Proposed Tanzania Second Local Government Support Project (LGSP 2)

Terms of Reference

Consulting Services in Support of Preparation of the Proposed LGSP 2: Preparation of an Institutional Assessment and Technical Manual for Environmental and Social Management for Urban Local Governments

1. Background

Decentralization by devolution (D by D) has been underway in Tanzania since 1999. The vision of D by D was promulgated by Government in 1996 and a Local Government Reform Programme (LGRP) was formally launched in 1999. As part of fiscal decentralization, local government authorities (LGAs) are allocated grants through a transparent and equitable formula-based system. The Local Government Development Grant\(^1\) (LGDG) system provides Council Development Grants (CDG) and Capacity Building Grants (CBG) on a formula basis, but only where LGAs have met performance criteria. D by D is supported by multiple development partners including the World Bank\(^2\).

D by D is an evolving process. In the context of the D by D process, the local government fiscal framework has evolved significantly over the past decade. In aggregate -- an increasing range of service-delivery functions have been transferred to local governments; fiscal transfers account for a very large proportion of total LG revenue; the system through which funds are transferred from the centre to local governments has evolved from an ad hoc, discretionary system to one in which horizontal allocations to LGs are made on the basis of formulae determined by equity and efficiency principles; and the chief source of discretionary LG development funding is the Local Government Development Grant. The LGDG system of grants is funded by GoT from its own sources, seven bilateral partners\(^3\), and the World Bank. It is now well established and is widely regarded as having leveraged significant achievements. However, a number of recent studies also indicate that local governments remain institutionally weak, and significant progress still needs to be made if these entities are to execute their functional responsibilities effectively and efficiently. On the funding side, GoT have recently indicated that they should be able to fully resource the system from their own budgetary sources at some point within the next 4-5 years.

Three major challenges need to be addressed. Future interventions in the urban and local government sectors need to build on the current system while addressing current challenges. Three of these are particularly important:

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1. Previously known as the Local Government Capital Development Grant (LGCDG)
3. Belgium, Finland, Germany, Ireland, Japan, Netherlands, and Sweden
a. **Development funding for all local governments.** With respect to the LGDG, the priority is to consolidate and mainstream the system while updating its key features to bring it into line with existing realities. First, sufficient support needs to be provided to the system over the next 4-5 years to ensure that it remains funded at sufficient levels while GoT takes it completely onto its own budget and DP support on a projectised basis is phased out. Second, weaknesses in the system as it currently functions (e.g. in the timeliness of grant transfers; in the annual performance assessment) need to be rectified. Third, now that a certain base level of institutional capacity has been established at the local level (indicated by the 97% annual assessment pass rate), the system needs to be enhanced in order that higher levels of LG institutional performance can be leveraged.

b. **Strengthening local government PFM systems.** Increased transfers to LGAs have highlighted systemic weaknesses in PFM systems such as -- multiple planning processes, multiple reporting requirements, lack of harmonization of stand-alone IT solutions such as PLANREP2 and IFMI, poor co-ordination with Central Government Ministries, lack of comprehensive monitoring of fund flows, multiple bank accounts, and poor management of carry forward balances. All these greatly increase the fiduciary risk that public funds are subjected to at the local government level.

c. **Urban local government funding.** During the past decade, Tanzania's urban population has grown at over five percent per annum (more than twice the rate for the national population), a trend which is expected to continue such that by 2030 it is estimated that more than 25 million Tanzanians will be living in urban areas\(^4\). Investments in urban infrastructure have not kept pace with urban population growth, resulting in poor or declining access to urban infrastructure and services in several sectors. In particular, low density of urban roads which are in good or fair condition has contributed to high congestion levels, economic loss through time away from productive activities, higher travel costs, poor road safety and higher air pollution. Solid waste collection systems have not been rolled out across most cities and flooding from a lack of rainwater drainage has become frequent. Preliminary estimates suggest that US$880 million or more need to be invested each year in Tanzania's cities just to service new residents.

The current LG fiscal framework does not accommodate the needs to cover either the backlog of urban infrastructure investments or the constantly increasing demand for such financing. The Tanzania Strategic Cities Project (TSCP), which recently became effective, is designed as an investment operation to provide finance for critical infrastructure in key urban LGAs\(^5\), but outside this there is no mechanism to address the quantitative funding needs or the specific characteristics of urban infrastructure investment which tends to be lumpy in nature. If cities and towns in Tanzania are to fulfill their vital roles in driving economic growth and delivery services to a rapidly increasing number of its citizens, an effective funding mechanism which simultaneously strengthens systems of urban management and governance needs to be established.

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\(^4\) Projections drawn from the UN’s World Population Prospects imply that Tanzania’s urban population will grow by an additional 17.8 million people from 2002 to 2030. While the estimated rate of urbanization may vary depending on the projection methodologies or definition of “urban” the trend is incontrovertible.

\(^5\) Arusha, Dodoma (Municipal Council and Capital Development Authority), Kigoma, Mbeya, Mtwara, Mwanza and Tanga
LGSP 2 is intended to address the above listed challenges in the context of the overall evolution of the intergovernmental fiscal system in Tanzania. The proposed project should be seen in the context of support to the urban and local government sectors historically and contemporaneously – specifically with respect to the LGDG and TSCP. With LGSP 2 in place, the Government of Tanzania’s approach will contain a set of coherent and interlocking interventions designed to meet the key financing and institutional needs of local governments and urban areas across the country as these needs have evolved with the economic, demographic and intergovernmental trends in the country.

2. Conceptual design of the proposed LGSP 2

Key principles in the design of LGSP 2. The project will be guided by the following basic principles: (a) consolidate existing intergovernmental fiscal mechanisms in order to bolster progress made under LGSP/LGRP 1 and support on-going efforts under LGRP 2; (b) to deepen the effective powers and capacities of LGAs to execute their responsibilities for local project identification, prioritization, planning, budgeting, implementation and monitoring; (c) to relate funding to performance; (d) to provide funding to urban LGAs in a manner which incorporates the unique characteristics of urban investment funding (particularly “lumpiness”); (d) to ensure that LGAs have a sufficient array and quantum of capacity-building inputs to allow them to enhance their capacities and achieve stipulated performance targets; (e) to support the capacity of the central government to monitor, oversee and manage the intergovernmental system; (f) to use and strengthen government administrative, fiscal and fiduciary mechanisms, and specifically local government systems for implementation of all funding received from the grant mechanisms.

The proposed project may have four components: (1) LGDG Support, which may focus on supporting and enhancing the existing performance-based development grant financing mechanism for all LGAs in Tanzania and strengthening public financial management systems in all LGAs; (2) Urban Infrastructure Grant (UIG), which may focus on supporting the specific infrastructure financing needs of Tanzania’s Municipal and Town Councils; (3) Institutional Strengthening of LGAs, which may provide the inputs required by LGAs covered by both LGDG and UIG to enhance their institutional capacities; and (4) Program Support, which may provide PMO-RALG with the resources required to manage the LGDG, UIG and LGA-CB effectively.

Component 1.A – Support to LGDG System. The key objectives of this component may be to: (i) provide (declining) funding support to the LGDG to ensure that it is financed at sufficient levels over the period that government support is fully phased in and DP support is phased out; and (ii) to enhance the LGDG performance mechanism in order to ensure that LGA institutional performance is properly incentivized, and their capacities are expanded in order to make them institutionally effective beyond current levels. The funding required for this component will be determined once a proper analysis has been undertaken of GoT budgetary resources and likely bi-lateral funding commitments over the project period. In order to ensure that LGA performance is adequately incentivized, and that LGA capacities can be built at levels beyond those already established under the LDGD, this component will focus on consolidating and enhancing the Performance Assessment in both substantive and procedural terms.

6 LGRP 1 and 2 are supported by multiple development partners not including the World Bank
Component 1.B. Strengthening Local Government PFM systems. This component will: (i) help support the roll out of IFMIS to all 135 Local Governments in Tanzania - through the provision of hardware and software to the 49 LGA's that do not have any system at the present, upgrade the existing 86 LGAs to the latest version of the software (Epicor 9) along with additional hardware, and provide last mile connectivity to all LGAs so that real time information is available to PMO-RALG and the Central Government; (ii) In PMO-RALG, help establish the Data Center that will connect to all 135 LGA's and at the same time, house the backup server of the main server of MOF at Dodoma, while MOF will host the backup server of PMO-RALG; (iii) fund ongoing training in accounting and IT systems to LGA staff so that they are able to better utilize the tools available to them; (iv) fund harmonizing IT tools being used at the LG level such as PLANREP 2 and IFMIS; (vi) support development of a professional internal audit function in LGAs; (v) support the improvement of the CDR and CFR so that a single reporting format meets the requirements of all sectors; (vi) support the harmonization of planning processes; and (vi) strengthen the oversight functions performed by the Local Council. The funding for this component will be determined in consultation with PMO-RALG after due consideration of activities and funding resources available from LGRP2.

Component 2 – Urban Infrastructure Grant. This component may help to establish a national performance grant system for urban local governments with enhanced funding directed at addressing their specific needs. It will be open to the Municipal Councils except the three Dar es Salaam Local Authorities and the seven LGAs under the Tanzania Strategic Cities Project. Participating Municipal Councils will be eligible to receive urban infrastructure grants under the proposed project. Funding will be provided at per capita levels substantially higher than LGDG amounts, structured in a manner to facilitate lumpy capital investment. Performance will be leveraged in three potential areas:

- **Own Source Revenues (OSR).** LGA OSR performance in Tanzania is poor, accounting for less than 10% of total income on aggregate (though in urban areas it is somewhat higher). The UIG will create incentives for OSR mobilization both to enhance the overall resources available to LGAs and break the current vicious circle wherein residents are not willing to pay taxes because LGAs do not provide infrastructure or services effectively and LGAs are unable to provide infrastructure because they do not have the resources to do so. Activities in this area are likely to focus on – but need not be confined to – property taxation;

- **Cross-cutting institutional capacity.** Broad cross-cutting capacities which are a necessary condition for LGA delivery performance. This will focus on the capacities which, over and above those incentivized by the LGDG, are specifically necessary in urban areas and which will be particularly required given that development grant funds (from the UIG) will be increasing very significantly. Areas of focus will include for example, urban planning, computerized financial management systems, engineering design and project execution performance.

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7 The Dar es Salaam Local Authorities will receive dedicated attention and investments through a proposed Dar es Salaam Metropolitan Development Project and the seven cities under TSCP are already receiving investments for infrastructure.
- **Service-delivery.** In the long term, it may be optimal to relate funding inputs to service-delivery outputs. For such a system to be effective it requires that LGAs have effective and sovereign control over the targeted services and functions, and that they have sufficient capacity in place. Without these conditions, local governments will be constrained in their abilities to directly impact service delivery outcomes, and such a system will be self-defeating. During preparation the feasibility of incorporating a service-delivery element into the overall UIG incentive structure will be explored.

**Component 3 - LGA capacity building.** The component may support a range of grant and centrally managed activities (such as mentoring teams) focused on providing capacity-building inputs related to the LGDG and UIG. In the case of the former, these will be integrated with and enhance the capacity-building activities which already form a central feature of the LGRP 2 and LGDG. With respect to the latter, the activities will assist UIG LGAs to (a) enhance their own source revenues including property rates; (b) identify, prioritize, design and, implement (including supervise) infrastructure projects; (c) enhance institutional performance with respect to improved management of systems and procedures for: technical design of urban infrastructure, procurement, financial management, supervision of works, contract management as well as the management of environmental and social safeguards, strategic planning, asset management, cost recovery from services; and (d) institutionalization of (demand and supply side) accountability mechanisms.

**Component 4 – Program Support.** This component may enable PMO-RALG propagate and manage the grant systems. It will assist the US/PMO-RALG to develop its national and regional level systems in actively managing and monitoring the grant system and in the provision of TA to LGAs.

3. **Objectives and Scope**

This assignment has two main objectives, as follows:

I. Prepare an **Institutional Assessment** of current environmental and social management policies and practices relevant for urban LGAs that will receive Urban Infrastructure Grants. The Institutional Assessment is expected to:

- Outline the relevant national legislation and technical guidance for environmental management, social assessment, resettlement compensation, livelihood rehabilitation, and public consultation;
- Outline the roles and responsibilities for environmental and social management and resettlement compensation for urban LGAs, NEMC, PMO-RALG and other relevant agencies, including coordination between the different actors;
- Describe the baseline environmental, social, and resettlement compensation issues in urban LGAs;
- Describe the current practice of environmental and social management resettlement compensation at the urban LGA and national level for the scale and scope of potential projects under LGSP2 (see Annex B);
- Assess the existing capacity of urban LGAs and PMO-RALG to manage environmental and social issues and identify needs for improvement;
• Determine the training, capacity building and technical assistance needed to successfully implement the provisions of the Technical Manual at the urban LGA and PMO-RALG levels.

II. Prepare a Technical Manual (which will combine the elements of an Environmental and Social Management Framework and Resettlement Policy Framework). The Technical Manual should:

• Establish clear procedures to guide urban LGAs in assessing, managing, and monitoring environmental and social impacts and resettlement compensation for subprojects to be financed with the Urban Infrastructure Grant (UIG);
• Be consistent with all relevant Government of Tanzania legislative, regulatory and administrative requirements, to be identified in the Institutional Assessment (e.g. pollution control, occupational health, environmental management, land acquisition and use, protection of cultural heritage) that the Project will operate within, with a focus on requirements that will apply to the planning, approval and implementation of potential subprojects/activities eligible under LGSP2 (see Annex B) and
• Be consistent with the core principles of World Bank OP/BP 9.00 (see Annex C, paragraphs 8-9).

Where there are gaps between GoT requirements and World Bank policy, the more stringent requirements will apply. The assignment will focus only on participating urban local governments under LGSP2 (see Annex A for the list of urban LGAs under LGSP2).

LGSP2 is being prepared under World Bank Operational Policy (OP) 9.00, Program for Results Financing (see Annex C). Operations supported under Program for Results financing adhere to a set of principles and elements that guide the application of environmental, social, and resettlement compensation principles and elements (see paragraphs 8-9 in Annex C for details of core environmental and social principles of OP 9.00). As part of project preparation the World Bank will assess GoT and urban LGA systems for environmental and social risk management, and the capacity to implement those systems. The outputs of this assignment will serve as one input to the Bank’s due diligence as well as guiding environmental and social management during implementation.

For the consultants’ reference, Annex D provides a sample toolkit for preparation of an Environmental and Social Management Framework, and Annex E1-E2 includes a Resettlement Policy Framework (RPF) template for Tanzania and a sample RPF table of contents.

4. Tasks
The key tasks the consultant should undertake in order to meet the assignment objectives are:
• Gather baseline information on all urban LGAs included in the LGSP2 program, including staff designated to handle environmental and social management, their technical background, and identify gaps and any needs for capacity building.

• Summarize national laws and policies related to environment and social management and resettlement compensation. This should include legislation relevant to the sectors eligible for financing under LGSP2 (e.g. roads, solid waste management, livestock – see Annex B for the full list of eligible activities – see Annex B).

• Identify LGAs for sampling: the consultants will identify a representative sample of urban LGAs based on size and LGA type (population, area, geographical location and economic functions, type of predominant land use etc.). The intention is to conduct the assessment based on a representative sample of urban LGAs that will participate in LGSP2. The final list of urban LGAs to be studied will have to be cleared by PMO-RALG and the World Bank.

• Assess the current state of environment and social challenges being faced by the sample LGAs and ascertain the baseline conditions of the urban environmental and social issues in the context of the proposed LGSP2 components with a focus on municipal service delivery and urban infrastructure development.

• Assess how environmental, social, and resettlement compensation issues have been managed by the sample urban LGAs, including implementation of the LGSP1 Environmental and Social Management Framework (ESMF) and other relevant projects funded by the GoT and/or Development Partners. This should include challenges faced during its implementation, gaps in the current management processes and areas in which improvements are required.

• Identify the environmental and social risks (as required by GoT policies, laws and regulations as well as World Bank OP/BP 9.00) that are likely to occur and which will require appropriate mitigation and management during implementation of urban infrastructure projects in the participating urban LGAs.

• Identify the issues related to resettlement compensation and impacts to livelihoods that are most likely to occur and which will require appropriate measures during implementation of urban infrastructure projects in the participating LGAs.

• Identify the technical assistance required at both levels (at PMO-RALG and urban LGAs) for the implementation of the Technical Manual as well as a training and capacity building program for the institutions responsible for implementing subprojects.

• Develop a Technical Manual for use by urban LGAs and PMO-RALG that:
  o Defines roles and responsibilities, and outlines the necessary coordination and reporting procedures, for managing and monitoring environmental and social concerns related to subprojects financed by the UIG (based on the findings from the Institutional Assessment);
  o Outlines procedures for reviewing and approving EA/EMP documents, and issuing environmental clearances;
  o Includes screening criteria for determining the need for, and level of, environmental assessment and/or environmental management plans (EA/EMP); including screening criteria for high-risk investments that would be considered a Category A level of risk.
under typical World Bank investment lending (which are ineligible for financing using the UIG);

- Outlines the process to determine the key issues to be addressed in EA/EMPs;
- Requires the consideration of alternatives, including the without project alternative;
- Requires the avoidance or mitigation of adverse impacts;
- Requires the assessment of cumulative impacts;
- Specifies the independence of EA/EMP preparers, and includes sample Terms of Reference for EA/EMP preparation;
- Identifies potential impacts specific to the types of projects eligible for financing under the UIG (see Annex B) and outlines appropriate mitigation measures;
- Establishes resettlement and compensation principles and implementation arrangements for urban LGAs, including supplemental livelihood improvement or restoration measures if taking of land causes loss of income-generating opportunities;
- Offers guidance for subprojects to avoid and/or minimize land acquisition and related adverse impacts;
- Defines the eligibility criteria for identification of project affected persons (PAPs) and entitlements;
- Describes the consultation procedures and participatory approaches involving PAPs and other key stakeholders, as well as disclosure of documents and decisions;
- Formulates a budget template for urban LGAs’ reference in implementing the environmental and social management procedures in the Technical Manual.
- Provides procedures for filing grievances and resolving disputes.
- Establishes the funding required to implement the Manual requirements; and
- Provide practical information resources for following the Manual in the implementation of subprojects

5. **Outputs and Timeline**

The following outputs are expected:

a. An Inception Report confirming the consultants approach to the assignment and the availability of agreed experts for the duration of the assignment -- within one week of commencement of the assignment).

b. An Institutional Assessment of environmental, social and land acquisition management covering Objective I above for the participating urban LGAs and PMO-RALG – within one month of commencement of the assignment.

c. A Draft Technical Manual which addresses the requirements for the proposed LGSP2 – within two months of commencement of the assignment.

d. A Final Technical Manual which addresses the requirements for the proposed LGSP2 – within three months of commencement of the assignment.

e. Facilitate a consultation process with relevant stakeholders to gain inputs on the Institutional Assessment and Technical Manual.

The assignment is expected to be completed within three months.

6. **Team and level of effort**
The consultant will be responsible for the total assignment but may engage sub-contracted resources to carry out some of the tasks, as appropriate. It is expected that the following competencies and resources will be required. The consultant may however propose a different resource utilization to maximize team effectiveness, with appropriate rationale.

The work must be undertaken by a team led by a Senior Environment and Social Sector Specialist with the following background:

- Masters degree or higher in a relevant discipline; and
- At least 10 years working experience in a relevant field especially with: (a) projects covered by the Environmental Management Act and EIA guidelines and procedures of the United Republic of Tanzania; (b) World Bank-supported projects in the area of environmental / social assessment and review and approval procedures for development projects in Tanzania; and (c) previous working / consulting experience in urban local governments in Tanzania and/or East Africa.

The other team members must have skills and experience in resettlement related work in urban LGAs; preparation and/or overseeing implementation of environment and social safeguards and/or resettlement within urban LGAs; familiar with the operations of urban local governments in Tanzania; and experience working on urban infrastructure as well as project implementation and management.

7. Reporting and Input from the Client

The Consultant will report to a designated official within PMO-RALG, who will provide an introductory letter to the Consultant for the assignment, and during the assignment respond to any questions submitted in writing. PMORALG will also provide the necessary ESMF and Resettlement Framework prepared for LGSP1. The Consultant will make all travel, meeting, and other necessary arrangements for the assignment.

8. Payment Schedule

10% on submission of acceptable Inception Report (within one week of commencement of the assignment)

40% on submission of acceptable Environmental, Social and Resettlement Due Diligence Report (within one month of commencement of the assignment)

40% on submission of acceptable Draft ESMF and the Draft RPF (within two months of commencement of the assignment)

10% on submission of acceptable Final ESMF and Final RPF (within three months of commencement of the assignment).
Annex A

List of Urban Local Authorities to participate under LGSP2

1. Morogoro MC
2. Tabora MC
3. Moshi MC
4. Sumbawanga MC
5. Shinyanga MC
6. Songea MC
7. Singida MC
8. Musoma MC
9. Iringa MC
10. Njombe TC
11. Bukoba MC
12. Kibaha TC
13. Babati TC
14. Geita TC
15. Korogwe TC
16. Mpanda TC
17. Lindi MC
18. Bariadi TC
## Annex B

### INVESTMENTS ELIGIBLE FOR FINANCE UNDER THE URBAN INFRASTRUCTURE GRANT

<table>
<thead>
<tr>
<th>City roads and related infrastructure</th>
<th>Solid / Liquid Waste Management</th>
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<tbody>
<tr>
<td>Roads (grading, graveling, brick paving, tarmac, new or rehabilitation) for which the ULGA is responsible</td>
<td></td>
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<tr>
<td>Road side drains</td>
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<tr>
<td>Street lights</td>
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<tr>
<td>Culverts</td>
<td></td>
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<tr>
<td>Bridges</td>
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<tr>
<td>Other road related infrastructure (street furniture, vending platforms, street signage)</td>
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<table>
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<tr>
<th>Urban transport</th>
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<tbody>
<tr>
<td>Bus stands / bus stops</td>
<td></td>
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<tr>
<td>Taxi stands</td>
<td></td>
</tr>
<tr>
<td>Truck stands</td>
<td></td>
</tr>
<tr>
<td>Public car parking</td>
<td></td>
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</tbody>
</table>

| Equipments | |
|-------------|
| If related to enhancement of relevant capacities for urban planning and OSR management, etc. |

| Parks and recreation | |
|----------------------|
| Public green space |
| Sports field / facilities |
| Tree planting |
| Erosion control measures |

| Markets and trade | |
|-------------------|
| Market infrastructure |
| Slaughterhouse / abattoir |

| Expenditures related to preparation of infrastructure projects | |
|---------------------------------------------------------------|
| (design, supervision etc) |
Annex C

World Bank OP 9.00 - Program-for-Results Financing

1. Program-for-Results Bank financing\([1]\) aims to promote sustainable development and improve the efficiency and effectiveness of expenditures by:
   a) financing the expenditures of specific borrower development programs;
   b) disbursing on the basis of the achievement of key results (including prior results) under such programs;
   c) using and, as appropriate, strengthening the program systems to provide assurance that program funds are used appropriately and that environmental and social impacts are adequately addressed by such programs; and
   d) strengthening, where appropriate, the institutional capacity necessary for such programs to achieve their intended results.

2. Programs supported by Program-for-Results financing (hereinafter “Programs”) have expenditures, activities, and defined results, and promote sustainable development. The Programs may be: (a) new or already under implementation; (b) national, subnational, multisectoral, sectoral, or sub-sectoral in scope; (c) part of broader, longer-term, or geographically larger programs; and/or (d) carried out by governmental and/or nongovernmental parties.

3. Subject to the other applicable requirements of this OP, Program-for-Results financing may be extended to any type of expenditures, provided the Program is productive and Program oversight arrangements, including the fiduciary arrangements, provide reasonable assurance that financing proceeds will be used for the purposes for which the financing is granted, with due consideration of economy and efficiency. The amount of Program-for-Results financing should be equal to or less than the total Program expenditures. If by the end of the Program, the amount of Program-for-Results financing disbursed exceeds the total amount of expenditures under the Program, taking into account contributions from other financing sources, the borrower is required to refund the difference to the Bank.
4. Subject to the other applicable provisions of this OP, financing proceeds are disbursed upon the achievement of verified results specified as disbursement-linked indicators (DLIs). Such disbursements are not dependent upon or attributable to individual transactions or expenditures. Under appropriate circumstances, such as to provide the borrower with resources to allow the Program to start or to facilitate the achievement of one or more DLIs, the Bank may agree to disburse a portion of loan proceeds as an advance for DLIs that have not yet been achieved.

Considerations for Program-for-Results Financing

5. The Bank's assessment of a proposed Program is based on various country and Program-specific strategic, technical, and risk considerations. These include the Program’s strategic relevance, technical soundness, expenditure analysis, economic rationale, results framework, fiduciary and environmental and social systems and risks, including governance arrangements. The assessments evaluate the relevant risks and the scope for improvements and managing such risks, including proposed institution strengthening activities to be undertaken before, if deemed appropriate, and during Program implementation.

6. The technical assessment considers, among other things, the Program’s rationale and its development objectives (taking into account consistency with the Bank’s overall assistance strategy for the member country in question); the borrower’s commitment; relevant institutional and implementation arrangements, including governance; the Program’s activities and expenditures framework; the degree to which the Program aims to achieve specific, measurable, and verifiable results; the monitoring and evaluation arrangements; and the general policy, legal, regulatory, and institutional frameworks relevant to the Program.

7. The fiduciary systems assessment considers whether Program systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The Program procurement systems are assessed as to the degree to which the planning, bidding, evaluation, contract award, and contract administration arrangements and practices provide reasonable assurance that the Program will achieve intended results through its procurement processes and procedures. The financial management systems are assessed as to the degree to which the relevant planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements provide reasonable assurance on the appropriate use of Program funds and safeguarding of its assets. The fiduciary assessment also considers how Program systems handle the risks of fraud and corruption, including by providing complaint mechanisms, and how such risks are managed and/or mitigated.
8. The *environmental and social systems assessment* considers, as may be applicable or relevant in a particular country, sector, or Program circumstances, to what degree the Program systems:

a) promote environmental and social sustainability in the Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making relating to the Program’s environmental and social impacts;

b) avoid, minimize, or mitigate adverse impacts on natural habitats and physical cultural resources resulting from the Program;

c) protect public and worker safety against the potential risks associated with: (i) construction and/or operations of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards;

d) manage land acquisition and loss of access to natural resources in a way that avoids or minimizes displacement, and assist the affected people in improving, or at the minimum restoring, their livelihoods and living standards;

e) give due consideration to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups; and

f) avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

9. Activities that are judged to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people, and activities that involve procurement of works, goods, and services under contracts whose estimated value exceeds specified monetary amounts (high-value contracts)\(^4\) are not eligible for Program-for-Results financing, and are excluded from the Program.

10. The Program *integrated risk assessment* considers key risks to achieving the Program’s results and development objectives. The integrated risk assessment is informed by the results of the technical, fiduciary, and environmental and social systems assessments and provides a key input into the Bank’s decision to provide Program-for-Results financing. This decision takes into account country/sector/multisector-specific circumstances, potential benefits of the Program, the needs and capacity of the borrower,\(^5\) and the degree to which the Program-for-Results financing and implementation support will contribute to the overall Program objectives and results.

**Borrower and Bank Roles and Responsibilities in Program**

**Preparation and Implementation**
11. The borrower is responsible for preparing and implementing the Program. The Program’s scope and objectives and the borrower’s contractual obligations to the Bank are set out in the legal agreements with the Bank. These obligations include the requirement to maintain appropriate monitoring and evaluation arrangements (including credible DLI verification protocols), fiduciary and environmental and social Program systems, and governance arrangements, and to deal in a timely and effective manner with actual or alleged problems or violations (individual or systemic) in these areas.

12. The Bank assesses and appraises the Program in accordance with this OP, BP 9.00, and other applicable policy, technical, operational, and procedural requirements. In relation to the environmental and social systems assessment, the Bank consults with Program stakeholders and discloses the results and recommendations of its assessment. As appropriate, the Bank agrees with the borrower on specific actions to be taken and arrangements to be maintained during the period of the Program, including measures to address identified weaknesses and risks and to strengthen institutional capacity.

13. The Bank provides implementation support to the borrower by reviewing implementation progress, achievement of the Program results and DLIs, and associated Program risks. The Bank monitors the borrower’s compliance with its contractual obligations, including actions to strengthen institutional capacity.

**Recourse, Remedies, and Sanctions**

14. If the borrower does not comply with its contractual obligations, the Bank consults with the borrower, and requires the borrower to take timely and appropriate corrective measures. The Bank’s legal remedies are specified in the relevant legal agreements and include the right to suspend disbursement and to cancel Program-for-Results financing. The Bank exercises such remedies when warranted and as it deems appropriate, taking into account, among other things, country-, sector-, and Program-specific circumstances, the extent of and possible harm caused by circumstances giving rise to the remedy, and the borrower’s commitment and actions to address the identified problems.

15. The borrower is responsible, among other things, for taking appropriate measures to prevent, detect, and respond to fraud and corruption or allegations of fraud and corruption in the Program. The Bank has the right to investigate allegations of fraud and corruption in the Program and to sanction parties that engage in sanctionable practices.

**Restructuring**
16. During the implementation of the Program, and as part of Bank implementation support, the Program may, with the agreement of the Bank and the borrower, be restructured to strengthen its development impact, modify its development objectives or DLIs, improve Program performance, address risks and problems that have arisen during implementation, make appropriate use of undisbursed financing, extend the financing closing date, or otherwise respond to changed circumstances. A restructuring involving a modification of the original Program objectives is referred to as a Level One restructuring and is submitted for approval by the Executive Directors under absence-of-objection procedures. A restructuring involving any other modification of the Program is referred to as a Level Two restructuring. The authority to approve Level Two restructuring is delegated by the Executive Directors to Management. Management periodically informs the Executive Directors of Level Two restructurings.

Additional Program-for-Results Financing

17. The Bank may agree to provide additional Program-for-Results financing to an ongoing Program to meet: (a) unanticipated significant changes to expenditures parameters required to achieve the original Program results or DLIs; or (b) new or modified results, to be reflected in new or modified DLIs, that aim to scale up the impact or development effectiveness of the original Program. The Bank provides additional Program-for-Results financing if it is satisfied with the overall implementation of the original (or restructured) Program. The Bank considers the proposed additional Program-for-Results financing on the basis of, as necessary, updated or additional technical, fiduciary, environmental and social impacts, and integrated risk assessments. Additional Program-for-Results financing is separate and distinct from the original Program-for-Results financing and is submitted for approval by the Executive Directors.

Disclosure of Information

18. During Program preparation and implementation support, the Bank discloses Program-related information in accordance with the Bank’s Access to Information Policy.

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13[1] Program-for-Results Bank financing refers to the provision of loans, credits, or grants financed by the Bank (including IBRD and IDA) from its resources or from trust funds financed by other donors and administered by the Bank, or a combination of these
(hereinafter “Program-for-Results financing”).

14[2] In this OP, the term “systems” or “Program systems” refers to the systems of the institutions responsible for Program implementation, including the relevant rules, procedures, controls, risk identification and mitigation arrangements, and, when applicable, past implementation experience and record.

15[3] In this OP, references to the Program governance arrangements and risks refer to: (a) good governance principles (transparency, integrity, accountability and effectiveness); (b) handling the risks of fraud, corruption, coercion, collusion, and similar activities (hereinafter “fraud and corruption”), and how such risks are managed and/or mitigated; and (c) compliance with the requirements set out in the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing (February 1, 2012), as such guidelines may be amended from time to time.


17[5] In this OP, unless the context requires otherwise, references to the “borrower” include the borrower of record and any other entities involved in Program implementation.