

*The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.*

# Results-Based Lending

**19-23 August 2024 | ADB Headquarters, Philippines**



ADB



# Outline

- RBL Objectives and Key Features
- Key steps for preparing an RBL program
- Take Aways and Practical Advice



# Objectives and Key Features

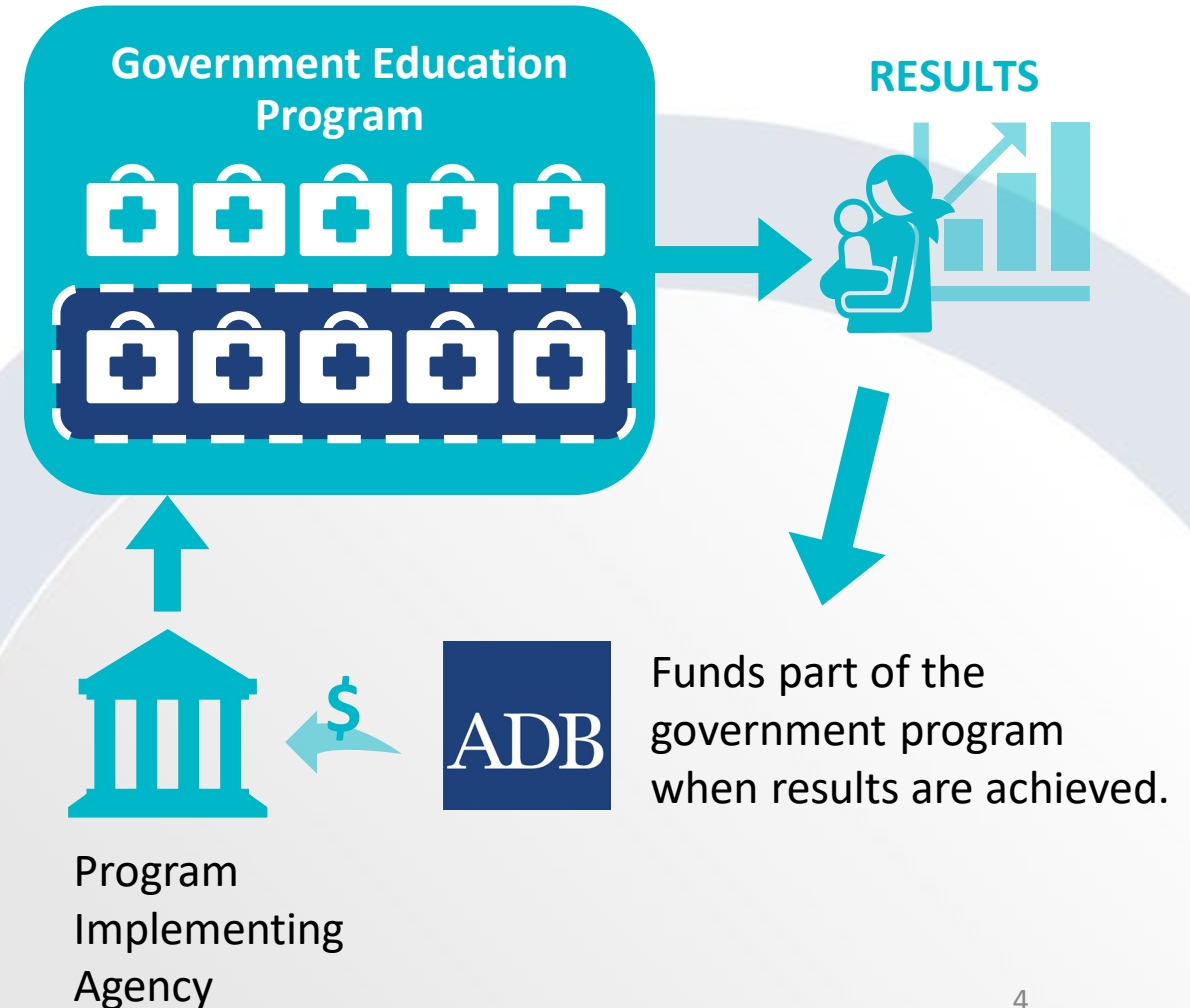


# Results-Based Lending (RBL) for programs

- Supports a specific government-owned program
- Can cover the whole, part, or a time slice of a government program
- Disburses based on defined results
- Uses the government program systems and procedures, seeking to enhance them as needed

## RESULTS

- Defined as outcome/output from the standpoint of beneficiaries
- Measured by disbursement-linked indicators (DLIs)



# RBL Objectives and Key Features



Increase government accountability

Supporting government-owned programs



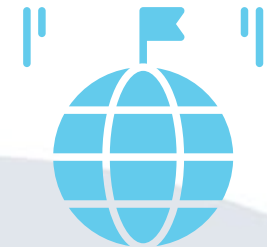
Give incentives for delivering and sustaining results

Linking disbursement directly to results



Improve government effectiveness and efficiency in program implementation

Supporting institutional development



Enhance development effectiveness, support donor coordination and harmonization

Fostering partnerships

Manage risks adequately

# RBL versus other lending modalities

MODALITY

GUIDED BY

PROVIDES FUNDS FOR

Investment Lending

ADB rules and procedures

Specific expenditures

Policy-Based Lending

Country policy processes

Non-earmarked general budget support

**RESULTS-BASED LENDING**

Government program systems

Specific expenditure program

# RBL: A Shift in Focus

## FROM

Expenditure and transactions

Rules-based

Ring-fencing ADB financing

## TO

Program results

Principle-based

Supporting entire RBL program

# RBL Programs Across DMCs (2013-2023)



## ARM (2):

- Urban (\$161m)

## UZB (1):

- Finance (\$500m)

## KGZ (1):

- Agriculture (\$27m)

## PAK (3):

- Energy (\$325m)
- Health (\$100m)
- Public Sector Mngt (\$628m)

## PRC (8)

- Education (\$646m)
- Energy (\$295m)
- Health (\$50m)
- Transport (\$20m)
- Urban (\$100m)

## NEP (2):

- Education (\$316m)

## IND (4)

- Education (\$100m)
- Energy (\$346m)
- Health (\$600m)

## BAN (4)

- Education (\$812m)
- Urban (\$300)

## PHI (2):

- Education (\$600m)

## SRI (4):

- Education (\$800m)

## SOL (1):

- Transport (\$21m)

## INO (6)

- Energy (\$2,406m)
- Agriculture (\$600m)
- Health (\$362)



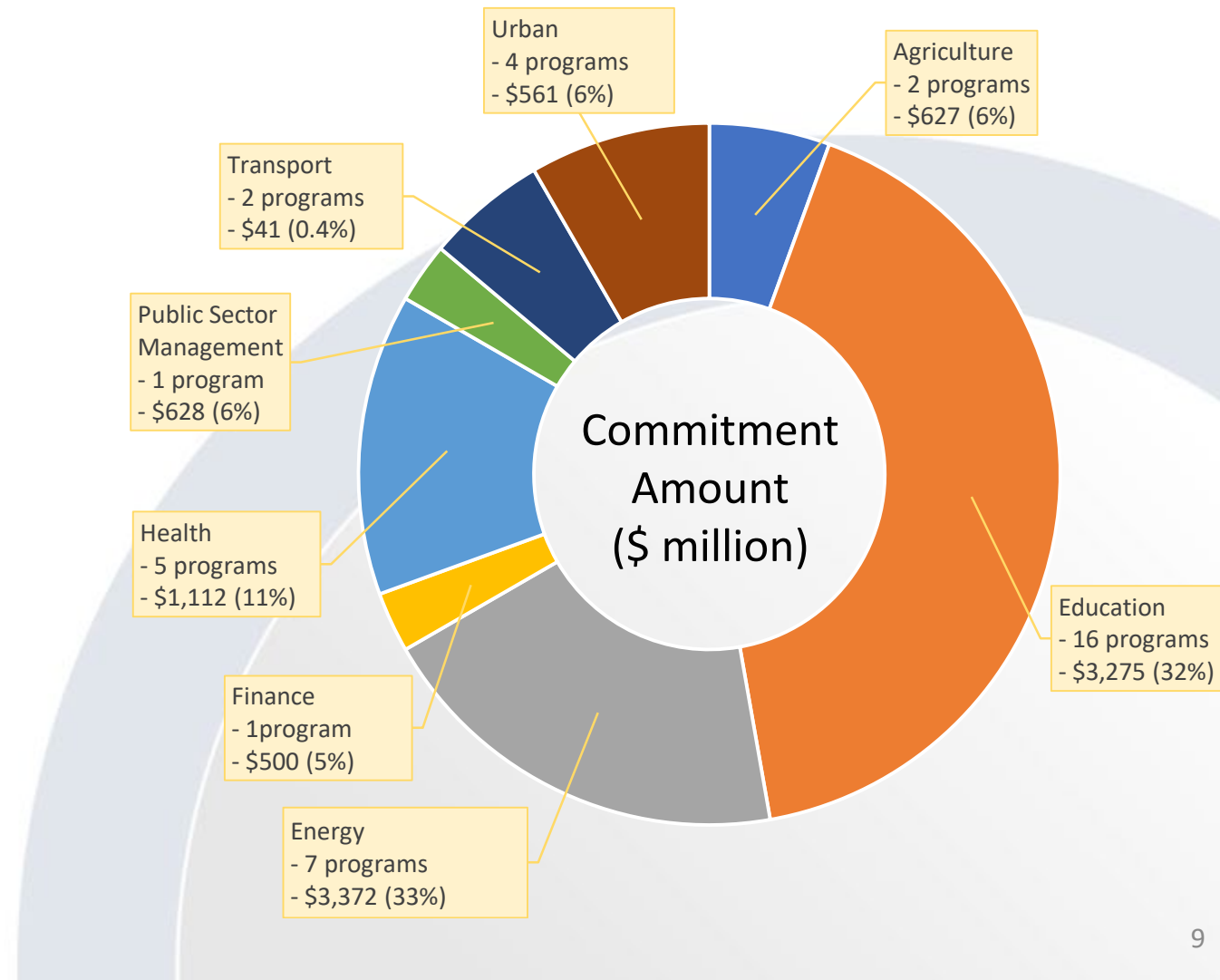


# Sector Distribution of RBL

(6 June 2013 – 31 December 2023)

**\$10.1 billion**  
total commitment

Source: Asian Development Bank.

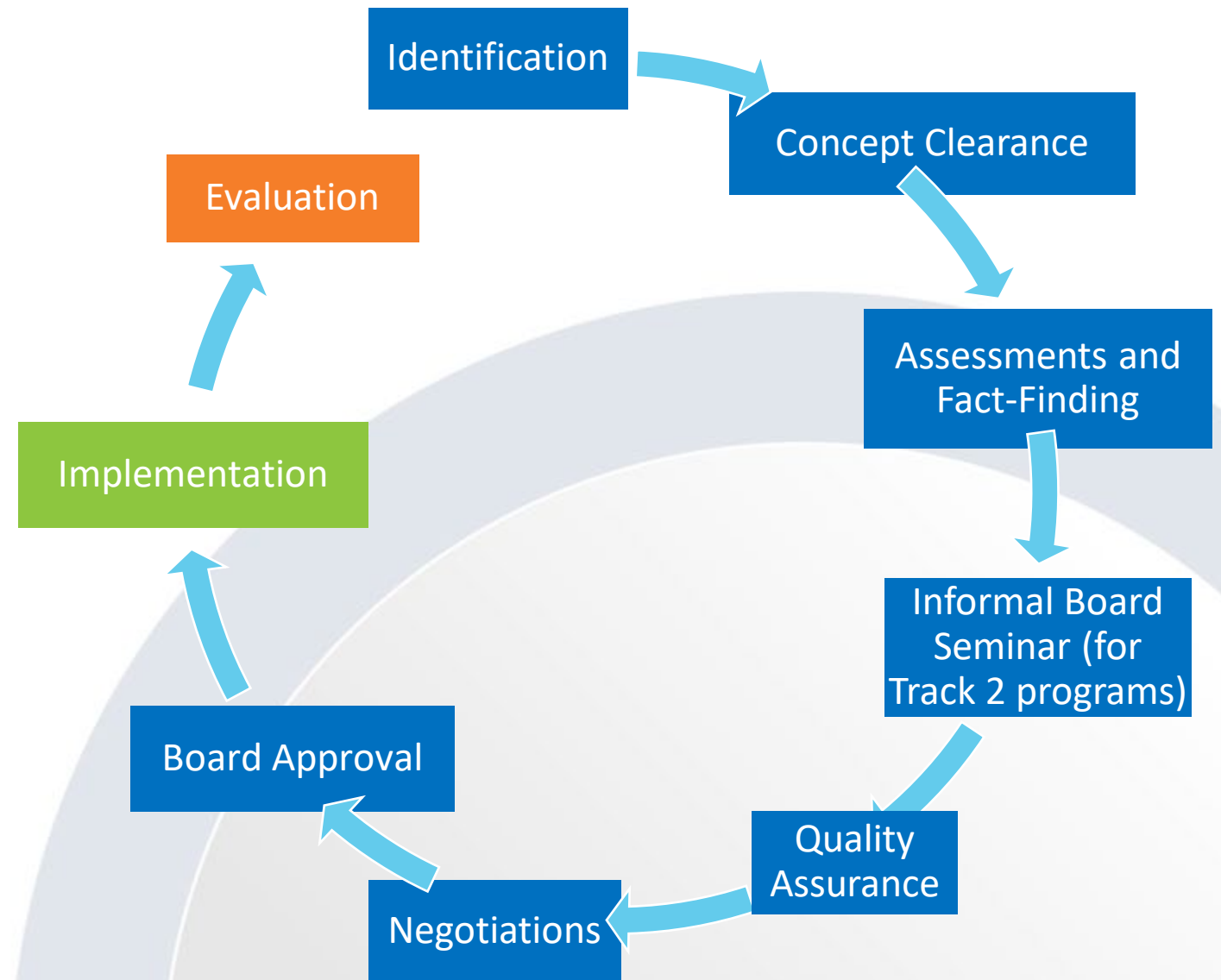




# Key steps for preparing an RBL program



# RBL Processing and Implementation



# Rationale for RBL as the Modality of Choice



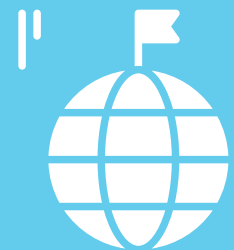
**Government-  
owned  
program with  
results  
approach**



**Creating  
incentives for  
delivering  
results**



**Strengthening  
institutions and  
providing  
capacity  
development**



**Enhancing  
Development  
Partnerships**

# Steps for Preparing an RBL Program

## Government program

- National or subnational
- Multisectoral, sectoral, or sub-sectoral
- New or existing

## RBL program boundary

- Sector or subsector
- Geographic area
- Time slice
- Specific results area

## Program expenditure framework

- Sufficient financing
- Appropriate expenditures

## Key results and DLIs

- Appropriate results framework
- DLI selection
- DLI verification protocol
- Disbursement arrangements

## Program soundness assessment

- Technical
- Systems



# Due diligence

## Program Technical Assessments

- Soundness including program expenditure and financing, and program results framework
- Economic analysis
- Poverty, social and gender

## Program Systems Assessments

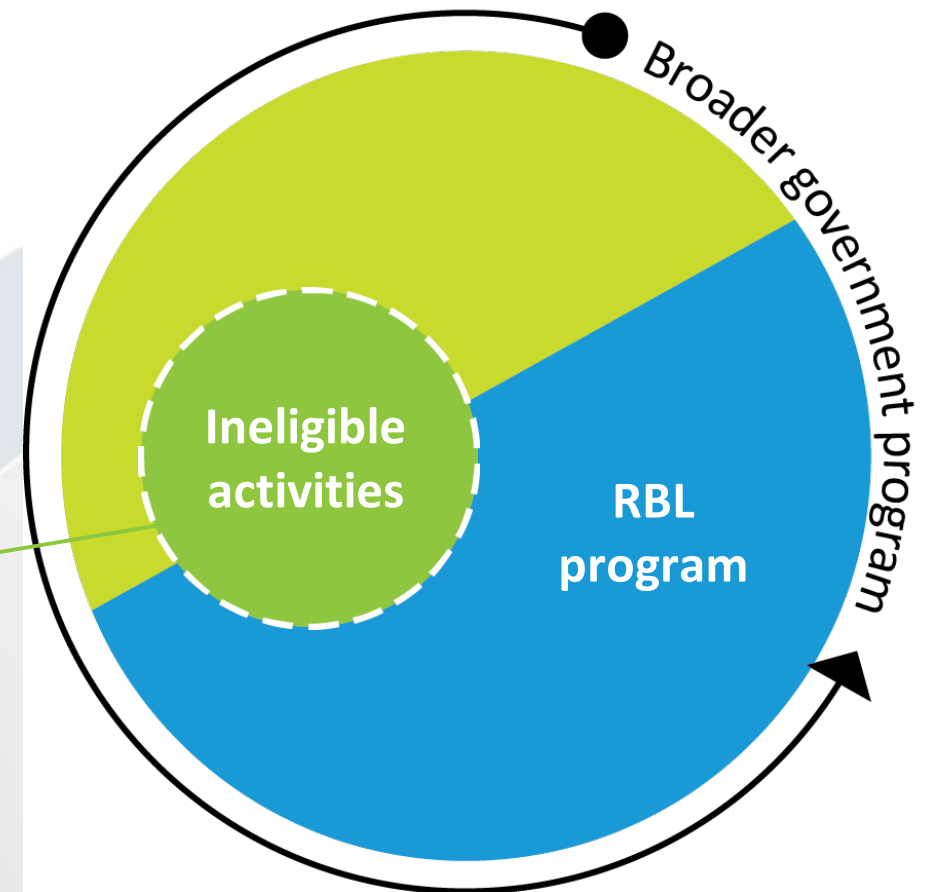
- M&E system
- Fiduciary systems
- Safeguards systems
- Other relevant systems/institutions

Institutional, environmental, social, economic, and financial **sustainability**

- Program Implementation Document which includes:
  - Risk Assessment and Risk Management Plan
  - Program Action Plan

# Ineligible Activities

- Activities classified as **environment category A** under SPS
- Activities likely to have **significant adverse impacts** on the environment and/or affected people that are sensitive, diverse, or unprecedented
- **High-value contracts**
  - \$50 million for works, turnkey, supply and installation
  - \$30 million for goods
  - \$20 million for IT-systems and non-consulting services
  - \$15 million for consulting services



Activities excluded under the RBL program may be included in the broader government program.

# Disbursement-Linked Indicators (DLIs)

Depending on the RBL program DLIs can be:



DLIs should be:

Tangible

Verifiable

Transparent

Under control of government

Verification protocol includes:

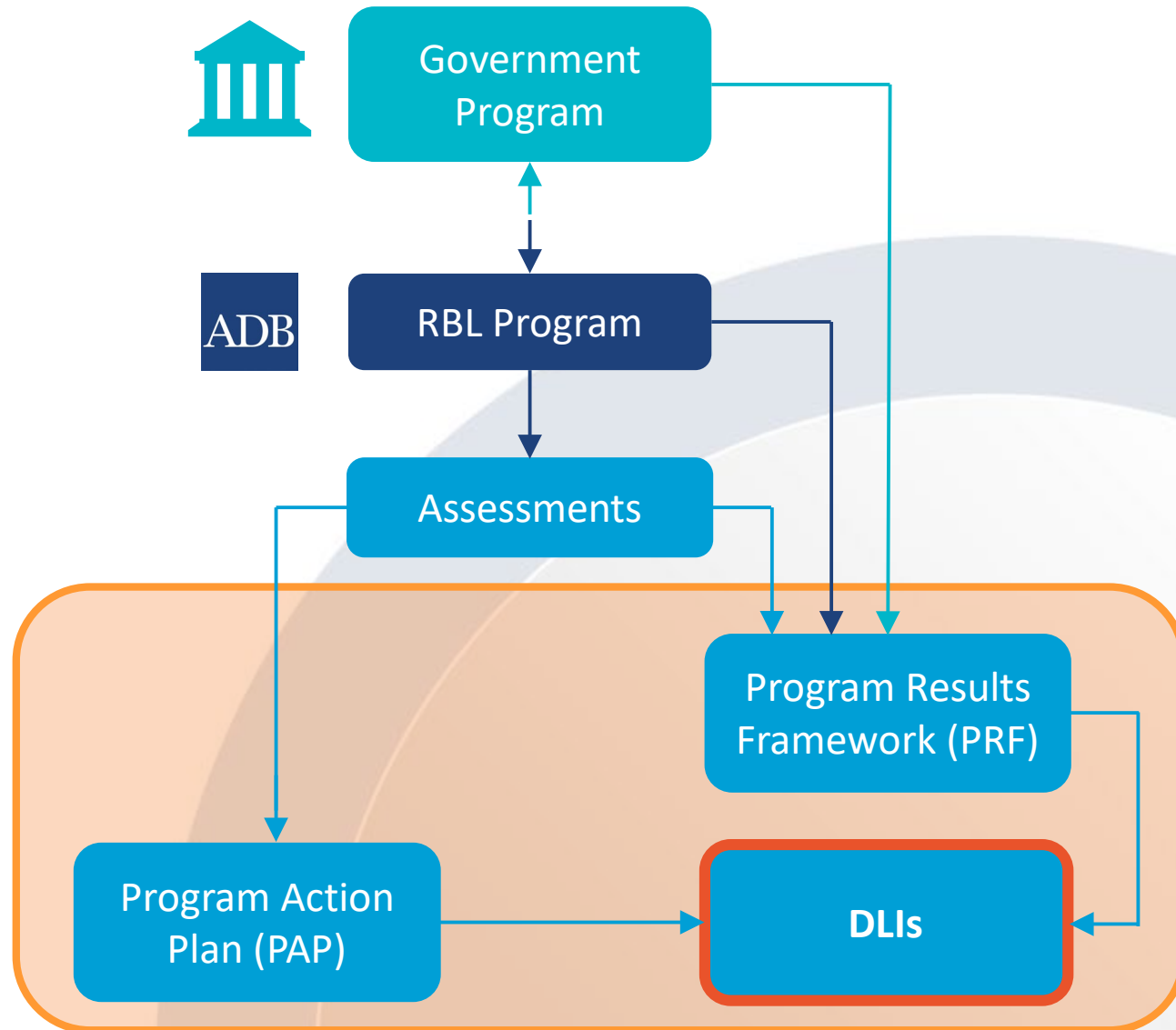
- DLI definition and what constitutes achievement
- Whether disbursements can be partial and how that would be done
- Expected timing of verification
- Data for measuring achievements, including reporting frequency; and
- Entities responsible for verification

*The DLI verification protocol provides assurance that disbursements will be made based on credible results*





# Where do DLIs come from?



# Independent Verification Agency (IVA)



Government agencies, private entities, or third-party entities, such as civil society organizations



ADB needs to be satisfied with competence, capacity, and credibility of the verifying agent to provide credible verification



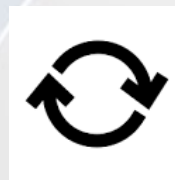
If DLI verification by the executing or implementing agency of the RBL program, strong justification needed.



ADB may conduct spot checks of the robustness of the verification mechanism, including using external independent agencies



ADB should not act as an independent verifier



IVA should not provide capacity building, but can make recommendations to improve systems.

# Results Framework Good Practices



Results should meet beneficiaries needs



Use intermediate outcomes for clearer linkage



Disaggregate results where appropriate



Use SMART Indicators



Be selective of DLIs



# Disbursement



**Independent verification of  
DLI achievement**



**Borrower requests ADB to  
disburse loan proceeds**



**Disbursement is proportional  
to results achieved**



# Other Key Features

## Advance Financing\*

up to 25% of ADB financing

## Financing Prior Results\*

up to 20% of ADB financing  
for DLIs achieved within 12 months before loan signing

\* Outstanding balance of Advance Financing + Financing Prior Results amount  $\leq$  30% of the total ADB financing

## Utilization and Procurement

follows ADB's member country  
procurement eligibility restrictions

Total RBL program expenditures - procurement from  
non-member countries  $\geq$  ADB financing

## Financial Auditing

Annual audited financial  
statements to be submitted  
for the entire RBL program

## Anticorruption

RBL-specific  
guidelines to be  
discussed with the  
government



Thank you