2015 DEVELOPMENT POLICY FINANCING RETROSPECTIVE: RESULTS AND SUSTAINABILITY

Operations Policy and Country Services
The World Bank

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AFR	Africa Region
ASA	Advisory Services and Analytics
Cat DDO	Catastrophe Deferred Drawdown Option
CEA	Country Environmental Assessment
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CRW	Crisis Response Window
DDO	Deferred Drawdown Option
DPF	Development Policy Financing
DPO	Development Policy Operation
DP	Development Partner
EAP	East Asia and Pacific Region
ECA	Eastern Europe and Central Asia Region
ESW	Economic and Sector Work
FCS	Fragile and Conflict-Affected Situations
FY	Fiscal Year
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
LCR	Latin America and Caribbean Region
M&E	Monitoring and Evaluation
MNA	Middle East and North Africa Region
NLTA	Non-Lending Technical Assistance
OP	Operational Policy
OPCS	Operations Policy and Country Services
PAF	Performance Assessment Framework
PBG	Policy-Based Guarantees
PD	Program Document
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PforR	Program for Results
PPAR	Project Performance Assessment Report
PRSC	Poverty Reduction Support Credit
PSIA	Poverty and Social Impact Analysis
SAR	South Asia Region
SEA	Strategic Environmental Assessment
SORT	Systematic Operations Risk-rating Tool

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EXECUTIVE SUMMARY

This report is the fourth Retrospective of Development Policy Financing, one of the World Bank's three financing instruments. Development Policy Financing (DPF), the Bank's general budget support instrument, aims at helping clients achieve sustainable growth and poverty reduction through the support of a program of policy and institutional actions. Development Policy Financing is provided in the form of non-earmarked loans, credits, grants or policy-based guarantees.

Since its introduction over 10 years ago, Development Policy Financing has proved to be a robust and flexible instrument that supports a diverse set of clients.[1] DPF supports a wide range of countries, including middle-income countries such as Turkey and low-income countries such as Madagascar. The reforms supported cover a broad spectrum, from disaster risk management to fiscal reforms, and to social safety nets, in line with the countries' priorities. With a view to enhance the performance and effectiveness of the instrument, adjustments have been made over time to the operational policy and guidance, including measures to strengthen country ownership, reduce excessive conditionality and strengthen the results focus. Changes have also been made to facilitate the use of DPF at the subnational level; as a contingent financing source, including for natural disasters; and in the form of policy-based guarantees that leverage private sector financing for development.

In line with the 2013 World Bank Group Strategy, this Retrospective focuses on how reforms supported by Development Policy Financing contribute to equitable growth and poverty reduction, taking into account environmental, social and economic sustainability. The WBG has set ambitious goals to (i) end extreme poverty by reducing the percentage of people living on less than $1.25 a day to 3 percent by 2030; and (ii) promote shared prosperity by fostering income growth of the bottom 40 percent of the population in every country. The Strategy also emphasizes the WBG's commitment to support countries achieve these goals in a sustainable manner.[2] With this in mind, the 2015 Retrospective focuses on three key questions: (i) how are countries' policies supported by DPF aligned with poverty reduction and shared prosperity?; (ii) how successful have Development Policy Operations (DPOs) been at achieving their intended results, and have the results been sustained?; and (iii) to what extent do countries' development reforms supported by DPF account for environmental, social and economic sustainability?

To help answer these questions, this Retrospective reviews all operations approved since the last Retrospective: that is, all operations approved between April 2012 and December 2014, which corresponds to 165 DPOs and two supplemental financing operations. Of these, 77 were IBRD-financed (or IBRD/IDA blend), 83 were IDA-financed (or IDA/TF blend) and five were solely financed by trust funds (TFs). In addition, the Retrospective analyzes the main trends in the provision of DPF in the 10 years of the instrument. This Retrospective has also benefitted from the lessons learned from four learning products prepared by IEG.[3]

DPF accounts for roughly one-quarter of total Bank lending. Over the last 10 years, the Bank has approved 630 Development Policy Operations and 22 supplemental financing operations, representing approximately $117 billion worth of commitments. In the context of supporting recovery from the global financial crisis (FY09-10), DPF commitments as a share of total Bank lending reached nearly 40 percent, up from 25 percent in FY07. The share of DPF has

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[1] The instrument was introduced in FY05 when OP8.60 on Development Policy Lending became effective. With the reform of the World Bank's operational framework on guarantees, Policy-Based Guarantees were incorporated into OP8.60 and the instrument was renamed Development Policy Financing.

[2] "Environmental, social and economic sustainability require action to secure the future of the planet, ensure social inclusion, and set a solid foundation for the well-being of future generations" (page 5, WBG Strategy).

[3] The four learning products are: "The Quality of Macro-Fiscal Frameworks in Development Policy Operations"; "How does Knowledge on Public Expenditures integrate with the Design of Development Policy Operations?"; "The Quality of Results Frameworks in Development Policy Operations"; and "Managing Environmental and Social Risks in Development Policy Financing".

steadily been returning to more normal levels since FY12 and stood at slightly less than one-quarter of total Bank lending in FY15. AFR dominated in terms of the number of DPOs (222 approved operations), whereas LCR absorbed the largest share of DPF commitments (31 percent of the total). The DPF share in total IBRD commitments spiked to 47 percent in FY09 at the onset of the global financial crisis and it represented about 31 percent by end-FY15, largely reflecting economic recovery in middle-income countries. The share of DPF in total IDA commitments, however, has been steadily declining since FY08 and is now at 14 percent (FY15).

DPF performance throughout the 10-year period has been strong, meeting or exceeding corporate scorecard targets. The share of exits rated moderately satisfactory or above, as evaluated by IEG, has consistently been at or above 75 percent. This strong performance has been supported by notable improvements over the years in the quality of the results frameworks as evidenced by a reduction in the average number of results indicators (with greater prioritization and selectivity), as well as a significant increase in the use of well-defined indicators with baseline and target values. The analysis conducted by IEG in the context of the learning product "The Quality of Results Frameworks in Development Policy Operations" corroborates this finding.

DPOs achieve their intended results and preliminary analyses suggest that these results are largely sustained. Early findings based on a pilot study provide evidence that the bulk of public financial management reforms supported by DPF are sustained for several years beyond the period typically covered by the ICR or IEG evaluation. This is an important finding as a large share of the reforms supported by DPF pertains to public financial management. A second analysis shows that macroeconomic policy reforms supported by DPF have resulted in sustained improvements in the quality of economic policy, as measured by the relevant CPIA scores. A third and critical source of evidence is provided by selected Project Performance Assessment Reports (PPARs) prepared by IEG.

The Bank remains selective in the number and type of prior action it supports through DPF. The average number of prior actions per DPO is eight, down from 11 in FY05. At the same time, there has been a gradual shift in the reform content of prior actions supported by DPF: reforms in the area of public sector governance continue to dominate, but their share is decreasing, making way for more prior actions in the area of financial and private sector development and trade, as well as social development and social protection. This suggests an overall shift away from "first generation" reforms, which often centered on public financial management, towards "second generation" measures, many of which are related to improving the investment climate, strengthening competitiveness and improving social safety nets. Furthermore, within various DPF supported themes there is a shift from "nuts and bolts" types of prior actions to more advanced reforms over time. Program Documents consistently discuss the analytical underpinnings informing the operations, and a large majority show clear links between individual prior actions and the findings of the underlying analytical work.

All prior actions are intended to contribute to poverty reduction and shared prosperity in the medium to long term. Prior actions supported by DPF are aligned with the corporate goals through their impact on growth that allows for high levels of participation by the bottom 40 percent. Using the conceptual framework of this Retrospective, this impact takes place through a number of transmission channels which affect assets, the return to assets and intensity of use, and access to finance. However, many DPOs also have positive poverty or social effects that can be directly attributed to the reforms supported. These include the 264 operations approved since 2005 supporting reforms in social protection, labor and social development. Of the prior actions analyzed within this Retrospective period, 16 percent are likely to have significant positive poverty, social or distributional effects.

DPF has also supported many reforms directly targeting environmental sustainability. Since 2005, 142 DPOs (about one-quarter) had at least one prior action on environment and natural resources, and 21 operations supported measures related to climate change. However, when considering the share of prior actions in these areas among all prior actions supported during the Retrospective period, 80 percent of prior actions are not likely to have significant effects, and only about 9 percent are likely to have significant positive effects on the environment. There is demand for more intensive use of DPF in support of policy and institutional reforms related to environmental sustainability and climate change adaptation or mitigation.

Only a small share of prior actions is likely to have significant negative poverty/social or environmental effects. The operational policy requires an analysis of poverty/social and environmental effects associated with DPF supported reforms to ensure that potential adverse effects are properly assessed, and for a discussion of the country systems to mitigate such effects. The independent review conducted for this Retrospective showed that an estimated 4 percent of prior actions could potentially have negative poverty or social effects. These include prior actions supporting energy tariff reforms, tax reforms and other measures that in the long run are expected to contribute to higher growth, which in turn would be expected to benefit the poor. Poverty and social impact assessments were conducted for 73 percent of prior actions with potential negative effects, up from 54 percent in the last Retrospective. In the case of the environment, only an estimated one percent of prior actions is likely to have significant negative effects, including reforms related to agriculture, oil and gas, trade and competitiveness and infrastructure. However, the discussion of the effects was adequate in only one-third of these prior actions. Furthermore, in 6 percent of all prior actions, Program Documents did not provide sufficient information to allow for an assessment of the likely effects. This suggests that the implementation of the environmental and social requirements of OP8.60 needs to be strengthened further.

In December 2013, the Board approved a major reform of the World Bank's operational policy framework on guarantees, which became effective on July 1, 2014. The reforms included the mainstreaming of guarantees into the operational policy for Investment Project Financing (IPF) (in the case of project-based guarantees) and DPF (in the case of policy-based guarantees). As a result, guarantees are no longer treated as a separate instrument, but rather as an alternative source of financing for investment projects or development policy operations. In addition, with these reforms, policy-based guarantees have become available to some IDA countries at low or moderate risk of debt distress.

Another critical reform, introduced in October 2014, is the Systematic Operations Risk-rating Tool (SORT). This new tool (i) systematically and consistently rates the risks of operational and country engagements in all regions and across all operations (IPF, DPF, and soon PforR); (ii) helps focus management attention on high and substantial risk operations and on particular risks within operations during implementation; and (iii) provides a light but systematic and contestable way of identifying the appropriate level of corporate review process and need for Board discussion. The SORT also applies to Country Partnership Frameworks (CPF). Preliminary data suggests differences in the risk profile of DPOs in different regions and different client segments.

The reform introduced to the Deferred Drawdown Option (DDO) appears to have yielded results, with an uptake of 15 DPOs with DDO since 2008. Recent changes in the financial terms of regular DPOs vis-à-vis DPOs with DDO stress the importance of appropriate pricing of financial options (to the extent that they take up lending space on the Bank's balance sheet). In January 2012, a stand-by fee of 0.50 percent per annum on undrawn balances was introduced for DPOs with DDO and, in February 2014, the Bank reinstated a 0.25 percent per annum commitment fee on undisbursed balances of normal IBRD loans.

In addition, since the introduction of the Deferred Drawdown Option for catastrophic risk (Cat DDO) in 2008, 11 DPOs with Cat DDO have been approved. To date, no country has chosen to use the revolving feature.[4] One country has opted for closing and requesting a new DPO, rather than using the revolving feature. Most loan amounts are near the maximum allowed under the policy, that is, close to 0.25 percent of GDP, which suggests that the limits set in 2008 are a binding constraint and may need to be reconsidered. All DPOs with a Cat DDO focused on reforms to enhance the government's capacity to implement its disaster risk management programs. Significant challenges related to monitoring and evaluation have arisen as teams prepare the first ICRs, given that DPOs with Cat DDO can be renewed up to four times.

[4] Revolving feature allows amounts repaid by the borrower to be available to them for drawdown, provided that the closing date has not expired.

2015 Development Policy Financing Retrospective – summary of proposed measures

Overarching measures

Further improve DPF performance through corporate support and TTL accreditation. In order to ensure that staff working on DPF have the required skills and knowledge to prepare high quality operations, OPCS will complete the roll-out of a new DPF-specific TTL accreditation system and make participation in the DPF Academy mandatory for all new task team leaders.

Complete the roll out of the new Systematic Operations Risk-Rating Tool (SORT). SORT will be rolled out to all new DPOs (including new operations in ongoing programmatic series). To ensure that all DPOs consistently and systematically assess risk, the mandatory nature of SORT will be clarified in the DPF procedures.

Measures to modernize DPF options

Update rules governing DPOs with DDO and Cat DDO. Treasury, Credit Risk and OPCS will work together with Global Practices and Regions to review options to (i) limit the number of renewals and review the revolving feature of Cat DDO; (ii) allow for a "top up" and changes to the program at renewal, and raise the US$500 million limit for Cat DDO; (iii) clarify the definition of "natural disasters" which may trigger a Cat DDO disbursement; and (iv) separate the timeframe for program evaluation from the lifespan of the financial option for both DDO and Cat DDO.

Measures to strengthen implementation of environmental and social requirements

Comprehensive revision of staff guidance on environmental effects. The Environment and Natural Resources GP and OPCS will work together with other parts of the Bank to thoroughly revise the existing toolkit and staff guidance on assessing environmental effects of DPF-supported prior actions. The revised guidance will be incorporated into the DPF Academy and other relevant training events.

Introduce a new environmental and social effects screening table in DPF Program Documents. OPCS will include a mandatory table in the Program Document template that will ensure and facilitate a more systematic and transparent screening of prior actions for likely social and environmental effects.

Further support social and environmental analyses. Together with other units, OPCS will explore ways in which greater support could be made available to help pilot approaches to analyzing social and environmental effects and disseminate good practices.

Strengthen internal review processes for environmental and social effects. OPCS will continue to maintain a DPF corporate support team, which will review DPOs at concept and decision stage, taking into account the findings of this Retrospective. As an enhanced input to this process, OPCS will strengthen its in-house capacity to undertake due diligence reviews of environmental and social effects.

Strengthen the focus on social and environmental side effects in program evaluations within agreed boundaries of responsibilities. OPCS will work with IEG to identify ways in which ICRs could better account for any social or environmental effects of DPF-supported policies that may occur between Board approval and completion reporting.

INTRODUCTION AND CONTEXT OF THE RETROSPECTIVE

Development Policy Financing aims to help member countries achieve sustainable growth and poverty reduction through a program of policy and institutional actions. Development Policy Operations (DPOs) are provided in the form of non-earmarked loans, credits, grants, or policy-based guarantees. DPOs may be extended either to member countries, or to political subdivisions of members, provided that they have budgetary and legislative autonomy. They support a program of policy and institutional actions, which could, for example, improve public finances or the investment climate, enhance human development, or the targeting of a cash transfer program. The World Bank's decision to extend a DPO is based on an assessment of the member country's institutional and policy framework, the adequacy of its macroeconomic policy framework, and its commitment to and ownership of the reform program supported by the operation.

Development Policy Financing is a key financing instrument offered by the World Bank[1] to assist countries in meeting their development goals. Since the introduction of OP 8.60 in August of 2004, over ten years ago, the Bank has approved 630 DPOs and 22 supplemental financing operations.[2] On average, it has represented 29 percent of total Bank lending, while Investment Project Financing (IPF),[3] the main lending instrument, has accounted for about 70 percent. The Program-for-Results Financing (PforR),[4] which was introduced in January 2012, reached approximately 5 percent in FY15. In addition to these three instruments, the Bank also offers Advisory Services and Analytics.[5]

The Bank has conducted reviews of DPF about every three years, with the objective of distilling lessons and improving the performance of the instrument. The 2006 Retrospective reviewed the first 50 DPOs since the introduction of the policy; the 2009 Retrospective reflected on customization and results orientation of DPOs; and the 2012 Retrospective explored the themes of results, risks and reforms of the instrument in the context of coping with the global financial crisis. Both the 2009 and 2012 Retrospectives, together covering a period of six years of DPF (over 380 operations), confirmed the usefulness of the instrument in providing financing and policy advice in support of a country's development goals. The 2012 Retrospective concluded that DPF had continued to be an effective and flexible instrument to respond to client country's needs. During the global financial crisis, its nimbleness proved to be valuable in supporting critical reforms and pursuing key development outcomes across a broad range of countries. Member countries , international financing institutions, and other development partners continue to value the convening framework for policy dialogue and reform that DPF offers. Despite overall good performance and significant progress made in many areas, the last DPF Retrospective highlighted a number of areas that could be further strengthened (Box I.1). In addition, there have been several reviews of the experience with DPF by independent researchers, the Independent Evaluation Group (IEG), other developments partners, and civil society organizations.

The focus of the 2015 Development Policy Financing Retrospective is aligned with the 2013 World Bank Group Strategy. The Strategy outlines how the World

1 Hereafter referred to as the Bank.
2 Operations processed under OP8.60 approved in the period FY05 to FY15.
3 Investment Project Financing is governed by OP10.00.
4 Program-for-Results Financing is governed by the Bank Policy – Program for Results Financing.
5 For more information on the role of DPF as one of the Bank's financing instruments, see Annex 1.

Bank Group (WBG) will work in partnership to help countries end extreme poverty and promote shared prosperity in a sustainable manner. The WBG has set ambitious goals: (i) End extreme poverty: reduce the percentage of people living on less than $1.25 a day to 3 percent by 2030; and (ii) Promote shared prosperity: foster income growth of the bottom 40 percent of the population in every country. The Strategy also emphasizes the WBG's commitment to support countries achieve these goals in a sustainable manner.[6] With this in mind, the 2015 Retrospective focuses on three key questions: (i) how are countries' policies supported by DPF aligned with poverty reduction and shared prosperity?; (ii) how successful have development policy operations been at achieving their intended results, and have the results been sustained?; and (iii) to what extent do countries' development reforms supported by DPF account for environmental, social and economic sustainability?

The DPF operational policy framework pays particular attention to risks related to the environmental, social and economic sustainability of reforms. Accordingly, this Retrospective assesses how DPF-supported reforms are conceptually linked to poverty and shared prosperity in the medium and long term; and how they take into account environmental, social and economic sustainability. It also looks at sustainability of the development results over time, as well as at the factors that explain success in DPOs in achieving the intended development results.

The Retrospective covers the period between April 1, 2012 (the cut-off date for the 2012 Retrospective) and December 31, 2014. It analyzes the full universe of DPOs approved during this period: 165 DPOs and two supplemental financing operations, of which 77 were IBRD-financed (or IBRD/IDA blend), 83 were IDA-financed (or IDA/TF blend) and five were solely financed by TFs. Following this introduction, Chapter II presents the overall trends of 10 years of Development Policy Financing; Chapter III discusses how reforms supported are conceptually linked to poverty and shared prosperity; Chapter IV presents an analysis of results achieved by DPF; Chapter V and Chapter VI discuss sustainability and reforms, respectively; and Chapter VII concludes.

[6] "Environmental, social and economic sustainability require action to secure the future of the planet, ensure social inclusion, and set a solid foundation for the well-being of future generations" (page 5, WBG Strategy).

Box I.1: 2012 Development Policy Lending Retrospective – recommendations and follow-up actions

Results

Enhance the focus on sustainable results. Operations Policy and Country Services (OPCS) will continue efforts with Regional Departments to improve the quality of results frameworks. OPCS will continue to maintain a corporate DPF support team, participating in concept and corporate reviews for all operations. Building on discussions with Independent Evaluation Group (IEG), OPCS will work with other parts of the Bank to establish a DPO evaluation program.

Follow-up action: OPCS has provided review inputs at concept and corporate review stages for all DPOs, which contributed to measurable increases in the quality of results frameworks A research paper carried out by OPCS staff on determinants of success in DPF was published in January 2015 and a joint DEC – OPCS analysis of long term impact of economic reforms has been conducted.

Risks and Opportunities

Establish a standardized risk assessment framework for DPOs. OPCS will work with the Poverty Reduction and Economic Management (PREM) Network and regions to improve the quality and consistency of macroeconomic assessments in DPO Program Documents. OPCS and PREM will work together to prepare a good practice note on macroeconomic assessments in DPOs.

Follow-up action: The Systematic Operations Risk-rating Tool (SORT) was launched on October 1, 2014.

Strengthen the quality of macroeconomic assessments. OPCS will work with PREM and regions to improve the quality and consistency of macroeconomic assessments in DPO Program Documents. OPCS and PREM will work together to prepare a good practice note on macroeconomic assessments in DPOs.

Follow-up action: The Guidance Note on "Macroeconomic Policy Framework and Collaboration with the IMF in Development Policy Operations" was issued in September 2013.

Enhance analysis of poverty and social impacts. Sustainable Development Network (SDN) and OPCS will work together to review options for more upstream analysis of poverty/social impacts of key policy reforms and their mitigation, so that this work can be drawn upon quickly in DPO Program Documents when reform opportunities and financing needs arise.

Follow-up action: The Guidance Note on "Using Poverty and Social Impact Analysis in DPOs" was revised and updated in June 2013. The Systematic Country Diagnostic was introduced in February 2014.

Reforms

Mainstream Policy-Based Guarantees (PBGs) into OP 8.60. OPCS will present for the Board's approval a modernization of the operational policy on guarantees, including the extension of Policy-Based Guarantees to IDA-only countries with a low risk of debt distress and adequate debt management capacity, and a complete mainstreaming of PBGs into OP 8.60 to facilitate their use.

Follow-up action: Policy-Based Guarantees were mainstreamed into OP8.60 effective July 2014.

TEN YEARS OF DEVELOPMENT POLICY FINANCING: OVERALL TRENDS

This chapter summarizes the main trends in the use of Development Policy Financing (DPF) since the introduction of OP8.60 in August 2004. The analysis covers the period between FY05 and FY15, looking at trends in funding sources and number of operations by region, as well as themes and characteristics of operations.[7]

Between FY05 and FY15, the Board approved $117 billion worth of DPF commitments for 630 Development Policy Operations (DPOs) and 22 supplemental financing operations.[8] Of the total DPF commitments, $92 billion were financed by IBRD (292 operations), $24 billion by IDA (317 operations), and $667 million by trust funds (21 operations). The supplemental financing operations accounted for $2.3 billion of the total commitments. IBRD and IDA DPF commitments more than doubled to an average of $15.5 billion per year at the height of the global financial crisis (FY08-FY10), from a pre-crisis average of $7.0 billion per year in FY06–07 and the post-crisis average of $10.7 billion per year in FY11-FY15 (**Figure II.1**).

Following the spike during the financial crisis, DPF as a share of total Bank commitments is back at pre-crisis levels. The DPF share in total Bank lending averaged 29 percent over the past decade, with Investment Project Financing (IPF) and the Program for Results (PforR) averaging 70 percent and 1 percent, respectively. The DPF share spiked in the period immediately following the onset of the global financial crisis to 39 percent in FY09-10 and while the share declined to 28 percent in FY11, it rose to 34 percent in FY12 in the context of global economic uncertainties, coupled with sovereign debt pressures in Europe. Since then, the share of DPF in total commitments has fallen back to slightly less than one-quarter (**Figure II.1**). Overall, DPF commitments averaged $10.6 billion, or 57 operations per year over the past decade.

From the regional perspective, the Africa Region (AFR) has dominated in terms of the number of DPOs approved, whereas the Latin America and Caribbean Region (LCR) has accounted for the bulk of DPF commitments. Specifically, AFR absorbed 35 percent of operations approved between FY05 and FY15, but only 13 percent of DPF commitments, whereas LCR accounted for 21 percent of the operations and 31 percent of total commitments (**Figure II.2**). Europe and Central Asia Region (ECA) accounted for 25 percent of total DPF commitments, and East Asia and Pacific (EAP) for 17 percent.

Development Policy Financing in IBRD Countries

Between FY05 and FY15, the Board approved $92 billion worth of IBRD commitments for 292 DPOs[10] and 4 supplemental financing operations, which were extended to 51 member countries and

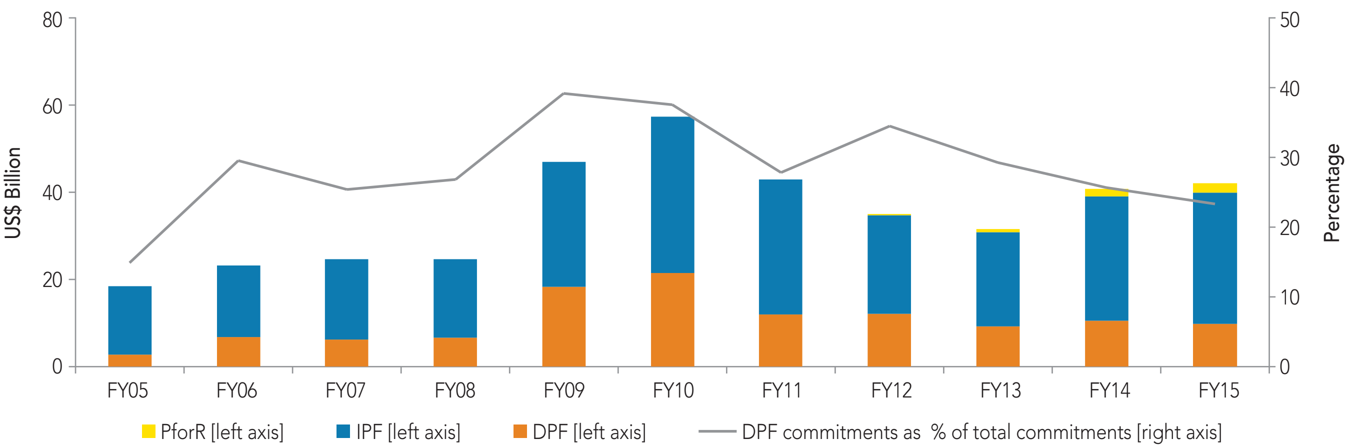
[7] The transition period from Structural Adjustment Lending (SAL) to DPF began in August 2004. The following operations were excluded from the Retrospective: (i) 42 operations approved during FY05 and FY06 that were not processed under OP 8.60 per information available in the 2006 Retrospective; (ii) DPO for Hungary (P114991) which was approved in FY10 but not signed; and (iii) DPO for Mexico (P123505) which was approved in FY12 but not signed. PBGs approved during this period are included in the review.

[8] The total supplemental financing includes two HIPC supplemental financing operations to Honduras (FY05) and Cameroon (FY06).

[9] Program for Results (PforR) Financing is the third World Bank Group lending instrument approved by the Board in January 2012, which directly links disbursement of funds to the delivery of defined results. If considering the period since FY12, PforR has accounted for 3 percent of total commitments.

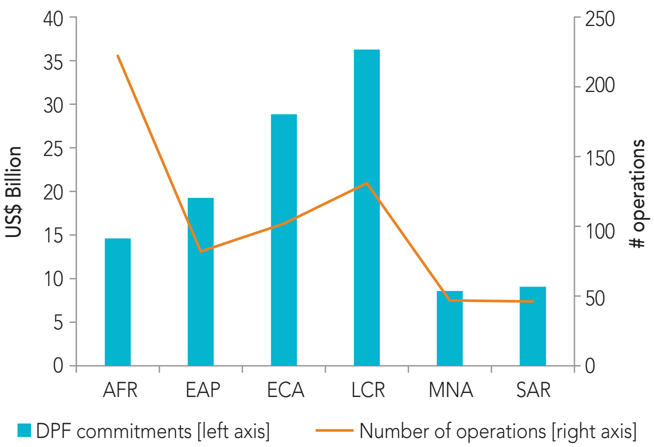
[10] 292 DPOs include 20 IBRD/IDA blend operations.

Figure II.1: DPF in total Bank lending commitments



Note: Excludes Trust Funds.

Figure II.2: DPF commitments and number of operations by region



several political sub-divisions. The surge in IBRD DPF commitments to \$15.5 billion in FY09 and \$19.2 billion in FY10, from the pre-crisis average of \$3.6 billion (FY05-FY08), was largely on account of the increase in demand for financial assistance in the wake of the global financial crisis. IBRD DPF commitments, however, declined to \$8 billion in FY14 and \$7 billion in FY15, on the back of recovery in some emerging countries and advanced economies (**Figure II.3**). Overall, an average of \$8.3 billion worth of commitments for 27 DPOs were approved by the Board annually between FY05 and FY15.

The regional distribution of DPOs reflects a high demand for IBRD-funded DPOs from middle-income countries in LCR and ECA over the past

Figure II.3: IBRD DPF commitments and number of operations

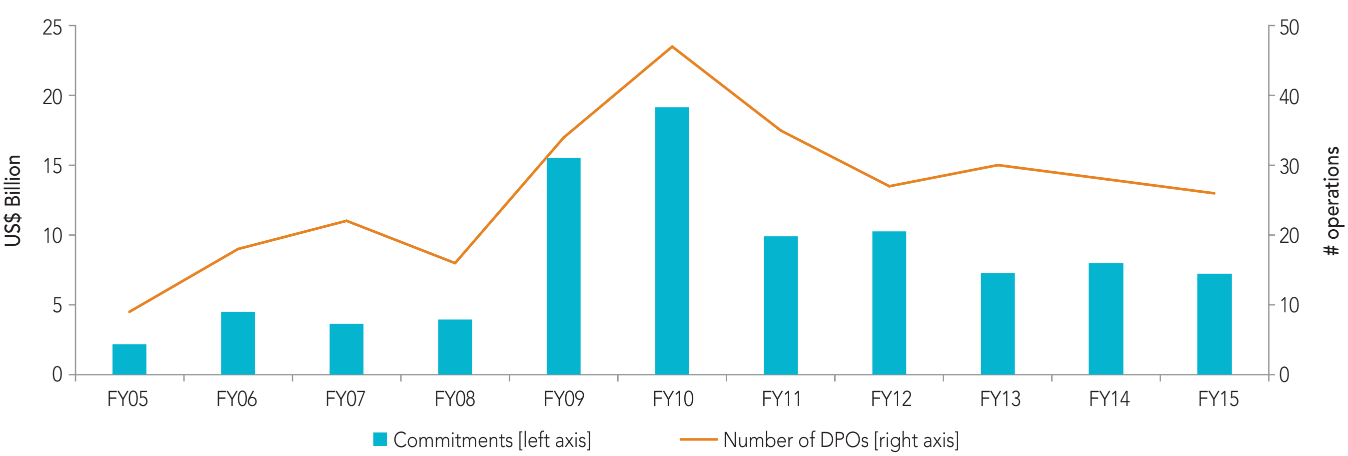
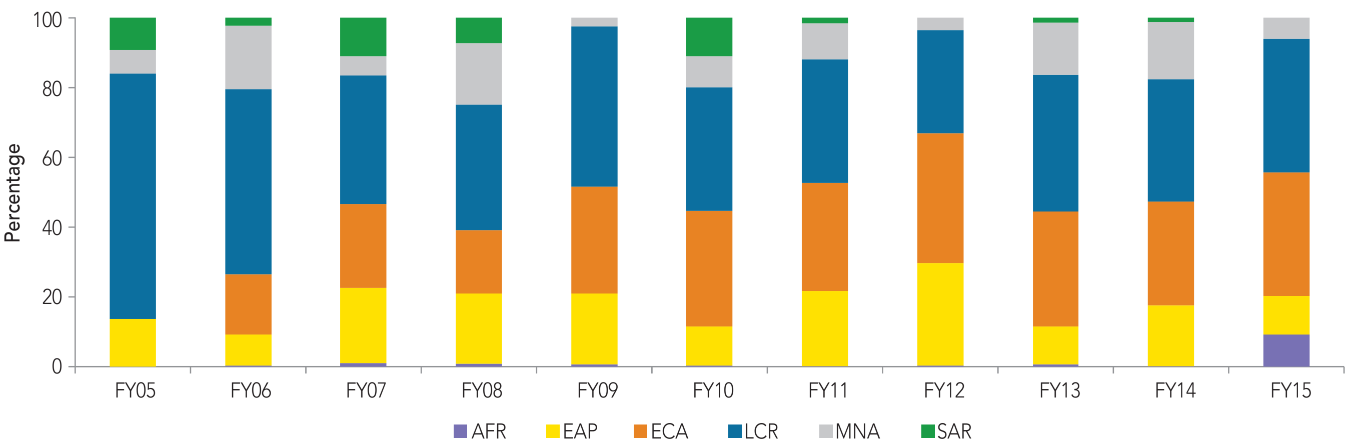


Figure II.4: IBRD DPF commitments by region



decade. Between FY05 and FY15, LCR received a total of $36 billion worth of IBRD-financed DPF (39 percent of the total commitments), which were extended to 16 countries for 117 approved operations (**Figure II.4**).[11] ECA absorbed 30 percent of the total commitments amounting to $27.7 billion for 73 approved operations extended to 17 countries. Meanwhile for EAP, the Board approved 33 operations with a commitment value of $15.7 billion (17 percent of total) to four countries.

DPF accounts for approximately one-third of total IBRD commitments. The share rose to 47 percent in FY09 at the onset of the global financial crisis, and to 51 percent in FY12. Since then, it has fallen to 31 percent by end-FY15 (**Figure II.5**). IBRD continues to represent the lion's share of Bank-wide DPF commitments, averaging 76 percent over the 10-year period.

Development Policy Financing in IDA Countries[12]

Between FY05 and FY15, a total of $24 billion of IDA DPF commitments[13] were approved by the Board for 317 operations[14] and 13 supplemental financing operations. During this period, DPF was extended to 63 IDA countries, including countries in fragile and conflict-affected situations (FCS), one regional (multi-country) DPO and DPOs to several political subdivisions. Of the $24.3 billion committed, $345 million was financing from the IDA Crisis Response Window. The IDA DPF commitments were highest in FY09 at $2.8 billion, contracting in FY12 before recovering to $2.5 billion in FY14, partly reflecting an increase in share of commitments approved by the Board in the last year of IDA16 (**Figure II.6**). FY15 marked the beginning of the IDA17 cycle and the DPF commitments stood at $2.6 billion for 32 approved IDA DPOs.

AFR absorbed the largest share of IDA commitments and had the largest number of approved operations. Consistent with the analysis of the previous Retrospectives, 55 percent of IDA DPF commitments were extended to AFR ($13 billion), followed by SAR ($5.5 billion), EAP ($3.5 billion) and ECA ($1.1

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11 The IBRD borrowers with more than 4 DPOs each include Brazil, Colombia, Morocco, Indonesia, Mexico, Peru, Mauritius, Turkey, Romania, Panama, Colombia and Seychelles.

12 Eligibility for IDA depends primarily on a country's relative poverty, defined as GNI per capita below the established threshold and updated annually (in FY15: $ 1,215). IDA also supports several small island economies, which are above the operational cutoff but lack the creditworthiness needed to borrow from the International Bank for Reconstruction and Development (IBRD). As such, they fall into the small island exceptional category. Some countries, referred to as "blend countries" are IDA eligible based on per capital income levels, but are also creditworthy for some IBRD borrowing. The period under review covered five IDA cycles, including IDA13 (FY03–05), IDA 14 (FY06–08), IDA 15 (FY09–11), IDA 16 (FY12–14) and IDA 17 (FY15–17).

13 IDA commitments include SUPP-IDA and IDA/SF and IDA/GE blend.

14 Excludes 4 IDA/Trust Fund blend DPOs.

Figure II.5: Share of DPF in total IBRD/IDA commitments

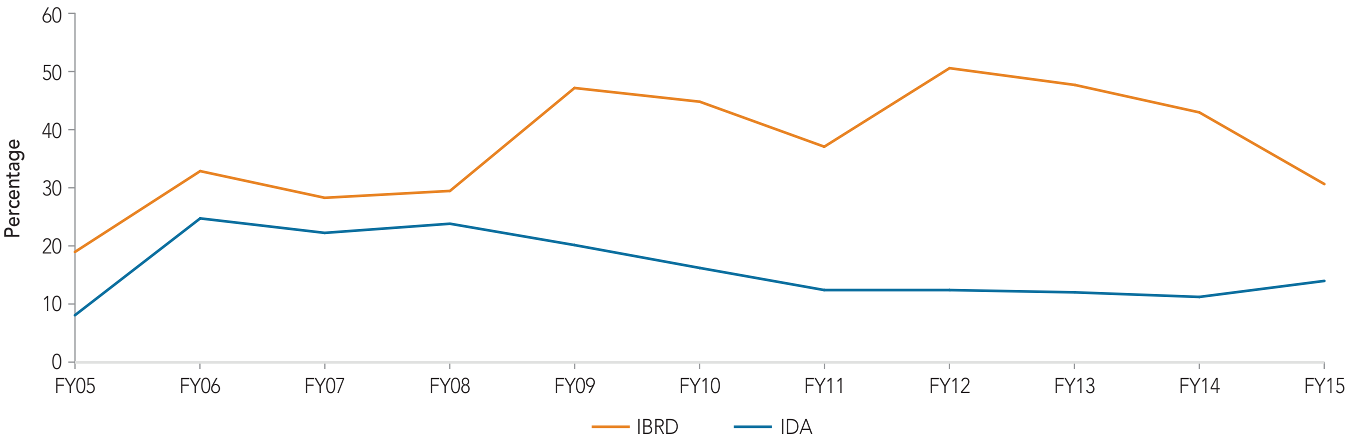


Figure II.6: IDA DPF commitments and number of operations

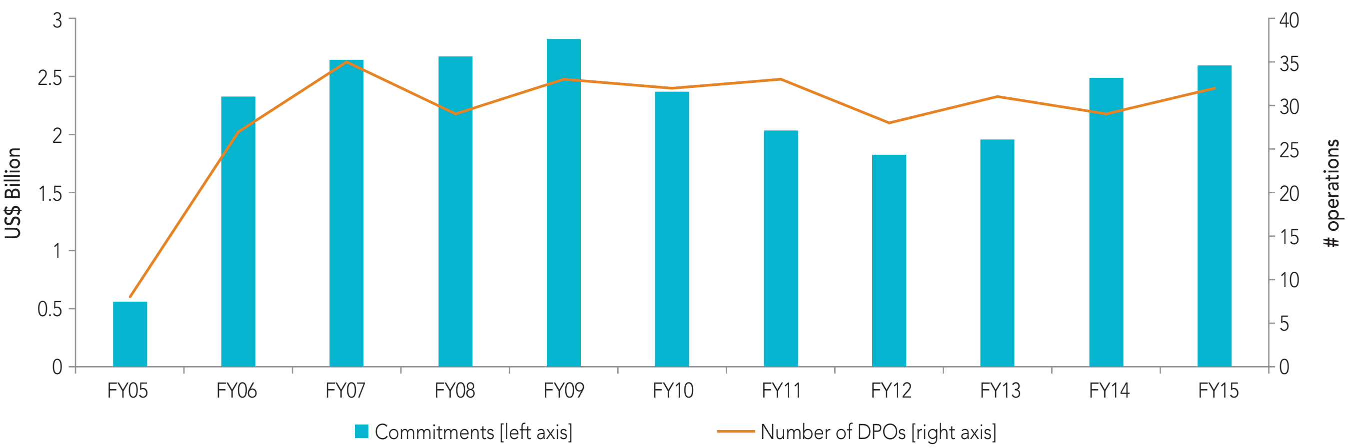
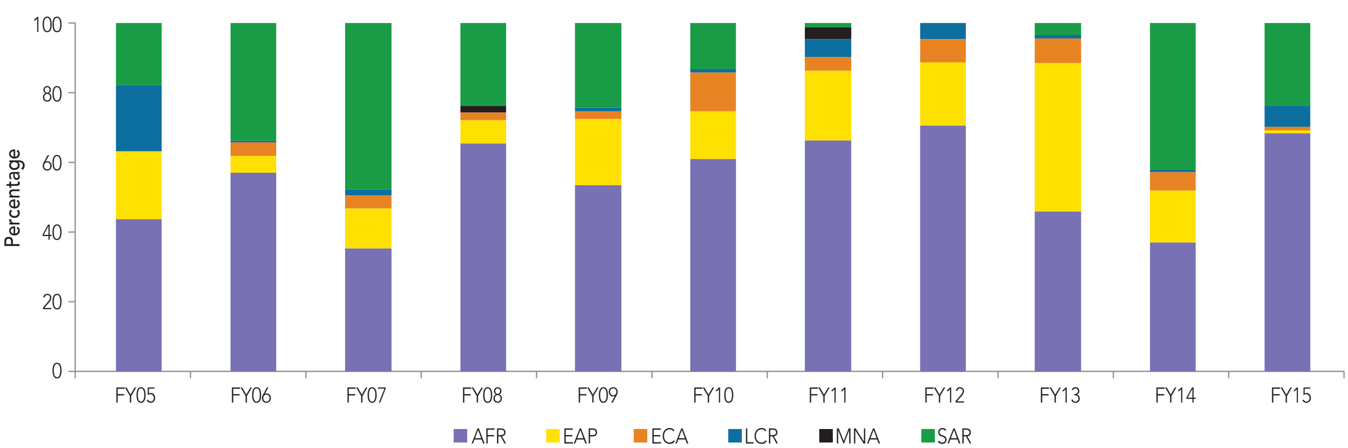


Figure II.7: IDA DPF commitments by region



billion) (**Figure II.7**). The IDA DPF commitments to AFR peaked in FY08 at $1.8 billion, at the height of the global food and fuel crisis, but declined sharply to $0.9 billion in FY13, before doubling again to $1.8 billion in FY15.[15] Meanwhile, IDA commitments to SAR have been the most volatile, ranging from a high of $1.3 billion in FY07 to a low of $0.03 billion in FY11 and no IDA-financed DPOs in FY12.

The share of DPF in total IDA commitments has been steadily declining. While over the past decade IDA DPF commitments have averaged $2 billion for 29 DPOs approved by the Board per year, their share in total IDA commitments has steadily declined from 24 percent in FY08 to 14 percent in FY15. Meanwhile, IDA Investment Project Financing (IPF) commitments have almost doubled during the same period, bringing its share to 80 percent in FY15.[16] The remainder of IDA funds were committed to Program for Results (PforR), reaching almost 7 percent in FY15. These trends are in contrast to those in IBRD countries where the composition of IBRD commitments across instruments shows a pattern that is more closely related to global economic developments due to their stronger integration into financial markets.[17]

Data on the declining trend in the share of DPF in IDA commitments points to a combination of internal and external factors. One of the internal factors is the way in which DPF, in some cases, acts as a residual item in a country's IDA envelope. While the size of IPF operations is typically driven by the nature and scale of the investment projects that are financed, for DPF there is no direct link between the size of the operation and the scope of the reform effort undertaken by the government. Given the financing constraints imposed by a country's IDA allocation, country teams may thus choose to maximize the size of IPF operations and thereby limit the size of DPOs, while still ensuring the Bank's engagement in critical policy dialogue. A number of external factors might also have contributed to the decreasing share of DPF, ranging from demand side factors such as the considerable financing needs for infrastructure -in IDA countries, to supply side issues driven partly by the termination of several IDA funded programmatic series and the withholding of budget support in some member countries due to governance and other concerns (**Box II. 8**).

Development Policy Financing in Fragile and Conflict-Affected Situations[18] and Small States

Commitments to countries in Fragile and Conflict-Affected Situations (FCS) remain above the pre-crisis levels.[19] Between FY05 and FY15, total IDA commitment to FCS countries stood at $3.7 billion, whereas total commitment from Trust Fund and IBRD stood at $387 million and $105 million, respectively. As the share of total DPF commitment, the FCS share has increased from an average of 3 percent in the pre-crisis period (FY05–07), to a high of 15 percent in FY08, at the peak of the global food and fuel crisis, and has averaged 4 percent between FY13 and FY15 (**Figure II.8**). AFR accounted for 57 percent of 99 operations to FCS countries approved by the Board over the past decade.

IBRD accounts for over 50 percent of DPF commitments in small states. A total of 62 DPOs with commitment value of $919 million were approved by the Board between FY05 and FY15, with IBRD accounting for 56 percent of total commitments and 44 percent for IDA.[20] IBRD DPF commitments in small states rose sharply to $100 million in FY09, at the peak of the global financial crisis, falling to $14 million in FY15. IDA commitments rose from

15 The share approved operations in AFR stood at 195 extended to 30 countries, followed by EAP with 48 operations to 12 countries. SAR had 33 operations extended to 6 countries; ECA with 27 operations to 7 countries; LCR with 12 operations to 6 countries and MNA had the lowest number of operations with 2 operations extended to one country.

16 IDA IPF commitments rose from $6.4 billion in FY05 to $15.1 billion in FY15, with its share in total commitment averaging 82 percent over the past decade.

17 Data shows that while the average size of IDA DPOs has remained around $75 million over the last 10 years, the average size of IDA IPF has more than doubled during the same period and the size of PforRs has more than tripled in the last 3 years. In contrast, the average size of IBRD DPOs and IPF operations after the global financial crisis has increased by about 20 percent and 60 percent, respectively, compared to pre-crisis levels.

18 Most FCS are eligible for IDA financing with the exception of West Bank and Gaza and the blend countries of Kosovo, Georgia, and Bosnia and Herzegovina.

19 According to the Bank's definition, countries in fragile situations are low-income countries that either have (a) a harmonized average Country Policy and Institutional Assessment (CPIA) rating of 3.2 or less; or (b) the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years.

20 Trust Fund contributions only amounted to $5 million during the review period.

Box II.1: What is behind the steady decline in the DPF share of IDA commitments?

There are several factors that have contributed to a downward trend in DPF as a share of IDA commitments since FY08, including the following:

The considerable infrastructure bottlenecks in IDA countries have motivated some clients to prioritize the use of IPF over DPF. A 2009 Bank report estimated that Sub-Saharan Africa's (SSA) infrastructure needs were around $93 billion a year (15 percent of SSA GDP), far exceeding what is available from traditional sources, including IDA. While the number of DPOs approved continue to increase (ranging between 24-34 operations per annum), evidence points to rather stagnant IDA DPF commitments in US dollar terms over time, with $2.7 billion committed in FY08 compared to $2.5 billion in FY14. During the same period, annual IDA IPF commitments have more than doubled, from $8.6 billion to $17.6 billion. The availability of regional IDA resources, especially for IPF, could have also influenced the choice of instrument.

The termination of several programmatic DPO series in IDA countries led to interruptions in the policy dialogue and contributed to the decline of DPF. During the period under review, 27 programmatic DPO series were terminated, representing commitments worth $2.2 billion. The region with the largest share of terminated commitments was SAR with $910 million for 7 DPOs, followed by AFR with $902 million for 11 DPOs and EAP with $200 million for 3 operations. All these were part of three-year programmatic series terminated at the second operation for various reasons, including change in government or shift in policy direction, weakened macroeconomic and governance environment, and delays or failures to implement some of the core reforms. However, termination of programmatic series did not necessarily mean a permanent discontinuation of budget support, as in most cases the gap between termination and presentation of new operations to the Board was less than a year.

Graduation of countries from IDA has had some impact on IDA DPF commitments. A total of 10 countries graduated from IDA between FY05 and FY15. However, evidence shows that many of these countries only borrowed modestly from IDA prior to their graduation. As a result, their transition to IBRD likely had only a marginal effect on IDA DPF commitments.

Constraints imposed by joint budget support (involving several donors) have contributed to the decline in IDA DPF commitments overtime. Concerns over weakening governance and the macroeconomic and public finance management environment, among others, have resulted in the withholding of budget support by development partners to a number of countries, especially in Africa. This pause in budget support has lasted between six months to up to three years. This has, in turn, affected IDA performance in terms of commitments, especially when this took place at the end of an IDA cycle.

The ability of a number of developing countries to successfully issue sovereign debt in international bond markets has also reduced the demand for IDA budget support. The environment of near zero interest rates in advanced countries and the increase in investors' appetite for high-yielding bonds, coupled with the improved macroeconomic environment in developing countries account for both supply and demand factors behind higher sovereign bond issuance in the post crisis period, especially in Sub-Saharan Africa. So far, just over 10 Sub-Saharan African countries have successfully raised private capital with amounts ranging $0.1-$2 billion with maturity of 7-10 years. However, the extent to which access to international markets has crowded out IDA budget support is not clear. It should be noted that with the exception of Kenya and Ethiopia (which have not used DPF in recent years), other member countries who were also issuers of sovereign bonds in Sub-Saharan Africa remain active users of the DPF instrument.

Figure II.8: DPF commitments and number of operations for FCS countries

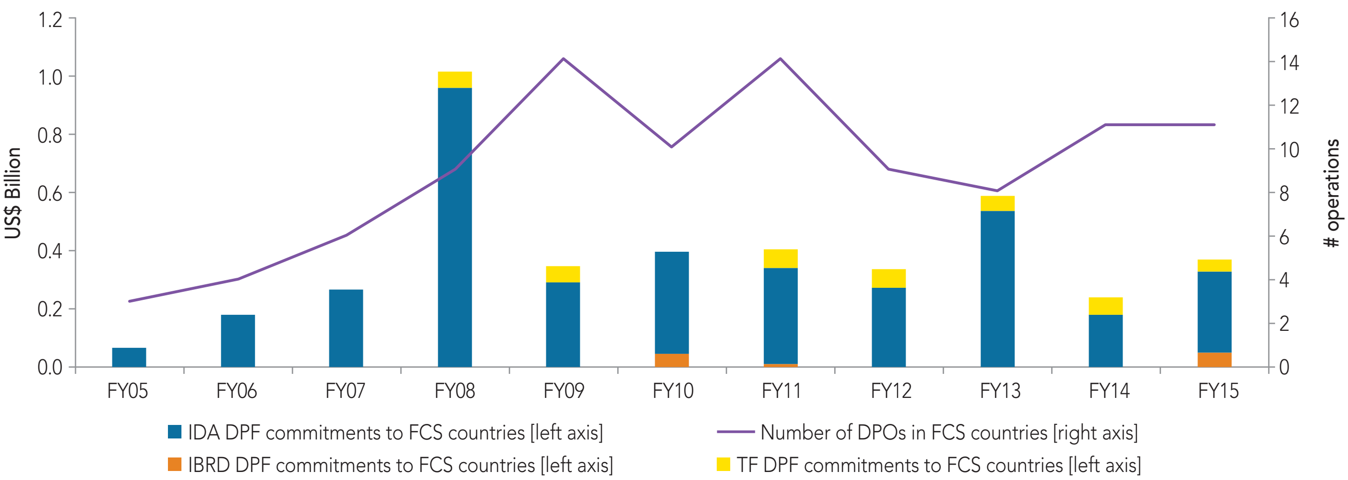
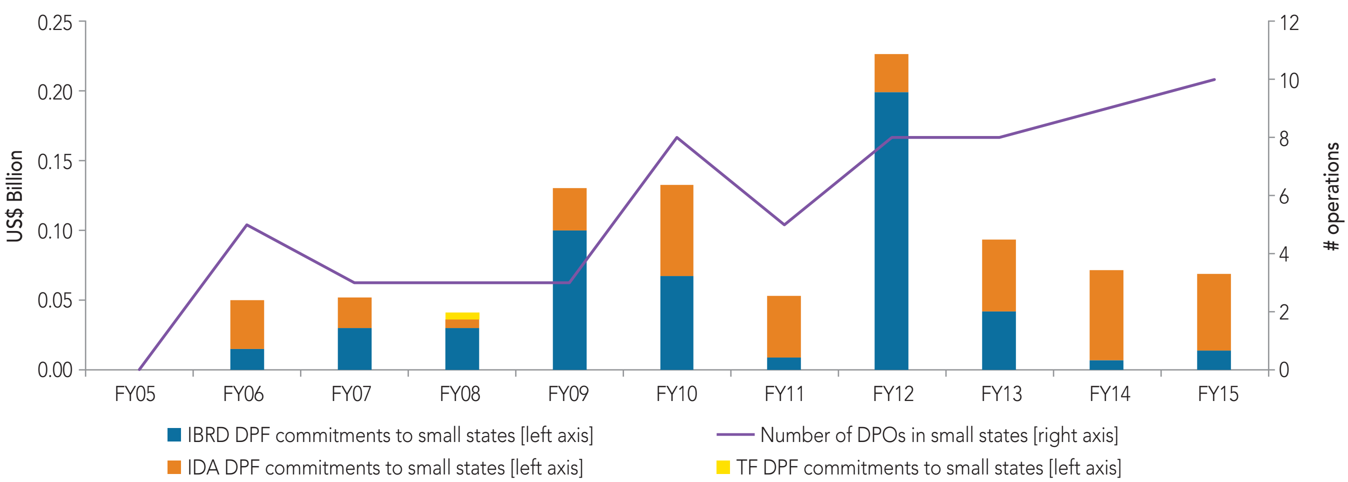


Figure II.9: DPF commitments and number of operations for small states



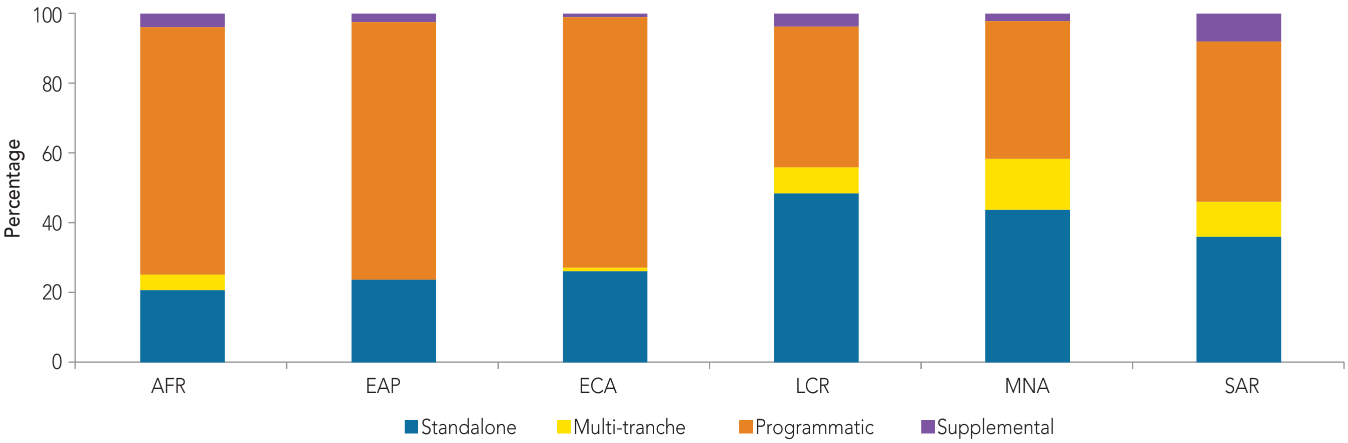
an average of $21 million in FY06–08, to $50 million in FY12–15 (**Figure II.9**). Of the 62 approved operations, 31 were in AFR, where Mauritius dominated, followed by Cape Verde. EAP had 17 operations approved by the Board for $94 million, with Samoa accounting for 45 percent. In SAR, Bhutan accounted for 90 percent of IDA commitments to small states in the region, for 6 DPOs.

Types of Development Policy Operations

Programmatic series account for the majority of DPOs. Of all the DPOs approved since FY05, 61 percent were part of programmatic series (397). EAP had the largest share of DPOs that were part of a programmatic series (74 percent), followed by ECA (72 percent) and AFR (71 percent). Meanwhile, LCR had the largest share of standalone operations (49 percent), followed by MNA (44 percent) and SAR (36 percent). MNA had the largest share of operations with multiple tranches (15 percent) (**Figure II.10**).

Policy-Based Guarantees (PBGs) have played a growing role in assisting clients, especially in Eastern Europe, by improving their access to international debt markets in a difficult context. Between FY05 and

Figure II.10: Types of DPOs by region



FY15, a total of seven PBG operations were approved by the Board for total commitments of $1.6 billion, most of them in ECA.[21] These included the Serbia Private and Financial Sector PBG (€292.6 million in FY11), FYR of Macedonia PBG (€100 million in FY12), Montenegro Financial Sector PBG (€60 million in FY12), and FYR of Macedonia Public Expenditure PBG (€155 million in FY13). The PBGs supported critical policy and institutional reforms, while also helping clients improve their access to international financial markets (despite the Greek debt crisis), increase financing volumes and lengthen the tenor of the debt. Since the mainstreaming of PBGs into OP8.60 effective July 2014, there has been a renewed interest in this financing modality, with three PBGs approved by the Board in FY15. These are the Albania Public Finance PBG (€200 million), the Angola Fiscal Management Programmatic DPF (including a PBG for $200 million) and the Ghana Macroeconomic Stability for Competitiveness and Growth DPF (including a PBG for $400 million), which is the first PBG to an IDA country.

Supplemental financing has helped clients meet their development objectives despite unanticipated financing gaps. Over the past decade, the Board approved supplemental financing amounting to $2.3 billion for 22 operations to 18 countries. Of the total amount of commitments, IBRD accounted for $1.5 billion, IDA for $740 million and TFs for $76 million. In terms of regional distribution, AFR had the largest number of supplemental financing operations at 9, followed by LCR (5), SAR (4), EAP (2), ECA (1) and MNA (1). The Philippines was the largest recipient of IBRD supplemental DPF ($750 million), whereas Pakistan was the largest recipient on the IDA side with $200 million, followed by Bangladesh ($175 million) and Tanzania ($170 million).

The demand for subnational DPF picked up in the post-crisis period. Over the past ten years, the Board has approved 36 subnational DPOs with commitments amounting to $10.7 billion, which were extended to four countries in three regions: LCR, SAR and AFR. Total DPF commitments to subnational governments rose sharply from $0.7 billion in FY10 to $1.5 billion in FY14. The country with the largest number of subnational DPOs and the highest volume, in terms of commitments, was Brazil ($8.2 billion for 18 approved operations), followed by India ($1.1 billion for 6 approved operations), Pakistan ($720 million for 7 approved operations) and Nigeria ($750 million for 5 approved operations).

Financing Options

The global financial crisis underlined the value of DPOs with a deferred drawdown option (DDO) in enhancing IBRD countries' risk management.

[21] Policy-Based Guarantees were incorporated into OP/BP8.60 effective July 1, 2014, in line with the recommendations of the paper *Enhancing the World Bank's Operational Policy Framework on Guarantees* (R2013–0206 [IDA/R2013–0298]), approved by the Executive Directors on December 3, 2013.

$9.5 billion worth of commitments were approved by the Board between FY05 and FY15, for 15 DPOs with DDO and one supplemental financing extended to 10 member countries. Close to half of the 15 DPOs with DDO were drawn down within one year of effectiveness; others remained undrawn for significantly longer than one year, and some were renewed for a second three-year period. The undrawn DPOs with DDO are largely concentrated in the two Indonesia DPOs with DDO ($4 billion in commitments, of which $2 billion has been cancelled). IBRD commitments for DPOs with DDO stood at $1.1 billion in FY08, rose sharply to $4.5 billion in FY09 and reached $3.6 billion in FY12. The use of DPOs with DDO continues to be concentrated in the LCR region. The region accounted for 10 operations with $3.9 billion in commitments. Peru has been the most active user of DPOs with DDO with three operations and one supplemental financing operation, followed by Uruguay with three DPOs with DDO.

DPOs with DDO for catastrophes (Cat DDO) have proved valuable for member countries at high risk of natural disasters. DPOs with Cat DDO support policies that strengthen member countries' disaster risk preparedness, and provide urgent bridge financing immediately following a natural disaster. Since the introduction of the Cat DDO in 2008, the Board has approved $1.8 billion worth of commitments for 11 DPOs with Cat DDO. 8 of these operations were in LCR with the remaining 3 in EAP, SAR and AFR.[22] The big borrowers were Philippines ($500 million), Peru (two operations for $500 million), Colombia (two operations for $400 million) and Sri Lanka ($102 million). Others included Seychelles ($7 million) and the Central American countries of Guatemala ($85 million), Panama ($66 million), Costa Rica ($65 million) and El Salvador ($50 million). Four DPOs with a Cat DDO were fully drawn (Colombia, Guatemala, El Salvador, and Philippines), and three operations were partially drawn (Costa Rica, Sri Lanka, Seychelles). No country has yet chosen to use the revolving feature, which allows for an early repayment to replenish the financing without the need for a new operation.

[22] The Cat DDO option has provided disaster-prone IBRD countries with contingent financing by giving them the option to postpone drawing down on a DPO for a defined drawdown period after the loan agreement was declared effective.

REFORMS SUPPORTED BY DPF AND THEIR ALIGNMENT WITH POVERTY AND SHARED PROSPERITY

Reforms Supported by DPF in the Last 10 Years

DPOs have become more selective in terms of the number of reform actions being supported and the type of reforms. This is in line with measures undertaken by the Bank to strengthen the effectiveness of DPF by being more selective in terms of reform focus with due consideration to the member countries' own implementation capacity, among others. Over the past decade, a total number of 5,780 reform actions have been supported by 599 DPOs approved by the Board between FY05 and Q2FY15.[23] Overall, the number of prior actions has declined from an average of 10 per operation in FY07, to slightly less than 8 in Q2FY15. The reduction in the number of prior actions has been more pronounced in DPOs for IDA clients, compared to IBRD clients (**Figure III.1**).

As for the thematic distribution of prior actions, public sector governance continues to dominate, although its share of prior actions has decreased over time. Between FY05-Q2FY15, reforms on public sector governance and rule of law accounted for 42 percent of all prior actions, of which half focused on public expenditure, financial management and procurement. At the same time, reform actions supporting finance and private sector development and trade have increased in importance, accounting for 22 percent of all prior actions. Within this theme, regulation and competition policy represented close to a third of reforms supported. The share of prior actions on social development and protection has also increased, averaging 11 percent of all prior actions, with 43 percent focusing on social safety nets. Prior actions corresponding to other themes (including human development, environment and natural resources management, rural and urban development, and economic policy) have remained relatively stable at 10 percent or less (**Figure III.2**).

There has been a gradual shift from first generation to second generation reforms[24] over the past decade. This shift has occurred at two levels. First, DPF in a number of countries has evolved from a single, broad-based DPF series—often supporting macroeconomic and public financial management reforms—to several sector-specific series focusing on key reforms in critical areas such as energy, social protection or governance. Examples of this evolution can be found in Vietnam and Tanzania, where annual PRSCs were replaced by a number of parallel series in critical sectors. Similarly, the DPF engagement in the Philippines gradually evolved from a focus on macroeconomic stability in the mid-2000s, to incorporate a greater emphasis

[23] The analysis of prior actions is based on all DPOs approved through December 2014, using the prior actions as formulated in the final financing agreements.

[24] The "first generation" of DPF-supported macroeconomic reforms included areas of macroeconomic stabilization, trade integration, privatization and tariff reforms, among others. Specifically, first generation reforms focused on measures that sought to improve market efficiencies through elimination of distortions and inefficiency in markets including pricing, exchange rate and interest rate reforms, tax and expenditure reforms and establishment of rudimentary market institutions, among others. These, in turn, have contributed to macroeconomic stability, balance of payments viability, reduction of government deficits, liberalization of trade and a reduction of the role of the state.

Figure III.1: Average number of prior actions by DPO (FY05–Q2FY15)

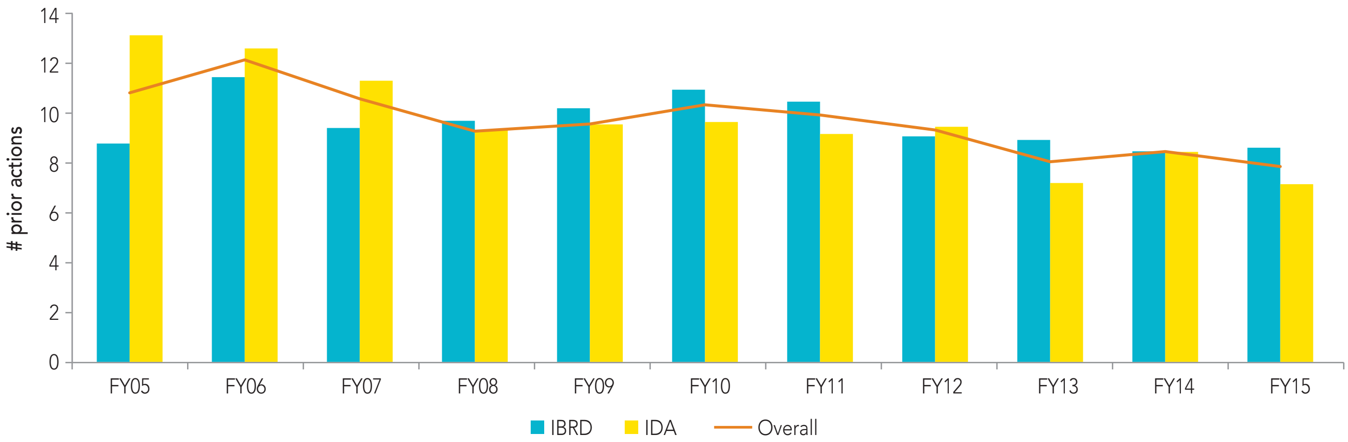
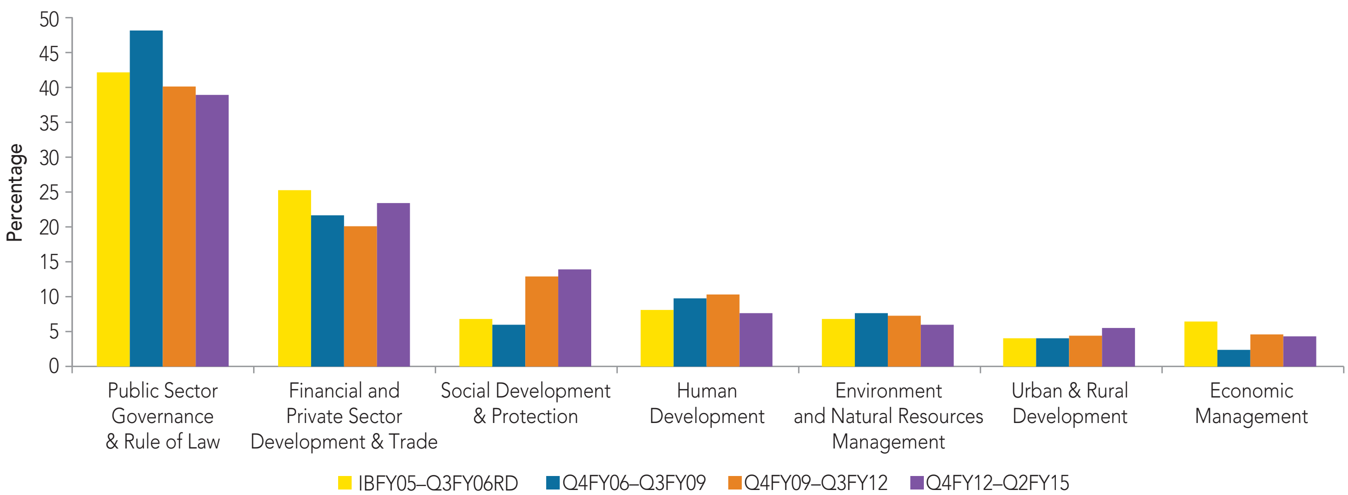


Figure III.2: Thematic distribution of prior actions by Retrospective period



on governance and, by 2013, to inclusive growth. This shift in client priorities explains the decreasing importance of "nuts and bolts" PFM reforms (such as those related to the budget process, and the audit of public accounts) towards the next layer of reforms to support the business climate and private sector development, as well as the functioning of social safety nets. Second, there has also been a shift within the same themes from "foundational" reforms supported by DPF, to more advanced policy measures. Examples of this shift are DPF supporting social protection in Rwanda and Colombia, and PFM in Burkina Faso (**Box III.1**).

Special Themes

DPOs have an increasing focus on gender. Between FY05 and Q2FY15, 43 DPOs had at least one prior action focusing on gender, 24 of which were approved in FY11–15. Viewed from a regional perspective, LCR had the largest number of DPOs with gender related reforms with 16 operations (8 of which in Brazil), followed by AFR with 12 DPOs (3 of which in Rwanda), SAR with 6 (4 of which in Pakistan), EAP with 6 (4 of which in Vietnam) and ECA with 3 **(Box III.2)**. Prior actions that address gender inequalities (51 in total) share the following characteristics: (i) they have explicit

Box III.1: Moving to the next generation of reforms in DPF – some examples

Colombia – social protection. Successive DPOs have supported the country in its reform of the social protection system, moving from measures largely covering legal and regulatory reforms and the establishment of safety nets towards issues related to coverage, integration of social protection schemes, reduction of high administration costs and inequity. The Third Labor Reform and Social Development DPO (FY07) supported, among others, regulations to facilitate broader access to social security benefits; increased insurance coverage among the poor; improved targeting and coverage of nutrition programs to poor children; regular impact evaluation of social programs; and an expansion of the information system for the payment of social security contributions. The Promoting an Inclusive, Equitable and Efficient Social Protection System DPO (FY10) built on these reforms by supporting measures related to the pension system, improvements in targeting policies and systems for social programs, the launch of a strategy to address extreme poverty and the expansion of a national information system of beneficiaries. A third set of next generation reforms were supported in the First Programmatic DPO (FY13) including further improvements in the targeting of the program for the elderly poor; and measures to improve reimbursement rates for pharmaceuticals under the pension system.

Rwanda – social protection. The DPF engagement on social protection is long running. The first programmatic series (Community Living Standards DPOs, FY09-11) supported the establishment and piloting of a good practice social protection program (Vision Umurenge Program, VUP), including the setting of an appropriate wage policy for the public works component; the targeting of households as beneficiaries; establishment of a basic payments architecture; ensuring rules for VUP eligibility; and the establishment of an M&E framework. The Support to the Social Protection System series (SSPS, FY12-14) then supported the building blocks of a social protection system that is increasingly institutionally mature, central to poverty reduction approaches and reaches a growing number of poor and vulnerable families. It supported policy actions including the coordination of social protection programs within a single system; effective institutional arrangements for the management of social protection; launch of a social protection strategy; establishment of social protection systems; and scaling up of the VUP. This series was followed by the Social Protection System (SPS) series, which supports the goal of establishing a well-structured social protection system with national coverage, and of moving to a set of second generation reforms to improve efficiency, accountability and transparency.

Burkina Faso – PFM. DPOs in Burkina Faso have supported a gradual shift towards second generation reforms in PFM and budget management. The PRSC5 (FY05) supported, among other reforms, the introduction of an accounting and financial regime for sub-national governments, as well as the rollout of a consolidated accounting software to local governments. By FY12, the focus had shifted towards enhancing budget transparency at the subnational level and risk-based audits of public accounts.

targeting of supported programs or actions towards women or girls; and/or (ii) institute actions tailored toward women-specific needs and characteristics, including the introduction of high-order institutional mechanisms and policies to address gender bias or inequality. The majority of gender-related prior actions is focused on the provision of public services, including health and other social services (53 percent) and education (14 percent).

Many DPOs also support environmental sustainability and climate change-related actions. Between FY05–Q2FY15, there were a total of 142 DPOs that had at least one prior action on environment and natural resources and 21 DPOs with at least one prior action related to climate change. These include not only operations with a primary focus on the environment, but also cross-cutting and multi-sectoral DPOs. The country with the largest

Box III.2: Examples of DPOs with gender-related prior actions

Brazil. The 2014 DPOs to Amazonas, Bahia, Acre and Rio de Janeiro included gender related reforms that contributed to the establishment of a Secretariat for Women to strengthen the institutional framework; scaled up state and municipal support programs aimed at protecting women in situations of violence and vulnerability; strengthening of violence prevention programs; promoting gender equality policies in the transport sector with focus on female users; and improving the quality of maternal and newborn health services for high-risk pregnancies, among others.

Burkina Faso. The 2013 Second Growth and Competitiveness Grant included measures focusing on the financing of business creation and working capital in support of women involved in microfinance businesses; as well as measures to increase access to finance specifically for women.

Ghana. The 2005–2008 PRSC III-IV supported measures that reformed the fee exemption policy to target the poor and implemented an exemption policy for maternal deliveries in four deprived regions; eliminated all government-controlled fees; and introduced capitation grants for girls in public primary schools in deprived districts (40) and in all public primary schools for the disabled, among others.

Colombia. The 2014 Enhancing Fiscal Capacity to Promote Shared Prosperity DPO focused on measures aimed at protecting victims of gender violence.

Box III.3: Examples of DPOs with climate-related prior actions

Vietnam. The 2014 Climate Change DPO focused on measures to develop climate resilience by improving the resilience of water resources; lower carbon intensity development by exploiting energy efficiency potential; as well as strengthening policies and institutional readiness to formulate, prioritize, finance, implement and monitor Cross-Cutting Climate Change Policies.

Mozambique. The 2013 Climate Change Programmatic DPO series focused on strengthening the national policy and institutional framework for climate-resilient planning and climate resilience of sectors aimed at addressing the impact of climate change and extreme weather shocks on growth and poverty reduction.

Indonesia. The 2010 Climate Change DPO focused on reforms that contributed to improved policy coordination of hotspots/clearing of peat lands; an improved policy framework to promote renewable energy development and investment; an improved regulatory framework for REDD implementation and development of demonstration activities; and the establishment of strategic water management plans in key river basins, among others.

number of climate-related prior actions was Mexico with 14, followed by Indonesia (9), Vietnam (8) and Mozambique (6) (**Box III.3**).

A number of DPOs have been supporting reform measures aimed at addressing different dimensions of fragility and vulnerability, and at improving resilience. In the wake of the global food price crisis in 2008, a number of member countries tapped into the IDA Crisis Response Window (CRW)[25] for emergency DPF financing. These included Sierra Leone, Bangladesh, Burundi, Philippines, Guinea, Colombia, Honduras, Mali, Malawi and Djibouti, among others. When Liberia, Guinea and Sierra Leone were hit by the Ebola outbreak (**Box III.4**) and when Haiti experienced a devastating earthquake in 2013, they were also able to access resources from the CRW to support DPF.

[25] Crisis Response Window was piloted in the wake of the global financial crisis in 2009 and was formally established under IDA16.

Box III.4: Response to the Ebola outbreak in West Africa

The IDA Crisis Response Window provided a total of $30 million in DPF financing, distributed equally to Liberia, Sierra Leone and Guinea, to augment the national IDA allocations for the three countries. The overall amount committed by the CRW to the three countries affected by the outbreak amounted to $420 million. Follow-on DPOs for these countries are under preparation.

Guinea. The 2014 Emergency Macroeconomic and Fiscal Support Grant ($50 million, including $10 million from the CRW) focused on reforms to strengthen the government's capacity to manage public funds in response to the Ebola crisis; improve the monitoring and communication functions of the administration for managing the Ebola crisis; increase transparency and effective implementation of the budget; and improve overall public finance performance and governance.

Sierra Leone. The 2014 Emergency Economic and Fiscal Support DPO ($30 million, including $10 million from the CRW) focused on strengthening budget management and reducing fiscal risks heightened by Ebola as well as improving transparency and accountability for public resources to ensure that the Government's Ebola Response Plan is efficiently executed.

Liberia. The 2014 Second Poverty Reduction Support DPO ($30 million, including $10 million from CRW) focused on strengthening fiscal/budget management and transparency in the use of public resources in addition to broader goals of sustaining and deepening government-owned efforts to reform governance and civil service, and to support the broadening of reforms to include economic transformation and human development in the context of the implementation of the government's second Poverty Reduction Strategy, the Agenda for Transformation.

Prior Actions and Their Alignment with Poverty Reduction and Shared Prosperity

This section presents a schematic picture of how prior actions are conceptually linked to the World Bank's goals of poverty reduction and shared prosperity in the medium to long term. As discussed above, a large number of prior actions relate to reforms in the area of public sector governance, finance and private sector development, which typically have longer gestation periods. Prior actions often help to build the foundation of an effective state through the passing of laws, elaboration of regulations, and development of institutions—all of which make implementation of sustainable reforms a gradual process. To illustrate schematically the transmission channels through which prior actions impact poverty reduction and shared prosperity in the medium to long term, a conceptual framework to underpin the analysis was adopted. The purpose of this framework is *not* to quantify the contributions of DPF-supported reforms to poverty reduction and shared prosperity, but rather to classify the transmission channels that lead from those reforms to higher living standards.

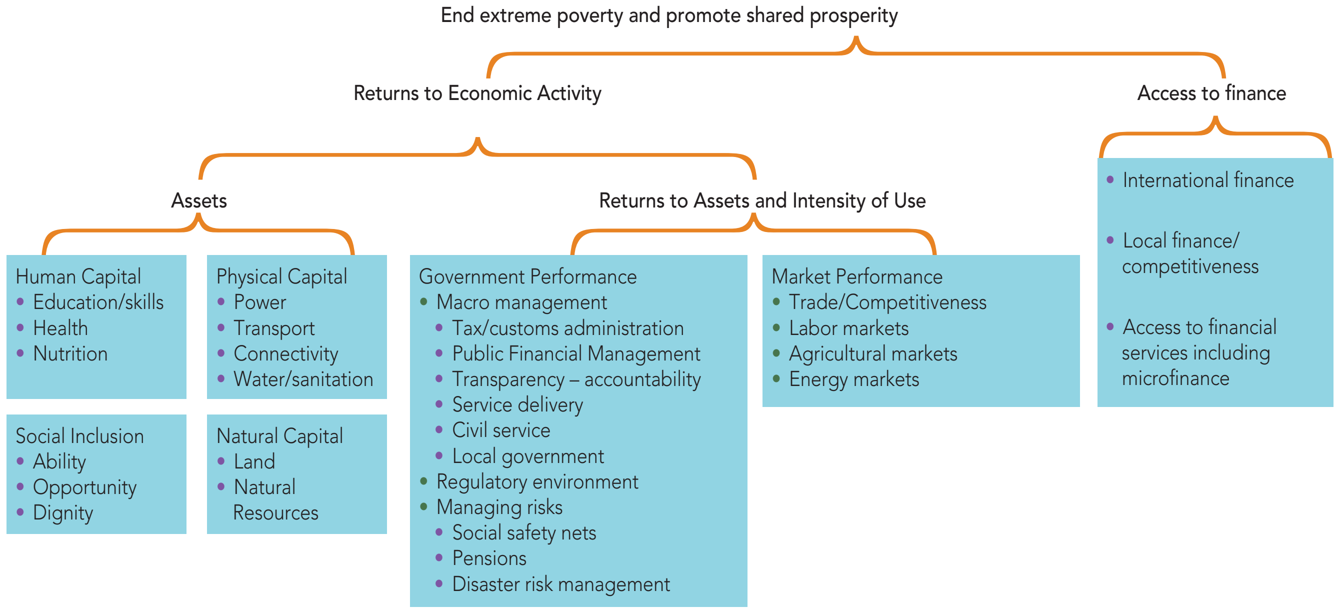
Conceptual framework

It is possible to establish a line of sight for all prior actions to the World Bank's corporate goals of ending extreme poverty and boosting shared prosperity in the medium to long term. The framework recognizes that achieving these goals depends upon economic growth, which cannot be sustained without higher levels of investment. In addition, it also integrates the factors affecting the ability of the bottom 40 percent to benefit from that growth by considering the long-term productive capacity of households to contribute to, and benefit from that growth. The approach is closely related to the concept of sustainability, and accounts for the interaction of macro and microeconomic variables in achieving and sustaining the corporate goals from social, economic, and environmental perspectives.

The approach maps all prior actions within the current Retrospective period (Q4FY12–Q2FY15) to the likely *transmission channels* to poverty reduction and shared prosperity as outlined in Figure III.3[26] At the aggregate

[26] The current Retrospective period comprises 1,378 prior actions in 165 operations.

Figure III.3: Transmission channels to ending poverty and promoting shared prosperity in the medium to long run



level, the two main channels are "returns to economic activity" and "access to finance". However, the approach is best understood by considering the subcomponents of assets—including human, physical, natural and social endowments—and the returns to assets, which depend on government and market performance. Each of the prior actions can be mapped into one of these subcomponents and, frequently, to more than one since a single prior action can impact welfare through multiple transmission channels (**Box III. 5**). In Annex 3, the conceptual framework is discussed in more detail as well as the protocol adopted to ensure a systematic and consistent assessment of all prior actions.

Results

The results of this analysis show that the most typical channel by which DPF prior actions are linked to World Bank goals is through improvements in government performance. Most commonly, prior actions supported reforms to improve public financial management and procurement (25 percent), governance and accountability (12 percent), and/or service delivery (15 percent). About 12 percent of prior actions aimed to improve macroeconomic management through improvements in fiscal (8 percent), monetary (3 percent), and/or trade policy (2 percent). In addition, about 11 percent of prior actions aimed to better manage risks through improvements in safety nets (6 percent), pension systems (1 percent) and measures to improve disaster risk management (4 percent). The focus on public financial management, accountability and macroeconomic management has been more salient in AFR relative to other regions, but their prominence is broadly shared across countries and over time. Often these and other measures aimed to achieve their goals through improvements in the regulatory environment,[27] either through passage of legislation, regulations or other regulatory guidance (32 percent).

Less prominent, but still important, is the transmission channel related to improving market performance. About 30 percent of prior actions fall into this category. 16 percent of prior actions included measures aimed at improving competitiveness either in international or domestic markets, 8 percent targeting improvements in energy markets, 6 percent in agricultural markets, and 3 percent in labor markets. There was heterogeneity across regions and over time, with the share of prior actions

[27] Changes in the regulatory environment always occur alongside other changes, either to improve government or market performance.

Box III.5: Examples of prior actions with multiple channels to poverty reduction and shared prosperity

Brazil. The 2012 Brazil Bahia DPO focused on reforms measures to address relatively high maternal and infant mortality rates. Reforms supported by this DPO included the adoption of a statewide policy on primary health care within the Bahia territory. The action aimed to improve the quality and expand the coverage of Primary Health Care in Bahia, focusing on maternal and infant mortality reduction. The prior action is expected to not only contribute to improved human capital and service delivery, but also to social inclusion of afro-descendent women. The Program Document includes a detailed PSIA aimed at enhancing the pro-poor effects of improvements in the access and quality of public health services. In the Bahia region, both maternal and infant mortality rates were above the national average mainly due to a lack of medical assistance, reflecting poor coverage of health services and low access to simple and low-cost preventive procedures by poor women. Maternal mortality affects mostly poor, young and afro-descendent women, who mostly rely upon public health services.

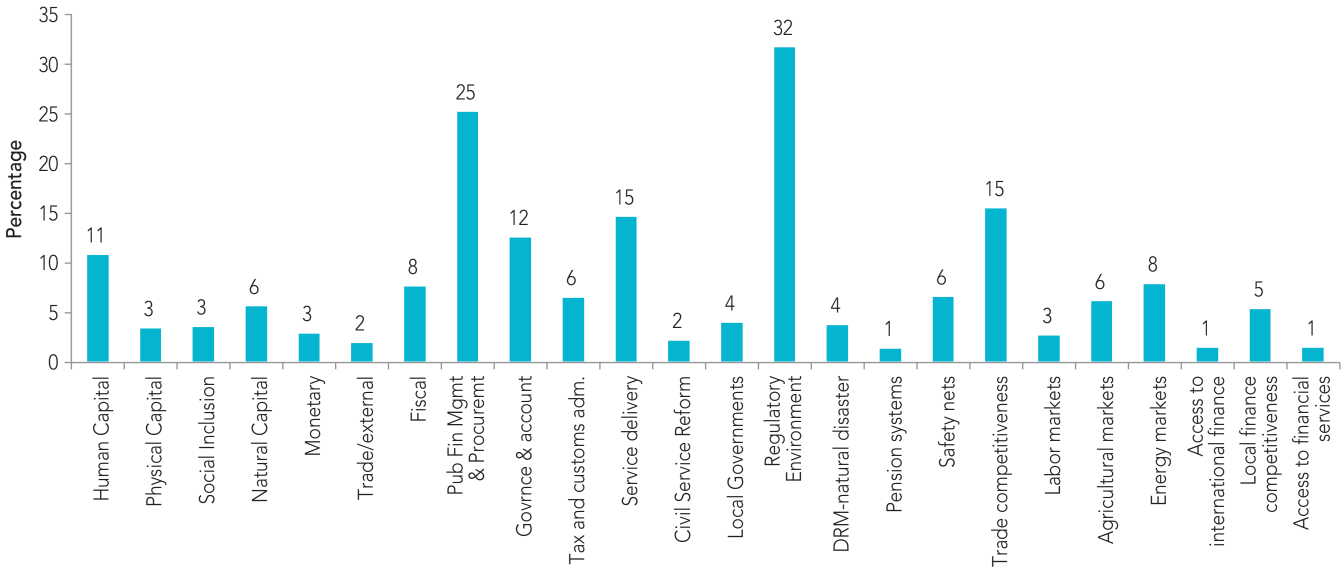
Afghanistan. Under the 2014 Economic Growth DPO, the Bank supported a new draft minerals law aimed at improving security of tenure for private investors, providing guidance on licensing, tendering and mining obligations, and strengthening social and environmental safeguards. This action is expected to contribute to poverty reduction and shared prosperity by improving the regulatory environment, improving service delivery and improving labor market conditions.

focusing on trade and competitiveness increasing over time, particularly in ECA and AFR compared to other regions. Similarly, there has been a decreasing share of prior actions focusing on agricultural markets, which are more common in Africa relative to other regions. The share of energy prior actions has picked up more so during the period of booms and bursts in the global oil prices.

Finally, 23 percent of prior actions are linked to improving assets while 7 percent contribute to reducing the cost of finance (Figure III.4). IIn particular, 11 percent were focused on human capital, 6 percent on natural capital, 3 percent on physical capital, and 3 percent had measures to improve social inclusion. The share of prior actions related to assets was relatively higher in LCR and MNA, and to some extent ECA, particularly those focused on improvements in human capital. Seven percent of prior actions aimed at improving access to finance or reducing the cost of finance. Most of these actions aimed at improving local financial markets competitiveness (5 percent), while actions to improve access to international finance and to improve access to financial services were relatively less common (1 percent each).

It is difficult, however, to demonstrate conclusively whether reforms undertaken in DPOs addressed the most binding constraints to poverty reduction and shared prosperity. Although it is possible to describe a line of sight to the goals of ending poverty and promoting shared prosperity for all prior actions, it is difficult to show conclusively if these actions were the most important to tackle in any given situation. Since systematic analysis of the main development challenges was not necessarily carried out prior to DPOs, nor is there a record of the most important priority prior actions prior to the period covered in this Retrospective, it would be premature to conclude that the observed prior actions addressed the most important policy areas for any given country. Going forward, the insights from the Systematic Country Diagnostics, which will be conducted in all member countries to prioritize the most important binding constraints for eliminating poverty and promoting shared prosperity, are likely to further sharpen the focus of DPO prior actions on the key priorities for each country.

Figure III.4: Distribution of prior actions according to expected transmission channels (share of total prior actions)



RESULTS IN DEVELOPMENT POLICY FINANCING

This chapter will assess to what extent DPOs have achieved their expected results. The chapter is divided into four sections. The first looks at the quality of results frameworks in DPF. The second analyzes the performance of DPF at the operation level and at the individual results level (based on ICRs and IEG evaluations). The third section presents the findings of an empirical analysis that aims at identifying key factors associated with better DPO performance. The fourth and final section of this chapter assesses the long-term impact and sustainability of some reforms supported by DPOs.[28]

Quality of DPF Results Frameworks

DPF has become more selective in the design of results frameworks. This is demonstrated by greater selectivity in the the choice of results indicators, and the availability of baselines and targets. The average number of results indicators per DPO has significantly declined in recent years, from a high of 34 in FY07, to 14 in FY09 and 10 in FY13, largely reflecting greater strategic focus and selectivity (**Figure IV.1**). The percentage of result indicators with baseline and target values has also increased to 96 and 97 percent, respectively, in FY13, from 15 percent of operations with baseline values and 43 percent with target values in FY05 (**Figure IV.2**).[29]

Figure IV.1: Average number of results indicators in Program Document

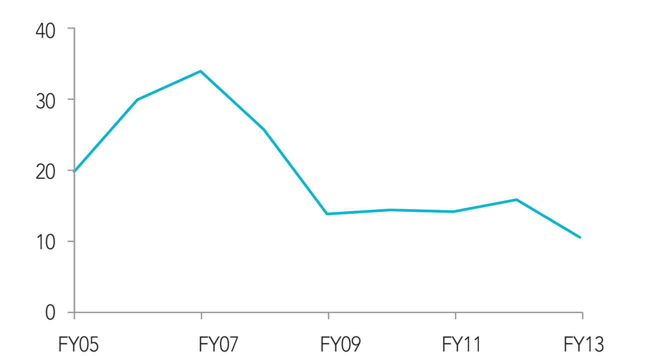
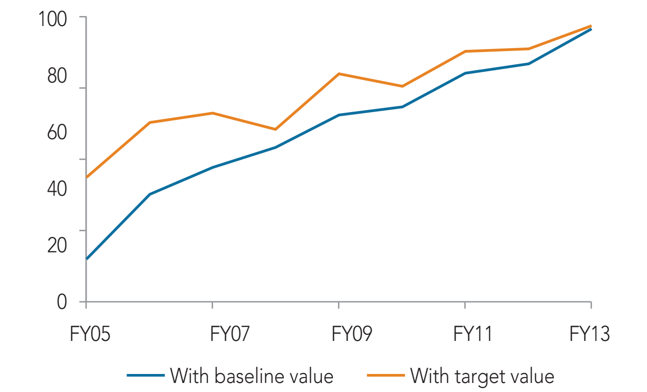


Figure IV.2: Percent of results indicators with baseline and target values

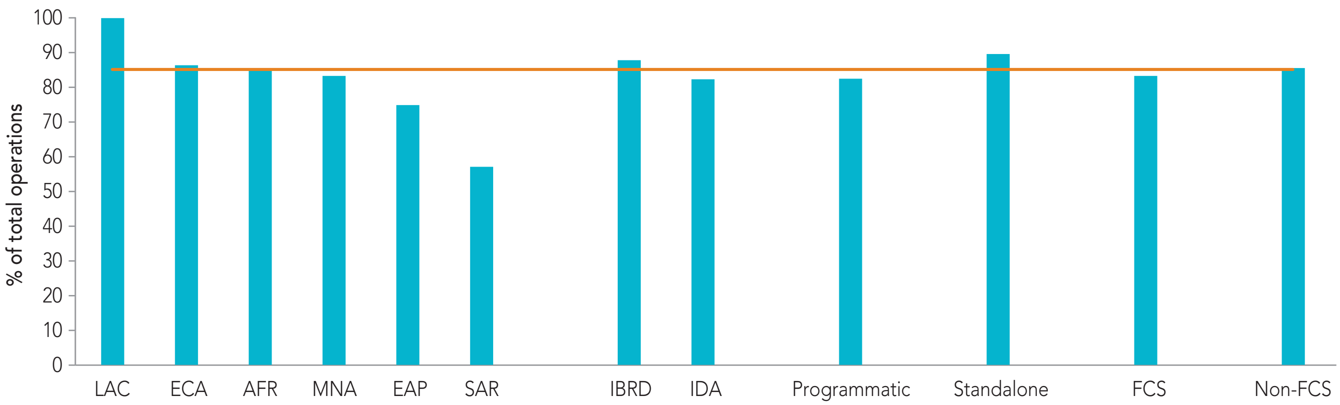


Most DPOs now have results frameworks of satisfactory quality. In the current Retrospective period, 85 percent of operations had satisfactory results frameworks by the standard that at least 70 percent of the prior actions have results measures that satisfy all of the following criteria: (i) the prior action is associated with a result; (ii) there is

[28] The sections in this chapter evaluate achievement of results over a 10-year period (based on available ICR reports and IEG evaluations), with the exception of the assessment of the quality of results frameworks and the monitoring and evaluation arrangements, which are assessed for the current Retrospective period.

[29] Based on 421 operations approved between FY05 and FY13 with an ICR.

Figure IV.3: Share of operations with satisfactory results frameworks (Q4FY12-Q2FY15)



Note: An operation with a satisfactory results framework has at least 70 percent of prior actions with results measures that satisfy the criteria presented in Annex 7.

a clear causal link between the prior action and the result; (iii) the result is distinct from the prior action: it is not simply a restatement of it;[30] (iv) the result has a results indicator; (v) the results indicator is precise, not vague; and (vi) if a prior action is associated with more than one result, the linkage is deemed satisfactory if at least one of the results satisfies all the conditions above.

The quality of results frameworks varies by region and DPO characteristics. LCR has the highest share of operations with satisfactory results frameworks (100 percent), followed by ECA (86 percent), AFR (85 percent) and MENA (83 percent). Behind them are EAP (75 percent) and SAR (57 percent). IBRD results frameworks were only slightly more likely to be satisfactory (88 percent) than IDA ones (82 percent). Stand-alone operations had results matrices with satisfactory results in 90 percent of cases, compared to 83 percent of programmatic series. Also, operations in fragile and conflict-affected situations (FCS) and non-FCS have results frameworks of roughly similar quality (83 percent and 86 percent respectively), despite the difference in capacity and in monitoring and evaluation (**Figure IV.3**). The quality of the results frameworks rises with the size of the operations, from 77 percent satisfactory for loans up to $10 million, up to 92 percent satisfactory for loans over $500 million.[31]

The quality of the results frameworks has improved over time. In the current Retrospective, 85 percent of operations were deemed satisfactory by the standard that at least 70 percent of the prior actions have results measures that satisfy all the criteria. In the previous Retrospective (Q4FY09-Q3FY12) 78 percent of operations were considered to have satisfactory results frameworks. The IEG Learning Product on the quality of results frameworks **(Box IV.1)** suggests ways in which the focus on results in DPF can be further improved.

Most of the Program Documents reviewed also described the monitoring and evaluation (M&E) arrangements and responsibilities within the country. The Member Country is responsible for implementing M&E while Bank staff assess and monitor the adequacy of the arrangements, in light of the Member Country's capacity.[32] Although 90 percent of DPOs discussed M&E arrangements and responsibilities, the quality of discussion was mixed. The majority identified the agency that would be responsible for M&E and data sources, but less than half provided detailed M&E implementation arrangements or indicated reporting frequency. Only two-thirds provided adequate information on the

30 An exception is made for certain prior actions in public finance management for which meaningful results indicators cannot readily be found. For more information on the methodology used in this section, please refer to Annex 7.

31 However, none of the differences discussed in this paragraph are statistically significant.

32 OP 8.60: "The Member Country monitors progress during the implementation of the program supported by the development policy operation, and evaluates results on completion. The Bank assesses and monitors the adequacy of the arrangements by which the Member Country will carry out these responsibilities, with due regard to the Member Country's capacity."

Box IV.1: The quality of DPF results frameworks: an IEG perspective

As part of a series of learning products on DPF, IEG prepared a review of the quality of DPF results frameworks. The report synthesizes and reexamines existing evaluative evidence from recent PPARs and ICRRs, and complements this with a desk review of 14 additional DPOs.

The Learning Product finds that results frameworks have been streamlined and simplified in recent years. These include the elimination of "benchmarks" and of intermediate outcome indicators, improved clarity in the statement of program development objectives, and the extension of the period in which an ICR becomes due. However, the learning product identifies a number of areas that need special attention in order to make these streamlined results frameworks work better. Specifically, the report makes the following recommendations:

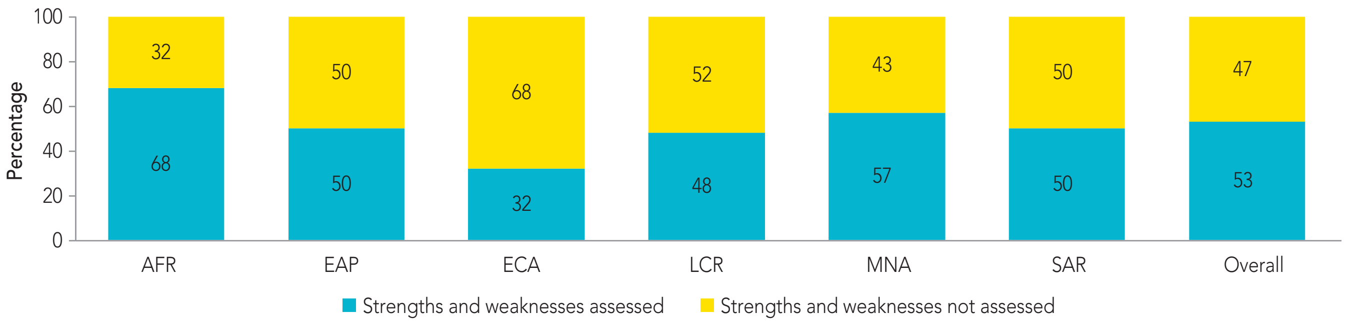
- **The presentation and clarity of results frameworks could be further improved.** Some DPOs continue to struggle with clear statements of objectives and outcomes, even after the introduction of the changes mentioned above. The report found that in some cases, objectives were stated differently in the program summary and the policy matrix. In the case of outcomes, the report recommends distinguishing more clearly between the statement of expected outcomes and the results indicator used to measure them.
- **It is important to further strengthen the selection of relevant and critical prior actions.** Reforms of an "intermediate" nature (such as preparation of draft laws without actual submission to Parliament), statements of intention, "pilot" interventions and recurrent government functions have become less frequent as prior actions.
- **A better balance between flexibility and rigor in programmatic operations is needed.** The report found that by dropping triggers or accepting only partially met triggers as prior actions, the results framework is compromised in some programmatic DPOs. Although maintaining flexibility in DPO series is important, in many cases a better balance between flexibility and rigor would improve the focus on results.
- **ICRs and ICRRs need to focus more on the quality of prior actions and the results chain.** ICRs should provide a more comprehensive account of policy changes triggered by prior actions by reconstructing and documenting the implicit results chain leading from prior actions to program results. IEG's evaluations of ICRs should be more focused on prior actions and should assess their relevance, criticality, additionality and monitorability when evaluating the relevance of design and the M&E framework. A stronger focus also needs to be placed on assessing the links between prior actions and program results.

Source: IEG (forthcoming). The Quality of Results Frameworks in Development Policy Operations.

country's capacity to implement M&E. Some good practice examples include the Burundi Economic Reform Support Grant (ERSG VI), the Malawi Rapid Response Development Policy Grant and the Vietnam Climate Change DPOs (DPO II, III).

Approximately half of the Program Documents included an explicit assessment of the strengths and weaknesses of the country's M&E arrangements. This is an increase compared to the 2012 Retrospective, which showed less than one-third of the DPOs included this type of assessment. However, there is considerable variation between regions: in ECA, only 32 percent of DPOs included an assessment of the country's M&E systems; while in AFR and MNA, the percentage was higher at 68 and 57, respectively (**Figure IV.4**). It is unclear whether the absence of such an assessment means that there are no weaknesses in the country's M&E systems or that the staff simply omitted this analysis in the Program Document. However, some DPOs also discuss the strengths and weaknesses of M&E systems at the sector or country level. These include the Bhutan Second Development Policy Credit, the Ghana Fourth Agriculture DPO, the Indonesia Program for Economic

Figure IV.4: Assessment of strengths and weaknesses of country M&E arrangements (Q4FY12–Q2FY15)



Resilience, Investment and Social Assistance, and the Mozambique PRSC IX and X series.

Performance of DPF

Performance at the operation level[33]

To evaluate the extent to which a DPO achieved its intended development objectives and the targeted results, the Bank prepares an Implementation Completion and Results (ICR) report for every stand-alone operation and programmatic series.[34] The ICR is prepared twelve months after the closure of the operation.[35] For programmatic operations, an ICR is due within twelve months after the closing of the last operation in the series, and it includes a separate assessment (but not a separate rating) of the contribution of each individual operation to the program. ICR reports are prepared with the participation of the borrower and in consultation with other stakeholders. All ICRs are evaluated by IEG and disclosed to the public.

Consistent with the findings from the previous Retrospectives, the recent evaluations show that DPOs have positively contributed to intended results. This finding has also been corroborated by IEG. Applying a 3-year moving average shows that the performance of DPO exits has remained at or above the corporate scorecard targets based both on the ICRs and IEG's independent ICR reviews. The ICR ratings show that 92 percent of the approved operations (and 95 percent of commitments) were rated as moderately satisfactory or above for the period FY05–FY13, compared with 78 percent (85 percent) in IEG outcome ratings (**Figure IV.5**).

While the overall performance has remained relatively high, there are variations by region and client segment. IEG evaluations show that ECA has the largest percentage of DPOs rated as moderately satisfactory or above at 91 percent, while MNA has the lowest with 67 percent. However, MNA had only 30 DPOs with an IEG evaluation during this period. AFR has the highest number of operations rated by IEG since FY05 (115) and, other than MNA, had the lowest proportion of operations rated as moderately satisfactory and above (72 percent) (**Figure IV.6**). The differences in regional performance reflect different levels of implementation capacities within and across regions, political or socio-economic instability and fragilities, among others.

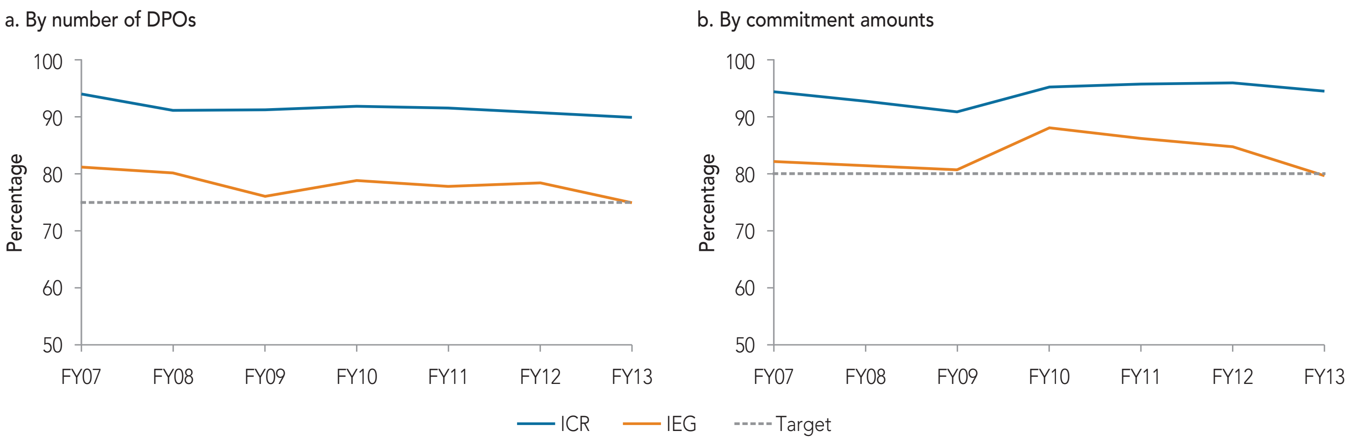
Overall, operations financed by IBRD tend to perform slightly better than operations funded by IDA, although variation across regions is evident. Since FY05, 81 percent of IBRD-funded operations had an IEG rating of moderately satisfactory or above, against 77 percent for IDA-funded operations. Similarly, DPOs in middle-income countries (MICs) performed slightly

[33] This analysis is based on ICRs and IEG evaluations of ICRs. Between FY05 and FY15, there were 353 ICRs that also had an IEG evaluation.

[34] In ICRs, Task Team Leaders (TTL) and client teams rate four variables: achievement of outcomes, risk to the development outcome and bank and borrower performance. IEG reviews each operation and provides its ratings on the same variables, and in so doing provide an independent perspective, as well as an overall rating on the quality of the ICR.

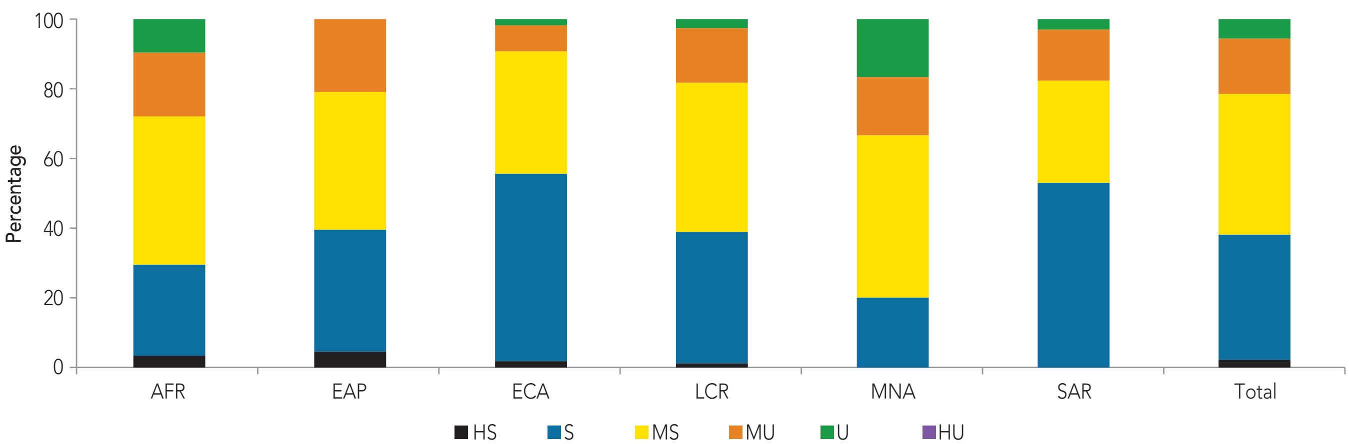
[35] Until FY14, the period for the preparation of an ICR was 6 months following the closing date.

Figure IV.5: Bank and IEG evaluations of DPOs – 3 year moving average (FY05–FY13)



Note: Shares are shown for operations evaluated MS or above, based on 346 ICRs that also had IEG evaluations (for operations that exited between FY05 and FY13). FY14 and FY15 exits have been excluded as only 11 and 5 percent of all exits have been evaluated by IEG, respectively. Includes TF-financed DPOs.

Figure IV.6: Distribution of IEG ratings of DPOs, by region (FY05–FY15)



better than those in low-income countries (LICs), where 81 percent of the operations were rated as moderately satisfactory compared with 75 percent. A much stronger performance was recorded for subnational DPOs, 94 percent of which were rated as moderately satisfactory or above (**Figure IV.7**).

Programmatic DPOs appear to perform better than standalone operations.[36] Based on the number of DPOs with IEG ratings, 81 percent of 181 programmatic DPOs were rated as moderately satisfactory or above, compared to 76 percent of 172 stand-alone DPOs.

A regional comparison paints a mixed picture, with stand-alone operations in AFR and EAP tending to

[36] The existence of high quality results frameworks (see second paragraph under "Quality of DPF Results Frameworks") is a necessary but not a sufficient condition for satisfactory outcome ratings. This may explain why, even though stand-alone operations tend to have better results frameworks, they do not necessarily perform better than programmatic operations. It should also be noted that the timeframe considered in the paragraph on "programmatic DPOs vs stand-alone operation" is FY05-Q2FY15, while the paragraph noted earlier considers only the current Retrospective period (Q4FY12-Q2FY15).

Figure IV.7: Distribution of IEG ratings of DPOs, by client type (FY05–FY15)

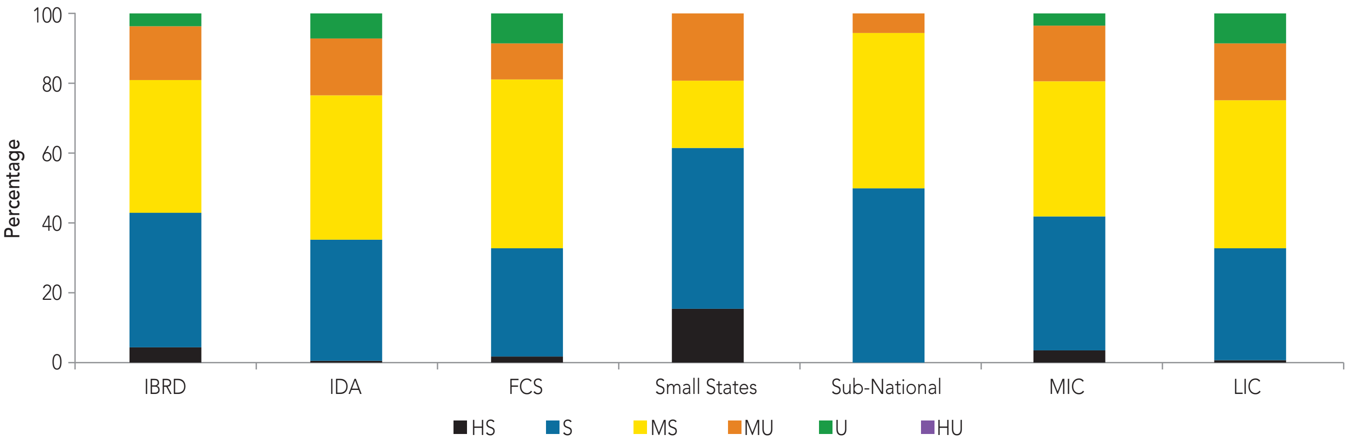
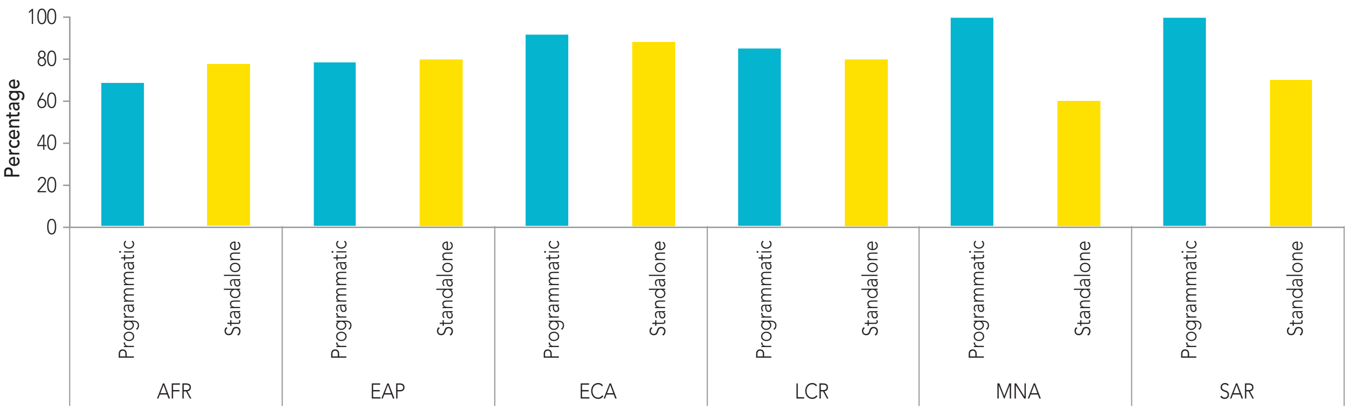


Figure IV.8: Satisfactory IEG outcome ratings – programmatic & stand-alone DPOs (FY05–FY15)



perform relatively better than programmatic ones; and programmatic operations in ECA, LCR, MNA and SAR tending to perform relatively better than stand-alone DPOs (**Figure IV.8**). Meanwhile, multi-tranche operations did not perform as well compared to the programmatic and stand-alone DPOs, as only 66 percent of the operations were rated as moderately satisfactory or above.[37]

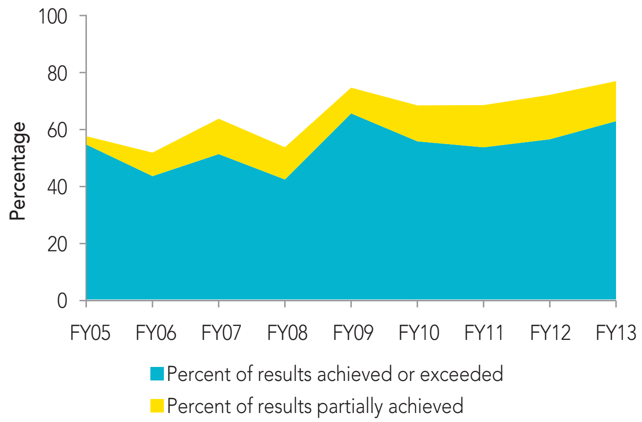
Operations in FCS countries tend to perform on par with IBRD-funded operations. Of the 58 operations rated by IEG between FY05 and Q2FY15, 81 percent were rated moderately satisfactory or above. The "Reengagement and Reform Support" operation in Myanmar was rated as highly satisfactory in both the ICR and the IEG evaluation. A small number of operations (7) in FCS counties were rated unsatisfactory, with a distribution of 5 in AFR, 1 in ECA and 1 in MNA.

Achievement of individual results indicators

Achievement of program targets has risen significantly over time. The percentage of achieved results has increased from 43 percent in FY06 to 63 percent in FY13, whereas the percentage of partially achieved results has picked up from 8 percent to 14

[37] This could partly be explained by a very limited sample size of multi-tranche operations of only 29 DPOs with IEG rating.

Figure IV.9: Achievement of results according to ICRs (FY05–FY13, by exit year)



Note: FY14 and FY15 exits have been excluded because ICRs are only available for 11 and 2 of these operations, respectively.

percent during the same period (**Figure IV.9**). Over the entire 10-year period, 66 percent of individual results targeted by DPOs were achieved or partially achieved, while 17 percent were not achieved. 16 percent of the results indicators were either not available or could not be verified at the time of reporting in the ICR.

Achievement of targeted results varies by region. ECA registered a 66 percent achievement of the targeted results, with 9 percent being partially achieved, whereas LCR and SAR achieved fully 58 percent of the targeted results with 11 percent and 12 percent, respectively, partially achieved. EAP and AFR fully achieved 52 percent and 49 percent, respectively, of the targeted results with 14 percent partially achieved, MNA with fully achieved results at 39 percent and partially achieved results at 13 percent.

Empirical Analysis of DPF Performance

An econometric analysis was conducted for this Retrospective to see whether there are design elements which could improve the success of DPF.[38] A data set was constructed from operations from 2004 to 2012, incorporating loan characteristics and ex-post ratings produced by the IEG. There were 312 observations. The study then focused on examining the impact of operation characteristics, reform program design features, and task team leader skills, on the intended development results, while controlling for country characteristics.

The study found a number of factors that are critical ingredients for success. One of them is a variable used to reflect congruence or "line of sight" between the policy reforms supported and the results framework. For example, an operation with vaguely stated development objectives would likely not have results indicators that could demonstrate that the objectives had been satisfactorily achieved, and so would be less likely to be rated as successful. This underlines the need for a deep understanding of the likely impact of specific policy and institutional reforms. It also suggests that realism in setting development results is needed, considering the specifics of the reforms supported, country circumstances, and timeframe for the fruition of reforms into concrete results. Another variable that turned out to be an important factor for the success of an operation is the measure of task team leader skills, defined as the IEG ratings of operations previously mounted by the task team leader. Success is not determined by the *number* of past operations taken to the board by the task team leader, which had no impact on program outcomes. The robustness of the task team leader track record needs to be examined with caution, however, on account of the possibility that task team leaders in particular countries may benefit or lose from the level of commitment of the countries involved to pursue reform implementation. A third variable of interest, weak prior actions in operations (for instance, vaguely written plans or statements of intention by the government), tended to reduce the chance of success. This result hints at the importance of having reforms or policy measures that are actionable and that can indeed lead to tangible results as expected. There may be further reasons why weaker prior actions seem to increase the likelihood of failure. For example, an accumulation of such actions may be a signal of a government that is not really committed to serious reform.

Important policy and institutional implications were drawn out. Intensified efforts could be made in the joint work of Bank teams and country authorities to improve the consistency, or "line of sight", between the reforms agreed and the results intended, striking the right balance between realism and ambition. In addition, eliminating the weaker prior actions, particularly at the later stages of programmatic series of loans, may help to have more action-oriented reform packages that can

[38] The full analysis was published in Moll et al. (2015).

deliver results. There is a growing consensus on the need to have well-trained and right-skilled team leaders at the helm of these operations. Further training could help in fostering task team leader skills.

Medium- and Long-Term Impact of Reforms Supported by DPF

A set of empirical analyses and qualitative reviews provide some insights into the medium- to long-term impacts of reforms supported by DPF. This section presents the results of two studies looking at the medium- to long-term effect on public financial management and economic management outcomes. It also reviews the findings of IEG Project Performance Assessment Reports of DPF engagements in Tanzania and Vietnam.

Public Financial Management

A study was conducted to evaluate the impact of DPF in the medium term, using an independent evaluation technique.[39] This includes the large Public Expenditure and Financial Accountability (PEFA) dataset which now includes 418 detailed assessments[40] of public financial management in 149 countries.[41] The PEFA is relevant because public financial management is one of the most important areas of reform that DPF deal with: between 2004 and 2012, about 76 percent of all DPOs had at least one prior action in public financial management. The PEFA assessment has 28 questions, most of which have sub-categories, making a total of 53 narrowly defined categories covering most aspects of public financial management. Most prior actions can be categorized under one or other of these sub-questions. Hence the PEFA assessments afford an opportunity for evaluating the short- and medium-term impacts of DPOs which incorporate prior actions in public financial management.

The work has so far yielded two main *tentative* findings. The pilot phase of the study covers two groups of countries. The first group consists of nine countries, for which at least three PEFA reviews have been conducted, and which had at least one DPO with at least one prior action in the area of PFM. This group yielded 34 operations and 108 prior actions in the area of public financial management. The second group is a non-random selection of eight countries where two PEFA reviews have been conducted and that had at least one DPO with at least one prior action in the area of PFM. This group yielded another 38 operations and 128 prior actions. The number of observations processed is thus considerable, but it cannot be said with confidence that the findings are not fully representative of the universe of DPOs. The tentative findings on the impact of public finance management-related prior actions in the *medium term*, i.e. between 2 and 8 years, suggest that the impacts of prior actions which are successful in the short term erode only a little in the medium term: whereas 78 percent of prior actions were successful in the short term, in the medium term 71 percent were successful. Furthermore, the share is slightly higher (73.6 percent) for prior actions that are part of a continued engagement, and considerably lower for "one off" prior actions (56.7 percent).

The study also suggests that there are differences in sustainability across types of prior actions. In PEFA areas that focus on the production of laws, regulations, documents and government structures, the prior actions are more likely to be sustainable. Such prior actions include the preparation of medium-term fiscal frameworks and one-time changes in PFM-related laws. However, in PEFA areas where success depends on the performance of government officials (such as implementation of procurement systems and the credibility of the budget), the prior actions are less likely to be sustained.

As the study develops, it will examine the correlates of sustainability of prior actions in public finance management. This involves checking what sub-areas of public finance management are more likely to be successful, and evaluating whether continued engagements in specific aspects of public financial management are more effective than isolated prior actions.

Economic Policy

A second study analyzes the association of Bank lending with the quality of economic policy.[42] This analysis uses the simple average of CPIA clusters A and B as the dependent variable measuring the quality of economic management. Cluster A covers macroeconomic and debt policy, while cluster B addresses structural policies, including trade, financial

[39] Details on the methodology can be found in Annex 8.
[40] See https://www.pefa.org/sites/pefa.org/files/CompleteNewsFlash.pdf.
[41] See https://www.pefa.org/en/stats.
[42] Details on the methodology can be found in Annex 9.

sector policies, and regulation of private enterprise. The study uses data on all DPF approved since 2005 that include prior actions related to CPIA clusters A and B, i.e. "market reform" operations, which account for almost 60 percent of total DPF.

Considering only the operations supporting economic policy reforms, the study finds that development policy financing has a positive but diminishing effect on the quality of economic policy. On average, a first DPO increases the CPIA score by around 0.09 points while a second market reform operation augments the CPIA score by 0.044 points. When using cumulative prior actions rather than cumulative operations, the model predicts that the first market reform condition increases the CPIA score by 0.037 points on average.

Box IV.2: Results in DPF engagements – findings from recent IEG Project Performance Assessment Reports (PPARs)

Tanzania. The IEG PPAR covers eight closed Tanzania Poverty Reduction Support Operations implemented as two programmatic series during FY03–06 and FY06–11, respectively. The two series were among the earliest sustained World Bank-financed operations to support a country-owned reform process conducted in the context of the Paris Declaration of Aid Effectiveness. They were prepared and implemented in close collaboration with other development partners (DPs) under a harmonized approach to general budget support. Both series supported the government program aimed at sustaining and accelerating economic growth and reducing poverty. The overall outcome of the first PRSC series is assessed as moderately satisfactory, and the overall outcome for the second series is rated moderately unsatisfactory. The risk to development outcome for both PRSC series is rated significant. The less than fully satisfactory outcome is due to the following: (i) the objectives of the PRSC series were not clearly defined until later in the series, and Program Documents did not clearly articulate how progress in adopting the proposed policy and institutional measures would help to achieve the program's objectives; (ii) poor attribution and M&E framework negatively affected the opportunity to monitor the medium- to long-term impact of the Bank engagement through the PRSC series; (iii) the dropping and dilution of triggers during the course of implementation of the PRSC series suggests a poor assessment of government commitment to implement the planned reforms at the preparation stage of each operation, notably in agriculture; and (iv) insufficient attention to learning lessons from the preceding series. The importance of a fully developed results framework and regular reporting on key outcome indicators is highlighted. Another lesson learned is that direct and sustained focus and clarity of vision over the entire course of implementation of multi-year PRSC programs are required to facilitate lasting reforms.

Vietnam. The PPAR evaluates the second Vietnam PRSC series, which was a comprehensive program encompassing all pillars of the Government's Socio-Economic Development Plan. The quality of the analytical work underpinning the series was generally good and at times outstanding. There is credible evidence that this favorably and substantively affected the overall design, especially in the earlier operations. Overall, the IEG PPAR rated the outcome of the PRSC series moderately satisfactory, reflecting high relevance of objectives, modest relevance of design, substantial achievements in business development and social inclusion objectives, and modest achievements in environmental and governance objectives. The rating reflects Vietnam's impressive economic performance driven by global integration, as well as accompanying improvements in poverty and social inclusion. Although attribution is in general challenging, the evaluation found that through the program the Bank helped Vietnam to maintain the focus on growth and poverty reduction agendas and address many impediments important for improving short-term economic performance. The program, however, did not achieve many of its intended results in environment and governance, which are the areas where economic growth does not necessarily guarantee a positive change, and a transformative push is often

(*continued* on next page)

Box IV.2: Results in DPF engagements – findings from recent IEG Project Performance Assessment Reports (PPARs) (*continued*)

needed which was not present in the program. Risk to development outcome was assessed as moderate. Vietnam's transition to a middle-income country has reduced the relevance of some risks, though others have emerged, notably those stemming from weaknesses in governance.

Uganda. The IEG Project Performance Assessment Report (PPAR) covers five closed Uganda Poverty Reduction Support Operations implemented as two programmatic series during the periods January 2006 to November 2009 and September 2010 to June 2013, respectively. The PRSC series were designed to support the government's Poverty Eradication Action Plan (PEAP) and the subsequent National Development Plan. The PRSCs supported institutional strengthening in the areas of public financial management (PFM) and upstream governance institutions, and contributed to some gains in access to education and health, and especially, sector policy dialogue, institutions, and access to water and sanitation services. However, in their drive to extend budget support focused primarily on social sector expenditures, the Bank and other budget support donors missed an opportunity to help significantly increase domestic revenue mobilization, which would have made these gains more sustainable. Weak local capacity and local revenue base, which did not receive sufficient attention in the policy frameworks supported by the PRSCs, undermined local service delivery and results. On the positive side, the Bank has learned and incorporated important lessons from the PRSC 5–7 series into the next series PRSC 8–9. This learning from the past has been a key distinguishing feature between the two series. As a result, PRSC 8–9 featured better design and outcomes, even though the overall environment for budget support and the relations with the donors became more difficult during this period. The overall outcome of the PRSC 5–7 is assessed as moderately unsatisfactory, and the overall outcome for the PRSC 8–9 is rated moderately satisfactory.

Sources: IEG (forthcoming). PPARs for Tanzania, Uganda and Vietnam.

SUSTAINABILITY OF REFORMS SUPPORTED BY DEVELOPMENT POLICY FINANCING

Environmental, social and economic sustainability is a key consideration in Bank operations, including DPF. Environmental and social effects (positive or negative) of DPF-supported reforms have to be carefully considered as they may affect sustainability in the medium to long run. Similarly, the macroeconomic environment in which the reforms take place, and its sustainability, also need to be carefully assessed. This chapter analyzes each of these considerations by assessing the implementation of provisions in the operational policy related to social, environmental and economic aspects.[43]

Environmental Aspects

DPF can be an effective instrument to support policy and institutional reforms aimed at enhancing environmental sustainability. As discussed in Chapter 3, since the introduction of OP8.60 a total of 142 DPOs (equivalent to one-quarter of all DPOs approved during the period) included at least one prior action directly related to environmental sustainability or measures to address climate change. While many of these operations were multi-sectoral in nature, 32 of them had a primary focus on sustainable development, improved natural resource and environmental management, green growth and climate change mitigation or adaptation. Many more operations supported reforms that have indirect environmental benefits in areas such as energy policy, agriculture, fiscal policy and disaster risk management. With more and more countries adopting strategies to combat climate change, there is likely to be increased demand for supporting the related policy and institutional reforms through DPF.

However, OP8.60 also recognizes that some DPF-supported reforms could carry the risk of adverse environmental effects.[44] It therefore requires Bank staff to determine whether specific policy actions to be supported by the operation are likely to cause significant effects on the country's environment, forests and other natural resources. For policies with likely significant effects, the Program Document should assess the borrower's systems for reducing such adverse effects and enhancing positive ones, drawing on relevant country-level or sectoral environment analysis. If there are significant gaps in the analysis or shortcomings in the country's system or capacity, the Program Document should describe how these shortcomings would be addressed before or during program implementation.

This section analyzes the way in which these requirements are being implemented. The analysis seeks to answer the following questions: (i) how many prior actions supported by all the DPOs approved in the period of the Retrospective were likely to have significant positive or adverse environmental effects, and what were the key characteristics of these prior actions; (ii) to what extent Program Documents adequately identified such effects; (iii) whether specific analytical tools or studies have been used to make this assessment (toolkit, sector study, among others); (iv) in the case of potential significant negative (or positive) effects, whether the Program Document adequately discusses the borrower's systems for reducing (or enhancing) such effects; (v) whether the assessment of the borrower systems is grounded on analytical foundations (Country Environment Analysis, Policy Strategic Environment Assessments, among others); and (vi) whether gaps in the

[43] The analysis in this chapter is based on 165 DPOs approved during this Retrospective period (Q4FY12-Q2FY15), which included 1,378 prior actions.

[44] See Annex 6 for a comparison of how environmental and social aspects are assessed and managed in the World Bank's different financing instruments.

borrower system were identified, and if so, whether there was a description of how these gaps would be addressed.

Methodology

A systematic review of the environmental aspects pertaining to all prior actions of DPOs approved between April 2012 and December 2014 was undertaken. The review was done in two parts. First, and in line with the requirements of OP8.60, it examined the assessment conducted by the task teams as presented in the Program Documents. Second, a team of independent reviewers (made up of World Bank environmental experts not involved in the DPOs under review) looked at all prior actions and classified them according to a set of consistent criteria, taking into account the likely transmission channels. The criteria and review protocol for this part are based on the toolkit[45] and guidance note,[46] as well as on professional judgment. Annex 4 provides more information on these criteria.[47] The independent reviewers used the information in the Program Document as the basis for their assessment. However, their classification may differ from the assessment provided by the task teams. This process provides information on the extent to which task teams' assessments of environmental effects could be strengthened in the future. It is important to note that both are ex-ante assessments of *likely* effects (based on the information available at the time of Board approval) rather than ex-post assessments of *actual* effects. All prior actions were classified into five categories: no significant effects likely, significant positive effects likely, significant negative effects likely, both significant positive and negative effects likely or "can't say" in cases where adequate information was unavailable in the Program Document to make an informed decision.

Findings of the analysis

The assessments conducted by the task teams suggest that 1,123 prior actions (82 percent of the total) were considered not likely to have significant environmental effects. 169 prior actions (12 percent of the total) are likely to have significant positive effects, 19 (1 percent) are likely to have significant negative effects and 13 (1 percent) are likely to have both significant positive and negative effects. In the case of 54 prior actions (4 percent), likely environmental effects are not discussed; these have therefore been classified as "can't say" for the purpose of this review (**Figure V.1** (a)). The review found that, in too many cases, particularly when the task team concluded that no significant effect was likely, the analysis on which this assessment was based was not discussed in the Program Document.

The assessment by the independent reviewers confirms that the vast majority of prior actions are not likely to have significant environmental effects. According to the independent reviewers, 1,147 prior actions (83 percent of the total) are not likely to have significant environmental effects, 119 (9 percent) are likely to have significant positive effects, 16 (1 percent) are likely to have significant negative effects and 13 (1 percent) are likely to have both significant positive and negative effects. In addition, for 83 prior actions (6 percent) identification of likely effects was not possible due to insufficient information in the Program Document and thus are classified as "can't say" (**Figure V.1** (b)).

The prior actions with likely significant effects support policy and institutional reforms that are critical for growth and poverty reduction. Those that are likely to have significant positive effects include reforms related to water sanitation and flood protection, agriculture (including agricultural research), forestry, fishing, climate change, tourism and energy efficiency. Prior actions with likely significant negative effects (1 percent of all prior actions) are concentrated in the following areas: (i) agriculture, including input support programs, export development, irrigation and aquaculture development; (ii) oil and gas, including clearing arrears with natural gas developers, improving the policy framework governing petroleum concessions and the approval of natural gas policy; (iii) trade and competitiveness, including PPP laws and regulations on special economic zones; and (iv) infrastructure, including the design of labor-intensive public works programs. In each of these cases, even though there is a likelihood of adverse effects that could be attributed to the prior actions, the reforms measures were supported because of their criticality for growth and poverty reduction.

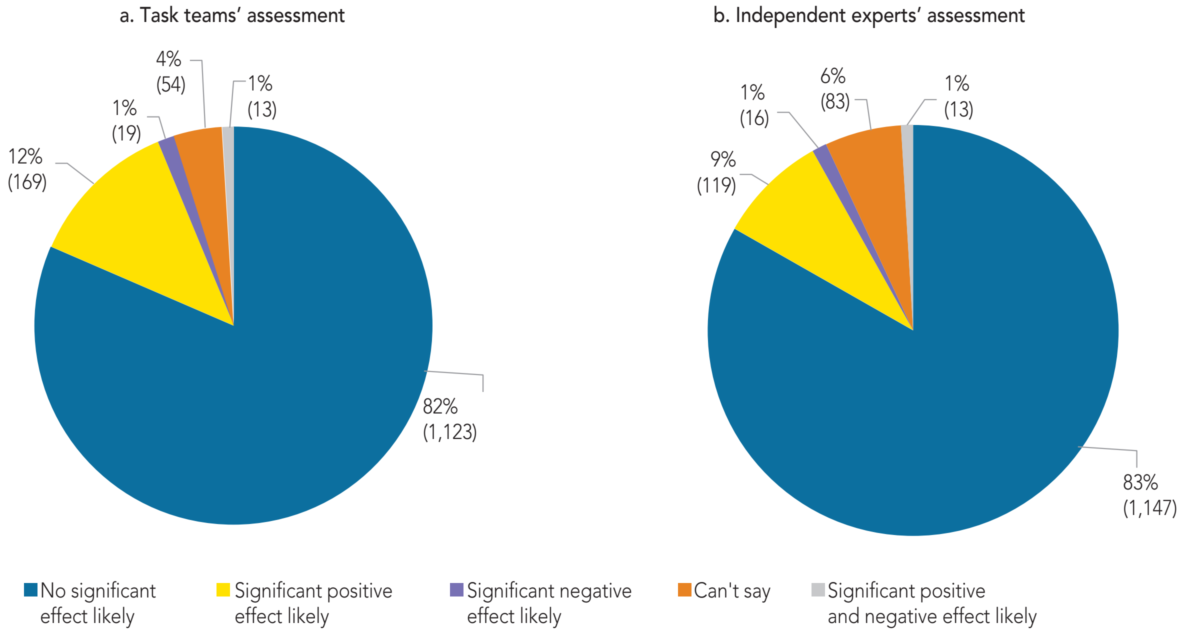
For only 6 percent of prior actions the Program Documents lacked sufficient information on the

[45] Assessing the Environmental, Forest and Other Natural Resource Aspects of Development Policy Lending (2008).

[46] Environmental and Natural Resource Aspects of Development Policy Lending (2004).

[47] The methodology and the preliminary findings were reviewed by external experts from three different think tanks/academic institutions.

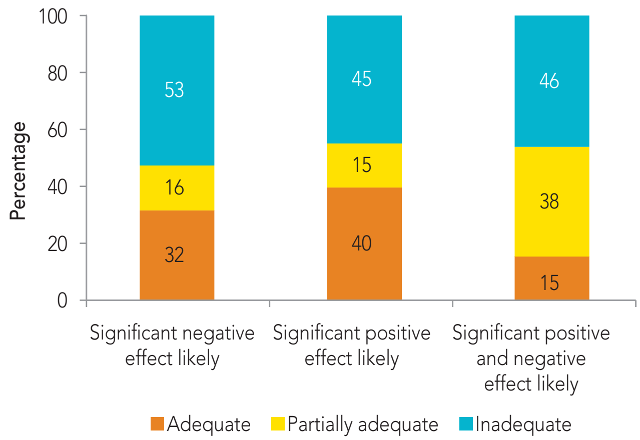
Figure V.1: Likely environmental effects of prior actions



likely positive or negative effects, suggesting that more analytical work should be conducted to inform the assessment. These prior actions fall into two groups, each accounting for half of these "can't says". The first group consists of prior actions that task teams identified as likely to have significant effects. In most of these cases, an analysis of only the *potential* positive or *potential* negative effect was carried out. These included the creation of laws such as a mining laws or petroleum laws, or policies aimed at promoting agriculture. For example, reforming the processes and institutions to ensure the availability of improved seeds or fertilizer is considered beneficial but can have negative effects depending upon the context. Intensifying agricultural practices may increase output as a result of which expanding the amount of land for agriculture may not be required, placing less pressure on forests. Yet, intensifying agriculture may require more fertilizers or increase irrigation, which can negatively impact water resources. More detailed information on the country context is needed in order to determine whether such effects are both likely and significant. The second group consists of prior actions that task teams expected to have no likely significant effects. In these cases, the independent reviewers found the potential for significant environmental effects, but could not make a clear assessment due to the lack of information on the nature of the prior action and the specific context. These prior actions include measures related to energy tariff increases and private sector development.

In more than half of the cases where significant (positive or negative) effects were identified, the Program Documents provide an adequate assessment. However, in 92 of the 201 cases (46 percent) where task teams identified significant (positive and/or negative) effects, there was no adequate explanation of the rationale for the assessment and the nature of the effects (**Figure V.2**). In one case, for example, a DPO included a prior action on the amendment of a Public Private Partnership (PPP) Law, and the Program Document stated that the promotion of PPPs could have significant effects if compliance with national laws and regulation was not ensured. There is no further explanation of *how* the specific modifications to the PPP Law could negatively affect the environment, or what the likelihood of non-compliance is. An adequate assessment, on the other hand, includes a clear analysis of the linkages between the policy reform and the environment. A good example is a prior action pertaining to the promotion of aquaculture. The discussion of the likely negative effects in the Program Document is clear and comprehensive: the cumulative impacts are

Figure V.2: Adequacy of the assessment of environmental effects



acknowledged and there is a description with examples on what the negative effects depend upon, namely (i) the species that are being cultivated, and (ii) the way in which they are being farmed.

Only few Program Documents explicitly refer to the use of analytical tools to inform the assessment. A variety of analytical work may inform task teams regarding environmental implications of policies supported by the operation. In only 10 cases did the Program Document establish a linkage to standard analytical studies such as an SEA or a CEA. More use of analytical tools, including SEAs, CEAs or other types of appropriate analysis, would help task teams strengthen the justification for the classification of prior actions.

When likely significant effects are identified, Program Documents generally provide an assessment of the adequacy of environmental management systems. The review found that this was the case for 15 of the 19 (79 percent) prior actions identified by the task teams to have likely significant negative effects, and for 9 out of 13 prior actions (69 percent) with likely significant positive and negative effects. The share is somewhat lower for prior actions with likely significant positive effects (100 prior actions, equivalent to 59 percent of the total). The client's systems and capacity to address significant effects must be taken into account in the assessment, as environmental and natural resource implications of policies depend to a large extent on contextual conditions ranging from the rule of law, enforcement of environmental regulations, transparency of environmental management, and the demand side of environmental governance. The likely environmental effects of prior actions cannot be adequately assessed in isolation from these factors. A prior action supporting the approval or modification of a PPP Law, for instance, may have likely significant negative effects in a country where implementation capacity is weak and there is inadequate enforcement of environmental due diligence associated with such operations; and may have no significant effects in another country where such capacity is strong and there is a good track record with environmental due diligence.

However, the assessments of such systems are not always sufficient. The independent reviewers

Box V.1: Colombia Second Programmatic Productive and Sustainable Cities Operation

This DPO supports actions related to urban development such as access to affordable housing, subsidies for household water and sanitation connections, creation of public spaces, and regional infrastructure concessions. An analysis of the environmental implications of individual prior actions is presented. The potential positive and negative effects including indirect effects are discussed linking the effects to the prior actions. The systems in place including the relevant legislation to ensure environmental management of the effects and mitigation measures to be taken are presented. For example, the Program Document describes the positive effects likely from road infrastructure concessions such as reduction in greenhouse gas emissions, improved connectivity and travel times. Measures to mitigate the potential risks such as the inclusion of environmental provisions in the bidding documents; distribution of responsibilities of all entities involved i.e. infrastructure agency, the concessionaire, and the environment agency; and a description of systems in place i.e. the licensing system, to manage the negative effects are provided.

Box V.2: Examples of the use of Country Environmental Assessment (CEA) and Policy Strategic Environmental Assessment (Policy SEA) in DPF

Armenia First Development Policy Operation. The DPO focuses on strengthening competitiveness and enhancing fiscal, social, and environmental sustainability. A Mining Law developed under the previous DPO series mandates environmental impact assessments (EIA). The Armenia CEA identified shortcomings in the environmental policy, which would affect the environmental management of mining operations. Thus, a prior action to strengthen the EIA legislation and enhance the implementation of the regulatory provisions concerning environmental and social issues in the mining sector was included in this DPO. Improvements to the EIA law will address specific issues related to the mining sector such as proper handling of waste, protection of water courses from industrial residue, prevention of land erosion and polluted floods in order to improve the livelihoods of mining communities.

Mozambique Second Climate Change Development Policy Operation. The DPO focuses on strengthening the national policy and institutional framework for climate resilient planning and strengthening climate resilience of sectors. An SEA was undertaken to inform the DPO series. It found that most of the DPO-supported reforms will likely result in either positive or not significant environmental effects. The analysis also identified possible instances where DPO supported reforms could induce indirect, negative environmental impacts, such as from the Renewable Energy Feed in Tariff that seeks to improve access to renewable energy. This could have site-specific negative effects and cumulative effects may result from investment in multiple small hydropower. In each case, investments "downstream" of policy reforms would be subject to environmental impact assessment under existing national legislation and regulations. To address the issue of cumulative impacts, a Decree on Strategic Environmental Assessment is being finalized by the Ministry for the Coordination of Environmental Affairs. The assessment of the country environmental management systems highlighted weak capacity; to address this, training in EIA and SEA to all sectors participating in the DPO series would be provided.

examined the adequacy of these assessments to see if they sufficiently analyzed the systems and capacity to manage the environmental effects. For assessments that were done for likely significant negative effects, only 3 (19 percent) were considered adequate. In the case of likely significant positive and negative effects, only 2 (22 percent) of the assessments conducted were found to be adequate. Assessments were better in the case of likely significant positive effects, with adequate assessments of systems in 42 of 100 cases (42 percent). Typically, a description of the national environmental agencies and a discussion of the environmental impact assessment legislation are provided. However, an adequate analysis of country systems includes a discussion of relevant policies as well as of the national environmental management capacity, including of the relevant sectors (such as agriculture or transport agencies) and lower levels of government, as appropriate. **Box V.1** highlights a good practice example.

There is limited use of analytical tools designed to analyze country systems to address environmental effects. Analytical works such as Policy Strategic Environmental Assessments (Policy SEAs) and Country Environmental Assessments (CEAs) can help assess the country systems for managing the effects of policy reforms and recommend specific capacity building and institutional strengthening actions. CEAs are meant to provide an analytical basis for DPOs aimed at environmental and sustainable development. Policy SEAs can be a useful tool for a wide range of policy actions. In many cases, policy actions can be improved by incorporating environmental considerations in their formulation and implementation. **Box V.2** showcases good practice examples of DPOs that build upon the findings of a CEA and an SEA.[48]

[48] See also Annex 4 for more information on the use of SEAs in DPF.

In addition, Program Documents do not consistently include a discussion of gaps in client systems or capacity. In the 19 cases where task teams assessed prior actions to have likely significant negative effects, policy and/or capacity gaps were identified for 12 prior actions (63 percent); for prior actions with likely significant positive and negative effects, such gaps were identified in 8 of the 13 cases (62 percent); and for prior actions with likely significant positive effects, in 68 out of 169 cases (40 percent). For all these prior actions where policy and/or capacity gaps in the country system to manage effects were identified, there was a description of measures to address gaps in 73 out of 88 cases (83 percent); most of these descriptions were deemed adequate by the independent reviewers. Some DPOs indicate forthcoming technical assistance from the World Bank or other development partners that will support strengthening of the systems. In other cases, the DPO itself includes a prior action designed to enhance the client's systems or capacity.

Social Aspects

Prior actions in DPOs are expected to have positive poverty and distributional effects in the medium to long run. The analysis of transmission channels describes a "line of sight" between prior actions and poverty reduction and shared prosperity (Chapter III). However, it is challenging to verify the extent to which such long-term impacts are attributable to DPF-supported reforms. A prior action's contribution to poverty reduction and shared prosperity will depend on many other factors, many of which are outside of the operation's control. Moreover, in some cases it is very difficult to attribute the impact of reforms across socio-economic groups, even in the short term.

This section analyzes the potential poverty and distributional effects that can be clearly attributed to the prior actions, in line with the requirements of OP8.60. The policy requires an assessment of whether prior actions are likely to have significant distributional effects, especially on poor and vulnerable groups. When significant effects are expected, the Program Document should summarize the analytic knowledge of these effects, identify who will be affected, how they will be affected, and discuss the borrower's systems for reducing adverse effects.

Methodology

A total of 1,378 prior actions, supported by165 DPOs approved during Q4FY12-Q2FY15, were screened for their likely poverty and distributional effects based on a set of consistent criteria. Close attention was paid to three types of actions: (i) a prior action marking a change in an existing policy, and hence likely to have winners and losers; (ii) a new policy with possible distributional effects, such as a new tax or tariff policy that increases the burden on certain groups; and (iii) a politically sensitive policy where evidence on the distributional effects is critical to avoid policy reversals. More details of this classification are provided in Annex 5. If significant effects were likely, a poverty and social impact assessment (PSIA) would normally be required.

Findings of the analysis

The vast majority of prior actions are not likely to have negative poverty and distributional effects. In the current Retrospective period, 80 percent of prior actions are not expected to have significant poverty and distributional effects, 16 percent are likely to have significant positive effects, and only 4 percent are likely to have significant negative effects. The relatively large number of prior actions categorized as "no significant effect likely" reflects the fact that welfare impacts on socio-economic groups cannot be attributable to that specific reform. For example, many actions refer to public financial management reforms for which the impacts cannot be directly linked to specific changes in household welfare. The shares for the 2012 Retrospective period were very similar, with slightly more prior actions likely to have significant positive effects in 2012, and fewer without significant effects.

PSIAs were conducted in almost three-quarters of cases where significant negative effects were judged likely.[49] From a total of 49 prior actions with likely negative effects, 36 undertook PSIAs, while 13 did not, amounting to 1 percent of all prior actions. Even though this reflects a significant improvement over the results of the 2012 Retrospective, where PSIAs were conducted in 54 percent

[49] Although a formal stand-alone piece was not required for meeting the requirement of containing a PSIA, objective evidence to support the distributional analysis was provided. In line with previous Retrospective exercises, when Program Documents contained claims of potential distributional impacts without being supported by evidence, the associated prior actions were not counted as having an underlying PSIA. See Annex 5.

Box V.3: Specific country examples

1. Morocco First Inclusive Green Growth Development Policy Operation (P127956). This DPO is expected to positively contribute to Morocco's sustainable development agenda. Actions supported by the operation aim to enhance environmental stewardship and are likely to lead to positive environmental outcomes. The prior actions are built on existing government priorities and enhance the government's ability to meet its green growth commitments.

To support the government's objective of establishing and growing new sectors in rural areas, a prior action to develop the aquaculture sector was introduced. This is expected to create new jobs and increase participation of women in the rural economy. As the objective is to create a significant number of jobs, the government is placing emphasis on extensive, rather than intensive aquaculture, with more importance to human resources than capital. However, based on the expected growth of the sector and its scale, analysis for the DPO determined that significant negative effects on the environment are likely. National legislation was deemed adequate to handle environmental impact assessment for individual fish farms, but concerns arose from the potential for cumulative impacts of large numbers farms operating, especially if in close proximity to one another and to other human and natural users of the coastal zone. Thus, the dialogue between the World Bank and the country counterparts focused on understanding the environmental implications of aquaculture expansion and efforts to manage the environmental effects of the sector.

As a result, the government formulated a two-tier procedure—conducting a Strategic Environmental Assessment (SEA) for the aquaculture sector and strengthening the environmental impact control framework through a specific Directive issued by the Ministry of Environment. The Directive is meant to complement the framework of the existing EIA Law by detailing specific procedures for environmental controls of aquaculture investments. The SEA was carried out, and based on the findings and in consultation with the World Bank, the national Directive is being formulated. In addition, the German Gesellschaft für International Zusammenarbeit (GIZ) has financed a manual for aquaculture investors to understand what an aquaculture EIA entails.

The ability to manage the potential negative effects from aquaculture activities arises from government ownership of the process and a recognition of the environmental risks involved in expanding the aquaculture sector, which has significant growth potential and supports national development priorities (i.e. job creation). The government recognized that adequate environmental oversight was key in minimizing the environmental risks and maximizing the beneficial effects associated with aquaculture. The DPO benefited from a diverse body of analytical and technical work and supporting work by other financial and technical partners. Through the close policy dialogue established as part of the DPO, the operation contributed to actions that will strengthen the environmental due diligence in the aquaculture sector.

2. Development Policy Operation to Promote Inclusive Green Growth and Sustainable Development in Himachal Pradesh, India (P124041 and P143032). The objective of this programmatic DPO series was to support a sub-set of the Government of Himachal Pradesh's (GoHP) plan in making a paradigm shift towards an environmentally sustainable model of economic growth. This was to be achieved by promoting the sustainable use of the State's natural resources—in particular its abundant water resources, forests and biodiversity. The actions supported by the DPO build upon extensive analytical work, particularly the Bank report on Himachal Pradesh, which provided a comprehensive environmental diagnostic, and lessons learnt from the fiscal DPO in HP. The DPO series focuses on a number of sectors such as hydropower, tourism, energy, irrigation and drainage, and information and communications sectors. All prior actions are expected to lead to positive outcomes.

(*continued* on next page)

Box V.3: Specific country examples (*continued*)

To support the Government of India's clean energy objectives, financing from the Clean Technology Fund (CTF) was leveraged. As the DPO series pertains to promoting green growth (including sustainable hydropower, through CTF funds), which is a longer-term goal, an innovative M&E system is being developed. Through the DPO engagement, the Bank has been helping the Department of Environment, Science and Technology / Aryabhatta Geo-Informatics and Space Application Centre team develop a Management Information System for the monitoring of the DPO results indicators during implementation and continuing after the closing date of the DPO. GoHP is committed to submitting quarterly reports until June 2017, well beyond the series' closing date in November 2014.

The targets of the DPO series were achieved, even exceeding some performance indicators. GoHP's high commitment and the federal government's strong support for the programmatic DPO series were important for the achievements. Furthermore, since the series included the first DPO using CTF resources, the client tried to demonstrate during the first operation how a DPO may induce transformational changes, which led to the program's strong performance.

Extensive technical assistance was provided by the Bank during implementation. The TA was critical to support prior actions, and to ensure the quality of policy formulation. The convening power of the Bank as a TA provider helped GoHP establish consensus and pull together a wide range of departments such as environment, energy, water, tourism and forest. A long experience of the client with Bank operations also helped in the success of the DPO. Typically, involving a large number of sectors in one DPO is a challenge, with success greatly depending on the client's experience and confidence. In this case, prior operational experiences in areas such as hydropower, budget support and watershed development were a valuable asset. This DPO series may be seen as GoHP's graduation from sectoral interventions, and stepping up to a more strategic engagement with the Bank.

(**Figure V.3**) of cases with likely significant negative effects, PSIA coverage remains inadequate.[50]

The analysis shows an overall increase in the share of PSIAs undertaken, although there remains room for further improvement. In the current Retrospective period, PSIAs were conducted for 73 percent of prior actions that were likely to have significant negative effects and for 46 percent of prior actions that were likely to have significant positive effects, compared to 54 and 16 percent, respectively, in the 2012 Retrospective. The increase in PSIAs for likely significant positive effects is particularly pronounced in the current Retrospective period, rising from 18.6 percent in FY12 to 66.7 percent in FY15 (**Figure V.4**).[51] The overall increase in the number of PSIAs reflects increasing attention given to the likely poverty and social effects of prior actions. Past Retrospectives (2006, 2009 and 2012) have stressed the importance of conducting upstream PSIAs and a number of measures have been put in place to ensure progress towards that goal.[52] As a result, there are more examples of upstream consideration of poverty and social impacts among the operations reviewed for this Retrospective compared to previous ones. However, continued attention is needed to ensure that PSIAs are

[50] The methodology used in the 2012 Retrospective assumed that whenever a DPF task team conducted a PSIA, it was because there was concern that the prior action could potentially have a negative impact. For this exercise, the likelihood of a prior action having a likely negative distributional impacts was assessed *independently* of whether a PSIA was done (see Annex 5 for details). To allow for comparability, all prior actions in the 2012 exercise were reviewed with the new approach.

[51] Data for FY15 includes first two quarters only.

[52] These measures included new training and tools for staff on how to use PSIA to inform DPOs and the establishment of a Multi-Donor Trust Fund to support PSIA work in the Bank and build capacity in countries to conduct their own PSIAs.

Figure V.3: Distribution of likely poverty and distributional effects

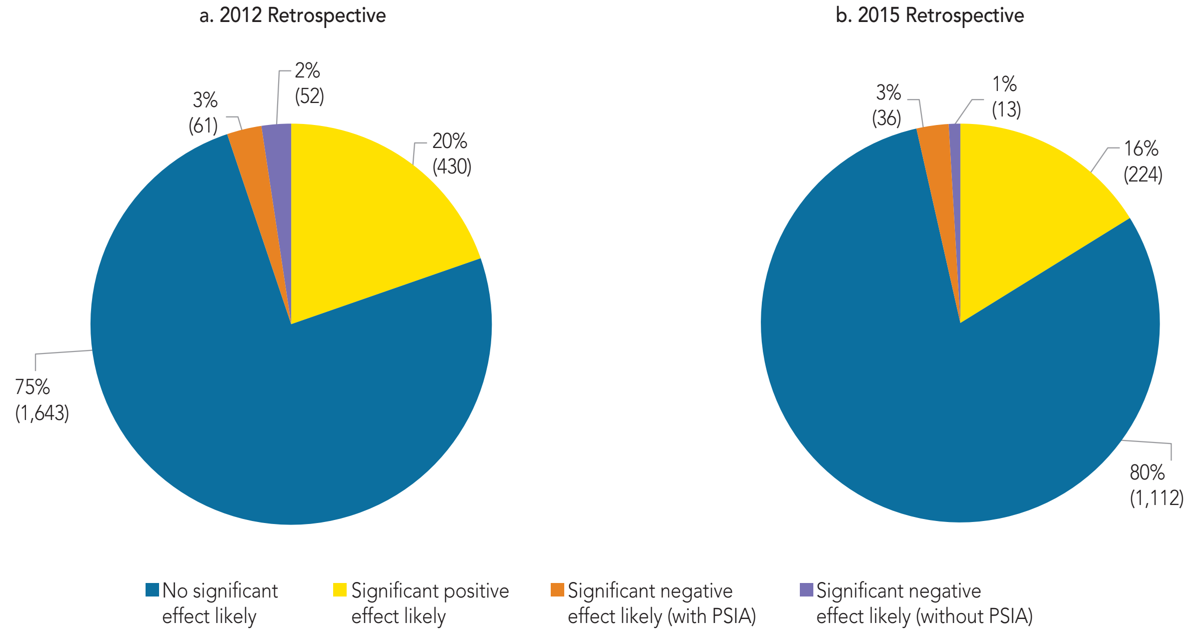
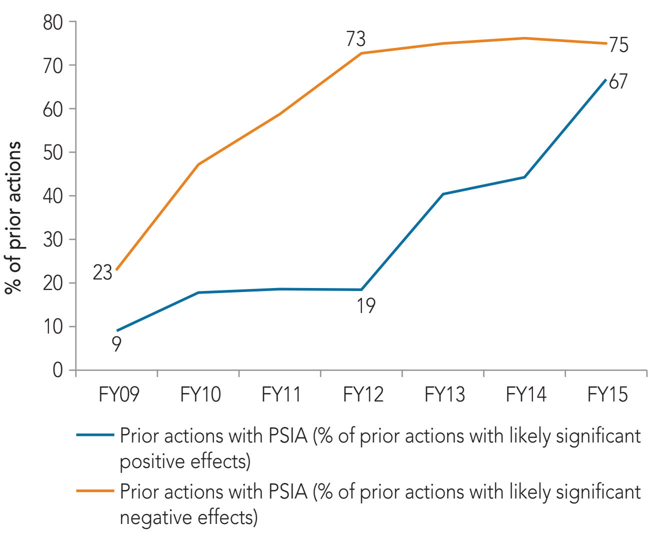


Figure V.4: PSIA coverage in cases of likely significant positive or negative effects (Q4FY09–Q2FY15)



conducted for all prior actions that are likely to have significant effects, especially negative ones.

For most cases where PSIAs were done, the Program Documents identified the vulnerable groups that were likely to be affected and discussed the borrower's systems to mitigate the negative effects and enhance positive ones as per OP 8.60. There were a total of 139 prior actions for which Program Documents contained PSIAs in the current Retrospective period. Among these, Program Documents identified no significant or significant positive effects in 103 instances and likely significant negative effects in 36 cases. Among the 36 cases with likely significant negative effects, the PSIAs conducted confirmed such effects in 20 cases (56 percent), while in the 16 other cases, the PSIA found no significant effects. In 15 out of the 20 cases where PSIAs found likely significant negative effects, the Program Documents discussed the borrower's systems and included mitigating measures in the design of reforms (**Box V.4**).

PSIAs are increasingly being done to better understand and enhance the transmission channels of reforms likely to have significant positive distributional effects. In nearly half of the instances where prior actions would likely have significant positive effects, PSIAs were undertaken to increase understanding and, when possible, to strengthen these positive effects through evidence that can influence the design of the prior action.

Box V.4: Good practice examples for mitigating negative effects of reforms

Vietnam's Power Sector Reform DPO in 2014 included a prior action to establish a methodology to determine annual retail electricity tariffs. The Program Document presented a series of alternative reform scenarios in the PSIA section, and found that the impact on poor households was going to be small, with electricity remaining affordable to all income groups. Moreover, the Program Document discussed the systems in place to mitigate those effects. First, households consuming less than 50 kWh per month were charged a lower tariff of 993 VND/kWh. Second, there was already a system through which poor households received a monthly direct cash transfer.

Similarly, **Albania's first Public Finance DPO** included a prior action to implement a flat rate for all non-metered household customers to improve electricity tariff collection. Although this action was necessary from a macroeconomic and fiscal sustainability point of view, it could have negative short-term effects on poor households, who are more likely to report they do not have an electricity meter. To mitigate this potential social risk, the Program Document noted that the Albanian government would provide energy subsidies to poor and vulnerable households through direct social assistance transfers, which would reimburse eligible households (poor households, families without incomes, retired people, and civil servants with low wages) for the difference between the new and the previous tariff.

Box V.5: Managing environmental and social risk in DPF – an IEG perspective

IEG prepared a Learning Product (2015) intended to identify opportunities to improve the management of environmental and social risks in DPF. The Learning Product confirmed that the majority of prior actions do not pose environmental or social risks, and that—among those cases where risks do exist—there are many examples of good practice in managing such risks. However, the Learning Product also found that (i) task teams do not always adequately identify environmental and social risks; (ii) there are shortcomings in the assessment of clients' capacity to manage these risks; (iii) the analytical basis for task teams' assessments varies in scope and quality; and (iv) Program Documents rarely discuss the consultation and participation arrangements regarding the analysis of poverty and social impacts as well as of environmental effects. Among the reasons for these deficiencies, the learning product identifies weaknesses in staff guidance, including the lack of a clear definition of "likely significant effects"; a lack of formal procedures and inconsistent practices in the review of environmental and social aspects that affect incentives for compliance; and insufficient monitoring and evaluation of social and environmental effects following Board approval of an operation.

Based on this assessment, the Learning Product suggests that the implementation of OP8.60 could be strengthened through a number of measures, including: (i) the inclusion of specific procedures regarding environmental and social risk in BP8.60; (ii) a more systematic and rigorous upstream screening of prior actions for social and environmental effects; (iii) updates to staff guidance regarding the adequate identification of likely effects, assessment of the client's capacity, analysis of gaps in country risk management systems and consultations with civil society; (iv) stronger requirements to avoid the earmarking of DPF resources for specific purposes; (v) improved training for staff working on DPF; (vi) better monitoring and evaluation of environmental and social effects in DPF, including through the ICR and ICR Review; and (vii) extension of the timeframe in which an Inspection Panel case against DPF can be brought forward.

Source: IEG (forthcoming). Learning Product on Managing Environmental and Social Risks in Development Policy Financing.

Furthermore, it is important to also judge DPO reforms on whether they are addressing key challenges to improving livelihoods in the medium to long term. Combining the results of the approach used in Chapter 3 to identify the expected transmission channels to poverty reduction and shared prosperity in the medium to long run with the analysis conducted in this section, we find that prior actions classified as having likely negative effects are most often related to measures aimed at strengthening macroeconomic management through fiscal policies and/or improving the functioning of energy markets. These prior actions typically involve increases in taxes or energy tariffs which could potentially affect poor and vulnerable households in the short term, but are necessary for the long run objectives of ensuring sustainable growth, poverty reduction and shared prosperity. Other instances of prior actions with likely negative effects include reforms in pension systems, tax and customs administration, labor markets, or trade policy, all of which trade off some potential short-term adverse impacts for long-term gains (see Annex 3). Given the higher likelihood of short-term distributional impacts of these types of reforms, PSIA has a key role to play in terms of assessing the nature and incidence of these impacts and identifying ways to mitigate them among affected groups.

Economic Aspects

All DPOs are embedded in a sustainable medium-term macroeconomic policy program. OP 8.60 requires that DPF be undertaken only when the country's macroeconomic policy framework is assessed by Bank staff to be adequate. Adequacy is not assessed in a static sense, but in relation to the Government's implementation of and commitment to a *consistent, sustainable, and credible* policy framework. This entails an assessment of the internal *consistency* of the policy framework; the *sustainability* of macroeconomic policies and/or their outcomes; and the *credibility* of the Government plans, including a track record of policy implementation or having a credible commitment to sound macroeconomic policies. The adequacy of the macroeconomic policy framework is to be assessed notwithstanding the presence of ongoing programs by the International Monetary Fund (IMF), other international financial institutions, regional development banks or donors. While the presence of an IMF program is usually a relevant consideration in this determination, the Bank staff retains responsibility for its financing decisions. If there is no IMF arrangement in place, Bank staff determine, before making their own assessment, whether the IMF has any major outstanding concerns about the adequacy of the country's macroeconomic policies.[53]

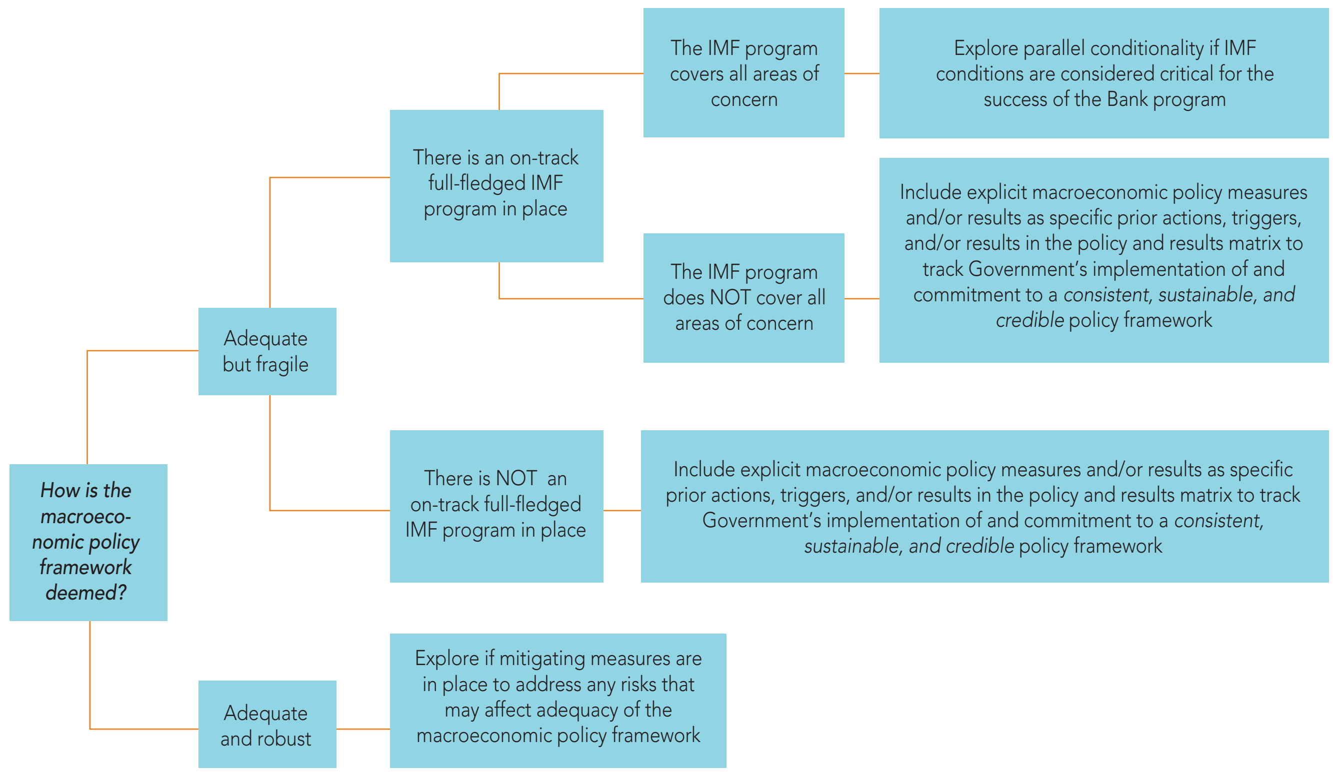
An adequate macroeconomic policy framework is required regardless of the type of reforms supported by the DPO. DPF always finances the general government budget of a Member Country. Thus, even if a DPO is sector-specific in its policy focus (e.g., urban policy, education, health, or agriculture), it requires the same level of scrutiny on the adequacy of the macroeconomic policy framework as a broad-based operation supporting macroeconomic stability.

Many DPOs include measures to further strengthen the macroeconomic policy framework. When deemed necessary to the success of the DPO or to mitigate serious risks to the accomplishment of the program's expected outcomes, explicit macroeconomic policy measures or results may be included as specific prior actions, triggers, and/or results in the policy and results matrix of the DPO. There may be circumstances under which the Bank may want to include parallel conditionality if IMF conditions are considered critical for the success of the Bank program. This is particularly important when the Bank may be called upon to use its financial resources in support of an international coalition in the context of financial crises, including sovereign debt restructuring.[54] **Figure V.5** represents the organizing framework to help determine the need for considering explicit macroeconomic policy measures as part of prior actions, triggers, and/or results in the policy and results matrix of the DPO.

53 Issues relevant to the adequacy of the macroeconomic policy framework raised by the IMF are communicated to Executive Directors through the IMF's "Fund Relations Note" attached as an annex in the Bank's Program Document.

54 DPF can help to catalyze a process of debt restructuring but the proceeds of DPF flow only after a comprehensive, orderly, and adequate sovereign debt restructuring agreement has been reached (completed) at the policy level, including in line with the IMF's policies and practice on sovereign debt restructuring (including as regards to the provisions of non-tolerance of un-resolved arrears to official bilateral or multilateral creditors). In this regard, staff coordinate with the IMF, the Paris Club, and other organizations, as appropriate, to achieve a concerted action in these situations.

Figure V.5: Assessment of the adequacy of the macroeconomic policy framework



A review of the Program Documents for all DPOs in the current Retrospective period suggests that progress has been made in a number of key areas since the last Retrospective in 2012. Overall, the quality of the discussion of the macroeconomic policy framework is good, and this finding was confirmed by a recent IEG learning product (**Box V.6**). Improvements have been made in the provision of more detailed information at aggregate levels. Yet some unevenness remains, particularly in the discussion on structural and cyclical components of the macroeconomic variables. For instance, the discussion of the composition of public expenditures and revenues is the most frequent weakness identified by this review (19 percent of all cases). It is followed by limited information provided on a country's macroeconomic outlook, projections of macroeconomic variables or the underlying assumptions (16 percent). The discussion of monetary and exchange rate policy and assessment of external sustainability (15 percent) as well as the discussion on fiscal sustainability, including debt sustainability analysis (14 percent), are other areas that require strengthening. In other areas, the weakness identified by this review are sporadic, including financial sector (5 percent), growth drivers and sectoral discussion (5 percent), and contingent liabilities from local governments and public enterprises (3 percent).

The issuance of the revised Guidance Note in 2013 has contributed to these improvements. A comparison between DPOs approved before and after the introduction of the new Guidance Note on the macroeconomic policy framework suggests that significant improvements have been made on the discussion of monetary and exchange policy and external sustainability followed by the country's macroeconomic outlook, projections of macroeconomic variables or the underlying assumptions. However, the overall quality of these discussions will be further improved as the new guidance is fully absorbed by the teams.

Using the World Bank's Country Policy and Institutional Assessment's cluster A as a measure of the adequacy of the macroeconomic framework, the

Box V.6: The quality of macro-fiscal frameworks in DPF – an IEG perspective

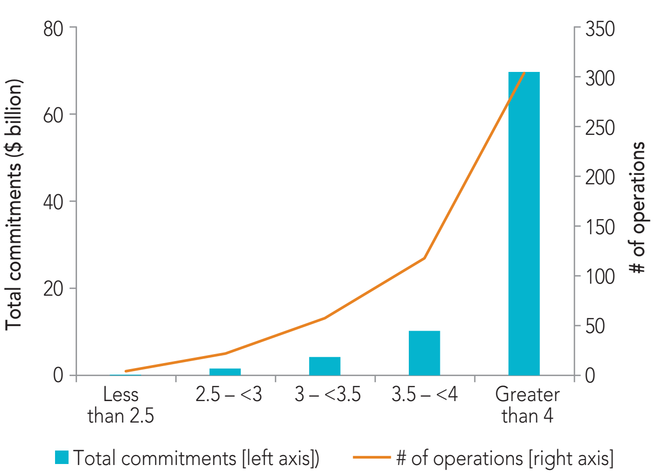
The analysis conducted for the IEG learning product found that the consistency of the macro-fiscal frameworks (e.g. completeness of the macroeconomic framework, realism, coherence between macro-fiscal objectives and fiscal measures, and debt sustainability analysis) was solid (adequate or better) for the majority of operations reviewed, and there has been a steady and significant increase in quality over time. In 22 percent of operations scored modest, IEG identified weaknesses in one important area of the macro-fiscal framework. In a very small number of operations (4 percent), IEG identified either significant weaknesses or limited treatment of the macro-fiscal framework.

Based on 15 case studies, the following good practices were identified:

- Macro-fiscal objectives should have clearly articulated measures that are realistic and tailored to the main challenges. Whether or not these measures should be included as prior actions is a matter of judgment;
- A strong track record in macro-fiscal management is important. This can be linked to higher credibility of the macroeconomic framework;
- Collaboration with the IMF is important. When presenting a credible and consistent macro framework, most operations relied on the Fund's analysis, including DSA;
- If the track record is poor and there is no IMF program, this should be a "yellow flag" in terms of the quality of the macro-fiscal framework. In those cases, the burden of proof increases on the Bank to demonstrate that the framework is of sufficient consistency, credibility and sustainability;
- Accompanying the DPO with sufficient diagnostic work, NLTA and AAA (especially PERs) seems to pay off. Stronger macro-fiscal frameworks were found in countries with more diagnostic work prior to the operation.

Source: IEG (forthcoming). The Quality of Macro-Fiscal Frameworks in Development Policy Operations.

Figure V.6: Total commitments and number of operations by CPIA cluster A scores

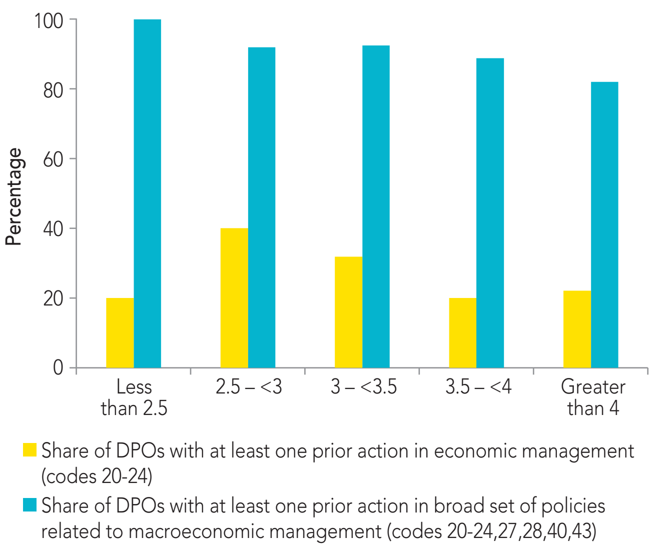


quantitative analysis supports the conclusions of the qualitative review. The analysis suggests that countries with sound macroeconomic policy frameworks tend to have more DPOs both in terms of numbers and in terms of volumes. More than 80 percent of the 578 DPOs[55] reviewed for this analysis were in countries with CPIA scores at or above 3.5 in cluster A (economic management). These operations account for more than 90 percent of total commitments.

The number of prior actions supporting macroeconomic policy reforms tend to be higher in countries with more fragile macroeconomic

[55] Of the 599 operations approved between FY05 and Q2FY15 (corresponding to the years 2004–2014 for which CPIA data is available), 578 had a CPIA rating in the year of approval.

Figure V.7: DPOs with economic policy prior actions, by CPIA score (cluster A)



policy and institutional environment. This is a confirmation that teams accompany DPOs with prior actions on macroeconomic policy measures to mitigate risks stemming from fragile macroeconomic environments. In about one-third of the 100 DPOs approved for countries with CPIA cluster A scores below 3.5, there was at least one explicit prior action in the narrowly defined macroeconomic management area.[56] When additional policy areas relevant to economic management were considered[57], the presence of prior actions in these areas was found in more than in 90 percent of the cases. In the remaining countries where economic policy management was deemed appropriate (CPIA cluster A at or above 3.5), prior actions to support economic management policies still represented 22 percent of the cases (Figure V.21). While this picture over fiscal years is very similar, it is worth noting that after the financial crisis there was an increase of DPOs without economic management-related prior actions in countries with a score above 4 in CPIA cluster A. Possible explanations include the reduction of macroeconomic imbalances and hence the reduced need for explicit prior actions to support macroeconomic policy measures.

DPOs for IDA countries at higher risks of debt distress tend to include prior actions related to fiscal sustainability. Using the IDA traffic light system as a measure of fiscal sustainability, quantitative analysis suggests an even distribution of DPOs across IDA countries with different levels of debt distress. About one-third of 212 DPOs financed by IDA between FY2006 and FY2014 were in countries with high levels of debt distress as defined in the traffic light system. In these countries, 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. Since FY10, all DPOs to IDA countries at high levels of debt distress included at last one such prior action.

Consultations and Analytical Underpinnings

Consultations and Participation

The Bank advises borrowing countries to consult with key stakeholders and engage their participation in the process of formulating the country's development strategy. For a DPO, the country is expected to draw on this process of strategy formulation to determine the form and extent of consultations and participation in preparing, implementing, and monitoring and evaluating the operation. The Program Document is expected to describe the country's arrangements for consultations and the outcomes of the participatory process that was used to formulate the reform program supported by the operation. In addition, the Bank is expected to make available relevant analytic work on poverty and social impacts and on environmental aspects.

Virtually all DPOs reviewed in this Retrospective discussed the country's consultative and participatory processes used in the formulation of the operation. However, less than half of the Program Documents described the outcomes of these processes, making it difficult to assess to what extent the feedback that was gathered had an impact on the policy design. Likewise, the share of Program Documents stating that the Bank's analytic work on poverty and social impacts and

[56] Theme codes on Economic Management: Analysis of Economic Growth (20), Debt Management and Fiscal Sustainability (21), Economic Statistics, Modeling and Forecasting (22), Macroeconomic Management (23) and Other Economic Management (24).

[57] Theme codes on Public Expenditure, Financial Management and Procurement (27), Tax Policy and Administration (28), Regulation and Competition Policy (40) and State-Owned Enterprise Restructuring and Privatization (43).

Box V.7: Linkage between PERs and DPOs – an IEG perspective

The learning product finds that there is a solid degree of timeliness, availability and thematic overlap as well as integration between PER knowledge and DPOs. There is also evidence of continuity of policy dialogue from PERs to DPOs in many cases. The review found that 68 percent of all DPOs were preceded by a PER within four years of the DPO's effectiveness. By country, 73 percent of all countries that benefited from a DPO also had a PER. PERs inform DPOs largely in the areas of public sector governance, followed by social development and human development. There may be a potential opportunity to intensify engagement on public expenditures at the subnational level, both as part of the knowledge and policy dialogue and as a contribution to future DPO development.

Good practice examples show a continuity of policy dialogue from PER to DPO, with DPO design directly and explicitly using PER policy recommendations in prior actions. These DPOs typically also have better IEG ratings. Examples include the following:

- **Romania Financial Management and Social Protection DPO series** (three operations, closed in FY2011): PERs in 2006 and 2010. Findings of the PERs were directly used in the DPO series. For instance, the DPO series supported administrative action (DPO1) as well as legislation (DPO2) on the medium-term expenditure framework (MTEF) and parliamentary approval of the MTEF (DPO3). The PER also recommended reforms of public sector wages; demand-based allocation of teachers; and pension reforms.
- **Peru Fiscal Management and Competitiveness DPO series** (four operations, closed in FY2011) represents a case of well-timed PERs, well integrated into the series. PERs were conducted in 2002 and 2007, and there was also a host of other ESW including a PEFA in 2009. These analytical products provided the basis for the policy dialogue on PFM and fiscal transparency, among other issues. Overall, the lesson is that a substantial amount of timely and good analytical work can form the basis for successfully designed DPOs with robust links in the results framework and strong implementation.

Source: IEG (forthcoming). How Does Knowledge on Public Expenditures Integrate with the Design of Development Policy Operations?

environmental effects was made public and/or benefited from stakeholder consultations remains low.

Analytical Underpinnings

Relevant analytical work is critical in supporting policy dialogue with the client. Such work may not always be prepared by the Bank, but sometimes the client or other parties. OP8.60 requires that a DPO draw on relevant analytical work on the country, and that the Program Document describe the main pieces of analytical work used in the preparation of the operation and show how they are linked to the proposed development policy program.

The discussion of how the reforms supported by DPOs have been informed by analytical work has been strengthened. During this Retrospective period, all Program Documents include sections on the analytical underpinnings of prior actions. Since the introduction of the new DPF template in October 2013, over 90 percent of Program Documents also include a dedicated table showing how analytical work informed each prior action. Public Expenditure Reviews (PERs) have long been one of the most important analytical products to inform the reform content of DPF. A recent IEG learning product examined the linkages between PERs and DPOs (**Box V.7)**.

REFORMS

Operational Policy Framework on Guarantees

In December 2013, the Board approved reforms to the World Bank's operational policy framework on guarantees, which became effective on July 1, 2014.[58] The reforms included the mainstreaming of guarantees into the operational policy for IPF (in the case of project-based guarantees) and DPF (in the case of policy-based guarantees). As a result, guarantees are no longer treated as a separate instrument, but rather as an alternative source of financing for investment projects or development policy operations. All types of guarantees are now available to IDA countries under certain fiscal considerations.[59]

The choice between a development policy loan and a PBG is informed by a number of factors, and should ultimately be based on the Member Country's debt management objectives. Maturity and pricing of Bank loans (such as DPLs) are more favorable than those of the commercial financing guaranteed by PBGs. On the other hand, PBGs can help mobilize commercial debt leading to a greater leverage.[60] The credit coverage of PBGs is used to protect against debt service defaults on a specified portion of debt, regardless the cause of default. PBGs are meant to be partial guarantees and can be structured flexibly to cover debt obligations of commercial debt, such as: (i) market loans, (ii) public bond issuances, or (iii) privately placed securities. The choice of overall structure and features of the PBG will depend on the intended objectives of the Member Country (i.e., securing higher amounts of financing, improving maturity terms or pricing, or gaining or regaining market access), as well as the characteristics of the debt to be secured.

Since 2005, seven PBGs have been approved by the Board, many of them in the ECA region. The Private and Financial Sector PBG for Serbia (FY11) was critical in helping the country access the international markets and, thereby, diversify its financing sources and reduce roll-over risk in the public debt portfolio. It helped achieve a longer tenor and lowered the borrowing costs by an estimated 450 basis points. The country has since then raised over US$5 billion in commercial funding of its own. Following the Serbian example, PBGs were subsequently approved for FYR of Macedonia (2), Montenegro and Albania. But PBGs are not only relevant in ECA: African countries are beginning to take up the use of the instrument, as shown by the recent Board approval of the Angola Fiscal Management Programmatic DPF (including a loan and a PBG, FY15) and the Ghana Macroeconomic Stability for Competitiveness and Growth PBG (including a credit and a PBG FY15) (**Table V1.1**).

Framework for Risk Management in Operations

On October 1, 2014, the Bank launched the Systematic Operations Risk-rating Tool (SORT), following the recommendation of the 2012 Retrospective to strengthen risk assessments in DPOs. The new tool:

58 "Enhancing the World Bank's Operational Policy Framework on Guarantees". Approved by the Board in December 2014.

59 The first IDA PBG was approved in June 2015 to Ghana, a country at high risk of debt distress. The PBG would assist Ghana to address its debt sustainability issues by allowing it to refinance existing debt at favorable terms without increasing its total stock of debt.

60 For example, they can: (i) help member countries gain (or re-gain) market access; (ii) establish a track record in financial markets; and (iii) secure higher amounts of financing if significant leverage is attained. The extent to which Bank resources are deployed in a way that supports the mobilization of commercial financing (in other words, the "leverage" achieved by the PBG) is essential in the decision making and needs to be weighed against the more favorable maturity and pricing of Bank loans in the context of the Member Country's debt management objectives.

Table V1.1: PBGs approved by the Board since 2005

Country	Approval FY	Amount raised	Amount guaranteed	Benefits
Processed under OP14.25				
Serbia	FY11	€292.6 million	€292.6 million	First international access and doubling of tenor
FYR of Macedonia	FY12	€130 million	€100 million	Capital markets access despite Greek crisis
Montenegro	FY12	€100 million	€60 million	Leveraged significant volume when appetite was low
FYR of Macedonia	FY13	€250 million	€155 million	Leveraged volume, diversified sources through distribution
Processed under OP8.60				
Albania	FY15	€250 million	€200 million	Maturity extension and cost reduction
Angola	FY15		$200	Improved terms, including longer tenor and reduced rates
Ghana	FY15		$400	Refinance existing debt at more favorable terms

(i) systematically and consistently rates risks of operational and country engagements in all regions and across all operations (IPF and DPF, and soon to be extended to PforR[61]); (ii) helps focus management attention on high and substantial risk operations and on particular risks within operations during implementation; and (iii) provides a light but systematic and contestable way of identifying the appropriate level of corporate review process and any need for Board discussion. The SORT also applies to Country Partnership Frameworks (CPF), in order to focus management attention on high risk CPFs during preparation and implementation, to better link risk management at the country program level with risk management at the operational level, and to establish risk management as an integral part of country engagement. The SORT covers risks during both the preparation and the implementation stages, in an integrated manner, and is updated throughout the life of the operation/CPF.

The SORT is a simple matrix, consisting of nine risk categories and an overall risk assessment. The risks to be assessed in the SORT are defined as the client's risks to development results associated with the operation or operational engagement. The risk assessment in the context of Bank activities should therefore consider two types of risk: (i) risks to achieving the intended (positive) results as per the Program/Project Development Objectives (PDO) of the operations, or the Country Partnership Objectives in the case of CPFs; and (ii) risks of adverse unintended (negative) consequences to the client flowing from the operational engagement, including risks to the resources, people, and environment, even where these do not disrupt the achievement of the development objectives.

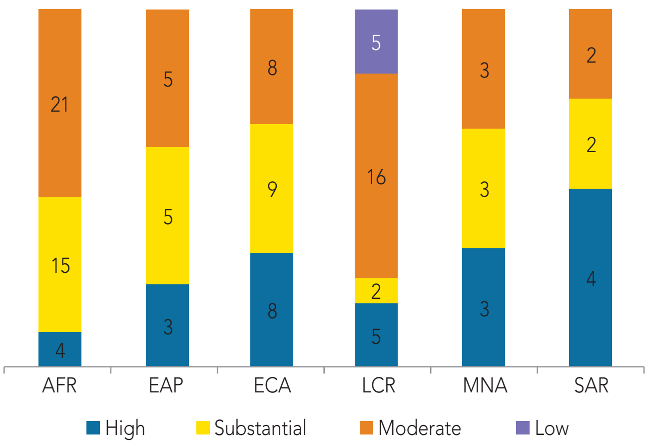
Preliminary data suggests differences in the risk profile of DPOs in different regions and different client segments. Based on data from 123 operations that included an overall risk rating (including some recent DPOs that used SORT), DPOs in South Asia are, on average, considered to be of higher risk than DPOs in other regions. All regions have at least some DPOs rated as high risk, although the share is particularly low in Africa, where all but four DPOs included in the sample are rated either moderate or low risk (**Figure V1.1**). Disaggregated by client segment, DPOs in IDA countries have, on average, a higher risk rating than those in IBRD countries. However, the inclusion of an "overall risk" rating in Program Documents is still recent, and SORT was only introduced in October 2014. The quality of risk assessments will continue to improve as teams develop more practice and experience with the new tool over time.

Development Policy Financing with Deferred Drawdown Option and Catastrophic Risk Option

From 2008 to March 2015, 15 DPOs with DDO (and a supplemental financing operation) and 11 DPOs

61 Implementation for PforR will start in FY16.

Figure VI.1: Distribution of overall DPO risk ratings by region



Note: Based on 123 DPOs, approved between April 2012 and July 2015, that had an "overall risk" rating.

with Cat DDO were approved by the Board.[62] Given that DPOs with DDO can be active for 6 years and DPOs with Cat DDO can be active up to 15 years,[63] this Retrospective has distilled lessons from the first ICRs and IEG evaluations of these options.[64] Despite the limited evaluations, the GPs involved in the preparation of these operations, as well Bank clients, already have relevant views on and lessons from the operations prepared.

For the 15 operations and the supplemental financing operation noted above, some 40 percent of the DPOs with DDO were drawn down within one year of effectiveness. Others remained undrawn for significantly longer than one year, and, in a number of instances, some remained partially undrawn even into the second 3-year drawdown period.

Since the introduction of the Cat DDO in 2008, 11 operations have been approved, of which 4 remain undrawn and 3 were partially drawn.[65] Of the 7 DPOs with Cat DDO that reached the time of renewal, 3 were renewed and 4 closed (these operations had already disbursed), while no country has yet chosen to use the revolving feature. Colombia opted for closing and requesting a new DPO, rather than using the revolving feature, because of legislative reasons. According to the ICRs[66], reasons for not using this feature include lack of budgetary resources to prepay the loan, unwillingness to pay the prepayment premium, and possible misunderstanding of the financial implications of the IBRD flexible loan conversion features. In addition, it is possible that the introduction of the maturity premium could have led to a disincentive in the use of the revolving feature.[67]

Financing from DPOs with Cat DDO aim to support a country's bridge financing following a natural disaster. As a result, it may disburse even if the macroeconomic framework is not adequate (unlike other DPOs). For that reason, the loan amount is limited to 0.25 percent of a country's GDP or $500 million, whichever is smaller. Most loan amounts are near the maximum allowed under policy, that is, close to 0.25 percent of GDP. In the case of the Seychelles, a waiver was obtained to exceed the 0.25 percent limit (enabling the borrower to access roughly twice that amount as a share of GDP). Given that this limit can be considered too stringent for small island economies, the Board approved a waiver for the loan to Seychelles to go beyond that limit.[68]

All DPOs with Cat DDO focused on reforms to enhance the government's capacity to implement its disaster risk management programs. All of the

62 For a detailed review of the changes to the DDO feature introduced in 2008, see the 2012 Retrospective.

63 DPOs with DDO can defer drawdown up to three years and can be renewed one time. DPOs with Cat DDO can defer drawdown up to three years and be renewed four times. The DDO option is only available to IBRD borrowers.

64 Of the 15 DPOs with DDO, 8 have been evaluated by the Bank and IEG. Of the 10 DPOs with Cat DDO, only 2 have been evaluated.

65 The drawdown is available only if a pre-specified trigger linked to a natural catastrophe—typically the Member Country's declaration of a state of emergency—has been met (OP8.60 paragraph 22).

66 Implementation and Completion Results Report to the Government of Colombia for a Disaster Risk Management DPO with Cat DDO, Report No. ICR2275; and Implementation and Completion Results Report to the Government of Guatemala for a Disaster Risk Management DPO with Cat DDO, Report No: ICR2500

67 In 2010, the Bank introduced maturity premia for loans with average maturities exceeding 12 years to account for the cost of the incremental capital needed for the longer maturities. The prepayment premium is based on the original, as opposed to the remaining loan maturity. This means that, even if all the pricing elements remain the same, the mere passage of time leads to a prepayment premium if the client elects to prepay.

68 The volume limit for small states is considered on a case-by-case basis.

Table V1.2: DPOs with DDO and Cat DDO approved to date

Project ID	Country	Board date	Loan amount ($ million)[a]	% disbursed[b]	Closing date	Project ID	Country	Board date	Loan amount ($ million)	% disbursed[b]	Closing date
P105029	Colombia	4/8/2008	550	100%	6/30/2011	P111926	Costa Rica	9/16/08	65	52%	10/30/17
P110849	Mexico	4/8/2008	501	100%	5/30/2011	P113084	Colombia	12/18/08	150	100%	1/31/12
P101590	Peru	8/5/2008	370	100%	8/5/2014	P112544	Guatemala	4/14/09	85	100%	8/31/12
P102160	Bulgaria	11/4/2008	150	100%	12/31/2011	P120860	Peru	12/9/10	100	0%	12/9/16
P115120	Peru	12/18/2008	330	100%	1/16/2015	P122640	El Salvador	2/1/11	50	100%	8/31/14
P106724	Uruguay	2/3/2009	400	100%	1/22/2012	P125943	Philippines	9/13/11	500	100%	10/31/14
P101471	Peru	2/17/2009	330	6%	9/8/2015	P122738	Panama	10/18/11	66	0%	11/30/17
P115199	Indonesia	3/3/2009	2,000	0%	12/31/2010	P126583	Colombia	7/10/12	250	0%	7/10/18
P112369	Mauritius	3/31/2009	100	100%	12/31/2011	P147454	Sri Lanka	4/22/14	102	0%	5/31/17
P101177	Peru	4/9/2009	330	6%	9/8/2015	P148861	Seychelles	9/26/2014	7	0%	9/30/17
P115173	Costa Rica	4/30/2009	500	100%	9/15/2010	P14983	Peru	1/20/15	400	0%	3/12/18
P123242	Uruguay	10/25/2011	260	0%	6/25/2018						
P130048	Indonesia	5/15/2012	2,000	0%	12/31/2015						
P130051	Romania	6/12/2012	1,333	100%	12/31/2015						
P131440	Uruguay	11/13/2012	260	0%	6/30/2016						
P151007	Paraguay	3/18/2015	100	0%	12/31/2017						
Total comm.			**9,514**			**Total comm.**			**1,775**		

Note: (a) Original loan amounts to Bulgaria and Romania were in Euros, while loan amount to Mauritius was a basket of US$, Euros and GBP. (b) Disbursement data as of 7/31/2015.

countries which have been supported by DPOs with a Cat DDO have since been taking a more proactive approach to disaster risk management focusing on disaster prevention, preparedness, and mitigation. Given that these countries have been subject to numerous natural disasters in the past, the Program Documents also highlighted how existing arrangements managed to deal with previous natural disasters. Such past experiences have exposed some weaknesses in the disaster management framework.

A number of operational issues have emerged that should be addressed. One of these issues is the duration for DPOs with Cat DDO. Given that, thus far, most Borrowers have chosen to either not renew the operations or renew only once before full drawdown, consideration could be given to allow for one renewal, as in a regular DDO. In addition, given the apparent lack of interest in the revolving feature, consideration could be given to either extinguish it or reconsider some financial features.

The volume limit on DPOs with DDO presents some constraints. DPOs with Cat DDO can currently have the duration of up to 15 years, so the extent to which the loan can provide adequate bridge financing can be expected to diminish over time. Given that there is currently no mechanism by which the loan amount can be augmented, some consideration could be given to allowing a Cat DDO, at renewal, to be "topped up" to account for space in the country's exposure limits that come from economic growth and initial "underutilization", without necessitating the preparation of a new operation. In addition, the $500 million upper limit was set 5 years ago, when the feature was introduced. This suggests that the limit may need a revision.

Monitoring and evaluation arrangements require clarification for DPOs with DDO and Cat DDO. Given that a DPO with DDO and Cat DDO can have the duration of 6 and 15 years, respectively, the preparation of an ICR 12 months after the closing of the operation is of limited learning value. In addition, the determination of the target date for the results indicators in the policy and results matrix creates great uncertainty, given that teams do not know whether the operation will be active for 3 or 15 years (in the case of DPO with Cat DDO). Given that results have been typically specified for the end of the first drawdown period, one possible approach could be to separate the evaluation of the operation from the financial feature, which enables resources to be available for a more extended period. That is, to determine that the preparation of the ICR be completed at the end of the first drawdown period, or upon completion of the series, if the DPO with DDO or Cat DDO are first or intermediate operations in a series.

The use of DPOs with Cat DDO has thus far been restricted to seismic and hydro-meteorological events. Much discussion has emerged, particularly with the Ebola outbreak, on whether the Cat DDO could not support responses to other natural disasters, beyond seismic or hydro-meteorological events. While the policy does not prescribe the interpretation of "natural", clarification of this matter could be useful and may allow for the expansion of the dialogue for other natural disasters.

RECOMMENDATIONS

Overarching measures

Although DPF is generally a well-performing instrument, there remains room for further improvement. Intensified efforts could be made in the joint work of Bank teams and country authorities to improve the consistency, or "line of sight", between the reforms agreed and the results intended, striking the right balance between realism and ambition. In addition, eliminating the weaker prior actions, particularly at the later stages of programmatic series, may help to have more action-oriented reform packages that can deliver results.

DPF performance can be further improved through corporate support and TTL accreditation. In light of the importance of task team leader skills for the success of DPOs, there is consensus on the need to have well-trained leaders at the helm of these operations. Further training, including mandatory accreditation for staff leading DPOs, could help in fostering task team leader skills.

Risk assessment and risk management within DPOs need continued attention. The complete roll out of the SORT for all new DPOs (as well as those under implementation and requiring an ISR) will facilitate the consistent identification of risks. The mandatory nature of SORT will be clarified in DPF procedures, and the ratings will be publicly disclosed in accordance with the Bank's Access to Information Policy.

Measures to modernize DPF options

Rules governing the use of DPOs with DDO and Cat DDO should be updated. The following options could be reviewed:

- Limit the number of renewals for DPOs with Cat DDO to only once rather than up to four times (just like a regular DDO) and review the terms and conditions of the revolving feature;
- Allow for a "top up" and changes to the program at renewal and raise the $500 million limit for DPOs with Cat DDO;
- Separate the timeframe for program evaluation from the lifespan of the financial option for DPOs with DDO and Cat DDO; and
- Clarify the definition of "natural disasters" which may trigger a Cat DDO disbursement.

Measures to strengthen implementation of environmental and social requirements

OP8.60 has appropriate provisions for ensuring that social and environmental requirements in DPFs are adequately addressed. This notwithstanding, there is need to strengthen supporting arrangements designed to help teams implement the requirements of OP8.60 for the few prior actions with likely significant negative poverty/social or environmental effects. The proposed measures include:

- Conduct a comprehensive revision of staff guidance on environmental effects, which will entail a thorough revision of the existing toolkit and staff guidance on assessing potential environmental effects of DPF-supported prior actions. The revised guidance will also be incorporated into the DPF Academy and other relevant training events;
- Introduce a new mandatory screening table on environmental and social effects in DPF Program Documents. This will ensure and facilitate a more systematic and transparent screening of prior actions for likely social and environmental effects;
- Further support social and environmental analyses by supporting pilot approaches to analyzing social and environmental effects and disseminating good practices;
- Strengthen the internal review processes for environmental and social effects in corporate

reviews by enhancing OPCS in-house capacity to undertake due diligence reviews of social and environmental effects; and

- Strengthen the focus on social and environmental side effects in program evaluations within agreed boundaries of responsibilities. This will entail identifying ways in which ICRs could better account for any social or environmental effects of DPF-supported policies that may occur between Board approval and completion reporting.

ANNEXES

ANNEX 1: CHOICE OF FINANCING INSTRUMENT

The Country Partnership Framework provides a strong strategic vehicle for the WBG and its borrowers to decide on the right combination of instruments (both lending and non-lending) to support the CPF objectives. This decision on the adequate mix of instruments is based on the country's development objectives, development challenges, implementation capacity risks and economic cycles, among others. The CPF lays out the development objectives that WBG interventions expect to help the country achieve and the attendant program of indicative WBG interventions, including the combination of instruments to deliver CPF objectives. Making the right choice requires clarity about the operation's objectives and a good understanding of country and sector conditions[1] as different instruments respond differently to development challenges and do play complementary roles in their contribution to the country's development goals. The Bank has three types of financing instruments, all of which (i) have defined development objectives and results; (ii) support capacity building in various ways; and (iii) ensure appropriate approaches to governance, fiduciary, environmental and social risks (Table A1.1).

1. Investment Project Financing (IPF) provides financing in the form of IBRD loans or guarantees, or IDA credits, grants or guarantees to governments and can be extended to a member country, or to local authorities and state-owned enterprises with a member country guarantee. IPF finances activities aimed at creating the physical or social infrastructure necessary to reduce poverty, share prosperity and create sustainable development. IPF may finance activities or expenditures that are considered to be of a productive purpose and necessary to meet the development objectives of the project. IPF disburses the proceeds of Bank financing against eligible expenditures. It is subject to specific procurement, financial management, and environmental and social safeguards policies and guidelines.

2. Development Policy Financing (DPF) provides financing in the form of IBRD loans or guarantees, or IDA credits, grants or guarantees and finances the general budget of the government or a political subdivision. DPF can be extended to national governments and political subdivisions, with a sovereign guarantee. The maintenance of an adequate macroeconomic policy framework is a key requirement, as well as an appropriate treatment of fiduciary, environmental and social risks. DPF helps the borrower achieve sustainable, shared growth and poverty reduction through critical policy and institutional actions within a medium-term reform program. While there is a strong focus on results, DPF disburses against prior actions completed by the borrower, rather than against inputs or results indicators.

3. Program for Results (PforR) Financing is the newest of the Bank's lending instruments. It has been recently added to the menu of the World Bank's development financing instruments and supports government programs or sub-program(s) by disbursing against previously agreed and verified results. PforR finances and supports programs at the sectoral or sub-sectoral, national or sub-national level. Disbursement takes place against the achievement of program results, not inputs or policy actions.

[1] 2001 Annual Review of Development Effectiveness.

Table A1.1: Financial Instruments and policy requirements

Instrument	Fiduciary requirements	Environmental & social requirements	Unique features
IPF	Stand-alone policy on procurement OP11.00[a] Financial management: embedded in OP10.00	Stand-alone policies on environmental and social safeguards (Ops 4.00, 4.01, 4.02, 4.03, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60)	Environmental and social requirements cover physical footprint.
DPF	Embedded in OP8.60	Embedded in OP8.60	Environmental and social requirements cover government policies supported by DPF.
PforR	Embedded in Bank Policy – Program for Results Financing	Embedded in Bank Policy – Program for Results Financing	Environmental and social requirements cover broad government programs; focus is therefore on strengthening government systems. Programs with significant environmental and social impact are excluded from PforR.

[a] OP11.00 will be replaced by a new Bank Policy effective January 2016.

ANNEX 2: ASSESSMENT OF FIDUCIARY RISKS IN DPF

In reviewing fiduciary arrangements for DPOs, the Bank focuses on the borrower's overall use of foreign exchange and budget resources. The Bank normally disburses the DPF proceeds into an account that forms part of the country's official foreign exchange reserves normally held by the country's Central Bank. Bank staff review the IMF's most recent safeguard assessment of the Central Bank.[2] When the assessment shows that the control environment of the Central Bank is satisfactory, or reveals issues for which the borrower has agreed to take remedial actions that are monitored by the IMF, the Bank takes no further action.

The review of the discussion of the borrower's foreign exchange control environment reveals that in 113 DPOs (68 percent of the total) it was noted that the IMF safeguard assessment had taken place. 44 DPOs in 17 countries (27 percent) mentioned that no IMF safeguard assessment had been conducted. All of these either demonstrated knowledge of the environment through alternative sources or retained the right to audit the deposit account or both. Finally, eight DPOs (5 percent) did not mention whether the IMF safeguard assessment had taken place. Of these, one retained the right to audit the deposit account, and four required audit of the deposit account.

Most DPOs addressed the essential elements of the disbursement arrangements. 52 percent of DPOs identified additional fiduciary arrangements: all these operations required a dedicated deposit account, and 75 percent retained the right to audit the foreign exchange account into which funds are deposited. For 56 percent of these, the right to audit appeared to be justified based on weaknesses in the fiduciary environment. But justification was not clearly documented for the remaining 44 percent (or 17 of all DPOs), and in some of these cases such additional requirements may not actually be necessary. Out of 16 DPOs that required an audit, audit reports were received for four DPOs, all of which contained an unmodified (clean) audit opinion; 5 audit reports were overdue; and seven audit reports were not yet due.

No absolute threshold is established as a minimum for governance standards for DPOs. Instead, the policy prescribes a risk-based approach. OP8.60 requires that teams take the country's policy and institutional framework, including governance, into account in deciding whether to proceed with a DPO, in determining the volume of the operation, and in designing the program focus and content.

Most DPOs summarized PFM system weaknesses and identified reforms that demonstrated the government's commitment to reform. However, the depth of the discussion varied with the nature of the DPO. DPOs with PFM prior actions were generally thorough and comprehensive while DPOs without crosscutting PFM prior actions accorded less discussion to PFM system issues. Almost one-half of the DPOs provided overall fiduciary risk rating as part of the PFM narrative.[3]

[2] The IMF safeguard assessment reports are confidential documents. IMF shares these reports with the Bank on the condition that "… the report will not, either in whole or in part, be quoted from, cited, or used in publications." However, Bank staff can reference IMF staff reports, which are routinely published.

[3] Starting October 1, 2014, task teams began the use of a new Systematic Operations Risk-rating Tool (SORT) for assessing risks in Bank operations, including DPOs, which requires mandatory rating for risks including fiduciary risk. Until October 1, 2014 there was no requirement for explicit rating for fiduciary risks in DPOs.

ANNEX 3: CONCEPTUAL FRAMEWORK POVERTY AND SHARED PROSPERITY DIAGNOSTIC

The analysis uses a hybrid framework, combining the Hausman, Rodrik and Velasco (2005) growth diagnostics methodology with the Bussolo and Lopez-Calva (2014) assets-based framework. Following Dixit (2007), we do not use the Hausman-Rodrik-Velasco framework as a decision tree, but rather as a way to organize and discipline the analysis by identifying the range of possible constraints and drivers.

The Hausman, Rodrick and Velasco (2005) growth diagnostic is a top down approach. Motivated by a simplified growth model, the framework sets out several types of distortions. In a balanced growth path, the rate at which the economy grows is a function of the difference between the expected return to asset accumulation and the cost of those assets as seen by the private agents which are accumulating those assets. The greater the gap between the expected returns to asset accumulation and acquisition cost, the greater the investment effort.

To focus on the ability of the bottom 40 percent to latch on to the growth process, this top-down approach is combined with the principles of the Bussolo and Lopez-Calva assets framework. The Bussolo/Lopez-Calva framework postulates that the incomes of the bottom 40 percent depend on the level of assets—human, physical, financial, social and natural capital—that people own and accumulate; the intensity with which they are used, and the returns associated to those assets. The method aims to consider the constraints as well as facilitating factors to asset accumulation and their use. These have a direct impact on the income generation capacity of all households in an economy, but particularly on the poor and those belonging to the bottom 40 percent of the income distribution.

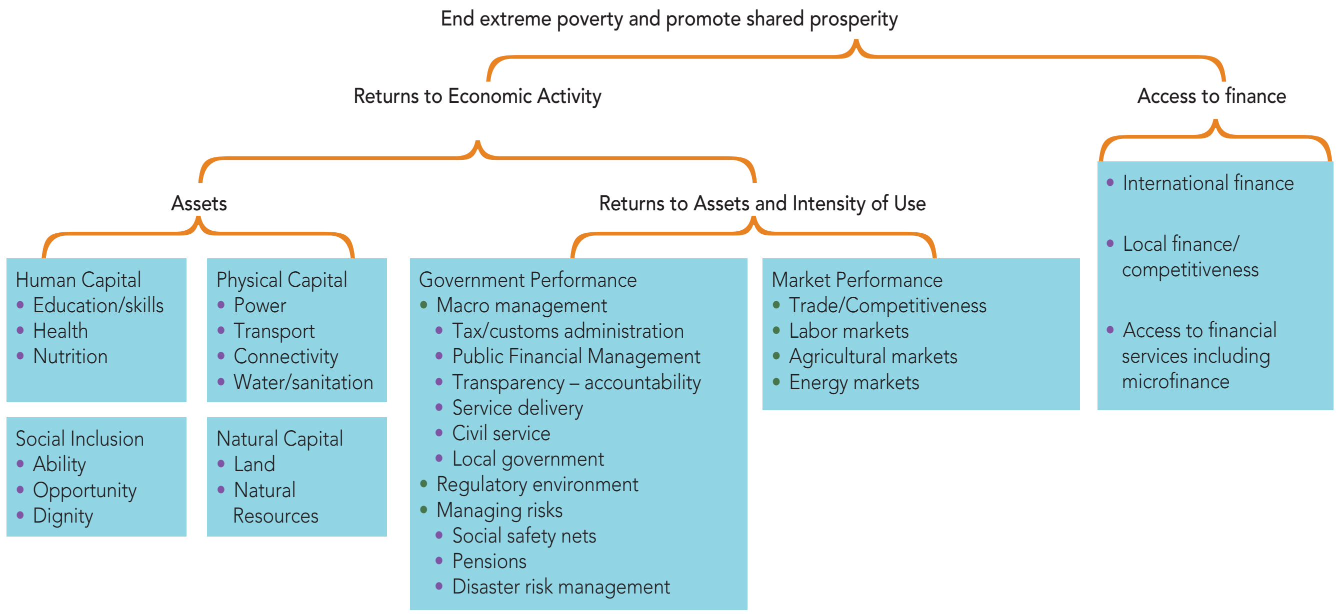
The framework uses the concepts in the growth diagnostics and assets approach as a way to organize and discipline the analysis of potential transmission channels to poverty reduction and shared prosperity. The range of factors considered come from the concepts in growth diagnostics and assets-based framework. Each prior action is classified according to its policy content and its likely transmission channel to ensuring poverty reduction and income growth of the bottom 40 percent (see Figure A3.1). Specifically,

a. Using the top-down approach of the growth diagnostics, private investment needed to spur growth will not take place either if there are low returns to those investments or if there is a high cost of finance. Low returns to investment occur either because there are low human and infrastructure assets or because the returns to investment have low appropriability due to government or market failures.
b. Using the bottom-up assets approach, in addition to focusing on the assets of the bottom of the distribution, four fundamental policy areas are highlighted: (1) Equitable, efficient and sustainable fiscal policy and macroeconomic stability; (2) Fair and transparent institutions capable of delivering quality basic services; (3) Well-functioning markets, and; (4) Adequate risk management at the macro and household levels. These areas are seen as critical in determining both how intensely the poor can use the assets that they have, and what returns they obtain in doing so.

The top-down and the bottom-up approach are combined to form a single set of potential transmission mechanisms. Specifically, assets include natural capital and social inclusion[4] in addition to human and physical capital typically considered under the standard growth diagnostic. Macro management, government effectiveness and risk management are grouped as part

[4] Social inclusion is defined as the process of improving the ability, opportunity, and dignity of people, disadvantaged on the basis of their identity, to take part in society.

Figure A3.1. Transmission mechanisms



of the aspects related to government performance, akin to the concept of macro or micro government failures in the growth diagnostic. This leaves market performance as an alternative reason for low returns to assets or low intensity of use, either because there are information or coordination externalities, or because there are other market imperfections that inhibit the poor from using and profiting from markets. Finally, the high cost or access to finance could constrain firms and households from investing and growing, with important implications for the corporate goals.

Prior actions are classified as belonging to any of these areas, indicating the transmission channel that is expected to lead to poverty reduction and shared prosperity. In some cases, prior actions have multiple transition channels. For example, new legislation could enhance both the regulatory environment and improve trade and competitiveness (see Table A3.1). As a result, the sum of the transmission channels is higher than the sum of the prior actions being evaluated.

Table A3.1: Poverty and shared prosperity diagnostic protocol for classification of transmission channels to medium- and long-term impacts

Assets	Human Capital			• Any law, regulation or other policy that impacts the provision or quality of health or education • Scholarship programs or vocational training • Prior actions that affect nutrition
	Physical Capital			• Prior Actions impacting roads or other infrastructure • Prior Actions affecting sanitation • Subsidies intended for the purchase of new agricultural devices.
	Social Inclusion			• Establishment of social programs addressing the needs of excluded groups, e.g., people with disabilities, victims of violence, indigenous people • Any laws, regulations or policies that impact the quality of services provided to excluded groups (e.g., cultural sensitization of service providers) • Legislation and policies aimed at eliminating discrimination and ensuring equal rights and opportunities for excluded groups (e.g., Afro-descendants, Roma, ethnic minorities, women)
	Natural Capital			• Regulations affecting fisheries • Prior actions that affect mining • Regulations or actions affecting land use • Environmental regulations • Anything pertaining to water resources management that is not specifically about sanitation
Returns to Assets	Government Performance	Macro Management	Monetary	• Decisions affecting the financial sector, banks • Regulations and changes made to protect against financial crises • Regulations regarding financial institutions
			Trade/ external	• Regulations improving ease of exporting goods abroad • Policies related to trade and exports • Changes in quotas
			Fiscal	• Improvements in SOEs related to management, profitability or efficiency. • Changes to limits on borrowing • Fiscal policy decisions or discussions • Decisions related to increasing tax revenues, whether: increasing taxes, implementing new taxes, or policies designed to make it more difficult to evade taxes • Passing of fiscal laws
		Government effectiveness	Tax / customs administra-tion	• Any prior actions that involves altering administration of taxes or customs tariffs. • Actions aimed at clamping down on tax evasion (these also affect accountability)
			Public Financial Manage-ment & Procure-ment	• Includes prior actions concerning Public Investment Management (manuals etc.) • Debt Management • Policies affecting the budget that are not simply budget publications • Any prior action related to procurement practices • Consolidation of Treasury Accounts • Prior actions related to International Public Sector Accounting Standards (IPSAS)

(*continued* on next page)

Table A3.1: Poverty and shared prosperity diagnostic protocol for classification of transmission channels to medium- and long-term impacts (*continued*)

Returns to Assets	Government Performance	Government effectiveness	Gover-nance & account-ability	• Includes prior actions related to EITI (Extractive Industries Transparency Initiative). • Asset declaration, budget publication or prior actions in any way intended to reduce corruption and/or promote transparency/accountability. • Some prior actions, involve both PFM and Governance & Accountability because they aim at budget formulation and transparency. • Prior actions aimed at Anti-Money Laundering
			Service delivery	• Establishment of single points of access to municipal and/or federal services to the population. • Improving the quality of the judicial system • Open data initiatives • Actions aimed at improving teacher and curriculum quality. Linked to human capital in this way • Establishment of new agencies, such as the "Sub-Secretariat of Policies for Women" (P147695) • Prior actions that improve the quality of a public service such as bus route or road infrastructure improvements • Improving emergency response performance • Improvements in national statistics • Creation of commercial courts • Development of performance based utility contracts • DOES NOT include improved targeting mechanisms for social services
			Civil Service Reform	• Changes in civil service recruitment of dismissal policies • Changes to civil service retirement schemes (also affects pensions) • Changes in civil service job classification.
			Local Gov-ernments	• Any prior action that affects municipal or regional governments. Actions taken by municipal governments themselves that do not directly affect the mode of governance ARE NOT categorized as local government.
		Regulatory Environment		• Submission of a law to Parliament • Enactment of a law • Issuing an ordinance • Draft law introduced or discussed • Changes in how something is formally regulated or decisions about regulations • Modifications to a legal or regulatory framework
		SP & Risk Management	DRM – natural disaster	• Includes crop insurance Prior Actions • Legal or other policy framework adjustments related to climate change. National climate change strategies frequently occur. • Prior actions aimed at reducing the vulnerability to climate related disasters for at-risk areas.
			Pension systems	• Any prior action that is specifically about pensions. Pensions have their own category and DO NOT come under safety nets as below.
			Safety nets	• Prior actions concerning unemployment benefits • Changing of eligibility criteria or targeting mechanism for various benefits • Prior actions involving cash transfers

(*continued* on next page)

Table A3.1: Poverty and shared prosperity diagnostic protocol for classification of transmission channels to medium- and long-term impacts (*continued*)

Returns to Assets	MKT Performance	Trade and competitiveness	• Decisions made to improve quality of goods to export quality • Increase in services available to help businesses grow • Improved regulations on health and safety of workforce • Decrease in number of days/procedures to register a business • Improvement in electricity/connectivity/infrastructure for businesses • Decrease in cost to register a business • Improved ease of closing failing businesses • Staffing decisions to increase capacity for business inspections and regulation/monitoring • Laws to improve standards for businesses • Alternative dispute resolution for businesses • Decisions related to Public private partnerships • Laws related to intellectual property • Decisions related to firm bankruptcy • Policies for economic development /strengthening the country's economy • Laws related to entrepreneurship • Decisions to reduce wait time for customs • Decisions related to privatization of firms • Decisions related to credit bureau and credit institutions • Participation in international trade fairs
		Labor markets	• Decisions related to informal/formal employment • Decisions related to surveys and other labor force data • Decisions related to vocational training providers • Active labor market programs • Provision of employment counseling • Monitoring and evaluation of employment policies and programs • Policies to promote employment of vulnerable groups • Policies and laws regarding childcare to promote return to employment • Employment registries • National qualifications frameworks • Job matching for the unemployed • Decisions related to employment generation
		Agricultural markets	• Changes in pricing of agricultural goods/products • Changes in subsidies for production of agricultural goods/ products • Decisions related to compensation/work conditions for agricultural workers • Irrigation • Access to markets and infrastructure • Improved knowledge of market prices or policies that facilitate fairer prices for agricultural products • Policies and decisions that affect the Ministry of Agriculture (or similarly named ministries) • Policies and decisions regarding slaughterhouses, milk/dairy, and meat production • Decisions related to assisting small-scale farmers • Agriculture insurance • Protection for seasonal agricultural workers • Funding for or policies related to Plant testing and Agricultural research • Food safety policies • Decisions related to Land management for state-owned agricultural land

(*continued* on next page)

Table A3.1: Poverty and shared prosperity diagnostic protocol for classification of transmission channels to medium- and long-term impacts (*continued*)

Returns to Assets	MKT Performance	Energy markets	• Changes in pricing of energy • Analysis on effects of energy tariffs • Energy subsidies for low-income users • Decisions around coordination, M&E in the Ministry of Energy (or similarly named ministries) • Policies/decisions and staffing changes made by state-owned energy companies • Energy efficiency in buildings • Changes in subsidies for energy • Decisions related to producing energy • Research and development of new/additional sources of energy • Decisions around meter testing • Energy policies • Settlement of government debts for energy utilization • Energy regulation
Access to Finance	Access to international finance		• Laws or policies related to improving conditions for foreign direct investment • Anti-money laundering and anti-terrorism financing regulations • Adoption of international accounting standards • Strengthening/introduction of credit bureaus • Changes to tax code that affect conditions for foreign direct investment
	Local finance competitiveness		• Decisions related to improving availability of financing • Improve farmers' access to local finance • Regulations for the banking sector • Strategic audits of local financial institutions • Laws related to Deposit and Credit Guarantee Trust • Laws related to banking licenses • Improvements of governance and standard operating procedures for banks • Provision of payment services and e-money products by the banks • Decisions to consolidate banks to make stronger financial institutions • Modernization of the framework for private equity and venture capital • Decisions related to Risk management
	Access to financial services		• Decisions related to providing microinsurance, microfinance, savings, microcredit, and other financial services for SMEs • Financial literacy initiatives • Provision of smaller minimum savings accounts • Improvements in record-keeping for all collateral and leasing arrangements • Specific initiatives to support microfinance for vulnerable groups

Source: World Bank.

ANNEX 4: ASSESSING ENVIRONMENT, FOREST AND NATURAL RESOURCE ASPECTS IN DEVELOPMENT POLICY FINANCING AS PER OP8.60

Background

The Operations Policy (OP8.60) on Development Policy Financing (DPF) requires that the Bank systematically analyze 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.

[5]For policies with likely significant effects, OP8.60 requires the Bank to assess the Country's systems for reducing adverse effects and enhancing positive effects, drawing on relevant country-level or sectoral environmental analysis. Therefore, as part of all development policy operations, the team is required to:

1. Determine if specific country policies supported by the DPO are likely to have "significant effects" on the environment, forests and other natural resources;
2. If the answer to the above is yes, assess country's environmental and natural resources management systems to determine whether there are appropriate policies and capacity to handle potential effects; and
3. If there are material gaps in country's systems and/or capacity, describe actions which will be undertaken by the borrower within or outside of the operation to address these gaps.

The Bank has to make an initial assessment at the concept stage for each prior action supported by the operation. If it is deemed at this stage that there will be no "significant" positive or negative effect, then the team does not have to do additional work (see Figure A4.1). If the Bank finds that there will be "significant" negative effects emanating from a prior action, then it has to make an assessment of the country's systems in the areas relevant to those reforms using relevant analytical work, such as a Country Environment Analysis or sectoral environmental analysis (Policy Strategic Environment Assessments), and/or professional judgment.[6] In case a specific Bank analytical work is not available, the team should use similar information available in the country and analyses by other donors. If gaps in the analysis or in the environmental management systems are identified, the team should ascertain the measures that the government plans to undertake to address those gaps and include their description in the Program Document. The teams should also describe measures to enhance positive effects. Figure A4.1 presents the decision tree that teams should follow to comply with the requirements of OP8.60.

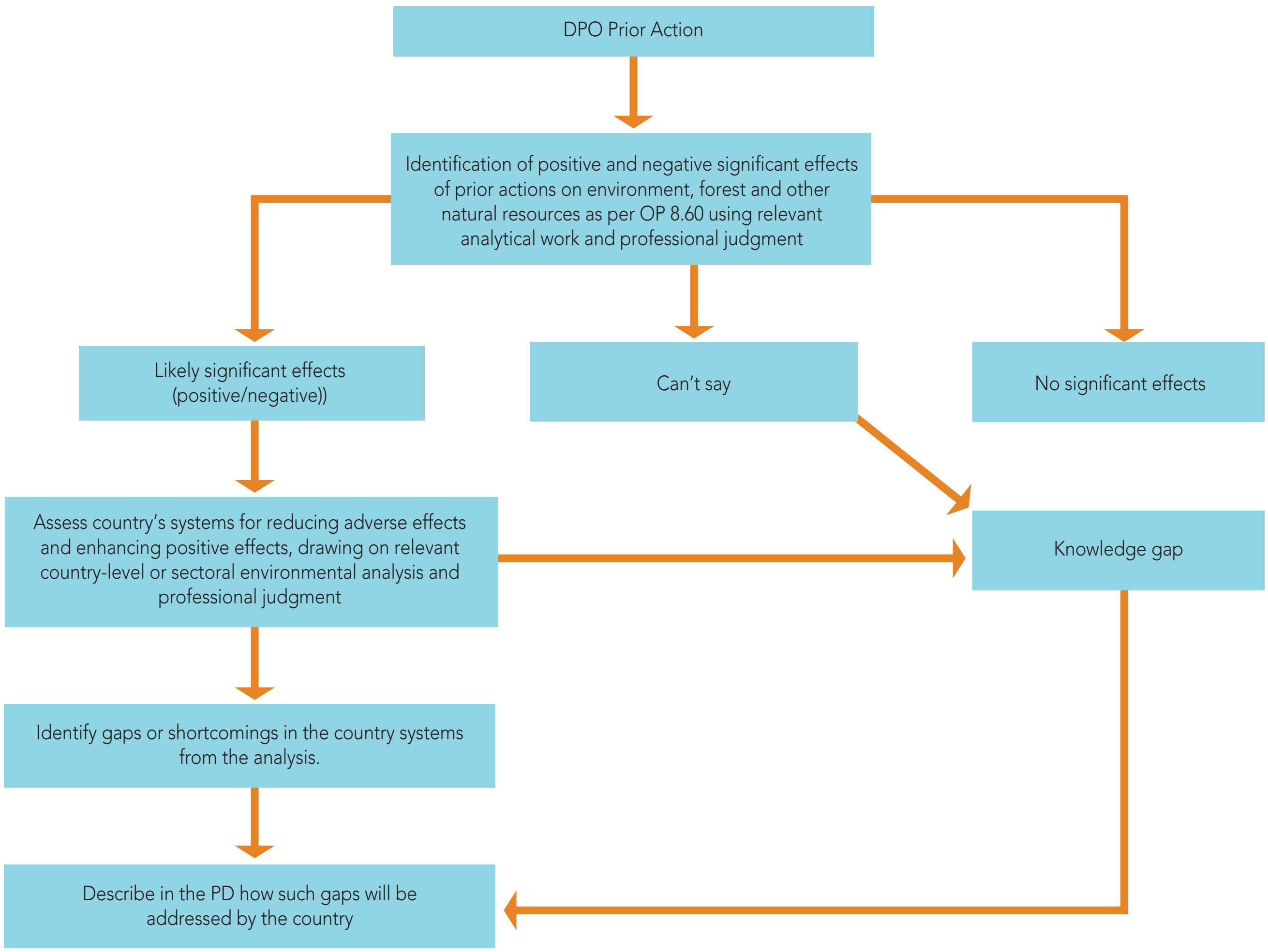
Scope of work

A Bank team of independent reviewers (environmental policy specialists and environmental economists) carried out a detailed analysis (desk review) of all prior actions supported by DPF in the three-year period under review. During this period, 165 DPOs were approved by the Board, supporting a total of 1,378 prior actions.

[5] *Environmental effects* mean a policy-induced change in human activity that in turn leads to a change in the quantity or quality of an environmental resource (for example, loss of forest cover or habitat, or a change in the concentration of pollutants in air, soil or water). *Significant effects* are environmental changes of sufficient magnitude, duration and intensity as to have non-negligible effects on human welfare (OPCS, 2005).

[6] Borrower's or country systems broadly refers to the capacity underlying the policy and institutional framework to identify and address environmental problems/priorities in an effective manner taking into account concerns of stakeholders (including the most vulnerable groups). It also embodies processes to adequately monitor and evaluate progress to overcome these problems. This could also include private initiatives/mechanisms for promoting sustainable development (OPCS, 2005).

Figure A4.1. Requirements of OP8.60 regarding the assessment of environmental effects



In line with the requirements of OP8.60, Part 1 of the analysis focused on the following aspects: (i) what percentage of prior actions supported by all the Development Policy Operations (DPOs) approved in the period under review were/are likely to have significant negative or positive environmental effects, and what are the key characteristics of these prior actions; (ii) to what extent Program Documents adequately identified such effects; (iii) whether specific analytical tools or studies have been used to make this assessment; (iv) whether, in the case of potential significant negative (or positive) effects, the Program Document discussed the borrower's systems for reducing (or enhancing) such effects; (v) whether the assessment of the borrower systems is grounded on analytical foundations (Country Environment Analyses, policy Strategic Environment Assessments, among others); and (vi) whether the Program Document describes how the borrower will address gaps in the analysis and in its systems for managing environmental effects related to the prior actions.

In addition to assessing the information presented in the Program Documents, Part 2 of the analysis reviewed each prior action independently and classified them according to their likely significant effect on the environment, based on the likely transmission channels (see below). This classification may differ from the assessment provided by the task teams in the Program Document and will provide information on the extent to which task teams' assessments of environmental effects could be strengthened in the future.

Furthermore, the desk review of Program Documents and prior actions was complemented by in-depth analysis at the country level in a number of examples (Part 3).

The findings of the analysis are a key input for the 2015 DPF Retrospective report. They will also inform revisions to guidance, procedures and rules to ensure that DPF supports policies that promote poverty reduction and shared prosperity in a sustainable manner.

Methodology

The methodology was reviewed by a group of external experts from think tanks and academic institutions in the United States and Europe.

Task teams' assessments

The analysis was based on the Program Documents and the database of all prior actions supported by DPF during the period under review (i.e. 1 April 2012 through 31 December 2014). The database captures the exact wording of the prior actions from the legal agreements and classifies them by sector and theme. In line with the requirements of OP8.60, the independent reviewers reviewed the task teams' assessment of the environmental effects of each prior action following the checklist presented in Table A4.1. The answers to each question, as well as additional relevant information, were recorded in a spreadsheet. The review also identified a number of DPOs that could be highlighted as good practice, or as examples of where there were shortcomings in the assessment of environmental effects.

Independent assessment of likely environmental effects[7]

For the independent assessment, the independent reviewers carefully reviewed each prior action and assessed the potential channels through which it may have an effect on the environment. The classification developed for the DPF toolkit on "Assessing the Environmental, Forest and Other Natural Resource Aspects of Development Policy Lending" served as the basis for this assessment.

The toolkit presents the potential transmission mechanisms for a number of policy and institutional reforms frequently supported by DPF. It also provides an indication of whether such reforms typically have no significant effects, significant positive effects, significant negative effects, or whether the effect is uncertain. For more information on the transmission channels, please refer to Module I of the toolkit.

As a rule of thumb, reforms in certain sectors are more sensitive from an environmental perspective (forests, environment, energy, mining) than others (education, health, governance, etc.). A significant number of reforms, however, are country- and action-specific and do not lend themselves to a quick conclusion, and may therefore be initially classified as "uncertain". The team of independent reviewers reviewed these cases one by one to classify them appropriately, taking into account additional information available in the Program Document and drawing on their experience and professional judgment. The independent reviewers' familiarity with Policy Strategic Environmental Assessments and other approaches were important in this process.

Based on a sample of prior actions, the independent reviewers developed a protocol to consistently assess the universe of prior actions using the toolkit and other guidance (see below). Using this protocol, the independent reviewers' assessment was also recorded in the spreadsheet and provided a different perspective to that of the task teams. Any differences in assessments will help the team understand where to focus the next step of the work, i.e. the revision of staff guidance and toolkits.

Country examples

The country examples were designed to provide lessons learned and inform staff guidance going forward, rather than to represent definitive ex post evaluations of the actual environmental effects of DPO-supported policies. The case studies were identified during the review of Program Documents and included a sample of two types of operations: (i) those where significant positive effects were identified by the task team; and (ii) those where significant negative effects were identified by the task team. The country examples included interviews with task teams, in addition to a more thorough review of program documentation (including ISRs, ICRs and IEG evaluations, where available). The scope of these reviews is as follows:

[7] This independent assessment does not represent a definitive judgment at the level of individual operations; rather, it is meant to provide information on the overall level of alignment of task teams' assessments with consistent, criteria-based assessments.

Table A4.1: Checklist for Assessing Environmental Aspects of DPOs

Action by the Task Team	Reviewer Response Checklist	Remarks
Has the task team identified the environmental effects of the prior actions in the appropriate section of the PD with reference to OP 8.60?	Yes/No	Assessment of "likely significant effects" as per OP 8.60
What is the task team's assessment of the likely effects?	Significant positive/ significant negative/ no significant/ can't say/both significant positive and negative	
If the task team has concluded "significant effects" (positive and/or negative), then does it present a justification using relevant country/ sector analysis and/or professional judgment?	Yes/No	It will be a good practice to mention the transmission channels. But the analysis should refer at least to relevant country/sector analysis and/ or professional judgment. The most common types of analytical products used by the teams will be noted.
If the task team has concluded that "significant effects" are likely, is there an assessment of the adequacy of relevant environmental management systems in the country using relevant country/sector analysis and/or professional judgment?	Yes/No	This should also be with reference to sectors if need be. For example, if the policies are supporting forest sector or mining sector reforms there has to be an assessment of capacity of the sectors.
If the task team concludes that there is no relevant analysis, has the document described steps to undertake such work during the course of the DPF Program and support action on its recommendations, as part of or in parallel with the operation?	Yes/No	This is important especially in Programmatic DPF.
If the task team concludes that there are likely significant effects, has the team identified gaps in the country systems to manage these effects?	Yes/No	This is important especially in programmatic DPF.
If gaps were identified, is there a description of how the borrower plans to address these gaps?	Yes/No	This is important especially in programmatic DPF.

- In cases where likely positive effects were identified, the country examples reviewed to what extent the expected results were achieved. These examples focus on DPOs with a strong focus on environmental sustainability, which are designed to have positive effects. In those cases, the country examples drew extensively on the Implementation Completion Reports (ICR) in assessing if the likely positive effects were achieved. If they were found to have had the desired contribution, the reasons for this success were explained. If they were found not to have contributed positively, the case studies also reviewed the reasons for this, based on the information available in the ICR.
- In cases of likely negative effects, the country examples summarized to what extent the country systems to manage these risks were assessed, whether there were any gaps in the assessment, and whether the Program Documents discusses the client's mitigation measures (based on the review conducted in Part 1, see above). Monitoring of the clients' mitigation measures was also discussed. The examples included a good practice case which can provide important inputs into the staff guidance going forward.

Protocol for review by independent reviewers

The review of the prior actions was based on the information provided in the DPO Program Document. No other document was analyzed to determine the nature of the potential environmental effect of the prior actions. All prior actions were classified into the following categories: no significant effect likely, significant positive effects likely, significant negative effects likely, both significant positive and negative effects likely or can't say in cases where adequate information was unavailable in the Program Document to make an informed decision. Professional judgment along with established guidance documents were key in assessing the environmental effects.

Guidance documents

The toolkit on "Assessing the Environmental, Forest and Other Natural Resource Aspects of Development Policy Lending" informed the assessment. This toolkit presents the potential transmission mechanisms for a number of policy and institutional reforms frequently supported by DPOs. It also provides an indication of whether such reforms typically have no significant effects, significant positive effects, significant negative effects, or whether the effect is uncertain. This toolkit provides a foundation on which to base the assessment. As prior actions are country specific and policies and institutional capacity differs between countries, the possibility that a particular assessment in the toolkit may not necessarily apply to a prior action was taken into account. This difference in classification was noted in the assessment.

The context of the prior action within the analysis provided in the Program Document is quite important as negative environmental effects may occur due to pre-existing policy, market and institutional failures. Country-level analytical work such as Policy Strategic Environmental Assessments or Country Environmental Analysis, when summarized in the Program Document, guide the analysis.

Importance of country context

Read in isolation, prior actions alone rarely provide a clear indication of their likely significant positive or negative effects. Whether a significant effect is likely or not depends not only on the policy content of a reform, but also to a large extent on the country context, including the rule of law, enforcement of environmental regulations, transparency of environmental management, the demand side of environmental governance, etc. Prior actions likely to have a significant effect in one country may potentially not be significant in another depending on these factors. To ensure that the assessment was objective and consistent, the analysis was conducted by independent reviewers with experience in DPF and familiar with the complexities of assessing environmental effects in the context of policy reform.

For example, setting up a one-stop shop for construction permits by streamlining the permitting requirements to enable faster and easier permitting processes could have positive or negative effects, depending on the specific context. Negative environmental effects may materialize if environmental requirements are reduced and/or the systems in place to evaluate and manage the likely environmental effects from construction are not in place. But if the environmental requirements are strengthened and made clearer though consolidation of the permitting requirements and the country has the systems in place to evaluate and manage likely effects, then the same action can have positive environmental implications. Thus, each prior action was assessed in accordance with the policy and institutional setting, environmental management systems of the country and actions as detailed in the Program Document.

Some policy reforms have the potential for both significant positive and negative effects. An example is the enactment of a Foreign Investment Law. Opening up the country to foreign investment could attract large multinational companies, which often abide by high environmental and social corporate standards, which may contribute to raising environmental standards in the sector or country. Yet, foreign companies that have a poor environmental record or lower environmental standards may also invest in the country. In such cases, there is a potential for significant negative effects if environmental rules and regulations are not strictly enforced. The effect may also depend on the types of sectors that will attract foreign investment, with investments in natural resources and infrastructure having a greater potential for negative effects than investments in service industries. Unless the Program Document provides information on these aspects, such prior actions were classified as having likely significant positive and negative effects.

Specific policy reforms may also have environmental effects through their differentiated impact on different stakeholders. For example, energy price reforms in general promote fuel efficiency with possible positive environmental effects. However, in some countries an increase in tariffs without adequate safety nets in place for poor households could lead to negative environmental effects through increased use of firewood for cooking or heating, with adverse effects on air quality and subsequently on human health and on forests. As a result, tariff reforms may be classified as having likely significant positive, likely significant negative or both significant positive and negative effects, depending on the context and the information provided in the Program Document.

It is also important to keep in mind that environmental effects from policies are, in the majority of cases, indirect. They will occur as a result of changes in individual behaviors. As a result, cause and effect relationships from prior actions to potential significant effects cannot be established in a definitive manner, but only elucidated for specific cases or countries. As a rule of thumb, the potential for (positive or negative) environmental effects is higher in the case of policies related to agriculture, mining or infrastructure; and lower in the case of health, education or social protection. Table A4.2 provides an overview of the policy areas most commonly supported by DPF and their likely environmental effects.

Table A4.2: Common policy reforms in DPOs and their potential environmental effects

Sector	Policy reforms	Potential positive effects	Potential negative effects	Comments
Energy	Tariff increase; change in pricing structure. Extractives law	Energy efficiency; less dependence on wood and charcoal having health benefits and reducing environmental degradation Improving environmental management of extractive industries	Higher tariff without subsides to assist the poor can lead to a switch to less environmental friendly alternatives such as fuel wood Encouraging exploitation without reference to environmental due diligence; loosening of environmental standards	Tariff increase typically occurs to close the revenue gap for utility companies allowing investments for improving efficiency and increasing the share of renewables for energy production Extractives law such as those on mining have the potential to improve environmental practices when strong environmental provisions are incorporated into the laws
Agriculture	Enhancing agriculture productivity; supporting irrigation; incentivizing better seed technology; adopting climate change resilient technologies; input subsidy programs (incl. fertilizer)	The reforms could lead to higher yields, reducing the demand for more land thereby reducing pressure on forests	Increased agricultural output by increasing irrigation or fertilizer use could lead to increased runoff, ground water use, waterlogging, increased soil salinity and nitrate leaching	If adequate training on fertilizer application and irrigation management are given, potential for negative effects can be minimized.
Financial	Privatization; microfinance	Promotion of responsible and sound investments; eco-friendly microfinance activities	Poor environmental practices by businesses; undertaking activities that can harm the environment such as discharging waste into rivers from tanneries or pollution from pesticide and chemical manufacturers	Most small-scale informal sector activities do not cause significant harm to the environment but location and scale can lead to cumulative impacts

(*continued* on next page)

Table A4.2: Common policy reforms in DPOs and their potential environmental effects (*continued*)

Sector	Policy reforms	Potential positive effects	Potential negative effects	Comments
Fisheries	Fishing licenses	Minimizes the potential for illegal fishing		Publishing fisheries license ownership increases transparency in fisheries
Tax reform	Changes to tax rates	Taxes can be earmarked for environmental use including resource royalties. Direct taxes such as vehicle emission taxes, taxes on polluting inputs such as energy or carbon tax and can minimize pollution	Distributional effects causing change in behavior that may affect the environment.	
Private sector development	Public Private Partnerships; lower administrative barriers for private investors	More readily application of environmental policies.	Lowering of environmental standards	
Trade reform	Regional trade agreements; promoting foreign direct investment	These can promote access to cleaner technologies and investments by corporations with high environmental standards. It can raise the environmental standards to meet regional standards such as those of the European Union.	Increased exports causing unsustainable exploitation of natural resources	Appropriate polices have to be in place to ensure trade reforms do not harm the environment.

Box A4.1: The use of Policy Strategic Environmental Assessment (SEA) in DPF

Policy SEA is a process to establish a policy dialogue for mainstreaming environmental and social considerations in policy and sector reforms. It is different from the EIA process, which typically informs investment lending. Assessment of potential impacts and risks is replaced by analysis of the institutional framework and existing systems for environmental and social management. This is particularly important when cumulative impacts, institutional and governance weakness of existing environmental policies and asymmetries in the distribution of environmental and social benefits and costs have to be accounted for. Through Policy SEA, the link between sector reforms which typically focus on increasing investment, output and productivity and environmental priorities is made.

Key stages in Policy SEA include a situation assessment that accounts for the main environmental and social issues prevailing in a region or associated with a sector; an assessment of the extent to which existing systems have been able to manage the chosen priorities; and formulation of specific policy, institutional, legal, regulatory, and capacity building recommendations for overcoming the weaknesses and gaps, and for managing the political economy constraints, determined during the assessment. Public participation through a multi-stakeholder dialogue is key to the process.

Source: Loayza and Albarracin-Jordan (2010); Loayza et al. (2011); Loayza (2012).

ANNEX 5: METHODOLOGY FOR THE ANALYSIS OF POVERTY AND DISTRIBUTIONAL EFFECTS

The DPO Retrospective assesses compliance with the Bank's Operational Policy (OP) 8.60, which requires the Bank to assess whether prior actions in DPOs are likely to have significant poverty and distributional effects, especially on poor and vulnerable groups. The 2015 Retrospective assessed 1,378 prior actions for DPOs approved between the fourth quarter of FY2012 and the second quarter of FY2015. Following the 2012 Retrospective, it classified each prior action's welfare impact on the poor and vulnerable that is directly attributable to the reform being supported. The main reference was the Program Document (PD) for each DPO, with special attention given to the PSIA section and the sections explaining the prior actions.[8] When the PSIA referred to a stand-alone report or other documentation, this was reviewed. In rare cases of high ambiguity, the TTL was contacted to get further information.

Whenever a prior action could potentially have significant negative distributional effects directly attributable to the reform, it was classified as requiring a PSIA. Close attention was paid to three types of actions: 1) that the prior action marked a change in an existing policy, and hence were likely to have winners and losers; 2) a new policy with possible distributional effects, such as a new tax or tariff policy that increased the burden on certain groups; and, 3) a politically sensitive policy where evidence on the distributional effects is critical to avoid policy reversals. More details of this classification are provided in Table A5.1.

The methodology used in the previous Retrospective assumes that whenever a DPO task team conducted a PSIA, it was because they were concerned that the prior action could potentially have a negative impact. Applying this method, PSIA have been done for 91 percent of prior actions where there were potential distributional impacts, up from 71 percent in the 2012 Retrospective and 64 percent in the 2009 Retrospective. This increase, however, partly reflects a large increase in the number of PSIA being undertaken to increase the DPO team's understanding of the transmission channels as well as to enhance the positive impacts of reforms, as opposed to PSIA being undertaken only when likely negative effects are a concern.[9] To identify how often PSIAs are done when there are likely *negative* poverty and social consequences of prior actions, a methodological change from the previous exercise is introduced, which is to assess whether a prior action is likely have positive/negative/neutral distributional impacts *independently* of whether a PSIA was done. To compare over time, this changed methodology was applied to the 2012 Retrospective prior actions as well.

Given that reforms often involve a series of steps, prior actions were counted as "needing" PSIA if they referred to any stage of a process where policy decision-making was taking place beyond the creation of a committee for a policy. For instance, in a series of prior actions aimed at reducing untargeted subsidies, PSIA was counted as not being required if the prior action merely supported a study or the creation of a committee. However, it would be needed if actual policies are being reviewed for implementation. Care was taken to avoid double counting in cases where PSIAs were needed for multiple prior actions aimed at the same reform.

In terms of classifying whether PSIA was conducted, an acceptable PSIA could fall into any of the following categories:

- qualitative analysis;
- quantitative analysis;
- mixed-methods analysis;

[8] When language was ambiguous of referred to a new law or decree, the entire Program Document was read in more detail to get the required information.

[9] Over time, more teams are carrying out PSIAs to enhance the distributional impact of prior actions, even when ex-ante the impact is likely positive.

- table with different stakeholders identified and possible distributional impacts on each group tabulated;
- results of simulations reports in the Program Document, even if the full analysis was not attached;
- reference to a separate PSIA document or annex;
- reference to ESW completed earlier that was used to gather evidence for distributional impacts; and
- in some cases, the "social risk" or "consultations" section of the PD, where clear links were found with the specific prior action needing a PSIA.

Statements not backed by evidence, a general description of poverty in the country, or the poverty section at the beginning of most Program Documents was not counted as acceptable PSIAs.

Table A5.1: Classifying prior actions that need a PSIA

Changes in	Examples of prior actions that require a PSIA	Examples of prior actions that are typically ambiguous	Examples of prior actions that do not require a PSIA
Tax policy	• Changes in tax rates • Introduction of a new tax, especially those regressive in nature, for example, a VAT		• Clamping down on tax evasion • Taxes on goods consumed by rich households (for example, luxury goods) • Taxes on "bads," for example, tobacco, gasoline.
Social safety nets	• Changing criteria for eligibility • Reducing the size of the program		• Implementing systems to reduce the number of false claimants • Increasing the size of the program (that is, positive impact)
Social spending, for example, on health and education	• Reduction in spending	• "Freeze" in spending/ benefits: could be negative in a context of high inflation; whereas "protected" spending may be positive	• Spending increases • New systems for payments to schools and hospitals
Energy tariffs and subsidies	• Removal of subsidy • Increase in tariffs		• Restructuring the power regulator
Other subsidies for example, housing mortgage	• Changes in the criteria for receiving subsidies		• Establishing monitoring and evaluation systems for subsidy schemes
Price mechanism, for example, cotton prices	• Drafting or implementing any new policy, or a change to an existing policy		• Creation of a committee to design a new mechanism

(*continued* on next page)

Table A5.1: Classifying prior actions that need a PSIA (*continued*)

Changes in	Examples of prior actions that require a PSIA	Examples of prior actions that are typically ambiguous	Examples of prior actions that do not require a PSIA
Employment policy for civil servants	• Changes in salary scales • Changes in recruitment and dismissal policies • Change in retirement benefits policy	• Freeze in salaries: could be negative in a context of high inflation	• Creation of a committee to design a new salary or recruitment policy • Increases in public salaries
State-owned enterprises	• Privatization or consolidation of state-owned enterprises		• An entity change
Quotas on production, for example, fishing	• Introduction of quotas • Reduction in quota volume		• Increase in quota volumes
Mining or mineral legislation	• Land acquisition and resettlement of communities living in mining areas		• Legislation aimed at improving transparency in mining regulations and/or revenue
PPP	• If privatization conditions are attached		• Regulations or legislation around PPP projects.
Trade	• Increase in tariffs, especially on cash crops		• Simplified customs procedures

Source: 2015 DPO Retrospective.

ANNEX 6: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS IN WORLD BANK INSTRUMENTS

Financing instrument	Type of support	How environmental and social aspects are assessed and managed
Investment Project Financing (IPF)	*Project support:* finances projects with defined development objectives, activities, and results, and disburses the proceeds of Bank financing against specific eligible expenditures	Environmental and social policies (safeguards) applicable to Investment Project Financing are set out in the following OPs: 4.00, 4.01, 4.02, 4.04, 4.07, 4.09, 4.10, 4.11, 4.12, 4.36, and 4.37.[a] Project documentation is made available in accordance with the Bank's Access to Information Policy.
Development Policy Financing (DPF)	*Policy support:* provides fast-disbursing budget support to help a borrower address actual or anticipated development financing requirements. Funds are disbursed based on the achievement of a set of agreed prior actions.	Environmental and social aspects of DPF are included in OP/BP 8.60: • The Bank determines whether specific policies supported by the operation are likely to have significant poverty and social consequences or significant effects on the environment, forests, and other natural resources. • For policies with likely significant effects, the Bank summarizes in the Program Document relevant analytic knowledge of these effects and of the borrower's systems for reducing adverse effects and enhancing positive effects associated with the specific policies being supported. • The Bank draws upon relevant analytic work, which is made available as part of the Government's public consultation process. • If there are significant gaps or shortcomings, the Bank describes how they would be addressed before or during program implementation, as appropriate. • Program documentation is made available in accordance with the Bank's Access to Information Policy.
Program-for-Results Financing (PforR)	*Program support:* finances the expenditures of specific borrower development programs and disburses on the basis of the achievement of key results.	Environmental and social aspects of PforR are included the Bank Policy—Program-for-Results Financing: • The Bank conducts a social and environmental assessment prior to determining whether to proceed with a Program-for-Results operation to adapt the scope of the program to be supported. • As necessary, the Bank also agrees with the government on measures to strengthen the arrangements for managing the environmental and social effects of particular programs—measures that may be introduced prior to or as part of the implementation of a Program-for-Results operation. • In addition, activities with potentially significant, irreversible adverse impacts on the environment and affected people are excluded from Program-for-Results.

[a] The World Bank is currently reviewing its social and environmental safeguards policies applicable to IPF.

ANNEX 7: METHODOLOGY FOR EVALUATING THE QUALITY OF RESULTS FRAMEWORKS

The construction of the universe of DPOs for evaluating the quality of the results framework was done as follows. First, supplemental DPOs were omitted because these have no prior actions and no results framework. Second, double-counting in the context of programmatic series was avoided. That is, since the results frameworks in the various operations constituting a series are very similar, the earlier operations were omitted and only the last in the series, or the most recent operation in an ongoing series, was analyzed. This yielded 128 operations from the universe of 167.

A stringent set of standards was used to determine the quality of the results frameworks. Each prior action was examined to check whether all the following elements are satisfied simultaneously:

- The prior action is associated with a result.
- There is a clear causal link between the prior action and the result. Often this required checking in the main text to ensure that there was a causal link.
- The result is distinct from the prior action: it is not a restatement of it. An exception is made for certain prior actions in public finance management for which meaningful results indicators cannot readily be found. For instance, a prior action of completing an audit may be appropriate, but a measure of the desired outcome—in the form of less corruption, more effective use of government funds, etc.—is unlikely to be available. In these cases it is acceptable to list the output as a result, e.g. "Timing of audit submission in line with the national law, viz. no more than x months after the end of the financial year."
- The result has a results indicator.
- The results indicator is precise, not vague.
- If a prior action is associated with more than one result, the linkage is deemed satisfactory if at least one of the results satisfies all the conditions above.

If all of these conditions are satisfied, then the linkage of the prior action and the result is deemed satisfactory. Note that, unless stated otherwise, we do not, for the purpose of this inquiry, add the condition that the baseline and target should be present and/or be precisely stated.

A further stringent standard is used to gauge the results framework as a whole, setting an arbitrary bar of 70 percent. Thus if at least 70 percent of the prior actions in the results matrix have at least one result that satisfies all the criteria above, then the results framework is deemed satisfactory.

ANNEX 8: METHODOLOGY FOR THE ASSESSMENT OF THE MEDIUM- TO LONG-TERM IMPACT OF PFM REFORMS

This is experimental work; it is the first attempt to assess the impact of public finance management in development policy operations, in the medium term, by means of the PEFA. Hence it was decided to start small. Two groups were included in the sample of operations and of PEFAs: The first group consists of those countries for which (i) at least three PEFA reviews have been conducted, and which (ii) had at least one development policy operation which (iii) contained at least one prior action in the area of public finance management. These criteria delivered 34 operations in 9 countries: Afghanistan, Dominican Republic, Ghana, Honduras, Lesotho, Malawi, Mozambique, Tanzania and Uganda. Most of the operations were PRSCs. The second group consists of a small number of countries, selected in alphabetical order (i.e. not randomly): Bangladesh, Benin, Burkina Faso, Côte d'Ivoire, El Salvador, Georgia, Indonesia and Sierra Leone. For these, (i) two PEFA reviews have been conducted, (ii) they had at least one DPO which (iii) contained at least one prior action in the area of PFM. Summing, these two sets of criteria delivered 72 operations in 17 countries.

The comparison of a prior action and its expected result with a PEFA rating is done by both examining the PEFA ratings and by reading the corresponding text of the PEFA analysis. If either the rating has improved due to the prior action, or the text cites the prior action or its results as being a positive element tending towards improvement, then the PEFA is deemed to be congruent with the findings of the Bank's own evaluation instruments. This task necessarily involves judgment because in some cases the PEFA ratings alone cannot be relied upon: some of the PEFA rating classifications change over time, so that the research has to refer to the main text to evaluate the detail of what has transpired.

The next step—assuming that the above step is successful and meaningful—is to test whether the short-term impacts of the prior actions in public finance management persist to the medium term of two to six years beyond the operation(s) concerned. The term used here is "sustainability". If the result that was supposed to be achieved by the prior action is still in evidence at the time of the most recent PEFA, then the prior action is deemed "sustainable". Given the relatively small size of the sample the statistical work is done in tabular and graphic form.

The final step in the methodology is to examine the correlates of sustainability of prior actions in public finance management. This involves checking what sub-areas of public finance management are more likely to be successful; assessing whether more "substantive" prior actions are associated with greater longevity; and evaluating whether continued engagement, that is, repeat prior actions in the same general area, is more effective than "one off" prior actions. A related question is whether there is evidence of reversal of prior actions in the medium term, that is: are there instances in which a prior action delivered the expected result, but then *after* closure of the operation the prior action was reversed or ceased to be implemented, such that the results were no longer achieved?

ANNEX 9: METHODOLOGY FOR THE ANALYSIS OF THE IMPACT OF WORLD BANK DEVELOPMENT POLICY FINANCING ON THE QUALITY OF ECONOMIC POLICY

This study analyzes the association of World Bank lending with the quality of economic policy. Following Smets and Knack (2015), the dependent variable measures the quality of economic management, as derived from the World Bank's CPIA ratings. The CPIA assessments are subjective ratings of 16 policy indicators, grouped into 4 "clusters", updated annually by World Bank staff. Possible scores on each indicator range from one to six, including half-point increments (e.g. 3.5). For this analysis, the main dependent variable is the simple average of CPIA clusters A and B. Cluster A covers macroeconomic and debt policy, while cluster B addresses structural policies, including trade, financial sector policies, and regulation of private enterprise. The CPIA is arguably the most appropriate policy measure, because its content reflects the views of World Bank management and staff regarding what policies are most conducive to poverty reduction and the effective use of aid resources. The CPIA is the most relevant available cross-country indicator of the policies World Bank teams are attempting to achieve when they design DPOs.

The CPIA indicators reflect the subjective judgments of World Bank staff. However, they are correlated with conceptually-related objective indicators, as well as with subjective indicators produced by other organizations. The CPIA cluster A and B average is correlated in the expected direction with macroeconomic indicators such as inflation ($r = -0.12$) or government debt ($r = -0.43$). It is also strongly correlated with the International Country Risk Guide's (ICRG) "economic risk" composite (an index including GDP per capita, real GDP growth, annual inflation rate, budget balance and current account balance as components.

The key variable of interest is the cumulative number of development policy loans, i.e., policy loans that came into effect under the new operational policy OP 8.60. Following Smets and Knack (2015), the study focuses on repeated lending to the same country, since supporting policy change is a multi-stage and long-term process. Furthermore, the study considers only the subset of loans that support policy reforms in the areas measured by CPIA clusters A and B. These loans, which henceforth will be called "market reform loans", comprise less than sixty percent of the Bank's total development policy lending portfolio. As an alternative to the cumulative number of DPOs, the number of cumulative loan conditions (or "prior actions") are also considered. Here, the conditions attached the above-mentioned market reform DPOs are counted.

ANNEX 10: FEEDBACK FROM CONSULTATIONS

During the preparation of the 2015 Development Policy Financing (DPF) Retrospective, the World Bank sought feedback from various internal and external stakeholders through a series of consultation meetings and online channels. The objective of the consultations was to seek input on the approach proposed for the report and on the findings of the analysis, as well as to share experiences and lessons on the use of DPF.

The consultations were conducted in two stages. In the first stage, the Concept Note was publicly posted and stakeholders were invited to provide their comments on a dedicated consultation website from December 2014 through February 2015. During the second stage, the Bank conducted global multi-stakeholder consultations on the findings of the analysis in a total of seventeen countries[10] that covered all six regions. In this phase, which went from May through July 2015, feedback was collected through face-to-face field based consultations, videoconference-based meetings, a global live chat held in Washington, and through an online survey. A number of resources were also posted on the dedicated consultation website, including methodology papers on the environmental and social analysis of DPF-supported policies.

Stakeholders expressed their appreciation for the opportunity to engage. The engagement included a presentation of the findings that were structured around a series of five guiding questions that sought input on: (i) the extent to which DPOs have contributed to country results and what can be done to further enhance their contribution; (ii) what can be done to further strengthen the Bank's risk management in the context of DPOs; (iii) whether the Bank pays adequate attention to the environmental and social aspects of the reforms supported by DPF; (iv) how recent Bank reforms have contributed to the effectiveness of DPOs; and (v) other suggestions to make use of DPOs more effective.

Summary of stakeholder comments

Countries' overall experience with the DPF instrument

- Stakeholders noted their many positive experiences with DPF, pointing out the Bank's value added in providing technical assistance, global expertise, consensus building, and stakeholder coordination.
- The Bank's role as an honest broker, trusted partner, and global leader in supporting country reforms was considered valuable.
- DPF was appreciated for its flexibility, performance, focus, and fast-disbursing nature; an example of effective and useful operations include the DPOs with CAT DDO, which played an important role in providing financing following natural disasters.
- The programmatic approach was seen as useful, given that it offers a number of advantages, including continuity of policy dialogue, greater flexibility, and more predictable financing.
- There was appreciation and encouragement for the use of DPF in coordination with other Bank instruments such as IPF, technical assistance and knowledge products.
- There were improvements suggested in the preparation of DPF, including a stronger focus on critical structural reforms, as well as greater experience and more local knowledge of the task team leaders.

[10] Albania, Armenia, Belgium, Colombia, El Salvador, Guatemala, Honduras, Morocco, Pakistan, Panama, Philippines, Poland, Romania, Rwanda, Tanzania, United States and Vietnam.

Contribution of DPF to countries' development results

- Appreciation was shown for the significant contributions that DPF has made in supporting policies in various sectors, including social protection, energy, fiscal sustainability, public administration, education, health, rural development, labor, environment, and water.
- DPF played a critical role in supporting countries' development agendas, most notably by helping to enhance country systems, achieving improved macroeconomic and fiscal frameworks, providing an effective response to the financial crisis, and helping enact key legislation.
- The instrument played an important complementary role, whereby reforms supported through DPF augmented other reforms pursued through international agreements.
- While recognizing benefits of reforms supported by DPF, some stakeholders felt that the budget support nature of the instrument increased the dependency of governments on external financing for fiscal deficits.

Social and environmental aspects of DPF

- The importance of taking into account the country-specific context when assessing social and environmental effects was emphasized. For example, some countries have robust frameworks for managing such risks that come with rigorous standards on consultations and other requirements.
- There was value seen in the Bank's advice on environmental and social aspects of policy reforms; requests were made for continued engagement (including through DPF) on issues concerning climate change and energy policies.
- There were comments on the array of policies that the Bank uses to manage social and environmental risk in operations, including social safeguards that are applied to IPF, and OP 8.60 applied to DPF. Some suggested greater harmonization of policies and procedures to manage environmental and social risks across the Bank's financing instruments were made.
- DPF was viewed as instrumental in improving social and environmental outcomes of government policies. At the same time, there is scope for the Bank to play a larger role in helping countries develop strategies to mitigate social and environmental risks in reforms supported by DPF.
- There were suggestions for improvements in the assessment of social and environmental effects in reforms supported by DPF, including more effective diagnostics at the country and sector level, and strengthening the documentation, transparency and consultations around these assessments.

Enhancing the effectiveness of DPF

- Prior actions were considered critical to creating stronger reforms, but several suggestions were made to make improvements through more unbundling, selectivity, and realism in the design of prior actions.
- There were suggestions on improving the design of the instrument, including a revision of pricing for DPF and extending DPF eligibility to entities beyond national governments without a sovereign guarantee.
- An emphasis was placed on the importance of strengthening the capacity and institutions of agencies implementing DPF supported reforms.
- The establishment of better donor coordination frameworks was stressed. This includes working more closely with other development partners in the design, implementation, and evaluation of budget support programs.
- The issue of risk aversion was raised. Recommendations were made for risk categorizations in SORT to be made mandatory in OP 8.60.
- The challenges regarding monitoring and evaluation in DPF were discussed and recommendations were made for more realism on target indicators.

Participatory processes, accountability and transparency

- There was appreciation expressed for the role that various stakeholders have played in the design of DPF; at the same time, there were requests for more effective overall coordination and upstream engagement of citizen groups in consultations.
- The importance of ensuring transparency and accountability around DPF was stressed, specifically on assessing governance risks, developing strong M&E systems, and engaging communities and civil society to support accountability.
- There were calls for more information on DPF to be made more available to citizens, which can be done by collaborating with academics and other institutions.
- Suggestions were made for the provision of more resources to member countries for building the capacity of civil society, parliament, and other important stakeholders.

ANNEX 11: DETAILED THEMATIC BREAKDOWN OF PRIOR ACTIONS (Q4FY12–Q2FY15)

Economic Management	**4%**	**Social Development, Gender, and Inclusion**	**3%**
Analysis of economic growth	0%	Participation and civic engagement	1%
Debt management and fiscal sustainability	3%	Conflict prevention and post-conflict reconstruction	0%
Economic statistics, modeling, and forecasting	0%	Gender	1%
Macroeconomic management	1%	Indigenous peoples	0%
Other economic management	0%	Other social development	0%
Public Sector Governance	**36%**	Social Inclusion	0%
Administrative and civil service reform	3%	**Human Development**	**8%**
Decentralization	0%	Child health	0%
Public expenditure, financial management, and procurement	19%	Other communicable diseases	0%
Tax policy and administration	6%	Education for all	3%
Other accountability/anti-corruption	5%	Education for the knowledge economy	1%
Other public sector governance	2%	Health system performance	2%
Managing for development results	2%	Nutrition and food security	1%
E-Government	1%	Population and reproductive health	0%
Rule of Law	**3%**	Other human development	0%
Access to law and justice	0%	HIV/AIDS	0%
Judicial and other dispute resolution mechanisms	0%	Non-communicable diseases and injury	0%
Law reform	0%	Malaria	0%
Legal institutions for a market economy	3%	Tuberculosis	0%
Personal and property rights	0%	**Urban Development**	**1%**
Other Rule of Law	0%	Access to urban services and housing	1%
Financial and Private Sector Development	**21%**	Municipal finance	0%
Corporate governance	1%	Municipal governance and institution building	0%
Infrastructure services for private sector development	2%	Other urban development	0%
Regulation and competition policy	8%	Urban Planning and Housing Policy	1%
Small and medium enterprise support	1%	City-wide Infrastructure and Service Delivery	0%
Standards and financial reporting	0%	Urban Economic Development	0%
State enterprise/bank restructuring and privatization	2%	Cultural Heritage	0%

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E-Services	0%	**Rural Development**	**4%**
Financial Consumer Protection and Financial Literacy	1%	Rural markets	0%
Anti-Money Laundering and Combating the Financing of Terrorism	0%	Rural non-farm income generation	0%
Other Financial Sector Development	3%	Rural policies and institutions	3%
Other Private Sector Development	2%	Rural services and infrastructure	1%
Other financial and private sector development	0%	Other rural development	0%
Trade and Integration	**3%**	Global food crisis response	0%
Export development and competitiveness	1%	**Environment and Natural Resources Management**	**6%**
International financial architecture	0%	Biodiversity	0%
Regional integration	0%	Climate change	1%
Technology diffusion	0%	Environmental policies and institutions	2%
Trade facilitation and market access	2%	Land administration and management	1%
Other trade and integration	0%	Pollution management and environmental health	0%
Social Protection and Risk Management	**11%**	Water resources management	1%
Improving labor markets	2%	Other environment and natural resources management	1%
Natural disaster management	2%		
Poverty strategy, analysis, and monitoring	1%		
Social safety nets	4%		
Vulnerability assessment and monitoring	2%		
Other social protection and risk management	0%		
Social risk mitigation	1%		

ANNEX 12: NUMBER OF OPERATIONS AND COMMITMENTS

Table A12.1: Regional distribution of operations and commitments ($ million), Q4FY12–Q2FY15

	Operations		Commitments			
Region	# DPOs	# DPOs (Suppl.)	IBRD	IDA	TF	Total
AFR	56	0	63	2,540	0	2,603
EAP	30	1	5,000	1,228	0	6,228
ECA	28	0	9,258	273	23	9,554
LCR	29	0	8,172	90	28	8,289
MNA	14	1	2,593	0	121	2,714
SAR	8	0	202	1,116	100	1,418
Total	165	2	25,288	5,246	272	30,805

Table A12.2: Number of operations and commitments ($ million), FY05–FY15

	Operations							Commitments						
FY	AFR	EAP	ECA	LCR	MNA	SAR	Total	AFR	EAP	ECA	LCR	MNA	SAR	Total
FY05	4	3	0	8	1	1	17	245	410	—	1,643	150	300	2,748
FY06	16	4	6	10	3	7	46	1,352	509	876	2,414	820	885	6,855
FY07	17	5	10	11	2	12	57	970	1,085	975	1,388	200	1,662	6,280
FY08	20	5	7	5	6	4	47	1,780	975	786	1,437	796	920	6,694
FY09	29	8	9	19	3	4	72	1,675	3,690	4,810	7,172	423	685	18,455
FY10	23	10	18	18	7	5	81	1,538	2,485	6,614	6,820	1,710	2,421	21,588
FY11	25	10	12	15	7	2	71	1,402	2,545	3,191	3,613	1,140	175	12,065
FY12	24	8	11	12	3	0	58	1,360	3,331	3,957	3,134	390	—	12,172
FY13	22	11	8	13	6	3	63	938	1,635	2,529	2,885	1,133	166	9,286
FY14	16	11	11	11	6	5	60	926	1,770	2,506	2,849	1,340	1,252	10,644
FY15	26	7	10	9	3	3	58	2,440	822	2,562	2,930	471	620	9,845
Total	222	82	102	131	47	46	630	14,624	19,256	28,808	36,285	8,573	9,086	116,632

Note: Supplemental DPOs excluded in count but included in commitments.

Table A12.3: IBRD number of operations and commitments ($ million), FY05–FY15

	IBRD operations (includes IBRD/IDA blend operations)							IBRD commitments						
FY	AFR	EAP	ECA	LCR	MNA	SAR	Total	AFR	EAP	ECA	LCR	MNA	SAR	Total
FY05	0	1	0	6	1	1	9	—	300	—	1,536	150	200	2,186
FY06	1	1	3	9	3	1	18	15	400	781	2,405	820	100	4,521
FY07	2	2	4	9	2	3	22	38	780	877	1,340	200	400	3,635
FY08	1	2	3	5	3	2	16	30	800	725	1,427	700	285	3,967
FY09	2	4	8	18	2	0	34	108	3,150	4,750	7,142	383	—	15,532
FY10	2	5	14	17	7	2	47	59	2,150	6,353	6,796	1,710	2,107	19,175
FY11	1	5	10	13	5	1	35	9	2,137	3,089	3,508	1,030	150	9,924
FY12	2	4	8	11	2	0	27	35	3,000	3,814	3,048	350	—	10,247
FY13	3	4	5	12	5	1	30	42	800	2,391	2,855	1,093	100	7,282
FY14	1	3	9	9	5	1	28	7	1,400	2,372	2,817	1,300	102	7,997
FY15	4	2	9	8	3	0	26	664	800	2,538	2,775	430	—	7,207
Total	19	33	73	117	38	12	292	1,006	15,717	27,691	35,648	8,166	3,444	91,672

Note: Supplemental DPOs excluded in count but included in commitments.

Table A12.4: IDA number of operations and commitments ($ million), FY05–FY15

	IDA Operations (excludes IBRD/IDA blend and IDA/trust fund blend operations)							IDA Commitments						
FY	AFR	EAP	ECA	LCR	MNA	SAR	Total	AFR	EAP	ECA	LCR	MNA	SAR	Total
FY05	4	2	0	2	0	0	8	245	110	—	107	—	100	562
FY06	14	3	3	1	0	6	27	1,327	109	95	10	—	785	2,325
FY07	15	3	6	2	0	9	35	932	305	98	48	—	1,262	2,645
FY08	19	3	4	0	1	2	29	1,750	175	61	—	51	635	2,672
FY09	23	4	1	1	0	4	33	1,505	540	60	30	—	685	2,820
FY10	20	4	4	1	0	3	32	1,444	327	261	24	—	314	2,370
FY11	23	5	1	2	1	1	33	1,348	407	77	105	70	25	2,032
FY12	21	4	2	1	0	0	28	1,290	331	120	86	—	—	1,827
FY13	19	7	3	0	0	2	31	896	835	138	20	—	66	1,954
FY14	15	8	2	1	0	3	29	919	370	135	15	—	1,050	2,489
FY15	22	5	1	1	0	3	32	1,776	22	24	155	—	620	2,597
Total	195	48	27	12	2	33	317	13,431	3,531	1,070	599	121	5,542	24,293

Note: Supplemental DPOs excluded in count but included in commitments.

Table A12.5: Trust Fund number of operations and commitments ($ million), FY05–FY15

	TF Operations (includes IDA trust fund blend operations)							TF Commitments						
FY	AFR	EAP	ECA	LCR	MNA	SAR	Total	AFR	EAP	ECA	LCR	MNA	SAR	Total
FY05	0	0	0	0	0	0	0	—	—	—	—	—	—	—
FY06	1	0	0	0	0	0	1	10	—	—	—	—	—	10
FY07	0	0	0	0	0	0	0	—	—	—	—	—	—	—
FY08	0	0	0	0	2	0	2	—	—	—	10	45	—	55
FY09	4	0	0	0	1	0	5	63	—	—	—	40	—	103
FY10	1	1	0	0	0	0	2	35	8	—	—	—	—	43
FY11	1	0	1	0	1	0	3	45	—	25	—	40	—	110
FY12	1	0	1	0	1	0	3	35	—	23	—	40	—	98
FY13	0	0	0	1	1	0	2	—	—	—	10	40	—	50
FY14	0	0	0	1	1	1	3	—	—	—	18	40	100	158
FY15	0	0	0	0	0	0	0	—	—	—	—	41	—	41
Total	8	1	2	2	7	1	21	188	8	48	38	286	100	667

Note applying to all graphs: This Retrospective covers a total of 630 operations approved between FY05 and FY15. It excludes the following operations: (i) 42 operations approved during FY05 and FY06 that were not processed under OP 8.60 per information available in the 2006 Retrospective; (ii) One operation for Hungary (P114991) approved in FY10 that was not signed; and (iii) One operation for Mexico (P123505) approved in FY12 that was not signed.

ANNEX 13: RETROSPECTIVE UNIVERSE OF DPOS (Q4FY12–Q2FY15)

Country	Proj ID	Name	Board Date	$ IBRD	$ IDA	$ TF
Africa Region						
Benin	P127441	BJ-PRSC 8-Eighth Poverty Reduction Suppo	4/9/2013	0.0	30.0	0.0
Benin	P132786	BJ PRSC 9 Poverty Reduction Support Cdt.	3/11/2014	0.0	20.0	0.0
Burkina Faso	P126207	First Growth and Competitiveness Credit	6/26/2012	0.0	90.0	0.0
Burkina Faso	P132210	BFGrowth and Comptitiveness Grant 2	3/21/2013	0.0	70.0	0.0
Burkina Faso	P146640	BF – Growth and Competitiveness Credit 3	12/5/2013	0.0	100.0	0.0
Burundi	P127080	BI-ERSG VI	10/23/2012	0.0	25.0	0.0
Burundi	P144612	BI-ERSG VII	11/27/2013	0.0	26.0	0.0
Cabo Verde	P122669	CV-DPL 3-PRSC VII	6/26/2012	0.0	12.0	0.0
Cabo Verde	P127411	CV-DPL 4-PRSC VIII	4/22/2014	0.0	15.5	0.0
Comoros	P122941	KM – DPO	11/29/2012	0.0	5.0	0.0
Comoros	P131688	KM – Economic Governance Reform Grant	4/29/2014	0.0	3.8	0.0
Cote d'Ivoire	P127449	CI-PRSG 1	8/30/2013	0.0	50.0	0.0
Cote d'Ivoire	P143781	CI-PRSC2	12/4/2014	0.0	70.0	0.0
Gambia, The	P123679	GM – Budget Support – DPL	5/31/2012	0.0	6.0	0.0
Ghana	P122808	GH Fourth Agriculture DPO	5/15/2012	0.0	50.0	0.0
Guinea	P151794	Emergency Macroeconomic and Fiscal Suppt	11/13/2014	0.0	50.0	0.0
Lesotho	P128573	LS – First Growth and Competitiveness DPC	6/3/2013	0.0	20.0	0.0
Liberia	P127317	LR-PRSC-I (FY13)	6/26/2013	0.0	10.0	0.0
Liberia	P146619	LR PRSC II	11/12/2014	0.0	30.0	0.0
Madagascar	P150503	Reengagement DPO	12/18/2014	0.0	45.0	0.0
Malawi	P126155	Malawi - Rapid Response DPG	7/17/2012	0.0	50.0	0.0
Malawi	P133663	MW DPO 1 Programmatic	5/28/2013	0.0	50.0	0.0
Mali	P125866	Mali RRSC – DPO 6	6/18/2013	0.0	50.0	0.0
Mali	P145275	ML – First Recovery & Gov. Ref. Sup. Cr.	11/18/2014	0.0	63.0	0.0
Mauritius	P128140	MU – Second Public Sector Performance DPL	3/27/2013	20.0	0.0	0.0
Mauritius	P132510	MU Second Private Sector Compet. DPL	3/27/2013	15.0	0.0	0.0
Mozambique	P128434	MZ: Climate Change DPO	1/24/2013	0.0	50.0	0.0
Mozambique	P129489	MZ Agriculture DPO-1	4/25/2013	0.0	50.0	0.0
Mozambique	P131212	MZ PRSC IX	7/16/2013	0.0	110.0	0.0
Mozambique	P133687	Financial Sector DPL	7/15/2014	0.0	25.0	0.0

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Country	Proj ID	Name	Board Date	$ IBRD	$ IDA	$ TF
Mozambique	P146537	MZ PRSC X	12/5/2014	0.0	110.0	0.0
Mozambique	P146398	Second Climate Change DPO	12/23/2014	0.0	50.0	0.0
Niger	P125272	NIGER – Shared Growth Credit I	6/26/2012	0.0	50.0	0.0
Niger	P132757	NE-Second Shared Growth Credit	4/30/2013	0.0	50.0	0.0
Niger	P145251	NE-Third Shared Growth Credit	3/21/2014	0.0	70.0	0.0
Nigeria	P130012	Agricultural Transformation DPO	6/28/2013	0.0	100.0	0.0
Nigeria	P123352	NG – Lagos State DPO II	3/27/2014	0.0	200.0	0.0
Rwanda	P131666	RW – Support to Social Protection System 2	3/14/2013	0.0	50.0	0.0
Rwanda	P145114	Decentralized Service Delivery DPO	5/14/2013	0.0	50.0	0.0
Rwanda	P146452	3rd Support to the Soc. Prot. System DPL	3/13/2014	0.0	70.0	0.0
Sao Tome and Principe	P130925	STP DPO2 Programmatic	6/3/2013	0.0	5.5	0.0
Senegal	P128284	First Governance and Growth Sup Project	12/20/2012	0.0	55.0	0.0
Senegal	P126470	SN – Governance & Growth Support Credit 2	12/19/2013	0.0	30.0	0.0
Seychelles	P125202	SC – Sustainability & Competitivenes (FY12	9/20/2012	7.0	0.0	0.0
Seychelles	P132425	Sustainability and Competitiveness DPL 2	9/26/2013	7.0	0.0	0.0
Seychelles	P146567	Sustainability and Competitiveness DPL 3	9/26/2014	7.0	0.0	0.0
Seychelles	P148861	SC – DPL with a Cat DDO	9/26/2014	7.0	0.0	0.0
Sierra Leone	P133107	SL – GRGC-6 Gov Reform & Growth (FY13)	4/23/2014	0.0	25.0	0.0
Sierra Leone	P146726	SL – Emergency Econ and Fiscal Support Op	12/17/2014	0.0	30.0	0.0
Tanzania	P110836	TZ PRSC-10 (2nd in a 3rd series)	3/26/2013	0.0	75.0	0.0
Tanzania	P143645	TZ First Power and Gas DPO	3/26/2013	0.0	100.0	0.0
Tanzania	P145254	TZ Second Power and Gas Sector DPO	3/21/2014	0.0	100.0	0.0
Tanzania	P120536	TZ PRSC-11 (3rd in a 3rd series)	3/27/2014	0.0	85.0	0.0
Togo	P126897	TG – Economic Recovery & Gov. Grant 5	5/24/2012	0.0	14.0	0.0
Togo	P132208	TG – Economic Recov. & Govern. Credit 6	12/5/2013	0.0	14.0	0.0
Zambia	P126349	Zambia PRSC-3	5/3/2012	0.0	30.0	0.0
East Asia/Pacific Region Eastern						
Indonesia	P130048	Progr for Econ Res ilience, Inv & Soc Ass	5/15/2012	2000.0	0.0	0.0
Indonesia	P126162	INSTANSI (Ins titutional, Tax Adm ..DLP)	11/20/2012	300.0	0.0	0.0
Indonesia	P124006	Connectivity Development Policy Loan 1	11/20/2012	100.0	0.0	0.0
Indonesia	P130150	FIRM DPL	11/20/2012	100.0	0.0	0.0
Indonesia	P144775	INSTANSI DPL 2	11/19/2013	400.0	0.0	0.0
Indonesia	P144774	Connectivity DPL2	11/19/2013	300.0	0.0	0.0
Indonesia	P145550	Financial Sec Reform & Modernization DPL	7/1/2014	500.0	0.0	0.0
Kiribati	P144602	Kiribati Economic Reform Operation	12/11/2013	0.0	5.2	0.0
Kiribati	P149888	Second Economic Reform DPO	11/14/2014	0.0	3.0	0.0
Lao PDR	P125298	Lao PDR PRSO 8	8/9/2012	0.0	20.0	0.0
Lao PDR	P143025	Lao PDR PRSO9	9/30/2013	0.0	20.0	0.0
Marshall Islands	P128013	First ICT Sector Development Operation	3/19/2013	0.0	3.0	0.0
Myanmar	P133706	Reengagement and Reform Support Program	1/22/2013	0.0	440.0	0.0

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Country	Proj ID	Name	Board Date	$ IBRD	$ IDA	$ TF
Philippines	P126580	PH – PH Development Policy Loan 2	3/19/2013	300.0	0.0	0.0
Philippines	P148862	Supplemental Financing: Philippines DPL2	12/6/2013	500.0	0.0	0.0
Philippines	P147803	Philippines DPL3	9/26/2014	300.0	0.0	0.0
Samoa	P144377	Samoa Development Policy Operation	7/12/2013	0.0	15.0	0.0
Samoa	P149770	Firs t Fiscal & Economic Reform Operation	9/22/2014	0.0	7.5	0.0
Solomon Islands	P126740	Solomon Islands Dev Policy Operation 1	4/26/2012	0.0	2.0	0.0
Solomon Islands	P143242	Solomon Is lands DPG-2	8/27/2013	0.0	2.0	0.0
Solomon Islands	P149886	Solomon Is lands Recovery DPO	11/21/2014	0.0	5.0	0.0
Tonga	P130824	Economic Recovery Operation II	11/15/2012	0.0	1.8	0.0
Tonga	P144601	Firs t Economic Reform Support Operation	11/18/2013	0.0	5.0	0.0
Tonga	P149963	Second Economic Reform Support Operation	10/29/2014	0.0	5.0	0.0
Tuvalu	P145488	Tuvalu Development Policy Operation	11/22/2013	0.0	3.0	0.0
Vietnam	P127201	VN – Climate Change DPL II	11/8/2012	0.0	70.0	0.0
Vietnam	P116354	VN – Higher Education DPProgram 3rd Oper	2/28/2013	0.0	50.0	0.0
Vietnam	P122793	Econ Mngmt Competitiveness Credit 1	3/19/2013	0.0	250.0	0.0
Vietnam	P146095	Econ Management Competitiveness Credit 2	6/5/2014	0.0	250.0	0.0
Vietnam	P131775	VN – Climate Change DPL III	6/30/2014	0.0	70.0	0.0
Vietnam	P144675	Vietnam Power Sector Reform DPO3	6/30/2014	200.0	0.0	0.0
Eastern Europe and Central Asia Region						
Albania	P146280	AL Financial Sector DPL	5/15/2014	100.0	0.0	0.0
Albania	P147226	Public Finance DPL	5/29/2014	120.0	0.0	0.0
Armenia	P127754	DPO 1 New Series	11/7/2013	31.0	41.0	0.0
Armenia	P143040	Armenia DPO2	11/12/2014	75.0	0.0	0.0
Bosnia and Herzegovina	P146740	BiH DPL	10/3/2014	50.0	0.0	0.0
Croatia	P127665	Economic Recovert DPL2	4/29/2014	206.8	0.0	0.0
Georgia	P129597	DPO I	7/19/2012	0.0	60.0	0.0
Georgia	P143060	Georgia Competitiveness and Growth DPO2	6/27/2013	32.0	28.0	0.0
Georgia	P146890	Georgia Competitivenes s and Growth DPO3	6/26/2014	70.0	22.7	0.0
Kosovo	P129327	SEDPO 2	5/3/2012	0.0	0.0	23.0
Kyrgyz Republic	P126034	DPO1	7/25/2013	0.0	25.0	0.0
Kyrgyz Republic	P126274	Programmatic Development Policy Op 2	6/10/2014	0.0	25.0	0.0
Macedonia, fYR of	P133791	Macedonia Public Expenditure PBG	1/8/2013	201.5	0.0	0.0
Macedonia, fYR of	P126038	MK Competitivenes s DPL	11/29/2012	50.0	0.0	0.0
Macedonia, fYR of	P130847	MK Competitivenes s DPL 2	3/13/2014	50.0	0.0	0.0
Moldova	P122226	Competitivenes s DPO	11/1/2012	0.0	30.0	0.0
Moldova	P143283	Development Policy Operation	3/28/2014	9.0	21.0	0.0
Montenegro	P130157	Financial Sector Policy Guarantee	6/28/2012	79.2	0.0	0.0
Poland	P127433	DPL 1	6/19/2012	991.4	0.0	0.0
Poland	P130459	Development Policy Loan 2	6/18/2013	1307.8	0.0	0.0
Poland	P146243	PL DPL Resiliance and Growth	7/1/2014	966.0	0.0	0.0

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Country	Proj ID	Name	Board Date	$ IBRD	$ IDA	$ TF
Romania	P130051	DPO – DDO	6/12/2012	1333.3	0.0	0.0
Romania	P148957	Programmatic DPL 1	5/22/2014	1034.8	0.0	0.0
Tajikistan	P126042	PDPG6	10/31/2012	0.0	20.0	0.0
Turkey	P127787	CSDPL	6/6/2013	800.0	0.0	0.0
Turkey	P146322	Turkey Sustaining Shared Growth DPL	7/24/2014	500.0	0.0	0.0
Ukraine	P150313	DPL 1	5/22/2014	750.0	0.0	0.0
Ukraine	P150677	Programmatic Financial Sector DPL 1	8/7/2014	500.0	0.0	0.0
Latin America and Caribbean Region						
Brazil	P126351	BR – Bahia DPL	6/28/12	700.0	0.0	0.0
Brazil	P121590	BR – 3rd Minas Gerais Partnership DPL/PBG	7/26/12	450.0	0.0	0.0
Brazil	P126465	BR – Rio State DPL III	8/30/12	300.0	0.0	0.0
Brazil	P129652	BR – Sergipe DPL	5/21/13	150.0	0.0	0.0
Brazil	P126749	BR – MST Belo Horizonte Urban DPL	6/14/13	200.0	0.0	0.0
Brazil	P132768	BR – Pernambuco Equity & Inclus.Growth DPL	6/25/13	550.0	0.0	0.0
Brazil	P147695	Enhancing Public Manag for Service Deliv	11/21/13	500.0	0.0	0.0
Brazil	P147913	Acre: Strengthening Public Policies DPL	12/5/13	250.0	0.0	0.0
Brazil	P147979	BR – Amazonas DPL	5/23/14	216.0	0.0	0.0
Brazil	P148083	RS: Strengthening Fiscal & Water Mgmt DPL	6/27/14	280.0	0.0	0.0
Brazil	P147984	BR – Bahia DPL	7/30/14	400.0	0.0	0.0
Colombia	P126583	CO Disaster Risk Mgmt Cat DDO II	7/10/12	250.0	0.0	0.0
Colombia	P129465	CO Second Programmatic Fiscal DPL	11/13/12	200.0	0.0	0.0
Colombia	P130972	CO Productive & Sust. Cities DPL	12/13/12	150.0	0.0	0.0
Colombia	P145605	CO Enhancing Fiscal Capacity DPL	9/6/13	600.0	0.0	0.0
Colombia	P145766	CO MST 2nd Ciudades DPL	12/12/14	700.0	0.0	0.0
Colombia	P149609	Sust. Growth and Income Convergence DPL	12/12/14	700.0	0.0	0.0
Grenada	P147152	1st Programmatic Resilience Buiding DPL	6/30/14	0.0	15.0	0.0
Guatemala	P131763	GT First Programmatic DPL	9/27/12	200.0	0.0	0.0
Guatemala	P133738	GT 2nd Prog DPL Fiscal Space	6/17/14	340.0	0.0	0.0
Haiti	P127208	HT-Econ. Reconstruction Growth DPC	6/18/13	0.0	20.0	10.0
Haiti	P147166	HT Strengthening Governance	6/30/14	0.0	0.0	17.6
Honduras	P151803	Honduras Fiscal Sustainability DPC	12/9/14	0.0	55.0	0.0
Jamaica	P145995	Jamaica First Programmatic DPL	12/12/13	130.0	0.0	0.0
Mexico	P147244	Third Upper Secondary Education DPL	12/16/13	300.8	0.0	0.0
Panama	P127332	PA 2nd Programmatic DPL	3/26/13	100.0	0.0	0.0
Panama	P146942	PA Third Programmatic Development Policy	12/30/13	200.0	0.0	0.0
Peru	P131028	PE Social Inclusion DPL	12/13/12	45.0	0.0	0.0
Uruguay	P131440	UY-Public Sct Mgt & SocInclusion DPL/DDO	11/13/12	260.0	0.0	0.0
Middle East and North Africa Region						
Jordan	P125483	JO Second Programmatic DPL	3/13/14	250.0	0.0	0.0

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Country	Proj ID	Name	Board Date	$ IBRD	$ IDA	$ TF
Morocco	P120566	MA – First Skills and Employment DPL	6/12/12	100.0	0.0	0.0
Morocco	P127955	MA – Solid Waste Sector DPL3	2/14/13	130.0	0.0	0.0
Morocco	P127038	MA – Economic Competitiveness Support Prog	3/12/13	160.0	0.0	0.0
Morocco	P127822	MA – Support of Plan Maroc Vert DPL2	3/27/13	203.2	0.0	0.0
Morocco	P120541	MA – Second Education DPL	5/28/13	100.0	0.0	0.0
Morocco	P130903	MA – Accountability and Transparency DPL	10/29/13	200.0	0.0	0.0
Morocco	P127956	MA – Inclusive Green Growth DPL	12/19/13	300.0	0.0	0.0
Morocco	P147257	MA – Capital Market Develop. & SME Finance	4/29/14	300.0	0.0	0.0
Morocco	P144185	MA – Second Skills and Employment DPL	8/26/14	100.0	0.0	0.0
Tunisia	P128251	TN – Governance Opportunities & Jobs DPL	11/27/12	500.0	0.0	0.0
Tunisia	P132709	TN – Governance Opportunities Jobs DPL-2	4/29/14	250.0	0.0	0.0
West Bank and Gaza	P129742	WBG – PRDP Support V	5/23/13	0.0	0.0	40.0
West Bank and Gaza	P147687	WBG – PRDP Support VI	5/20/14	0.0	0.0	40.0
West Bank and Gaza	P152527	GZ Emergency Budget Support Supplemental	10/30/14	0.0	0.0	41.0
South Asia Region						
Afghanistan	P118027	AF: Development Policy Prog. Series	8/7/13	0.0	50.0	0.0
Bhutan	P128201	BT: DPC 2	10/2/12	0.0	36.0	0.0
India	P124041	IN: HP DPL Green Growth	9/6/12	100.0	0.0	0.0
India	P143032	DPL 2 – Inclusive Green Growth in HP	5/16/14	0.0	0.0	100.0
Nepal	P129929	NP: Financial Sector DPL	6/27/13	0.0	30.0	0.0
Pakistan	P147557	Fiscally Sustainable & Inclusive Growth	5/1/14	0.0	400.0	0.0
Pakistan	P128258	PK: Power Sector Reform DPC	5/1/14	0.0	600.0	0.0
Sri Lanka	P147454	Catastrophe Deferred Drawdown Option	4/22/14	102.0	0.0	0.0

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