



October 18, 2011

To: The Honorable Patrick Leahy
From: Nancy Birdsall, President, Center for Global Development

Re: World Bank, Program for Results Financing

Dear Senator Leahy,

I am writing to urge that you support approval by the United States of the proposed new lending instrument at the World Bank, Program for Results Financing (P4R), which is currently under review by the World Bank Executive Directors. It is a significant step – the first new lending instrument to be added to the investment and adjustment instruments since 1980.

While the introduction of any new approach entails risks that need to be managed, P4R is an exciting opportunity to modernize the approach to foreign assistance by linking disbursements not to inputs (e.g. school buildings, teacher training, books in the case of education) but after the fact to agreed measurable outputs and outcomes (e.g. secondary school graduates who have passed competency tests).

The idea that development aid should reward development results may seem self-evident. But as currently practiced, most development finance involves upfront investments for detailed and prescriptive donor-specified inputs. Work on foreign aid at the Center for Global Development, as well as other institutions, indicates that this comes at a high cost for donors and recipients alike, in time and transactions, with a measurable reduction in the value for money of the aid and the potential for funded programs and projects to make a difference on the ground. Worse, input-based aid applies only to the specific aid flows concerned, which are often a modest part of the total financial expenditures of a program. This share is likely to fall over time as many developing countries continue to grow rapidly; any favorable “ring-fenced” effect may not be sustained after the end of the project. The input-based approach also contributes to the fragmentation of aid, further raising transactions costs not only to the World Bank but to other donors including USAID, and to borrowers.

For these reasons, developing improved mechanisms of delivering assistance has been high on our agenda at the Center for Global Development, leading to our extensive work on so-called “results-based aid”, including [Cash on Delivery Aid](#). Other initiatives that employ variations of performance or results-based aid include the GAVI Alliance and, at the program level, the Millennium Challenge Corporation.

You may be aware that some non-governmental organizations are concerned about P4R on the grounds that it will undermine safeguards in critical social, environmental and fiduciary areas. We appreciate these concerns, but believe that the proposed guidelines for the new instrument are adequate to protect these safeguards. For one, they specify that the new instrument should be used selectively on

projects and in countries where risks of all kinds are minimal. In addition, as with traditional investment loans, violation of safeguards under P4R can trigger remedies including suspension or cancellation of funds.

Our only concern about the proposed instrument is that it does not specify use of an independent, third-party performance audit. I urge you and your office to ask the U.S. Treasury to work with World Bank staff to incorporate third-party verification of a country's performance into P4R guidelines. Together with upfront consultation with affected groups and timely reporting, this will have the benefit of making transparent for U.S. taxpayers as well as the citizens of countries receiving World Bank loans the results of the recipient governments' efforts.

I hope that this is useful to you and your colleagues,

Sincerely,

A handwritten signature in black ink that reads "Nancy Birdsall". The signature is written in a cursive, flowing style.

Nancy Birdsall
President, Center for Global Development