

January 31, 2022

Ed Mountfield, Vice President
Operations Policy and Country Services (OPCS)
World Bank Group Washington, DC 20433 USA
Via electronic mail

Re: DPF Retrospectives, and DPF Policy Modernization

Dear Mr. Mountfield:

We write to follow up on our letters to the World Bank regarding the policies that govern Development Policy Financing (DPF) from [July 2020](#) and [May 2020](#). While we appreciate the opportunity to provide [comments](#) to the DPF Retrospective, we believe that only looking backward will not modernize the Bank's approach to DPF and a full review and revision of the policies governing DPF is required.

While the World Bank's Environmental and Social Framework (ESF) governs only investment project financing (IPF), independent evaluations show that many social and environmental issues addressed by the ESF arise in DPF [via prior actions] as well. CSO-led research has illustrated negative development impacts arising from the lack of DPF social and environmental safeguards, including with respect to [gender](#), the [climate crisis](#), [deforestation](#), fiscal sustainability, and [private sector bias](#). IEG's 2015 [review](#) of the Bank's DPF portfolio, "Managing Environmental and Social Risks in Development Policy Financing," found that relative to IPF, DPFs had significantly more actions with risk of negative environmental or social effects. At the same time, IEG found that "there is scope for the Bank to strengthen its approach to environmental and social risk management in DPF in all aspects of the system: guidance, procedures, incentives, and accountability mechanisms." It is unclear if or how OPCS has addressed the serious gaps found in the 2015 IEG report over the intervening six years, and we believe that only a full review and revision of the policies governing DPF will enable the Bank to remedy these issues.

Failing to harmonize DPF with the Bank's environmental and social safeguards undermines DPF as a tool to reach its twin goals of ending extreme poverty and boosting shared prosperity. One illustration is a 2016 Colombian Territorial DPF, which was approved weeks after the signing of the peace agreement between the Colombian government and the Revolutionary Armed Forces of Colombia (FARC). The World Bank approved a new US\$800 million [loan to Colombia](#). This 2016 DPF was made to support a key element of the peace agreement: the country's commitment to deal with longstanding issues around territorial planning. According to the 2005 census, the Afro-Colombian population accounted for 10.5 percent of the national population and the Indigenous population for 3.4 percent. However, the Territorial Development DPF documents do not mention or address any

potential impacts on Indigenous and Afro-Colombian communities nor include mitigation measures to honor their outstanding titling requests and protect their ancestral land rights under the Constitution.

The Colombian Territorial DPF did not establish mechanisms or provide information to promote ethnic communities' participation in the new institutional arrangements that it supported. DPF-initiated changes also failed to include strong institutional mechanisms to address the predictable conflict between the protection of ethnic lands and the promotion of private land markets. This conflict is made worse by a lack of consistent official data on land titling requests and the number of official *resguardos* (Indigenous reserves) and collective territories officially recognized. Failing to include adequate social safeguards and stakeholder consultation has meant that ethnic communities — among Colombia's most vulnerable — have not seen improvements in collective land titling process and securing land tenure. Colombia received 22 World Bank DPF loans between 2005 and 2017, totaling \$9.2 billion.

Avoiding negative impacts from DPFs requires not only consultation with stakeholders as the Bank [currently mandates](#) for IPFs, but also the full integration of input from civil society and potentially affected communities into project design, including decision making around what prior actions, if any, should be required. It is critical that DPF policy be in line with the ESF, including by requiring stakeholder engagement plans for all DPFs.

We hope that under your leadership this fifth DPF Retrospective will be just the first step in a robust review of DPF policy. We welcome the opportunity for meaningful CSO engagement in a full review of DPF policy.

Cordially,

Arab Watch Coalition
Asociación Ambiente y Sociedad
Bank Information Center
Bretton Woods Project
Center for International Environmental Law
Friends of the Earth US
Gender Action
Oil Change International
Protección Internacional Mesoamérica
Recourse
Sinergia Animal
Trend Asia
Urgewald