2021 Development Policy Financing Retrospective: Preliminary Findings
Share your views

We are collecting feedback on the Retrospective through our website between **November 11 - December 11, 2021**, and through a set of virtual engagements.

The feedback will inform the Retrospective. A summary will be made public at the end of the collection period.

To get more information and share your views, please visit: [World Bank Development Policy Financing Retrospective 2021 – Share your views](#)
The World Bank would like to receive feedback from key stakeholders on the preliminary findings of its 2021 DPF Retrospective, “Facing Crisis, Fostering Recovery”. The Report is the fifth Retrospective of the DPF instrument. Feedback is welcome until December 11, 2021.

The Retrospective focuses on the Bank’s experience with DPFs between July 2015 and June 2021, covering the Bank’s response to the COVID-19 pandemic.

The Retrospective focuses on three key questions:

1. How has DPF support evolved and how did DPFs perform over the Retrospective period?
2. How successful have DPFs been in supporting countries respond to crises?
3. How has DPF supported policy reforms in selected areas, namely (i) fiscal and debt sustainability; (ii) creating an enabling environment for the private sector; (iii) gender equality and (iv) climate change?

The feedback received during this engagement will inform the Retrospective
Outline of the Presentation

Context and Coverage

Evolution, trends and performance

Poverty and Social Impacts, Environmental, Forests, and other Natural Resource Aspects of DPF

DPF support for Crisis Preparedness and Response

DPF Support for Policy Reforms in Selected Areas

- DPF support to fiscal and debt sustainability
- DPFs support to an enabling environment for the private sector
- DPF support to gender equality
- DPF support to climate change adaptation and mitigation

Conclusions and key recommendations
What is a DPF Retrospective?

• Since the introduction of OP8.60 in August 2004, the Bank has conducted reviews of Development Policy Financing on a regular basis

• Lessons from Retrospectives have been critical to improve use of the instrument and have led to policy and practice reforms to enhance its development impact

2006: reviewed first 50 operations approved under OP 8.60 between 2004 and Q3 2006

2009: reflected on flexibility, customization and results orientation of DPOs

2012: explored themes of results, risk and reforms of the instrument in the context of coping with the crisis

2015: focused on how DPF reforms contribute to growth and poverty reduction, considering environmental, social and economic sustainability
DPF is one instrument in a spectrum of World Bank support to client countries.

- **Development Policy Financing** (General, non-earmarked budget support – disburses against policy/institutional actions)
- **Program for Results Lending** (Expenditure program support – disburses against measurable program results)
- **Investment Project Financing** (Project support – disburses against specific investments)
- **Advisory Services and Analytics**

The right choice of instrument depends on context and objective.
DPF contributes to countries’ results by supporting policy and institutional reforms

The country designs and implements a program of reforms in specific areas.

The World Bank supports key policy/institutional actions, drawn from the country’s reform program.

Key results, flowing from the prior actions are used to monitor and evaluate impact. When possible, results are drawn from government reform programs.

Adequate macroeconomic policy framework

DPF is governed by Operational Policy (OP) 8.60
DPF emphasizes results, evaluation, validation and transparency

**Results Focus.** Each DPO must have an explicit results framework (indicators, baselines and dated targets)

**Design.** Lessons learned feed into design of future DPOs

**Evaluation.** Self-evaluation at end of implementation (Implementation Completion and Results Report) by Bank

**Transparency.** Public access to Bank information allows for additional evaluation of DPFs*

**Independent Validation.** Management evaluation validated by the Independent Evaluation Group (reports directly to Board)

*DPF ICRs and ICRRs are available here: [https://www.worldbank.org/en/results](https://www.worldbank.org/en/results)
2021 Retrospective covers all DPF from July 2015 to June 2021

- Analysis of 328 operations and 16 supplementals
- 147 IBRD and Blend (IBRD & IDA)
- 181 IDA
- 5 solely financed by Trust Funds

* Graphs exclude DPFs approved and cancelled within the same Fiscal Year. The graph on number of operations does not include Supplementals.
This Retrospective covers a period marked by notable global events and Bank-specific milestones

Global Events
- Oil and Commodity Price shocks, COVID-19 pandemic
- Renewed emphasis of negative impacts of climate change
- Need to improve gender equality, social equity, and support fragile and conflict affected countries.

Corporate Milestones
- IBRD Capital Package
- IDA 18 and 19 Replenishments

The design of Bank Operations incorporated policy commitments under these corporate milestones, as well as the need to address rising debt vulnerabilities, mobilize private capital for development, and scale up support to lower-income IBRD countries and small states.
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  - DPF support to gender equality
  - DPF support to climate change adaptation and mitigation

Conclusions and key recommendations
DPF financing increased substantially between FY16-FY21, complementing PforRs and IPFs in the Bank’s lending instruments toolkit.
Due to their larger average size, IBRD countries absorbed the largest share of DPF resources, but IDA countries received more DPFs in recent years.
DPFs to Africa increased sharply over the Retrospective period

**DPF commitments by region**

- AFR
- EAP
- ECA
- LCR
- MNA
- SAR

**Share of DPF commitments by region**

- AFR
- EAP
- ECA
- LCR
- MNA
- SAR

FY11-FY15 vs. FY16-FY21
The Bank increased DPFs to FCV-affected countries

*FY16 and FY17 IBRD FCS DPFs correspond to Iraq DPFs of $1.2 bn and $1.4 bn, respectively. A DPOs was considered FCV if the country belonged to the list of FCV countries in the year when the DPF was approved.

DPFs covered a broader range of themes beyond public sector management. Finance, environmental policy, and other thematic areas became increasingly important.

*Prior Actions by Thematic Area, FY11-FY21*
### Examples of DPFs that covered climate change-related themes

<table>
<thead>
<tr>
<th>First Blue Growth DPO</th>
<th>Grenada</th>
<th><strong>Development Challenge:</strong></th>
<th><strong>Approach:</strong></th>
<th><strong>Expected Impact:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal Resilience &amp; Blue Growth DPC</strong>&lt;sup&gt;(P164289)&lt;/sup&gt;</td>
<td></td>
<td>A small state, dependent on coastal resources, but facing significant vulnerability to natural disasters and other exogenous shocks</td>
<td>Supported “blue economy” to foster sustainable growth while reducing vulnerability to disasters and climate change. Mutually reinforcing measures to strengthen fiscal, climate and oceanic resilience to shocks.</td>
<td>Sustainable “Blue Growth” with more coastal tourism via an increase in marine protected areas, less single-use plastics, &amp; climate resilient infrastructure and fiscal balances.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crisis response with the first IDA Cat DDO</th>
<th>Kenya</th>
<th><strong>Development Challenge:</strong></th>
<th><strong>Approach:</strong></th>
<th><strong>Expected Impact:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disaster Risk Management DPC with CAT-DDO</strong>&lt;sup&gt;(P161562)&lt;/sup&gt;</td>
<td></td>
<td>Climate variability poses a significant risk, especially through floods and droughts, increasing the vulnerability of the poor.</td>
<td>Cat DDO helps strengthen disaster preparedness with contingent financing that responds to a natural disaster, including public-health related emergencies. Initial drawdown period of 3 years, renewable 1 time for 3 years</td>
<td>National and urban disaster risk management strategies, with risk profiling, strengthens planning, preparedness and coordination. New building codes incorporate resilient design standards.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy and ICT DPF series</th>
<th>Senegal</th>
<th><strong>Development Challenge:</strong></th>
<th><strong>Approach:</strong></th>
<th><strong>Expected Impact:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Second Multisectoral Structural Reform</strong>&lt;sup&gt;(P164525)&lt;/sup&gt;</td>
<td></td>
<td>High energy costs, reliance on oil, and low access in rural areas constrain inclusive economic growth. ICT infrastructure is needed to bolster productivity and competitiveness.</td>
<td>Supported structural reforms to: (i) improve the governance and financial viability of the energy sector and remove barriers to investment; and (ii) strengthen the legal and institutional framework to boost ICT investment and competition in the digital economy.</td>
<td>Reduce energy costs and reliance on oil, boost investment in renewables, and improve rural access. Promote internet access, eservices, and competitiveness in the digital economy.</td>
</tr>
</tbody>
</table>
IBRD DPFs performed at or better than the Bank’s corporate target. The performance of IDA DPFs improved steadily.

IEG outcome ratings are based on a 6-point scale – HS,S, MS, MU, U, HU. ICRRs are based on the fiscal year of DPF closing. This analysis is based on 484 DPOs which had an IEG outcome rating (IEG evaluations conducted for DPFs that closed between FY11 and FY21 from various country and financing characteristics, including regions, country group, FCV status, and other determinants. During the Retrospective period 165 DPFs were rated by IEG. The analysis has focused on the FY11-21 period, as it is more representative. At the time of publication, only 21 DPFs approved in FY19, 9 in FY20, and 0 in FY21 had been evaluated by IEG and assigned a rating.
Between FY16 and FY20, over three-quarters of DPF expected results targets were at least partially achieved

The analysis on DPF results is based on teams’ self-assessment (ICRs). If one cannot assess the level of achievement of the indicator, then it is coded as NO = Not observable. The analysis includes 79 DPFs (those with completed ICRs), between FY2016 and FY2021, with a total of 668 Prior Actions whose impact has been captured by 869 Results Indicators. 78 percent of results were at least partially achieved, while 22 percent were either not achieve results or did not have observable results.
Outline of the Presentation

- Context and Coverage
- Evolution, trends and performance of DPF
- Poverty and Social Impacts, Environmental, Forests, and other Natural Resource Aspects of DPF
- DPF support for Crisis Preparedness and Response
- DPF Support for Policy Reforms in Selected Areas
  - DPF support to fiscal and debt sustainability
  - DPFs support to an enabling environment for the private sector
  - DPF support to gender equality
  - DPF support to climate change adaptation and mitigation
- Conclusions and key recommendations
Recommendations from 2015 DPF Retrospective on strengthening poverty, social and environmental aspects were implemented during this Retrospective Period

Revised staff guidance on environmental, forests and other Natural Resource aspects

- Updated guidance in Program Document template, Good Practice Note, training under development

Environmental and poverty/social analysis table

- Annex 4 of the Program Document, which includes a screening table, now mandatory

Further poverty, social, and environmental analysis

- Focused session in DPO Academy to train staff. Ongoing effort to develop analytical tools for deeper impact analysis

Stronger internal review process

- DPOs reviewed by specialists who provide comments on social and environmental impact of the program.

Improved focus on poverty, social, and environmental impacts in Implementation Completion and Results (ICR) Reports

- Fewer ratings; better uptake of lessons learned
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DPFs are an important instrument for supporting countries’ response to a range of crises

This figure shows the share of DPFs that were provided during select global and regional crises. “Oil” = oil price shock, 2014-16. “Food” = food price shock 2007-8; Financial = Global Financial Crisis 2008-10, “Ebola” = Ebola virus outbreak, 2014-16. “COVID-19” = COVID-19 pandemic 2020-21. “Non-Crisis DPO” = all DPFs that were provided during 2008-21 which were not tagged as crisis DPOs. Numbers include Supplementals.
IBRD and IDA countries in all regions benefited from Bank support over multiple crises

**Crisis operations commitment volume by lending group**

**Distribution of commitments and operations by region across crises episodes**

[Charts and diagrams showing distribution and commitments across different crises and regions.]
DPFs enabled the WB to rapidly provide crisis support and through standalone and supplemental DPF

Number of days from Concept Review to Approval: Crisis vs. non-crisis DPFs
(excl. Supplementals and DPFs initiated prior to 03/20)

<table>
<thead>
<tr>
<th>Category</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>125</td>
<td>114</td>
</tr>
<tr>
<td>Financial</td>
<td>149</td>
<td>122</td>
</tr>
<tr>
<td>Oil</td>
<td>201</td>
<td>197</td>
</tr>
<tr>
<td>Ebola</td>
<td>141</td>
<td>163</td>
</tr>
<tr>
<td>Covid-19</td>
<td>107</td>
<td>93</td>
</tr>
<tr>
<td>Non-Crisis DPF</td>
<td>228</td>
<td>183</td>
</tr>
</tbody>
</table>

DPFs by type: Programmatic, Standalone and Supplemental: Crisis vs. Non-Crisis

<table>
<thead>
<tr>
<th>Category</th>
<th>Programmatic</th>
<th>Standalone</th>
<th>Supplemental</th>
<th>Non-Crisis DPF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>4</td>
<td>65</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Financial</td>
<td>65</td>
<td>70</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Oil</td>
<td>141</td>
<td>142</td>
<td>163</td>
<td>163</td>
</tr>
<tr>
<td>Ebola</td>
<td>107</td>
<td>93</td>
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<td>228</td>
<td>183</td>
<td>183</td>
<td>183</td>
</tr>
<tr>
<td>Non-Crisis DPF</td>
<td>689</td>
<td>689</td>
<td>689</td>
<td>689</td>
</tr>
</tbody>
</table>
CAT-DDOs have been widely used and proved to be an effective crisis response tool, after COVID-19
Examples of the role of CAT-DDOs in Responding to the COVID-19 Pandemic

**Seychelles**

**Context:** Prepared in the wake of Tropical Cyclone Felleng in 2013, the operation was designed to strengthen the government’s disaster risk management policy and build institutional capacity for disaster response.

In March 2020, due to COVID-19, the government declared a national state of emergency, and the CAT-DDO was restructured to allow health-related shocks to trigger disbursement.

**Impact:**
- The loan was fully disbursed just seven business days after the drawdown request.
- The disaster risk management policy instruments created, capacities developed, exercises conducted, and stakeholder coordination and communication mechanisms established during the implementation of the operation enabled a fast and efficient response during three successive natural disasters and the COVID-19 pandemic.
- The CAT-DDO instrument provided immediate liquidity equivalent to 9.2 percent of the government’s fiscal response, which enabled a swift reaction to safeguard lives and livelihoods.

**Honduras**

Before the pandemic unfolded, the WB and the Honduran government were preparing a CAT-DDO designed to help the government improve its capacity to manage natural disasters and climate risks. During preparation, the trigger was broadened to include disease outbreaks and other health crises.

- The government declared a state of emergency in response to COVID-19 in March 2020.

**Impact:**
- In May 2020, the government requested the full withdrawal of funds to address the impact of the crisis. Disbursement occurred five business days after the request.
- The operation provided immediate liquidity equivalent to 11.4 percent of the government’s fiscal response.
DPF support during the COVID-19 crisis complemented IPF and PforRs and focused on Building Back Better.

The Bank's support during the COVID-19 crisis was framed around the four Pillars of the June 2020 Approach Paper: "World Bank Group COVID-19 Crisis Response Approach Paper: Saving Lives, Scaling-up Impact and Getting Back on Track"
Examples of COVID-19 response in DPFs

India COVID-19 Response Social Protection (P173943)

Context:
Reprioritization in the India portfolio made space for this DPF. The operation was designed to strengthen the capability of the central and state governments to provide coordinated and adequate social protection to poor and vulnerable households during the COVID-19 pandemic.

Reforms:
- Provision of immediate cash transfers to about 320 million individual bank accounts identified through preexisting national social protection schemes; additional food support to about 800 million individuals; contributions to social insurance funds for low-wage workers in small and medium enterprises; and advance cash withdrawals for formal workers.
- Development of an adaptive social protection system that can support excluded groups and address diverse needs for social protection.

Rwanda

First Programmatic Human Capital for Inclusive Growth DPF (P171554)

Context:
The COVID-19 pandemic posed a significant risk to Rwanda’s human capital and poverty alleviation gains, including through potential effects on households’ income, food security, and social services. The DPF supported long-term human capital development with policy areas aligned with Rwanda’s National Strategy for Transformation.

Reforms:
- Support an increase in fiscal transfers to community-based health insurance (CBHI) systems to maintain their financial stability, which led to an expansion of enrollment across all population groups.
- By helping expand existing social protection systems to reach excluded groups or the newly poor, the DPF enabled many of the country’s most vulnerable households to access social assistance benefits for the first time.
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**DPF Support for Policy Reforms in Selected Areas**
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Conclusions and key recommendations
To build economic resilience, DPF support for sound fiscal and debt policies has focused on debt vulnerabilities, including in FCV-affected countries.

**By lending category and FCV:**
DPOs (average share and no.) focusing on debt and fiscal reforms (FY11-15 and FY16-21)

**By risk of debt distress:**
DPOs (average share and no.) focusing on debt and fiscal reforms (FY16-21)

Note: These figures exclude subnational, regional, supplemental, and trust-fund-financed DPF. Only effective operations are included.
To expand fiscal space for poverty reduction and shared prosperity, fiscal and debt DPFs increased their focus on **domestic revenue mobilization**, while **expenditure management** remained an important policy area.

*No. and distribution of fiscal and debt related prior actions (FY11-15 and FY16-21)*

(By fragile status and lending group of recipient country)

Note: Includes only effective DPFs and excludes subnational, regional, supplemental, and trust-fund-financed operations.
New IDA Sustainable Development Financing Program (SDFP) complements DPF fiscal and debt reforms

The SDFP program uses IDA-allocation set-asides to incentivize IDA countries at moderate or high risk of external debt distress or with a MAC-DSA to implement performance and policy actions (PPAs) related to fiscal sustainability, debt management, and debt transparency.

Under the SDFP, the World Bank has supported about 130 PPAs in 55 IDA countries, compared an average of 61 fiscal and debt-related PAs during FY11-FY21 in the same countries.

The SDFP has led to a significant scaling-up of debt management and transparency reforms. Among the total number of PPAs, only about 25 were directly supported by DPFs, suggesting space for greater alignment.

The complementary role of the SDFP is evident in the composition of PPAs that are also DPF PAs approved as of end-FY21, a large majority of which focus on debt management, including debt transparency.
Only a small share of all DPFs went to countries with weak fiscal policies and institutions, but these operations were the most likely to focus on fiscal and debt-related reforms. And fiscal and debt-related DPFs represented about half of all DPFs in low-income countries at moderate or high risk of external debt distress.

**No. of DPOs (by type) and average share of DPOs focusing on fiscal and debt reforms (FY16-21)**

- (by CPIA fiscal score in calendar year preceding DPO Board Approval)

- **No. of DPOs (by type) and average share of DPOs focusing on fiscal and debt reforms (FY11-15, FY16-Q3FY20, FY16-21)**

- (By external risk of debt distress - LIC DSA in FY preceding DPO Board Approval)

Note: Excludes subnational, regional, supplemental, and trust funded DPO. Includes only DPO declared effective. CPIA fiscal score refers to the score of the calendar year preceding the calendar year of Board approval for the related DPO. For IBRD countries, CPIA values have been interpolated across CPIA exercises when possible. Risk of external debt distress identified in publicly available LIC DSA for IDA eligible countries and in the FY preceding Board approval of the related DPO.
The performance of fiscal and debt-related DPFs was generally strong over the retrospective period

• On average, the share of fiscal and debt-related DPFs rated moderately satisfactory or higher was close to the corporate target of 75 percent, and it remained broadly stable over the period.

• Econometric analysis also reveals that fiscal and debt-related DPFs yielded sustained improvements in the policy environment measured by the CPIA, despite the overall deterioration in CPIA scores during the period.

• World Bank DPF and IMF programs complement one another in supporting fiscal and debt reforms.

• The presence of an IMF program is found to be associated with stronger performance outcomes for fiscal and debt-related DPF operations. This also reflects regional differences.
DPF support to fiscal and debt sustainability: Summing up

- Over time and across countries, about one-third of all DPF operations have focused on fiscal and debt sustainability. DPF with a focus on fiscal and debt related reforms accounted for about two-thirds of all DPFs in these countries—about twice the share average for all other countries.

- DPF with a focus on fiscal and debt related reforms targeted the countries with weaker fiscal policy and institutions and LICs countries higher risks of debt distress.

- Fiscal and debt-related DPFs have led to sustained improvements in the policy environment.

- Going forward, there is space to further increase the focus of DPFs on addressing key debt vulnerabilities. The recent Sustainable Development Finance Policy (SDFP) could help:
  - Policy and Performance actions (PPAs) complements DPF support for debt management, fiscal sustainability, and debt transparency.
  - Such complementarity is evident in the composition of FY21 PPAs that are also DPF PAs approved as of end-FY21 a large majority of which focus on debt management, including debt transparency.
  - A larger use of DPF to support SDFP PPAs would help ensure both progress in meeting SDFP actions but also the higher goals of debt sustainability.
### Examples of fiscal and debt-related DPFs

#### Ghana

**Context:** Following the macroeconomic crisis in 2013, greater productivity of public spending was needed for better service delivery and crowding in private sector investment for growth and employment, with a focus on public-sector wage bill management, SOEs governance, and addressing public debt risks.

**Reforms:**
- Integration of Human Resource management systems
- Strengthening of expenditures controls
- Formulation of specific debt target limits as part of a Medium-Term Debt Management Strategy
- Implementation of Credit-risk framework for SOE debt-related transactions, particularly for SOEs, to lower refinancing costs

**Expected Impact:**
- Increased fiscal space for development spending
- Lower Debt risks, measured by the reduction of shorter maturities (one year or less) in domestic securities and improved debt management, measured lower difference between planned and actual issuance of domestic debt

#### Angola

**Context:** The financial performance of the SOE sector varies greatly but is generally poor and has deteriorated in recent years. (…) Substantial SOE losses are putting additional strain on an already fragile fiscal environment, and the GoA is under pressure to reform the sector and to reduce its exposure to SOE losses and debts. Service delivery of public companies is also generally poor.

**Reforms:**
- Approval of a law strengthening the mandate of the SOE unit and enactment of a new privatization law. Published an aggregated SOE report with financial and operational performance indicators;
- Approval of a privatization program and initiated the privatization of two SOEs from the national reference list; issuance of PPP regulations in line with good international practices.

**Expected Impact:**
- A reduction in government transfers to SOEs (operational subsidies, capital transfers) as a share of GDP.
- Improved SOE oversight by increasing the share of SOEs reporting quarterly financial statements to Ministry of Finance (within 60 days of the end of the quarter)
Support to Business Enabling Environment (BEE) has been an important focus of DPFs. 1/3 of all DPF operations included at least 3 BEE prior actions.

This expands to almost ¾ of DPF operations if the count is at least one policy action designed to improve the BEE. This share represents 257 operations containing a total of 727 BEE policy actions, implemented across 99 countries, with a total financing commitment of US$62.7 billion.

- BEE actions are important to support private capital mobilization and create jobs.
- Largest share of BEE-oriented operations included prior actions to support business-enabling institutions by reducing business costs and mitigating risks.
- Second-largest share of BEE-oriented operations focused on enhancing endowments and productive inputs by expanding access to financial services and reliable, low-cost infrastructure.
- Prior actions designed to enhance access to markets by deepening integration with the global economy through trade facilitation were also important.
DPFs are suitable instruments to enabling business environment for private sector, which in turn, contribute to the mobilization of private capital

<table>
<thead>
<tr>
<th>Level</th>
<th>Upstream (macro, sectoral)</th>
<th>Midstream (sectoral)</th>
<th>Downstream (sectoral, transaction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose and scope</td>
<td>Policy &amp; institutional reforms (in the form of prior actions) that create environment prerequisite for possible future private sector solutions</td>
<td>Project removes binding constraint to facilitate planned private sector solutions</td>
<td>Project mobilizes private capital to achieve development goal</td>
</tr>
<tr>
<td>Link to development objective</td>
<td>Upfront policy, legislative, administrative or institutional changes as a condition for budget support</td>
<td>Private sector solution supports development objective and expected within 3 years of closing</td>
<td>PCM achieves development objective and amount locked at Board approval</td>
</tr>
<tr>
<td>Intervention</td>
<td>Operations that address binding constraints on market development and include objectives of crowding in private investment (see next slide)</td>
<td>Operations that draws in private investors by allowing them to extract part of the positive externalities, following the cascade approach</td>
<td>Projects that mobilize private co-finance</td>
</tr>
<tr>
<td>Results chain</td>
<td>Input: Prior actions that are growth-supporting/investment-supporting as conditionality for financial transfer and policy dialogue create the environment for private sector involvement in the economy</td>
<td>Outcome: Appropriate actions to address market failures</td>
<td>Impact: Private resource mobilization</td>
</tr>
</tbody>
</table>
PCM methodology used by MDBs underestimates the potential impact of policy and institutional reforms, requiring changes in the methodology

Examples of DPF-supported prior actions essential for BEE and promoting PCM that have private investment results indicators

### ACCESS TO MARKETS:
Open markets to FDI/private investment
- Develop new/improve investment law based on good practice principles
- Open markets (open new sectors to FDI/decrease prohibitions or caps on FDI/replace positive with negative list)
- Remove or reduce entry requirements (minimum capital requirements/mandatory performance requirements/requirement for JV/location restrictions/other measures)

### BUSINESS-ENABLING INSTITUTIONS:
Boost enforcement and increase policy effectiveness of antitrust
- Enact/amend the competition law (anti-cartel provisions; leniency program to provide incentives for corporations and individuals in investigation of economic cartel practices; prosecute most harmful competition offences; freedom of prices and competition; reinforce powers of competition authority; adoption of market definition techniques that include relevant market criteria)
- Issue secondary legislation to boost/promote effective implementation of the competition law (regulation on exemptions, leniency guidelines, guidelines on fines, settlements and damages, impact assessment of laws and regulations, procedures to implement leniency program, regulation to strengthen anti-cartel enforcement policy)
- Establish competition authority or improve its institutional design and implementation practices

Promote competitive neutrality and embed competition principles in broader economic policies
- Enact/Implement the privatization law/approve guidelines for privatizing SOEs (incl. institutional responsibilities for managing private participation in strategic SOEs; transparency and accountability provisions; method, models, measures, action plan for the disposition of companies from the privatization agency’s portfolio)
- Create agency/strengthen mandate of agency managing and privatizing state assets/SOEs

### ENDOWMENTS/PRODUCTION INPUTS:
Private sector participation/PPP in infrastructure sectors
- Approve/review PPP Law/PPP policy/governance framework for PPPs
- Establish PPP Unit/appoint authority or improve its institutional design and implementation practices
- Set up system/implementation guidelines for PPP transactions/approve PPP rules and regulations
- Restructure state-owned telecommunications company/private sector participation/PPP in national broadband network
- Allow private sector participation/PPP in the provision of transportation and logistics services
- Allow private sector participation/PPP in the energy sector/renewable energy

Improve policy, legal framework, and regulations in infrastructure sectors
- Telecom sector
- Aviation sector
- Electricity sector
- Gas sector
- Support energy subsidy reform
Examples of DPF support to an enabling environment for the private sector

**Development Challenge:**

**Egypt DPF series**
- Emerging from a period of political & economic instability (Arab Spring)
- Macroeconomic imbalances worsened; structural weaknesses intensified
- Signs of stress in the energy sector, combined with growing misalignment of the exchange rate, weakened confidence of key manufacturing & service firms
- Private investment declined sharply, falling from 10% to 7% of GDP

**Reform/Approach:**
- Advance fiscal consolidation (revenue collection, public-sector wages, & debt management
- Reform energy subsidies, improving sector governance, & enabling private investments in Renewable Energy (RE)
- Enhance the BEE by modifying investment laws and industrial licensing requirements while enhancing competition
- Complementary TA by IFC on investment policy, licensing & competition policy
- IFC arranged a $653 million debt package for the construction of 13 solar power plants
- MIGA provided $210 million in political risk insurance to private investors in a solar park

**Expected Impact:**
- Third-party access to the distribution network enabled; an independent regulator was established
- Competitive bidding and net metering system of feed-in-tariffs allowed for RE, resulted in new private investments in RE
- Investor guarantees were strengthened
- Number of sole-proprietorship registration & total firm registration doubled
- Enhanced private sector confidence projected to mobilize $2 billion in private investment via the feed-in-tariff program, will support the creation of 1,600 MW of new solar generating capacity

**Role of BEE in crisis recovery and mobilizing PCM, with IFC complementarity**

**Egypt Fiscal Consolidation, Sustainable Energy, and Competitiveness DPF (P157704, P161228, P164079)**

**Georgia DPF series**
- 1st generation of reforms had been put into place over the previous decade, addressing business deregulation, corruption, legal, tax, and trade reforms
- While these first-generation reforms had a significant favorable effect on economic growth, they had proven insufficient to close the productivity gap, improve wages, or eliminate structural unemployment

**Reform/Approach:**
- Consolidate and deepen reforms to the BEE to continue effort from the previous decade
- The PDO was to increase private sector competitiveness through 2nd generation BEE reforms, establishing the conditions for financial sector deepening and diversification, and increasing firms’ capacity to innovate and export
- 3 trust-fund-financed projects provided TA to support implementation of reforms in innovation, entrepreneurship, ICT development, financial sector development, accounting & auditing

**Expected Impact:**
- Investors Council established as a platform for dialogue with the business community on new policy initiatives
- Entrepreneurship and development agency (EDA) established to promote the creation of start-up companies and SMEs
- SME development strategy for the EDA implemented, providing access to finance and SMEs support programs
- Amended law on public procurement led to increase in number of users in the e-procurement system & number of state procurement agency tenders monitored for unlawful practices

**Georgia Private Sector Competitiveness DPF (P149998, P155553)**
Examples of DPF support to an enabling environment for the private sector – complementarity with IFC

<table>
<thead>
<tr>
<th>Project Details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Albania Competitiveness Policy Lending Project (P155605)</strong></td>
<td>Eight of the nine policy actions were supported by two parallel IFC advisory projects—the Albania Investment Climate and Agribusiness Competitiveness Project (IFC600476) and the ECA IBR Advisory Project (IFC 599174)—which focused on reforming investment policy, reducing business costs, and integrating into global value chains.</td>
</tr>
<tr>
<td><strong>Colombia Fiscal Sustainability, Competitiveness and Migration series (P158739, P162858)</strong></td>
<td>The second pillar was closely linked to three joint World Bank-IFC activities: (i) programmatic knowledge services on innovation and competitiveness, including an innovation-focused PER and analytical work on BEE reforms (P158863) and Business Entry LAC (IFC 600103); (ii) the Investment Policy and Promotion advisory project (IFC 601492), which is linked to the Alianza del Pacifico (AP) advisory project focusing on regional investment and trade in services; and (iii) the Competition Policy advisory project for Latin America.</td>
</tr>
<tr>
<td><strong>Jordan Equitable Growth and Job Creation Programmatic DPF series (P166360, P168130)</strong></td>
<td>It aimed to reduce business costs and risks, improve access to finance, expand the range of sectors open to foreign investment, establish an investor grievance management (IGM) mechanism, establish a PPP framework, eliminate regulatory restrictions to encourage female labor-force participation and expand access to highly skilled foreign workers (especially Syrian refugees); was supported by IFC advisory projects around licensing (IFC 574387 and 604797) and the broader business environment.</td>
</tr>
<tr>
<td><strong>Ethiopia Growth and Competitiveness Programmatic DPF series (P168566 and P169079)</strong></td>
<td>First two operations focused on MFD, expanding the economic role of the private sector, and promoting transparency and accountability; eight of the 10 prior actions in the second operation were accompanied by TA support, and the operation was complemented by two IFC advisory projects on investment policy and the business environment, the Ethiopia Investment Policy and Promotion Phase II (603800) and Ethiopia Doing Business (602819).</td>
</tr>
</tbody>
</table>
DPFs have increasingly integrated gender aspects, playing an important role in advancing gender-focused policy reforms in line with the 2016-23 WBG Gender Strategy.

*To implement the [2016-23 WBG Gender Strategy](https://openknowledge.worldbank.org/handle/10986/27805), the WBG established a new methodology and targets for measuring progress via gender tags for operations. In FY17, the World Bank introduced a "gender tag" for DPFs and other projects designed to assess whether the project integrates (i) gender analysis and/or consultations on gender-related issues, (ii) specific actions to address the distinct needs of women and girls, or men and boys, or to positively affect gender gaps, and (iii) mechanisms to facilitate the monitoring and evaluation of gender impacts through the results framework.

** Gender tag by prior action was made available starting from FY20
**Examples of DPFs with Gender reforms**

<table>
<thead>
<tr>
<th>Country</th>
<th>DPF Description</th>
<th>Reforms</th>
</tr>
</thead>
</table>
| Niger       | First Laying the Foundation for Inclusive DPF (P169830)                         | • High prevalence of child marriage and early childbearing translate into high fertility rate and low completion of primary and secondary school in girls.  
• Expanding educational attainment and reducing fertility could boost GDP growth by 12.6% by 2030  
The first pillar of the DPF aimed to reduce gender gaps: reduce child marriage trends, improve access of married adolescent girls to health services and improve educational attainment of adolescent girls. Measures included (i) mobilizing communities, through the Child Protection Committees, to promote efforts to prevent child marriage; (ii) empowering married adolescent girls to access health services on their own; and (iii) amending framework and practices that prevents married or adolescent girls from returning to school. |
| Albania     | Gender Equality in Access to Economic Opportunities DPF (P160594)               | First DPF to focus exclusively on gender with the aim to improve women’s access to assets and employment opportunities while strengthening gender-informed policies  
Mandatory registration of married women as co-owners of property; a requirement that bidders on public procurement contacts sign a nondiscrimination declaration; improvements in preschool quality; an increase in the share of women employed through the National Employment Services; and the expansion of gender-responsive budgeting programs |
| Bangladesh  | Second Programmatic Jobs DPF (P168724)                                         | This DPF aimed to accelerate job creation, improve job quality, expand access to jobs for women and other vulnerable groups, and strengthen safety nets in the wake of the COVID-19 crisis  
Increase in the number of high-quality daycare centers, which would both create jobs for women and alleviate constraints on labor-force participation among mothers, as well as expanded access to skills-development initiatives among women |
DPF operations contributing to climate mitigation and/or adaptation (i.e., “climate co-benefits”) increased and intensified efforts steadily.

The WBG Climate Change Action Plan 2021-2025* sets the WBG’s goal to increase climate financing from an average of 26 percent achieved between FY16-20 to at least 35 percent over FY21-FY25.

Energy and extractives lead the way in terms of sectoral distribution of Development Policy Climate finance. Climate mitigation finance concentrates in countries with high carbon emissions and about half of adaptation finance goes to countries with a high climate vulnerability.

Classification of Climate Co-Benefits in DPO by PA sector (FY18-FY21)

- Energy and Extractives
- Financial Sector
- Social Support
- Transportation
- Agriculture, Fishing and Forestry
- Public Administration
- Others (Industry, ICT, Health, Education)

Climate Co-Benefits in DPF by Country Classification (FY16-FY21)

- Low
- Medium
- High
- Very High

For carbon emissions and carbon emissions per capita, countries were classified in quartiles using the last available data in the World Development Indicators (WDI). The INFORM Risk classification is driven particularly by a country’s exposure to natural hazard. Source: https://drmkc.jrc.ec.europa.eu/inform-index/
### Examples of DPFs with Climate-related reforms

<table>
<thead>
<tr>
<th>Country</th>
<th>DPF Series</th>
<th>Context:</th>
<th>Reforms:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Colombia</strong></td>
<td><strong>Sustainable Development and Green Growth DPF series</strong></td>
<td>The DPF series supported the National Development Plan (2014-2018), which identified green growth as a central theme and was aligned with Colombia’s commitments under the OECD Declaration on Green Growth and the Paris Climate Agreement.</td>
<td>Encourage green growth in the transportation and energy sectors, enhance environmental quality, strengthen the management of natural resources, and improve the performance of sanitation and solid waste reuse and disposal services.</td>
</tr>
<tr>
<td><strong>Morocco</strong></td>
<td><strong>Inclusive Green Growth DPL series</strong></td>
<td>Supported the government’s program for 2016-2021, and the Environment and Sustainable Development Charter to improve the management of natural capital and green physical capital for sustainable growth.</td>
<td>Strengthen the management of coastal, marine, and freshwater assets, implement low-carbon energy policies and reduce pollution, and diversify the rural economy by leveraging green technologies.</td>
</tr>
</tbody>
</table>
| **Pakistan**   | **Program for Affordable and Clean Energy DPF (PACE)**                    | • The power sector has long been a burden on the economy, providing insufficient services and building up large sector deficits.  
  • Electricity is largely generated by power plants using oil, gas, and lately coal.  
  • Consumer tariffs are distorted through subsidies.                                                                                           | Reduce the “circular debt” of the power sector by reducing power generation costs, decarbonizing the energy mix, improving efficiency in distribution, and retargeting electricity subsidies. Policy actions included the approval of a least cost generation plan which includes 63 percent of renewable energy by 2030.                                                                 |

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**Notes:**
- **Colombia:** The DPF series supported the National Development Plan (2014-2018), which identified green growth as a central theme and was aligned with Colombia’s commitments under the OECD Declaration on Green Growth and the Paris Climate Agreement. Encourage green growth in the transportation and energy sectors, enhance environmental quality, strengthen the management of natural resources, and improve the performance of sanitation and solid waste reuse and disposal services.
- **Morocco:** Supported the government’s program for 2016-2021, and the Environment and Sustainable Development Charter to improve the management of natural capital and green physical capital for sustainable growth. Strengthen the management of coastal, marine, and freshwater assets, implement low-carbon energy policies and reduce pollution, and diversify the rural economy by leveraging green technologies.
- **Pakistan:** The power sector has long been a burden on the economy, providing insufficient services and building up large sector deficits. Electricity is largely generated by power plants using oil, gas, and lately coal. Consumer tariffs are distorted through subsidies. Reduce the “circular debt” of the power sector by reducing power generation costs, decarbonizing the energy mix, improving efficiency in distribution, and retargeting electricity subsidies. Policy actions included the approval of a least cost generation plan which includes 63 percent of renewable energy by 2030.
Conclusions and key recommendations

Outline of the Presentation

- **Context and Coverage**
- **Evolution, trends and performance of DPF**
- **Poverty and Social Impacts, Environmental, Forests, and other Natural Resource Aspects of DPF**
- **DPF support for Crisis Preparedness and Response**
- **DPF Support for Policy Reforms in Selected Areas**
  - DPF support to fiscal and debt sustainability
  - DPFs support to an enabling environment for the private sector
  - DPF support to gender equality
  - DPF support to climate change adaptation and mitigation

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Conclusions

1. DPF has been instrumental in supporting policy reform in client countries. Operational policy guiding DPF support is sound, though it can be enhanced to respond to current development challenges. This Retrospective provides some recommendations.

2. The share of DPFs to low-income countries, especially those in Africa and countries dealing with fragility and conflict, has increased.

3. The scope of policy reforms has widened to include a range of development challenges. These include sectoral areas such as energy and agriculture, climate change and gender inequality.

4. DPFs are an important tool to help clients respond to a range of crises. During crisis periods, the Bank stepped up and expedited DPF support, often addressing policies to that could help mitigate future crises.

5. The DPF’s value during periods of crisis response, and its ability to complement other Bank instruments was evident during the COVID-19 crisis. CAT-DDOs proved useful as a source of contingent funding in 2020, with record disbursements of these DPFs.

6. The 328 DPFs provided over the Retrospective Period demonstrated their ability to address diverse development challenges, including (i) fiscal and debt sustainability; (ii) creating an enabling environment for the private sector; (iii) gender inequality and (iv) climate change.

7. The instrument has strong potential to support the newly endorsed World Bank Group Approach to Green, Resilient, Inclusive Development (GRID), as presented in the 2021 Development Committee Paper on this issue.
**Recommendations**

There is room to enhance the design and implementation of DPFs to provide more effective support for crisis preparedness, and on the development issues covered in this Retrospective.

To better support crisis preparedness, the CAT-DDO instrument could be enhanced by:

(i) expanding drawdown triggers to include different types of crisis;
(ii) including support for social protection reforms;
(iii) prepare complementary programs targeted at crisis preparedness where possible;
(iv) use Contingent Emergency Response Components (CERCs) and other financing sources to increase financing available and find ways to mitigate constraints imposed by earmarking funds for contingency, especially in IDA countries.

Sharpen focus on fiscal and debt management reforms in DPFs, especially in IDA countries at higher risk of debt distress

Greater attention could be paid to crafting reforms resulting in the creation of more quality jobs. The private sector plays a key role for sustained growth and creating jobs - a core element of social inclusion. Monitor the contribution of policies and institutional reforms supported by DPFs to an PCM-enabling environment (now somewhat underestimated by the MDBs methodology).

Mainstream gender equality into policies and institutional reforms supported by DPFs, building on good progress. The need for a strong recovery further emphasizes the importance of economic empowerment of women.

The systematic design of impactful policy & institutional change measures in DPF can help to align climate relevant policies in client countries with the goals of the Paris Agreement. Because much of the climate agenda is related to policy and institutional change, DPFs have a key role to play in supporting effective policies to build a climate-resilient and low emission development path for client countries.
Issues for Discussion

How effective do you think World Bank DPFs have been to support countries achieving their development goals? What are the areas of strengths? What are the areas for improvement?

Are DPFs a useful instrument to support a green, resilient and inclusive set of policy reforms?

Any other suggestions to make use of DPFs more effective?
Thank you