DEVELOPMENT POLICY RETROSPECTIVE

2021

THE WORLD BANK
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2021 DEVELOPMENT POLICY FINANCING RETROSPECTIVE:

FACING CRISIS, FOSTERING RECOVERY

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Operations Policy & Country Services

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ABBREVIATIONS AND ACRONYMS

AFR	Africa Region
ASA	Advisory Services and Analytics
BEE	Business Enabling Environment
Cat DDO	Catastrophe Deferred Drawdown Option
CERCS	Contingency Emergency Response Components
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CPSD	Country Private Sector Diagnostic
CRW	Crisis Response Window
DDO	Deferred Drawdown Option
DPF	Development Policy Financing
DPO	Development Policy Operation
EAP	East Asia and Pacific Region
ECA	Eastern Europe and Central Asia Region
FCS	Fragile and Conflict-Affected Situations
FY	Fiscal Year
GBV	Gender Based Violence
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICRR	Implementation Completion and Results Report
IDA	International Development Association
IEG	Independent Evaluation Group
IMF	International Monetary Fund
IPF	Investment Project Financing
JET	Job and Economic Transformation
LCR	Latin America and Caribbean Region
M&E	Monitoring and Evaluation
MNA	Middle East and North Africa Region
PBG	Policy-Based Guarantees
PFM	Public Financial Management
PforR	Program for Results
PPA	Performance and policy Actions
PPP	Public-Private Partnerships
PSIA	Poverty and Social Impact Analysis
SAR	South Asia Region
SDFP	Sustainable Development Financing Policy
SORT	Systematic Operations Risk-rating Tool

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EXECUTIVE SUMMARY

This report is the fifth Development Policy Financing (DPF) Retrospective. DPF, one of the Bank's three complementary financing instruments, is non-earmarked budget financing that supports policy and institutional reforms to help clients achieve sustainable growth and poverty reduction. The Bank has periodically reviewed the trends and performance of DPFs, with a view to strengthen its relevance as a financing instrument for Bank clients. This Retrospective presents key takeaways on trends and performance of DPFs and their role in supporting development priorities. The analysis is focused on DPFs committed between July 2015 and June 2021 (the "Retrospective period").

The Retrospective period was a tumultuous one for many developing countries, challenging past achievements of poverty reduction and shared prosperity. These years started with the aftermath of the commodity bust and ended with the COVID-19 pandemic. During this period, there were rising concerns and awareness of the need to address the detrimental effects of climate change, social and gender inequities, frequent natural disasters and other shocks, insufficient quality jobs, and persistent debt vulnerabilities, especially in low-income countries. The period culminated with the unprecedented COVID-19 pandemic, which reversed development gains and intensified risks to the WBG twin goals. Recent geopolitical developments and their economic consequences, while not covered by the report, are compounding these challenges. In this context, DPFs played and will continue to play a key role for reinforcing foundations for long-term development, crisis response, and preparedness, in complementarity with other WB instruments, working with IFC and MIGA, as well as other development partners, in support of countries' efforts to address these issues.

The Retrospective also takes place in the context of a number of corporate commitments made by the Bank Group during the period. The 2018 IBRD Capital Package and the 18th and 19th IDA replenishments translated the 2016 Forward Look objectives into implementation.[1] The need to leverage resources for development, combined with rising debt vulnerabilities across WBG client countries brought out the importance of domestic resource mobilization and fiscal sustainability, while the role of the private sector was recognized as central to support economic growth and jobs, as reflected in the Private Capital Mobilization (PCM) and Jobs and Economic Transformation (JET) agendas. Serving all clients meant scaling up support to lower income IBRD countries (especially those that recently graduated from IDA) and to FCSs and SIDS while continuing to engage with clients across the income spectrum. The Forward Look noted that the WBG would "take on an expanded role in addressing global public goods, including working on (...) climate change, and major outbreaks of diseases" and embraced crisis management and gender equality as key priorities. This report analyzes how DPF was used to implement these important priorities. It also sheds light on how the instrument can be enhanced to support the newly endorsed WBG Green, Resilient, Inclusive Development (GRID) approach.

The Retrospective examines the performance of DPFs over the Retrospective period, and the strengths of the instrument in supporting clients as they implement policy and institutional reforms and lay the groundwork for a sustainable recovery in the wake of the COVID-19 pandemic. As the world rethinks development priorities in the wake of the pandemic, this report reviews the trends and performance of DPFs over the six-year Retrospective period and makes recommendations on how the tool could be enhanced to ensure it is relevant to address current development challenges. The Retrospective examines how DPFs performed to support sustainable growth and poverty reduction in the context of selected global and regional crises in the past 14 years. The Retrospective then focuses on four selected development challenges among the core WBG corporate priorities: (i) fiscal and debt sustainability for macroeconomic stability and resilience, (ii) a conducive private sector environment to support private sector led development and job creation, (iii) gender equality, (iv) climate change adaptation and mitigation. These are also key topics raised in engagements conducted for this and previous Retrospectives (Box 1). The Report provides some insights on how DPFs have supported these areas in the past and how they are well positioned to support the GRID approach in the future.

The DPF financing instrument continues to promote sustained policy dialogue and reform across diverse clients. The Bank provided $81 billion in DPF financing over the Retrospective period, through 328 DPOs and 16 supplemental operations. Of these 147 were IBRD financed, and 181, IDA financed. Consisting of 26 percent in average in the Bank overall financing over the Retrospective period, DPF complemented and facilitated PforRs and IPFs in the Bank's lending instruments toolkit. Geographically, AFR accounted for the largest number of DPOs (112 approved operations), whereas LCR accounted for the largest share of DPF commitments (25 percent of the total). The share of DPF in total IBRD commitments spiked to 39 percent in FY19, rising sharply from a 10-year low of 22 percent in FY18. This share continued to be high in FY20 and FY21, at 36 and 35 percent respectively, largely reflecting countries' response to the pandemic. The share of DPF in total

1 https://thedocs.worldbank.org/en/doc/545241485963738230-0270022017/original/DC20160008.pdf.
https://www.worldbank.org/en/news/press-release/2018/04/21/world-bank-group-shareholders-endorse-transformative-capital-package
https://ida.worldbank.org/replenishments/ida18-replenishment
https://ida.worldbank.org/en/replenishments/ida19-replenishment

IDA commitments increased significantly over the Retrospective period, reaching a peak of 24 percent in FY20, compared to an annual average of 12 percent from FY11-18.

Bank policy on DPF remains fundamentally sound and its use has proven robust yet flexible over time and space in supporting countries' reform programs. The range of DPFs, from supplemental, DDOs, CAT DDOs, guaranteed-based, to stand-alone or programmatic, allowed Bank support to adapt to diverse circumstances and be fit for purpose. The use of DPFs introduced innovations (such as support to the fight against Gender Based Violence (GBV), to climate action, or to digital technology). It witnessed over the period a marked increase in multisectoral interventions, and greater focus on the real sector agenda. DPFs supported reforms related to agriculture, land use, energy efficiency and firm level competitiveness. DPFs also focused on climate change, debt sustainability, gender and private sector development, as elaborated in Chapter 3 in this Retrospective. Also, DPF complemented upstream IFC engagement and was instrumental in crowding in other public and private funding and in coordinating with development partners. DPFs and IMF programs were complementary, supporting sound macroeconomic framework and joining forces to support macroeconomic, and in particular, fiscal and debt reforms.

In Fragile, Conflict and Violence (FCV) affected countries, DPF financing played a critical role in advancing policy and institutional reforms, despite policy reversals. In FY20 and FY21, IDA DPF commitments in FCV countries reached highs of $1.8 and $2.4 billion respectively. The heterogeneity across FCS called for a nuanced approach to the use of DPF in an FCS context, as reflected in the WBG FCV strategy. While Iraq, an IBRD FCV affected country, received large DPFs in FY16/17, DPFs in FCVs were provided mostly to IDA countries during the Retrospective period, with IDA's overall stronger focus on FCV translating into 25 percent of total IDA DPF commitments provided to FCV affected countries, compared with 15 percent over FY10-15. FCV DPFs supported structural reforms related to public sector management, including public finance management and public administration: over the period, 41 percent of prior actions (PAs) in FCVs DPFs focused on this theme compared to 23 percent in non-FCV. For example, DPFs in the Central African Republic supported nascent fiscal institutions and basic fiscal management and fiscal transparency to help rebuild public trust in an environment of frequent conflict.[2] Other areas supported by FCV DPFs were energy reforms (10 percent), notably in the series of DPFs in Cote d'Ivoire, Iraq, and Togo; and rural development (6 percent). FCV DPOs performed slightly less well than non-FCV DPOs, with about two third of DPOs receiving at least a moderately satisfactory outcome rating by IEG over the period (against 77 percent for non-FCV countries).[3] The Retrospective recognizes the challenge of policy reversals, acknowledging that the policy environment has been worsening in some FCV countries receiving DPFs during the FY16-21 period (such as Afghanistan and the Sahel).

DPFs performed well during the Retrospective period, delivered results, contributed positively to enhancing the quality of policy and institutions in client countries, in line with the Bank's outcome orientation agenda. A key metric of DPF performance is the extent to which its development objectives as measured by a set of result indicators are reached in a satisfactory manner. Almost 82 percent of DPFs evaluated by IEG that closed during the Retrospective period had an outcome rating of moderately satisfactory or above, as measured by the value of commitments, and 75 percent as measured by the number of operations. These outcomes were largely consistent with corporate targets (80 percent and 75 percent respectively), even though performance temporarily declined between FY16 and FY18. Operations in IBRD countries performed slighter better than those in IDA countries, perhaps reflecting the higher risks in IDA countries. DPFs in AFR and LCR countries performed less well than those in other regions. Looking at results, over three-quarters of DPF expected results were at least partially achieved, with IBRD countries performed substantially better than IDA countries. DPFs are positively associated with enhanced policies and institutions (as measured by a countries' CPIA score), and when DPF performance is measured by the instrument's impact on CPIA ratings, DPFs continue to impact CPIA ratings positively. As such, DPFs focus on institutional strengthening, policy and regulatory reform actively contributed to client countries higher-level outcomes.

Good practices have been strengthened to help teams implement the provisions of DPF Bank Policy to ensure that poverty and social impact, and environmental, natural resources and forestry aspects in DPFs are adequately addressed, responding to the recommendations of the 2015 Retrospective, and feedback received from consultations. Staff guidance on assessing and addressing environmental, natural resources and forestry aspects of DPFs has been revised and incorporated in training academies for Bank staff, with enhanced recommendations on disclosure, consultation, and how any shortcomings are addressed. An environment and social effects screening table has been incorporated in DPF program documents. The quality of poverty and social impact analyses (PSIA) has also improved. A 2016 Report on PSIAs found that awareness and understanding of PSIAs has increased in the Bank, and the tool has become mainstream. PSIAs used a range of analytical tools that integrated poverty analysis with social impact analysis to answer relevant questions, such as the impact of subsidy removal on households, the distributional impact of

2 Central African Republic, First and Second Consolidation and Social Inclusion DPF (P168035 and P168474)

3 "Satisfactory" refers to an IEG outcome rating of Moderately Satisfactory or above. Note that only 24 FCV DPFs were evaluated by IEG during this period.

tax reform, and firm level impacts of various business enabling reforms. PSIAs have also helped promote public awareness, transparency, and public debate, especially when teams prepared PSIAs early on in the DPF preparation process. Internal review processes have been strengthened, with a dedicated group of specialists reviewing the team's assessment at corporate reviews of the DPF. Looking ahead, consultations, disclosure and monitoring will be monitored to reinforce the implementation of good practices.

DPFs have been particularly valuable to support crisis response, as indicated by their use and performance during global and regional crises. Noting that the IMF is the key multilateral responsible for countercyclical finance, the use of DPFs has traditionally increased during crisis periods. DPFs peaked during the Global Financial Crisis of 2009-10 (GFC), when the share of DPFs increased from an average of 32 percent of total commitments between FY01-08 to 39 percent in FY09 and FY10. DPFs also increased in response to the COVID-19 crisis, complementing IPFs, which were arguably a more relevant instrument for Bank support given the need to enhance health systems and procure vaccines. The Retrospective analyzes the use of DPFs during 5 significant crises.[4] It finds that the Bank expedited the preparation of crisis DPFs, often using standalone DPFs rather than programmatic series. Preparation times were shortened, especially during the pandemic. Beyond supporting public sector management and public administration, crisis DPFs were often designed to support reforms to address the unique circumstances of each crisis (e.g. health care for Ebola, social support for Food, financial sector for GFC). FCV-affected countries received strong support, especially during the Ebola, Food, and Oil price crises which affected them significantly. DPFs responding to the COVID-19 crisis covered a diverse set of reforms, aligned with the pillars of the WBG Approach paper and building on policy dialogue and reform priorities in recipient countries.[5] The CAT DDO instrument, which was developed to help provide clients with quick liquidity to manage natural disasters, proved particularly valuable to respond to the COVID-19 emergency, as indicated by the high number of disbursements from existing CAT DDOs in 2020.

Beyond crisis response, the Retrospective focuses on four key country client development priorities also anchored in WBG core corporate commitments: (i) fiscal and debt sustainability for macroeconomic resilience, (ii) an enabling private sector environment, (iii) gender equality, and (iv) climate change adaptation and mitigation. The specificities of FCS and Small States are highlighted throughout these areas. The Report finds that DPFs that supported these areas tackled relevant reforms and performed well on balance. There is room, however, to enhance the instrument to incorporate lessons learned and respond to shifting development priorities as developing countries recover from the unprecedented crisis induced by the pandemic.

When countries needed to increase fiscal space to invest in physical and human capital and build economic resilience, DPF supported policy reforms that strengthened fiscal and public debt sustainability in coordination with other initiatives and partners, in particular the IMF. Over the review period, roughly one-third of DPFs focused on fiscal and debt related reforms, with almost half of DPFs in FCV-affected countries focused on these areas. Building on a range of analytics, from debt sustainability analysis, public expenditures reviews, debt management assessment, PFM assessments, to a variety of IMF reports, there was a steady increase in the focus on revenue mobilization measures including tax reforms and reduction of tax expenditures. A number of actions supported improved expenditure management. Expenditure-related reforms included better targeting of subsidies and reforms to improve expenditure efficiency in the areas of health, education, and social protection (often building on recommendations from Public Expenditure Reviews). About half the DPFs in countries at moderate or high risk of external debt distress focused on fiscal and debt reforms, and 90 percent of DPFs in countries with high risk of debt distress had at least one prior action focused on fiscal or debt sustainability. In FY21, DPFs complemented the recently introduced Sustainable Development Financing Policy (SDFP), and DPFs and the SDPF helped reinforce fiscal reforms in many IDA countries. Bank Debt and Fiscal DPFs performed better in countries with IMF programs, suggesting complementary effects between the two instruments.

By fostering an environment more conducive to private sector development, DPFs have played an important role in spurring economic growth, quality jobs and in turn poverty reduction, especially critical in a context of tight fiscal space, as acknowledged by the World Bank Group's priority of Job and Economic Transformation (JET). Business Enabling Environment (BEE) reforms facilitate private investment through overall improvements in the business climate, rather than mobilizing specific investment projects. Two-thirds of DPF operations during the Retrospective period included at least one policy action designed to improve the BEE, across 78 countries, with a total financing of US$39 billion.

4 Five regional and global crises between FY2008 and FY2021 covered 207 operations and included four historical crises: (i) the food price shock of 2007-08; (ii) the Global Financial Crisis of 2008-10; (iii) the Ebola virus outbreak in West Africa during 2014-16; and (iv) the oil-price shock of 2014-16. The fifth is the ongoing COVID-19 pandemic, for which the Bank has approved 101 crisis-response operations between Q4FY20 and Q4FY21 across all World Bank regions.

5 As per the World Bank Group COVID-19 Crisis Response Approach paper "Saving Lives, Scaling up Impact and Getting Back on Track", June, 2020, DPFs included actions across four pillars: Pillar 1 - saving lives, Pillar 2 - protecting the poor and vulnerable, Pillar 3 - supporting sustained business growth and job creation, and Pillar 4 -strengthening policies, institutions, and investments. http://documents1.worldbank.org/curated/en/136631594937150795/pdf/World-Bank-Group-COVID-19-Crisis-Response-Approach-Paper-Saving-Lives-Scaling-up-Impact-and-Getting-Back-on-Track.pdf

DPFs complemented a range of other WBG interventions, including IFC advisory services. Policy objectives most frequently targeted were: (i) expanding access to reliable, low-cost infrastructure through regulatory reform or private-sector participation (included in 57 percent of BEE-oriented operations); (ii) alleviating barriers to entry for new businesses and streamlining tax administration (52 percent); (iii) mitigating risks and uncertainty for private operators by strengthening the legal framework (50 percent); and (iv) deepening integration with the global economy through trade facilitation and logistics (41 percent). Most operations with BEE components were delivered through programmatic series, reflecting the medium-term nature of this agenda. BEE-oriented operations have performed as well as other DPFs, and have succeeded in bringing down business costs, improving trade facilitation, and facilitated private capital mobilization.

DPFs have increasingly integrated gender aspects, closely aligning with the directions of the World Bank Group's Gender Strategy for 2016-23, including ownership and control of assets, more and better jobs, human endowments, as well as voice and agency. The share of gender tagged DPFs steadily increased from 24 percent in FY17 to 70 percent in FY21. All FY21 DPFs in the SAR region were gender tagged. Prior actions focused on important results ranging from greater access to finance or access to property, increase in female jobs, preschool participation, strengthened child protection, access to education and health, internet or electricity, reduction in the dropout rate of girls from school, support to survivors of gender-based violence, or greater female representation in local elections. The in-depth policy dialogue embedded in the DPF process has proven critical to build awareness around gender issues and their developmental implications. A range of innovative DPFs – from the FY21 Guatemala Crisis Response and Recovery DPF (P173698) that promoted financial inclusion for women to the FY20 Albania DPF (P160594) that strengthened institutional frameworks for gender informed policymaking – included reforms that were supportive of gender equality in diverse country settings.

Rising climate change adaptation and mitigation challenges in client countries have led DPF to intensify support to climate change related reforms. In FY21, DPF climate co-benefits reached 26 percent and almost all DPFs (97 percent) delivered co-benefits, up from just 7 percent in FY15. Policy actions related to adaptation actions include coastal management, updating of municipal land use plans, and forests and water conservation, and mitigation include greening the energy and transport sectors to reduce pollution. The CAT DDO feature (and its extension to IDA countries in IDA18) has been especially beneficial in supporting climate resilience, given its focus on disaster risk management policies. The active portfolio of DPFs with CAT DDOs had an average climate co-benefit of 84 percent, largely attributable to policy measures supporting climate adaption. Successive DPFs with CAT DDOs for the Philippines helped build the country's disaster risk management system, while the first DPF with CAT DDO in an IDA country (Kenya, FY18) supported adaptation related reforms on land use and water resource management. On balance, climate-focused DPFs performed well. Though only 35 percent of climate-focused DPFs have been rated by IEG thus far, all have received satisfactory or moderately satisfactory ratings. Climate-focused reforms supported by DPFs have led to results ranging from greater incentives towards reduced emissions, strengthened countries' climate change strategic frameworks, consistent government spending with climate change mitigation and adaptation, incentives for green financial investments, or, in sectors, increasing access to climate-resilient climate-smart technologies, increasing share of land use and forestry under sustainable practices or greater use of renewable energy, energy storage, and electrification of heat and transport, lower energy costs and greater energy efficiency.

Key Recommendations

DPFs have continued to support relevant policy reforms while meeting clients' need for budget support. In the context of a more adverse operating context in FY22 and beyond – including the war in Ukraine, higher extreme poverty; higher debt; worsening fiscal positions across client countries - as well as increased WBG ambition reflected in the 2021 GRID framework and the preparedness agenda, there are some enhancements that can be made to improve the effectiveness of the instrument and strengthen its impact.

First, the DPF with CAT DDO instrument could be further enhanced to strengthen the Bank's support to crisis preparedness and response. Programmatic DPFs that include a CAT DDO component were useful during the pandemic. The CAT DDO proved to be especially valuable as a source of emergency support, and the expanded drawdown triggers helped countries access liquidity promptly. As the WBG explores ways to strengthen its financing products to support crisis preparedness and response, CAT DDOs can be enhanced to allow access to additional sources of financing for rapid liquidity support while incentivizing further reforms for crisis preparedness and resilience and for climate adaption. There are a number of ways in which CAT DDOs can be more relevant as a crisis preparedness and response instrument, especially in IDA countries. First, broadening the definition of the trigger to include different types of crisis (e.g. food) would provide countries with an enhanced contingency. Second, the instrument could more systematically include support for social protection systems related reforms in the set of reforms supported by DPF with CAT DDOs. The pandemic demonstrated the need to have well-functioning social protection systems in place for crisis response, with effective identification of beneficiaries and easy access arrangements via digital solutions if needed. These reforms can be considered in policy frameworks supported by CAT DDOs to strengthen crisis preparedness. A third area for enhancement is to strengthen the support to crisis preparedness through complementary investment programs and analytical and advisory services, between the approval of the CAT DDO and its eventual disbursement, which could happen much later than other DPFs, given the provision in the Policy for extensions of these operations. CAT DDOs could also be embedded as part of a programmatic series. Finally, to mitigate the constraints posed by dedicating funds for contingency purposes and find a balance between providing a pre-approved credit line that yields immediate liquidity support while not tying up scarce resources in a contingent instrument, the Contingency Emergency Response Components (CERCs) could be used more frequently with CAT DDOs to leverage better undisbursed balances across a country's portfolio. For IDA countries, a suite of enhanced instruments and financing sources could be considered, including more effective use of portfolio-level CERCs, a higher allocation from the Crisis Response Window (CRW), and improved incentives for CAT DDOs.

Second, the targeting of fiscal & debt management reforms in DPFs to countries with a significant risk of debt distress could be sharpened to help rebuild fiscal space for human and physical investment. After the COVID-19 crisis, many countries will need to rebuild fiscal space and continue addressing proactively the vulnerabilities inherited from the pandemic. Many countries continue to be challenged by insufficient domestic resource mobilization and significant debt risks. The recently introduced SDFP complements and strengthens DPF support in IDA countries for debt management, fiscal sustainability, and debt transparency. There is merit in closely linking DPFs with PPAs prepared under the SDFP, in support of sound fiscal policy, debt transparency and debt management. In addition, the focus on fiscal and debt reforms could more systematically be increased in DPFs for countries at higher risk of debt distress. By contributing to macroeconomic resilience and creating the space for human and physical investment, these reforms actively pave the way for supporting efforts for a green, resilient and inclusive recovery, building on the GRID approach.

Third, there is scope for better monitoring results and capturing better the impact of DPF supported policies on private capital mobilization (PCM). While the Multilateral Development Bank (MDB) methodology on PCM focuses on transaction-specific mobilization, DPFs play an important role in supporting the business environment for broader private capital investment. Monitoring and measuring DPF support to policies ranging from the broader private investment environment, to public sector partnering with private sector through public procurement, Public-Private Partnerships (PPPs), divestment and privatization, would help understand better the extent of private finance that is enabled by DPFs. Additionally, the private sector plays a key role for job creation, which in turn is a core element of social inclusion.

A strong recovery will require supporting policy actions that address persistent gender gaps and accelerate progress towards gender equality. This includes efforts across many sectors including, for example, education for girls, family planning, reproductive and sexual health, increasing women in decision-making roles, and creating more and better economic opportunities for women to accelerate the green, resilient and inclusive dimensions of development. Building on progress under IDA and the IBRD capital increase commitments, more can be done through DPOs to focus policy dialogue and prioritize reforms to advance gender equality. The diversity of results achieved by DPFs illustrates the potential for expanding that support across sectors and regions, prioritizing

areas where reforms are most critical. DPOs should also continue to build on recent progress in new areas, such as strengthening childcare policies, improving systems and institutions to address GBV and sexual harassment across sectors, addressing gender gaps related to climate change, including to promote leadership opportunities for women to inform and implement decisions.

Finally, while almost all DPFs now include some climate finance, intensifying efforts for impact requires to do more. Because much of the climate agenda is related to policy and institutional change, client countries' climate-resilient and low emission development path may be effectively supported by DPFs. In its 2021 Climate Change Action Plan, the World Bank Group has committed to three key objectives, to which DPF can play a key role to contribute: (i) ramping up engagement at the country level on climate and development diagnostics, planning, and policies to help countries reach their climate and development objectives; (ii) aligning WBG financial flows, including DPF, with the goals of the Paris Agreement to further mainstream climate into our development activities; and (iii) increasing climate finance for mitigation and adaptation in ways that deliver the most results. DPF will go a long way to help enhance the focus on climate action, by supporting policy dialogue underpinned by strong analytics building on the recently launched Climate Change Development Reports (CCDR), by factoring more systematically the impact of climate change and climate policies in the macroeconomic framework, and by being aligned with Paris goals. DPFs can play a critical role to support the policy and institutional shifts for countries seeking to transition their economy to a path compatible with their NDCs and the Paris Agreement. Continued focus on reforms in areas that support mitigation efforts - such as renewable energy, transport, and energy subsidy reform - as well as those focused on adaptation - such as climate smart agriculture and water conservation – would help support climate resilience and low-emissions development paths.

BOX 1.

DPF Retrospective External Engagement Process (November 11 – December 11, 2021)

The Bank formally launched a global engagement process on November 11, 2021 on the World Bank's website, through the publication of detailed preliminary findings of the Retrospective. Several thousand people were proactively informed about the DPF retro engagement process through targeted newsletters to CSOs across the globe, via social media, and through country office outreach to their key audiences. The report summary was translated into all World Bank languages. The Bank solicited views on the effectiveness of the DPF instrument through the submission of written comments and a set of global (virtual) meetings for the duration of one month.

As part of its targeted engagements, three global sessions were organized for active Bank-watchers across civil society (on November 18, December 1 and 7) and one session with thinktanks (on December 6). Over 200 CSO representatives and about 20 thinktanks were invited and over 100 people participated in the engagement sessions. These engagements built on the ongoing dialogue between the World Bank and CSOs. For example, for the past several years, Bank staff has worked with CSO groups to organize and participate in DPF sessions at the Civil Society Policy Fora during Spring and Annual Meetings. Most recently, during the 2021 Annual Meetings, Bank staff used the opportunity to provide a preview of the main findings of the Retrospective in a session titled "The World Bank's Development Policy Financing: Implications for a Just, Green and Feminist Recovery".

The civil society comments during this engagement period centered around a range of issues. Comments focused heavily on country experience and thematic issues. These included country ownership of reform programs, the risk of unintended impacts of DPFs, role of private sector, DPFs role in thematic areas such as labor equality and workers' rights, in-country consultation and disclosure issues on DPFs, length and scope of the Bank's engagement on global development policy (including the DPF retrospective), and environment and social risk management in DPFs. In addition, some global and country based CSOs have been raising concerns about the role of DPFs in the context of countries that continue to finance fossil fuels. This came up during the DPF Retrospective engagement as well. CSOs raised concerns about DPF support for reforms of the energy sectors in some countries, ahead of these sectors' committing to fully phase out coal and/or for countries using natural gas as a transition fuel.

Comments received from thinktanks focused on the role of DPF in crisis response, its use for the transition to green sustainable economy, as well as debt transparency and debt sustainability issues.

The substantive input received during the engagement period triggered several enhancements of the DPF Retrospective report. The section on Poverty, Social, Environmental, Forest and Natural Resource aspects was added, drawing on the revised guidance on Environmental, Forest and Natural Resource Aspects and emphasized consultations and access to information. The recommendations on the impact of climate change on the macroeconomic framework have also been enhanced. Responding to demand for greater consultations and transparency, practices related to country-level DPF consultations and disclosure are also being reinforced, for example in the updated guidance on environmental, forest and natural resources aspects of DPFs.

CHAPTER 1

DPF EVOLUTION, TRENDS AND PERFORMANCE

The Bank has periodically conducted reviews of DPFs – one of its three key financing instruments that assist countries in meeting their development goals. Since the introduction of the instrument with Bank Policy on Development Financing (former OP.8.60) in 2004, the Bank has provided more than 1,000 DPFs (and more than 30 supplemental operations} which represent $209 billion in lending commitments. In addition to periodic Retrospectives, there have been several reviews of the experience with DPF by the Independent Evaluation Group (IEG), independent researchers, and civil society organizations. The most recent DPF Retrospective, completed in 2015, provided a detailed set of recommendations to enhance the tool, including steps to improve project preparation, and strengthen the assessment of poverty, environmental and social impacts of DPFs and operational risk assessment. Like previous Retrospectives, the 2021 Retrospective follows a methodology which draws from publicly available information (Box 1.1).

This chapter describes the recent evolution of DPFs and analyzes their performance. It discusses the value-added of DPF, including for promoting sustained policy dialogue, introducing innovations (GBV, Climate action, digital technology); coordinating among development partners and crowding in other funding, and complementing upstream IFC engagement. The chapter includes a review of: (i) recent trends in the number, size, distribution, and focus areas of DPFs; (ii) the use of analytical work in designing prior actions; and (iii) the assessment of risks; and (iii) DPF performance. Annex 1 presents an update of how recommendations of the 2015 DPF Retrospective were implemented.

BOX 1.1.

DPF Retrospective Methodology

The Retrospective uses a methodology which involves a set of common questions applied throughout the Report, and the use of quantitative and qualitative data and information publicly available. The following questions are discussed in the report:

- What have been key characteristics of DPFs over the Retrospective period, including recent trends in the number, size, distribution across regions and themes, and country characteristics?
- How well have DPOs performed and supported the achievement of objectives and results?
- Which analytical underpinnings, collaboration and partnerships have supported DPF dialogue?
- What are the lessons learned and recommendations that may be formulated to improve the instrument?

To answer these questions, the analytical work underpinning the Retrospective includes a combination of quantitative and qualitative analyses. Data used in the Retrospective comprise (i) a "prior actions" database which contains the universe of all prior actions included in Bank DPOs; (ii) data extracted from IEG's Implementation Completion and Results Reports (ICRs), which evaluate DPOs after they are closed and the Bank's ICR is prepared, as well as (iii) data from DPF program documents, which help understand the analytical underpinnings and rationale for the policy matrices used in various DPOs. Beyond these standard sources, each chapter use a specific classification to support its analysis. For example, the chapter on DPF trends includes descriptive statistics of the prior actions approved during the review period. This includes a breakdown of prior actions by client segment, region, and by economic and sector codes. Key descriptive statistics of: (i) DPO distribution over time and space, performance (at the operation level), as per the ICR and IEG evaluations, broken down by client segment, regions or specific lending groups or country characteristics; and (ii) qualitative case studies of results achieved by DPF in a select number of thematic areas and/or countries are presented. Chapter 2 tags crisis response operations according to information in program documents (and in some cases follow up with DPF teams) that clarified that the operation was prepared to respond to one of the 5 crises examined in the chapter. Chapter 3 uses typologies according to DPF focus on respectively fiscal and debt reforms, business enabling environment reforms, gender, and climate change.

Beyond the standard analysis, the Retrospective draws on recent empirical analysis of the medium-term impact of DPF on economic policymaking. Whereas the short-term impact of specific DPFs is well assessed by Implementation Completion Reviews, the medium-term impact from two to five years is more elusive because it involves the ripple effect of indirect impacts as well as direct impacts. Recent work in this area includes Smets and Knack (2016) and Moll and Smets (2018). These studies assess the impact of DPF prior actions on a measure of economic policy (Clusters A and B of the CPIA). Both studies find that development policy financing has a positive effect on the quality of government economic policy. An IEG study examined the impact of Initial macroeconomic conditions, economic performance during program implementation, and external shocks on success at achieving DPF results (IEG 2018). The Retrospective draws on this, and other relevant studies to inform its findings.

Recent Trends in the Number, Size, Distribution, and Focus Areas of DPFs

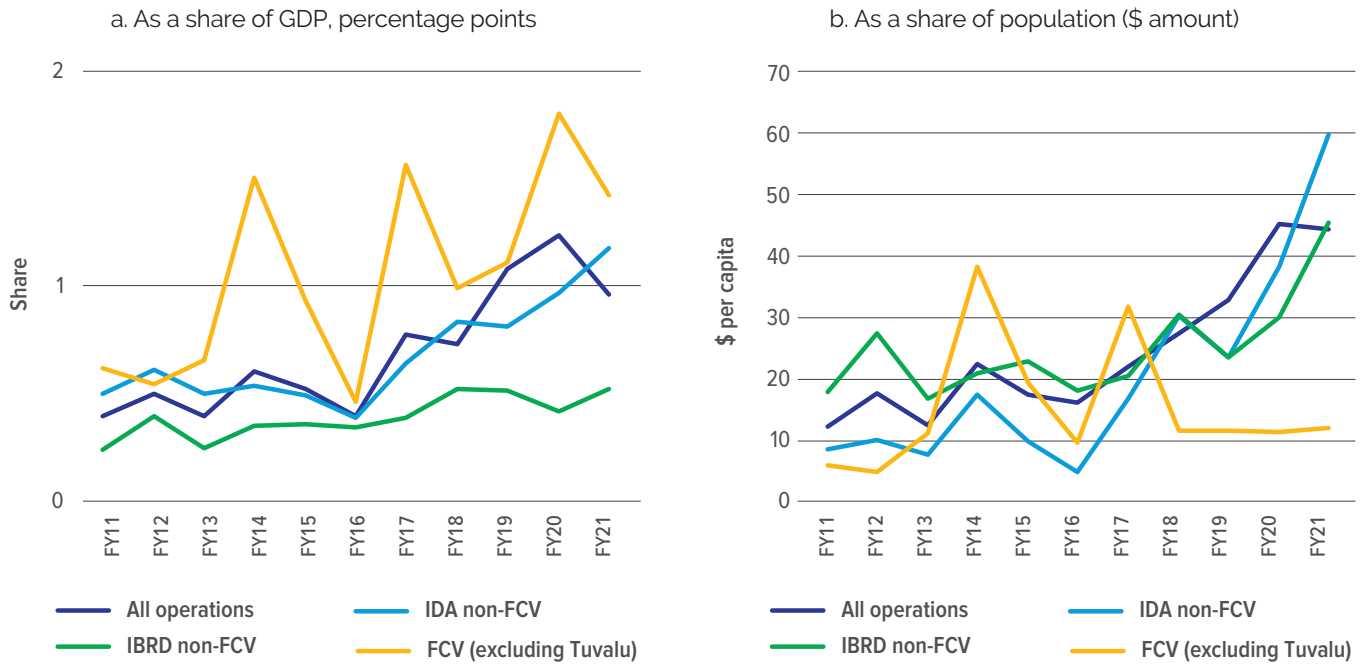
Since their introduction in 2004, DPFs have emerged as a robust and effective instrument for World Bank lending. Implemented across diverse regions and targeting an expanding range of policy areas, DPFs have proven to be sufficiently flexible to accommodate the unique features of each country context while maintaining a high degree of procedural rigor that ensures operational coherence and consistency. DPFs are an important financing instrument for the Bank's clients, and both the number of DPF operations and the total amount of committed resources continue to rise.

DPF financing commitments increased substantially between FY16 and FY21, the timeframe of this DPF Retrospective. Commitments accelerated in response to the COVID-19 pandemic and are approaching levels that prevailed during the global financial crisis. Between FY16 and FY21, the Board approved 328 DPFs[6] (an average of 55 per year), representing a total commitment of $81 billion (an average of $13.5 billion per year). The average annual *commitments* rose from $10.8 billion to $13.5 billion over the period. The World Bank's response to the COVID-19 pandemic drove a sharp increase in DPFs in the second half of FY20. Seventy-three new DPFs were provided in the second half of FY20, along with nine supplemental operations, which pushed total FY20 commitments to $17 billion, far above the Retrospective period average. In FY21, 65 DPFs and one supplemental were committed, for a total of $18 billion.

In addition, the average relative size of DPFs has increase over time and across countries. Figure 1.1 reports the evolution of the size of DPFs relative to the size of the country measured by its GDP or its population. The relative size of DPF operations has increased across the board in IDA, IBRD, and FCV countries expressed as a share of recipient country GDP and in per capita terms.

Due to their larger average size, IBRD countries absorbed the largest share of DPF resources, but IDA countries received more DPFs in recent years. Since FY11, IBRD countries received 74 percent of DPF commitments on average, and DPFs represented 38 percent of total World Bank financing to IBRD countries, versus just 14 percent of funding to IDA countries. In April 2018, IBRD

FIGURE 1.1
Size of DPF commitments



6 Supplemental operations are not included in this figure.

resources were increased following a capital increase and supported by a change in pricing according to the level per capita income.[7] The number of DPFs was similar across country groups (294 for IBRD and 336 for IDA), but operations in IBRD countries were larger, averaging $332 million during FY11-21, compared to just $98 million in IDA countries. The share of IDA countries in total DPF financing rose during the Retrospective period from 24 percent in FY16 to 62 percent in FY21, even as the share by number of operations remained broadly equal between the two groups. The increasing availability of IDA resources supported the increase in DPF commitments. [8]

BOX 1.2

What drives the size of DPFs?

Bank policy on DPF states that "the Bank extends a DPF only when the overall program is adequately funded, considering both domestic and external sources of finance. The size of each DPF is determined individually on the basis of the member country's circumstances, including the overall projected financing requirements at the time of the operation, the availability of alternative financing, debt sustainability, creditworthiness and IBRD exposure (for IBRD borrowers) or relative claim on available concessional resources (for IDA countries)."

In practice, country size measured by GDP is an important correlate of the size of DPFs, as illustrated by Figure 1 below. Financing requirement, measures by existing financing gaps and the presence of other sources of financing, are also important factors. Finally, the strength of the overall operation, including the macroeconomic policy framework and program of reforms are also important factors

FIGURE 1.

DPF commitments and GDP (US$ million)

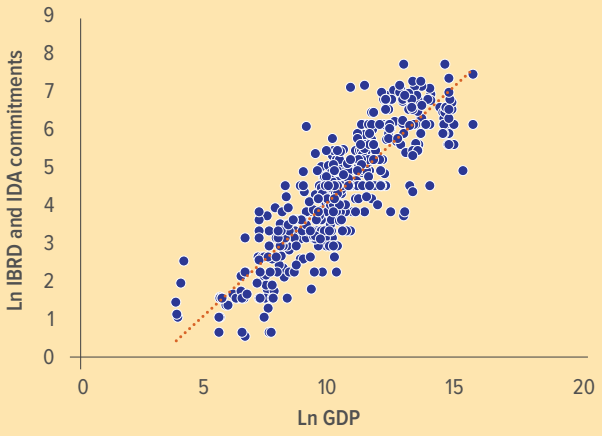
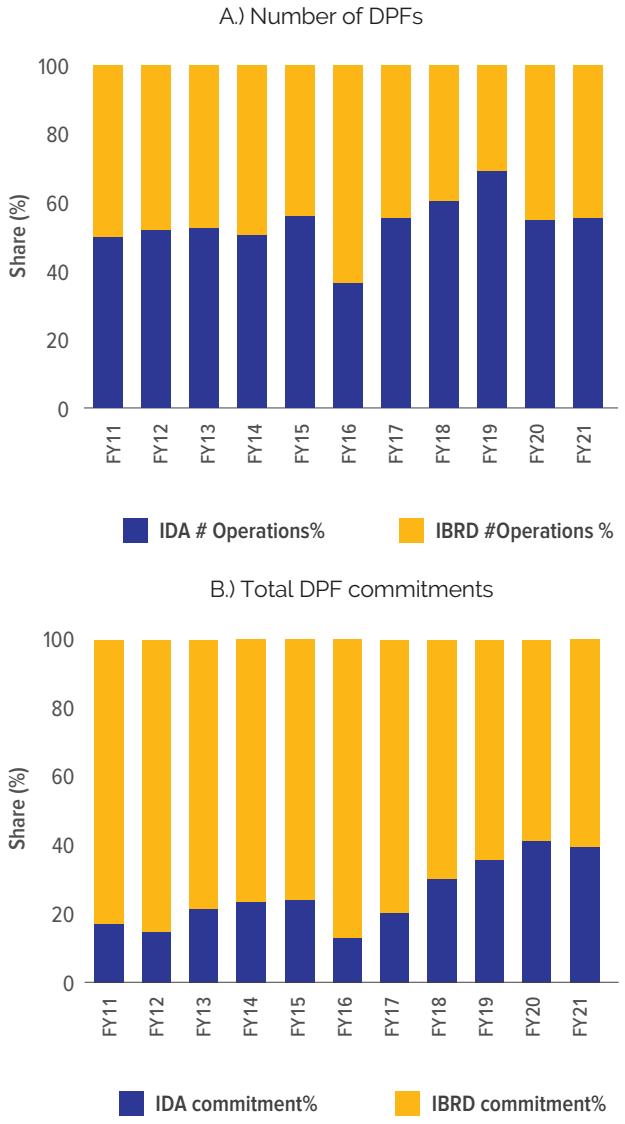


FIGURE 1.2.

DPF Operations in IDA and IBRD Number of Operations and Total Commitments



7 https://www.worldbank.org/en/news/press-release/2018/07/13/changes-in-ibrd-loan-pricing-effective-july-1-2018. In addition, in June 2020, in response to the COVID-19 crisis, IBRD activated the crisis buffer, and applied regular IBRD pricing for all operations that used the crisis buffer. The average maturity for all fast-disbursing IBRD operations (including DPFs) was limited to 8 years, though it subsequently increased to 12 years in February 2021.Small states were exempted from the 12 year maturity in June 2021

8 IDA replenishments rose from an average of $50.6 billion for IDA16 and IDA17 to an average of $78.5 billion for IDA18 and IDA19—a 55 percent increase.

DPFs continued to complement PforRs and IPFs in the Bank's lending instruments toolkit. The choice of each instrument is in part a function of client preference and choice, as well as the need to address a specific problem. For example, if the binding constraint is a policy related one, then a DPF is an appropriate choice. IPFs continued to account for the largest share of World Bank commitments (Figures 1.2. and 1.3), while PforR were more prevalent in lower-middle income countries (LMICs). More than 50 percent of PforRs were done in LMICs compared to 40 percent in DPFs. DPF facilitated ongoing PforR and investment projects operations. For instance, Bangladesh Programmatic Jobs Development Policy Credit series is part of a comprehensive WBG approach to addressing jobs challenges in Bangladesh, organized under the 'Jobs Platform' program. Within this program, the Jobs DPC acts as the policy channel, aligned closely with technical assistance and investment activities. Also, in Serbia, two series of DPF helped the government address a challenging set of public sector efficiency, SOE and public utility reforms – the SOE reform series and the Public Expenditure and Public Utilities (PEPU) series. The two DPF series were complementary and part of a harmonized suite of interventions, including a public administration PforR and jobs and competitiveness IPF, along with analytical work such as Public Finance Review.

DPFs to AFR increased sharply over the Retrospective period. Africa, Latin America and the Caribbean and Middle East and North Africa received about two-thirds of all DPF commitments during the Retrospective period, with each region receiving over 17 percent of total commitments. The share of African countries in DPF resources has risen since the FY11-FY15 period, in line with the increased participation of IDA countries in DPF operations. Annual DPF IDA commitments increased from $5 billion on average in FY11-FY15 to $20 billion in FY16-FY20, as more DPF resources flowed to African countries. DPF commitments in East Asia and the Pacific (EAP) and Europe and Central Asia (ECA) remained broadly constant in nominal terms but shrank substantially in percentage terms due to the increase in total commitments; these regions also received a larger share of IBRD commitments.

The Bank significantly increased DPFs to FCV countries.[9] As more IDA resources became available, the World Bank Group scaled up commitments to FCV affected countries under IDA18 and IDA19. IDA19 included a US$18.7 billion FCV envelope, up sharply from $7.2 billion in IDA17. IDA was responsible for 61 percent ($4.38 billion) of FCV commitments, while IBRD represented 37.1 percent ($2.67 billion), and trust funds accounted for the remaining 1.8 percent. The size of DPFs in FCV countries increased significantly over the Retrospective period. The average DPF commitment to FCV countries (excluding Iraq and Sudan) rose from $35 million between FY11-15 to $80 million during the Retrospective period. In FY21, IDA DPFs to FCV countries averaged $100 million, reflecting the need for exceptional support. Eight countries dominated the

TABLE 1.1.

Development Policy Financing, Commitments, $ billion, FY11-21

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY16-21
IDA												
Number of DPOs	34	28	32	29	32	16	29	23	37	40	36	181
Commitments ($bn)	2	2	2	2	3	2	2	2	5	7	7	25
IBRD												
Number of DPOs	35	28	30	28	26	29	23	16	17	33	29	147
Commitments ($bn)	10	11	7	8	7	13	8	5	9	10	11	56
Total												
Number of DPOs	69	56	62	57	58	45	52	39	54	73	65	328
Commitments ($bn)	12	12	9	10	10	15	10	7	14	17	18	81
Supplemental												
Number of Supplemental	1	1	0	1	0	2	2	2	0	9	1	16
Commitments ($bn)	0.0	0.0	0.0	0.5	0.0	0.0	0.1	0.0	0.0	1.1	0.1	1.3

9 A DPO was tagged as an "FCV DPO" if the country belonged to the list of FCV countries in the year when the DPF was approved.

FIGURE 1.3
Trends in Lending Commitments, FY11-21

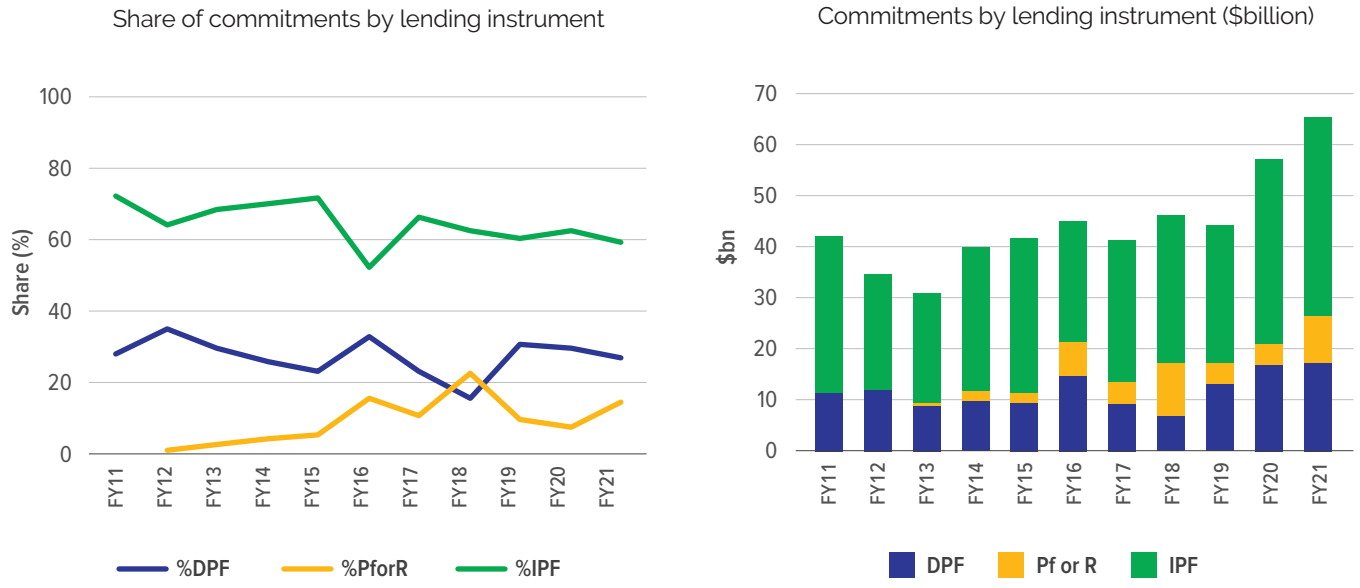
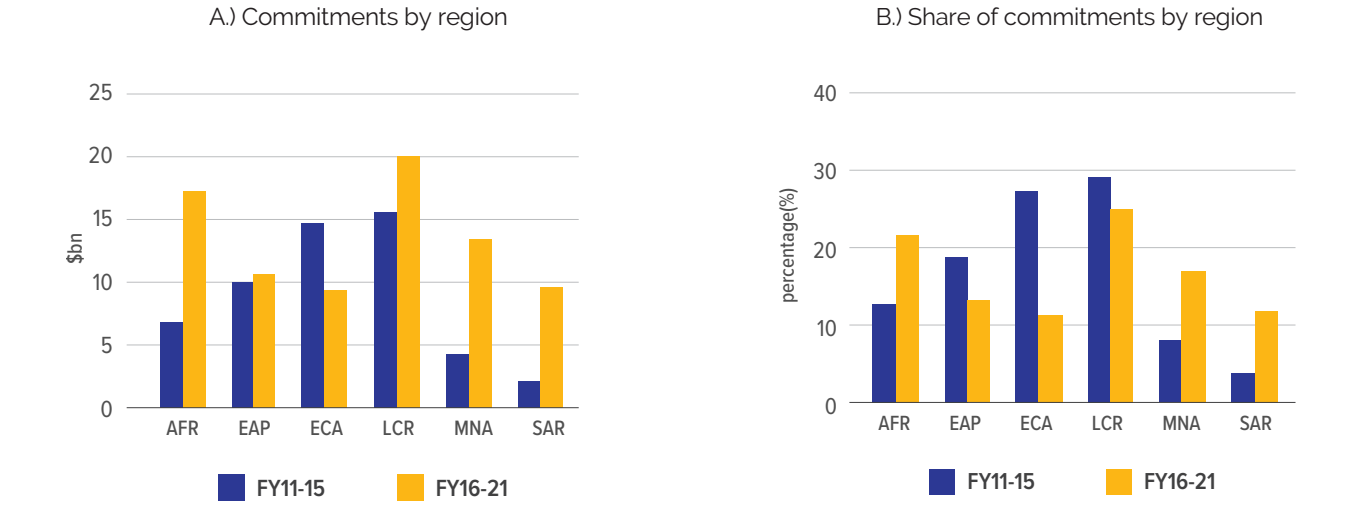


FIGURE 1.4
The Distribution of DPF Commitments across Regions



overall FCV DPF portfolio of $9.1 billion: Iraq (39 percent), Sudan (15 percent), Afghanistan (8 percent), Niger (7 percent), Somalia (5 percent), Mali (5 percent), Côte d'Ivoire (4 percent), and Chad (4 percent).

DPF in FCV countries illustrate the relevance of the instrument in heterogeneous contexts and highlight the need for a nuanced approach to DPF in these countries. The WBG FCV Strategy 2020–2025 recognizes the diversity of diverse challenges across the FCV spectrum. While these are often more longstanding and acute than in low-income and lower-middle income countries (LICs and LMICs), the strategy guides WBG engagement in all countries facing FCV challenges, including those at higher income levels that are affected by high levels of violence, forced displacement shocks, and subnational conflict. For DPFs, that meant engaging in very different contexts and across groups of income, for example Iraq. In addition, policy reversals have often been a challenge,

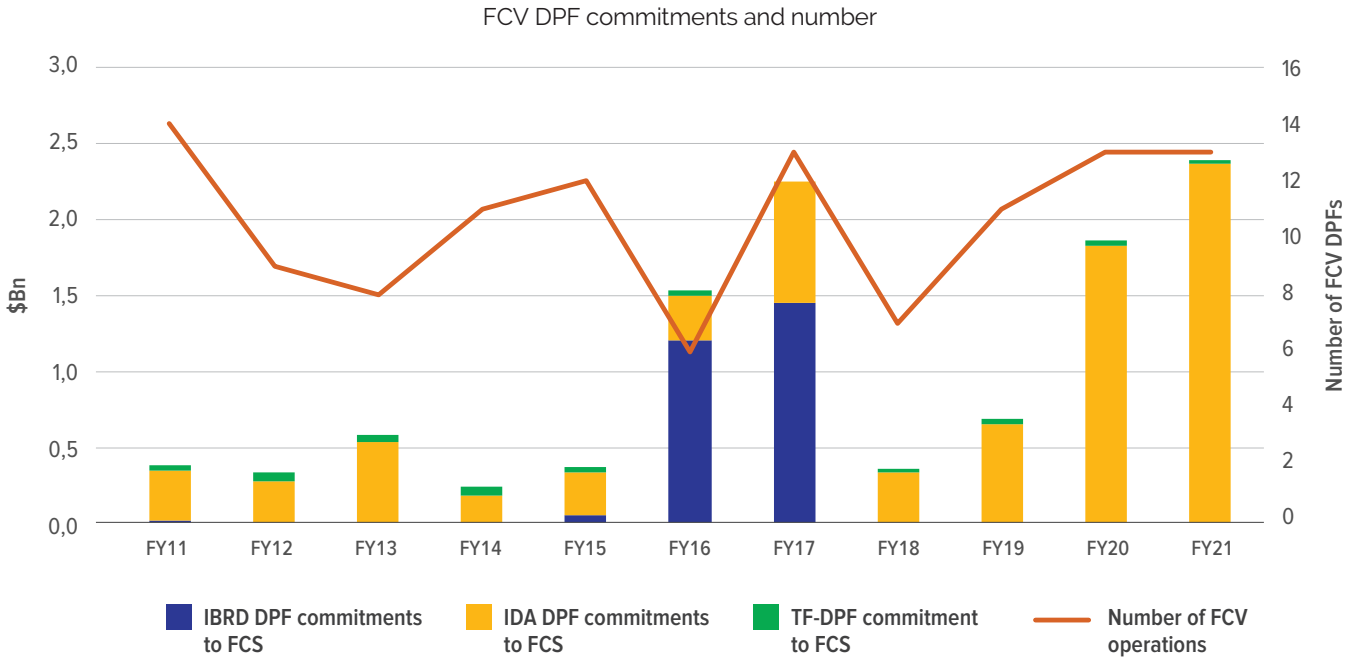
compounded by a worsening policy environment in countries with regular cycles of DPFs during the FY16-21 period. For instance, in Liberia, DPFs supported the wage bill reform and helped temporarily increase transparency and better public expenditure planning and control through an Integrated Financial Management Information System (IFMIS). However, due to political interference and entrenched interests, the merging of allowance and base pay scale occurred unfortunately only for 4.2 percent of civil servants, reflecting a policy reversal. The problem of politically determined allowances continued even at the lower levels of the civil service. In Iraq, the second DPF of the programmatic series was stopped, because the government weakened some reforms and with the increase in oil prices was able to close its financing gap. DPFs can work in high-risk FCV environment when government are motivated by fiscal stress. However, sustainability of results could reduce once the fiscal stress is removed.

The range of DPF between stand-alone, programmatic, supplemental and policy-based guarantee operations varied over time. The share of programmatic DPFs in total commitments averaged about 59 percent during the Retrospective period. This likely reflected sustained support for reforms in particular areas. Standalone DPFs were especially common in countries that were reengaging with the Bank or facing an economic crisis, though, in a few cases, they supported longer-term reforms. Supplemental DPFs increased in FY20 as a response to the pandemic crisis (Figure 1.5). Policy-based guarantee DPFs (PBGs) remained relatively marginal. Since FY16 only five PBGs have been approved in Benin, Montenegro (2 PBGs), Pakistan, and Ukraine with a total commitment of $1.5Bn.

The demand for programmatic DPFs to support longer-term structural reforms steadily increased, though there were many cases where standalone DPFs were more relevant. World Bank support to Africa and East Asia relied heavily on programmatic DPFs. Standalone operations were often used for shorter-term reforms, where uncertainty might be higher, or in time of crisis, for rapid disbursement and results. These operations also tend to be used more frequently by client countries at higher income levels and looking to implement more advanced reforms. For example, a November 2020 Environmental Sustainability and Urban Resilience DPF for Mexico (P174000) included innovative reforms on air pollution, carbon trading and urban forest conservation, while supporting the country's financing needs in the wake of the COVID-19 pandemic.

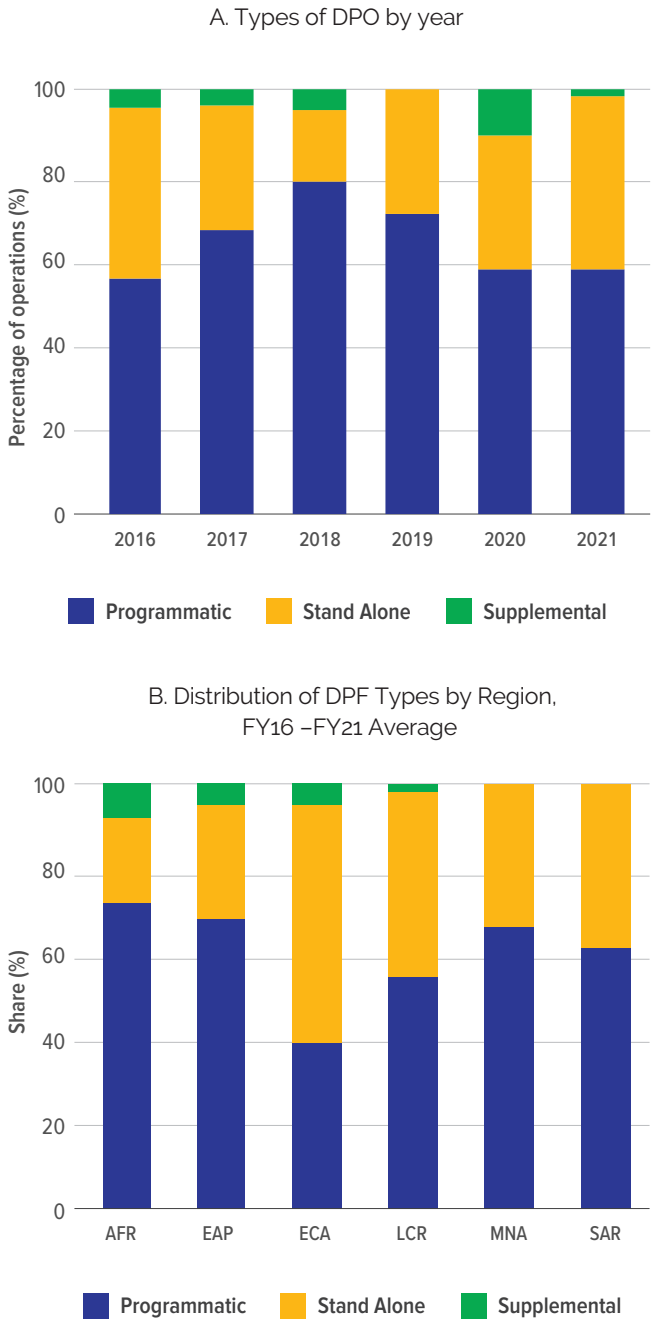
Subnational DPF operations increased in both number and amount, driven by jurisdictions in large federal countries

FIGURE 1.5.
Total DPF Commitments to FCV Countries



*FY16 and FY17 IBRD FCS DPFs correspond to Iraq DPFs of $1.2 bn and $1.4Bn respectively.

FIGURE 1.6.
Types of DPF Operations



Note: Guarantees counted as standalone operations. It does not include DPFs only financed by Trust Funds.

implementing fiscal and public financial management reforms. The Board approved 13 subnational DPFs during the Retrospective period representing a total commitment of $2.4 billion, down from 22 operations totaling $7.2 billion during FY11-FY15. This included five subnational operations in India, and four in Brazil. China and Vietnam also received two subnational DPFs each during the period. Reforms supported by subnational DPFs focused on fiscal policy and public financial management; some addressed human development and gender issues. For example, the Vietnam Ho Chi Minh City Development Policy Operation programmatic series (P160480 & P171216) included substantive urban development reforms such as adjustment of water tariffs, on-line disclosure of city zoning plans, and revamping of fare collection for public transport.

The Evolution of DPFs by Theme and Sector

Prior actions diversified steadily away from public sector management related actions, as finance, environmental policy, and other thematic areas became increasingly important. The share of prior actions supporting public sector management reforms fell from about 39 percent from FY11-15 to 26 percent over the Retrospective period (Figure 1.6 and Figure 1.7). Reforms covered under the public sector management theme included public expenditure management; domestic revenue administration, debt management, and transparency, accountability, and good governance.[10] Reforms targeting environmental and natural resource management became increasingly prominent, accounting for 17 percent of all prior actions over the Retrospective period, with more than half these focused on energy policy. The share of financial sector related prior actions also increased, representing 13 percent of all prior actions over the Retrospective period, with 39 percent focused on financial sector oversight, banking regulation, and restructuring. Similarly, with respect to sectors, while most prior actions continue to focus on public administration, DPFs increasingly supported reforms in sectors such as energy, and industry, trade, and services (Figure 1. 8 and Figure 1.9). The sectoral distribution of prior actions changed over time to reflect the prevailing conditions in the global economy, with especially significant shifts observed during crises. For instance, the number of prior actions targeting social protection and development (encompassing social inclusion; social protection; and fragility, conflict and violence) spiked during the COVID-19 pandemic. DPFs also became increasingly multi-sectoral in nature and operations engaged Bank teams across various disciplines and Global Practices (GPs).

DPF were also instrumental in introducing innovations in new areas of policy engagement. This was the case for example in

10 For a detailed analysis of reforms related to fiscal and debt sustainability, please refer to Chapter 3 below.

FIGURE 1.7

Distribution of Prior Actions by Thematic Area and Period

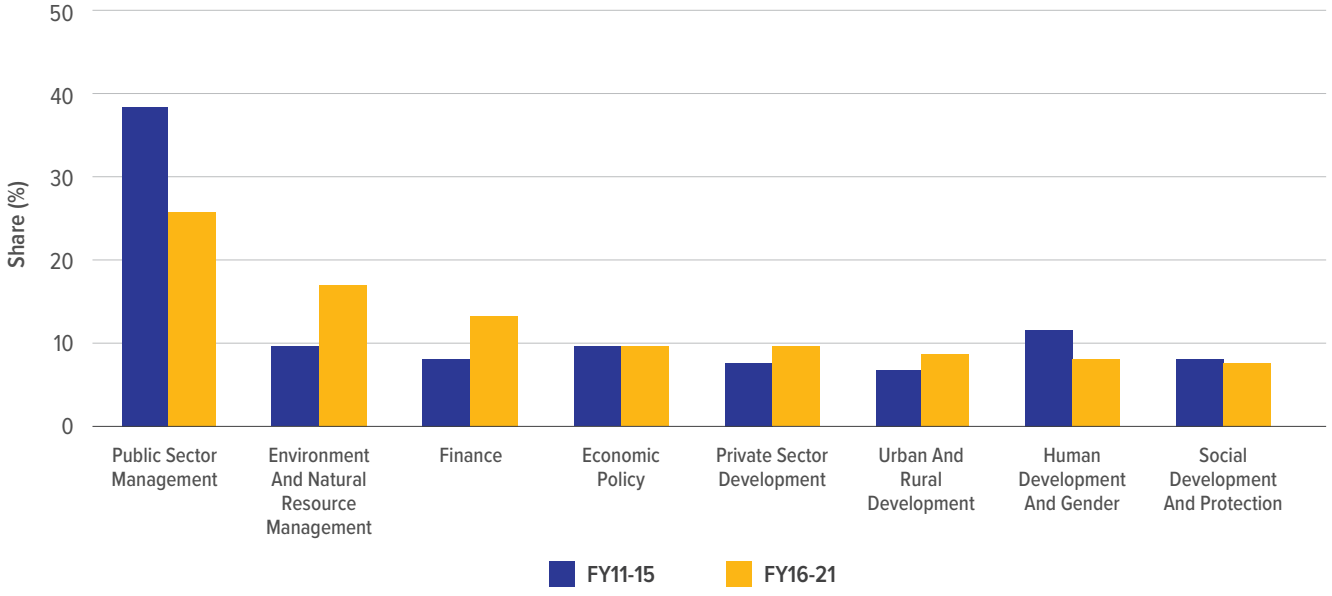


FIGURE 1.8

Number of Prior Actions by Thematic Area, FY11-FY21

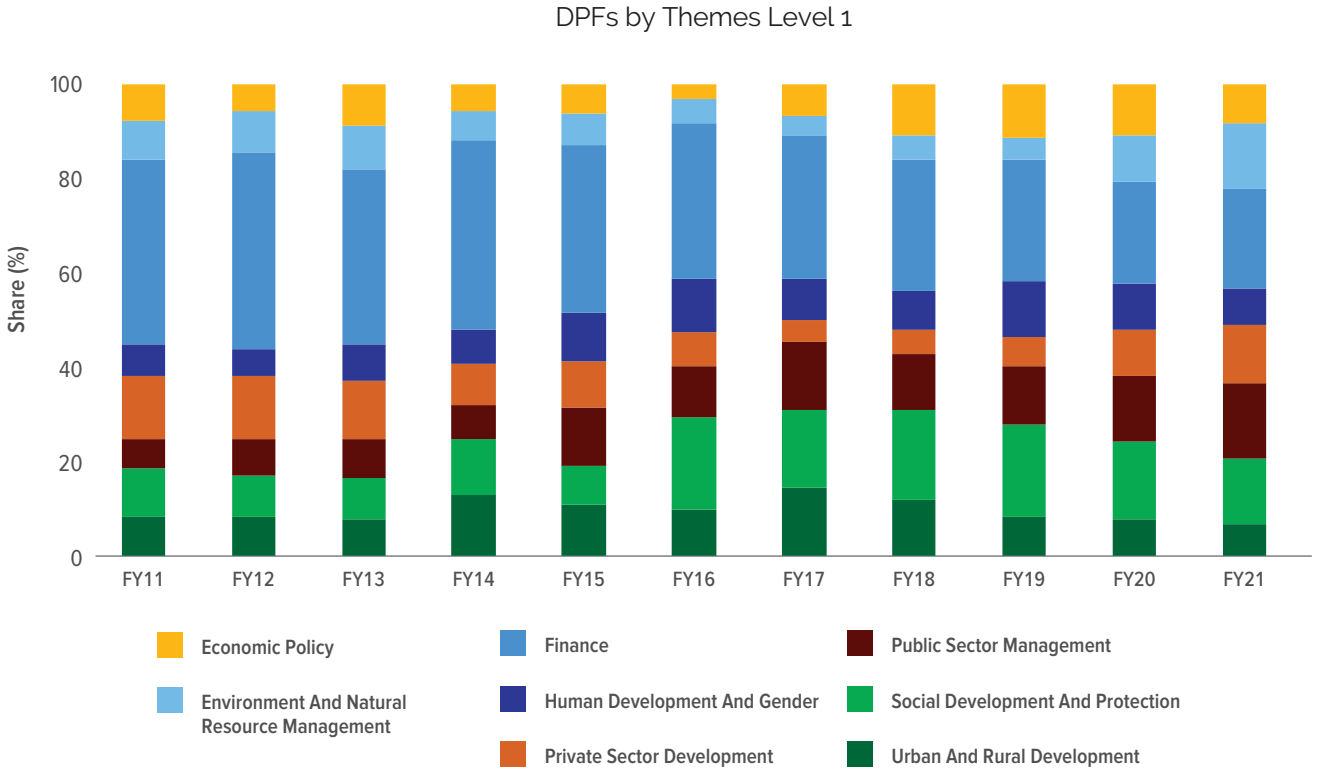


FIGURE 1.9

Share of Prior Actions by Sector, FY11-FY21

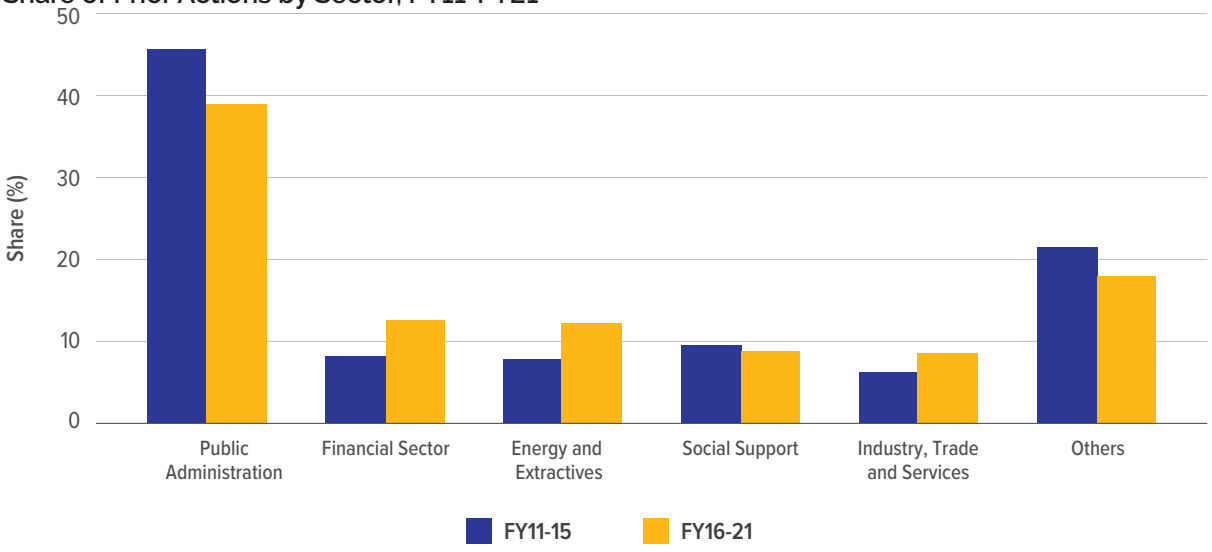
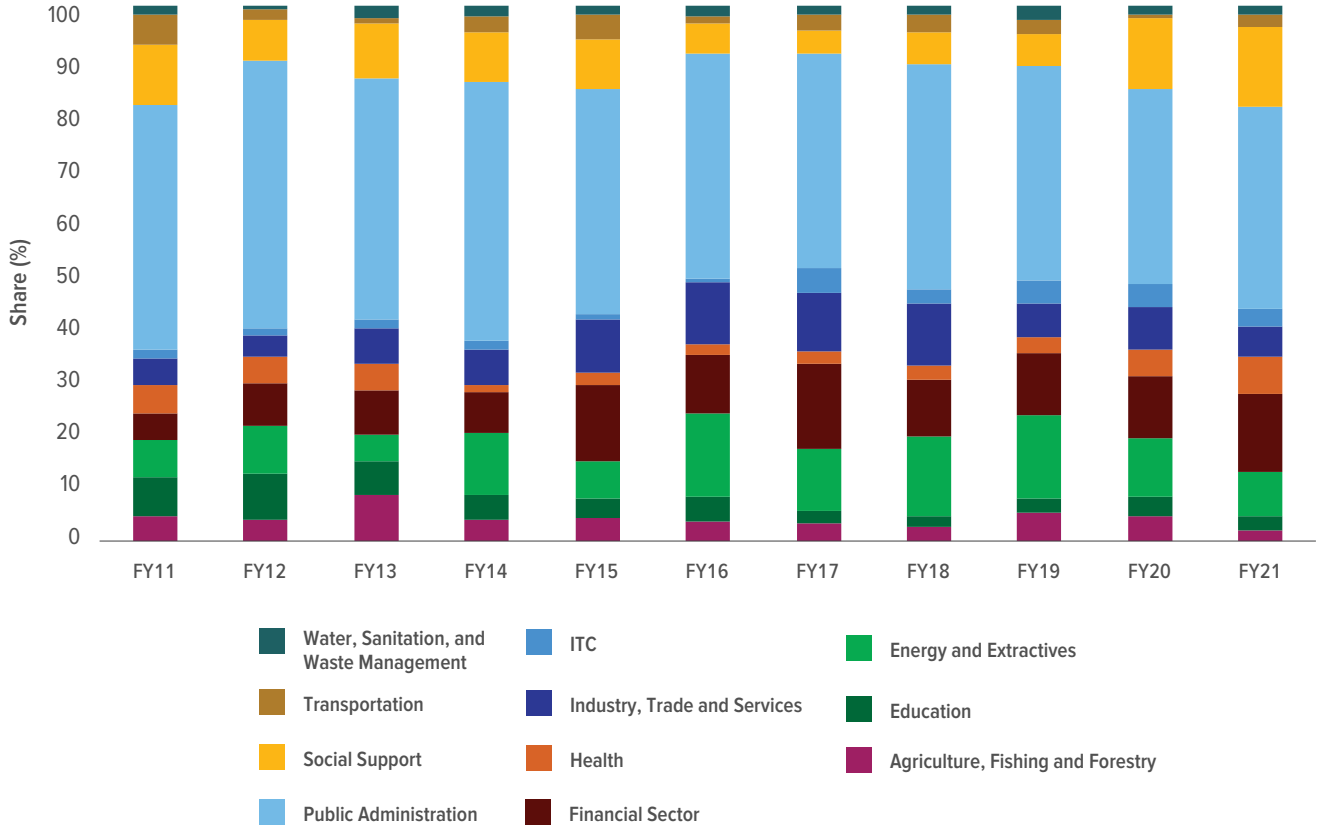


FIGURE 1.10

Evolution of Prior Actions by Sector, FY11-FY21



GBV where policy dialogue backed by analytical evidence allowed reform advances (cf. Chapter 3). It was also the case for climate action, with increased attention to mitigation and adaptation co-benefits (cf. Chapter 3). Finally, another example was digital technology reforms, allowing to leapfrog, to some extent, costly infrastructure for accessing financial services and social protection programs for remote communities. For example, the Morocco Financial Inclusion and Digital Economy DPF (P168587, 2019) aimed to foster financial inclusion and contribute to digital transformation for individuals, enterprises, and entrepreneurs. It resulted in enhanced financial access by households, with a focus on female beneficiaries, expanded broadband penetration and internet access, expanded health insurance, as well as increased mobile-wallets.

ANALYTICAL UNDERPINNINGS

Strong analytical underpinnings helped inform DPF priorities, contribute to sustained policy dialogue, and facilitate the implementation of complex reforms. As the Bank's Strategic Framework for Knowledge emphasizes, the World Bank has a unique comparative advantage in building synergies between knowledge and financing operations.[11] This is particularly true of DPFs, which are based on substantive and wide-ranging analytical work, which enables the selection and prioritization of reform areas and the definition of prior actions (Box 1.3). In addition to the country-specific analytical work that supports each operation, international good practices and lessons learned from previous operations in other countries are regularly integrated into the design of new DPFs. In addition, ongoing technical assistance, complementary investment projects, and the creation of new knowledge products further enhance the overall impact of DPFs.

COORDINATION, COLLABORATION, AND CROWDING IN DEVELOPMENT FINANCE

Coordinated support between the World Bank Group with the IMF in particular, and other development partners in general, helped support reform implementation. Multilateral Development Banks (MDBs) have often closely coordinated the provision of budget support (Box 1.4).[12] Dialogue on budget support is client-led, and MDBs often coordinate policy actions, results indicators, and relevant technical assistance in budget support operations, to ensure complementarity and reflect their areas of involvement and comparative advantage. The Bank invites IMF inputs to prepare the assessment of macroeconomic adequacy, which is a core component of DPF preparation. During the Retrospective period,

BOX 1.3

The Analytical Underpinnings of DPFs

Honduras First Fiscal Sustainability and Enhanced Competitiveness DPF (P155920)

High poverty rates in Honduras are driven by high levels of crime and migration, combined with weaknesses in public-sector management and fiscal policies that are not consistent with competitiveness and growth. In this context, analytical and advisory activities complemented DPF-supported reforms to fiscal, energy, and social policy, as well as debt management, competition, and trade facilitation. The program was informed by the 2015 Systematic Country Diagnostic, the 2015 Honduras Economic DNA, a 2014 study of Honduras's balance of payments, and a 2015 assessment of social spending in Central America. These analyses underpinned policy actions designed to shore up fiscal sustainability, as a result of which the National Electricity Company's financial deficit fell by 30 percent; 96 percent of public debt issuances are now conducted using competitive auction mechanisms; 60 percent of public-sector workers have had their institutional functions reviewed; and the number of schoolchildren in extremely poor households receiving cash transfers is expected to rise by 60 percent.

Rwanda Social Protection System Support DPF (P151279)

In just six years, World Bank DPF support and collaboration from other development partners have enabled Rwanda to establish a social protection system that effectively reduces poverty and is reaching a growing number of poor and vulnerable families. The DPF-supported reforms drew on extensive analytical work by the World Bank, including a 2012 Rwanda Safety Network Assessment, a 2012 Poverty Assessment, a 2014 impact evaluation of the Vision Umurenge Program, and the World Bank's 2012-2022 Africa Social Protection Strategy, as well as national sources such as the 2012 Social Protection National Harmonization Policy and the 2014 Ubudehe Review of Categories and the Categorization Process. These analyses underpinned policy actions that strengthened the social protection system by ensuring that 90 percent of adults over 16 in the social registry are matched to a national ID; 98.6 percent of targeted local government staff have been trained on social protection program eligibility; 85 percent of districts review their social protection budget during accountability-day events, and a comprehensive social protection information system has been established to improve program delivery.

11 "Realizing the World Bank Group's Knowledge Potential for Effective Development Solutions: A Strategic Framework", World Bank 2021

12 In 2017, the G20 International Financial Architecture (IFA) Working Group developed the G20 Principles for effective coordination between the IMF and MDBs in case of countries requesting financing while facing macroeconomic vulnerabilities (the G20 Principles).

BOX 1.4

Complementarity between DPFs and Support from the IMF and Other Partners

Serbia Second Programmatic SOE Reform DPL (P149750, Approved Oct 2016, Closed December 2017), $100 million, IBRD

This operation was designed to scale back the government's participation in economic activity, enhance SOE performance, improve governance and accountability, and mitigate the short-term social and labor impacts of SOE restructuring. The World Bank collaborated closely with the IMF through regular exchange of information and participation in joint meetings with technical counterparts. The IMF program was prepared at the same time as the programmatic series and included a strong focus on SOE reform, which reinforced the World Bank's efforts. The team also held consultations with stakeholders, including unions, business associations, and non-government organizations. The series supported reforms that provided support to retrenched workers, unlocked the privatization process, introduced international standards for financial reporting and audit, strengthened public oversight of the audit profession, and required SOEs to publish their audited financial statements.

Senegal Third Multi-Sectoral Structural Reforms DPF (P170366, Approved December 2019, Closing June 2021), $180 million, IDA

This program focused on advancing structural reforms in the energy and ICT sectors while developing the digital economy, easing fiscal pressure, safeguarding economic growth and promoting economic inclusion. Regular discussions with IFC industry specialists allowed for the integration of private-sector perspectives and the IFC's global experience into the policy dialogue. The World Bank and IFC teams jointly prepared policy notes on reforms in the ICT sector and a Digital Country Private Sector Diagnostic. The World Bank also collaborated with key bilateral and multilateral development agencies, including the Millennium Challenge Corporation (MCC), the EU, the African Development Bank (AfDB), and the German Development Bank (KfW). The MCC supported reforms in the energy sector. A draft universal ICT service strategy and national broadband plan, financed by the AfDB, informed the selection of ICT reforms. Close collaboration contributed to the success of reforms related to the digital economy, and the DPF leveraged complementarities with a concurrent EU budget-support operation.

33 percent of countries that received DPFs also received IMF support (program or RCF based) in the same approval fiscal year. This coordination intensified during the COVID-19 pandemic response (see Chapter 2).

The Bank collaborated well with the IMF, especially in situations related to crisis response. For example, the two institutions worked closely, and in collaboration with other partners such as the African Development Bank and the Agence Française de Development (AFD), to support the countries of the Central African Monetary Union (CEMAC), after the 2015 oil price shock. A coordinated regional strategy helped avert a reserves and exchange rate crisis in the short term, and support broader structural reforms related to domestic revenue mobilization, public investment management, social protection and economic diversification. Together, the institutions supported critical initiatives such as debt restructuring in the Republic of Congo and oil revenue transparency in Chad. In Serbia, the IMF program was prepared alongside a DPF series and included a strong focus on the restructuring of state-owned enterprises (SOEs).

DPF also complemented upstream IFC engagement and crowded in additional funding. Regular discussions between the World Bank team and IFC specialists strengthened client engagement and enabled the integration of private-sector perspectives and global experience into the policy dialogue. This was evident in the preparation of DPFs in Cote d'Ivoire, where reforms to promote renewable energy were supported by an IFC Project.[13] Also, DPF often catalyzed additional funding from public bilateral and multilateral sources through parallel financing. Policy-based guarantees helped crowd in private finance. For example, Montenegro first fiscal and financial sector resilience policy-based guarantee of Euro 80 million was used to raise euro 250 million of Bank syndicated loans to manage financing needs.

Addressing poverty and social, environment, forests and other natural resources aspects

Good progress has been made to improve the implementations of the provisions of DPF Bank Policy to ensure that poverty, social and environmental aspects in DPFs are adequately addressed, responding to the recommendations of the 2015 Retrospective and feedback received during consultations of this Retrospective.[14] *First*, Bank DPF Policy requires to assess whether prior actions in DPOs are likely to have significant poverty and social effects, especially on poor and vulnerable groups. Likewise,

13 The three operations of the Programmatic DPF series for Cote d' Ivoire on Fiscal Management, Education, Energy and Cocoa Reforms (FY16–FY19) were informed by an IFC project, Unlocking Private Investment to Achieve Côte d'Ivoire's Renewable Energy Target (IFC60255)

14 The Bank Policy & Procedure Framework Guidance on environmental, forest, and natural resources aspects for Bank DPF policy has been revised to this effect.

the Bank systematically analyzes whether specific country policies supported by the DPF are likely to cause adverse 'significant effects' on the environment, forests and other natural resources, drawing from existing analytical body of knowledge. If there are significant gaps in the existing analytical body of knowledge, an analysis is carried out to fill them early in the preparation stage and before decision Stage. *Second*, the country's systems are assessed to determine whether there are appropriate legal/policy/institutional frameworks and capacity to manage the likely significant effects. *Third,* if there are significant shortcomings in the member country's systems for reducing any significant adverse effects and enhancing positive effects of the program, how these significant gaps or shortcomings will be addressed by the member country is explained before or during program implementation. This is done by including mitigations measures in the DPF program itself, and/or by complementary policies, investments, or technical assistance.

BOX 1.5

Vietnam Climate Change and Green Growth DPF (P171006, FY 2020)

The DPF program development objective (PDO) was to promote: (a) climate resilient management of landscapes; and (b) adoption of cleaner transport and energy systems. Significant adverse unintended potential effects were identified, and mitigated, for example:

Prior Action #4: The Government has: (i) adopted regulations on groundwater protection to prevent saline intrusion and land subsidence and (ii) improved sand mining management and river works planning to protect water sources.

While an overall positive effect was anticipated, particularly on environment protection and human health with restriction of groundwater use in certain (risky) underground areas to protect aquifer, geology, environment, and to prevent groundwater contamination, potential adverse impact was anticipated for business affected by water access restriction (at varying degree) and for local people temporarily affected as they depend on the water services provided by the affected businesses. Measure to mitigate adverse impact included, as part of the government consultation and disclosure, to ensure both affected businesses and water user who are client of affected businesses are consulted appropriately and measures based on consultation with them are in place to avoid/minimize potential adverse impact, including scope of impact, particularly on poor and vulnerable households; identification of alternative clean water source, plan to ensure the water disruption is avoided/minimized, and compensation/assistance provided).

Prior Action #5: The Government has adopted: (i) financial incentives for on-farm irrigation, and advanced and efficient irrigation system; and (ii) guidelines for water service fees for irrigation.

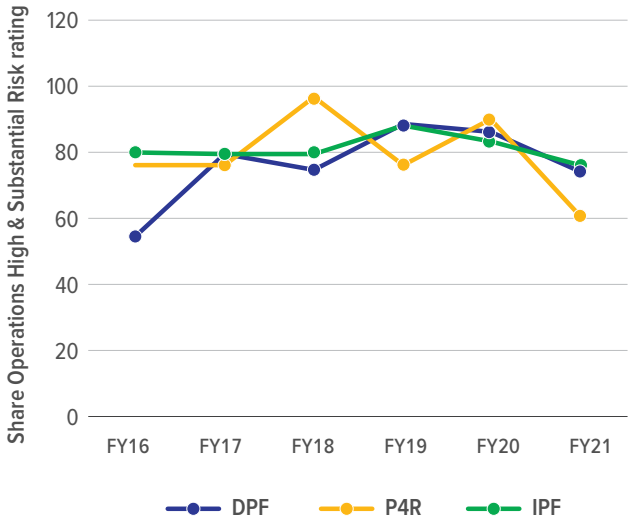
More efficient irrigation will lead to less use of water and reduce the need for fertilizer use. This should result in less eutrophication and a potential to reduce the loss of aquatic biodiversity. However, the application of water harvesting may likely lead to the expansion of upland cropping and hence to increased use of agrochemicals, and effects on natural habitat. The mitigation measures include the provision of government's extension services to guide farmers for proper doses of agrochemical and good practices, and prohibition of illegal deforestation regulated in the Forestry Law

Also, as part of government consultations, key findings of the analysis are disclosed. Bank DPF Policy states that *"Relevant analytic work conducted by the Bank, particularly on poverty and social impacts and on environmental aspects, is made available to the public as part of the consultation process, in accordance with the Bank's Policy on Access to Information."* The public debate about likely significant effects of the proposed reforms helps policymakers and Bank teams to make decisions about the design, sequencing, timing and appropriateness of the proposed reforms, and to better define mitigating or enhancing measures where appropriate. As part of the DPF consultations, key findings of the analysis of significant effects are discussed as part of the country consultation process with relevant stakeholders, between concept and decision stages. The analysis and findings are made available to the public. While the format may vary, the analysis and findings should have sufficient information for stakeholders to understand what specific prior actions are proposed, what positive or negative significant impacts they might have, what mitigation measures would be in place, and what benefits may be received.

Addressing Risks

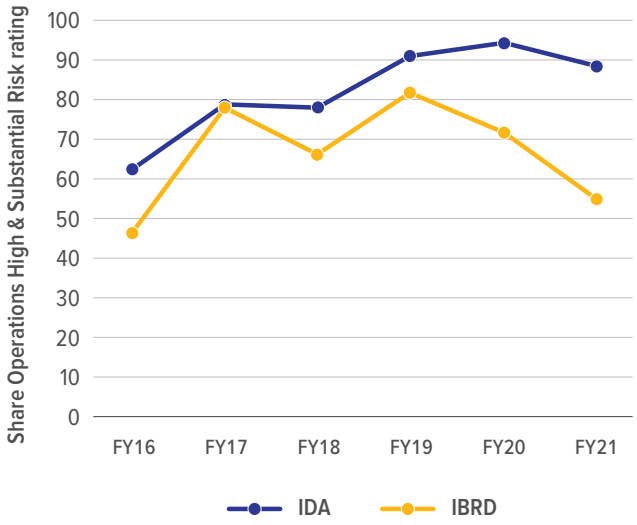
Overall risks ratings have increased steadily across World Bank lending instruments. On average, eighty percent of DPOs and IPF projects committed between FY16 and FY20 had a "high" or "substantial" overall risk ratings. Risk ratings have declined since FY20, following the implementation of a revised guidance for risk evaluation measuring the residual risk after taking into consideration mitigations measures (Figure 1.11). DPF risk ratings for IDA countries were particularly high; in FY20, 89 percent of IDA DPFs were rated at "high" or substantial for overall risk (Figure 1.12).

FIGURE 1.11
Risk Ratings by Lending Instrument



Note: Only includes operations and programs with a risk rating. DPOs, P4Rs, and IPFs ranged from 46 to 81, 10 to 36, and 152 to 278 respectively across the FYs.

FIGURE 1.12
Risk Ratings for IDA and IBRD DPOs



Note: Only includes DPOs risk rating. IDA DPOs and IBRD DPOs ranged from 16 to 40 and 15 to 32 respectively across the FYs.

DPF Performance - From policy actions to development outcomes

DPFs performed well over the Retrospective period. The performance of DPFs can be assessed using various dimensions, taking into account the challenge of attribution of results and outcomes with policy-based support. A first step is to review the results achieved by DPFs, and their level of ambition in advancing the reform agenda. Second, outcome ratings from IEG's Implementation Completion and Results Report Reviews (ICRRs) which validate the assessment in the DPF Implementation Completion Report (ICR) are reviewed. Third, it is useful to analyze the association between DPFs and broader policy outcomes in countries that received those DPFs. This section assesses performance using these three dimensions and reports external assessments of the performance and impact of DPFs.

Between FY16 and FY21, DPF contributed to deliver important and diverse results that supported the implementation of client countries development priorities. Over three-quarters of DPF result indicators were at least partially achieved, spanning across sectors and themes.[15] Chapter 3 of the Retrospective discussed examples of these important results in the areas of fiscal and debt, private sector environment, gender, climate change. Interestingly, IBRD countries performed substantially better than IDA and Blend countries, which also helps explain different performance across regions. IBRD countries at least partially achieved 83 percent of their results while the corresponding number for IDA and Blend countries was 72 percent. This trend held true across types of DPFs. It also helped explain the difference in performance across regions. ECA and MENA achieved over 75 percent of their results, compared to 48 percent for AFR.

DPF performance remained steady over the past decade, and IEG ratings met corporate scorecard targets on balance. Despite the increase in the share of IDA and FCV DPFs, and heightened DPF risk ratings, DPFs performed satisfactorily as measured by IEG outcome ratings. IEG evaluated 484 DPFs that closed between FY11 and FY21. Of these, 74 percent of operations and 82 percent of DPO commitment volumes were rated "Moderately Satisfactory" or above ("MS+").[16] This was broadly in line with corporate scorecard targets of 75 percent and 80 percent, respectively (Figure 1.17).

15 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 107 DPFs (those with completed ICRs), between Q3 FY2015 and Q3 FY2020, with a total of 916 Prior Actions whose impact has been captured by 982 Results Indicators. Of all Prior Actions, 76 percent achieved at least partial results, while 24 percent did not achieve results or did not have observable results.

16 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

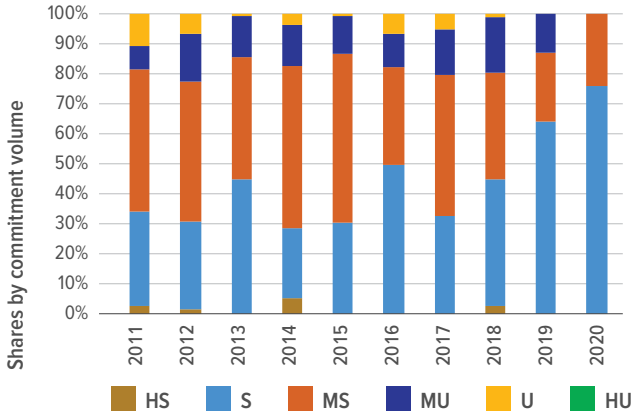
IEG has highlighted drivers of DPF success. A 2018 evaluation of DPFs found that DPF success was closely related to maintaining a good "line of sight" between policy reforms supported and the development objectives being pursued. It found that strong analytical underpinnings and timely technical assistance during implementation offered good potential to improve DPF success. Findings also confirmed that strong government ownership and stronger macro policies contributed to the success of DPFs. In low-capacity countries, simple design helped DPF success, while in high-capacity countries, borrower readiness to implement reforms was a key factor in supporting success.

DPF performed similarly to other instruments. DPFs average performance by commitment amount for operations that closed between FY16-FY20 was 82percent, while it was 85percent for IPFs and PforRs. If at all significant, the marginally lower DPF performance may be partly inherent to the instrument: while for example IPFs finance inputs with results which are often outputs directly attributable to these inputs, DPFs reform policy or institutional prior actions often translate into results closer to outcomes which depend on other factors not under the control of the operation.

DPF Operations in IBRD countries were associated with higher IEG outcome ratings than those in IDA countries Operations in IDA countries performed less well than those in IBRD countries, perhaps reflecting the higher risks assessed in IDA countries. Between FY11-21, only 66 percent of IDA DPFs assessed were rated MS+, compared to 82 percent in IBRD countries. However, in FY17, when DPF performance was below the corporate scorecard target, IBRD countries appeared to drive lower performance as 32 percent of non-satisfactory DPFs were in IBRD countries. IBRD DPFs consistently exceeded the corporate target of 75 percent of operations rated MS+. Although IDA funded DPFs were below the target in the early years, their performance has started to improve since FY18. This difference was also reflected in the performance across Regions; AFR DPFs performed below the corporate target between FY11 and FY20, mostly explained by IDA countries performing less well than IBRD. Also, a regression analysis indicated that GDP per capita, and cumulative DPF commitments were significant determinants of IEG outcome ratings, depending on the model specification. It also indicated that an IBRD country DPF was 20 percent more likely to receive an MS+ rating than an IDA country DPF, after controlling for project-level and country-level factors.[17]

FIGURE 1.13

Distribution of DPOs and DPFs commitment volume across IEG ICRRs (FY11-FY20)



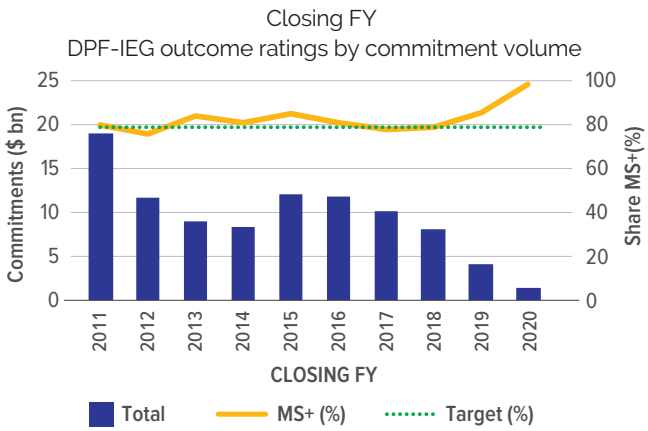
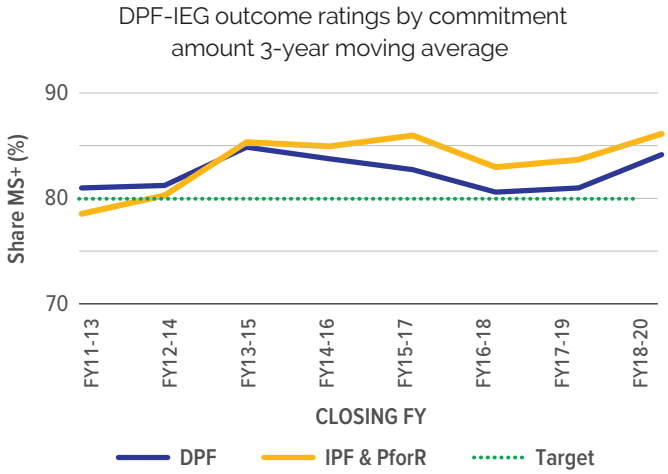


FIGURE 1.14

IEG Outcome Ratings by Lending Instrument



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.

17 Annex 2 provides a description of the econometric analysis.

The performance of FCV countries was largely on par with other countries. 20 out of 84 FCV countries rated by IEG were rated MU or below. Within the small sample of FCV countries for which IEG ratings were available, African FCVs performed less well between FY11 and FY17 (Fig 2.29).[18]

Econometric analysis examining the relationship between DPFs and the quality of policy and institutional environments offers four additional insights on DPF performance. First, the analysis confirms that DPFs are positively associated with the quality of the policy and institutional environment. Second, the association is strengthened as countries accumulate DPF support over time, highlighting the compounding benefits of a sustained policy dialogue. Third, the relationship between DPFs and policy outcomes has weakened in recent years but this is likely due to a deteriorating global policy environment. Fourth, DPFs in FCV-affected countries appear to have a stronger association with improved policy and institutional environment than non-FCV-affected countries, albeit from a much lower base.

FIGURE 1.16

Share of DPFs Rated MS+ by Region

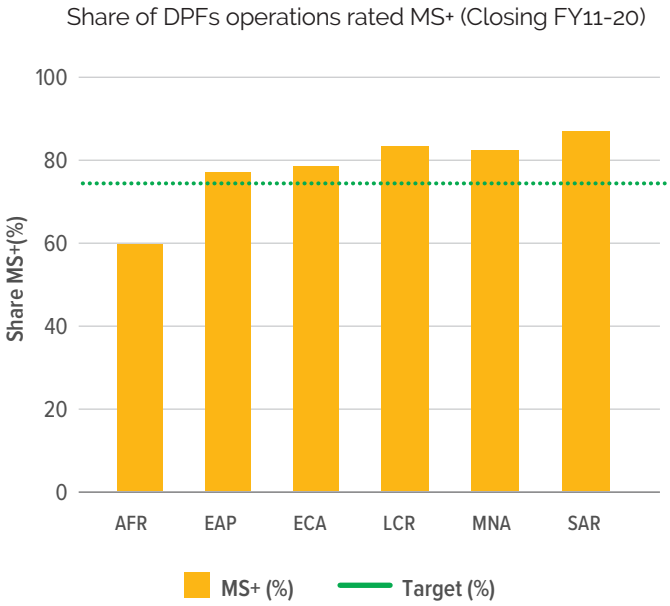
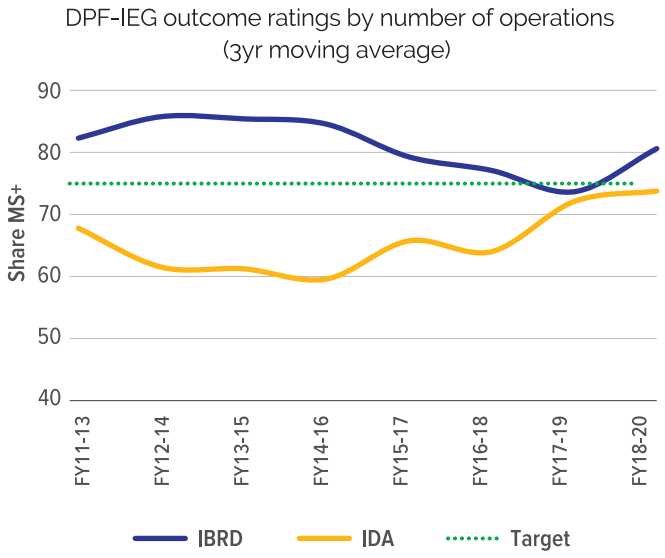
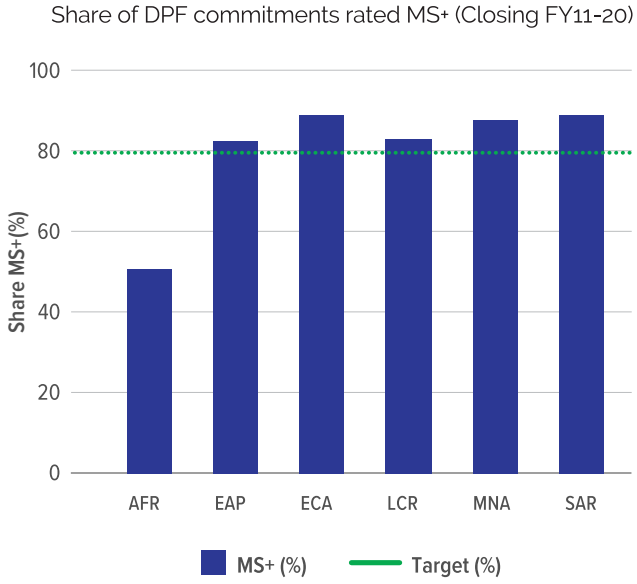


FIGURE 1.15

IEG Outcome Ratings by Number of Operations

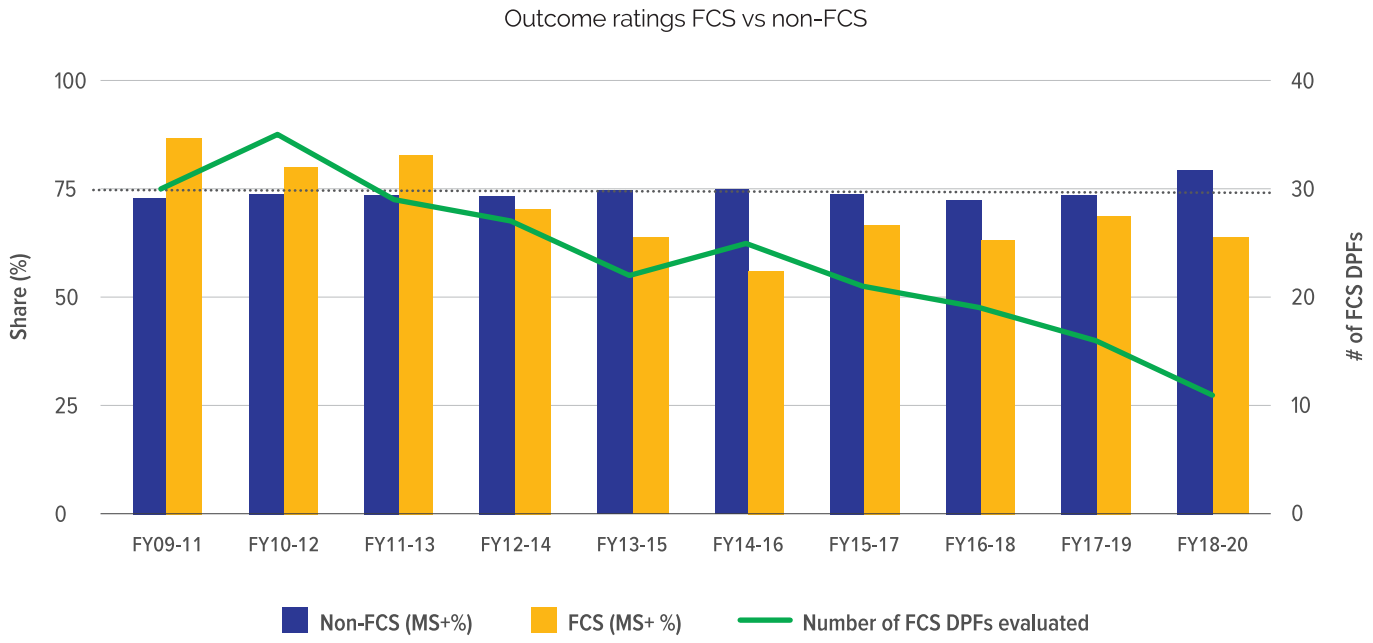




18 These results should also be interpreted with caution due to the relatively small number of operations in the sample. For example, between FY16 and FY18, the portfolio included just 17 DPF operations in seven FCV-affected countries, five of which were in SSA: Niger (representing 8.1 percent of the DPF portfolio); Somalia (6.6 percent); Mali (5.7 percent), Côte d'Ivoire (3.8 percent) and Cameroon (2.8 percent). Of these, only the operations in Mali and Côte d'Ivoire were evaluated. In addition, the number of DPFs in FCV-affected countries that have been evaluated fell from 34 in FY10-FY12 to just 17 in FY16-18, which could create an observation bias that intensifies the perceived declining trend in the performance.

FIGURE 1.17

Share of DFPs Rated MS+ in FCV-Affected Countries



BOX 1.6.

DPF, the Twin Goals, and High-Level Outcomes

Ending extreme poverty and boosting shared prosperity are at the core of Bank country engagement. Country Partnership Frameworks identify the key objectives and development results through which the Bank intends to support a member country in its efforts to end extreme poverty and boost shared prosperity in a sustainable manner. When preparing a CPF, the WBG starts from the member country's own vision of its development goals, laid out in a poverty focused national development strategy. With IPFs and PforRs, DPFs is one Bank key lending instruments mobilized to translate CPFs into actions, results, and outcomes. In CPFs, how DPFs support the member country achieve High-Level Outcomes is described in the results chain. By design, DPFs focus on indirect pathways to high-level outcomes (e.g. institutional strengthening, policy and regulatory reforms), and therefore play inherently an important role in linking CPF implementation to High-Level Outcomes. A good illustration of this are the result indicators featured in DPF program matrices, which target the broader effects of policy and institutional reforms. Another illustration is the findings in this chapter that DPFs have a positive effect on the quality of policies, measured by CPIA (section 1.2 and annex 2).

DPFs have also focused on poverty issues more directly, when the reform programs supported by the DPO have prioritized measures directly related to poverty alleviation. How DPFs have focused on poverty is highlighted across this Retrospective. For example, many DPFs provided as part of the Bank's COVID-19 response included measures to protect the vulnerable in the wake of the crisis, and innovative actions related to social protection, supporting workers that were laid off, etc. Several DPFs included measures to strengthen social protection systems (India DPF), and deliver in-kind support, for example to mitigate the adverse effects of school closures on children's nutrition. Indirectly, DPF support to fiscal and debt sustainability has contributed freeing additional fiscal space for poverty alleviation. Also, DPF support to Gender equality contributes indirectly to addressing poverty which is high among women. Climate change affects the poor to a greater extent, and DPF support to addressing it contributed to alleviating this impact. Finally, as highlighted in previous retrospectives, poverty and social impact assessments (PSIAS) are a core element of DPFs. PSIAs analyze any potential significant impact of DPF programs on poverty and income distribution. Adverse significant impacts are mitigated through existing country systems and supplemented by additional mitigation measures as appropriate.

CHAPTER 2

DPF SUPPORT FOR CRISIS PREPAREDNESS AND RESPONSE

Many countries have used DPF to support their crisis preparedness and response and recovery efforts. DPFs have surged during global crises; the fast-disbursing and fungible nature of the instrument makes it suitable to meet countries' short-term emergency financing needs while supporting their medium-term policy agenda. A 2017 IEG evaluation of the World Bank's crisis-response efforts noted that "the DPO has been the workhorse of the World Bank's support for responses to shocks because it can be implemented relatively quickly and provides fungible budget support to governments."[19] The share of DPFs averaged 25 percent of total World Bank commitments between FY01-08, but increased to 39 percent in FY09 and FY10, during the global financial crisis (GFC). More recently, DPF commitments increased from 24 percent of World Bank commitments for FY20 Q1-Q3 to 36 percent of World Bank commitments in FY20 Q4 at the onset of the COVID-19 crisis. DPF financing was particularly supportive of FCV countries during crisis periods; with about half of DPF financing for this group of countries aimed at crisis response during 2008-21, compared to about 30 percent for other countries. Similarly, DPF support to small island developing states in the aftermath of GFC and COVID-19 primarily aimed at supporting crisis response.

This chapter examines the role that DPFs played in supporting countries during selected global and regional crises. While DPFs have often been used to address country-specific crises, this chapter analyzes the use of DPFs during five regional and global crises between 2008 and 2021. Four of these crises are historical: (i) the food price shock of 2007-08; (ii) the GFC of 2008-10; (iii) the Ebola virus outbreak in West Africa during 2014-16; and (iv) the oil-price shock of 2014-16. The fifth is the ongoing COVID-19 pandemic.[20] The chapter also reviews the use of DPF with CAT DDOs, a crisis response instrument introduced in 2008 to provide immediate liquidity support to finance shocks related to natural disasters, while supporting reforms related to disaster risk preparedness. Finally, the chapter provides an early review of DPF support to the COVID-19 pandemic response. Since no ICRs are available for these operations, the Retrospective focuses on the design of DPFs, the distribution of operations across various criteria, the type of policy reforms supported by COVID-19 DPFs, and the Bank's collaboration, particularly with the IMF, in supporting countries address the impacts of the pandemic.

The Scope of DPF Support during Crises

During crises of a global nature, a large share of DPF commitments helped countries respond to those crises. In FY09, 62 percent of DPO commitments were for operations responding to food-security crises and the GFC; in FY10, crisis-related operations continued to account for 53 percent of total DPFs. The use of DPFs spiked again during the onset of the COVID-19 crisis when an even larger share of DPOs were redirected to crisis response. In Q4 FY20, about 99 percent of DPO commitments were tagged as COVID-19 response and in FY21 this share was still significant at 90 percent (Figure 2.1). Of the 109 operations approved between Q4FY20 and end-FY21, only eight were not tagged as COVID-19-related.[21] This reflects the nature of the instrument, which provided the flexibility to adjust ongoing programs or design new ones that had a combination of measures addressing immediate policy challenges while also strongly supporting the building back better agenda. This chapter is based on a review of about 207 DPFs with commitments totaling about $61.3 billion, which were provided in response to the five crises.

IBRD countries received larger crisis-related DPF commitments. This was especially evident during the GFC, when many IBRD countries lost access to commercial lending. The specific nature of the crisis also influenced the distribution of resources (Figure 2.2). The share of commitments to IBRD countries was highest during the oil-price crisis, which disproportionately affected higher income oil producers. By contrast, the DPFs implemented in response to the Ebola outbreak focused exclusively on IDA countries, as no IBRD countries were directly impacted by the crisis.

After controlling for differences in GDP, IDA countries received about 2.25 times as much in emergency DPF resources as did their IBRD counterparts. According to GDP estimates for 2021, the average IBRD economy is about fourteen times the size of the average IDA economy.[22] However, during the period under review, the average crisis-related DPF commitment for IBRD countries was just four times the average for IDA countries ($511 million versus $128 million). This trend was consistent across all crisis periods,[23] and its magnitude increased over time. During the GFC, the average crisis-related DPF commitment to IDA countries was 1.3 times the average for IBRD countries, but during the COVID-19 pandemic the IDA average was 3.3 times the IBRD average after controlling for economic size (Figure 2.3).

19 World Bank, 2017. "Crisis Response and Resilience to Systemic Shocks: Lessons from IEG Evaluations" p.29

20 The sample of tagged crisis response operations was based on operations identified either in reports, or by Bank teams. Some operations may have been omitted, depending on the quality of information available to help identify crisis response operations.

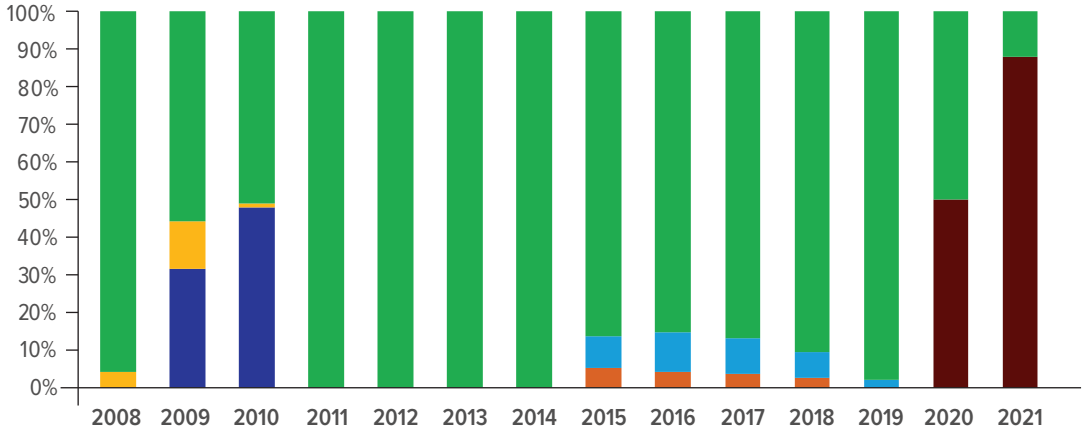
21 The classification is based on prior actions supported by DPFs. An operation is tagged as a COVID-19 response DPF if it has prior actions that fall within one of the four COVID-19 response pillars of the Approach Paper.

22 World Economic Outlook April 2021 download, GDP current prices in USD (own calculations)

23 The Ebola outbreak is excluded, as it involved no IBRD countries.

FIGURE 2.1

Crisis-Related and Non-Crisis-Related DPFs, 2008-2021 (number of operations and share in total number of DPFs by FY)



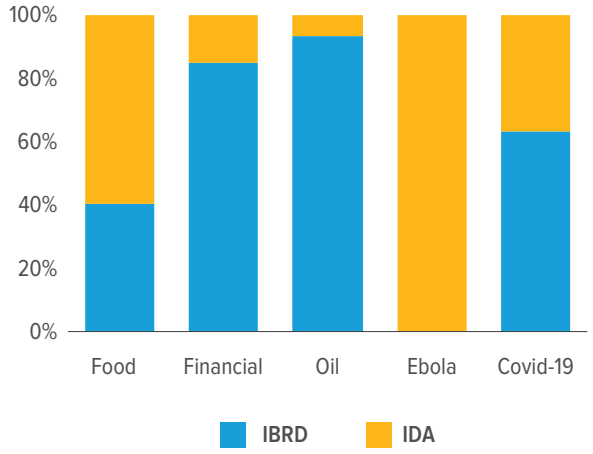
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Non-Crisis DPO	48	44	44	72	60	63	61	51	41	47	38	54	42	8
Oil	–	–	–	–	–	–	–	5	5	5	3	1	–	–
Food	2	10	1	–	–	–	–	–	–	–	–	–	–	–
Financial	–	25	41	–	–	–	–	–	–	–	–	–	–	–
Ebola	–	–	–	–	–	–	–	3	2	2	1	–	–	–
Covid-19	–	–	–	–	–	–	–	–	–	–	–	–	42	59

"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.

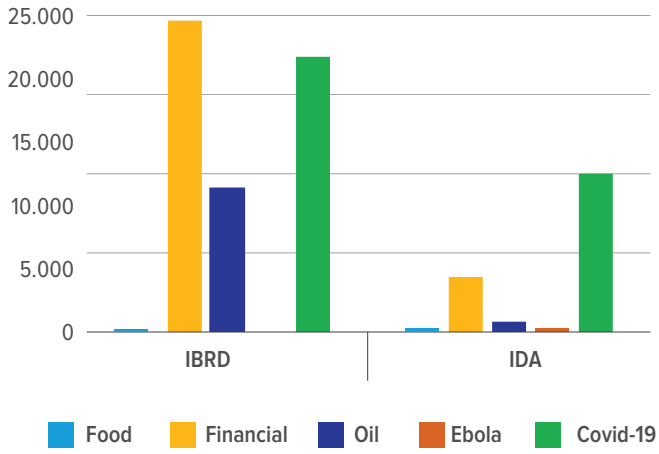
FIGURE 2.2

Crisis-Related DPFs in IDA and IBRD Countries, 2008-2021

Distribution of commitments by lending group across the 5 crisis episodes



Crisis operations commitment volume (by lending group)



Countries in all regions benefited from Bank support over multiple crises. The distribution of operations across regions was most even during the GFC and the COVID-19 pandemic, though the distribution of commitments was strongly influenced by economic size (Figure 2.4). Operations responding to the food-price shock and Ebola outbreak were the most geographically concentrated, and both crises affected IDA countries more severely than their IBRD counterparts.

Crisis support through DPFs was provided in collaboration with other development partners. For example, during the GFC and Oil crisis, both the World Bank and the IMF provided support to countries affected by these respective crisis episodes. For the subset of DPFs provided for GFC and Oil crises, 57 percent and 50 percent respectively of countries which received a DPF had an IMF program during the same period. This translated into 51 percent and 54 percent of DPF commitments allocated to countries that also had an IMF program (Figure 2.5). The Bank also coordinated crisis

FIGURE 2.3.
Crisis-Related DPF Commitments by Country Group and Crisis Period, Nominal and Adjusted for Economic Size

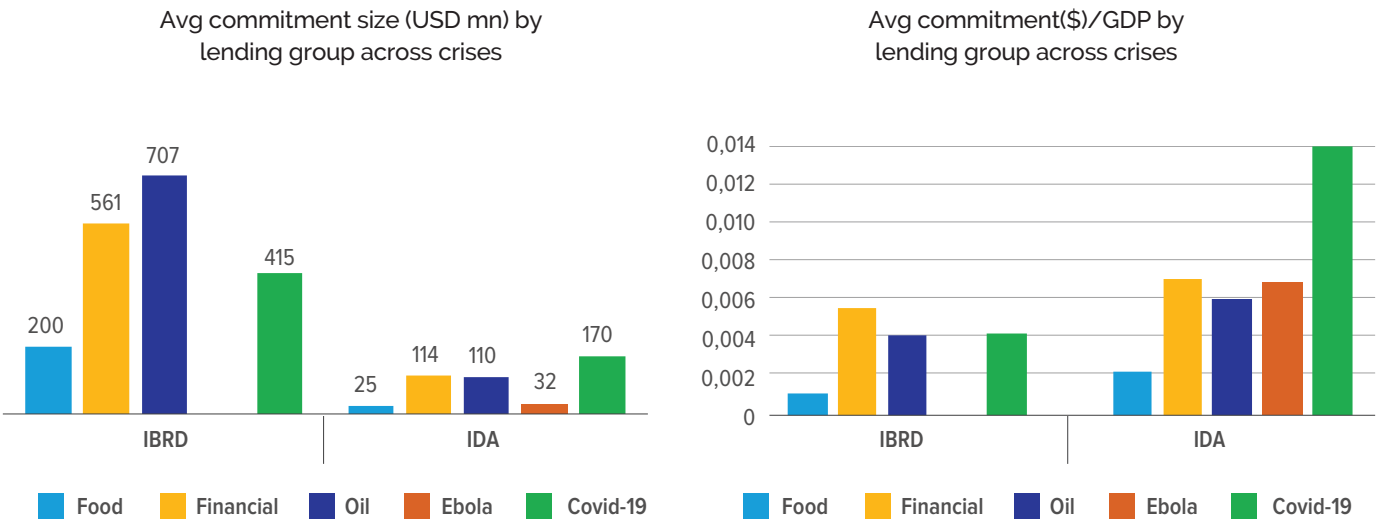


FIGURE 2.4.
Crisis-Related DPFs by Region and Country Group

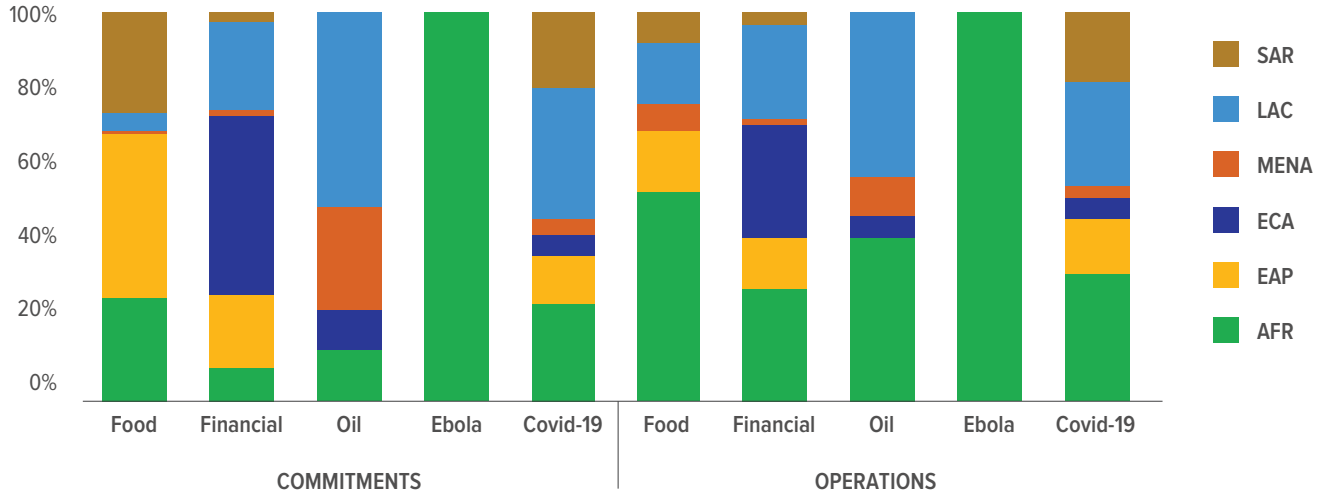
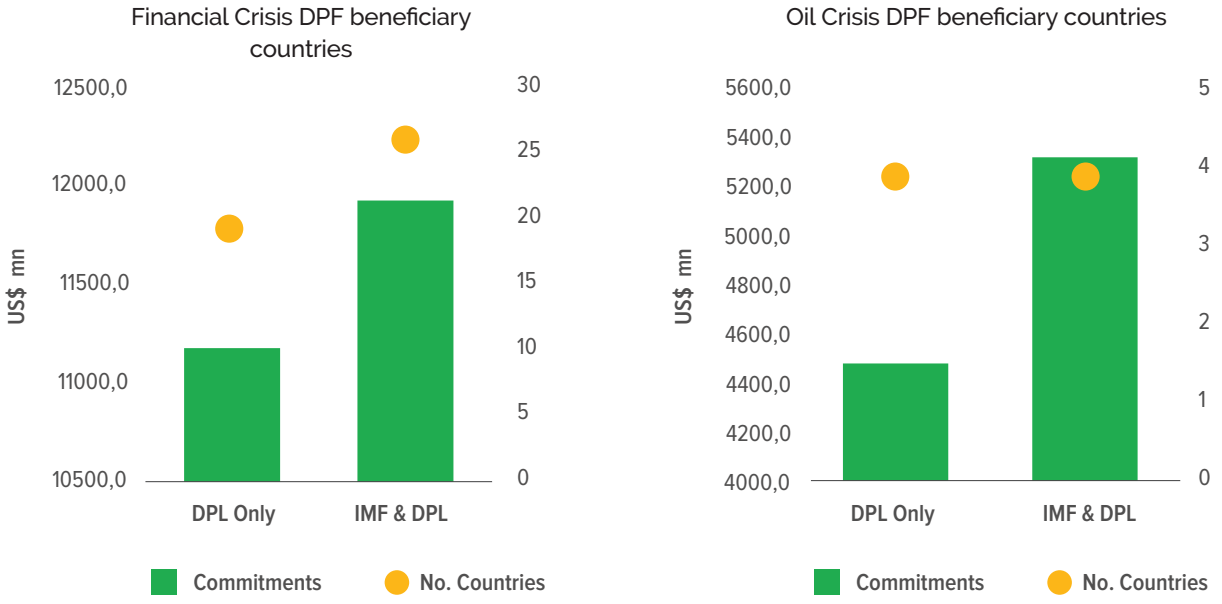


FIGURE 2.5.
DPF Crises Beneficiary Countries with IMF and non-IMF Support



response efforts with other multilateral and bilateral partners. For example, in AFR, a large share of DPFs provided during the GFC was part of a coordinated support package involving at least six other partners. (Box 2.1).

Standalone DPFs were used more often than Programmatic DPFs in response to crises and the choice between the two reflected the nature of the crisis. The share of programmatic operations was slightly higher during non-crisis periods, where there is usually an increased focus on medium term reforms and more opportunity to engage on these in a multi-year, programmatic framework, compared to crisis periods (Figure 2.6). Standalone and supplemental operations proved best suited for crises with sudden and transitory effects (e.g. Ebola, Food) whereas programmatic operations were suitable for crises with more macroeconomic and longer-term structural effects (e.g. GFC). Moreover, during the COVID-19 response, existing programmatic DPFs were adjusted to include COVID-19 response measures (Section 2.3).

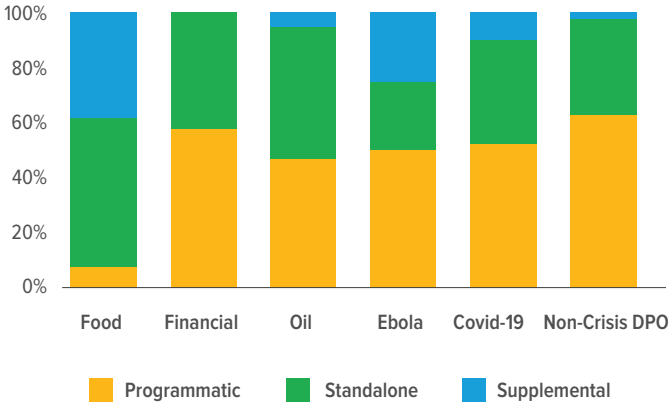
DPFs enabled the World Bank to rapidly address emerging crises, and average preparation times have been shorter compared to non-crisis DPFs. For non-crisis DPFs, the median number of days from the concept meeting to the approval date was 178. The median number of days for the COVID-19 response DPFs was just 93 and except for the Oil crisis, the response time has been much shorter in crisis DPFs, than for non-crisis DPFs. One of the factors that contributed to the faster preparation of DPFs in the wake of the COVID-19 crisis was the streamlining of review and approval process of DPFs; for example, 12 DPFs were allowed to have a

BOX 2.1
DFI/IFI coordination of lending to Africa during the GFC

In May 2009, "the largest and most active IFIs and DFIs investing, lending, and providing advisory services in Africa" launched a *Joint IFI/DFI Action Plan to respond to the Financial Crisis in Africa* and "support the region's financial system and lending to the private sector". The IFIs and DFIs included the African Development Bank, the Agence Française de Dévelopement, the European Investment Bank, the Development Bank of Southern Africa, German Financial Cooperation (through KfW), the International Islamic Trade Finance Corporation, and the World Bank Group. In a coordinated manner, and building on each institution's capabilities, the institutions sought to: 1) deploy rapid and sizeable financial assistance to the private sector, 2) use financing from DFIs/IFIs as a catalyst to engage stakeholders and mobilize financial resources, 3) facilitate coordination and policy dialogue between private and public sector stakeholders in countries affected by the crisis. Across the institutions, they committed to increase financial commitments by at least $ 15 billion over the 2-3 subsequent years covering a range of real sector, technical assistance, and policy reform support.

Source: Joint IFI/DFI Action Plan to Respond to the Financial Crisis in Africa, May 2009

FIGURE 2.6
Crisis-Response DPFs by Operation Type



single corporate review in Q4FY20 (out of 33 DPFs), instead of two reviews, which is standard practice. Moreover, the flexible nature of programmatic DPFs has allowed the Bank to adjust several existing programs to include crisis-response measures in the DPF program.

Crisis-related DPFs supported areas that reflected the nature of the crisis, but also longer-term support for restructuring and resilience through improved public-sector management. Public-sector management related actions account for the largest share of prior actions across all DPFs. During the COVID-19 pandemic, just 18 percent of prior actions focused on public-sector management, but during the Ebola outbreak this share was at 63 percent. In this case, the difference in areas supported likely reflects the characteristics of the countries involved: in contrast to COVID-19 DPFs which were broadly distributed across countries and regions, Ebola DPFs were concentrated among countries with weak public administrative capacity and tight fiscal constraints. Within the category of public-sector management, public-expenditure management accounted for 38 percent of prior actions in COVID-19 DPFs and 94 percent of prior actions in Ebola DPFs, further underscoring the imperative to ensure that Ebola-affected countries were able to effectively leverage their limited resources. Beyond public sector management, areas supported by DPFs tended to reflect the unique circumstances of each crisis. Prior actions targeting social protection were especially common during the food-price shock, whereas during the GFC many DPFs included actions focused on the financial sector. DPFs related to the oil-price shock were more likely to include prior actions targeting economic diversification, including a focus on industry, trade, and services; and transportation; and economic activity in certain non-oil sectors. During the Ebola outbreak, DPFs also focused on the health sector.

FCV countries received more DPFs during crises of a sectoral nature (Ebola, Food, Oil), which affected them significantly. DPF operations related to the food-price shock, Ebola outbreak, and oil-price shock provided timely support to FCV countries, as all three crises had a disproportionate impact on FCV countries. The rising food costs associated with the food-price shock posed a serious threat to countries that were already extremely poor and food insecure; the Ebola outbreak struck a region that has long struggled with conflict and instability; and oil-price shock directly impacted several FCV countries in AFR and MENA.

IBRD crisis DPFs performed better than IBRD non-crisis DPFs based on IEG outcome ratings for DPFs. This result was largely driven by the fact that many DPFs during the GFC were provided to higher income IBRD countries, which typically tend to perform better in achieving their intended objectives. During the GFC, 82 percent of crisis-response DPFs were rated "Moderately Satisfactory & above (MS+)," above the average of 73 percent for non-crisis DPFs (Figure 2.7). IBRD countries drove the high performance towards development outcomes across both GFC (91 percent MS+) and non-crisis DPF (81 percent MS+). Across four of the crisis episodes considered, the performance of DPFs in IDA countries is not different than in non-crisis periods. COVID-19 response operations have yet to be evaluated by IEG.[24]

BOX 2.2
DPFs during the Global Financial Crisis

The 2008-10 GFC was the only recent crisis to approach the scope and scale of the COVID-19 pandemic. Much of the increased lending in response to the GFC was delivered through DPFs. These operations provided emergency financing to cover unanticipated budget deficits and supported fiscal and macroeconomic policies designed to counter the impact of the crisis. IBRD DPFs exceeded 50 percent of total commitments and disbursements in FY09 and FY10. Most DPFs concentrated on addressing the immediate impacts of the crisis rather than promoting long-term stability and resilience. DPFs supported numerous reforms aimed at restoring confidence in the soundness of the banking system and maintaining the flow of credit to the private sector, including small and medium enterprises. Some DPFs also included medium-term fiscal reforms to strengthen public financial management and revenue administration, while less attention was devoted to expenditure management and revenue mobilization, which would have supported fiscal sustainability more directly.

IEG, 2010

24 Moreover, although the aggregate performance of crisis-response DPFs exceeded the average for non-crisis DPFs, the difference is only statistically significant among IBRD countries (see annex 2 for the regression analysis).

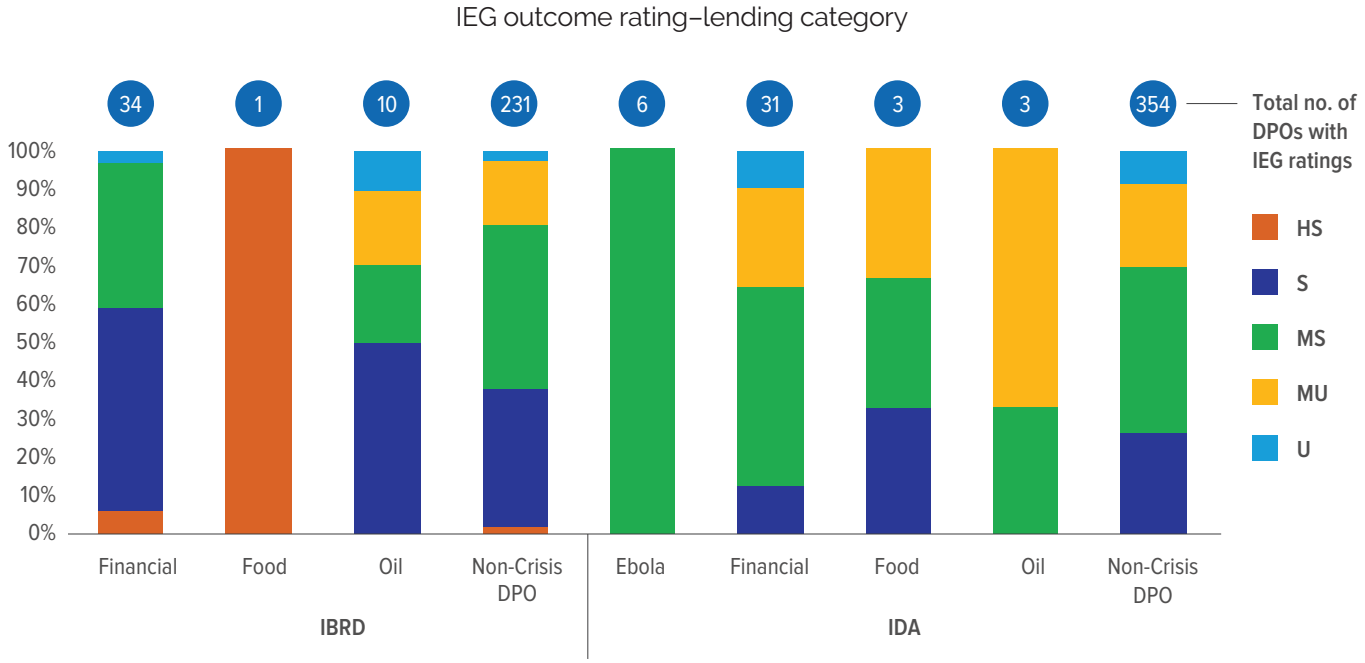
BOX 2.3

DPFs during the Ebola Outbreak

In response to the 2014-15 Ebola outbreak in West Africa, the World Bank provided technical and financial assistance to support government efforts to stop the spread of the virus and promote macroeconomic stability. In addition to its devastating human toll, the outbreak severely weakened regional healthcare systems and depressed economic activity in some of the world's poorest countries just as they were beginning to make strides toward greater political and macroeconomic stability. To contain the spread of the virus and support recovery efforts, the World Bank provided financing and technical assistance through the Ebola Emergency Response Project, complemented by standalone and supplemental DPFs. These operations aimed to support crisis-response and recovery efforts (Guinea); promote governance reform, economic transformation, and human development (Liberia); and ensure the execution of emergency-response plans while strengthening longer-term fiscal management and transparency (Sierra Leone). While the key policy actions differed for each DPF, operations in all three countries focused on providing the urgent assistance needed to address the Ebola crisis, while laying the groundwork for the public-sector management reforms necessary to sustain a long-term recovery. The Ebola-related DPFs were successful in supporting the governments' crisis response efforts as they built on previous reforms in the health sector and were aligned with the Governments' own Ebola response plans. The DPFs provided immediate and timely financial support to strengthen capacity to contain the epidemic and ensured that governments' response plans could be executed through adequate budgeting and financial management. For example, in Sierra Leone, the DPF supported the establishment of a payment system which enabled health care workers to receive hazard pay. While the DPFs helped implement short and medium term PFM reforms, efforts to promote longer-term public-sector management reform achieved mixed results due to the weakened institutional capacity in the affected countries.

FIGURE 2.7

Crisis Operations by IEG Outcome Rating split by type of operations and lending category



Catastrophic (CAT) DDOs

CAT DDOs are an option of the DPF instrument to enhance crisis preparedness and facilitate crisis response. In 2001, the World Bank Group (WBG) introduced a DPF with a deferred drawdown option (DDO).[25] Building on the DDO instrument, the CAT DDO was introduced[26] in 2008 for IBRD–eligible countries, and in 2017 it was extended to IDA countries. The CAT DDO provides a contingent funding line that offers immediate liquidity to address shocks caused by natural disasters, including public health emergencies (which was clarified in the guidance in September 2016). Funds can be committed with an appropriate macroeconomic framework in place, along with a satisfactory disaster risk management program. Unlike a standard DDO, the CAT DDO does not require that the macroeconomic framework still be adequate when the funds are drawn, but it includes a predetermined drawdown trigger, which is typically the declaration of a national state of emergency. In response to the COVID-19 pandemic, restructuring procedures were introduced in March 2020 to allow borrowers to amend the drawdown triggers of active operations to include health related emergencies, if they were not initially included.

IDA countries were increasingly utilizing the instrument prior to the pandemic (Figure 2.8). As of end-FY21, 32 CAT DDOs had been approved, of which 10 were approved in FY20[27] and 2 in FY21. The low number of FY21 CAT DDOs likely reflects both countries' preference towards fast-disbursing DPF support and management's focus on providing financial support to clients in the wake of the pandemic. Approved CAT DDOs are split almost evenly between IDA and IBRD, but as with regular DPFs, CAT DDO commitments to IBRD countries tend to be much larger. Since FY18, CAT DDOs have been concentrated among small island developing states in the LAC and EAP regions, while only five operations have been extended in AFR and four in South Asia (SAR). A combination of factors, including capacity constraints, adequacy of the macroeconomic framework and trade-offs with immediate development needs, may have played a role in underutilization of the instrument in these two regions.

FIGURE 2.8

Commitment and Number of Approved DPFs with CAT DDO, FY 2009 – 2021

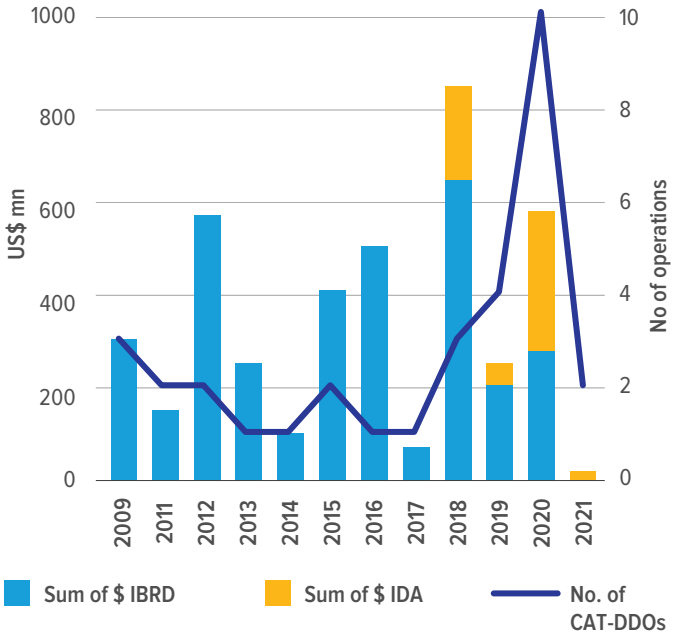
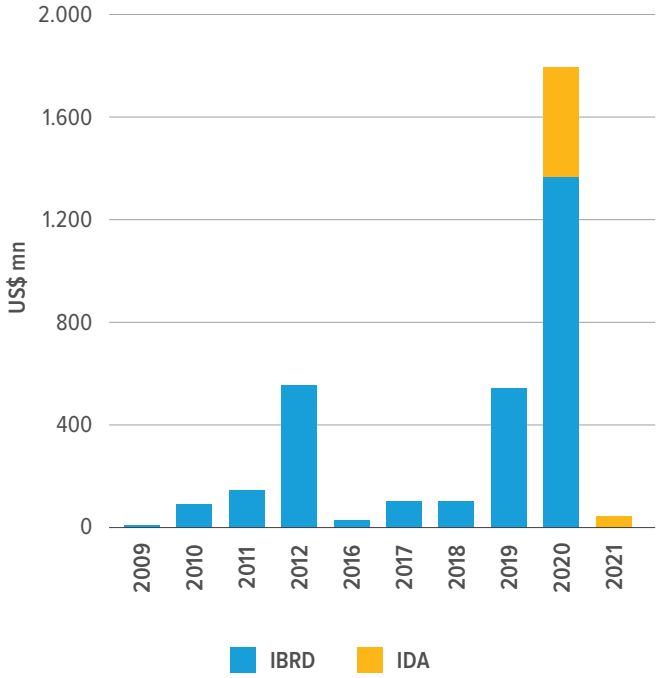


FIGURE 2.9

CAT DDO Disbursements, FY 2009-2021



25 Proposal to Introduce a Deferred Drawdown Option (DDO) for Use with IBRD Adjustment Loans (R2001-0174, September 26, 2001) and minutes.

26 Through a Memorandum to the EDs on January 29, 2008.

27 Out of 10 CAT DDOs, 6 had been approved by the Board prior to the onset of the COVID-19 crisis.

The COVID-19 pandemic spurred a surge in CAT DDO disbursements and the first IDA CAT DDO disbursements were made in FY20 (Fig 2.9). FY20 CAT DDO disbursements accounted for half of all disbursements since the inception of the instrument, while the rest were largely triggered by tropical cyclone disasters. 16 CAT DDOs disbursed in March-May 2020 in response to COVID-19, of which 7 were for IDA countries. In nominal terms, IBRD countries continue to dominate disbursements, with spikes in FY12 and FY19 driven by two US$500 million operations in the Philippines.[28] Events that have triggered disbursement include tropical cyclones, floods and landslides, volcanic activity, El Niño events, earthquakes, measles, and COVID-19.

During the Retrospective period, CAT DDOs supported a smaller average number of prior actions than standard DPFs and supported measures related to disaster preparedness, risk reduction, the management of natural hazards, and crisis response and recovery. The typical CAT DDO involved four to five prior actions, about half the average for DPFs, and CAT DDOs were more tightly focused on public sector reform, with around two-thirds of prior actions supporting various elements of public administration and around half of the prior actions specifically supporting disaster risk reduction and preparedness. Prior to FY19, CAT DDOs were largely standalone operations, but since then, many of them – for example in Samoa, St. Vincent and the Grenadines, and Tuvalu – have been provided as part of a programmatic DPO series.

CAT DDOs have performed well. All of the seven closed operations evaluated by IEG were rated "Satisfactory" or "Moderately Satisfactory." The success of CAT DDOs likely reflects their: (i) well focused intervention areas; (ii) long deferral periods, which allow for the consolidation of the supported reforms; and (iii) complementary technical assistance, advisory services, investment lending and trust-fund-financed activities that contribute to a robust policy dialogue and facilitate the implementation of reforms. CAT DDOs have also included an especially strong focus on climate resilience, and the average climate co-benefit since the introduction of the instrument is 84 percent of the active portfolio of CAT DDOs. Disbursements are also exceptionally rapid, with an average of just over six calendar days between the official receipt of the request and the disbursement of funds, in line with the instrument's objective of providing immediate liquidity to address unanticipated shocks. Among recipient countries, CAT DDOs have financed an average of 2.3 percent of the fiscal deficit for the year of disbursement, and they have financed 5.9 percent of the fiscal response to COVID-19.

BOX 2.4

The Role of CAT DDOs in Responding to the COVID-19 Pandemic: Examples from Seychelles Honduras and the Philippines

The Seychelles DPF with CAT DDO (P148861) was prepared in the wake of Tropical Cyclone Felleng in 2013. The operation was originally designed to strengthen the government's disaster risk management policy and build its institutional capacity for disaster response. In March 2020, the COVID-19 pandemic prompted the government to declare a national state of emergency, and the CAT DDO was restructured to allow health-related shocks to trigger disbursement. The loan was fully disbursed on April 10th, 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 DPF with CAT DDO 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.

Shortly before the COVID-19 pandemic unfolded, the World Bank and the Honduran government were preparing a CAT DDO designed to help the government improve its capacity to manage natural disasters and climate risks (P172567). During the preparation process, the trigger was broadened to include disease outbreaks and other health crises. In response to the global spread of COVID-19, the government declared a state of emergency on March 20th, 2020. On May 1st the government requested the full withdrawal of funds to address the impact of the burgeoning crisis. Disbursement occurred on May 6th, five business days after the request. The operation provided immediate liquidity equivalent to 11.4 percent of the government's fiscal response. The latest Implementation Status and Results report highlighted the operation's continued progress but determined that it is still too soon to assess the extent to which the reforms contributed to a more effective COVID-19 response.

CAT DDOs have been particularly effective in supporting disaster response in the Philippines. The Bank has long supported Philippines manage its frequent climate related disasters, especially typhoons. The first operation was prepared in 2011, and successive CAT DDOs and DPFs have helped build the country's disaster risk management framework while providing quick disbursing funds that the country has used in the aftermath of typhoons to support recovery and resilience building. A fourth operation is under preparation; the disbursement trigger has been broadened to include disease, ensuring that the operation can have wider relevance beyond climate related disasters.

28 These operations followed Typhoon Sendong in December 2011 and Cyclone Mangkhut in September 2018.

The Role of DPFs in the COVID-19 Pandemic Response and Recovery

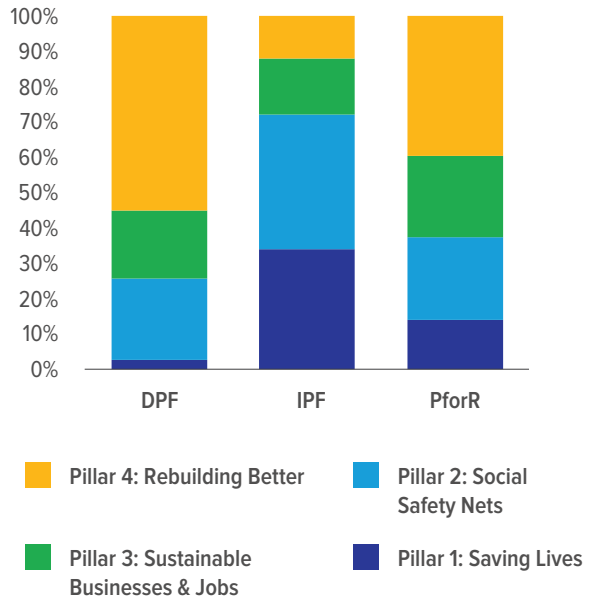
Overview of the World Bank Group's COVID-19 Crisis Response

The COVID-19 pandemic prompted the largest crisis-response effort in World Bank history and the World Bank used all its lending instruments to support countries in their pandemic response efforts.[29] The WBG committed $157 billion (more than any other IFI) in financing between April 2020 and end-June 2021 to address the health, economic, and social impacts of COVID-19. IDA and IBRD delivered almost $100 billion in commitments to more than 100 countries over that same period. Of this, $53 billion was IDA financing, including support to FCV countries. IPFs and PforRs based on the multi-phase approach to health and social protection interventions played the lead role in the WBG's immediate response. Often, these were relatively quick disbursing, addressing critical needs in health and social protection.

The WBG's COVID-19 response was framed by a COVID-19 Crisis Response Approach Paper which highlighted the need to focus on both short- and medium-term actions to help sustained recovery.[30]

FIGURE 2.10

Distribution of COVID-19 Commitments across Strategic Pillars by Instrument



The crisis response focused on relief, restructuring, and resiliency across four pillars: (i) *saving lives*; (ii) *protecting the poor and vulnerable*; (iii) *supporting sustainable business growth and job creation;* and (iv) *strengthening policies, institutions, and investments.* The Bank's COVID-19 response operations were closely aligned with the framework developed in the Approach Paper; of the 652 World Bank operations approved between April 2020 and June 2021, 68 percent addressed at least one of these pillars. Among COVID-19 DPFs, pillar four accounted for 55 percent of total commitments (Figure 2.10).

There were several differences between the COVID-19 crisis and the GFC, necessitating a different response from the World Bank. The COVID-19 crisis was initially a health crisis triggered by a global pandemic which resulted in rapid transmission of the COVID-19 virus, and a resultant loss of lives. The GFC, on the other hand, was an economic crisis that primarily affected the financial sector and resulted in a weakening of financial institutions with secondary economic and social impacts. The impact of the COVID-19 crisis was felt disproportionately by workers in the service sector, and the economic impacts of lockdowns and travel disruptions hit poor countries rapidly. Unlike the GFC, where a larger share of World Bank financing was provided to IBRD countries, during the COVID-19 crisis, IDA countries received a larger share of financing. Close to 60 percent of total IDA and IBRD commitments between April 2020 and June 2021 were made in the form of IPFs, notably reflecting countries' demand for support for health systems and social protection and for vaccines. Moreover, during the same period, commitments under the PforR instrument, which did not exist in the wake of the GFC, amounted to 12 percent of total commitments, of which close to half supported COVID-19 response. Countries could also access fast disbursing funding through pre-arranged CAT DDOs during the COVID-19 crisis; a facility that was not available during the GFC.

The Contribution of DPFs to the COVID-19 Response Effort

Although they were by no means the only response instrument, a large share of DPF commitments was devoted to addressing the crisis. Of the $29.3 billion in DPF commitments between April 2020 and June 2021, 93 percent ($27.4 billion) were part of the COVID-19 response. By contrast, 55 percent ($31.7 billion) of IPF resources and 64 percent ($7.6 billion) of PforR commitments

29 https://www.worldbank.org/en/news/factsheet/2020/02/11/how-the-world-bank-group-is-helping-countries-with-covid-19-coronavirus

30 World Bank, 2020, "Saving Lives, Scaling-up Impact and Getting Back on Track", COVID-19 Response Approach Paper, Washington DC.

approved during the period were devoted to COVID-19 operations. DPF commitments rose from about $10 billion per year during FY17-19 to $18 billion per year in FY20-21. The average size of DPF commitments also increased by about 25 percent (from $200 million to D$254 million) between the two periods.

During the five quarters following the outbreak, 101 pandemic-response DPF operations[31], with a total commitment of $27.5 billion, were delivered. Between April and June 2020, 42 pandemic-related operations totaling $11.5 billion were delivered. Of these, 24 operations totaling $4.1 billion went to IDA countries. In FY21, 59 operations were approved, 35 of which were for IDA countries. From April 2020 to June 2021, 43 preexisting operations with a total commitment of $11.4 billion were modified to address the impact of the pandemic, facilitated by the flexible nature of the instrument that helped align the operations with the shifting priorities of the countries. Another 48 operations, representing a total commitment of $14.9 billion, were developed specifically to address the pandemic.[32] Finally, 10 supplemental operations totaling $1.2 billion were added to existing DPFs (Figure 2.11).

FIGURE 2.11

COVID-19 Operations by Type, Q4FY20-Q4FY21

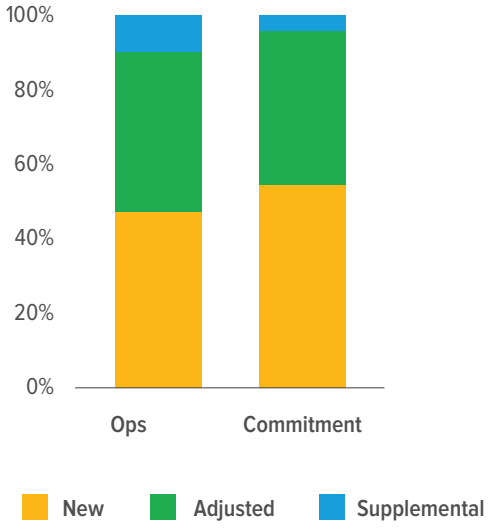
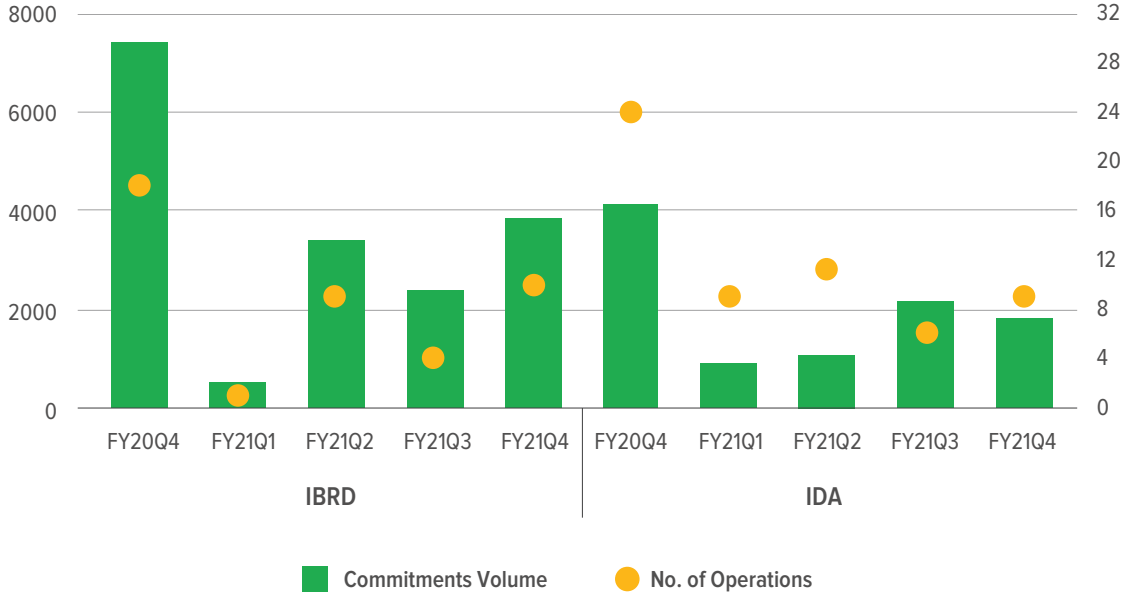


FIGURE 2.12

Pandemic-Response DPFs in IBRD and IDA Countries, Q4FY20-Q4FY21

Covid DPOs and commitments from FY20Q4—FY21Q4 per lending group



NOTE: IBRD includes 2 High-Income countries identified in our sample: The Bahamas for Covid-19, and Barbados Covid-19

31 Operations that addressed at least one of the four pillars of the WBG's Covid-19 Crisis Response Approach.

32 Operation designated as new if the AIS sign off date was after 1 March 2020.

While the strategic focus of COVID-19 DPFs varied over time, most operations concentrated on Pillar Four, especially in IDA countries. From Q4FY20 to Q4FY21, 70 percent of pandemic-response commitments in IDA countries were allocated to Pillar four, indicating a greater focus on the medium-term agenda to pursue a sustainable and green recovery. Pillar two accounted for the second largest share of commitments in IDA countries, reflecting the importance of protecting their large populations of poor and vulnerable people. Pillar four accounted for about half of pandemic-related commitments in IBRD countries, with the other half split almost evenly between pillars two and three, indicating a more balanced focus on protecting the poor and vulnerable while also promoting private-sector-led growth and job creation.

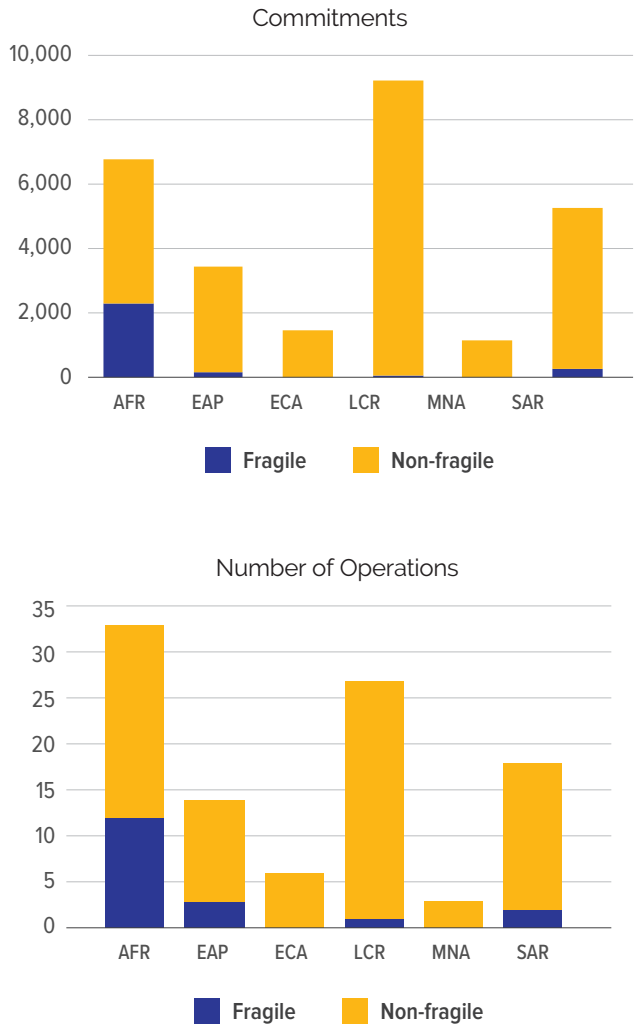
Countries in all WBG regions received DPF support during the pandemic. AFR had the largest number of operations, while LAC had the second largest number of operations and the largest total commitments. SAR had the third largest number of operations and the second greatest share of commitments. 18 of the 101 pandemic-response DPFs (18 percent) were in FCV countries, and at $2.7 billion these operations represented about 10 percent of total COVID-19 DPF commitments (Figure 2.13).

In terms of sectoral focus, most of the supported reforms focused on public administration, followed by social protection, financial sector and industry, trade, and services (Figure 2.14). For example, in the area of public administration included prior actions supported enhancement of the institutional structure for disaster risk management and emergency preparedness in Tonga DPF (2020) and Haiti DPF (2020) and establishment of a crisis-response governance framework, specifically to improve efficiency, transparency and accountability in the use of COVID-19 funds in Burkina Faso DPF (2020).

COVID-19 DPFs had a strong gender focus, but due to the nature of the crisis they had less climate-related content. Overall, both IDA and IBRD operations aimed to mitigate the disproportionate impact of the crisis on women and girls and to narrow gender gaps through policy and institutional actions. IDA and IBRD DPFs were gender-tagged at rates of 64 percent and 73 percent, respectively. However, operations in IDA and IBRD countries received 18 percent and 23 percent in climate co-benefits respectively. The limited climate focus of these operations reflected the prioritization of COVID-19 crisis response measures related to public administration, social protection, and private-sector support that were less likely to include prior actions that specifically supported climate-change mitigation or adaptation. This contributed in part to the fact that in FY21, Bank operations received higher climate co-benefits when COVID-19 tagged operations were excluded (38 percent), in comparison to when these operations were included (32 percent).[33]

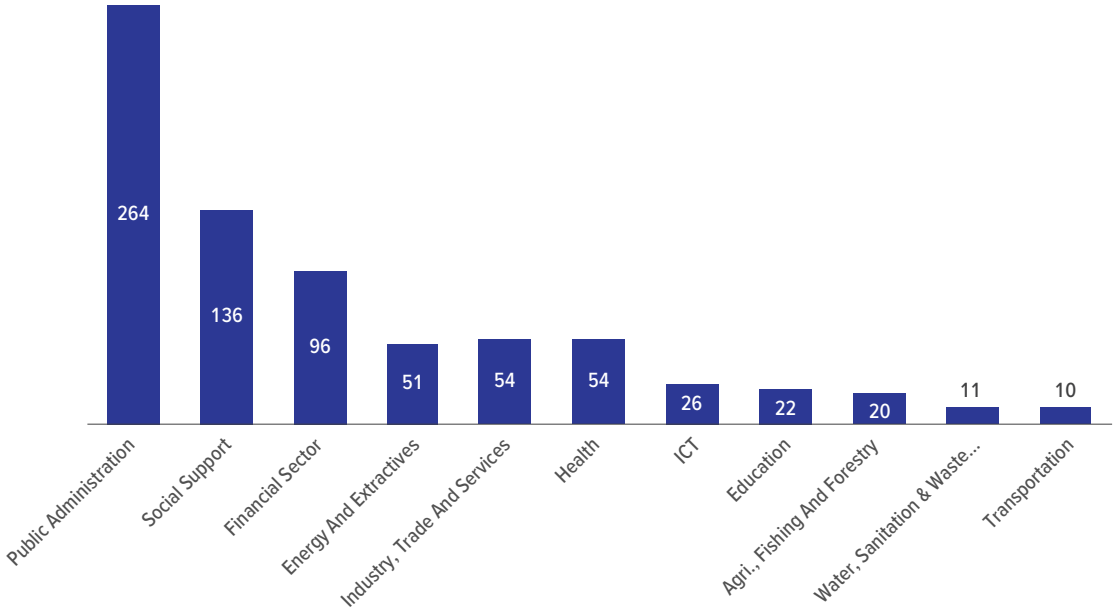
FIGURE 2.13

COVID-19 DPFs by FCV Status and Region



33 World Bank Operations Update FY21 Q4.

FIGURE 2.14
Pandemic-Response DPFs by Sectoral Focus, Q4FY20-Q4FY21



Note: graph captures Prior Actions per Sector

DPF Support for Protecting the Vulnerable and Promoting Inclusive Recovery in the wake of COVID-19

The focus on social protection in COVID-19 DPFs helped countries strengthen the policy framework for protecting the vulnerable and the poor. The pandemic and ensuing economic crisis reversed progress on poverty reduction in many countries.[34] Social safety nets have played a vital role in sustaining household consumption and mitigating the deterioration of human capital.[35] For example, the Colombia COVID-19 Crisis Response DPF (2020) helped expand pandemic-related modifications to existing social protection programs and accelerated their implementation. The DPF also supported the government as it developed alternative service-provision mechanisms and authorized regional directorates to deliver in-kind support to mitigate the adverse effects of school closures on children's nutrition. The Rwanda Human Capital for Inclusive Growth (2021) supported 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.

Several COVID-19 DPF operations included measures to support a continuous supply of essential public goods and services in countries with poor infrastructure and limited fiscal resources. Mozambique COVID-19 Response DPO (2021) prior actions supported policy measures to reconnect water-services for clients whose service had previously been cut off and to delay or eliminate payment for water services. Madagascar COVID-19 Response DPO (2021) prior action accelerated the transformation of the power sector by supporting a new connection policy that expanded energy access for vulnerable populations. In Guinea, Uganda, and Afghanistan, DPF prior actions supported the continued provision of basic services, irrespective of household billing status, through temporary subsidy or payment relief. Mauritania COVID-19 Emergency DPO (2021) supported the government's policy of reducing the cost of imported medical equipment and mitigating the risk of food insecurity by limiting the pandemic's effect on food prices.

COVID-19 DPFs **supported the use of digital systems to expand social protection coverage, improve delivery, and strengthen**

34 https://www.worldbank.org/en/publication/poverty-and-shared-prosperity

35 World Bank 2012. "The World Bank Group's Response to the Global Economic Crisis" Phase II report, IEG, Washington DC.

resilience to future shocks. The COVID-19 Financial Access DPF (2020) in Mexico supported the transition to contactless digital systems for providing social assistance. Financial and Digital Inclusion DPF 2020 in Morocco aimed to help the government enhance the transparency, efficiency, and convenience of transfers to low-income households. DPF operations in the Philippines, Afghanistan, Madagascar, São Tomé and Príncipe, and Mozambique supported the use of digital technologies to strengthen cash-transfer systems.

COVID-19 DPFs have also supported measures to protect micro, small, and medium enterprises (MSMEs), which are vital to a broad-based, sustainable, and employment-intensive economic recovery. Supported measures include guarantees and liquidity-access schemes for firms and lenders. The Philippines Emergency COVID-19 Response Development Policy Loan (2020) supported the expansion of government credit guarantees to MSMEs and the establishment of a wage-subsidy program that reaches about 3.4 million workers. The Seychelles Mitigation, Resilience, And Recovery DPF (2020) supported policies to increase the financial sector's flexibility and sustain financial markets by providing extra liquidity to commercial banks. The Tonga Emergency DPF (2021) supported the expansion of the government's Development Loan Scheme to increase access to microcredit for MSMEs.

COVID-19 DPF-supported measures in multiple policy areas have had direct or indirect positive impacts on gender equality. Securing Human Investments to Foster Transformation (SHIFT) DPC Series (2020) in Pakistan supported the continuation of a program at the federal and provincial levels that offered registered home-based workers improved access to social security and better wages, among other potential benefits. By 2023, women are projected to account for 70 percent of registered home-based workers. STP COVID-19 Human and Economic Response, Recovery and Resilience DPO (2021) in São Tomé and Príncipe supported measures to ensure equal access to education for pregnant girls, improve the provision of reproductive health services, and strengthen mechanisms to prevent gender-based violence.

BOX 2.5.

Shielding Vulnerable Households from the Impact of COVID-19: Accelerating India's COVID-19 Social Protection Response Program (2020)

Reprioritization in the India portfolio made space for the first Accelerating India's COVID-19 Social Protection Response Program (P173943) DPF in the amount of $750 million. 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. The program enabled the 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. The program also supported the development of an adaptive social protection system that can support excluded groups and address diverse needs for social protection.

Beyond providing emergency assistance to enable individuals and households to cope with the COVID-19 crisis, the operation also laid the groundwork for the government to integrate India's fragmented social protection schemes into a comprehensive system. These strategic shifts in India's social protection architecture will bolster the government's response to COVID-19 while also enhancing the country's resilience to future crises.

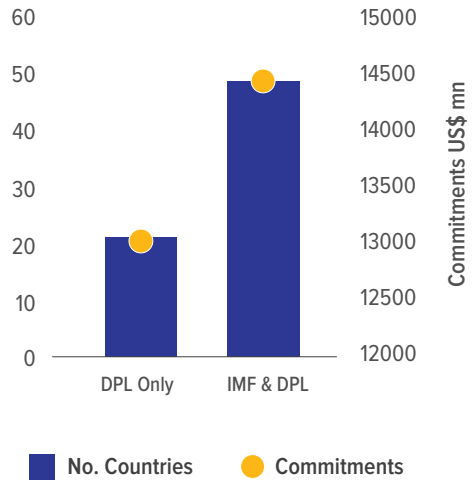
Collaboration with the IMF

As during previous crises, the World Bank collaborated closely with the IMF to provide coordinated support during the COVID-19 pandemic. Given their different mandates, the Bank and IMF followed different approaches to support their common clients respond to the pandemic. The IMF increased the use of Emergency Funding (i.e. the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI)) by temporarily doubling access to these facilities.

Of the 70 countries for which DPFs were approved after the start of the pandemic, 49 countries also received IMF financial support, including Emergency and Program based funding. About 53 percent of pandemic-response DPF commitments (or $14.4 billion) went to countries that also received IMF support, while 47 percent ($13 billion) went to countries that did not receive financial support from the IMF (Figure 2.15). IMF support, particularly via arrangements, included program-based support to nine countries while the balance was channeled through the RFI and RCF. Of the 9 countries, 6 received both arrangements and emergency funding. One country, Togo, received both DPF support and IMF debt-service relief through the CCRT.

FIGURE 2.15

COVID-19 DPF Beneficiaries – IMF & non-IMF support, Q4 FY20-Q4 FY21

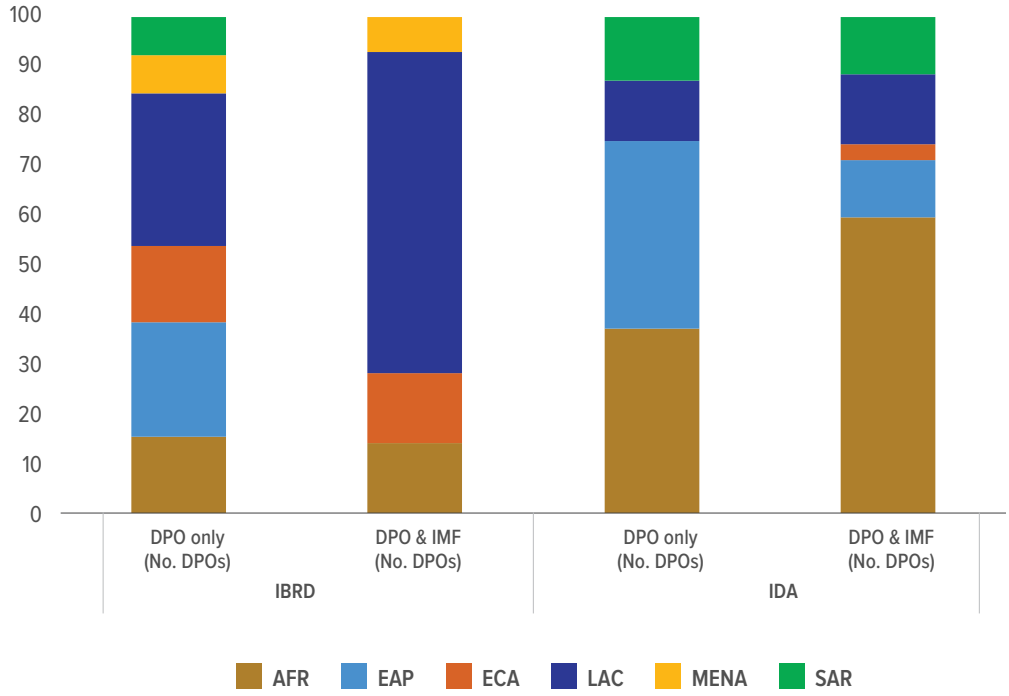


Source: WB Project Data; IMF Financial arrangements & emergency financing data

The largest number of countries which received both DPF operations and IMF financing during the pandemic were IDA countries in AFR.[36] IDA countries were more likely to have IMF arrangements in place, and 81 percent received both DPFs and IMF support, compared to 52 percent of IBRD countries. By region, most joint engagements occurred in AFR which had the largest share of countries receiving both DPFs and IMF financing. (Figure 2.16).

FIGURE 2.16

COVID-19 DPFs and IMF Support among IDA and IBRD Countries by Region (Number of Operations)



36 The analysis in this section focuses on the distribution of DPOs and their respective commitments across countries receiving either only DPF commitments or both DPF and IMF commitments.

Conclusions and Recommendations

The rapid budget support provided by DPFs in response to crises has helped finance essential public expenditures and mitigate the impacts of crises, while supporting the foundations for a resilient recovery. The surge in DPFs during the COVID-19 pandemic incorporated lessons learned from the World Bank's response to previous crises. These operations were typically processed faster than non-crisis DPFs, and they often took the form of standalone operations. Many DPFs were adjusted to meet post-COVID-19 priorities of the countries, while the use of supplemental financing was limited. COVID-19 response DPFs complemented other WBG instruments and were provided as part of a coordinated package of donor support. Current global developments, including the war in Ukraine, and its socio-economic impact on many developing countries will likely require continued use of DPFs for crisis response.

The DPF with CAT DDO instrument provides additional value to support crisis preparedness and response and could be further enhanced. CAT DDOs can be enhanced to access other pools of financing for rapid liquidity support while incentivizing further reforms for crisis preparedness and resilience and for climate adaption. Programmatic DPFs that include a CAT DDO component were useful during the pandemic. The CAT DDO proved to be especially valuable as a source of emergency support, and the expanded drawdown triggers helped countries access liquidity promptly. There are a number of ways in which CAT DDOs can be more relevant as a crisis preparedness and response instrument, especially in IDA countries. First, broadening the definition of the trigger to include different types of crises (e.g. food) would provide countries with an enhanced contingency. This would call for caution in ensuring clarity in the definition of the trigger to limit the drawdown of the CAT DDO resources to emergency situations that are caused by exogeneous factors. Second, the instrument could more systematically include support for social protection systems related reforms in the set of reforms supported by DPF with CAT DDOs. The pandemic demonstrated the need to have well-functioning social protection systems in place, with effective identification of beneficiaries and easy access arrangements via digital solutions if needed. These reforms can be considered in policy areas supported by CAT DDOs to strengthen crisis preparedness. A third area for enhancement is to strengthen the focus on crisis preparedness through complementary investment programs and analytical and advisory services (ASA), including as part of the CAT DDO program, between the approval of the CAT DDO and its eventual disbursement, which could happen much later than other DPFs, given the provision in the Policy for extensions of the operation. The Immediate Response Mechanism (IRM) could offer relevant lessons for disaster preparation, that can help strengthen the disaster preparation aspects of CAT DDOs.[37] Finally, to mitigate the constraints posed by earmarking funds for contingency purposes and find a balance between providing a pre-approved credit line that yields immediate liquidity support while not tying up scarce resources in a contingent instrument, the Contingency Emergency Response Components (CERCs) could be used more frequently with CAT DDOs to better leverage any undisbursed balances across a country's portfolio through CERCs and other mechanisms. For IDA countries, a suite of enhanced instruments could be considered, including a portfolio-level approach to CERCs, a higher Crisis Response Window (CRW) envelope, and improved incentives for CAT DDOs.

37 For example, the Myanmar IRM implementation experience revealed the need to focus on disaster preparedness before a disaster strikes and ensuring regular coordination and information sharing between the Bank team preparing CAT DDOs and the relevant ministries and agencies.

CHAPTER 3

DPF SUPPORT FOR SELECTED DEVELOPMENT CHALLENGES

Beyond crisis response, the Retrospective looks back to analyze how DPF supported client countries' development priorities in the context of corporate commitments made by the Bank Group during the period. The 2018 IBRD Capital Package and the 18th and 19th IDA replenishments translated the 2016 Forward Look objectives into implementation.[38] The need to leverage resources for development, combined with rising debt vulnerabilities across WBG client countries brought out the importance of domestic resource mobilization, debt and fiscal sustainability, while the role of the private sector was recognized as central to support economic growth and jobs, as reflected in the PCM and JET agendas. Serving all clients meant scaling up support to lower income IBRD countries (especially those that recently graduated from IDA), while at the same time engaging with clients across the income spectrum. The Forward Look noted that the WBG would "take on an expanded role in addressing global public goods, including working on (...) climate change, and major outbreaks of diseases" and embraced crisis management and gender equality as key priorities.

The Retrospective focuses on four development priorities of client countries which are also anchored in WBG corporate commitments: (i) fiscal and debt sustainability for macroeconomic resilience, (ii) an enabling private sector environment, (iii) gender equality, (iv) climate change adaptation and mitigation. The specificities of FCS and Small States are highlighted throughout these areas. The Report finds that DPFs that supported these areas tackled relevant reforms and performed well on balance. There is room, however, to enhance the use of the instrument to incorporate lessons learned and respond to shifting development priorities as developing countries recover from the unprecedented crisis induced by the pandemic.

DPF support to fiscal and debt sustainability

Support for sound fiscal and debt policies is an integral part of DPF engagements. A DPF operation requires an adequate macroeconomic policy framework, which is defined as the government's demonstrated commitment to implementing consistent, sustainable, and credible fiscal and monetary policies. Many DPF operations also support further improvements in fiscal and debt sustainability, with the objective of building fiscal buffers for macroeconomic resilience and fiscal space for future investments.

Before the pandemic, public-debt vulnerabilities were rising. By 2020, the median overall public debt stock among IDA and IBRD countries had reached 60 percent of GDP (Figure 3.1). Among IBRD countries, the median external-public-debt-to-GDP ratio remained stable at 18 percent between 2015 and 2019, but among IDA countries the ratio rose by 4 percentage points, from 28.5 percent to 32.5 percent. Increased vulnerability is also reflected in the cost of debt service which has also increased steadily over time and across countries (Figure 3.2). Sovereign debt ratings have declined among IBRD countries (Figure 3.3). Similarly, the share of IDA countries classified as being at high risk of debt distress increased from 26 percent in 2015 to 54 percent in 2020 (Figure 3.4).[39]

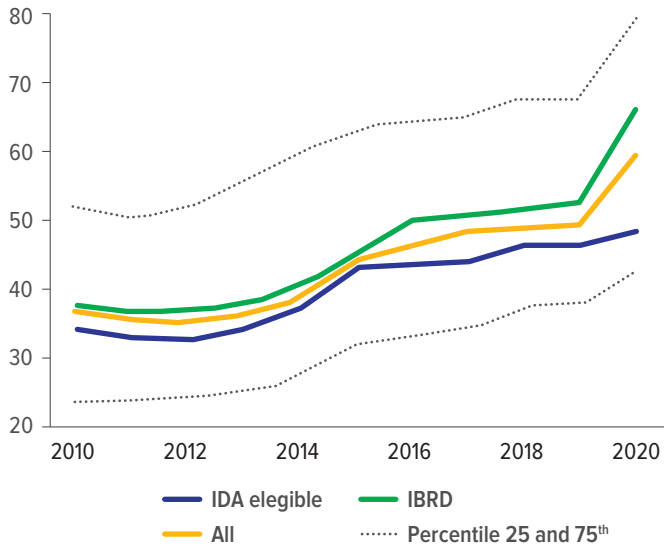
Worsening debt vulnerabilities exacerbated by the COVID-19 crisis have necessitated a robust international response. As the COVID-19 pandemic emerged, the G20 approved the Debt Service Suspension Initiative (DSSI), providing 73 eligible countries with temporary relief from debt payments to their official bilateral creditors. The DSSI has helped eligible countries allocate more resources to the COVID-19 economic and social response and recovery effort. The DSSI period was originally set to end on December 31, 2020 but has since been extended through December 2021. Meanwhile, the G20 has approved a Common Framework for Debt Treatments beyond the DSSI, aiming at considering debt treatment requested from eligible debtor countries, which should be accompanied by reforms ensuring the future sustainability of public debt.

This section explores how DPFs have been used over the Retrospective period to support sustainable fiscal and debt policies and institutional reforms that are consistent with a resilient macroeconomic policy framework. In what follows, DPFs supporting debt and fiscal reforms are characterized according to their policy focus, regional distribution, degree of IMF engagement, use in FCV contexts, and relationship to initial fiscal and debt policy and institutional performance. The extent to which reforms have effectively targeted major fiscal and debt vulnerabilities is also explored. The result framework of fiscal and debt-focused DPFs is analyzed, and the extent to which the operations achieved their stated targets, the efficacy with which the supported reforms contributed to their larger objectives, and the contribution of DPFs to sustainable policy improvements.

38 https://thedocs.worldbank.org/en/doc/545241485963738230-0270022017/original/DC20160008.pdf.
https://www.worldbank.org/en/news/press-release/2018/04/21/world-bank-group-shareholders-endorse-transformative-capital-package
https://ida.worldbank.org/en/replenishments/ida18-replenishment
https://ida.worldbank.org/en/replenishments/ida19-replenishment

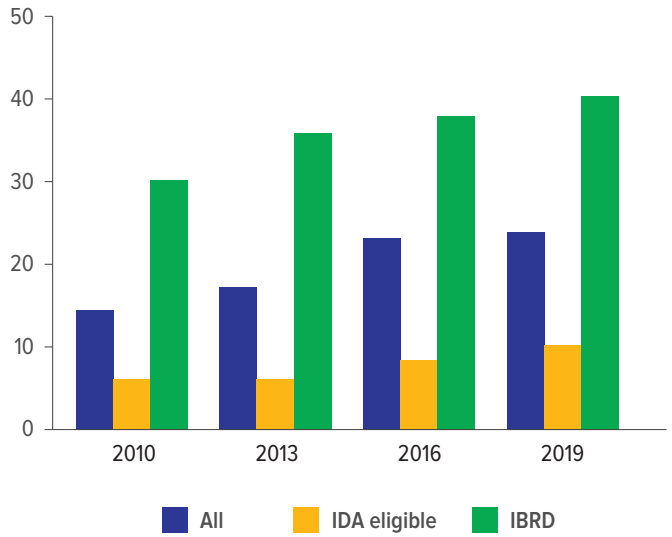
39 The methodology for DSA for low-income countries was revised in 2018. The revision introduced reforms to ensure that the Debt Sustainability Framework remains appropriate for the rapidly changing financing landscape facing low-income countries and to further improve the insights provided into debt vulnerabilities although the reforms leave the basic architecture of the framework intact.

FIGURE 3.1.
Public Debt in IDA and IBRD (percent of GDP, median)



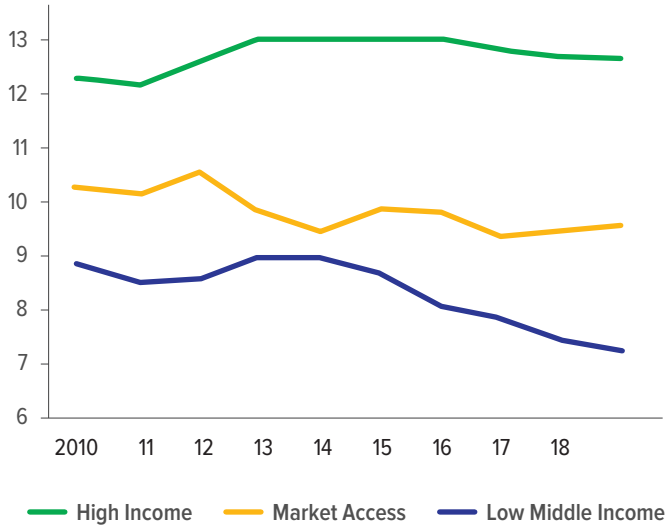
Source: World Bank Staff calculations based on WEO

FIGURE 3.2.
Debt service in IDA and IBRD (percent of govt. revenues)



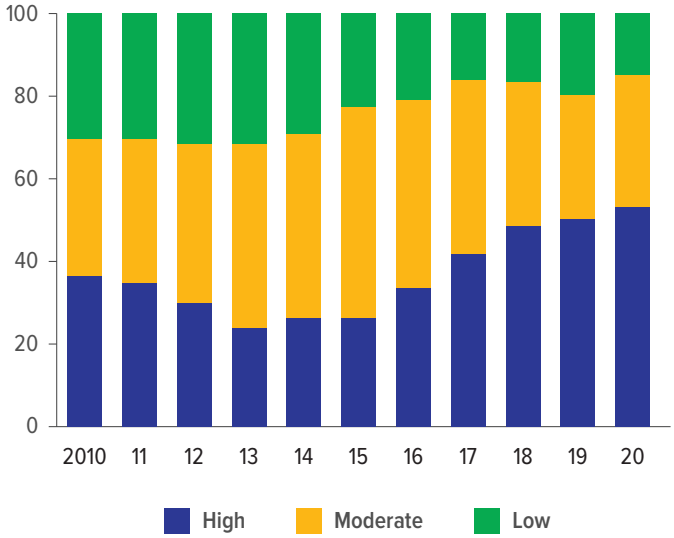
Source: World Bank Staff calculations based on IMF, World Economic Outlook database"

FIGURE 3.3.
Foreign currency long-term sovereign debt rating by country income group



Source: World Bank Staff calculations based on https://www.worldbank.org/en/research/brief/fiscal-space

FIGURE 3.4.
Risk of external debt distress (low-income country, DSF)



World Bank- IMF LIC DSF database as of end-December 2020.

Note. The "high risk" category includes countries assessed as in debt distress. Includes 69 countries in 2020

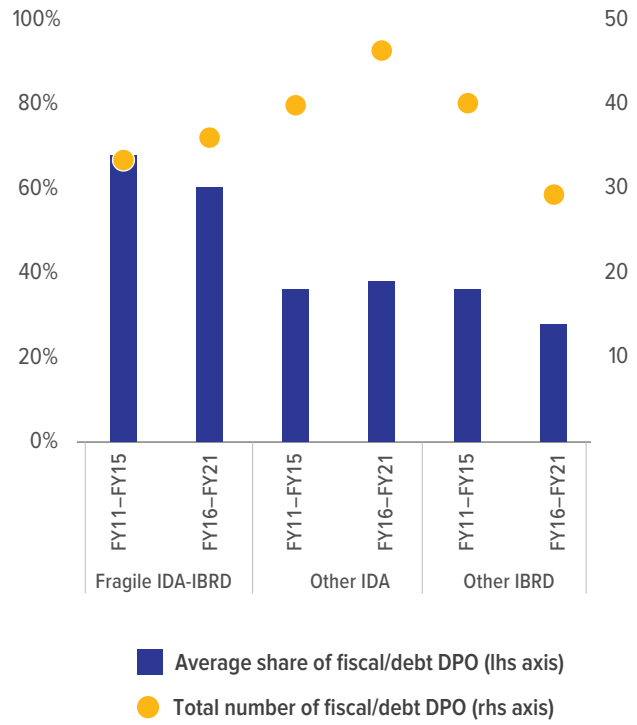
Characteristics of Fiscal and Debt-Related DPFs

Over time and across countries, about one-third of all DPF operations have focused on fiscal and debt sustainability.[40] Across country groups, DPFs focusing on fiscal and debt-related reforms represented at least 30 percent of all DPFs during both the FY11-FY15 and FY16-FY21 periods. The share has remained generally consistent over time and across lending groups, FCV status (Figure 3.5), and regions (Figure 3.6). Exceptions with lower shares include the Middle East and North Africa (MENA) and the South Asia Region (SAR) during the FY11-FY15 period and IBRD non-FCV countries during FY16-FY21.

DPF operations in FCV-affected countries have overwhelmingly focused on fiscal and debt-related reforms (Figure 3.5).[41] Over the retrospective period, about 21 FCV-affected countries had programs supporting fiscal and debt reforms, which accounted for about two-thirds of all DPFs in these countries—about twice the share average for all other countries. The large share of fiscal and debt-related DPFs in FCV-affected countries may reflect a need to concentrate on the most pressing and essential elements of public-sector management and establish a sound foundation for subsequent reforms. For example, the Central Africa Republic State Consolidation Development Program aimed to reestablish basic fiscal management and transparency following years of recurrent conflict. The relevance of objective design was rated "substantial," and the operation supported important improvements in core

FIGURE 3.5

Average share and no. of DPOs focusing on debt and fiscal reforms (FY11-15 and FY16-21)

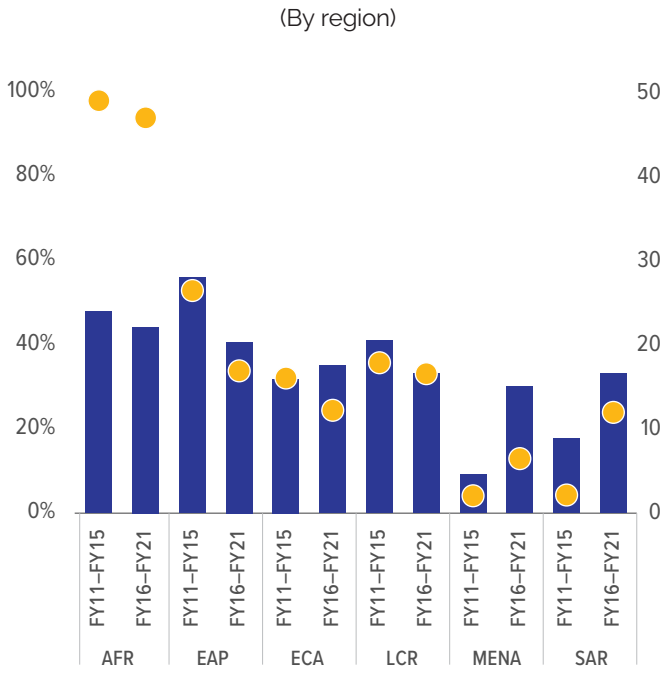


Source: World Bank Staff.

Note: These figures exclude subnational, regional, supplemental, and trust-fund-financed DPF. Only effective operations are included.

FIGURE 3.6

Average share and no. of IDA and IBRD DPOs focusing on debt and fiscal reforms by region (FY11-15 and FY16-21)



Source: World Bank Staff.

Note: These figures exclude subnational, regional, supplemental, and trust-fund-financed DPF. Only effective operations are included.

40 A DPF is classified as having a focus on fiscal and debt sustainability if at least three prior actions (PAs) support reforms in these areas, using the thematic codes provided in the Development Policy Actions Database. Between FY16 and FY21, 75 percent of all DPF operations included at least one PA supporting fiscal or debt sustainability

41 FCV includes both IDA and IBRD countries.

TABLE 3.1.

Number and share of Debt/Fiscal DPOs and IMF programs

	Total number of debt/fiscal DPOs		% debt/fiscal DPOs with an IMF program	
	FY11-FY15	FY16-FY21	FY11-FY15	FY16-FY21
AFR	49	47	88%	87%
EAP	26	17	8%	12%
ECA	16	12	69%	50%
LAC	18	18	50%	22%
MENA	2	6	100%	67%
SAR	2	12	100%	42%
Total	113	112	61%	55%

Source: World Bank Staff calculation. DPO classification as debt-fiscal based on existing thematic codes.

fiscal areas, including the management of the public-sector wage bill.[42] Similarly, the FY20 Somalia Reengagement and Reform DPF enabled Somalia's economic recovery by supporting reforms to fiscal management, including measures designed to boost revenue mobilization.[43]

During the retrospective period, the degree of IMF engagement in countries with fiscal and debt-related DPFs varied across regions (Table 3.1). In Sub-Saharan Africa (SSA), 87 percent of fiscal and debt-related DPFs were in countries with an active IMF program, while MENA had the second-largest share at 67 percent. However, the overall share of fiscal and debt-related DPFs accompanied by an IMF program fell from 61 percent during FY11-FY15 to 55 percent during FY16-FY21. While the share in SSA remained stable, the shares in ECA, LAC, MENA, and SAR fell substantially. This pattern reflects in part an overall decline in the number of active IMF programs. For example, the number of ECA countries with an active IMF program fell from 20 in FY11-FY15 to 13 in FY16-FY21.

FIGURE 3.7

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)

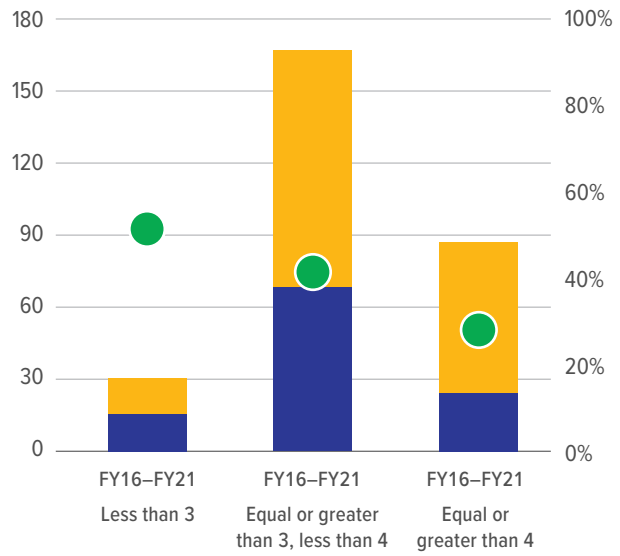
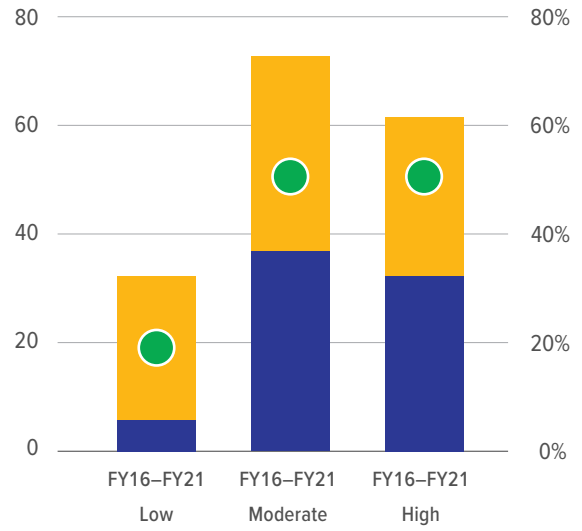


FIGURE 3.8

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

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



Source: World Bank Staff calculation. 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

42 See IEG Review. Central African Republic - State Consolidation Development Program (English). Washington, D.C.: World Bank Group.

43 See Somalia - Reengagement and Reform Development Policy Financing Project (P171570). Washington, D.C.: Reengagement-and-Reform-Development-Policy-Financing-Project

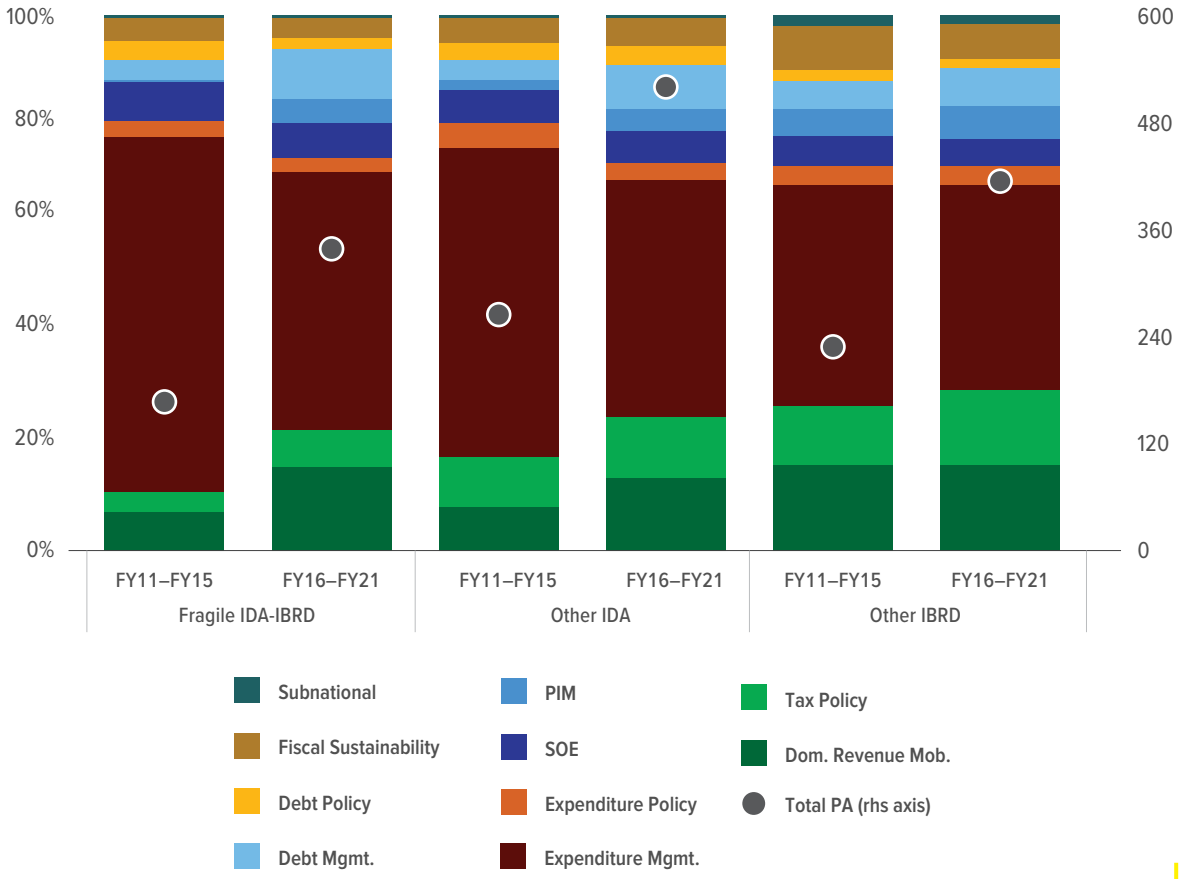
In countries with relatively poor fiscal environments, at least half of DPFs supported reforms targeting improvements in fiscal and debt sustainability. During the Retrospective Period, most fiscal and debt-related DPF operations were implemented in countries that had a Country Policy and Institutional Assessment (CPIA) score between 3 and 4 (with scores ranging from 1 to 6); about one-fourth as many were implemented in countries with scores of 4 or higher; and only a small fraction was implemented in countries with scores lower than 3 (Figure 3.7). But when they were, about half of these DPF operations focused on fiscal and debt-related reforms.

About half of DPFs in countries at moderate or high risk of external debt distress have focused on fiscal and debt reforms to help address debt vulnerabilities. DPF operations with at least three fiscal and debt-related PAs represented, on average, about 52 percent of DPF operations in low-income countries at high risk of external debt distress and about 51 percent of DPF operations in low-income countries at moderate risk of debt distress in the year preceding the approval of the DPF, during FY16-FY21. [44] That share increases to about 82 percent in countries at high risk of debt distress when considering DPFs with at least one PA focusing on fiscal or debt sustainability (Figure 3.8).

FIGURE 3.9.

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

(By fragile status and lending group of recipient country)



Source: World Bank Staff. Note: Includes only effective DPFs and excludes subnational, regional, supplemental, and trust-fund-financed operations.

44 The 2015 Retrospective found that in IDA countries at high level of debt distress, "at least one explicit prior action in a policy area related to fiscal sustainability (code 20–24, 27) was present in more than 94 percent of the operations." (page 46).

Between the FY11-FY15 and FY16-FY21 periods, DPFs increased their focus on revenue mobilization (Figure 3.9). This trend reflects an expanding body of research on tax-collection performance and the World Bank's growing emphasis on supporting clients' efforts to increase domestic revenue mobilization. As discussed in the IDA18 replenishment board document, taxes in many IDA countries and in FCV-affected countries are below 15 percent of GDP. This implies that tax revenue has been often insufficient to fund basic state functions in many countries. Among FCV-affected countries that received DPF support for revenue reforms during FY16-FY21, about 63 percent had tax-revenue-to-GDP ratios of about 15 percent in 2015,[45] versus 43 percent of non-FCV-affected IDA countries[46] that received revenue-focused DPF support during the period. Between FY11-FY15 and FY16-FY21, prior actions were especially likely to focus on revenue-side measures in IDA countries and in FCV-affected countries (Figure 3.9). In FCV-affected countries, the share of PAs related to revenue management and tax policy doubled from 11 to 22 percent between FY11-FY15 and FY16-FY21. In non-FCV-affected IDA countries, this share increased from 17 to 25 percent between the two periods.

FIGURE 3.10.

Distribution of fiscal- and debt-related prior actions (FY16-FY21; debt distress)

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

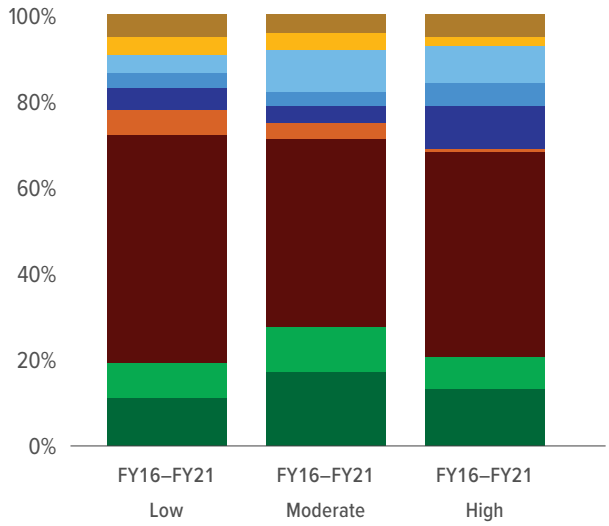
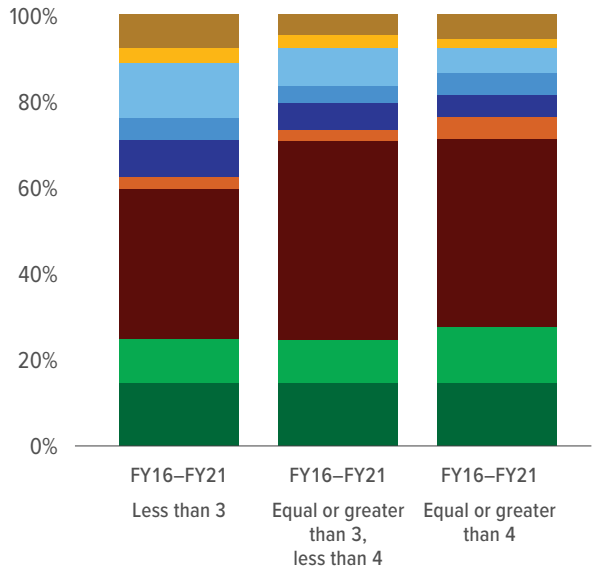
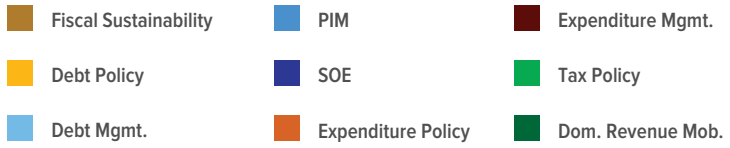


FIGURE 3.11

Distribution of fiscal- and debt-related prior actions (FY16-FY21; CPIA score)

(By CPIA fiscal in calendar year preceding DPO Board Approval)





Source: World Bank Staff calculation.

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.

45 WDI Indicators and IMF Reports, various countries. This concerns 10 out of 16 countries which were classified as FCS at time of the DPF reform and that received support on revenue related reforms.

46 This refers to countries that were not classified as FCV-affected at the time of the approval of the revenue focused DPF.

While revenue-related measures are increasingly important, expenditure-related reforms[47] remain a key policy area of fiscal and debt-related DPFs (Figure 3.9). Expenditure-related PAs have mainly focused on public finance management reforms targeting public procurement, budget preparation and execution, and financial transparency and accountability.[48] Indeed, PIM-related reforms have been highlighted as critical to address debt sustainability challenges (IEG, 2021).[49] During the Retrospective Period, DPF-supported reforms in the "public assets and investment management" thematic category represented a larger share of fiscal and debt related PAs in countries at high risk of debt distress compared to moderate or low risk of debt distress (Figure 3.10). A large share of PAs in this category focused on improving public investment management (PIM) by supporting reforms to strengthen the institutional framework for selecting, evaluating, and appraising public investment projects; enhancing mechanisms for prioritizing public investments; more closely linking the public investment plan to the budget; and establishing dedicated committees to review and select public investment projects.

During FY16-FY21, reforms targeting state-owned enterprises (SOEs) represented a larger share of fiscal and debt related reforms in countries with weaker fiscal policy and institutions (Figure 3.11) and in IDA eligible countries at higher risk of debt distress (Figure 3.10). Examples include support for SOE restructuring, divestment or privatization, corporate governance reforms, and transparency efforts, including mandatory audits and the publication of financial statements. These reforms are vital to contain fiscal risks and better manage contingent liabilities and improving public service delivery. The coverage of public debt in low-income country DSAs has improved, but further progress is necessary. Box 3.1 presents examples of good practices for supporting SOEs transparency through DPFs.[50]

The number of debt-management-related PAs increased between FY11-FY15 and FY16-FY21 across FCV and non-FCV countries, and across IDA and IBRD countries (Figure 3.9). During the retrospective period, these PAs represented a larger share of fiscal and debt PA in countries with weaker fiscal policy and institutions (Figure 3.11), as well as a large share of IDA-eligible countries at higher or moderate risk of debt distress compared to low risk of debt distress (Figure 3.10). About 8 percent of all fiscal and debt-related PAs among IDA and IBRD countries were classified under the thematic code for debt management. Reforms in this area have

BOX 3.1.

SOE Reforms: Increasing the transparency of financial information

The Pakistan Competitiveness and Growth Development Policy Credit (P157207) supported improvements in the business environment through enhanced corporate governance, stronger SOE management, and privatization. As a PA, the Ministry of Finance increased public awareness regarding the financial performance of all federal SOEs by publishing their consolidated financial and nonfinancial information. This measure was intended to increase fiscal transparency and bolster business confidence while supporting privatization and attracting private capital to the SOE sector. The achievement of the PA resulted in consolidated SOE financial information being publicly available from 2017 onward.

The Angola Growth and Inclusion DPF (P166564) focused on containing the contingent liabilities generated by the country's vast SOE sector. When the operation was approved, large-scale SOE losses were further straining an already fragile fiscal environment, and the government was under pressure to reform the sector and to reduce its exposure to contingent liabilities. As part of this DPF, the government amended the legal and institutional framework for SOE oversight and privatization by approving a law strengthening the mandate of the SOE unit and by enacting a new privatization law. These reforms are expected to improve SOE transparency, which in turn is expected to enhance corporate governance and bolster the financial and operational performance of SOEs, thereby reducing their need for subsidies and other transfers over the medium term. Comprehensive SOE data will be a crucial first step in strengthening the state's role as corporate owner and shareholder, which includes holding companies to account for their performance and initiating reforms when performance fails to meet expectations. Other expected results include a significant reduction in government transfers to SOEs in the form of equity injections and operational subsidies as a share of GDP.

47 Expenditure-related reforms include all PA classified under the thematic codes for "expenditure policy and expenditure management."

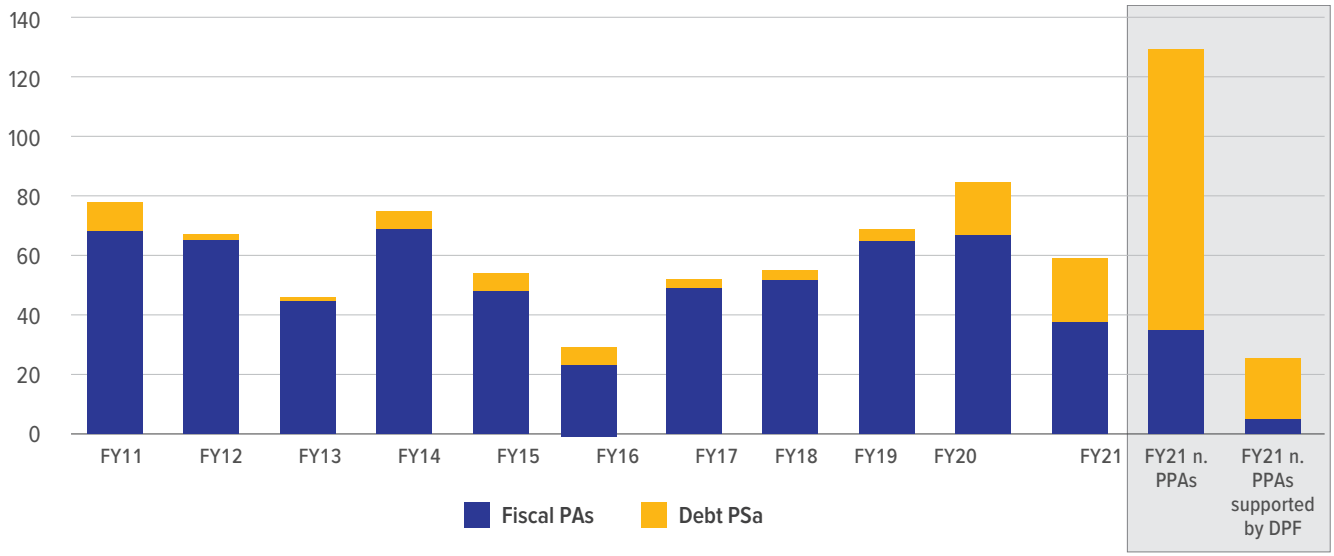
48 During FY16-FY20Q3, four FCV countries had PAs that focus on payroll reforms and that are classified under the expenditure related thematic codes. Yet several payroll and wage management reforms are rather linked to the Administrative and Civil Service Reform thematic code.

49 World Bank Support for Public Financial and Debt Management in IDA-Eligible Countries. An Independent Evaluation Washington, DC: The World Bank. p.46

50 The presented table focus on good practice examples regardless of whether the prior action is classified under thematic code for SOE. For example, some of these reforms are captured under the thematic code of debt management.

FIGURE 3.12

Number of fiscal- and debt-related FY11-FY21 and number of PPAs



Source: World Bank Staff Calculations based on Prior Action and on PPA database.

Note: PPAs supported by DPF do not necessarily overlap with fiscal and debt PAs in FY21 because some of these DPFs were not approved as of end-FY21.

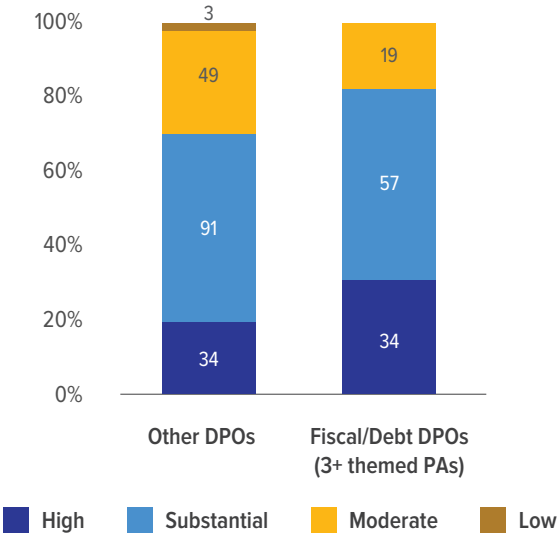
supported the preparation and publication of medium-term debt management strategies, improvements in debt reporting, and the increased transparency of debt-related data.

The new IDA SDFP has reinforced the role of DPFs in helping countries address debt vulnerabilities via improved debt management, debt transparency, and fiscal sustainability. The SDFP 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 to an average of 61 fiscal and debt-related PAs during FY11-FY21 in the same countries (Figure 3.12). In addition, 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.

Fiscal and debt-related DPFs had significantly higher risk ratings than other DPF types (Figure 3.13). Among fiscal and debt-related DPFs 37 percent had high ratings for macroeconomic risk, versus just 18 percent for the overall sample. Another 39 percent had high ratings for political and governance risks, well above the average of

FIGURE 3.13

Risk rating of fiscal- and debt-related DPOs compared to other DPOs (FY16-FY21)



Source: World Bank Staff calculations

24 percent, which may be explained by the sensitivity of the fiscal path to the political and electoral cycle. For example, fiscal policies will typically be more procyclical in the run-up to elections, when fiscal consolation is likely to be especially unpopular, making fiscal reform momentum harder to sustain. In addition, fiscal and debt-related reforms may be perceived to be subject to especially high risks, as a failure to implement the supported reforms not only impacts the achievement of the PA, but also affects the viability of the entire operation.

Results and Performance

DPF result indicators highlight the diversity of the fiscal and debt-related reforms supported during the retrospective period. Debt-management reforms have often sought to increase the disclosure of public debt reports to improve transparency and accountability. Results indicators have focused on the publication of debt reports, which can reflect underlying improvement in systems, databases, or governance[51], as well as the publication of medium-term debt strategies, which signal the government's commitment to improve debt management[52] Other results indicators have been performance-related, such as reducing the level of indebtedness or achieving a particular target for debt composition[53].

Fiscal policy reforms have been linked to targets for reducing the fiscal deficit, public debt, and public-sector arrears, as well as fiscal risk analysis and disclosure. For example, the Fiji DPF (P168402) targeted a deficit below 3 percent of GDP, while the Poland DPF (P149781) aimed to reduce the public debt stock. Fiscal policy PAs have also strengthened accountability and oversight through the improved reporting and disclosure of fiscal risk assessments.

Revenue-focused DPF PAs have successfully supported increases in revenue mobilization. On average, 88 percent of revenue-mobilization targets have been achieved or partially achieved. Outcome indicators often have targeted increases in tax revenue, either in nominal terms or as a share of GDP, for specific tax types, such as value-added taxes, corporate or personal income taxes, excise taxes, or resource revenues[54]. Many of these

BOX 3.2

Effective Prior Actions Related to Fiscal Policy and Debt Management

Following a macroeconomic crisis in 2013, Ghana's Second Macroeconomic Stability for Competitiveness and Growth DPO (P157343) was designed to support more predictable fiscal outcomes by strengthening control of the public-sector wage bill, enhancing the governance and fiscal management of SOEs, and controlling the growth of payments and the public debt. This operation supported the formulation of a Medium-Term Debt Management Strategy and the development of credit-risk assessments for debt-related financing transactions, particularly for SOEs, to lower refinancing costs and enhance the government's capacity to manage public-sector debt. These reforms successfully reduced the share of total outstanding domestic securities dominated in instruments with maturities of one year or less from 50 percent in 2014 to 12.7 percent by 2018. As a further indicator of the improvement in debt management, the difference between the planned and actual issuance of domestic debt fell from 114 percent in 2014 to less than 10 percent in 2018. Extensive analytical underpinnings and ongoing diagnostic work enabled the series to be prepared quickly in response to the macroeconomic crisis. Moreover, several ongoing World Bank technical assistance projects supported institutional reforms initiated under this series.

China's Hunan Fiscal Sustainability DPO (P157406) advanced fiscal reforms at the subnational level by supporting the development of a public finance framework that integrates budget, public investment, and debt management. One of the pillars of the DPF focused on creating a system for the provincial government to regulate and monitor the accumulation of sub-provincial government debt. Informed by the Urban China Study (2014), the World Bank Policy Note on Subnational Debt Regulatory Framework (2011), and World Bank Policy Note on Fiscal Rules and Indicators (2011), the government of Hunan Province implemented an allocation scheme for bond swaps and new borrowing that rewards local governments for achieving better debt performance and early-warning-system indicators. This measure resulted in 80 percent of local governments in Hunan Province publicly disclosing their debt data and their fund use plans for new borrowing, exceeding the target of 40 percent.

51 Comoros (P150924), Mozambique (P154422), Dominican Republic (P155425).

52 Iraq (P155920), Samoa (P155118), Egypt (P157704), Sri Lanka (P157804).

53 Bhutan (P157469), Pakistan (P157207) Tonga, (P155133).

54 Cabo Verde (P147015), Armenia (P153234), Kazakhstan (P154702), Guinea (P156629), Mauritania (P163057).

operations have aimed to boost revenues by reducing the number of tax exemptions or their total value, or by enhancing tax-related transparency and reporting.[55]

PAs focusing on public expenditure management have targeted the size, efficiency, and composition of public spending. Outcome indicators frequently involved the public-expenditure-to-GDP ratio, the relative sizes of the recurrent and capital budgets, the share of the wage bill in total spending including stronger human-resource management and transparency, the efficiency of expenditure management, and the systems that underpin public investment or reduced extra-budgetary spending. At times of crises, countercyclical measures such as minimum expenditures in cash transfers, subsidies, or public wages targets were sought as social safety nets, in particular during the COVID-19 crisis. During the retrospective period, 83 percent of public-expenditure targets were achieved or partially achieved.[56]

SOEs are a key source of fiscal and debt vulnerabilities, and successful SOE reforms targeting the disclosure of financial performance and debt management have supported major improvements in fiscal indicators. For example, some DPF-supported reforms have led to the improved disclosure of SOE financial information.[57] In addition, improvements in SOE governance have helped reduce annual subsidies and expand the available fiscal space, thereby contributing to a more sustainable delivery of public services. [58]

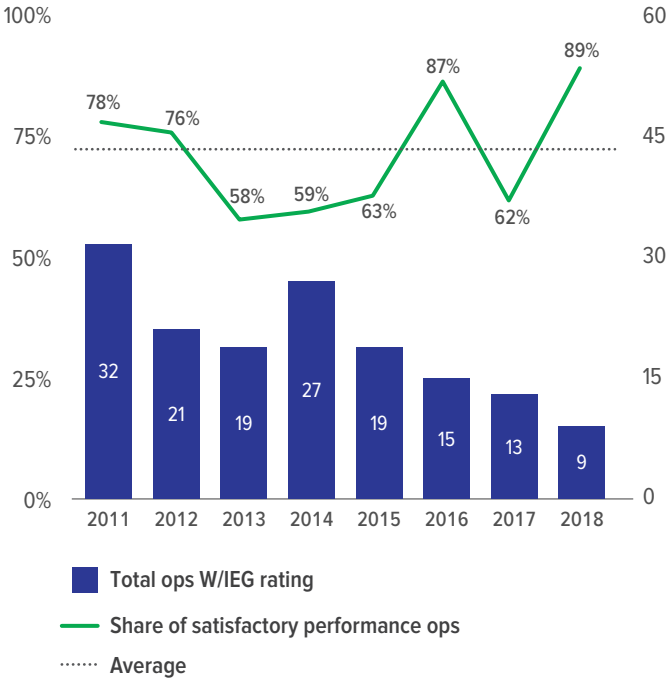
The performance of fiscal and debt-related DPFs was generally strong over the retrospective period. On average, the share of fiscal and debt-related DPFs rated moderately satisfactory or higher was close to the corporate target of 75 percent, and it remained broadly stable over the period (Figure 3.14). This pattern was similar to that of DPFs as a whole (see Chapter 1).

The presence of a complementary IMF program was associated with stronger performance outcomes for fiscal and debt-related operations. The share of satisfactory fiscal and debt-related DPF is 75percent in the presence of an IMF program active in the country, against 66percent in countries without an IMF program. This suggests complementarity effects between World Bank DPF and IMF programs in supporting fiscal and debt reforms. This also reflects that countries with an IMF program and a fiscal and debt DPF are overwhelmingly situated in Sub-Saharan African region which have been associated with a lower performance.

The analytical underpinnings of fiscal and debt-related DPFs influence the quality of their design. Debt and fiscal sustainability reforms are typically informed by Debt Sustainability Analyses, Debt Management Performance Assessments (DeMPAs), Public Expenditure Reviews, and various technical-assistance products (medium-term debt strategies, analyses of domestic debt, fiscal risks, and transparency, etc.), which are often developed in close coordination with the IMF and other partners. The increased corporate focus on debt sustainability has further deepened this analytical basis. Box 3.3 presents two examples on how analytical work, technical assistance, and investment can reinforce one another to support debt and fiscal policy reforms.

FIGURE 3.14.

The share fiscal and debt-related DPOs rated "satisfactory" by IEG & no. of projects with IEG rating



Source: World Bank Staff calculation.

Note: satisfactory encompasses IEG outcome ratings MS/S/HS. If more than one IEG evaluation is available, the latest is considered.

DPO classification as debt-fiscal based on existing thematic codes. 2019 and 2020 are not shown because of insufficient data.

55 Mongolia (P167485), Chad (P163968), Armenia (P160100).

56 Examples include Ecuador (P169822) and Nepal (P168869) on overall spending consolidation; Ghana (P133664), Ukraine (P151479), Mozambique (P154422) and Tanzania (P133798) on PIM reform; Chad (P155480) and Mauritania (P160592) on extrabudgetary expenditures; and Tonga (P155118), Egypt (P157804), Honduras (P155920), Iraq (P155920) and Chad (P163968) for efficiency in wage-bill management.

57 Ghana (P13366), Angola (P166564), Georgia (P156644) and Madagascar (P153084).

58 Serbia (P127408), Angola (P166564), Maldives (P16366).

Fiscal and debt-related DPFs have led to sustained improvements in the policy environment. Econometric analysis 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.[59] The analysis confirms that the cumulative impact of DPFs is associated with a greater improvement in CPIA sub-scores for the quality of fiscal and debt policies than that of any single operation.[60] In addition, there is evidence of complementarity between fiscal and debt-related DPFs and active IMF programs. Finally, better DPF performance (measured by IEG ratings) is associated with a greater positive impact on the quality of fiscal and debt policies.

BOX 3.3.

Synergies Between DPFs, Technical Assistance, Other Investment Lending, and Partner Activities

The Madagascar Fiscal Sustainability and Energy DPF (P166752) was designed to strengthen the quality and transparency of fiscal decision-making and improve the governance of the electricity sector. The DPF complemented an ongoing investment program and recent World Bank budget-support operation. Several of the reforms supported by this operation were linked to financing and technical assistance provided through World Bank investment projects, including the Integrated Growth Pole Project and Corridor 2 (P113971), which built the capacity of relevant government agencies to manage public-private partnerships (PPPs) and provided advisory support on PPPs; the Electricity Sec Operations & Governance Improvement Project (ESOGIP, P151785) which supported the investment program of the state-owned water and electric utility; the Least-Cost Electricity Access Project (P163870), which provided investment support to the country's electrification program; and future partial risk guarantees, which will aim to provide risk mitigation for renewable-energy PPPs. These investment project financing operations support process improvements at the national water and electric utility, including the use of least-cost planning methodologies. In parallel, the Inclusive and Resilient Growth programmatic DPF (P166425) supported reforms to promote rural electrification, and a complementary programmatic DPF is being prepared to strengthen human capital and support inclusive growth in line with the new government's program.

The Honduras First Fiscal Sustainability and Enhanced Competitiveness DPF (P155920) supported the government's efforts to strengthen the institutional framework to promote fiscal sustainability and enhance the regulatory framework to enhance competitiveness. The design built on earlier DPFs in Honduras, including the Fiscal Sustainability and Social Protection DPF (P151803) and the Fiscal Emergency Recovery DPF (P121220), which emphasized the importance of accounting for the country's implementation capacity constraints. The content of the operation was shaped by consultations with different levels of government, as well as in the private sector and civil society. The operation's substantial political, macroeconomic, and institutional risks were largely avoided through careful risk management, including an open dialogue with the political leadership, close collaboration with the IMF, and technical assistance to ease institutional capacity constraints. This programmatic DPF series was part of a broader reform agenda supported by multilateral institutions and was prepared in coordination with the IMF and the Inter-American Development Bank. The IMF implemented a Stand-By Arrangement/Credit Facility for the period 2014-2017, and all three institutions provided technical assistance on areas such as taxation, fiscal management, energy policy, social protection, and private-sector development. While the second operation in the series was dropped, most of its triggers were met through complementary investment projects including the Improving Public Sector Performance Project (P110050), the Power Sector Efficiency Enhancement Project (P104034), and the Social Protection Project (P152266), which was co-financed by the Inter-American Development Bank

59 CPIA debt and fiscal sub-scores are used as indicator of the quality of fiscal and debt policies.

60 Pre-existing research on the impact of policy-based lending emphasizes that cumulative support provided over time—rather than any single operation—is responsible for generating a positive and lasting impact on policy outcomes.

DPFs support to an Enabling Environment for Private Sector

A vibrant private sector is a key growth driver and the source of "good" jobs in the world. It is a critical component of a green, inclusive and resilient post-pandemic global recovery, in a context of heightened fiscal constraints. An environment conducive to private sector development is therefore essential to the Jobs and Economic Transformation agenda, as it generates jobs with higher productivity and earnings.[61] It includes low barriers to market entry, the presence of private sector-enabling public and private institutions, and access to productive factors and inputs. Competition and innovation depend on the ability of firms, regardless of their size and ownership, to have a level-playing field. Adequate governance, rule of law, efficient sectoral regulations, high-quality physical and strong human capital infrastructure are all vital to investment, expansion, and innovation.

This section examines the role of DPFs in supporting the creation of an enabling policy and institutional environment for private sector development. It highlights the key characteristics of private sector enabling DPFs, and probes their results, performance, and impact on policy outcomes, including in mobilizing private capital.

Characteristics of private sector enabling DPF support

Support to creating a Business Enabling Environment (BEE) has been an important focus of DPFs. Two-thirds of DPF operations during the Retrospective Period included at least one policy action designed to improve the private sector enabling environment.[62] This share represents 174 operations containing a total of 521 BEE policy actions, implemented across 78 countries, with a total financing commitment of $39 billion. Over the Retrospective Period, 32 percent of all DPF operations included at least three policy actions designed to improve the BEE or a total of 82 BEE-oriented DPF operations.[63] These 82 operations contained a total of 380 BEE policy actions, implemented in 45 countries, with a total financing commitment of $26 billion. During this period, 10 to

FIGURE 3.15.
Share of BEE-Oriented DPOs (over Total DPOs) FY15-FY20

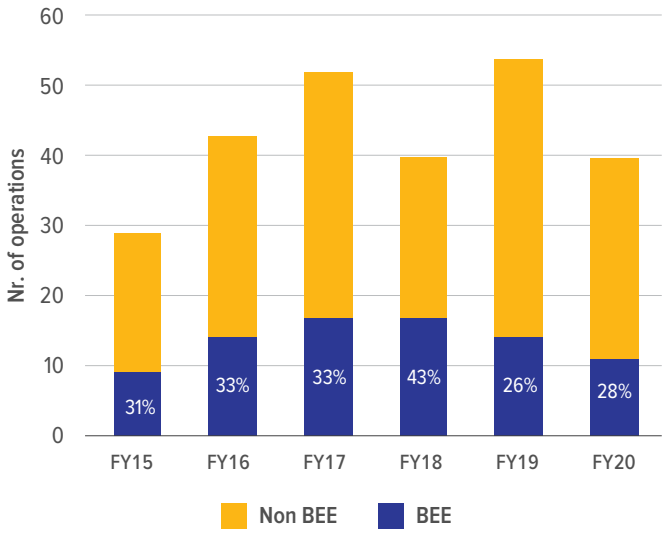
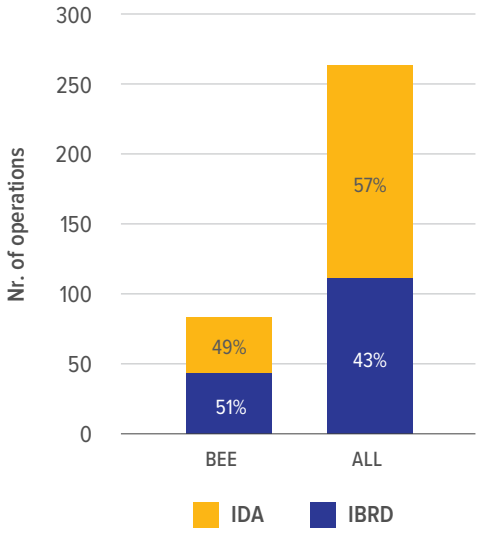


FIGURE 3.16.
BEE-Oriented and Total DPOs IBRD and IDA



Source: World Bank staff calculations.

61 Other critical elements are, for example a skilled labor force, a well-functioning labor market and robust labor standards among others.

62 Annex 3 presents the classification used for the purpose of this section.

63 The definition of BEE-oriented operations (with at least three BEE prior actions) was chosen to be consistent with other parts of this report. Analyzing operations with at least one BEE prior action versus those with at least three BEE prior actions yields similar results when it comes to the main characteristics of these operations.

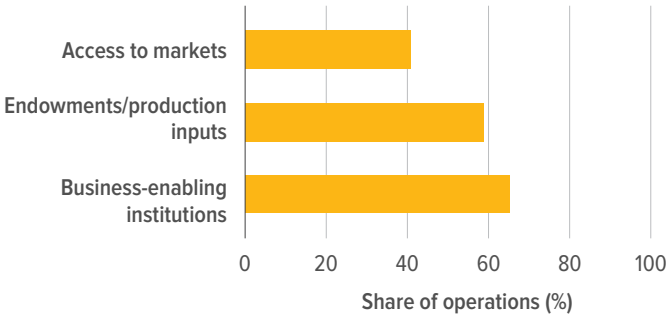
18 BEE-oriented operations were implemented each year (Figure 3.15). About half of all BEE-oriented operations were implemented in IDA countries, even though IDA represents just 43 percent of the DPF portfolio, reflecting the importance of the JET agenda under IDA18 and IDA19 (Figure 3.16).

The creation of business enabling institutions (rules and regulations) has been the most salient policy area for BEE-oriented DPFs. Over the period, a full 88 percent of BEE-oriented operations included measures supporting business-enabling institutions, while 79 percent supported endowments and production inputs, and 55 percent included measures aimed at increasing access to markets (Figure 3.17). Within these three categories, the policy objectives most frequently targeted were: (i) expanding access to reliable, low-cost infrastructure through regulatory reform or private-sector participation (included in 57 percent of BEE-oriented operations); (ii) alleviating barriers to entry and streamlining tax administration (52 percent); (iii) mitigating risks and uncertainty by strengthening the legal framework (50 percent); and (iv) deepening integration with the global economy through trade facilitation and logistics (41 percent).

Almost 40 percent of all BEE-oriented DPFs included prior actions designed to reduce business costs (business-enabling institutions). The main area of engagement was reducing business costs at entry, often by streamlining registration and licensing procedures for domestic firms and foreign investors. The second major policy area was reducing business costs during business operations. Actions in this area included simplifying procedures for obtaining construction permits, registering property, enforcing contracts, or conducting public procurement processes, as well as lowering the cost of tax compliance by introducing e-filing and e-payment systems, simplifying refund procedures for value-added taxes, or reforming other aspects of tax administration.

FIGURE 3.17.

Share of BEE-Oriented Operations in Each BEE Policy Category



Source: World Bank staff calculations.

Prior actions aimed at reducing business costs or mitigating business risks and uncertainty frequently focused on the adoption of digital technologies, especially e-government services for business registration, licensing, and tax compliance. Several DPFs also supported improvements in the legal framework for digital infrastructure, increased interoperability among government databases, and the expanded use of e-payment platforms.

BEE policy actions related to increasing access to markets were focused on trade facilitation and logistics. This policy area has long been a focus of World Bank operations, and a 2019 IEG report found that WBG support for trade facilitation between 2002 and 2017 helped lower the transaction costs of international trade through measures targeting border procedures, administrative capacity building, and physical infrastructure.[64] Almost half of the 72 BEE prior actions focused on trade facilitation and logistics were concentrated in five projects, including two Indonesia Maritime Logistics DPFs, and West Africa Regional Trade DPFs in Côte d'Ivoire and Burkina Faso. The rest were embedded in multi-sector DPFs. About 31 percent of the operations that included trade facilitation and logistics components were implemented in AFR, while another 31 percent were implemented in LAC. Most BEE reforms in small states focused on trade facilitation. Regional trade facilitation DPFs have proven challenging, with all three regional operations rated unsatisfactory by IEG. While their objectives were relevant, their design proved to be overly ambitious.

Among BEE-oriented operations that may be attributed most directly to supporting job creation, the focus was on: (i) upgrading skills and capabilities through technological adoption and worker training; (ii) fostering entrepreneurship; and (iii) supporting the expansion of the digital economy. It is also important to note that a broad set of factors - encompassing education, skills, labor markets, gender balance, for example – are critical to the creation of quality jobs. DPFs have directly supported these factors, apart from supporting then as a subset of the BEE.

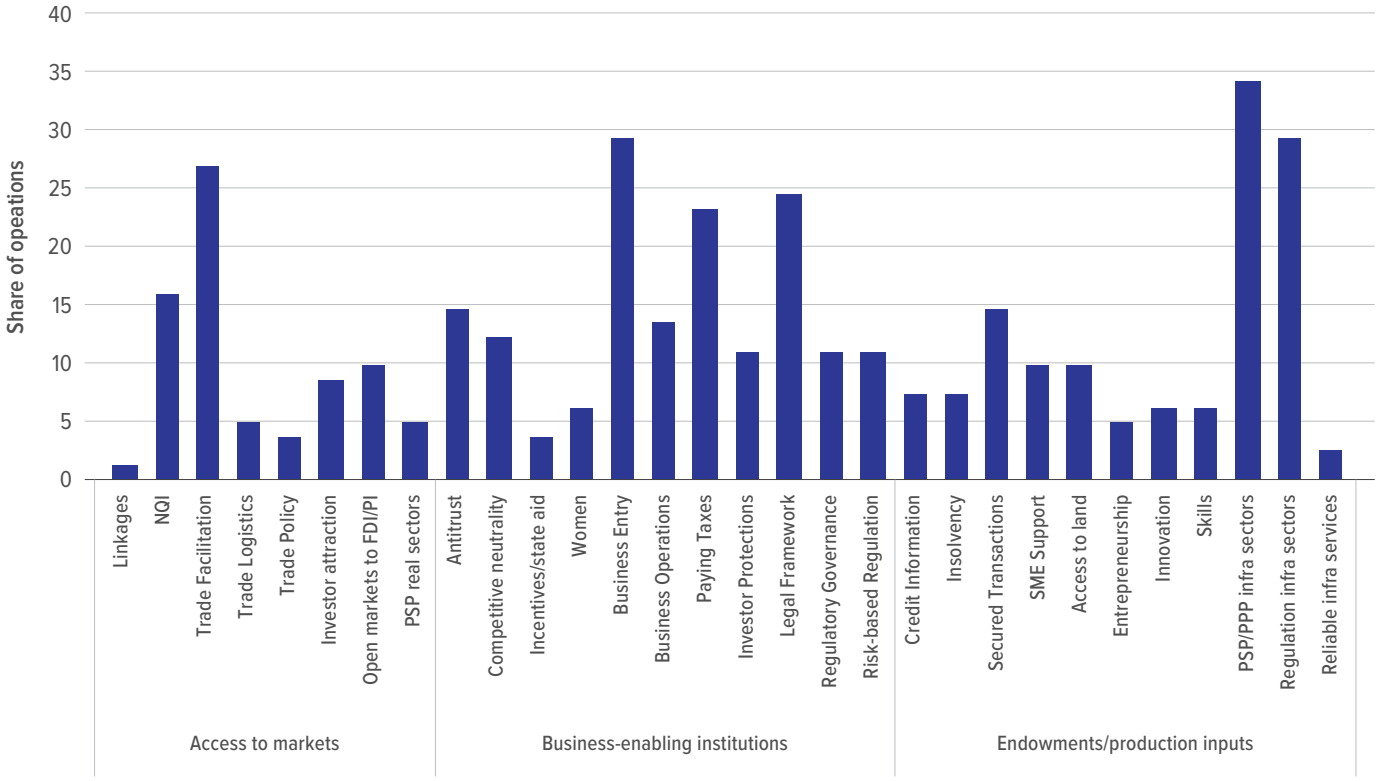
Supporting private-sector development often requires multi-pronged policy interventions. About 93 percent of BEE-oriented operations included policy actions aimed at more than one of the three areas of the BEE framework; about 71 percent supported actions in more than two areas; and about 34 percent supported actions in more than three areas. During the period, the Egypt Private Sector Development for Inclusive Growth DPF (P168630) had the widest range of interventions, encompassing eight areas of the BEE framework.

Policy areas targeted by BEE-oriented DPFs also varied by region. At the regional level, AFR had the largest share of the BEE-oriented DPF portfolio, but MENA had the largest share of BEE-oriented operations relative to total operations in the region. AFR accounted

64 IEG 2019. Grow with the Flow. An Evaluation of World Bank Group Support to Facilitating Trade 2006–17.

FIGURE 3.18.

Share of BEE-Oriented DPOs in Each BEE Policy Area



Source: World Bank staff calculations.

FIGURE 3.19.

Share of BEE-Oriented DPOs (over Total DPOs) by Region, FY15-FY20

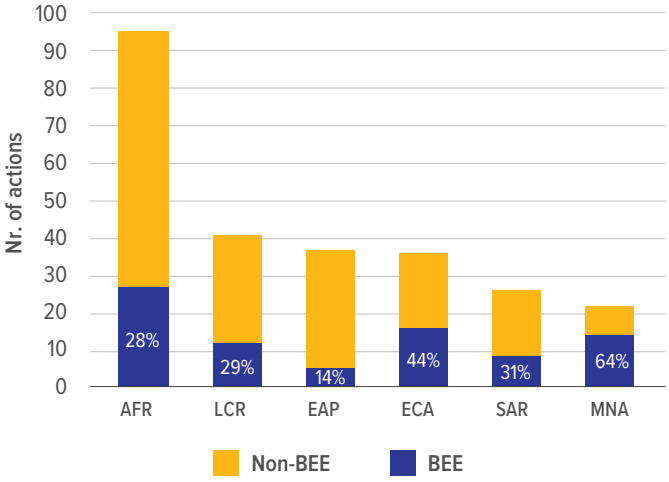
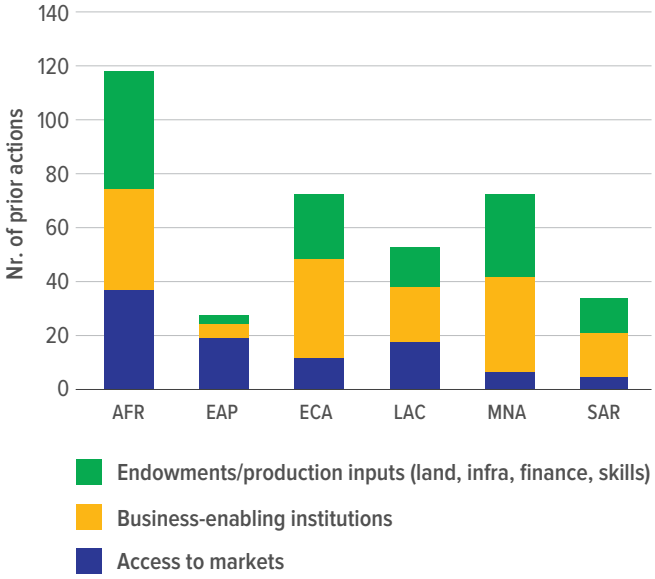


FIGURE 3.20.

BEE Prior Actions by Region and Category



Source: World Bank staff calculations.

for about 33 percent of all BEE-oriented DPFs over the period, followed by Europe and Central Asia (ECA) with 20 percent and MENA with 17 percent. However, MENA and ECA DPFs were the most likely to include BEE components: BEE-oriented operations made up 64 percent of all DPFs in MENA and 44 percent of all DPFs in ECA (Figure 3.19). East Asia and the Pacific (EAP) accounted for the smallest share of the BEE-oriented DPF portfolio (6 percent), and only 14 percent of EAP DPFs contained at least three BEE prior actions. In AFR, BEE-oriented DPFs most often focused on endowments and productive inputs, while operations in EAP were most likely to target access to markets. In all other regions, BEE-oriented reforms were most likely to focus on business-enabling institutions (Figure 3.20).

BOX 3.4.

Bhutan: Implementing Programmatic DPFs to Support BEE-Oriented Reforms

Between FY15 and FY20, two series of programmatic DPFs, representing a total commitment of $104 million, supported reforms to strengthen Bhutan's BEE. These series focused on strengthening fiscal management, improving the business climate and expanding access to finance, and creating new private-sector employment opportunities.* The design of both series reflected lessons from the Implementation Completion and Results (ICR) report for a previous series, which underscored the importance of sound analysis to inform the policy dialogue, support capacity development, align operations with TA activities, and underpin the programmatic approach. Both series were grounded in IBRD and IFC analytical work. Almost all BEE prior actions were accompanied by TA to support the implementation. The first DPF series achieved a "Satisfactory" outcome rating from the IEG, while the second has not yet been evaluated. The Bhutan DPFs provide an example of BEE-oriented operations that focus primarily on supporting the development of business-enabling institutions and expanding access to finance. Through the two series, policymakers focused on simplifying business registration, licensing, tax payments and property registration, as well as strengthening protections for minority shareholders. The DPF series also supported the implementation of a new insolvency law and the expanded use of credit bureaus. These policy actions contributed to an improved investment climate in Bhutan.

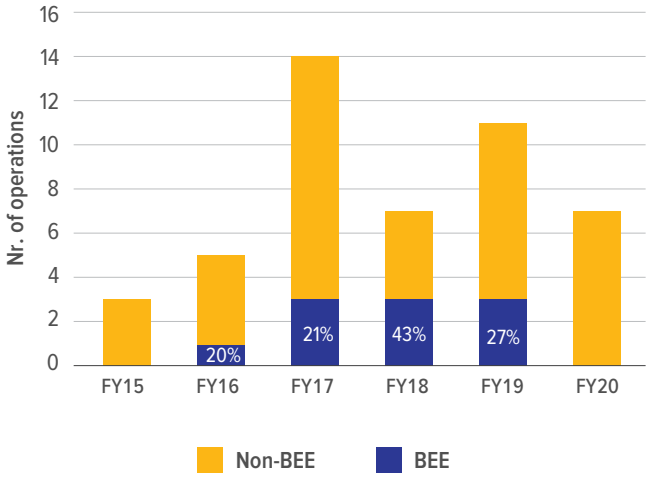
**The Fiscal Sustainability and Investment Climate series of two DPFs (P147806, FY15 and P157469, FY17) and the Strengthening Fiscal Management and Private Sector Employment Opportunities series of three DPFs (P164290, FY18; P168166, FY19 and P171780, FY20).*

Most operations with BEE components were delivered through programmatic series. Over the period, 73 percent of all BEE-oriented DPFs were programmatic, slightly higher than the average of 70 percent for the total DPF portfolio and up from just 61 percent during FY11-FY15. The choice of programmatic operations is appropriate as BEE reforms typically involve long lead times. Programmatic BEE-oriented DPFs were most likely to focus on expanding access to reliable, low-cost infrastructure and reducing business costs of entry and operations. Bhutan offers an illustrative example of a programmatic BEE-oriented operation (Box 3.4).

BEE was less of a focus in FCV-affected countries than in other countries. This is consistent with the finding that FCV countries have much focused on public sector management and service delivery (Chapter 1). Between FY15 and FY20, 66 percent of the 31 DPFs implemented in FCV-affected countries[65] included at least one BEE prior action. These operations were implemented in 19 countries, with disbursements totaling $3 billion, or 42 percent of all DPF disbursements in FCV-affected countries.[66] However, only ten of these operations included at least three BEE prior actions, and in FY20 no BEE-oriented operations were implemented in FCV-affected countries. During FY15-FY20, FCV-affected countries accounted for just 12 percent of the BEE-oriented portfolio, whereas they represented 18 percent of the entire DPF portfolio.

FIGURE 3.21.

Share of BEE-Oriented DPOs (over all DPOs in FCV-Affected Countries), FY15-FY20

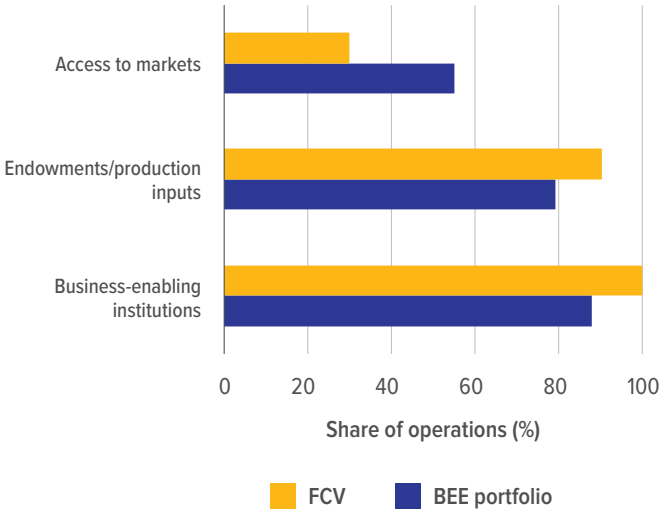


Source: World Bank staff calculations.

65 During the retrospective timeframe, the total number of DPFs implemented in FCV countries is 47.

66 Afghanistan, Burundi, Cameroon, CAR, Chad, Comoros, Côte d'Ivoire, Haiti, Kiribati, Liberia, Madagascar, Mali, Niger, Papua New Guinea, Sierra Leone, Somalia, Togo, Tunisia, and the West Bank and Gaza.

FIGURE 3.22.
Thematic distribution of BEE-Oriented DPOs in FCV–FY15–FY20 average



Source: World Bank staff calculations

BOX 3.5.
DPF Engagement in Cote d'Ivoire: Post-crisis Recovery in an FCV Environment

The experience of Côte d'Ivoire highlights the importance of the BEE agenda as a component of post-crisis recovery efforts in FCV-affected states. Côte d'Ivoire underwent a major political, social, and economic crisis during the 2000s, which culminated in a violent post-electoral conflict in 2010. Since then, the country has made an impressive transition from crisis to relative stability, and from fragility and slow growth to the status of an aspiring emerging economy. DPFs are a main instrument for implementing the CPF: five DPFs totaling $600 million were part of the WBG's program in Côte d'Ivoire between FY15 and FY20, and in FY15 and FY16 a two-operation regional trade facilitation DPF series in the amount of $200 million was implemented in Burkina Faso and Côte d'Ivoire, the first budget-support operation to be carried out in two countries simultaneously. All the DPFs implemented in Côte d'Ivoire over the period included prior actions supporting the BEE. As of FY20, Côte d'Ivoire was no longer on the WBG's list of FCV countries, and the current CPF aims to support the post-crisis recovery by focusing on the creation of a competitive and inclusive economy.

All 10 BEE-oriented DPFs in FCV-affected countries included prior actions focused on supporting business-enabling institutions, notably to reduce the costs of doing business. In addition, BEE-oriented operations in FCV-affected countries were also more likely than other BEE-oriented operations to support improved endowments and production inputs (access to finance, expanded access to land, and lower infrastructure costs). The main areas of engagement to improve the BEE in FCV-affected countries included simplifying business-licensing requirements (Afghanistan, the West Bank and Gaza), simplifying tax administration and public procurement systems (Côte D'Ivoire, Sierra Leone, Togo), and improving land administration, strengthening land-tenure security, and simplifying land-registration procedures (Afghanistan, Côte d'Ivoire, Sierra Leone, Togo, the West Bank and Gaza).

Because of the low capacity in most FCV-affected countries, complementary WBG investment and TA projects that support DPF objectives are especially critical. Several IEG reviews of BEE-oriented operations in FCV countries highlighted the importance of complementary support. Madagascar's Public Finance Sustainability and Investment DPF (P160866), which was rated "Moderately Satisfactory," was aligned with seven concurrent WBG investment and TA projects, as well as two IMF programs and IMF TA. These complementary interventions enriched the policy dialogue with the authorities, facilitated the implementation of prior actions and related measures, and strengthened monitoring and evaluation (M&E).[67] In Afghanistan, the Inclusive Growth DPG (P160544), which was also rated "Moderately Satisfactory," emphasized the complementarity of the operation with ongoing investment projects and advisory projects that provided incentives to implement the reforms, as well as contributions from relevant analytical work.[68] This coordinated approach helped focus scarce government capacity on key policy priorities.

Results and Performance

BEE DPFs succeeded in bringing down business costs, improving trade facilitation, and facilitating private capital mobilization. Results indicators relied on indicators that measured a number of aspects including the time, cost, and number of procedures involved in various government-to-business services, as well as the availability of e-filing, or IFC-specific impact indicators such as compliance-cost savings. Overall, 72 percent of the 56 IEG-evaluated results indicators linked to reducing business costs

67 IEG ICR Review of P160866. Report Nr. ICRR0022067.
68 IEG ICR Review of P160544. Report Nr. ICRR0021764.

were either achieved or partially achieved during the retrospective period. Progress was made to support trade facilitation and logistics reforms. Between FY15 and FY20, 61 percent of the 36 IEG-evaluated DPF results indicators linked to trade logistics and facilitation were either achieved or partially achieved.

The BEE reforms embedded in DPFs have helped enable private investment by addressing upstream binding constraints on private sector development. The MDB's PCM methodology is narrowly defined, to count the private co-financing of projects at the time of the Board approval of an operation.[69] As such, among DPFs, this methodology allows for only PBGs to be counted as PCM. Nevertheless, DPFs played an important role in enabling private investment as well as supporting the Maximizing Finance for Development (MFD) agenda. For example, BEE reforms supported by DPF facilitated private investment through overall improvements in the business climate, rather than mobilizing specific investment projects. Over the Retrospective Period, most BEE-oriented DPFs focused on the BEE category of endowments and productive inputs. Many of these operations supported asset-recycling in key sectors such as ports and energy, providing the authorities with a valuable opportunity to mobilize new private capital to bridge the gap between infrastructure investment needs and available public budget resources. Other operations supported SOE reforms designed to improve the efficiency of public expenditures and assets, either indirectly facilitating PCM by creating new opportunities or directly mobilizing private capital through PPPs and complementary private investments. Similarly, regional connectivity projects created new private investment opportunities, as did operations focused on the transition to low-carbon, climate-resilient infrastructure. Some BEE-oriented DPFs implemented during the Retrospective Period directly included prior actions that address binding constraints to increase private investment and used results indicators that mobilize private capital (Box 3.6). These result indicators range for example from private investment or FDI increases, additional PPPs, privatization or private participation in SOEs, or new licenses distributed.

BEE-oriented operations have performed as well as other DPFs. IEG outcome ratings[70] suggest a slightly lower performance of BEE-oriented DPFs compared to others (58 percent were rated "Satisfactory" or "Moderately Satisfactory" compared to 67 percent and 33 percent, respectively for the portfolio DPFs between FY15 and FY20). However, controlling for country- and project-level characteristics and considering the small sample size (36 BEE-oriented operations implemented during the period have been reviewed by IEG), the difference is not significant.

IEG reviews of BEE related DPF operations highlight several design features that enhance their performance. These include the alignment of supported policy actions with both the CPF and the client country's own development strategies, a simple operational design with concrete prior actions that are clearly linked to programmatic objectives and results indicators; and policy measures grounded in substantive analytical work and supported

BOX 3.6.

DPF Support for Private Capital Mobilization

The BEE DPFs reviewed for this Retrospective highlighted the range of prior actions that help catalyze private investment, and contribute to private capital mobilization. These prior actions included measures to support a framework for FDI, approval of private investment laws (often with technical support from the Bank), enhancing public procurement laws to enhance competitive bidding, and approve policy frameworks for public private partnerships. Results indicators related to these actions often captured the impact on private investment, which can be seen as a contribution of the DPF program to the increase in private investment. For example, the FY16-18 Georgia Private Sector Competitiveness programmatic DPO included several actions to enable private investment in telecommunications, and helped catalyze $236 million in private investment in broadband services.

A number of BEE DPFs that helped attract private investment were also complemented by IFC and MIGA operations. For example, the Egypt Fiscal Consolidation, Sustainable Energy and Competitiveness DPF series (P157704, P161228, P164079) included a pillar to improve the business environment by modifying investment laws and industrial licensing requirements while enhancing competition. The series featured early and sustained collaboration among the IBRD, IFC, and MIGA teams on energy and private sector development issues. Coordinated analytical work, TA, and complementary financing contributed to the success of the series. TA was provided on investment policy, licensing, and competition policy, and the IFC arranged a $653 million debt package to finance the construction of 13 solar power plants in 2017, while MIGA provided $210 million in political risk insurance to private lenders and investors involved in the solar park. These joint and coordinated efforts by the WBG enhanced investor confidence and are projected to mobilize $2 billion in private investment via the feed-in-tariff program, which will support the creation of 1,600 MW of new solar generating capacity

69 https://worldbankgroup.sharepoint.com/sites/ppp/mfd/SitePages/Detail.aspx/Documents/mode=view?_Id=479&SiteURL=/sites/ppp/mfd

70 IEG ratings of achievement against stated objectives of closed country programs.

by TA or complemented by other Bank operations or donor partnerships.[71] Most IEG ICRRs confirm that these operations were adequately underpinned by SCDs and sector-specific analytical work, including Investment Climate Assessments, Country Private Sector Diagnostic (CPSD), the WBG Trade Facilitation Support Program (TFSP), IFC advisory services and more generally in-depth analyses of investment, trade, and competition policies .

BEE-oriented DPFs are associated with improved future policy outcomes of structural policies.[72] A regression analysis provides supportive evidence that the accumulation of BEE-oriented DPFs over time is associated with improved structural policies: DPFs focused on business-enabling environment is associated with an improved Business Regulatory Environment, as measured by the CPIA rating #6 dedicated to "Business Regulatory Environment". Similarly, receiving more BEE-oriented DPFs focused on deepening integration with the global economy (often through trade facilitation) is associated with improved Trade policy, measures by the CPIA rating #4 dedicated to "Trade".

DPF support to gender equality

The World Bank Group Gender Strategy (FY 2016–23) presents gender equality as integral to smart development policy. It posits that successful implementation of the strategy will help achieve the Bank Group's twin goals and support the Sustainable Development Goals. The strategy focuses on four objectives: human endowments, jobs, asset control and ownership, and voice and agency.

DPOs have served as an important instrument to facilitate coordinated policy actions toward gender equality and women's empowerment. The launch of the WBG strategy featured a new methodology and targets for measuring progress via gender tags for operations. In FY17, the World Bank introduced a "gender tag" to assess whether WBG operations integrate: (i) research-based analysis to identify gender gaps within the projects; (ii) specific actions to address the gender gaps identified; and (iii) a results framework to measure progress in closing identified gender gaps. Since then, DPOs have increasingly played a pivotal role in the country program to address a wide range of gender gaps and to open up new, important areas of engagement to advance gender equality. In particular, DPOs have supported strong outcomes on gender through country-driven approaches and have been able to effectively leverage other WBG engagements. Rigorous analytical work to underpin DPOs have also helped to influence policy dialogue and inform reform efforts across the portfolio (see Box 3.7 on Egypt).

In FY19 the Bank approved its first Gender focused DPO, *Albania Gender Equality in Access to Economic Opportunities DPF (P160594*)**, with all prior actions focused on narrowing gender gaps**. To date this remains the only exclusively gender-focused DPO. Box 3.8 describes in more details the objectives and content of the program.

BOX 3.7

Women Economic Empowerment in Egypt: From Diagnostic to Policy Actions

The gender pillar of the *Egypt Inclusive Growth for Sustainable Recovery DPF (P171311)* was shaped by foundational analytical work, including the *Egypt Gender Assessment* and the 2019 flagship *Women Economic Empowerment Study*. The study identified six "gender smart" policy recommendations to be achieved over the short to medium term to help boost economic growth, while narrowing relevant gender gaps namely a) decent work and safe working environment including promoting the Government's gender equity seal; b) revising discriminatory labor laws that constrain women's work; c) provision of safe transportation by effectively enforcing legislation and protocols to reduce sexual harassment and promoting access to quality, safe, respectful and confidential GBV services; d) improving women's financial inclusion and entrepreneurship by expanding access to information technology, including mobile banking and encouraging non-bank intermediaries to provide financial products tailored to women's needs; e) addressing social norms through campaigns, including those related to violence against women highlighting the economic cost of gender-based violence; and f) expanding access to formal childcare facilities to support women retention and progression in the labor market. The operation implemented key policy recommendations by reforming regulatory barriers limiting jobs and working hours for women, introducing referral services for GBV survivors and enacting legislation prohibiting discrimination in access to credit. This operation set the groundwork and fostered government appetite for future policy interventions.

71 For example, see in Indonesia the Maritime Logistics DPF series (P158140 and P163973), Fiscal Reform DPF series (P156655, P161475, P167297), Financial Sector Reform DPF series (P170940) or the Energy Sector DPF (P154291 FY16).

72 CPIA Cluster B: Structural Policies (the main policy area for BEE-oriented DPFs) and CPIA Cluster D: Public Management (reflecting the focus of many BEE-oriented DPFs on regulatory and administrative capacity-building).

DPF support to closing Gender Gaps

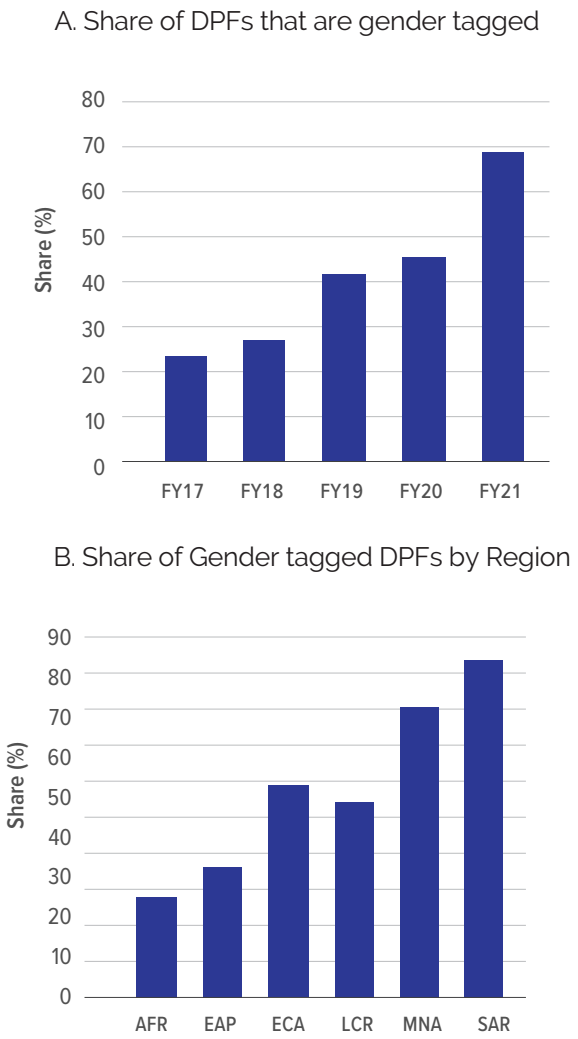
DPFs have increasingly tackled gender gaps across the four pillars of the 2016-23 Gender Strategy. The share of gender tagged DPFs increased continuously since the Strategy was introduced, rising from 24 percent in FY17 to 70 percent in FY21. Although the rising trend has been similar across regions, the share of gender tagged DPFs varies from 85 percent in SAR to about 25 percent in AFR over the retrospective period.

The rising share of gender-tagged operations reflects an improvement in the quality of interventions in terms of their focus on narrowing gaps, and ability to monitor progress. Gender tagging verifies that a project incorporates (i) gender analysis to identify gender gaps, (ii) dedicated prior actions, and (iii) monitoring and evaluation measures. This has led to an increased focus on relevant gaps and greater efforts to track progress in implementation. In addition, greater attention is given to the collection of data which has also enhanced the collection of sex-disaggregated data to monitor results indicators in DPFs.[73]

DPFs have shown good potential to foster a complex set of reforms related to gender equality, complementing other World Bank instruments. The DPF process can align diverse stakeholders around a reform agenda, and this has worked well to support the inclusion of gender focused prior actions in DPFs. The in-depth policy dialogue embedded in the DPF process has proven critical to build awareness around gender gaps and their impact on development and economic growth more broadly. This policy dialogue has facilitated the inclusion of policy actions in critical areas, including where progress has been stalled and more concentrated action is needed. Furthermore, it creates a line of sight and helps leverage other interventions in the country portfolio to strengthen developmental outcomes. Promoting women and girls' empowerment requires multidisciplinary interventions underpinned by cross-sectoral analytical work. The DPO instrument provides an opportunity to implement reforms in close collaboration between multiple Global Practices and Practice Groups, and to leverage complementary interventions to advance gender-focused reforms across a wide range of country contexts.

DPFs have supported actions to advance gender equality across all themes of the WBG Gender Strategy. In terms of pillar, "Ownership and Control of Assets" received the most attention, followed by "More and Better Jobs", "Human Endowments" and "Voice and Agency". DPOs have contributed to outcomes across many themes, with some clear areas of focus. For example, jobs and access to finance are the gender gap areas featured in most DPOs over the last two years (Figure 3.24).

FIGURE 3.23.
Gender-Tagged DPFs, FY17-FY21



Note: The updated Gender tagging methodology started in FY17.

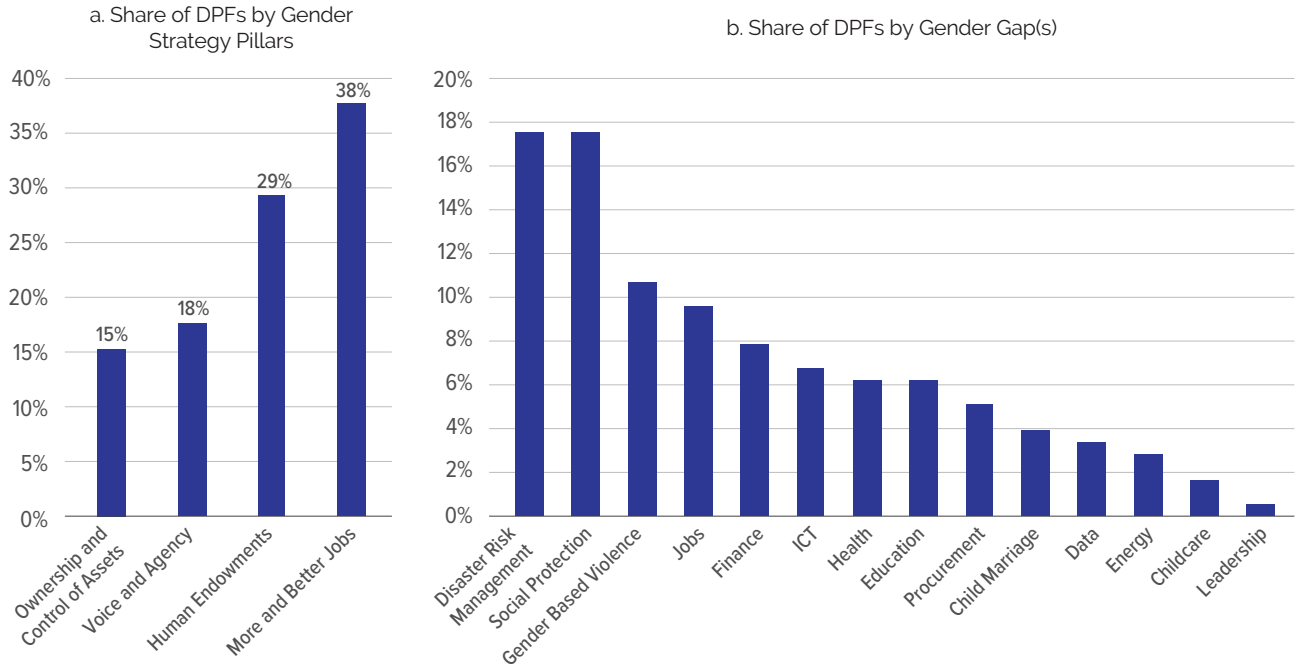
There was a notable increase in the number of DPOs that feature actions to address GBV with the potential for great impact in addressing this scourge. Between FY17 and FY21 twenty operations in almost every region included GBV measures in their operations.[74] This increase is promising and much needed given the global prevalence of GBV and the strong impact prevention

73 See also "World Bank Group Gender Strategy mid-term review", IEG, December 2020".

74 MNA was an exception.

FIGURE 3.24

Thematic Distribution of Gender-Tagged DPFs FY20-FY21



Source: World Bank Staff Analysis. Gender tag by prior action was made available starting from FY20.

and response holds for gender equality, human development and economic growth.[75] Several DPOs were underpinned by analytical work, including drawing on data from the Women, Business and the Law Report. Several DPOs, particularly when presented in a programmatic series, have created space to introduce GBV as part of the dialogue with Ministries of Finance and Planning, and, as such, provided entry points for more sustained efforts on GBV including comprehensive action to strengthen systems across sectors. The number of sectors and interventions presented in DPOs to address GBV are broad and there is much room to learn from these operations to inform future work and improve impact.

Recent DPOs focused largely on three types of violence: intimate partner violence (IPV), sexual harassment in employment and child marriage. For example, to support the elimination of all forms of violence against women and girls in Ecuador, Bhutan, Afghanistan, and Madagascar, DPOs supported the creation of legislation or national action plans to guide the prevention, response and reparation efforts aimed at eradicating gender-based violence. A DPO in Uzbekistan addressed the high prevalence of GBV by establishing an effective GBV referral system compliant with WHO standards. A DPO in Uruguay supported a decree that called for the strengthening of the health sector response to survivors of GBV which enabled the Ministry of Public Health (MPH) to access financing to establish protocols for healthcare professionals and roll out a training on the attention and rehabilitation of survivors. In Central African Republic, the DPO supported the provision of free integrated health care for GBV survivors and sought to increase the number of health facilities that provide GBV. A subsequent DPO tracks the number of districts where improved healthcare for survivors has been achieved.

DPOs also supported fighting the negative impact of GBV on female labor force participation. DPOs in Bangladesh and Tonga supported clear legislation defining sexual harassment in the workplace and are supporting the anonymous and safe reporting of experiences of sexual harassment, also outlining legal consequences of perpetrating such violations. DPOs in Mexico, India, and Haiti support an increase in women's asset ownership or access to cash transfers to decrease economic tension leading to increase in IPV, to enable women to become financially independent and potentially leave violent relationships.

75 There is much evidence that demonstrates that experiencing forms of violence has lasting consequences and can impact women's personal well-being – mental and physical health, their labor force participation and has community and intergenerational impacts. Children in homes where IPV is present suffer from lower school performance and behavior problems. They are also more likely to experience or perpetrate violence in adulthood.

Finally, groundbreaking work has been done to support adolescent girls who experience child marriage and violence in schools. In Niger, several DPOs have worked to increase access to health and education by girls who were married early. The DPOs have been fundamental in removing barriers, both legal and financial that impeded access to these services and mobilizing the community to address this harmful practice. In Sao Tome and Principe, a prior action seeks to improve girls learning through ensuring equal access to education for pregnant girls and improved reproductive health and GBV prevention systems.

Results and Performance

DPFs support to gender equality delivered a diversity of important innovative results, including to narrow gender gaps in women's female labor force participation. DPFs have supported female employment in non-traditional STEM sectors, formalization of female home-based workers, reform of discriminatory labor laws restricting women from working, and childcare and early education policies that enable women to enter and remain in the workforce. The FY20 and FY21 Pakistan SHIFT DPOs (P170578 and P172628) promoted formalization of female domestic workers, introduced new labor legislation reforming restrictions on working hours in shops and factories and establishing childcare facilities. As

BOX 3.8.

Notable DPFs that supported Gender Equality

Albania Gender Equality in Access to Economic Opportunities DPF (P160594, approved November 2019). This was the first DPF to focus exclusively on gender. Drawing on years of analytical work on gender and economic development in the Western Balkans, the operation aimed to improve women's access to assets and employment opportunities while strengthening gender-informed policies. DPF-supported reforms included the mandatory registration of married women as co-owners of property; a requirement that bidders on public procurement contracts 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. The operation closed in March 2021, and the results are not yet available.

Bangladesh Second Programmatic Jobs DPF (P168724, approved June 2020). 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. The supported reforms included an 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. By 2022, the supported reforms are expected to boost the annual growth rate of female-owned business registration from 0.4 percent to 10 percent; double the number of labor and safety violations reported, including those related to sexual harassment and GBV; substantially increase the number of women trained in partnership with private industries; and implement a new regulatory framework for child daycare centers.

Niger First Laying the Foundation for Inclusive DPF (P169830, approved November 2019). This DPO addressed the high prevalence of child marriage and early childbearing which translated into high fertility rates for women. Adolescent girls fared poorly in term of primary and secondary school completion rates in comparison to boys. Research suggested that improving educational attainment and reducing fertility could boost GDP by an estimated 12.6 percent by 2030. Policy reforms included the establishment of child protection committees to shift norms around child marriage, allowing access to family planning assistance for married adolescent girls without parental or spousal permission and allowing pregnant and/or married adolescent girls to remain enrolled in school.

Uzbekistan Supporting a Transparent and Inclusive Market Transition (P171751, approved December 2020). This operation supported referral services for survivors of GBV survivors There was a high prevalence of GBV with direct economic consequences for women (job and income loss and lower productivity) and a lack of provisions for registration, processing and enforcement of GBV cases. Regulations were introduced to establish referral pathways for survivors of Gender Based Violence compliant with WHO standards reducing barriers limiting the full economic participation and promoting safety of women.

Morocco Disaster Risk Management DPL with a CAT DDO (P168580, approved November 2019). The operation promoted women's participation in key government agencies coordinating disaster responses. Morocco is one of the countries most exposed to climate and geographical hazards in the MENA region. There are very few women employed in the Civil Protection Agency which coordinates disaster responses such as flood risk preparedness due to gender bias in recruitment and societal norms. The reforms focused on improving human resource management systems of the Civil Protection Agency to increase the number of female employees.

well as the childcare reforms in the Albania and Bangladesh DPO examples in Box 3.8 below, the Vietnam Inclusive and Sustainable Recovery Development Policy Operation (P176717) helped increase female labor force participation due to increased child responsibilities during the pandemic by providing subsidies for preschool care and education.

DPFs have also promoted women's leadership in management positions and on corporate boards. The Peru Investing in Human Capital DPO (P176387) introduced policies improving teacher allocation and working conditions to increase the number of female teachers in managerial positions in rural schools. The Morocco Second Financial and Digital Inclusion DPF (P174004) introduced a target of 25 percent female board members of listed companies by 2023. DPOs have removed barriers to female entrepreneurship by simplifying and digitizing business procedures and improving procurement processes.

DPOs have narrowed gender gaps in financial inclusion and access to financial services. Operations have included actions to increase the number of women listed in credit bureaus, receiving loans granted by microfinance institutions, with a credit card, with account ownership including mobile accounts), or gender gaps in ownership, access to and control over land, property, or affordable homes. The program supported by the Mexico Environment and Sustainability and Urban Resilience DPF (P174000) increased the number of women receiving housing reconstruction support in the aftermath of earthquakes where women are more vulnerable by simplifying eligibility procedures.

DPOs have addressed gaps in education for girls, facilitated access to sexual and reproductive health services for women and girls. The Niger First Laying the Foundation for Inclusive DPF (P169830) removed restrictions to allow adolescent girls to access family planning services without parental and spousal consent and reformed legislation preventing married or adolescent girls from attending schools.

Several recent DPOs feature both climate and gender prior actions which is a promising area for innovation. Innovative approaches have emerged including through CAT DDOs. For example, the Morocco Disaster Risk Management DPL with a CAT DDO (P168580) increased women's participation in disaster response increasing the number of women in the Civil Protection Agency. Both the Grenada Disaster Risk Management DPC with a CAT DDO option (P171465) and the Saint Lucia COVID-19 Response Recovery and Resilience DPC (P174346) promoted access to climate risk insurance for informal women workers in the fisheries sector. There is also scope to consider gender and energy in DPOs. The Rwanda Third Energy Sector DPO (P169040) increased access to off grid solar electricity for female-headed households in rural areas. This is a promising area for implementing the GRID agenda and one that could be well-supported by the forthcoming CCDRs.

Several case studies confirm the impact of DPFs with policy actions targeting gender gaps while illustrating key elements of a successful program. These elements include strong linkages with the relevant Country Partnership Framework (CPF) and national priorities which reflects strong country ownership; broad, country-specific analytical work (including PSIAs) to identify key challenges and design adequate policy or institutional reforms; and adequate results indicators based on clear causal relationships (Box 3.9).

DPF support to climate change adaptation and mitigation

The World Bank Group has stepped up its action to fight climate change and DPF plays an important role to support the policy and institutional dimension of this action. The first Climate Change Action Plan 2016-2020 stated that "to support transformational policies and institutions aimed to increase resilience and achieve climate commitments, deep economic transformations will be necessary, enabled by the policy and investment environment and institutions" and that the WBG will support countries in strengthening their sector-specific and national development planning processes, policies, and expenditure and fiscal frameworks, and in building institutional capacity to enable these transformations". The WBG Climate Change Action Plan 2021-2025 "represents a shift to greening entire economies, and from focusing on inputs, to focusing on impacts", namely (i) integrating climate and development; (ii) identifying and prioritizing action on the largest mitigation and adaptation opportunities; and (iii) using those to drive climate finance and leverage private capital in ways that deliver the most results. The strategy 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.[76] Development Policy Financing is expected to play a pivotal role in integrating climate and sustainable development while facilitating successful mitigation and adaptation, the main premise of the World Bank CCAP 2021-2025 (Box 3.9).

76 See World Bank Group, Climate Change Action Plan 2021-25, "Supporting Green Resilient and Inclusive Development", June 8, 2021.

BOX 3.9.

Implementing the Climate Change Action Plan: the role of Development Policy Financing

Informed by the newly launched Country Climate and Development Diagnostics (CCDRs), DPFs support better planning and policies to help countries reach their climate and development objectives. CCDRs will be used to inform, prioritize, and sequence climate action through the country engagement process and thus implement the Action Plan. They will support the preparation and implementation of our client countries' Nationally Determined Contributions (NDCs) and Long-Term Strategies (LTSs) and will feed into the WBG's Systematic Country Diagnostics, Country Private Sector Diagnostics, and Country Partnership Frameworks. These diagnostics will underpin country-level dialogue on policy directions and institutional strengthening, where DPF play an instrumental role.

In addition, DPF will actively contribute to increasing climate finance for mitigation and adaptation in ways that deliver the most results. Over the five years of 2021–2025, the WBG has committed to achieving 35 percent in climate finance as an average (measured by co-benefits). This is a big step up from the average of 26 percent on average achieved in FY2016–2020 and an even bigger step up in dollar terms, as the WBG's total financing has also expanded, to which development policy finance will actively contribute. In addition, climate related commitments applicable to the DPF instrument include: (a) climate and disaster risk screening, which represents a proactive approach to considering short- and long-term climate and disaster risks in national/sector planning processes and is required of all World Bank operations; (b) climate co-benefits or calculation of the share of DPF financing that contributes to climate adaptation or mitigation; and (c) since FY21 the inclusion of a climate results indicator in the results framework of the operation, which monitors and tracks the progress of climate results; measuring outputs or outcomes of mitigation and/or adaptation interventions, for all World Bank lending operations with 20 percent or more Climate Co-Benefits.

Lastly, DPFs will be an integral part of the alignment of WBG financial flows with the goals of the Paris Agreement to further mainstream climate into WBG development activities. Alignment is defined as providing support to clients that is consistent with pathways toward low-carbon and climate-resilient development. All World Bank new operations will be aligned by July 1, 2023. A methodology for Development Policy Finance will be developed and finalized among multilateral development banks (MDBs), with an implementation plan.

Characteristics

The WBG has increased climate financing through its lending operations, with greater ambition for climate finance targets. In FY21, World Bank climate co-benefits reached 32 percent of total financing including COVID-19 operations and 38 percent excluding COVID-19 operations.[77] In addition, the WBG is mobilizing substantial co-financing for climate-related projects, which represented up to another $13 billion a year in 2020. DPFs have played an important role in this effort, and they can continue to contribute significantly towards achieving the 35 percent target.

Over the Retrospective period, DPF operations with climate co-benefits increased steadily over time and across region, distributed between adaptation and mitigation. In FY21, 97 percent of DPFs included some climate co-benefits, up from just 7 percent in FY15, or 26 percent of Development Policy Finance was supporting climate change (Figure 3.25 and 3.26). Among these, 39 percent was devoted to adaptation policies and 61 percent to mitigation.

Furthermore, the average climate focus of each DPF has steadily increased. Seventeen percent of DPFs in the retro FY16-FY21 have more than 35 percent of CCBs, up from 7 percent in FY11-FY15. The share of climate-focused DPF operations (defined as included 35 percent or more of co-benefits) steadily increased from 5 percent in FY15 to 23 percent of all DPFs in FY20. By contrast, DPF with an only modest focus on climate (defined as less than 15 percent of co-benefits) has remained modest below 15 percent. This trend was disrupted in FY21 by the COVID-19 crisis response, with an enhanced immediate focus on saving lives and protecting the poor.

The regional distribution of DPF climate finance offers a contrasted picture. Latin America and the Caribbean (LCR) contributed the most to climate finance with a share of 26 percent, followed by AFR and the MENA (Figure 3.27a). Similarly, LCR leads on climate mitigation finance, while EAP is skewed towards adaptation. AFR has a higher share on mitigation, explained by the support to renewable energy reforms, often the least cost option and promoting energy efficiency. By comparison, AFR and EAP climate finance Investment Lending represent roughly the same share in mitigation and adaptation. Figure 3.27b shows that climate mitigation finance is concentrated in countries with high or very high carbon emissions, including Colombia, Egypt, Iraq, Indonesia, India or Mexico. This is not true anymore however when using a per capita

77 Climate co-benefits refer to the share of WBG lending commitment that contributes to climate change mitigation and/or adaptation. The calculation for climate co-benefits is based on the joint Multilateral Development Bank (MDB) methodologies for tracking climate finance in climate change adaptation and mitigation.

FIGURE 3.25.

Number of DPFs with Climate Co-Benefits and Share in Total DPO (FY11-FY21)

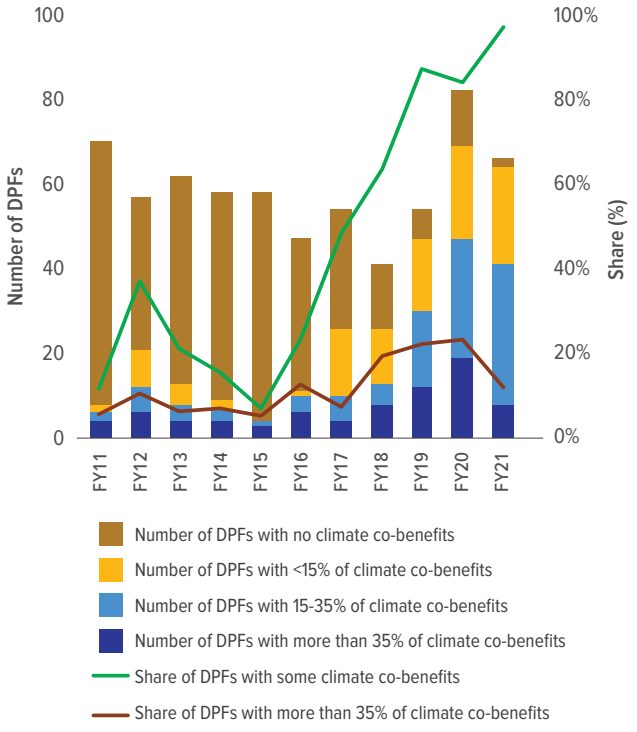


FIGURE 3.26.

Climate Co-Benefits in DPF ($Bn and share) FY11-FY21

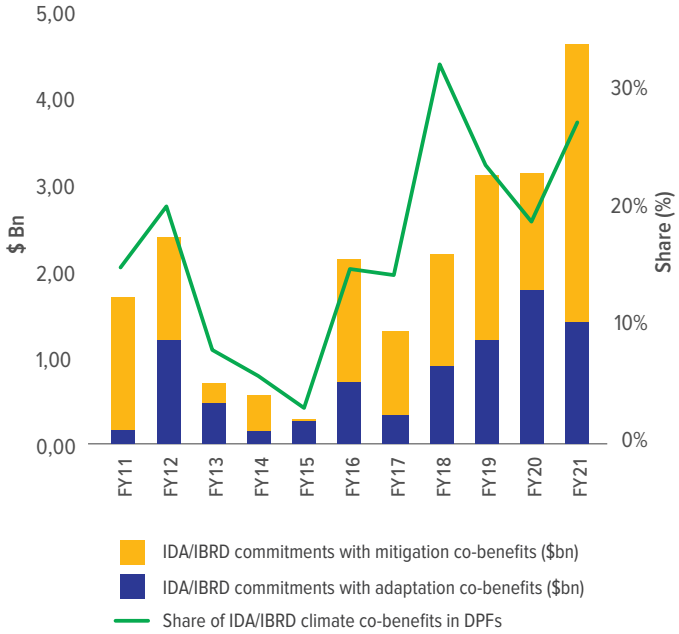


FIGURE 3.27A.

Regional distribution of Climate Co-Benefits in DPF (FY16-FY21)

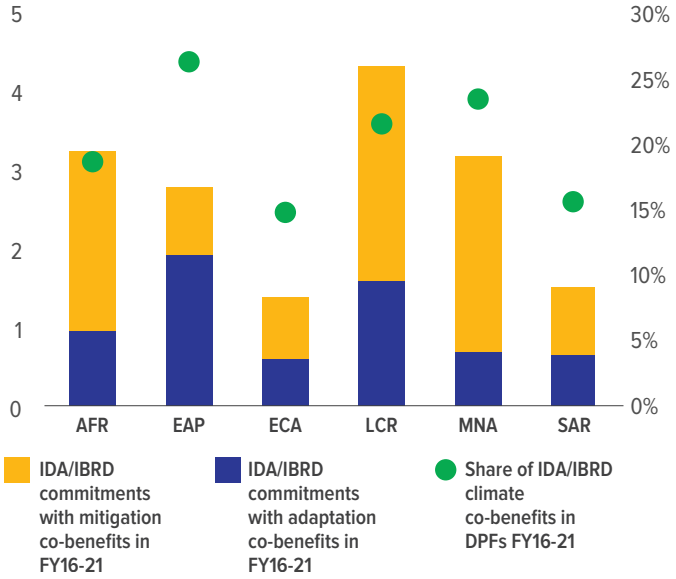
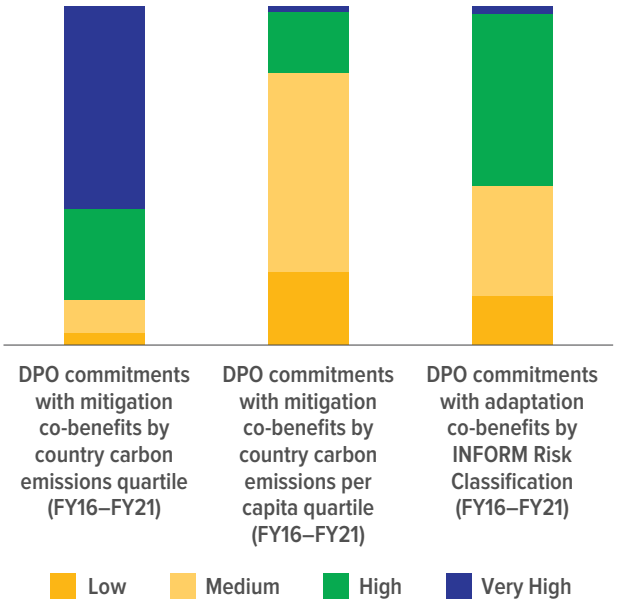


FIGURE 3.27B.

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



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/

measure of carbon emissions (middle bar in Figure 3.27b). About half of adaptation finance goes to countries with a high or very high climate vulnerability index.

Not surprisingly, energy and extractive Industries lead the way in terms of thematic or sectoral distribution of climate finance.[78] DPF engagement in energy and extractive industries represented $4.3 billion of climate co-benefits between FY18 and FY21. It is followed by public administration ($3.8 billion), which underlines the importance of governance and institutions in supporting the fight against climate change (Figure 3.28b). There was an average of 201 prior actions with climate co-benefits in Public administration, and 162 in energy and extractive industries. A review of the distribution by World Bank global practice groups leads to a similar conclusion: the "Sustainable Development" (SD) global practice group, which includes energy and extractive industries, has the most adaptation co-benefits, and "Equitable growth, Finance and Institutions" (EFI) the most mitigation, while, expectedly, "Human Development" (HD) has less climate co-benefits.

DPFs have included a diversity of policies and institutional reforms for climate action. They comprise: (a*) Transforming fiscal policy to support climate goals.* DPFs have supported carbon pricing policies leading to climate and fiscal gains. Other fiscal policies have supported tax incentives for lower emitting technologies, such as renewable energy and electric mobility, and incentivizing. DPF also focused on "getting energy prices right" and removing significant subsidies; (b) *Supporting long-term climate strategies.* DPF have supported country long-term strategies (LTS) for transitioning to lower-carbon climate-resilient pathways and sectoral policies, regulations, and institutional reforms derived from an LTS, including reforms to support emissions monitoring, reporting, and verification, and greenhouse gas emission inventories and emission registries; (c) *Mainstreaming climate in public financial management.* DPF have supported reforms promoting public investment in mitigation and adaptation, such as including climate change as a long-term objective and specific selection criteria in the national and local budgets, expenditure frameworks, public investment management programs and procurements; (d) *Greening the financial system.* DPF have also supported reforms regulations and policies that shift the financial sector toward catalyzing low-carbon, sustainable investment in the real economy. (e) *Long-term resilient decarbonization in key sectors.* DPFs have tackled policy reforms in critical sectors supporting, for example, government's efforts to transform food systems, protect land-based ecosystems and carbon sinks, transform energy systems towards renewable energy, with a focus on decarbonizing, transform mobility towards clean transportation, building low-carbon, more resilient urban areas, transforming water systems and the ocean system, digital transformation.

FIGURE 3.28A.

Share of Climate Co-Benefits in DPF by Practice Group (FY16-FY21)

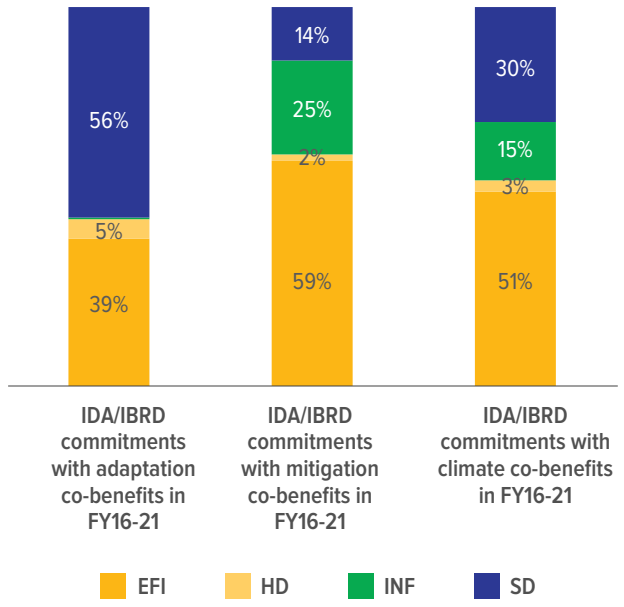
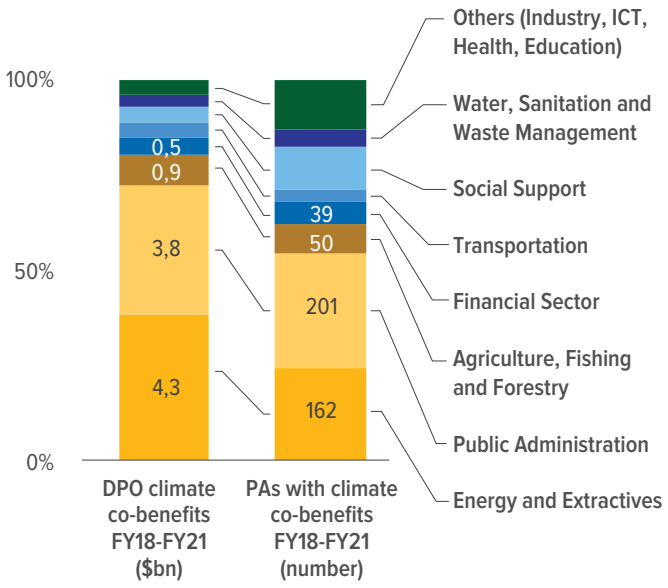


FIGURE 3.28B.

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



78 The "Energy and Extractive" sector includes mining, oil and gas, renewable energy, energy transmission and distribution, public administration associated with energy and extractive industries, and other energy and extractive industries.

Results and Performance

On balance, climate-focused DPFs performed well. The comparative advantage of DPFs, in particular their ability to support multisectoral reforms and engage not only country authorities responsible for the climate agenda, but also Ministries of Finance to better integrate climate in budgetary planning, supported the Bank's efforts to leverage the DPF towards the achievement of climate finance goals. Though only 35 percent of climate-focused DPFs have been rated by IEG thus far, all have received moderately satisfactory or above ratings.

Climate-focused reforms supported by DPFs have led to sizeable results. Beyond climate co-benefits, measuring impact is critical for demonstrating the policy-value of climate focus DPF. The commitment since FY21 to incorporate at least one climate indicator to monitor and track climate results in all IDA and IBRD operations with over 20 percent climate finance illustrate that priority.[79] For example, fiscal reforms supported by DPFs have resulted in incentives towards reduced emissions through carbon pricing, e.g. removing subsidies and tax exemptions, increasing taxes on carbon intensive activities, or introducing tax incentives to encourage the relative use of low-carbon practices. DPF resulted in countries' climate change strategic frameworks and roadmaps being in place and implemented. Public financial management reforms resulted in government spending consistent with climate change mitigation adaptation, with in place standards ensuring that public expenditures follow a set of specific criteria to be budgeted, executed, and monitored (e.g. budget tagging, public asset and investment management, procurement). DPF supporting sustainable finance have led to enhanced resilience of the banking sector and capital markets to natural disasters national strategies, and implementation towards greening the financial system, such as incentives for sustainable financial investments through green taxonomies, or support to climate corporate governance regulations and standards.

BOX 3.10

DPFs with Substantial Climate Co-Benefits

Colombia Sustainable Development and Green Growth DPF series (DPF 1 P150475, approved FY16, $700 million, 50 percent climate co-benefits; and DPF 2 P161642, approved FY18, $500 million, 89 percent climate co-benefits)

This series supported measures to 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. 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. The series achieved most of its intended results, and the IEG's assessment determined that the extensive analytical work behind the reform program, the government's commitment to climate objectives, and extensive stakeholder engagement all contributed to its success.

Morocco Inclusive Green Growth DPL series (DPF 1 P127956, approved FY14, $300 million, 73 percent climate co-benefits; and DPF 2 P149747, approved FY16, $300 million, 55 percent climate co-benefits)

This DPF series was closely aligned with Morocco's Strategy for Sustainable Development, the government's program for 2016-2021, and the 2011 Constitution and the Environment and Sustainable Development Charter. It supported measures to 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, inter alia. Most of the intended results were achieved. The ICRR found that government ownership, interagency coordination, and knowledge of the country and sector context were critical to this success. Moreover, the operation's design was informed by advisory services and analytical work on integrated coastal zone management, water resource management, agriculture, tourism, social protection, and energy, and it complemented parallel investment operations focused on tourism, groundwater management, energy efficiency, and renewable energy.

Grenada Fiscal Resilience and Blue Growth DPC series (DPC 1 P164289, approved in FY18, $30 million, 39 percent climate co-benefits; DPC 2 P167748, approved in FY20, $20 million, 50 percent climate co-benefits) and Grenada CAT DDO (P171465 in FY20, $20 million, 100 percent climate co-benefits)

This series of two DPFs and a CAT DDO supported Grenada's efforts to strengthen its resilience to climate change, bolster disaster risk management, promote long-term fiscal sustainability, and transition to a "blue economy" model of economic development. These operations supported investments in climate-resilient infrastructure, an increase in marine protected areas, measures to curb plastic waste, and sustainable fiscal policies.

79 World Bank CCAP 2021-2025.

Results in sectors also illustrate the diversity and cross-cutting nature of policies fighting climate change. Results in agriculture for example led to increasing access to climate-resilient seeds or climate-smart technologies (to increase productivity and resilience of agriculture) or improving storage infrastructure (to enhance food security), or to increase the share of land use and forestry under sustainable practices. Energy reforms have resulted in greater use of renewable energy, energy storage, and electrification of heat and transport, lower energy costs and greater energy efficiency. Box 3.10 provides examples of successful climate focused operations.

Conclusions and Recommendations

During the Retrospective Period, the DPF instrument was effective in supporting client countries key development priorities in the context of the Bank core corporate commitments. *First*, DPF supported reforms that contributed to create fiscal space to allow governments to further invest in human and physical capital and build macroeconomic resilience. Support for both revenue mobilization and expenditure-side reforms contributed to building these buffers. *Second*, DPF contributed to supporting an enabling environment for private sector development, a key element of the Bank Job and Economic Transformation (JET) agenda and to catalyze private investment. *Third*, DPFs have increasingly featured actions to close gender gaps, closely aligning with the directions of the World Bank Group's Gender Strategy for 2016-23. *Fourth*, climate-focus DPFs illustrate the diversity of policy and institutional reforms crafted to support climate resilient development paths. DPFs have increasingly embedded climate change aspects in their programs, with an accelerating intensity.

The sharp focus on fiscal and debt-related reforms in DPFs should be maintained and enhanced in countries at higher risk of debt distress on fiscal and debt reforms. The recently introduced SDFP complemented and strengthened DPF support in IDA countries for debt management, fiscal sustainability, and debt transparency, as many of these countries continue to be challenged by insufficient domestic resource mobilization and issues related to effective debt management. There is merit in closely linking DPFs with Performance and Policy Actions (PPAs) prepared under the SDFP, in support of sound fiscal policy, debt transparency and debt management. After the COVID-19 crisis, it will be important to rebuild fiscal space and continue addressing proactively the vulnerabilities inherited from the pandemic, while maintaining a focus on growth and poverty reduction. DPFs have a key role to play in that regard for example by supporting further actions on domestic revenue mobilization, debt transparency, debt management of fiscal risks. By contributing to macroeconomic resilience and creating the space for human and physical investment, these reforms actively pave the way for the World Bank GRID agenda.

There is scope for expanding the monitoring and use of DPFs in support of private sector development, particularly on PCM and job creation. While the MDB methodology on PCM focuses on transaction-specific mobilization, DPFs play an important role in supporting the business environment for broader private capital investment. It would be useful to monitor and measure 'private capital enabling' policies supported by DPF, which range from supporting to the broader investment environment, to public sector partnering with private sector through public procurement, Public-Private Partnerships (PPPs), divestment and privatization. In some instances, ways to measure private capital that is enabled by these policy changes could be explored. The private sector plays a key role for sustained growth and job creation, both of which are core elements of social inclusion. More attention could be paid to crafting reforms focused on job creation.

A strong recovery will require supporting policy actions that address persistent gender gaps and accelerate progress towards gender equality. This includes efforts across many sectors including, for example, education for girls, family planning, reproductive and sexual health, increasing women in decision-making roles, and creating more and better economic opportunities for women to accelerate the green, resilient and inclusive dimensions of development. Building on progress, and efforts under IDA and the capital increase commitments, more can be done through DPOs to focus policy dialogue and prioritize reforms to advance gender equality. The diversity of results achieved by DPFs illustrates the potential for expanding that support across sectors and regions, prioritizing areas where reforms are most critical. DPOs should also continue to build on recent progress in new areas, such as strengthening childcare policies, improving systems and institutions to address GBV and sexual harassment across sectors, addressing gender gaps related to climate change, including to promote leadership opportunities for women to inform and implement decisions. Analysis of gender gaps related to climate change to shape policy recommendations could also be supported through the forthcoming CCDRs.

Accelerating climate change mitigation and adaptation efforts is at the center of WBG priorities. In its 2021 Climate Change Action Plan, the World Bank Group has committed to three key objectives, to which DPF can play a key role to contribute: (i) ramping up engagement at the country level on climate and development diagnostics, planning, and policies to help countries reach their climate and development objectives; (ii) aligning WBG financial flows, of which DPF, with the goals of the Paris Agreement to further mainstream climate into our development activities; and (iii) increasing climate finance for mitigation and adaptation in ways that deliver

the most results. Towards achieving the corporate commitment to reach 35 percent climate co-benefits in our operations, and tackling the climate emergency, DPFs can play a more important role. Continued focus on reforms in areas that support mitigation efforts – such as renewable energy, transport, and energy subsidy reform – as well as those focused on adaptation – such as climate smart agriculture and water conservation – would help generate additional avenues through which financing can support a pathway toward low greenhouse gas emissions and climate-resilient development. Also, systematically aligning DPF with the Paris goals will go a long way to help enhance the focus on climate action.

In conclusion, Development Policy Financing continues to work well as a robust, yet flexible instrument for World Bank support to its client countries. It is fit-for-purpose to respond to heightened challenges and higher level of ambition, which includes a more adverse operating context in FY22 and beyond (higher extreme poverty, including in Middle-Income Countries, higher debt, worsening fiscal positions across client countries), the increased urgency to fight climate change, coupled with an increased WBG ambition. In particular, its multi-sectoral nature and focus on policies makes it an essential instrument to further the Green, Resilient and Inclusive Development agenda (including the 35 percent climate co-benefits target and the crisis preparedness agenda).

ANNEX 1
IMPLEMENTING THE RECOMMENDATIONS OF THE PREVIOUS RETROSPECTIVE

The 2015 DPF Retrospective made several important recommendations for further enhancing the instrument's effectiveness, which have since been substantially implemented. The proposed measures can be grouped into three categories: (i) Overarching measures such as TTL accreditation and the Systematic Operational Risk Tool SORT[80] rollout; (ii) Measures to modernize DPF options, e.g., by harmonizing DPF rules with the Catastrophe Deferred Drawdown Option (CAT DDO); and (iii) Measures to strengthen how to address environmental aspects, and poverty and social impact.

Good progress was made to help teams implement the provisions of DPF Bank Policy to ensure that social and environmental aspects in DPFs are adequately addressed, responding to the recommendations of the 2015 Retrospective.[81] Staff guidance on assessing environmental, natural resources and forestry aspects of DPFs has been revised and incorporated in training academies for Bank staff. An environment and social effects screening table has been incorporated in DPF program documents and the 2004 Good Practice Note has been updated to provide more specific guidance on how to implement the Bank Policy. The quality of poverty and social impact analyses (PSIA) has also improved. A 2016 Report on PSIAs[82] found that awareness and understanding of PSIAs has increased in the Bank, and the tool has become mainstream. PSIAs used a range of analytical tools that integrated poverty analysis with social impact analysis to answer relevant questions, such as the impact of subsidy removal on households, the distributional impact of tax reform, and firm level impacts of various business enabling reforms. PSIAs have also helped promote public awareness, transparency, and public debate, especially when teams prepared PSIAs early on in the DPF preparation process. Internal review processes have been strengthened, with a dedicated group of specialists reviewing the team's assessment at corporate reviews of the DPF.

The overarching recommendations and operational modernization measures have been fully implemented. DPF Task Team Leaders (TTLs) are now systematically accredited and becoming a TTL requires both first-hand DPF experience and participation in the DPF Academy.[83] Meanwhile, the mandatory rollout of SORT is strengthening operational risk ratings. DPF policies have been updated in some areas. For example, CAT DDOs have been extended to IDA-eligible countries, and teams were encouraged to include health emergencies and pandemic risk management both in the reform program and in the drawdown triggers. In the context of the COVID-19 pandemic, for some CAT DDOs, eligibility criteria were revised to include health-related events.[84]

Progress was made to strengthen the supporting arrangements designed to help teams implement the provisions of OP8.60 to ensure that social and environmental requirements in DPFs are adequately addressed. Staff guidance on assessing environmental impacts has been revised. The Guidance Note on Environmental, Forests, and other Natural Resource Aspects of DPFs has been updated to broaden its coverage, clarify its terminology, and mainstream climate change into its methodology. An environmental and social effects screening table has been included in DPF Program Documents to enable systematic and transparent screening of prior actions for their social and environmental effects. The DPF Academy curriculum includes a dedicated session on climate change, an expanded Poverty, Social Impact Assessment (PSIA)

80 The SORT was introduced in 2016 to standardize risk analysis across DPOs across a number of dimensions.

81 Bank DPF Policy requires to assess whether prior actions in DPOs are likely to have significant poverty and distributional effects, especially on poor and vulnerable groups. Likewise, the Bank systematically analyzes whether specific country policies supported by an operation are likely to have positive or negative "significant effects" on the country's environment, forests and other natural resources.

82 Multi-Donor Trust Fund, PSIA Final Report, 2016. http://documents.worldbank.org/curated/en/701191479977368846/Poverty-and-social-impact-analysis-PSIA-multi-donor-trust-fund-final-report-2016

83 The DPF Academy is a two-day training course on the fundamentals of DPF design and implementation.

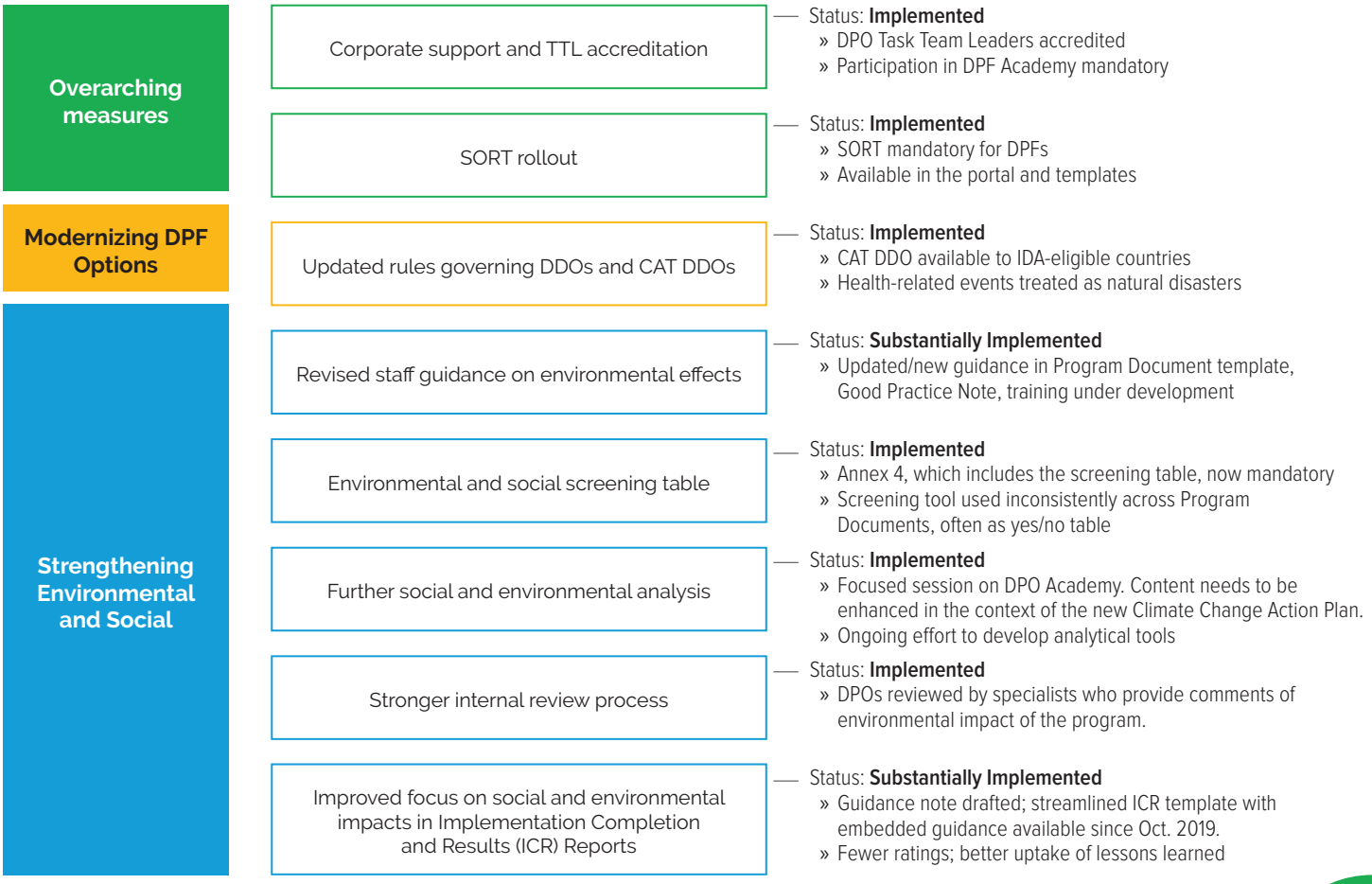
84 This was the case for example in the Seychelles CAT DDO (P148861), which was approved in FY15, with triggers related to natural disasters and disbursed in FY20, after triggers were amended to include health related emergencies (Toru, please confirm facts).

session encompassing gender aspects, and an overview of policy requirements and conceptual approaches for assessing environmental risks. Internal review processes for assessing social and environmental effects have been strengthened through capacity-building and the introduction of upstream reviews early in the preparation stage. Finally, the process for addressing unintended social and environmental outcomes in program evaluations was strengthened in the new Implementation Completion and Results (ICR) Report Guidance.

To strengthen risk assessments, SORT was recalibrated in FY20 across all types of lending instruments, including DPFs. The calibration addressed the issue that risk ratings have been persistently overestimated, reflecting a tendency to focus on broader country risks rather than those that directly threaten the development outcomes of the lending operation. In addition, the recalibration more thoroughly accounts for the current and future mitigation measures necessary to address residual risks to the operation's outcomes.

Finally, the Implementation Completion and Results Report (ICR) has been streamlined in response to the findings of an IEG evaluation. A 2016 IEG Report on Self-Evaluation Systems made several recommendations to strengthen ICRs. Consequently, key changes were introduced to the DPF ICR. The ICR template was streamlined, and separate templates were used for programmatic versus non-programmatic operations, which reduced repetition. Second, the report was restructured to better capture lessons learned and monitoring and increase the focus on social and environmental effects. Third a six-point rating was introduced to provide more scope to differentiate between ratings, which is more appropriate for complex policy reforms often found in DPFs. The Overall Outcome Rating still includes two sub-ratings, but they are now referred to as 'relevance of prior actions' and 'achievement of objectives.' Bank performance is still rated, but no longer includes the two sub-ratings for quality at entry and supervision. The rating for Borrower performance was dropped in line with other instruments. Risk to sustainability of development outcome is no longer rated, but discussion of the risks is required.

FIGURE A.1.
Implementation Status of Previous DPF Retrospective Recommendations



ANNEX 2

ECONOMETRIC ANALYSIS OF DPF PERFORMANCE AND POLICY IMPACT

The DPF Retrospective undertook econometric analysis to better understand determinants of DPF performance and the association between DPF support and policy outcomes. Building on the existing literature in this area, the analysis focused on two research questions: (i) "How successful are DPFs in driving intermediate policy outcomes?" and (ii) "What types of DPFs and in what conditions tend to be more (or less) successful?". Variations of these two broad questions were also examined, to explore the specific themes covered in the Retrospective, namely the role of DPFs in supporting crisis preparedness and response, fiscal and debt sustainability, and private sector development. This Annex details the methodology used for the analysis, the robustness checks undertaken and the key findings of the analysis.

The econometric analysis to explore the relative importance of country level and program level factors in determining DPF outcomes used the DPF's overall IEG rating as the dependent variable of interest. IEG ratings are the World Bank's primary measure of performance for all lending operations and were therefore a natural choice as the dependent variable of focus. Following (Denizer, Kaufmann, & Kraay, 2011)[85], the analysis used a Probit or Ordered Probit specification of the following form:

$$IEG_i = \beta_0 + \gamma \cdot C_i + \delta \cdot P_i + \omega_j + \epsilon_i \,;$$

where, for program *i*, *IEG* denotes a dummy variable (in Probit models) for satisfactory rating or a numerical translation (in ordered Probit models) of rating; "Control" variables include *C* a set of country variables[86] and P a set of program variables[87]. To account for heterogeneity in program outcomes coming from DPF sector, we include sectoral dummies ω.[88] IEG ratings are the ideal dependent variable for many of the econometric exercises because they are the World Bank's preferred measure of success for individual World Bank lending programs. They are not, however, perfect and suffer from two main drawbacks that necessitate the use of an additional dependent variable. First, there is often a significant lag between programs closing and when they receive an IEG rating (this is particularly challenging when recent trends in DPF performance due to limited sample sizes). Second, IEG ratings do not take into account broader trends in the reform context faced by countries.

The analysis to explore determinants of DPO performance as measured by policy outcomes used a country's CPIA scores as the dependent variable of interest. This approach followed a well-cited paper by Moll and Smets (2020)[89], regressing Country Policy and Institutional Assessment (CPIA) scores on countries' cumulative years with new DPOs and cumulated experience with DPOs. The analysis extended Moll and Smets (2020)'s timeframe to cover DPOs until FY2019 and expanding our scope to include all DPOs and CPIA policy areas, resulting in the used the following specification:

$$CPIA_{t,k} = \beta_0 + \beta_1 \sum_{i=1}^{t} A_{i,k} + \beta_2 \sum_{i=1}^{t} \sum_{j=1}^{i} A_{j,k} + X_{t,k}\delta + \theta_k + \tau_t + \sum_{i=1}^{t} \epsilon_{i,k} \,;$$

where, for country *k* and time *t*, CPIA denotes CPIA Total Score; *A* is a dummy variable equal to one if a country has a new DPF in

85 Denizer, Cevdet & Kaufmann, Daniel & Kraay, Aart. (2011). Good Countries or Good Projects? Macro and Micro Correlates of World Bank Project Performance. Journal of Development Economics. 105. 10.1016/j.jdeveco.2013.06.003.

86 Control variables allow to hold various characteristics constant to strengthen the robustness of results with the variable of interest. Country variables are IBRD membership, presence of other Bank programs, presence of IMF programs, log GDP per capita, CPIA total score, Freedom House Political Rights Index, measuring governance issues.

87 Net commitment, program length, whether the program is part of a programmatic series, and the TTL – IEG track record.

88 Similar regression specifications are used whenever IEG rating is the dependent variable of study throughout this annex.

89 For background regarding the theoretical and empirical justifications for this specification, please refer to Moll, P., & Smets, L. (2020). Is It the Journey that Matters? A Fresh Look at the Impact of World Bank Policy Lending. *Journal of International Development*, 32, 1194-1228

that year; X is a set of control variables[90], and θ_k and τ_t are country and year fixed effects. In the presence of country and year fixed effects, the single summation term on A (i.e., cumulative years with any new DPFs) captures the effect of additional new DPFs, while the double summation term (i.e., cumulated experience with DPFs) provides a measure of whether there are increasing or diminishing marginal returns to additional DPFs[91].

Throughout the Retrospective, four distinct econometric exercises were conducted, using variations of the specifications outlined above. The first explored the determinates of overall DFP performance (presented in chapter 1), the second looked at DPFs associated with crises (presented in chapter 2), the third determined the impacts of DPFs on fiscal policy improvements and the performance of BEE-oriented DPF operations (presented in chapter 3). Each section that follows corresponds to the relevant chapter listed above in the main DPF Retrospective document.

DETERMINATES OF OVERALL DPF PERFORMANCE

To identify the determinates of overall performance of DPFs over the retrospective, we ran a simple regression of IEG rating on key country and program characteristics. This approach allowed us to identify the factors that are most commonly associated with DPF success in the from of satisfactory IEG ratings. IEG ratings were chosen as the dependent variable of interest because they are the World Bank's primary measurement of success and a sufficiently large number of observations were available over the sample period.

Further analysis of the determinants of DPF performance found that, when controlling for relevant factors, the relationship between DPFs and enhanced policies and institutions remains robust in recent years. A qualitative analysis of recent IEG ratings showed an apparent deterioration in the relationship between DPFs and policy outcomes. The analysis presented below fully explored this relationship to identify if DPFs became less impactful over time. The main finding of the analysis was that when DPF performance is measured by the instrument's impact on better policies and institutions (i.e. on CPIA ratings) and relevant exogenous variables are controlled, *the performance of DPFs does not decline.* IEG ratings are not a sufficient measure of performance for this analysis because the number of DPFs with IEG ratings from recent years is still small and may not be representative. For example, with the database used for this Retrospective, 68percent of DPFs that closed in FY18, 16percent in FY19, and 0percent in FY20 were evaluated by IEG and have a rating. The case is similar for FCV countries, as described below.[92]

To test the relationship between DPFs and a country's policy and institutional environment we regress CPIA scores on the countries' experience with DPFs. The results showed that DPFs are associated with improved policy outcomes, replicating Moll and Smets (2020)'s findings. Column (1) of Table 1 displays the results from our baseline regression. The positive and statistically significant coefficient for cumulative years with new DPFs suggests that additional DPFs are associated with improved policy outcomes as measured by CPIA. In terms of magnitude, the incremental effect of one additional year with new DPFs on CPIA Total Scores of roughly 0.6 translates to an improvement of 0.1 standard deviation. At the same time, the negative and statistically significant coefficient on the cumulated experience with DPFs suggests that there may be diminishing marginal improvements from additional DPFs, again in line with Moll and Smets (2020)'s findings.

The econometric analysis also reveals that DPFs are associated with greater policy improvements in FCV settings and in countries s which have fiscal space. Column (1) of Table 2 presents the results of a regression in which a dummy for FCV status is introduced as well as an interaction between the FCV dummy and the cumulative years with new DPFs. As expected, the coefficient on the FCV country dummy is negative and significant (at the $p<0.01$ level), reflecting the challenging policy and institutional context that FCV countries face reflected in overall lower CPIA ratings. In contrast, the coefficient on the interaction term is positive and significant (at the $p<0.01$ level), suggesting the DPFs are more effective in FCV settings. This finding may reflect how resources to support effective policymaking are especially important in challenging FCV settings.

90 log GDP per capita, ODA/GNI, and Freedom House Political Rights Index.

91 Similar regression specifications are used whenever CPIA score is the dependent variable of study throughout this annex.

92 With data until of November 2020.

TABLE 1.

Econometric analyses suggest that DPFs have been and continue to be associated with policy improvements

VARIABLES	(1) CPIA	(2) CPIA	(3) CPIA	(4) CPIA
Cumulative (since 2004) years with new DPFs	0.0577***	0.0391***	0.0276**	0.0415***
	(0.0104)	(0.00987)	(0.0133)	(0.0114)
Cumulated experience with DPFs	-0.00665***	-0.00289***	-0.00495***	-0.00919***
	(0.00108)	(0.000984)	(0.00109)	(0.00228)
Percent successful DPFs (IEG rating MS or above)			-0.175**	
			(0.0681)	
Percent successful DPFs*Cumulative years with new DPFs			0.0296**	
			(0.0118)	
Years since 2004				-0.00952**
				(0.00366)
Years since 2004*Cumulative years with new DPFs				0.00256
				(0.00172)
Country and year fixed effects	Yes	Yes	Yes	Yes
Years	2004-2019	2015-2019	2004-2019	2004-2019
Observations	1,760	428	1,112	1,760
Within R-squared	0.177	0.203	0.274	0.181
Number of countries	129	123	104	129

Dependent variable in all regressions is CPIA Total Score. Control variables are not reported. Robust standard errors clustered at the country level in parentheses.

*** p<0.01, ** p<0.05, * p<0.1

TABLE 2.

Econometric analyses suggest that DPFs may drive greater policy improvements in FCV settings and where governments have more fiscal space

	(1) CPIA	(2) CPIA
Cumulative (since 2004) years with new DPFs	0.0434***	0.0481***
	(0.0102)	(0.0103)
Cumulated experience with DPFs	-0.00544***	-0.00477***
	(0.00102)	(0.000939)
FCV country dummy	-0.139***	
	(0.0248)	
FCV*Cumulative years with new DPFs	0.0256***	
	(0.00966)	
Fiscal balance (% of GDP)		-0.00253**
		(0.00125)
Fiscal balance*Cumulative years with new DPFs		0.00124**
		(0.000497)
Country and year fixed effects	Yes	Yes
Years	2006-2019	2008-2019
Observations	1,522	1,279
Within R-squared	0.224	0.195
Number of countries	129	129

Dependent variable across both regressions is CPIA Total Score. Control variables are not reported Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

PERFORMANCE OF DPFS ASSOCIATED WITH CRISES

An econometric analysis of DPF performance in crisis situations, as measured by 470 "crisis" DPFs and their associated IEG ratings, showed that when controlling for program level characteristics, DPFs associated with crises do not perform differently from standard DPFs. The results of baseline regression covering the period 2008–2018 (which covers 4 of the 5 crises highlighted in the Retrospective) do not show a statistically significant relationship between a dummy variable for crisis targeted DPF and IEG ratings (Column (1), Table 3). IEG ratings were chosen as the dependent variable of interest because they provide an immediate measure of success for individual World Bank lending programs and, unlike in previous analysis, the sample of IEG ratings is sufficiently large over the observation period. Additional analysis shown in column (3) shows that we also find no evidence that standalone DPFs associated with a crisis perform differently from standard DPFs.

When the sample is restricted to IBRD countries, there is evidence that "crisis" DPFs are associated with improved policy outcomes. show Regression results with the inclusion of a dummy variable for IBRD countries indicate a positive and statistically significant relationship between crisis-tagged IBRD countries and their IEG ratings (Columns (2), (4), and (5), Table 3). Column (2) shows the baseline results (with significance at the $p<0.05$ level) and columns (4) and (5) show results when other characteristics such as net commitments and length of policy engagement are included (with significance at the $p<0.01$ level). This result could reflect the differences in policy environments in IDA countries in general and during crisis periods compared with IBRD countries.

TABLE 3

Regression Analysis of IEG Performance Ratings for Crisis and Non-Crisis DPFs

VARIABLES	(1)	(2)	(3)	(4)	(5)
	IEG (Level)	IEG (Level)	IEG (Level)	IEG (Level)	IEG (Level)
Crisis = 1	0.181	-0.051	0.042	-0.238	-0.021
	(0.15)	(0.18)	(0.22)	(0.51)	(0.18)
IBRD		0.357**	0.363**	0.579***	0.538***
		(0.17)	(0.17)	(0.19)	(0.19)
Crisis * IBRD		0.508*	0.496	0.446	0.562*
		(0.30)	(0.31)	(0.42)	(0.31)
Standalone			-0.059		-0.037
			(0.13)		(0.12)
Crisis * Standalone			-0.176		
			(0.29)		
Net Commitments				-0.158***	-0.133**
				(0.06)	(0.05)
Crisis * Net Commitments				0.060	
				(0.13)	
Program length (months)					-0.010
					(0.01)
TTL - IEG track record					0.017
					(0.01)
Observations	470	470	470	470	470
Sectoral Dummies	Yes	Yes	Yes	Yes	Yes
Years	2008-2018	2008-2018	2008-2018	2008-2018	2008-2019
Estimation Method	O-Probit	O-Probit	O-Probit	O-Probit	O-Probit

Standard errors clustered at the country-year level in parentheses. *** p<0.01, ** p<0.05, * p<0.1.
Control variables are not reported
Note: Sample excludes DDOs, CAT DDOs, and guarantee operations to avoid biasing the net-commitment field. Supplemental operations are included as part of the parent operation.

THE IMPACT OF DEBT AND FISCAL DPFS ON POLICY REFORMS

Econometric analysis indicated a positive relationship between debt & fiscal DPFs and policy outcomes. Overall, a positive and statistically significant association is found between debt and fiscal DPFs (as measured by our primary variable of interest: cumulative years with new debt and fiscal DPFs) and improved policy outcomes (as measured by the average of the CPIA Debt and Fiscal Policy sub-scores). The results of the regressions are presented in Table 4. In line with Moll and Smets (2020), evidence of diminishing marginal returns is also found, as evidenced by the negative and significant coefficient on the cumulated experience term [Column 1]. These findings are robust to the inclusion of additional controls for fiscal balance, government debt, and the presence of other DPFs [Column 2] as well as switching to a lagged independent variable to rule out potential omitted variable bias from macro framework work that precedes DPFs [Column 3].

No evidence is found to suggest that the link between debt and fiscal DPFs and improved policy outcomes has weakened recently (between FY15–19), as evidenced by the small and statistically insignificant interaction between the retrospective period dummy and our primary variable of interest. The apparent decline in IEG ratings described in the retrospective may be explained by a general trend pointing towards reversal of policy reforms across all countries over the period (negative and statistically significant coefficient on the dummy) [Column 4].

An exploration of the heterogeneity between countries and programs shows some evidence that IEG ratings are a signal of debt and fiscal DPFs' contribution to intermediate policy outcomes. Whether IEG ratings are accounted for via a binary variable for success or a continuous variable, a positive coefficient is found on the interaction between higher IEG ratings and our primary variable of interest. However, this is only statistically significant when using a continuous variable [Columns 1 and 2]. Some evidence is found of complementarity between debt and fiscal DPFs and active IMF programs, as evidenced by the positive and statistically significant (albeit at the $p<0.10$ level) coefficient on the interaction term between the IMF program dummy and our primary variable of interest. [Column 3].

Results suggest that duplication of efforts between DPF and IPFs or P4Rs is not successful. This is shown by the negative and statistically significant (albeit at the $p<0.10$ level) interaction term between IPFs or P4Rs and cumulative years with new debt and fiscal DPFs. This finding may reflect how DPFs and other WBG instruments may sometimes contribute to the same reforms in a redundant manner. [Column 4]. Additionally, there is evidence that both programmatic and standalone debt and fiscal DPFs contribute to policy reforms, as evidenced by the positive and statistically significant coefficients when programmatic and standalone DPFs are aggregated separately [Column 5]. The data suggest that standalone DPFs may contribute more to reforms than any one component of a programmatic series, as evidenced by the negative and marginally significant interaction term between percent of debt and fiscal DPFs that are programmatic and our primary variable of interest [Column 6]. However, the impact of an entire programmatic series as a whole is still likely greater than a single standalone DPF, based on the coefficient observed in Column 5.

TABLE 4.
Overall impact of debt and fiscal DPFs on CPIA outcomes

VARIABLES	(1) CPIA	(2) CPIA	(3) CPIA	(4) CPIA
Cumulative years with new DF DPFs	0.103***	0.0967***		0.102***
	(0.0228)	(0.0325)		(0.0227)
Cumulated experience with DF DPFs	-0.0150***	-0.00653		-0.0156***
	(0.00456)	(0.00509)		(0.00521)
Cumulative years with new DF DPFs (lagged)			0.0837***	
			(0.0218)	
Cumulated experience with DF DPFs (lagged)			-0.0153***	
			(0.00486)	
Retrospective period (2015-2020) dummy				-0.300***
				(0.0845)
Retrospective period*Cumulative years with new DF DPFs				0.00465
				(0.0164)
Cumulative years with any new DPFs		-0.0143		
		(0.0317)		
Cumulated experience with any DPFs		-0.00370		
		(0.00293)		
General government gross debt (% of GDP)		-0.00890***		
		(0.00186)		
Fiscal balance (% of GDP)		-0.00262		
		(0.00379)		
Country and year fixed effects	Yes	Yes	Yes	Yes
Years	2008-2019	2008-2019	2008-2019	2008-2019
Observations	1,279	1,263	1,156	1,279
Within R-squared	0.125	0.289	0.116	0.125
Number of countries	129	128	129	129

Dependent variable in all regressions is the average of CPIA Debt and Fiscal Policy sub-scores. Robust standard errors clustered at country level in parentheses. Control variables are not reported

*** p<0.01, ** p<0.05, * p<0.1

TABLE 5

Heterogeneity in impact of debt and fiscal DPFs on CPIA outcomes

VARIABLES	(1) CPIA	(2) CPIA	(3) CPIA	(4) CPIA	(5) CPIA	(6) CPIA
Cumulative years with new DF DPFs	0.0834*	-0.00150	0.0705***	0.121***		0.170***
	(0.0491)	(0.0639)	(0.0263)	(0.0255)		(0.0496)
Cumulated experience with DF DPFs	-0.0178**	-0.0166**	-0.0133***	-0.00999**	-0.0140***	-0.0143**
	(0.00728)	(0.00724)	(0.00444)	(0.00418)	(0.00452)	(0.00674)
Percent successful DF DPFs	-0.0264					
	(0.205)					
Percent successful *Cumulative years with new DF DPFs	0.0594					
	(0.0500)					
Average IEG rating of DF DPFs		-0.00724				
		(0.118)				
Average IEG rating *Cumulative years with new DF DPFs		0.0435**				
		(0.0186)				
IMF program dummy			0.00921			
			(0.0556)			
IMF*Cumulative years with new DF DPFs			0.0343*			
			(0.0196)			
Active DF IPF or P4R dummy				0.109*		
				(0.0626)		
Active IPF or P4R*Cumulative years with new DF DPFs				-0.0421*		
				(0.0218)		
Cumulative years with new programmatic DF DPFs					0.0802***	
					(0.0232)	
Cumulative years with new standalone DF DPFs					0.148***	
					(0.0363)	
Percent programmatic DF DPFs						0.234
						(0.146)
Percent programmatic*Cumulative years with new DF DPFs						-0.0764*
						(0.0450)
Country and year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Years	2008-2019	2008-2019	2008-2019	2008-2019	2008-2019	2008-2019
Observations	641	641	1,279	1,032	1,279	742
Within R-squared	0.219	0.231	0.141	0.145	0.133	0.211
Number of countries	77	77	129	128	129	96

Dependent variable in all regressions is the average of CPIA Debt and Fiscal Policy sub-scores. Successful debt and fiscal DPFs defined as receiving a "Moderately Successful" rating or above from IEG. Robust standard errors clustered at the country level in parentheses. Control variables are not reported

*** p<0.01, ** p<0.05, * p<0.1

THE PERFORMANCE OF BUSINESS ENABLING ENVIRONMENT (BEE) ORIENTED DPF OPERATIONS

The analysis suggested that BEE-oriented DPFs seem to perform similar or even better than other DPFs. To conduct the econometric analysis, a sample of 99 DPFs with matched IEG ratings over the period 2015 to 2020 is used along with Probit and ordered Probit estimation methods. The primary objective of this analysis was to identify sources of heterogeneity in DPF performance through the most immediately available variable (instead of intermediate outcomes in the next section). The results show that when controlling for country- and program -level variables, there is positive evidence of significant differences in IEG assessment between BEE-oriented DPFs and other DPFs (Table 6, columns 2 and 4). The results hold when the dependent variable of the equation is a dummy variable equal to one if the assessment of the DPF is rated as moderately satisfactory or better, zero otherwise (Table 6, columns 2 and 4)[93]. In particular, the results suggest that a BEE-oriented was 28 percent more likely to be assessed as moderately satisfactory or better in its IEG evaluation. When the dependent variable is the DPF's IEG rating, BEE-oriented DPFs seem to perform similarly to other DPFs (Table 6, columns 1 and 3). Furthermore, there was no evidence of systematic differences in the IEG outcome ratings of BEE-oriented DPFs arising from country characteristics (i.e., IDA versus IBRD, FCV status, or the presence of other WBG programs or IMF programs) or from program characteristics (i.e., length of policy engagement or programmatic series versus standalone operation).[94] However, the presence of other WBG programs in the country and larger net DPF commitments tends to increase the likelihood of a successful IEG assessment.[95] A major caveat for these results is that the number of DPFs in the sample is small due to the significant number of DPFs without IEG outcome ratings for the FY15-FY20 period.

Additional analysis indicates that BEE-oriented DPFs are associated with improved policy outcomes, as measured by CPIA scores, especially in terms of structural policies and public-sector management. The regression specification used to analyze the impact of BEE-oriented DPFs on intermediate policy outcomes is similar to the one used to analyze the impact of DPFs overall, with two main changes. First, the dependent variable is changed to the specific subsets of CPIA that one would expect to be impacted by BEE DPFs, namely CPIA Cluster B: Structural Policies (the main policy area for BEE-oriented DPFs) and CPIA Cluster D: Public Management (reflecting the focus of many BEE-oriented DPFs on regulatory and administrative capacity-building)[96]. Second, the main independent variables of interest—cumulative years with DPFs and cumulated experience with DPFs—are changed to reflect BEE-oriented DPFs only during the FY15-FY20 period.[97] The cumulated experience with DPFs variable follows the methodology of Moll and Smets (2020) and measures the marginal returns of additional DPFs. Table 6 summarizes the overall regression results.

The regression analysis provides evidence that BEE-oriented DPFs are associated with improved structural policies. Column 1 displays the results of a regression in which CPIA Cluster B is the dependent variable, which shows a positive and statistically significant (at the $p<0.10$ level) coefficient on the term for cumulative BEE-oriented DPFs. A more granular analysis reveals relationships between the thematic focus areas of BEE-oriented DPFs and CPIA scores. At the country level, receiving more BEE-oriented DPFs focused on business-enabling institutions is associated with higher CPIA Business Regulatory Environment sub scores within Cluster B.[98] Similarly, receiving more BEE-oriented DPFs focused on deepening integration with the global economy (often through trade facilitation) is associated with improved CPIA Trade sub scores within Cluster B.[99]

The regression analysis also suggests that BEE-oriented DPFs are associated with improved public-sector management as measured by CPIA Cluster D scores. The regression results displayed in Column 4 of Table 7 show a positive and statistically significant (at the $p<0.05$ level) coefficient on the term for cumulative years with BEE-oriented DPFs. This relationship remains significant even after controlling for cumulative years with DPFs in general.

Moreover, across countries and years, BEE-oriented DPFs are associated with improvements in structural policy outcomes

93 The nomenclature for IEG ratings is: Highly satisfactory, Satisfactory, Moderately satisfactory, Moderately Unsatisfactory, Unsatisfactory, and Highly Unsatisfactory. In the Probit estimation, a rating of highly satisfactory, satisfactory, or moderately satisfactory is assigned a value of one, and all other ratings are assigned a value of zero.

94 For the sake of space, the corresponding interactions between the BEE-oriented DPF variable and the country and program characteristics are not included in the table. The interactions between the BEE-oriented DPF variable with the variables programmatic operation and program length are positive. In contrast, the interactions between the BEE-oriented DPF variable with the variables IDA, FCV, and other WB lending are negative. However, all interactions show non-statistically significant coefficients.

95 Net commitments stand for cumulative commitment amounts (including supplementals/additional financing) minus cumulative cancellations.

96 CPIA scores are measured at the end of the calendar year. Calendar years for DPFs were adjusted to ensure there was no mismatch between DPF occurrence and the measure of CPIA (e.g., capturing the impact of a DPF from the middle of a given year when CPIA was in fact measured at the beginning of the year). Further discussion on the choice of measure, timeframe, and drawbacks can be found in the Moll and Smets (2020)

97 While the difference-in-differences specification used in this report provides suggestive evidence of the impact of DPFs on policy outcomes (as measured by CPIA), interpreting associations as causal requires the parallel trends assumption to hold.

98 This relationship is evidenced by the positive and significant coefficient (at the $p<0.01$ level) on the term for DPFs focused on business-enabling institutions shown in Column 2.

99 This relationship is shown by the positive and statistically significant (at the $p<0.10$ level) coefficient on the term for DPFs involving global integration shown in Column 3.

TABLE 6.
Relationship between IEG Outcome Ratings and Country and Operation-Level Factors

	(1)	(2)	(3)	(4)
	IEG (Level)	Succ/Unsuc.	IEG (Level)	Succ/Unsuc.
BEE DPF	0.181	0.499	0.041	0.408
	(0.21)	(0.33)	(0.22)	(0.36)
Fiscal balance, % of GDP	0.011	0.013	0.025	0.039
	(0.02)	(0.03)	(0.02)	(0.03)
IDA	0.558	-0.232	0.721*	-0.163
	(0.42)	(0.55)	(0.43)	(0.56)
FCV country dummy	-0.090	0.024	0.068	0.289
	(0.30)	(0.43)	(0.34)	(0.48)
IPL or P4R = 1	0.796**	0.925***	0.623**	0.682*
	(0.31)	(0.36)	(0.29)	(0.39)
IMF Programs = 1	-0.344	-0.474	-0.494	-0.615
	(0.24)	(0.32)	(0.27)	(0.36)
Net Commitment			0.266**	0.392**
			(0.12)	(0.18)
Project length			0.007	0.019
			(0.02)	(0.03)
Programmatic			0.744***	0.629*
			(0.25)	(0.36)
TTL - IEG track record			0.029	0.051
			(0.03)	(0.04)
Crisis = 1			-0.401	-0.648
			(0.38)	(0.48)
Observations	123	123	120	120
Sector Dummies	Yes	Yes	Yes	Yes
Years	2015-2019	2015-2019	2015-2019	2015-2019
Estimation Method	O-Probit	Probit	O-Probit	Probit

Successful includes projects with IEG Overall Outcome Rating equal to "Moderately satisfactory", "Satisfactory", and "Highly satisfactory". Unsuccessful includes projects with IEG Outcome Rating equal to "Moderately unsatisfactory" and "Unsatisfactory". Control variables are not reported. Standard errors clustered at the country-year level in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

in countries that have experienced a recent change in government. To analyze the effects of changes in government, a dummy variable for having a new top-level political leadership from the REIGN dataset was introduced into the main model specification, along with an interaction term between the dummy variable and the cumulative years of BEE-oriented DPFs. Table 8 summarizes results from the subsequent regressions: in Column 1, where the dependent variable is CPIA Cluster B: Structural Policies, the coefficient on the interaction between cumulative years with BEE DPFs and the dummy for new political leadership is positive and statistically significant at the $p<0.05$ level. The available data does not allow for a more detailed analysis along the lines of ideological

changes in government but does suggest that BEE-oriented DPFs may benefit from the reform momentum created by a new governments, which may help pass politically difficult structural measures. This finding may also indicate that DPFs discourage new governments from rolling back previous reforms, as the coefficient on the new government dummy is negative and statistically significant at the $p<0.05$ level. In the regression summarized in Column 2, no significant correlation is observed with respect to CPIA Cluster D: Public Sector Management.

Relationships between DPF effectiveness and other variables are inconclusive. Regressions in Table 8 do not show statistically significant evidence that income levels, IDA versus IBRD membership, the growth rate of GDP per capita, the presence of debt and fiscal DPFs in the country, FCV status, the mix of programmatic versus standalone DPFs, or the fiscal balance have an impact on the effectiveness of BEE-oriented DPFs with respect to structural policies or public-sector management.[100]

TABLE 7.
Overall BEE-Oriented DPF Regression Results

VARIABLES	(1)	(2)	(3)	(4)
	CPIA Cluster B: Structural Policies	CPIA B3: Business Regulatory Environment	CPIA B1: Trade	CPIA Cluster D: Public Sector Management and Institutions
Cumulative (since 2015) years with BEE DPFs	0.0474*			0.0437**
	(0.0242)			(0.0192)
Cumulated experience with BEE DPFs	-0.00926			
	(0.00978)			
Cumulative (since 2015) years with BEE BEI DPFs		0.165***		
		(0.0586)		
Cumulated experience with BEE BEI DPFs		-0.0282		
		(0.0228)		
Cumulative (since 2015) years with BEE Global Integration DPFs			0.206*	
			(0.106)	
Cumulated experience with BEE Global Integration DPFs			-0.0410*	
			(0.0225)	
Cumulative (since 2004) years with any DPFs				-0.00129
				(0.0190)
Cumulated experience with any DPFs				-0.00208
				(0.00132)
Country and year fixed effects	Yes	Yes	Yes	Yes
Years	2015-2019	2015-2019	2015-2019	2015-2019
Observations	428	428	428	428
Within R-squared	0.104	0.102	0.092	0.098
Number of countries	123	123	123	123

Robust standard errors clustered at country level in parentheses. Control variables are not reported. Dependent variables displayed at the top of each column.
*** p<0.01, ** p<0.05, * p<0.1

100 These regressions follow the same specifications as in Table 6, Column (1), except with the additional variables of interest added one by one along with their interactions with our primary variable of interest, cumulative BEE DPFs.

TABLE 8.
Heterogeneity in BEE-Oriented DPF Effectiveness

	(1)	(2)
VARIABLES	CPIA Cluster B: Structural Policies	CPIA Cluster D: Public Sector Management and Institutions
Cumulative (since 2015) years with BEE DPFs	0.0471*	0.0491**
	(0.0242)	(0.0192)
Cumulated experience with BEE DPFs	-0.0114	
	(0.00999)	
New government dummy	-0.0414**	-0.0211
	(0.0199)	(0.0158)
New government*Cumulative years with BEE DPFs	0.0365**	-0.0199
	(0.0175)	(0.0143)
Cumulative (since 2004) years with any DPFs		-0.00239
		(0.0188)
Cumulated experience with any DPFs		-0.00214
		(0.00129)
New government*Cumulative years with any DPFs		0.00441
		(0.00446)
Country and year fixed effects	Yes	Yes
Years	2015-2019	2015-2019
Observations	428	428
Within R-squared	0.122	0.110
Number of countries	123	123

Robust standard errors clustered at country level in parentheses. Control variables are not reported Dependent variables displayed at the top of each column
*** p<0.01, ** p<0.05, * p<0.1

Further research on this issue could address potential endogeneity concerns. An instrumental variable approach could rule out the possibility of DPFs being more likely in countries that were already on a positive policy trajectory. Moll and Smets (2020) use such an approach by interacting cross-sectional variation in the likelihood of receiving a DPF with the WBG's total budget constraints. While this analysis focused on the effectiveness of DPFs overall, additional research could concentrate on BEE-oriented operations specifically. Additional work is needed to expand cross-country datasets covering BEE issues to encompass a wider range of countries.

ANNEX 3

BUSINESS ENABLING ENVIRONMENT: FRAMEWORK

For the 2021 retrospective, a framework was constructed encompassing three categories of the BEE to analyze how the policy agenda supporting the private sector are catalyzed by DPFs: (i) access to markets; (ii) business-enabling institutions; and (iii) endowments and productive inputs (Figure 4.1).

- The first category includes policies designed to create and expand markets, lower barriers to market entry, and tighten integration with the global economy through increased participation in global value chains (GVCs), export diversification, greater foreign direct investment (FDI), and reduced trade costs.
- The second category includes policies aimed at lowering the costs of doing business, reducing risk and uncertainty, creating a level competitive playing field, improving the legal and regulatory framework, strengthening investor protections, improving the transparency and quality of public institutions, promoting competitive neutrality, and expanding economic opportunities for women and marginalized groups.
- The third category includes policies to (i) expand access to reliable, low-cost business infrastructure by leveraging private-sector participation in the supply of public goods; (ii) strengthen financial services through secured transactions, enhanced credit information, robust insolvency processes, and tailored financing mechanisms for SMEs; (iii)improve access to land, especially among women and disadvantaged groups; and (iv) foster innovation, workforce-skills development, and entrepreneurship.

The BEE framework is based on the perspective of the private sector. BEE-oriented measures include policy, legal and institutional reforms designed to cut business costs, minimize risks and uncertainty around firm operations, and lower barriers to market entry. The BEE framework covers topics related to infrastructure, financing, and skills insofar as they are directly linked to services for the private sector (e.g., policies to expand firms' infrastructure costs, efforts to promote firms' access to finance, programs to promote skills and knowledge transfer to firms). The framework does not cover macroeconomic stability and good governance, which are fundamental prerequisites for a BEE but generally addressed via a separate suite of regulations and policy actors. The framework also does not examine sector-specific reforms; structural reforms that affect key sectors such as agriculture, the energy supply, or extractive industries; or complementary reforms in the education or financial sectors—even though such measures may have a strong indirect influence on the quality of the business climate.

FIGURE A.3.
Business-Enabling Environment Framework

Business Enabling Environment

Access to Markets	Business Enabling Institutions	Endowments/Production Inputs
1. Enter/create market (including FDI and competition) 2. Deepening with the global economy (including GVC participation & upgrading, export diversification, outward FDI, reduced trade cost–trade policy, trade facilitation, logistics costs)	1. Reduce business cost 2. Reduce risk/uncertainty 3. Compete on level-playing field (including competition policy, SOEs, FDI, gender)	1. Reduce infra costs, expand availability, and improve reliability of infrastructure services for businesses 2. Access to finance 3. Access to land 4. Innovation, skills, and entreprenurship

Source: World Bank staff elaboration based on a literature review.

ANNEX 4

THE 2021 DPF RETROSPECTIVE ENGAGEMENT PROCESS

The DPF Retrospective online engagement process was launched on the World Bank's external website on November 11, 2021, and remained open for feedback from external audiences till December 11, 2021.

In addition to the online engagement, opportunities for virtual sessions with members of the DPF team were organized to discuss the preliminary findings of the report. Three targeted sessions with CSOs were conducted on November 18, December 1 and 7. A separate session for thinktanks took place on December 6. They included over 100 participants who shared their views directly with the DPF team. The participants were also encouraged to share the preliminary findings of the report with all interested audiences and to submit written comments through the website.

Particularly, views were sought on but not limited to three questions:

- 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 Development Approach?
- Any other suggestions to make use of DPFs more effective?

To reach a wide audience, the DPF team used multiple engagement methods, including public posting of the report summary in all World Bank languages, soliciting written comments and direct conversations with the team. The information was shared with external audiences using the existing communication channels, including social media and multiple newsletters reaching several thousand people.

The analysis of the DPF Instrument has been part of an ongoing discussion with external audiences. This engagement period builds on a series of engagements over the last several years, and most recently, a session at the 2021 Annual Meetings, *The World Bank's Development Policy Financing: Implications for a Just, Green and Feminist Recovery*, where the DPF team provided a preview of the main findings of the Retrospective.

The civil society comments centered around a range of issues. Mostly these were tied to country experience rather than the scope of the policy itself. They were also tied to the engagement process of the Retro itself. With regards to the policy, there were some questions on country ownership; for example, are reforms 'owned' by the country itself, what are the reasons for any prior actions then, or conditionalities? Prior Actions are sometimes seen as conditions which restrict policy space and might have harmful impacts on the poorest populations.

Other questions raised included:

- How was the scope of the review identified and what was the methodology used?
- How were the issues for seeking feedback determined?
- Why does the Bank believe that private sector led development is inherently beneficial to people?
- How can/do DPFs address the potential negative impacts of private sector-led development?
- What is the Bank's view of the unintended impacts (despite the 'good things' that DPOs are doing for the countries) of DPFs? For example, a land reform DPF did very little for the communities; energy subsidy reforms.
- How well are environmental and social risks managed in DPF?
- Why is the DPF instrument being used to influence financing flows towards fossil fuels and is this aligned with the Paris Agreement?
    - » *To note, the World Bank Group has been ramping up its finance for renewable energy for several years. In fiscal year 2021, the World Bank (IBRD/IDA) did zero new fossil fuel financing. The World Bank Group stopped investing in upstream oil and gas in 2019.*
- What is the role of DPFs in other thematic areas, such as labor equality and workers' rights?
- How does the Bank plan to address consultation and disclosure issues on DPFs?

They also noted several aspects, including:

- DPOs carry significant value for addressing countries' budget shortfalls, especially during crises, and supporting critical reforms.
- While the WBG has made an online database of Development Policy Operations and their prior actions publicly available, there is no public database tracking the results of these actions, despite their far reaching social and environmental implications.
- Timely adaptation of DPOs to country needs may require increasing the frequency and breadth of these assessments.
- The 'do no significant harm' principle for Paris alignment and, wherever possible, promoting climate action should be examined at every stage of the DPO process.
- Climate-focused DPF should be an important part of Bank-supported recovery efforts from now on.
- DPF support for reforms of the energy sectors in some countries, ahead of these sectors' committing to fully phase out coal and/or for countries using natural gas as a transition is a source of concern.

A group of CSOs led by ***Eurodad*** issued a joint statement on December 9, 2021, noting they perceived the duration and scope of the DPF engagement to be less than ideal (as well as other consultations by the World Bank on global development policies). Another joint submission included feedback from Urgewald and Recourse among others. The Bank Information Center also submitted their views and responses to the questions asked online.

The engagement with thinktanks focused on the use of DPF for COVID response and the ability of DPF to deliver fast results during crisis. The discussions centered on the role of the instrument as a driver of systematic change and accountability across a wide range of sectors and countries. For the future enhancements of the instrument, thinktanks encouraged the World Bank to explore options to use new technological solutions to track how governments decide to spend money on long-term programs. Other discussed topics included debt sustainability, DPF as a sequence of budget financing in the context of sound fiscal programs, long-term commitments, and ideas for packaging DPF with other official finance.

The DPF team analyzed and incorporated the external contributions in the Retrospective report. The section on Poverty, Social, Environmental, Forest and Natural Resource aspects was added, drawing on the revised guidance on Environmental, Forest and Natural Resource Aspects and emphasized consultations and access to information. The recommendations on the impact of climate change on the macroeconomic framework have also been enhanced.

List of Organizations invited to the DPF Retrospective Engagement + Organizations at DPF AMs session

ANNUAL MEETINGS

1. ACCA
2. Accountability Counsel
3. ACES World
4. APWA
5. Bank Information Center
6. Bread for the World
7. Bretton Woods Project
8. CAFOD
9. Center of Rehabilitation for Children Deprived in Chad
10. Christian Aid
11. Data Privacy Brazil Research Association
12. Demensia Brunei
13. Eurodad
14. Friends of the Earth US
15. GCRI
16. Gender Action
17. German watch
18. GIZ
19. Global Thinking Foundation
20. Global Voices
21. Global Voices
22. IBON International

23. IDRF
24. Indus Consortium
25. International Trade Union Confederation
26. ITUC
27. Jubilee USA Network
28. Latindadd
29. MBMF Foundation
30. Norad
31. OLAE - Universidade Lusófona
32. Oxfam
33. Oxfam Ibis
34. Oxfam International
35. PO "Institutional reforms"
36. Publish What You Fund
37. Reality of Aid Network
38. Recourse
39. ROJALNU BURKINA FASO
40. Sightsavers
41. Sustainable Development Policy Institute
42. SustainableNigeria
43. The German Marshall Fund of the United States
44. The Global Centre for Risk and Innovation (GCRI)
45. UNDP
46. United Nations
47. United Voices 4 Peace
48. UNOSAA
49. Urgewald
50. Wemos
51. World Resources Institute
52. Young Diplomats of Canada
53. Asian Development Bank (ADB)
54. Global Initiative for Fiscal Transparency
55. International Association of Independent Journalists Inc.
56. League of Women Voters of the United States
57. Murna Foundation
58. Salconst
59. UChicago Researcher - Sov Debt
60. ADA LovelaceFoundation
61. Germanwatch
62. League of Women Voters of the United States
63. REALITY OF AID NETWORK

DPF RETRO ENGAGEMENT (DEC 1)

1. Genderaction.org
2. eurodad.org
3. brettonwoodsproject.org
4. realityofaid.org
5. sdpi.org
6. re-course.org
7. bankinformationcenter.org
8. dar.org
9. transparency.org
10. urgewald.org
11. tisa.or.ke
12. bothends.org
13. Dar.org.pe
14. bankinformationcenter.org

DPF RETRO ENGAGEMENT (DEC 6)

1. CGDEV.ORG
2. csis.org
3. epi.org
4. cbpp.org
5. aspeninstitute.org
6. wilsoncenter.org
7. ids.ac.uk
8. die-gdi.de
9. brookings.edu
10. PIIE

ANNEX 5

DPFS INCLUDED IN THE RETROSPECTIVE

Country	Proj ID	Name	Board Date	$ IBRD	$ IDA	$ OTH
AFRICA REGION						
Africa	P146512	APEI Regional DPO (RI)	4/7/2016	20	10	
Angola	P166564	Angola DPF	7/16/2019	500		
Angola	P168336	Angola DPO2	3/16/2021	700		
Benin	P160700	First Fiscal Reform and Growth Credit	11/28/2017		40	
Benin	P166115	Benin Second Fiscal Reform & Growth DPF	8/30/2018		15	
Benin	P167278	Benin 2nd Fiscal Reform and Growth PBG	8/30/2018		180	
Benin	P168668	Benin FMST DPO1	12/12/2019		100	
Benin	P174008	Benin Supplemental COVID-19 2020	6/26/2020		50	
Benin	P172749	Benin FMST DPO2	12/16/2020		100	
Botswana	P175934	BWA - Econ Resilience and Green Recovery	6/11/2021	250		
Burkina Faso	P157060	BF - DPO series on Energy and PFM	12/20/2016		100	
Burkina Faso	P163283	BF - DPO2 series on Energy and PFM	12/14/2017		75	
Burkina Faso	P166298	BF DPO1	4/24/2019		100	
Burkina Faso	P170934	Burkina Faso 2nd DPO	6/5/2020		148	
Burkina Faso	P174315	Burkina Faso Crisis-Response DPF	12/15/2020		100	
Burkina Faso and Cote d'Ivoire	P158333	Second Regional Trade Facilitation and Competitiveness Credit	12/13/2016		100	
Cabo Verde	P160628	CV DPF with Cat DDO	6/5/2019	5	5	
Cabo Verde	P165631	Cabo Verde DPO	6/5/2019		40	
Cabo Verde	P171080	CV DPF2	8/7/2020		25	
Cameroon	P163657	Cameroon DPO Series	12/20/2017	200		
Cameroon	P166694	Cameroon DPF2	8/28/2019		200	
Cameroon	P168332	Cameroon DPO3	4/19/2021		100	
Central African Republic	P160123	State Consolidation Development Program	12/1/2016		20	
Central African Republic	P164442	SCDP2	4/12/2018		25	
Central African Republic	P168035	CSIDP 1	5/6/2019		100	
Central African Republic	P173900	CAR CSIDP Supplemental Financing	6/10/2020		25	
Central African Republic	P168474	CSIDP2	9/1/2020		50	
Chad	P155480	Chad-DPO Fiscal Consolidation Program	12/10/2015		50	
Chad	P162548	Fiscal Consolidation Support Grant	12/21/2016		80	

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Chad	P163968	FY17 Chad Emergency DPO	6/29/2017		65	
Chad	P163424	Chad DPO	9/12/2018		65	
Chad	P168606	Chad Second ERR DPO	1/17/2020		100	
Comoros	P174260	Comoros Emergency DPO	12/10/2020		10	
Cote d'Ivoire	P155259	CI -DPO-Poverty Reduction Support Credit 3	9/29/2015		100	
Cote d'Ivoire	P158463	CI-DPO on Fiscal management	12/15/2016		75	
Cote d'Ivoire	P163284	Cote d'Ivoire - Second Fiscal Management	12/5/2017		125	
Cote d'Ivoire	P166388	CIV DPO3	12/11/2018		100	
Cote d'Ivoire	P169828	Côte d'Ivoire DPO1	3/31/2020		200	
Cote d'Ivoire	P174110	Cote D'Ivoire COVID-19 Emergency DPO	2/16/2021		300	
Eswatini	P174447	Eswatini - Economic Recovery DPF I	11/19/2020	40		
Ethiopia	P168566	Ethiopia Growth and Competitiveness	10/30/2018		1200	
Ethiopia	P169079	Ethiopia Growth and Competitiveness DPF2	3/19/2020		500	
Ethiopia	P169080	COVID19 Supplemental to Ethiopia DPF2	6/8/2020		250	
Gabon	P159508	FISCAL CONSOLIDATION & INCLUSIVE GROWTH	11/7/2017	200		
Gabon	P164201	Gabon second DPO	2/19/2019	200		
Gambia, The	P163285	Gambia Emergency DPO	6/30/2017		56	
Gambia, The	P164545	Gambia 1st Fiscal Management, Energy & Tele Ref DPF	5/14/2020		30	
Ghana	P157343	GH-Macro Stability for Competitiveness 2	12/20/2017		200	
Guinea	P156629	GN - Macroeconomic & Fiscal Management DPF	6/17/2016		40	
Guinea	P161796	Guinea Second MFM DPO	7/31/2018		60	
Guinea	P166322	Fiscal Mngt Comp Energy	11/26/2019		90	
Guinea	P174063	Guinea COVID-19 Crisis Response DPO	7/30/2020		80	
Kenya	P161562	Kenya CAT DDO	6/21/2018		200	
Kenya	P168204	Inclusive Growth and Fiscal DPO	5/28/19		750	
Kenya	P172321	Kenya Growth and Fiscal DPO2	5/19/2020	250	750	
Kenya	P175251	KE: ACCELERATING REFORMS DPF	6/10/2021		750	
Liberia	P151502	LR-PRSC III (FY16)	11/17/2016		40	
Liberia	P163164	Liberia PRSDPOIII Supplemental	6/26/2017		12	
Liberia	P162111	MFMPRSDPO-IV	1/24/2018		20	
Liberia	P168218	Liberia IG DPO-1	3/17/2020		40	
Liberia	P175570	Liberia Inclusive Growth DPO 2	6/17/2021		40	
Madagascar	P153084	MG - Resilience DPO	12/10/2015		55	
Madagascar	P160866	MG- Public Finance Sustainability and in	11/22/2016		65	
Madagascar	P162279	Inclusive and Resilient Growth DPO	12/7/2017		45	
Madagascar	P164137	PFSI DPF II	11/16/2017		45	
Madagascar	P166425	MG - Second IRG DPO	8/30/2018		60	

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Madagascar	P166752	Fiscal Sustainability and Energy DPO	4/30/2019		100	
Madagascar	P167941	Madagascar Cat DDO	12/12/2019		50	
Madagascar	P168697	Human Capital DPO	3/26/2020		100	
Madagascar	P174388	Madagascar Covid-19 Response DPO	8/27/2020		75	
Malawi	P153753	Malawi Agricultural Support and Fiscal Management DPO	5/4/2017		80	
Malawi	P165056	Malawi CAT DDO	6/6/2019		70	
Mali	P151409	ML- Second Recovery & Gov. Ref. Sup. Cr.	12/10/2015		50	
Mali	P157900	Mali - Poverty DPO	5/30/2017		50	
Mali	P161619	Mali Second Poverty DPO	7/5/2018		60	
Mali	P167547	Mali - Energy and Service Delivery DPF	12/12/2019		250	
Mauritania	P160592	Mauritania DPO	12/15/2016		26	
Mauritania	P163057	Mauritania DPO 2	12/20/2017		26	
Mauritania	P167348	MRT First Competition & Skills DPO	7/24/2019		50	
Mauritania	P174155	Mauritania COVID-19 Emergency DPO	7/31/2020		70	
Mozambique	P151861	Financial Sector DPL II	9/29/2015		25	
Mozambique	P154422	Mozambique PRSC XI	12/22/2015		70	
Mozambique	P174152	Mozambique Covid19 Response DPO	10/22/2020		100	
Niger	P151487	First Pub Inv Reform Support	12/3/2015		80	
Niger	P159969	Second Public Investment Reform Support	2/28/2017		50	
Niger	P163318	Niger New DPO Series	12/5/2017		120	
Niger	P166124	Niger Second DPO Series	12/6/2018		110	
Niger	P169830	Niger First DPO Series 2020	12/12/2019		350	
Niger	P173113	Niger DPO 2	8/6/2020		250	
Rwanda	P155024	Second Social Protection System (SPS-2)	12/1/2015		95	
Rwanda	P158698	Third Social Protection System (SPS-3)	10/31/2016		95	
Rwanda	P162671	Rwanda Energy DPO	12/1/2017		125	
Rwanda	P166458	Rwanda Energy Sector DPO2	11/15/2018		125	
Rwanda	P169040	Third Rwanda Energy Sector DPO	8/29/2019		125	
Rwanda	P173882	Rwanda Energy Supplemental DPO	5/1/2020		100	
Rwanda	P171554	Rwanda - HCIG DPF	12/16/2020		150	
Sao Tome and Principe	P159010	STP Strength. Growth & Fiscal Policy DPO	11/30/2016		5	
Sao Tome and Principe	P161707	2nd STP Growth and Fiscal Policy DPF	5/18/2018		6	
Sao Tome and Principe	P164321	STP 3rd Growth and Fiscal DPO	12/18/2019		5	
Sao Tome and Principe	P168335	STP Human and Economic Recovery DPO	12/18/2020		10	
Senegal	P150976	SN-Third Governance and Growth Support C	7/23/2015		50	
Senegal	P159023	Senegal Structural Reform DPO Series	6/30/2017		60	
Senegal	P164525	Second Multisectoral Structural Reform	12/14/2018		180	
Senegal	P170366	Third Multi-Sectoral Struct Reform DPF	12/18/2019		180	

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Senegal	P173918	SENEGAL DPO 3: SUPPLEMENTAL FINANCING	6/15/2020		100	
Seychelles	P153269	Sustaining Reforms for Inclusive Growth	10/23/2015	5		
Seychelles	P174198	Seychelles COVID-19 Emergency DPF	6/25/2020	15		
Sierra Leone	P157333	SL-Supplemental Financing for EEFS Op	12/8/2015		30	
Sierra Leone	P156651	Productivity and Transparency Support Credit	6/30/2017		30	
Sierra Leone	P165639	SL Supplemental Financing for PTSC-I	11/30/2017		10	
Sierra Leone	P168259	SL Second Productivity and Transparency	3/19/2019		40	
Sierra Leone	P169498	Sierra Leone - Third Productivity and Tr	6/17/2020		100	
Somalia	P171570	SO Reengagement & Reform DPF	2/27/2020		420	
Somalia	P174064	Reengagement and Reform Supplemental DPF	6/23/2020		55	
Sudan	P175139	Reengagement and Reform DPF	3/25/2021		1375	
Tanzania	P150009	TZ-Business Env & Competitiveness for Jobs	9/3/2015		80	
Togo	P159844	Togo Fiscal Reform Credit	12/20/2017		52	
Togo	P166739	Togo 2nd Fiscal Manage & Infrast Reform	12/10/2018		40	
Togo	P169867	Togo First DPF 2019	12/16/2019		150	
Togo	P174376	Togo Emergency Covid-19 DPO 2021	9/10/2020		70	
Uganda	P173906	UG COVID-19 Economic Crisis & Recovery	6/29/2020		300	
Western Africa	P171225	West Africa Regional Energy Trade DPF	7/28/2020		300	
EAST ASIA AND PACIFIC REGION						
Cambodia	P176756	Cambodia DPF	6/24/2021		200	
China	P157404	Chongqing-Dadukou Fiscal Sustainability DPO	1/10/2017	200		
China	P157406	Hunan Fiscal Sustainability DPO	1/10/2017	200		
Fiji	P159774	Fiji Post-Cyclone Winston Emergency DPO	6/30/2016	50		
Fiji	P165276	Fiji DPO	4/2/2018	15		
Fiji	P168402	Fiji DPO2	11/7/2019	6	58	
Fiji	P173558	Fiji Recovery & Resilience DPO1	3/25/2021	25	120	
Indonesia	P154291	Indonesia Energy Sector DPL	12/1/2015	500		
Indonesia	P156655	IDN Fiscal Reform DPL	5/31/2016	400		
Indonesia	P158140	Indonesia Maritime Logistics DPL	11/2/2016	400		
Indonesia	P161475	Indonesia Fiscal Reform DPL 2	10/31/2017	300		
Indonesia	P163973	Indonesia Maritime Logistics DPL II	6/28/2018	300		
Indonesia	P167297	Indonesia Fiscal Reform DPL 3	5/23/2019	1000		
Indonesia	P170940	Indonesia Financial Sector Reform DPF	3/20/2020	300		
Indonesia	P174025	Indonesia Supplemental Fin. Sec. DPF	5/15/2020	300		
Indonesia	P172439	Indonesia Investment and Trade DPL	6/15/2021	800		
Indonesia	P173232	Indonesia 2nd Financial Sector Reform DPF	6/10/2021	400		
Kiribati	P155540	Third Economic Reform DPO	9/13/2016		2	
Kiribati	P161794	Fourth Economic Reform DPO	11/22/2017		5	
Kiribati	P167263	Kiribati Fifth Economic Reform DPO	11/29/2018		5	

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Kiribati	P169179	Kiribati Inclusive Growth & Resilience 2	12/3/2020		5	
Lao People's Democratic Republic	P159956	Green Resilient Growth DPF	5/31/2017		39	
Lao People's Democratic Republic	P166839	Lao PDR Green Resilient Growth DPO 2	5/28/2019		40	
Mongolia	P162402	Economic Management Support Operation	11/30/2017		120	
Mongolia	P167485	EMSO 2	7/30/2019	20	80	
Myanmar	P152734	First Macroeconomic Stability and Fiscal Resilience DPO	4/27/2017		200	
Papua New Guinea	P165717	PNG Development Policy Operation	10/25/2018		150	
Papua New Guinea	P174347	PNG Crisis Response & Recovery DPO	6/28/2021		100	
Philippines	P155656	Second DRM DPL with a CAT DDO	12/22/2015	500		
Philippines	P167651	Improving Fiscal Management	3/15/2019	450		
Philippines	P170052	PH DPL series	12/17/2019	400		
Philippines	P171440	Third Disaster Risk Management DPL	4/9/2020	500		
Philippines	P174120	EMERGENCY COVID-19 RESPONSE DPL	5/28/2020	500		
Philippines	P170914	PH DPL II	12/16/2020	600		
Philippines	P175008	Philippines Financial Sector Reform DPF	6/24/2021	400		
Samoa	P155118	Second Fiscal and Economic Reform DPO	9/13/2016		5	
Samoa	P162104	First Resilience Operation	10/31/2017		5	
Samoa	P165928	Second Resilience DPO with a CAT DDO	11/29/2018		14	
Samoa	P171764	Samoa First Response DPO with CATDDO	12/3/2020		25	
Solomon Islands	P167465	Solomon Islands DPO	5/6/2020		15	
Tonga	P155133	Tonga First Inclusive Growth DPO	3/16/2016		2	
Tonga	P159262	Tonga Second Inclusive Growth Development Policy Operation	4/27/2017		5	
Tonga	P167330	Tonga Supplemental DPO Financing	6/15/2018		10	
Tonga	P159263	Tonga Third Inclusive Growth DPO	5/16/2019		6	
Tonga	P171071	Tonga First Resilience DPO	5/12/2020		6	
Tonga	P174683	Tonga: Supporting Recovery DPO	12/9/2020		30	
Tuvalu	P156169	Supplemental DPO	9/15/2015		3	
Tuvalu	P155066	Third Development Policy Operation	12/9/2016		3	
Tuvalu	P161867	Fourth Development Policy Operation	8/30/2018		8	
Tuvalu	P170558	Tuvalu First Resilience DPF with CAT DDO	12/13/2019		14	
Vanuatu	P168749	Vanuatu CAT DDO	1/7/2020		10	
Vietnam	P157405	EMCC3 DPO	5/12/2016	150		
Vietnam	P155824	Climate Change and Green Growth in VN	6/24/2016		90	
Vietnam	P160480	Ho Chi Minh City DPO 1	5/16/2019		125	
Vietnam	P171006	Climate Change and Green Growth DPF	6/5/2020		84	
Vietnam	P171216	HCMC DPO-2	6/29/2021	100		
Vietnam	P176717	Inclusive and Sustainable Recovery DPO	6/29/2021		222	

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EASTERN EUROPE AND CENTRAL ASIA REGION						
Albania	P152064	Albania Financial Sector DPL	3/13/2017	100		
Albania	P155605	Albania Competitiveness Development Policy Loan	1/31/2017	70		
Albania	P160594	Albania Gender Equality DPF	11/14/2019	10		
Albania	P169524	Albania Fiscal Sustainability and Growth	12/11/2020	80		
Armenia	P153234	ARMENIA DPO3	12/9/2015	50		
Armenia	P160100	Armenia DPF4	12/8/2016	50		
Armenia	P169624	Armenia Development Policy Operation	11/21/2019	50		
Bosnia and Herzegovina	P149768	Bosnia and Herzegovina: Public Finances DPF	3/23/2017	80		
Croatia	P173996	Response and Recovery	6/26/2020	300		
Georgia	P156444	Second Programmatic Inclusive Growth DPO	4/28/2017	50		
Georgia	P155553	Private Sector Competitiveness DPO2	7/31/2017	50		
Georgia	P169913	Econ. Management and Competitiveness DPO	3/26/2020	50		
Georgia	P173965	EMC DPO: COVID19 Supplemental Financing	6/30/2020	49		
Kazakhstan	P154702	Kazakhstan Programmatic DPO	11/3/2015	1000		
Kyrgyz Republic	P148099	Governance and Competitiveness DPO	7/7/2016		24	
Kyrgyz Republic	P163983	Kyrgyz Republic Economic Governance DPO	11/8/2018		24	
Moldova	P149555	Second Development Policy Operation	12/16/2016	27	18	
Moldova	P156963	Moldova Economic Governance DPO1	7/5/2018		30	
Montenegro	P166205	Fiscal and Financial Sector PBG	12/20/2017	93		
Montenegro	P167665	Fiscal and Financial Sector Resilience 2	3/5/2020	90		
North Macedonia	P171851	Public Finance and Competitiveness DPO	9/19/2019	139		
Poland	P149781	Poland Growth and Resilience 2	7/23/2015	1000		
Romania	P149776	2nd Fiscal Effectiveness and Growth DPL	12/15/2016	558		
Romania	P166303	Romania Cat DDO	6/26/2018	493		
Serbia	P149750	YF Second Programmatic SOE Reform DPL	10/25/2016	100		
Serbia	P157489	Disaster Risk Management DPL-CAT DDO	5/3/2017	70		
Serbia	P155694	Serbia Public Expenditure and Public Utilities DPL 1	1/18/2017	200		
Serbia	P161184	Public Exp. & Public Utilities DPL2	3/20/2018	200		
Serbia	P164575	PSEGR DPL	4/29/2021	100		
Turkey	P162071	Resilience, Inclusion and Growth	8/29/2017	400		
Ukraine	P151479	Second Development Policy Loan	8/25/2015	500		
Ukraine	P151941	Programmatic Financial Sector DPL2	9/15/2015	500		
Ukraine	P164414	Ukraine Policy Based Guarantee	12/18/2018	750		
Ukraine	P172597	Economic Recovery DPL	6/26/2020	350		
Uzbekistan	P166019	Uzbekistan Reforms for Transition DPO	6/26/2018		500	
Uzbekistan	P168280	Sustaining Market Reforms in Uzbekistan	6/14/2019	500		
Uzbekistan	P173948	Supplementary Financing: Uzbekistan DPO2	4/30/2020	200		
Uzbekistan	P171751	Uzb: Transparent and Inclusive DPO	12/16/2020	250	250	

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LATIN AMERICA AND CARIBBEAN REGION						
Argentina	P167889	AR 1st Inclusive Growth Programmatic DPF	11/1/2018	500		
Bahamas, The	P175490	Bahamas COVID-19 Response & Recovery DPF	5/25/2021	100		
Barbados	P175492	Barbados COVID19 Response & Recovery DPF	6/24/2021	100		
Brazil	P153203	BR Manaus Service Delivery & Fiscal Mgmt	12/3/2015	150		
Brazil	P146981	BR Piaui Productive and Social Inclusion	12/21/2015	200		
Brazil	P164588	Mato Grosso Fiscal DPL	5/24/2019	250		
Brazil	P172455	First Sustainable Amazonas DPF	12/11/2020	200		
Chile	P154213	CL Inclusion for Shared Prosperity DPL	11/16/2015	100		
Colombia	P150475	Colombia DPL for Sustainable Development	9/30/2015	700		
Colombia	P154821	Colombia Growth and Convergence DPL 2	12/8/2015	700		
Colombia	P158520	CO Territorial Development DPL	12/8/2016	800		
Colombia	P158739	Colombia Fiscal and Growth DPL 1	3/16/2017	600		
Colombia	P161642	Second Sust. Dev. and Green Growth DPL	12/14/2017	500		
Colombia	P162858	Colombia Fiscal and Growth DPL2	5/21/2019	719		
Colombia	P170728	Colombia Territorial Development	2/27/2020	400		
Colombia	P174118	COVID-19 Crisis Response DPF	6/26/2020	700		
Colombia	P173424	Resilient and Sustainable Infrastructure	9/30/2020	500		
Colombia	P175126	Colombia Infrastructure DPL 2	5/17/2021	750		
Costa Rica	P171912	Fiscal & Decarbonization Management DPL1	6/26/2020	300		
Costa Rica	P174786	CRI Fiscal and Decarbonization DPL II	6/29/2021	300		
Dominica	P174927	Dominica First COVID-19 Recovery DPC	3/18/2021		25	
Dominican Republic	P155425	Strengthening PFM DPL	11/4/2015	60		
Dominican Republic	P159351	DR DPL with a Cat DDO	9/28/2017	150		
Dominican Republic	P174145	DR COVID-19 Emergency Support DPF	6/26/2020	100		
Ecuador	P169822	First Inclusive and Sustainable Growth	6/11/2019	500		
Ecuador	P171190	Second Inclusive and Sustainable Growth	5/7/2020	500		
Ecuador	P174115	Third Inclusive and Sustainable Growth	11/24/2020	500		
Grenada	P151821	Grenada Resilience Building DPC 2	10/28/2015	5	10	
Grenada	P156761	Grenada Resilience Building DPC 3	12/16/2016		9	
Grenada	P164289	Grenada Fiscal Resilience. & Blue Growth DPC	6/22/2018		30	
Grenada	P167748	Grenada Blue Growth DPC2	12/16/2019		20	
Grenada	P171465	Grenada CAT DDO	1/21/2020		20	
Grenada	P174527	Grenada COVID-19 DPC	12/17/2020		25	
Guatemala	P160667	Governance of Public Resources Nutrition	11/17/2016	250		
Guatemala	P159710	Guatemala DRM DPL with CAT DDO II	5/24/2019	200		
Guatemala	P173698	Crisis Response and Recovery Guatemala	12/17/2020	500		
Guyana	P165425	GY Financial & Fiscal Stability - PDPC	6/22/2018		35	
Haiti	P162452	Fiscal and Social Resilience DPF	9/20/2018		20	

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Haiti	P171474	HT COVID-19 Response and Resilience DPO	6/29/2020		20	
Honduras	P155920	Honduras First Fiscal Sustainability DPF	12/15/2015		50	
Honduras	P172567	Honduras Cat DDO	4/10/2020		119	
Jamaica	P163586	Second Competitiveness and Fiscal Management Programmatic DPF	6/8/2017	70		
Jamaica	P170223	JM ER DPL I MST	3/19/2020	70		
Jamaica	P174531	Jamaica COVID-19 Recovery DPF	3/18/2021	150		
Mexico	P167674	Mexico Financial Inclusion DPF	6/18/2019	500		
Mexico	P172863	COVID-19 Financial Access DPF	5/19/2020	1000		
Mexico	P174000	Environment and Urban DPF	12/17/2020	750		
Mexico	P174150	MX Strength. Economic Sustainability DPF	1/21/2021	750		
Panama	P154819	Panama DPL2	9/8/2016	300		
Panama	P166159	Panama Third DPF	6/15/2018	100		
Panama	P174107	Panama Pandemic Response & Recovery DPL	12/8/2020	300		
Paraguay	P169505	Paraguay DPL1	3/19/2020	200		
Peru	P154981	Pub. Exp. and Fiscal Risk Mgmt DPL-DDO	2/11/2016	1250		
Peru	P156858	Peru DPL DDO 2	2/11/2016	1250		
Peru	P170477	Investing in Human Capital	3/24/2020	50		
Peru	P174440	Post COVID-19 Recovery DPF	3/25/2021	750		
Peru	P176387	Investing in Human Capital DPF II	6/24/2021	350		
St. Lucia	P174346	SLU Response, Recovery, Resilience DPC	1/14/2021		30	
St. Vincent and the Grenadines	P165220	SVG Fiscal Reform and Resilience DPF I	6/5/2019		30	
St. Vincent and the Grenadines	P169956	SVG 2nd Fiscal Reform & Resilience DPC	6/25/2020		40	
St. Vincent and the Grenadines	P176822	Supplemental Financing to Resilience DPC	6/25/2021		50	
Uruguay	P172796	UY - COVID-19 & Economic Recovery	6/25/2020	400		
MIDDLE EAST AND NORTH AFRICA REGION						
Egypt, Arab Republic of	P157704	1st Prog DPL on Fiscal. Sust. Energy. &Comp	12/17/2015	1000		
Egypt, Arab Republic of	P161228	2st Prog DPL on Fiscal, Sust Energy & Comp	12/20/2016	1000		
Egypt, Arab Republic of	P164079	3rd Prog DPF on Fiscal, Sust Energy &Comp	12/5/2017	1150		
Egypt, Arab Republic of	P168630	Pvt Sector Dev for inclusive growth DPF	12/4/2018	1000		
Iraq	P155962	Iraq 1st Fiscal Stabilization & Inclusive. DPL	12/17/2015	1200		
Iraq	P161167	IRAQ 2nd Struct. Fiscal Consolidation DPF	12/20/2016	1444		
Jordan	P154299	JO-Energy/Water Sector Reforms DPL	9/18/2015	250		
Jordan	P160236	Second Programmatic Energy and Water DPL	12/1/2016	225		
Jordan	P166360	JORDAN FIRST EQUITABLE GROWTH & JOBS DPF	6/27/2018	389		

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Jordan	P168130	JORDAN DPF 2 EQ. GROWTH AND JOB CREATION	6/4/2019	1450		
Morocco	P154041	MA: Transparency and Accountability DPL2	10/22/2015	200		
Morocco	P149747	MA- Inclusive Green Growth DPL2	12/18/2015	300		
Morocco	P153603	MA-Second Capital Market Development and SME Finance DPL	5/16/2017	350		
Morocco	P168587	Financial Inclusion & Digital Eco. DPF	2/19/2019	700		
Morocco	P168580	Morocco Cat DDO	12/11/2019	275		
Morocco	P171587	Financial and Digital Inclusion DPF	6/22/2020	500		
Morocco	P174004	MA: Financial & Digital Inclusion II DPF	6/17/2021	450		
Tunisia	P150950	TUNISIA: Third GOJ DPL	10/1/2015	500		
Tunisia	P158111	Tunisia Business Environment and Entrepreneurship DPF	6/13/2017	500		
Tunisia	P161483	Tunisia DPF 2018	6/27/2018	500		
Tunisia	P173324	Tunisia First Resilience & Recovery DPF	6/12/2020	175		
West Bank and Gaza	P156865	WBG - DPG VII	2/11/2016			40
West Bank and Gaza	P161252	West Bank and Gaza: Fiscal Stability and Business Environment DPG	12/5/2017			30
West Bank and Gaza	P164427	WB&G Strengthening Fiscal Res & Bus Environ	2/7/2019			30
West Bank and Gaza	P171819	Development Policy Grant 10	5/8/2020			30
West Bank and Gaza	P174975	GZ: Development Policy Grant 11	5/28/2021			30
SOUTH ASIA REGION						
Afghanistan	P160544	Inclusive Growth Development Policy Grant	6/13/2017		100	
Afghanistan	P164882	AF Incentive Program DPG	6/14/2018		90	
Afghanistan	P168446	2019 Incentive Program DPO	6/20/2019		100	
Afghanistan	P172211	2020 INCENTIVE PROGRAM	5/7/2020		160	
Afghanistan	P174234	Afghanistan COVID-19 Response DPG	7/9/2020		100	
Afghanistan	P176137	2021 IP-DPG	6/24/2021		132	
Bangladesh	P167190	Bangladesh Jobs Programmatic DPC	12/12/2018		250	
Bangladesh	P168724	Bangladesh Jobs DPC 2	6/19/2020		250	
Bangladesh	P168725	Bangladesh Jobs DPC3	3/26/2021		250	
Bhutan	P157469	Development Policy Credit 2	12/21/2016		24	
Bhutan	P164290	Bhutan Programmatic DPC Series	3/30/2018		30	
Bhutan	P168166	Bhutan - DPC2	6/21/2019		30	
Bhutan	P171780	Bhutan - DPC 3	4/23/2020		40	
Bhutan	P173008	Bhutan DPF with Cat DDO	5/12/2020		15	
Bhutan	P175758	Bhutan - DPC	6/23/2021		35	
India	P157224	First Programmatic Electricity Distribution	3/25/2016	250		
India	P159669	Rajasthan Electric Distribution Reform 2	7/5/2018	250		
India	P167246	SHWSSP1	1/16/2019	40		

Country	Proj ID	Name	Board Date	$ IBRD	$ IDA	$ OTH
India	P169907	Resilient Kerala Program	6/27/2019		250	
India	P173943	India COVID19 Response Social Protection	5/14/2020	200	550	
India	P172732	Tamil Nadu Housing Sector Strengthening	5/18/2020	200		
India	P174292	MSME Emergency Response	6/30/2020	750		
India	P174027	Social Protection for COVID response 2	12/15/2020		400	
India	P176447	India Responsive Social Protection	6/29/2021	388	113	
Maldives	P163939	Maldives CAT DDO and PEF	7/1/2019		10	
Maldives	P163966	Maldives 1st DPF	7/1/2019		20	
Nepal	P156960	Nepal Third Financial Sector Stability Credit DPC3	3/2/2017		100	
Nepal	P160792	Nepal Fiscal Reforms DPC	3/20/2018		200	
Nepal	P159547	Financial sector stability DPC4	8/7/2018		100	
Nepal	P154693	Nepal Energy Sector DPC	9/18/2018		100	
Nepal	P168869	Nepal Fiscal and PFM Management DPC II	6/13/2019		100	
Nepal	P166788	Nepal DPF with Cat DDO	3/10/2020		50	
Nepal	P170248	Second Energy Sector DPC	6/2/2020		100	
Nepal	P173044	Finance for Growth (F4G)	9/17/2020		200	
Nepal	P173982	Nepal 3R DPC	6/16/2021		150	
Pakistan	P152021	Pakistan: Power Sector Reform DPC 2	11/12/2015		500	
Pakistan	P157207	Pakistan Competitiveness and Growth DPC	6/21/2016		500	
Pakistan	P159839	Pakistan Competitiveness and Growth PBG	6/21/2016	420		
Pakistan	P161136	Finance for Growth DPC	3/15/2017		302	
Pakistan	P170568	Pakistan Human Capital DPF Series	5/21/2020		500	
Pakistan	P171850	RISE	6/29/2020	250	250	
Pakistan	P172628	SHIFT DPCII	6/28/2021		400	
Pakistan	P174553	Program for Affordable and Clean Energy	6/28/2021	200	200	
Sri Lanka	P157804	Sri Lanka Competitiveness DPL	7/29/2016		100	

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