FROM ADJUSTMENT LENDING TO DEVELOPMENT POLICY LENDING:
UPDATE OF WORLD BANK POLICY

CONTENTS

I. Introduction .................................................................................................................. 1

II. Modernizing the Bank’s Operational Policy Framework for Lending ................. 4

III. Development Policy Lending—What Has Changed? ........................................... 9
    A. Coverage of Updated Policy and Nomenclature .............................................. 9
    B. Considerations in Development Policy Lending ........................................... 12
    C. Share of Development Policy Lending ......................................................... 15
    D. Treatment of the Poverty/Social, Environmental, and Fiduciary Aspects .... 20
    E. Design and Process ....................................................................................... 29

IV. Implementation Arrangements .............................................................................. 35

V. Next Steps .................................................................................................................. 37

Annexes
Annex A. Previous World Bank Policy and Policy Update .......................................... 39
Annex B. OP 8.60, Development Policy Lending ......................................................... 53
Annex C. BP 8.60, Development Policy Lending ......................................................... 63
Annex D. Relation of OP/BP 8.60 to Other World Bank Operational Policies .......... 69
Annex E. Key Policies and Process Reforms in World Bank Lending Instruments ...... 71

Boxes, Figures, Tables

Box 1. Investment Lending Modernization ................................................................. 8
Box 2. Environmental Analytic Work in Support of Development Policy Lending .... 25
Box 3. Ineligible Expenditures (“Negative List”) ...................................................... 29

Figure 1. OED Quality-at-Exit Ratings for Investment and
Adjustment Lending, FY90-03 ............................................................................... 5
Figure 2. Bankwide Share of Lending ....................................................................... 16
Figure 3. Exposure Resulting from a $1b Loan: Development Policy vs. Investment
Lending ..................................................................................................................... 18
Figure 4. Projected IBRD Exposure with Hypothetical Permanent Increase
in Development Policy Share ................................................................................. 18

Table 1. Operational Policy Framework for World Bank Lending ........................ 9
Table 2. Overview of Coverage of OD 8.60 and Coverage of OP/BP 8.60 .......... 10