

Report of the Utstein Group Mission to the World Bank and IMF, January 2001, to Consider Poverty Reduction Strategy Papers

A mission from the Utstein group of countries (Germany, The Netherlands, Norway and the United Kingdom) visited the Bank and Fund from January 22 to 26, 2001. (See annex 1 for the composition of the mission.) The purpose of the mission was to take stock of the progress that the Bank and Fund have made in adapting to the challenges of implementing the new paradigm of development co-operation associated with country-owned and country-driven Poverty Reduction Strategy Papers (PRSPs). Our governments strongly support this paradigm shift, but are well aware – both from our own bilateral activities and from reports on the activities of other agencies, including the Bank and Fund – that there are still many problems to overcome and much learning to be done.

Our objective was thus to exchange experiences and to discuss progress and problems with Bank and Fund staff, to supplement the formal representation of our governments in Board meetings. In this endeavour, we were given the opportunity to meet a large number of staff at all levels in both organisations. (See annex 2 for the programme and list of persons met.) We were most impressed by, and are most grateful for, the amount of their time they gave us, as well as for the full, well-informed and frank nature of their responses to our many questions.

In brief summary, our main conclusions are the following:

The Bank and Fund have made good progress in putting poverty reduction at the centre of their operations, in re-focusing their work on the PRSP process and in strengthening their relationships with each other and with their partner countries. In the first phase of PRSPs, the emphasis was on speed and process, but the focus now needs to shift to quality and content. Moreover, the two institutions need to put pro-poor growth more at the centre of their PRSP analyses and strategies, along with important development issues such as gender and the environment. In further implementation of the PRSP agenda, the Bank and Fund also need to develop closer working relationships with bilateral donors and other international organisations.

Practice and procedures in the Bank and Fund

In most respects, both the Bank and the Fund are making good progress towards putting PRSPs at the centre of their operational activities. There is a clear and widely shared intention to base Bank country assistance strategies and the Fund's Poverty Reduction Growth Facility (PRGF) on the PRSPs of the countries concerned, although progress towards this objective is currently limited by the interim nature of most PRSPs. The Bank has been developing the Poverty Reduction Support Credit (PRSC) as a major programmatic lending instrument to support country budgets. Approval of the first PRSC is imminent and the Bank expects PRSCs, within a few years, to account for a large share of IDA activity. The Fund has introduced more flexibility into its country programming, particularly by taking the need to finance basic public expenditures and other poverty reduction priorities as the starting point of any fiscal framework and taking fuller account of the contribution of aid flows to co-financing public expenditures. Co-ordination and co-operation between the Bank and the Fund have increased impressively.

In our judgement, the speed at which the new approach is now being introduced into both institutions is about right. The rapid rate at which interim PRSPs were prepared during the past year has given a valuable impetus to the process, but has also had some costs in terms of quality and left some gaps. The link with the HIPC process will become less pressing as countries reach decision point, taking away the urgency that undermines the quality. It is also bound to take time for the necessary changes in the attitudes and behaviour of staff to be universalised. At present, the situation varies widely within both institutions, but particularly within the Bank, which operates in a more decentralised way than the Fund. It will also take time to improve the quality of poverty reduction strategies and the process of preparing them, especially in countries with little or no prior experience of this sort of planning and with limited statistical and analytical capacity. Moreover, the introduction of PRSCs will be constrained in many countries by the need to improve public expenditure accounting.

Staff at all levels in both the Bank and the Fund stressed that the PRSP approach was a better way of doing business, to which they are strongly committed. However, they also expressed concerns about the dangers of setting unrealistic targets and raising excessive expectations about what could or should be expected from the new approach. We share their concerns. Enthusiasm and efforts to implement the PRSP process need to be balanced by modesty in setting goals and clear awareness of difficulties and uncertainties in attaining them. Of particular importance is the readiness of donors to accept the process nature of Poverty Reduction Strategy efforts, and to be flexible in evaluating progress towards targets.

In the Bank, more effort is needed to bring a wider range of important issues into the consideration of PRSPs – in its dialogue with countries formulating PRSPs, and in Joint Staff Assessments. This applies not only to issues such as environment and gender, but also – and more surprisingly – to some standard economic issues, particularly trade, private sector development and the rural economy (although we were assured that steps are now being taken to raise the profile of these issues). A number of possible explanations for the present omissions were suggested to us, including variation in the attitudes and interests of country directors, unclear priorities set by management, the internal market mechanism for allocating staff resources, budget constraints, lack of appropriate incentives, and shortages of staff with relevant skills. A more general reason is perhaps that adapting to the ‘process’ agenda inherent in PRSPs is a major challenge for an organisation that has hitherto been predominantly ‘task’ oriented. It was clear to the team that delaying the mainstreaming of these issues will adversely affect the quality of both analysis and implementation and, ultimately, the sustainability of poverty reduction. The Bank and Fund are encouraged to give further attention to these problems, so as to enhance their multidimensional approach to poverty reduction.

Ownership, politics and governance

There is a potential tension – or, as some people more bluntly put it, contradiction – between country ownership of PRSPs and donor concerns about the omission from PRSPs of important cross-cutting issues such as HIV/AIDS or gender. Fortunately, this tension is widely recognised and understood by Bank and Fund staff – and by Executive Directors representing PRSP countries. However, views about how best to manage it vary somewhat from country to country and issue to issue.

For example, lack of interest on the part of countries is another possible reason why some important cross-cutting issues are neglected in the consideration of PRSPs. At one extreme, to try to force such issues into a country's PRSP would violate the principle of ownership, but at the other extreme to ignore them would be contrary to poverty reduction goals and best practices of development which have been endorsed by the international community in United Nations conferences. The consensus approach that seems to be evolving in the Bank, which we support, is to pursue a continuing dialogue on issues of this kind, supported by technical assistance and analysis, even where major financial support for related activities could not be provided by the Bank and the Fund because the issues were not given priority in a country's PRSP. The Joint Staff Assessment has a role in identifying these issues as an essential part of the analysis underpinning the poverty reduction strategy and putting them on the operational agendas of the Bank and the Fund.

We also attach importance, a view widely shared in the Bank and the Fund, to the role of normal democratic institutions, such as parliaments, in participatory consultations about PRSPs within countries. Involvement of NGOs and civil society is valuable even in well-developed democracies and can lead to increased demand for attention to important development issues, such as gender and environment. Encouraging civil society engagement with the PRSP process, however, has to be done in a way which complements rather than conflicts with existing democratic processes and with efforts to extend such processes. A clear understanding is needed between governments, donors, civil society organisations, and special interest groups about their respective roles in the process, consistent with each country's constitutional structure. For this reason, we welcome the emphasis on empowerment of the poor in the recent World Development Report. Promotion of the report's three pillars – opportunity, empowerment and security – will enrich PRSPs. We also recognise that some aspects of empowerment, as well as of governance, lie beyond the mandates of the Bank and the Fund, and thus require bilateral donors or other multilateral institutions to play a leading role.

Analysis, surveillance and monitoring

Although there is consensus on some broad elements of policies to promote poverty-reducing growth, and despite much research, there remain large gaps in basic data and strategies on poverty and in knowledge and understanding of more detailed growth-promoting policies, particularly in specific countries. That these analytical gaps need to be filled if PRSPs are to be effectively formulated and implemented is well-recognised in both the Bank and the Fund, as is the need for much of the additional analysis to be done externally and particularly within the countries concerned. Bilateral donors should play an important part in contributing to and financing the development of analytical capacity. Part of this work will involve the improved formulation of country-specific indicators of progress in poverty reduction, which can then be monitored over time.

One specific area in which the Bank is committed to undertaking additional analysis is the poverty impact of policy measures supported by the Fund's PRGFs. So far, this has not been done, but work is now actively in progress to develop over the next few months suitable methodologies, which would then be applied by country departments as well as by the countries concerned.

Effective planning and management of public expenditure is agreed to be vital to success in the design and implementation of PRSPs: ex-ante budgets should be linked to ex-post outcomes. It is also a precondition for providing budgetary support for their implementation through PRSCs and similar instruments. In its broadest sense, conditionality cannot be given up, and even though its form will change from ex-ante contracts to mutual commitments based on performance, the new form of conditionality will in some respects be more intrusive than the old form. Bank and Fund staff have recently produced a paper on the 'Tracking of poverty-reducing public spending in heavily indebted poor countries', which provides a thorough and realistic assessment of problems and possibilities in this area. One of its main conclusions, which we support, is the need for bilateral and other donors to provide support for expanded technical assistance to upgrade public expenditure management systems in poor countries.

Involvement of bilateral and other multilateral agencies

The important role of bilateral and other donors in supporting and financing various sorts of capacity-building for the PRSP process has already been mentioned. Consideration should be given to ways of improving the alignment of trust funds with this objective.

Fuller and better co-ordinated involvement of bilateral and other multilateral agencies in other aspects of the PRSP process is also needed. Although the responsibility for co-ordination of contributions to the preparation of PRSPs lies ultimately with the country itself, all parties involved, including the Bank and the Fund, must contribute to this objective in a constructive and transparent manner, including by the sharing of information – which has recently much improved.

There can and should be consultations with bilateral and other multilateral agencies, civil society and the UN system by Bank and Fund staff on evolving drafts of PRSPs. The Joint Staff Assessment (JSA) should note these views. The endorsement of a PRSP, taking account of the JSA, is the responsibility of the Boards of the Bank and the Fund, so bilateral donors can contribute to this formal process through their representatives.

Conclusion

The team found that the Bank and the Fund had made good progress in adapting to the paradigm shift implied by a country-driven and country-owned PRS process, but that there remain various issues to resolve. We hope that our report will be a useful contribution to the Bank's and Fund's own reflections on what needs to be done.

The Bank's President suggested that substantial further progress will be made over the next 18 months, and the Joint Implementation Committee suggested a follow up mission in about a year. We agree that such a mission would be useful, and look forward to assessing further progress with the staff of the Bank and the Fund.

7 February, 2001

Annex 1: List of Team Members

Adrian Wood	Chief Economist (Team Leader)	Department for International Development, UK
Maarten Brouwer	Head of Division	Macroeconomic Co-operation UN and IFIs Dept Ministry of Foreign Affairs. The Netherlands
Sean Conlin	Social Development Adviser	IFI Dept, International Division, Department for International Development, UK
Svein Dale	Assistant Director General	Ministry of Foreign Affairs, Norway
Margreet Moolhuijzen	Senior Poverty Specialist	Poverty Analysis and Policy Division, Ministry of Foreign Affairs, The Netherlands
Angelika Pradel	Economist	West Africa Division, Federal Ministry for Economic Co- operation and Development, Germany
Ralf Schroeder	Economist	World Bank Division, Federal Ministry for Economic Co- operation and Development, Germany
Olav Seim	Head of Division	Policy and Co-financing Division, Ministry of Foreign Affairs, Norway

Annex 2: PROGRAMME

MISSION OF UTSTEIN COUNTRIES ON PRSP TO WORLD BANK AND IMF

January 23 – 26, 2001

<u>Date / time</u>	<u>Event</u>	<u>Venue</u>
Monday, January 22		
PM	Delegation members arrive, no further programme	Melrose hotel Tel: 955.6400
Tuesday January 23 (all meetings at Main Complex, 1818 H Street)		
AM		
9.00 – 11.30	Delegation meeting (Stevenson/Davidse present at start)	MC-13-603
11.30 – 12.30	Meeting with World Bank Human Development Network Eduardo Doryan, (Vice President) Shanta Devarajan (Chief Economist, HD) Ruth Kagia, (Director of Education and Sector Board Chair) Steve Commins, (Social Sector Specialist)	MC 13-603
Lunch	Utstein Delegation	MC buffet dining room Hosted by UK ED Office
2.30 – 4.00	Stocktaking with JIC: Kemal Dervis (Bank, JIC co-chair, PREM Vice President) Masood Ahmed (IMF, JIC co-chair, Deputy Director, PDR) [Hugh Bredenkamp/Brian Ames (IMF)]	MC-13-603
4.15 – 5 / 5.30	Discussion of Governance and Trade aspects of Poverty Reduction Cheryl Gray (Director of Public Sector, PREM), Uri Dadush (Director of Trade, PREM/DECRG) Bernard Hoekman (Manager, DECRG) Ataman Aksoy (Economic Adviser, DECPG) Richard Newfarmer (Economic Adviser, DECPG)	MC-13-603
Parallel meeting 4.30 – 5.00	Meeting with DG Operations, Bob Picciotto	MC-13-433
5.30pm to 6pm	Meeting with Stanley Fischer, First Deputy Managing Director, IMF	Room 12 – 300F
Wednesday January 24		

AM		
9.00 – 10.00	African WB EDs, Bassary Toure (Mali) Paulo Gomes (Guinea Bissau) Richard Kaijuka (Uganda)	MC-13-433
10 – 10.45	World Bank Poverty Board	MC-4-301
11 - 12.30	Mieko Nishimizu (Vice President, South Asia)	MC-13-414
Lunch 1 pm – 2 pm	With President Wolfensohn	President's dining room MC-C-1
PM		
2.30 – 3.30	John Underwood, Director Operations Pablo Guerrero, CDF Secretariat	MC-13-433
4 – 4.30	DEC / WDR Attacking Poverty: Nick Stern (Senior Vice President and Chief Economist) Jo Ritzen (Vice President, DEC)	MC-4-301

<i>Thursday January 25</i>		
AM		
9.30 to 10.30	Overview meeting Africa region with Alan Gelb, (Chief Economist), Ted Ahlers (Director) and Sudhir Shetty (lead economist)	MC-13-603
9.30 – 1	Country meetings (split meetings, see attached sub-programme)	MC 13-603/433
Parallel 9 to 10	Discussion of debt sustainability Geoff Lamb (Director, Resource Mobilization Department) Amedee Prouvost (Manager, FRM) Axel van Trotsenburg (HIPC Unit, WB) Richard Harmsen (HIPC Unit, IMF)	MC 13-130
Lunch	No engagement	
PM		
2.00-2.45	Michael Klein, director Private Sector Development	MC 13-603
3.00 – 4.00	Discussion of Gender aspects of poverty reduction Karen Mason (Director, Gender, PREM)	MC 13-603
	Discussion of Social Development, Environmental and Participatory Aspects of Poverty Reduction with ESSD Steen Jorgenson (Director, Social Development) Magdolna Lovei (Senior Environmental Economist) Rebert Thompson (Director Rural Development) Julia Bucknall (Senior Environmental Specialist) Parmesh Shah (Coordinator, Participation)	
5.30	Meeting with WBI Ishac Diwan, Moira Hart-Poliquin, John Peter Ennis, Kazuki Itaya	MC 13-603
Evening	Dinner meeting on reporting?	

Friday January 26		
9:00 to 10.30	Discussion with IMF Africa Area Department staff on PRSP experience to date	IMF 8-117
11.00 – 12.00	USAID	MC 13-603
11.30	Meeting Sean Conlin with IMF Institute	1875 I Street
Lunch 1 – 2.30	Wrap up lunch with JIC John Page (Bank, Director of Poverty and Poverty Reduction Strategies, and Sector Board Poverty Chair) Dan Morrow (Lead Economist, PREM) Jehan Arulpragasam (Senior Economist, PREM) Katrina Sharkey (Senior Operations Officer, PREM) Masood Ahmed (Fund, Deputy Director, PDR) Michael Hadjumichael (PDR) & Peter Heller (FAD)	MC- C1 D&E Dining Room Hosted by NL ED office, WB
2.30 – 3:00	Delegation wrap up	MC 13-603
PM	Departure	

MEETINGS WITH THE AFRICA REGION, THURSDAY 25 JANUARY, AM

Time slot	MC-13-603	MC-13-433 (NL ED office)
9.30 - 10.30	Alan Gelb (Chief economist) Ted Ahlers (Director) Sudhir Shetty (Lead economist)	
10.30 - 11.00	Robert Utz (Kenya)	Ron Brigish (Tanzania)
11.00 - 11.30	Darius Mans (Malawi)	Robert Calderisi (Chad)
11.30 - 12.00		Hasan Tuluy (Mali)
12.00 - 12.30	Yaw Ansu (Zambia)	Hasan Tuluy (Burkina Faso)
12.30 - 1.00	Polly Jones (Ghana)	Antoinette Sayeh (Benin)