

## OPERATIONS MANUAL POLICIES AND PROCEDURES

---

*These policies and procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject. This Operations Manual is issued by the Strategy, Policy and Partnerships Department (SPD) with the approval of the President and is subject to compliance review. Questions may be directed to the director general of SPD.*

### RESULTS-BASED LENDING FOR PROGRAMS

#### A. Purpose and Key Features

1. Results-based lending (RBL) supports government-owned programs of a developing member country (DMC) of the Asian Development Bank (ADB) by linking disbursements directly to achievement of results. RBL aims to enhance the accountability, efficiency, and effectiveness of government-owned programs; create incentives for delivering and sustaining results; promote institutional development; and support development coordination (endnote i and ii).

2. RBL may support the whole, part, or a time slice of a government-owned program, which could be (i) ongoing or new, (ii) national or subnational, and/or (iii) multi-sector or subsector in scope. RBL finances the RBL program's expenditure framework.<sup>1</sup> Disbursements are based on the achievement of RBL results as measured by disbursement-linked indicators (DLIs). RBL uses and seeks to enhance RBL program systems, including monitoring and evaluation (M&E), fiduciary, and safeguards. RBL program systems provide assurances that ADB financing is used appropriately and that risks are sufficiently addressed. When more than one development agency is involved in a government-owned program, RBL can serve as a useful vehicle to support development partnerships.

#### B. Considerations for Results-Based Lending

3. **Suitability.** In identifying and designing the RBL, ADB considers: (i) consistency with the strategies and priorities of ADB and the DMC; (ii) scope of the proposed RBL program; (iii) development challenges that need to be addressed; (iv) government interest, ownership, and commitment; (v) ADB's prior knowledge of the development constraints and opportunities in the relevant areas; (vi) the learning opportunities for ADB and DMCs in new areas, possibly in coordination with other development partners; (vii) institutional capacity of the implementing and executing agencies; and (viii) eligibility of the activities included in the proposed RBL program as defined in para. 8 of this *Operations Manual* (OM).

4. **Assessments.** During the preparation of an RBL loan,<sup>2</sup> ADB will carry out the following assessments:

- (i) program soundness assessment to evaluate the RBL program's relevance, justification, adequacy, and the appropriateness of its implementation arrangements;
- (ii) expenditure and financing assessment to evaluate the efficiency, effectiveness, adequacy, and sustainability of the RBL program's expenditure framework and financing;

---

<sup>1</sup> The part of a government-owned program that is supported by RBL is referred to as the "RBL program." ADB financing of an RBL program refers to the provision of loans or grants financed by ADB from its resources.

<sup>2</sup> The terms "lending" and "loan(s)" include Asian Development Fund grants(s), unless the context requires otherwise.

## OPERATIONS MANUAL POLICIES AND PROCEDURES

---

- (iii) results and links with disbursements assessment to evaluate the appropriateness of the results framework of the RBL program, the selection of the DLIs, the design of the DLI verification protocol, and the disbursement arrangements; and
- (iv) institutional and system assessment to evaluate the M&E systems, the fiduciary systems, the environmental and social safeguard systems, and other relevant and appropriate institutional and system aspects.

5. **Overall approach.** The design and implementation of an RBL program are guided by the following considerations:

- (i) **Results and systems.** ADB financing in an RBL program is not linked to specific transactions and expenditures. Instead of a transaction-based approach, a system-based and results-focused approach is used to help DMCs carry out the RBL program effectively and efficiently.
- (ii) **Principles-based approach.** Commonly accepted good practice principles will guide the assessments of RBL program systems and any improvements.
- (iii) **Scope of assessments.** The assessments cover the RBL program because ADB financing may be used for any eligible activity within the RBL program.
- (iv) **Appropriate targets.** Results should be relevant for delivering benefits to program beneficiaries. RBL will set targets that bring positive, incremental, and sustainable changes that lead to material and clear improvements within the lifetime of the project (medium-term) and beyond (long-term).

6. **Integrated risk assessment.** The integrated risk assessment identifies the RBL program's strengths, weaknesses, and risks. Risk assessment and mitigation will be a dynamic process that will be updated throughout the RBL preparation and implementation. Where weaknesses are identified, the DMC and ADB will agree on appropriate capacity development and risk mitigation measures. If the assessments conducted during RBL preparation conclude that the RBL program systems have substantial weaknesses that cannot be addressed, the DMC and ADB may explore alternative modalities, including investment lending.

7. **Program action plan.** The assessments will inform the appropriate scope, measures, and intensity of capacity development and implementation support. ADB and the DMC will agree on a program action plan to be carried out and monitored during RBL program implementation. The program action plan will be refined, improved, and updated during RBL program implementation, as needed.

8. **Eligibility.** ADB's Safeguard Policy Statement (2009) applies to RBL. Specifically, RBL programs will be designed to achieve the policy objectives and adhere to the policy principles of the Safeguard Policy Statement. All activities are eligible under RBL programs unless they are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. ADB will not finance activities on the ADB Prohibited Investment Activities List.<sup>3</sup> RBL programs will normally exclude activities that involve the procurement of works, goods, and services under contracts with an estimated value that exceeds specified monetary amounts. Depending on the results of the assessment of the RBL program's procurement system, contracts that exceed high-value contracts may be eligible for RBL financing.

---

<sup>3</sup> Ineligibility for financing through an RBL modality means that these activities are not included in the RBL program to be financed by ADB (para. 3 (viii)).

**OPERATIONS MANUAL  
POLICIES AND PROCEDURES**

---

**C. Disbursement-Related Issues**

9. **Disbursement-linked indicators.** DLIs are the basis for disbursing ADB financing. They are generally a subset of results indicators carved out from the RBL program's results framework. DLIs include outcomes, outputs, processes, institutional indicators, or financing indicators that are key actions to address specific risks or constraints to achieving development results. They may also be actions or process results that are essential for strengthening RBL program performance, such as actions to improve fiduciary risk management, social and environmental systems, and M&E. DLIs should be sufficiently ambitious, consistent with the implementation capacity of the executing and implementing agencies, and should deliver RBL program results. The disbursement amounts linked with DLIs depend on the purposes of individual DLIs. Disbursements can be deferred or made ahead of the planned schedule, depending on the achievement of the DLIs. Amounts assigned to DLIs are not directly attributable to inputs, individual transactions, or expenditures. DLIs should be achieved on or before the RBL program completion date.

10. **Verification of results.** ADB's disbursement of funds requires verification that the DLIs have been achieved. The DMC and ADB will agree on the verification protocols, which will define how each DLI will be measured, how the verification will be done, and who will be responsible for verifying the achievements. The verification protocols will depend on the nature of the DLI, country circumstances, and RBL program context. They should provide assurance that disbursements will be made based on credible results. ADB needs to be satisfied with the competence, capacity, and credibility of the verifying agent. This typically requires independent agents. The verification of DLIs may be carried out by government agencies, private entities, or third-party entities such as nongovernment organizations or civil society representatives. ADB may conduct spot checks of the robustness of the verification mechanism, including the use of external independent agencies.

11. **Partial disbursement.** RBL will allow partial disbursements if DLIs are partially met. The way partial disbursements will be carried out will be specific to each RBL program and will be described in the RBL program documentation.

12. **Advance financing.** ADB may agree to provide up to 25% of ADB financing as advance financing to support the achievement of DLIs. The amount of the advances will be recovered from subsequent disbursements based on the DLIs achieved. Additional advances can be made once an earlier advance has been recovered or partially recovered, and the outstanding advance should not exceed 25% of ADB financing. The use and the amount of advance financing should be justified and explained in the RBL program documents.

13. **Financing prior results.** RBL may provide up to 20% of ADB financing for DLIs achieved before the effectiveness of the relevant financing agreement, but no earlier than 12 months before the signing of the agreement. The use and amount of financing prior results should be justified and explained in the RBL program documents.

14. **Ceilings.** The combined outstanding balance of advance financing and amount for financing prior results referred to in paras. 12 and 13 should not exceed 30% of total ADB

## OPERATIONS MANUAL POLICIES AND PROCEDURES

---

financing. Advance financing should not exceed its ceiling of 25% and financing prior results should not exceed its ceiling of 20%.

### **D. Implementation-Related Issues**

15. **Use of proceeds and procurement.** To satisfy the Agreement Establishing the Asian Development Bank (the Charter), RBL programs require DMCs to adopt and implement mechanisms and procedures relating to the mandated country procurement eligibility requirement.<sup>4</sup> These mechanisms and procedures will provide assurance that the aggregate amount of ADB disbursement proceeds does not exceed the amount of the total RBL program expenditures on goods, works, and services from ADB member countries, including the borrowing country, unless ADB's Board of Directors permits procurement in non-member countries, e.g., through universal procurement.<sup>5</sup> Entities and individuals debarred or temporarily suspended by ADB are ineligible to participate in RBL programs for the duration of their debarment or temporary suspension.<sup>6</sup>

16. **Financial auditing.** The DMC will submit to ADB the annual audited financial statements for the RBL program. ADB and the DMC will agree on the approach for financial auditing. The audits will be conducted by auditors with independence, experience, and capacity, and under terms of reference acceptable to ADB, taking into consideration the RBL program's nature, country context, and risk assessment.

17. **Risk monitoring.** ADB and the DMC will monitor risks during the implementation of an RBL program, identify emerging issues, and adjust risk management measures, as needed. ADB and the DMC will notify each other if they become aware of performance problems.

18. **Loan terms.** RBL financing terms will be the same as those for investment projects.<sup>7</sup>

19. **Resource Allocation Share of Results-Based Lending in Total ADB Lending.** ADB will monitor the share of RBL in the combined total of the ordinary capital resources and Asian Development Fund resource allocation. If the share of RBL commitments approaches 10% of the combined total of the ordinary capital resources and Asian Development Fund resource allocation (on a 3-year rolling average), Management will consult the Board on how best to address the future demand for RBL to avoid any disruption in operations.

### **E. Business Process**

20. Each RBL program is reviewed on a case-by-case basis. Unless otherwise provided, the processing, approval, and implementation of RBL programs follow standard ADB procedures.

---

<sup>4</sup> ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

<sup>5</sup> ADB. 2013. *Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources*. Manila; and ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila (para. 25).

<sup>6</sup> The DMC will be expected to ensure that entities and individuals debarred or temporarily suspended by ADB do not participate in RBL activities during their periods of debarment or suspension.

<sup>7</sup> ADB. 2021. [Lending Policies for Sovereign and Sovereign-Guaranteed Borrowers \(Ordinary Capital Resources\)](#). *Operations Manual. OM D1*. Manila; ADB. 2017. [Lending and Grant Policies \(Concessional Assistance\)](#). *Operations Manual. OM D2*. Manila.

**OPERATIONS MANUAL  
POLICIES AND PROCEDURES**

---

21. Prevailing rules and procedures in the following areas also apply to RBL programs:
- (i) Classification system, including gender and safeguard categorization;
  - (ii) Additional financing;<sup>8</sup>
  - (iii) Cofinancing;
  - (iv) Disclosure;<sup>9</sup>
  - (v) Changes in scope and implementation arrangements; and
  - (vi) Anticorruption.<sup>10</sup>

-----  
**Basis:** This OM is based on:

- <sup>i</sup> ADB. 2019. *Mainstreaming the Results-Based Lending for Programs*. Manila.
- <sup>ii</sup> ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila.

---

<sup>8</sup> ADB. 2018. Additional Financing. *Operations Manual*. OM H5. Manila.

<sup>9</sup> ADB. 2019. Access to Information Policy. *Operations Manual*. OM L3. Manila.

<sup>10</sup> *Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in RBL for Programs* attached to the Staff Instructions of this *Operations Manual* reflect the detailed arrangements for applying ADB's Anticorruption Policy (1998, as amended to date), and Integrity Principles and Guidelines (2015, as amended from time to time).