



**Comments by The Center for Human Rights and Environment (CEDHA) to the  
World Bank's Draft of OP 9.00 Program for Results (P4R) Financing**

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To the World Bank Board of Executive Directors:

We are extremely concerned and find no valid reasons mentioned in the draft OP 9.00 that the Bank's firmly established social and environmental OPs and or other environmental and social safeguards and policy would not apply to Program for Results Financing.

The P4R financing scheme, if approved, would effectively create a parallel (and *competing*) social and environmental rules systems within the World Bank, which clients could choose to adhere to while ignoring the Bank's main frame sustainability system which has been developed over many decades, for ensuring social and environmental performance and minimizing impacts of its projects.

P4R financing could in fact be provided for projects that already receive funding from the World Bank and which *do* have to adhere to the Bank's social and environmental OPs and safeguards. This means that P4R financing could be misused to finance activities that would otherwise not be eligible for financing because they violated the Bank's social and environmental norms.

Furthering aggravating this situation, in addition to creating a scenario of eventual deliberate abuse to avoid the Bank's sustainability conditionalities, P4R lending also skirts supervision policy at the Bank, and as such, projects receiving P4R financing could also skirt controls placing the Board in a position of not fulfilling its fiduciary obligations.

Another aspect of P4R that generates much concern is that the criteria for selection of projects is extremely unclear in OP 9.00. Nor is it evident where the rationale for project conditionality derives from. Broad and sweeping conditionalities pose a serious risk to watering down the seriousness of the Bank's project portfolio, and providing financing to projects that are less than adequate for the Bank's more rigorous systems of project approval.

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Some of the key risks of approving OP 9.00, are:

- **OP 9.00 would create a “race to the bottom” for a new line of Bank financing.**

Projects will stray away from the important safeguards that have been established by the Bank over the years. Policies such as the Bank's Environmental Assessment and Action Plan, Natural Habitat, Indigenous Peoples, Involuntary Resettlement, Forests, Safety of Dams, (which would not apply for P4R financing) are key pillars at the Bank for ensuring project soundness and sustainability. There does not appear to be any reasonable explanation for having omitted the applicability of the Bank's social and environmental OPs and other safeguards for P4R lending.

The following policies would not apply to the Program for Results Financing:

OP/BP 4.00, Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects  
OP/BP 4.01, Environmental Assessment  
OP/BP 4.02, Environmental Action Plan  
OP/BP 4.04, Natural Habitats  
OP 4.09, Pest Management  
OP/BP 4.10, Indigenous Peoples  
OP/BP 4.11, Physical Cultural Resources  
OP/BP 4.12, Involuntary Resettlement  
OP/BP 4.36, Forests  
OP/BP 4.37, Safety of Dams  
OP/BP 6.00, Bank Financing

OP/BP 8.00, Rapid Response to Crises and Emergencies  
OP/BP 8.10, Project Preparation Facility  
OP/BP 8.30, Financial Intermediary Lending  
OP/BP 8.40, Technical Assistance  
OP/BP 10.00, Investment Lending: Identification to Board Presentation  
OP/BP 10.02, Financial Management  
OP/BP 10.21, Investment Operations Financed by the Multilateral Fund for the  
Implementation of the Montreal Protocol  
OP/BP 11.00, Procurement  
OP/BP 12.00, Disbursement  
OP/BP 13.05, Project Supervision  
OP/BP 13.20, Additional Financing for Investment Lending  
OP/BP 13.25, Use of Project Cost Savings  
OP/BP 13.55, Implementation Completion Reporting  
OP 13.60, Monitoring and Evaluation  
OMS 2.20, Project Appraisal

- ***OP 9.00 Practically excludes communities from receiving project information, as they would otherwise receive in other Bank projects, which is a large regression relative to the Bank's existing project disclosure;***
  
- ***While OP 9.00 is supposed to be about "results", it is actually not clear how the program actually measures results or even how projects are chosen, how indicators are established, or how assessments are to be carried out and evaluated. Again, P4R creates a parallel track for financing that does not adhere to the Bank's established and tested in-house procedures. Project criteria standards such as Relevance, Achievability, and Monitorability seem to be left to absolute personal discretion of and not tangible in terms of actually quantifying and/or qualifying "results".***
  
- ***Overall clarity and transparency are practically non-existent in OP 9.00. The lack of clarity in the draft text of 9.00 will invariably lead to much personal discretion about Bank rules and procedures that can only lead to eventual project conflicts both with stakeholders as well as with internal bank administration. This introduce an extremely un-level playing field for program officers and for clients, and drive the Bank into unneeded conflict zones.***
  
- ***The Public Consultation Period is far to limited. This proposed policy would radically change financing schemes at the Bank, and undermine years of work in developing social and environmental safeguards. More time is needed to debate such a radical change in policy.***

### **Final Recommendations**

OP 9.00 posits a radical shift in policy, undermining years of work in developing the banks social and environmental standards. It is evident that such a shift and creation of a parallel financing track that can skirt environmental controls, will create internal and external conflicts.

We recommend that the Board of Executive Directors **not approve the draft OP 9.00**. If the P4R Financing scheme is to move forward, the document needs serious revisions as it stands. It needs to be streamlined with existing bank social and environmental policy as well as policy on access to information/disclosure.

Such a large shift in policy approach and lending instrument, needs much further consultation with the general public and informed stakeholders.

More clarity is needed on project selection, measurement of results and risk assessment.

The Bank should also be careful to ensure that it does not create parallel or alternative financing schemes so that clients can access Bank financing without meeting basic social and environmental safeguards, and that for instance, category types (A,B,C, etc.) be respected and maintained.

Finally we suggest that if P4R should advance (only under a fully revised scheme) that it be piloted and evaluated for a given time before it becomes permanent policy.

## **Section by Section Analysis**

1. In paragraph (1) on the aims of Program for Results (P4R) Bank Finance, if indeed, as suggested by the draft OP 9.00 is to “promote sustainable socioeconomic development” then it would seem logical that those OPs designed precisely for this reason should apply.

In this line of reasoning, sub paragraph (c) indicates that the P4R lending instrument should “provide assurance that program funds are used appropriately and that environmental and social impacts are adequately addressed by such programs”. It is clear that P4R should by all means include OPs and other safeguards related to sustainability issues.

2. No comment

3. The conditionalities set forth in this paragraph such as “Program financing may be extended to any type of expenditures and activities, provided the Program is productive” seem excessively broad and unfocused.

4. No comment

5. This paragraph stipulates that the Bank’s assessment of a proposed P4R program, depends among other things, on “environmental and social systems”. Relevant OPs and other bank social/environmental safeguards should hence apply.

6. No comment

7. No comment

8. The “environmental and social systems assessment” is not only *arbitrarily* and *ill defined* in this paragraph but also risks creating a parallel set of social and environmental criteria for the bank. The Banks already existing social and environmental benchmarks, through existing OPs and other environmental/social safeguards and policy are the criteria by which the P4R should be measured.

9. Again, the criteria by which the Bank can determine what “poses a risk of potentially significant and irreversible adverse impacts on the environment and/or affected people” can and should only be constructed based on the application of existing OPs and safeguards related to social and environmental issues.

We are also concerned with the phrase “However, such activities may be included in the Program if they are deemed to be important to the integrity of the Program” which relates to financing projects that may indeed cause irreversible impacts on the environment and/or affected people. This is conditionality opens up far too much discretionary decision power the financing of such projects and as such should be far more specific and circumspect.

10. This paragraph should mention applicability of the banks various OPs, including social and environmental OPs and safeguards that that have been excluded.

11. This paragraph should mention the borrowers obligation to adhere to the banks various OPs, including social and environmental OPs and safeguards that that have been excluded.

12. No comment

13. No comment

14. No comment

15. No comment

16. No comment

17. No comment

18. No comment

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#### Comments to Program for Results Financing: Bank Procedures (BP) Statement 9.00

1. No comment

2. No comment

3. No comment

4. Paragraph (e) should mention that the program adheres to the social and environmental OPs and safeguards that have been left out.

5. sub section (a) should mention adherence to social and environmental OPs and social/environmental safeguards.

As in the previous section, we are concerned with the phrase “However, such activities may be included in the Program if they are deemed to be important to the integrity of the Program” which relates to financing projects that may indeed cause irreversible impacts on the environment and/or affected people. This is conditionality opens up far too much discretionary decision power the financing of such projects and as such should be far more specific and circumspect.

6. No comment

7. This paragraph should also indicate that the program must identify which Bank social/environmental OPs and/or safeguards apply.

8. No comment

9. This section should specifically mention risk assessments as measured by the Bank's social/environmental OPs and safeguards

10. This paragraph should add a conditionality: "Compliance with Bank OPs and social/environmental safeguards"

11. No comment

12. Sub paragraph (b) should mention adherence/compliance with the Bank's social and environmental OPs and safeguards.

13. No comment

14. No comment

15. No comment

16. No comment

17. No comment

18. No comment

19. No comment

20. Another conditionality should be added, "adherence with the Bank's social/environmental OPs safeguards"

21. No comment

22. No comment

23. No comment

24. This paragraph should specifically mention that the program adheres to the Bank's social/environmental OPs and safeguards.

25. No comment

26. No comment

27. No comment

28. This paragraph should specifically mention that the program adheres to the Bank's social/environmental OPs and safeguards.

29. It is not clear where this criteria comes from. As mentioned earlier, establishing such new criteria risks developing a parallel set of social and environmental conditions for Bank lending. The Bank should build its P4R lending on its already existing social and environmental OPs and safeguards. If these criteria wish to be maintained, a chapeau statement should be included in this paragraph that the existing OPs and safeguards should be adhered to as well as these conditions below.

30. It is not clear what rationale was used to determine this, considering that the Bank already has long debated and negotiated social and environmental OPs and safeguards.

31. The statement should include that "it complies with the Bank's social/environmental OPs and safeguards".

32-46. No comment