purposes 3	Determination of financing amount to be disbursed against achieved and verified DLI value(s) 4
			Prior results	Advances				
5	Establishment of PMU and approval of a National Rural Sanitation Strategy by MHUUC	\$50M	10	US\$12.5	June 2020	N/A (not scalable)	N/A (not scalable)	Prior result of PMU created for the formulation and coordination of NRSP and the National Rural Sanitation Strategy US\$10M Y2 (2017): US\$30M disbursed when National Rural Sanitation Strategy Approved by MHUUC Y3 (2018) to Y5 (2020): US\$10M disbursed with key action plans designed (not time-bound within Y3 and Y5)
6	Approval of standard operating procedures for land acquisition under NRSP	\$18.625M	0	US\$5M	June 2017	N/A (not scalable)	N/A (not scalable)	Y2 (2017): US\$18.625M disbursed when standard operating procedures for land acquisition under NRSP prepared and approved

APA: Annual Performance Assessment, WSCs: Water and Sanitation Company, NRSP: National Rural Sanitation Program, MHUUC: Ministry of Housing, Utilities, and Urban Communities, PBCGs: Performance-based capital grants, DLI: Disbursement-linked indicators, HH: Households

Table 6: Disbursement-linked indicator matrix for Ethiopian case

DLI	Total financing allocated to DLI	As percent of total financing amount	DLI baseline	Indicative timeline for DLI achievement						
				Year 1 FY15	Year 2 FY16	Year 3 FY17	Year 4 FY18	Year 5 FY19		
DLI 1										
ULGs have achieved program minimum conditions in the annual assessment			0	44 ULGs	44 ULGs	44 ULGs	44 ULGs	44 ULGs	44 ULGs	44 ULGs
Allocated amount	\$90 million	23.68%		\$18 million	\$18 million	\$18 million	\$18 million	\$18 million	\$18 million	\$18 million
DLI 2										
ULGS have strengthened institutional performance as scored in the annual performance assessment			0	60 (average score)	65 (average score)	70 (average score)	75 (average score)	80 (average score)	80 (average score)	80 (average score)
Allocated amount	\$158 million	41.58%		\$21.8 million	\$34.1 million	\$34.1 million	\$34.1 million	\$34.1 million	\$34.1 million	\$34.1 million
DLI 3										
ULGs have delivered infrastructure, maintenance, and supported job creation as per their annual action plans and the capital investment plans, as scored in the annual performance assessment, and ensured value for the money			0	60 (average score)	65 (average score)	70 (average score)	75 (average score)	80 (average score)	80 (average score)	80 (average score)
Allocated amount	\$75 million	19.74%		\$10.3 million	\$16.2 million	\$16.2 million	\$16.2 million	\$16.2 million	\$16.2 million	\$16.2 million
DLI 4										
Regional government capacity building and support teams in place and support urban service delivery			0	Capacity building plan of and terms of reference for regional government teams are in place	80 in place%53	80% in place and 80% execution rate				
Allocated amount	\$13 million	3.42%		\$2.6 million	\$2.6 million	\$2.6 million	\$2.6 million	\$2.6 million	\$2.6 million	\$2.6 million
DLI 5										
ORAGs carryout ULG audits on time				44 ULG audits completed	44 ULG audits completed	44 ULG audits completed	44 ULG audits completed	44 ULG audits completed	44 ULG audits completed	44 ULG audits completed
Allocated amount	\$7 million	1.84%	554	\$1.4 million	\$1.4 million	\$1.4 million	\$1.4 million	\$1.4 million	\$1.4 million	\$1.4 million
DLI 6										

(Contd...)

Table 6: (Continued)

DLI	Total financing allocated to DLI	As percent of total financing amount	DLI baseline	Indicative timeline for DLI achievement				
				Year 1 FY15	Year 2 FY16	Year 3 FY17	Year 4 FY18	Year 5 FY19
REPA review of ULG safeguards Compliance in a timely fashion			0		44 ULG safeguards reviews/audits completed			
Allocated amount	\$6 million	1.58%		\$1.2 million				
DLI 7								
Regional revenue authority support ULG revenue mobilization			0			44 ULG revenue mobilization supported		44 ULG revenue mobilization supported
Allocated amount	\$4 million	1.05%				\$2.0 million		\$2.0 million
DLI 8								
Completion of annual MUDHCo capacity building activities for Program ULGs, regional governments and the ministry			0	Compare- hensive annual Program capacity building plan in place and terms of reference developed	Capacity building plan in place, 80% of people in place, and minimum 60% of the plan implemented	Capacity building plan in place, 80% of people in place, and minimum 60% of the plan implemented	Capacity building plan in place, 80% of people in place, and minimum 60% of the plan implemented	Capacity building plan in place, 80% of people in place, and minimum 60% of the plan implemented
Allocated amount	\$22 million	5.79%		\$4.4 million				
DLI 9								
Timely completion of Program APA and value for money Audits			0	APA completed on time	APA completed on time	APA and value for money completed on time	APA and value for money completed on time	APA and value for money completed on time
Allocated amount	US\$5 million	1.32%		\$1 million				
Total financing allocated	US \$380 million	100%	0	\$60.7 million	\$78.8 million	\$80.8 million	\$78.8 million	\$80.8 million

APA: Annual Performance Assessment, DLI: Disbursement-linked indicators, ULGs: Urban Local Governments, REPA: Regional Environmental Protection Agencies

Dakahliya, and Sharkiya in Egypt. The program activities are described through three key result areas: (1) Improved sanitation access; (2) improved operational systems and practices of water and sanitation company (WSCs); and (3) strengthened national sector framework and the scope of each results area. The strategy supported by the National Rural Sanitation Program (NRSP) includes harnessing economies of scale by clustering villages to enhance the technical, economic, environmental, and social feasibility of wastewater treatment systems. The initial focus of the GoE is to improve access and services in 769 villages in seven governorates that discharge untreated wastewater into the Al Salam Canal and the Rosetta Branch, which is estimated to require investments of about United States 2.8 billion dollars. The program is a results-based program supported by the WB aimed at strengthening institutions and systems to provide greater access and improved service delivery of rural sanitation services in three governorates in the Nile Delta^[8,9].

3. The program builds on the government’s decision to shift from a centralized model of service delivery to a decentralized model that empowers the WSCs to improve service provision. The program focuses on the three WSCs operating, respectively, in the governorates of “Beheira,” “Dakahliya,” and “Sharkiya,” respectively, and helps to reduce poverty and enhance shared prosperity in these areas. The program will put in place a system of performance-based capital grant from the Central Government to the WSCs to support priority rural sanitation investments identified^[10]. The program has made good progress after a slow startup. As of early May 2018, approximately 92,000 household (HH) connections have been designed; 15,000 HH connections are under construction; and 5,000 rural HH connections have been established (DLRs 1.1 and 1.2). This is complemented by the achievement of key sector reform initiatives: Biannual transfers of performance-based grants from Ministry of Housing, Utilities, and Urban Communities (MHUUC) to the WSCs (DLI2); preparation and approval of Performance Improvement Action Plans for each of the WSCs (DLRs 3.1 and 3.2); preparation, approval, and the start of implementation of a new national tariff structure for water and sanitation services (DLI4); and

approval of standard operating procedures for land acquisition under NRSP (DLI6). The PMU has also been established (DLR 5.1). Moreover, all due legal covenants and PAP actions under the program have been fulfilled. The program has completed the first cycle of verification and has disbursed US\$ 78.625 against the first set of verified DLIs and DLRs. Another disbursement tranche of about US\$76 million is expected after the second verification cycle is completed^[11].

4. The Ethiopian case study “ULGDP II” will support the planning, delivery, and sustained provision of priority municipal services and infrastructure aims to address institutional and fiscal gaps at the urban local government (ULG) level^[10]. The PDO is to assist the recipient in enhancing the institutional performance of participating ULGs in developing and sustaining urban infrastructure and services. Phase one of the program focused on addressing the capacity and infrastructure deficits of 37 ULGs in total. This phase established a robust local government performance grant system, which has successfully delivered both institutional strengthening and associated infrastructure results in the limited number of cities within its scope.
5. Overall, the ULGDP II is making good progress in improving capacity and urban management functions in the participating ULGs and had satisfactory progress toward achieving the development objectives. Four rounds of disbursements have been made so far and they were all above original estimates due to better-than-average performance by the cities. In total, US\$312 million (or 92%) has been disbursed which is above the estimated projections. So far, an estimated 3 million urban residents, 50% female, are benefiting from improved infrastructure, and 293,397 jobs created of which 44% are for female^[12]. More specifically on the institutional front (DLI2), the average score of all 44 cities exceeded the design targets in all 3 years of the program and end of program target (80%) has been achieved in the 3rd year of the program. The results include: (i) Timely financial audits for 44 cities, with 13 cities having unqualified audits for EFY 2008 (2015/16); (ii) improved revenue generation with 24 of the 44 cities increasing revenues by >10% (2016/17); and (iv) all 44 cities are routinely posting information publicly. 2. Results related to

local infrastructure (DLI3) include (i) about 714 km of urban cobblestone roads built or rehabilitated, (ii) about 509 km of urban gravel roads built or rehabilitated, (iii) about 5479 hectares of serviced land for industry and Micro and Small Enterprises delivered; and (iv) 119 hectares of public parks built^[13].

4 Conclusion

The study showed that the rapid expansion of P for R operations is impressive, considering that client governments still have the options of investment and policy loans and that P for R is financed from the existing pool of IDA and IBRD funds rather than creating additionally. It is too soon to evaluate implementation experience in any systematic way, but the paper considers the possible implications of the instrument for the future role of the Bank, including in middle-income countries. This is an important question since many countries are expected to graduate out of IDA, assuming reasonably supportive global growth trends.

In the case of Ethiopia, the P for R project numbers are more than Egyptian Projects, while the application of P for R financing system in Egypt is matching with the most two common practices that appalled by P for R (water and social, urban, rural and..), on the other hand, the need of P for R funding for water sector not considered one of the Ethiopian governmental priorities, it appeared clearly during this comparison study.

Studying the application of P for R financing system in a collaborative program between Egypt and Ethiopia in water resource practices is considered very useful for the two sides and a new challenge for P for R application, especially the differentiation in rules, laws, and regulation in both countries. This study provides insight for the future countries to take into consideration

the given conditions to be considered in the future adopted projects.

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