

Trust Fund for Environmentally and Socially Sustainable Development (TFESSD)

Minutes of the Annual Consultations May 9, 2007 Oslo, Norway

Introduction

A meeting was held on May 9, 2007 between the delegations from the Norwegian and Finnish Ministries of Foreign Affairs, the Norwegian and Finnish Reference Group for the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) and the World Bank TFESSD management, following on a successful Energy Access and Climate Change Conference the previous day. The agenda and list of participants are attached.

Mr. Seim chaired the meeting before lunch and welcomed the Finnish and World Bank TFESSD delegations. Both Mr. Seim and Ms. Karlsson expressed that they highly valued the partnership under the trust fund. Mr. Jorgensen expressed appreciation for the continued support and engagement of the donors and the reference group in the TFESSD partnership. After lunch the meeting was chaired by Mr. McNeill.

Annual Report

Mr. McNeill informed the meeting that the donors and the Reference Group (RG) found the annual report to be well organized, well written and very useful. The discussion focused on TFESSD's role and value added in the four sectors, as compared to other trust funds and bank budget-financed work. Mr. Seim would have liked the report to elaborate more on cross-sectoral work under the trust fund and the results of this work. Mr. Ibrekk pointed out that the text of the Environmental Window could have benefited from a more thorough analysis of what may be learned from the numerous studies at an aggregated level. The text of the Social Development Window was referred to as a good example.

It was agreed that:

- Local institutions that the Bank worked with should be mentioned in the summaries of the various activities. This would be useful to the donors when they visit the countries where projects were funded through TFESSD.
- A list of new publications should be sent by the four windows on a quarterly basis to the TFESSD secretariat. The list would be circulated to donors and RG members. Publications would be sent out from the Bank

- on request. In connection with the annual conferences in spring the Bank would bring samples of new publications.
- The Bank would continue to post links to new reports on the TFESSD web page.

Mr. McNeill raised the question about how we can better track the impact of TFESSD. Mr. Jorgensen argued that there was more impact when priority themes were kept unchanged over several years, which had been the case for Poverty and Social Impact Analysis (PSIA), Community Driven Development (CDD) and Country Environmental Analysis (CEA) (please see more on this below).

Experience with the new procedures

Mr. McNeill said that the RG supported the continuation of the agreed procedures, but there was a need to learn from the mixed experience in this first year of operation. Further clarification of the role of the RG was needed. The group should have more influence in the upfront process and play an active role as an adviser during the later stages of the process. Input on priority themes from the donors and RG would have to be timely and in line with the specifications in the agreed procedures.

Ms. Karlsson agreed to continue with the new procedures. She was in favor of the donors playing a major role in the process upfront, but would also like the donors to have the opportunity to handpick some proposals at the concept note stage. This was considered by several of the Bank representatives to interfere with a clear division of labor/responsibilities between the donors and the Bank and was considered not good governance. The Bank argued that the donors and RG could give *advice* about specific concept notes (which was done this year and was taken into account by the Bank) but should not *decide* which concept notes should go forward to the second stage and full proposals.

Mr. Jorgensen said that overall the Bank supported the new procedures, but it was important to receive early signals from the donors on the priority themes so that the sector boards could be involved in the strategic discussions. Peer reviewing of the concept notes by the sector boards had been useful. Ms. Tlaiye argued that the technical reviewers sometimes were inconsistent in their comments, and that they were too focused on budget cuts. They should in the future focus more on giving technical advice.

Mr. Jorgensen emphasized that the comments provided by the RG on individual concept notes had been very useful and had been forwarded to the Task Team Leaders who had considered them when preparing full proposals. Mr. Ibrenk said that knowing that the comments were taken seriously in the Bank encouraged him to continue to prioritize this work.

Mr. McNeill reported that the RG and the donors had discussed the suggestions from the Bank's preparatory meeting of April 18, 2007 (attached below) and he summarized the conclusions they had reached. They agreed that the overall priorities from the donors should be less detailed and limited to a maximum of 5 themes. The donors would not, at this point, agree to the Bank's suggestion to keep thematic priorities unchanged for several years. The donors were not in favor of providing seed money for each of the windows.

It was agreed that:

- The RG and donors would play an active role as advisor at the concept note stage but would not handpick proposals.
- The fall meeting in Washington DC would take place after the donors have selected the priority themes for FY09 (in October). The profile of the themes would be discussed at the meeting.

Amended procedures are attached (changes are highlighted).

Signals and priorities for FY09

Mr. Harboe and later Ms. Georgieva joined the meeting after lunch.

Norway currently has five areas of priority in their development assistance:

- environment,
- energy and oil,
- peace and reconciliation,
- governance,
- gender.

In addition, high priority is attached to the issue of climate change. Ms. Karlsson informed that Finland has a new government, and even if the political agenda is not yet completed, high priority will be attached to the issue of climate change. She proposed to choose one signal for FY09: climate change adaptation. Disability and child work were also mentioned by Norway as potential priority themes. Mr. Holzmann made the proposal to earmark modest resources (some 200-300k) for disability during the next 2-3 years.

Mr. Seim said that it would be desirable for the new proposals to build on TFESSD's previous work – which has included some of these cross-cutting topics.

Climate change as priority theme was discussed at length. The Bank expressed that the theme would be of interest to all the four sectors. The Bank would look into which areas are already covered, where more work needs to be done and what the comparative advantages of the Bank are in this field. It was also pointed

out that this is a dynamic topic where the focus might shift from now and until activities can be funded in 14 months. Mr. Jorgensen and Mr. Holzmann reiterated that it was important to have stability and continuity on one or two priority themes in order to secure greater impact. Ms. Wilhelm emphasized the need for stability and continuity for themes covered in the past, such as the decent work and vulnerability. Mr. Jorgensen and Mr. Holzmann were skeptical to forcing a link between disability and climate change or other priority themes and would rather prefer that the donors earmark money for disability upfront if this is a priority (some 200k to 300k for the next 2 – 3 years).

It was agreed that:

- The donors would send broad overall priorities for FY09 to the Bank by the end of June

Other issues

Evaluation update

Ms. Aasen informed the meeting that the consultancy firm had been selected and would be announced on May 18. The consultancy firm had indicated that they will be able to keep to the timeline indicated in the Terms of Reference. An inception report would be submitted by June 22. The draft report would be submitted at the end of September. It was agreed that the draft report should be discussed at the consultation meeting in October before the report is finalized on November 15.

Schedule for Receipt of Funds

Mr. Seim informed the meeting that the Norwegian replenishment of the trust fund would be made as soon as the minutes of this meeting had been agreed upon. Ms. Karlsson confirmed that Finland would contribute the same level as in previous years and indicated that the installment could be made by July.

Timing of autumn 2007 meeting

It was agreed that the meeting would be held early October. The main items on the agenda would be the evaluation report and the profile of the FY09 priority themes. It was agreed that there would be fewer learning events, one of which could be "Moving out of poverty".

Ms. Karlsson

Ms. Karlsson indicated that she is being posted to Mozambique in August and a new representative from the Ministry of Foreign Affairs will be announced later.

Ms. Hjetland

Special thanks were given to Ms. Hjetland for her role as Technical Adviser over the last two years. Ms. Hjetland will be leaving the Bank on June 15, 2007.

List of participants

Norway, Royal Ministry of Foreign Affairs

Mr. Henrik Harboe, Head of Multilateral Bank and Finance Section, Ministry of Foreign Affairs

Mr. Olav Seim, Senior Adviser, Multilateral Bank and Finance Section, Ministry of Foreign Affairs

Finland, Ministry of Foreign Affairs

Ms. Lotta Karlsson, Administrator, Unit for Development Financing Institutions, Ministry for Foreign Affairs

Ms. Elina Levaniemi, Programme Officer, Unit for Development Financing Institutions, Ministry for Foreign Affairs

Reference Group

Mr. Desmond McNeill, Head of Reference Group, Professor, Centre for Development and the Environment (SUM), University of Oslo

Ms. Berit Aasen, Researcher, Norwegian Institute for Urban and Regional Research (NIBR)

Mr. Arve Ofstad, Head of Poverty Reduction Strategies Unit, Norwegian Agency for Development Cooperation (NORAD)

Mr. Timo Voipio, Adviser (Social Development) Ministry for Foreign Affairs, Finland

Ms. Brita Slettemark, Senior Adviser, Department for International Cooperation, Ministry of the Environment

Ms. Eva Klove, Adviser, Norwegian Agency for Development Cooperation (NORAD)

Mr. Hans Olav Ibrekk, Senior Adviser, Norwegian Agency for Development Cooperation (NORAD)

World Bank

Mr. Steen Jorgensen, Director, Social Development Department

Ms. Kristalina Georgieva, Director of Strategy and Operations, Sustainable Development Network

Mr. Robert Holzmann, Director, Social Protection Department

Ms. Laura Tlaiye, Window Manager, Environment Department

Ms. Vera Wilhelm, Window Manager, Poverty Reduction and Economics Management Network

Ms. Myrtle Diachok, Window Manager, Social Development Department

Ms. Ann Hjetland, Technical Advisor, TFESSD

Ms Joyce Chinsen, TFESSD Secretariat

Preparation Meeting for TFESSD May Consultations, April 18, 2007

Present: Steen Jorgensen (Chair), Robert Holzmann; Valerie Kozel (SP); Vera Wilhelm (PREM), Myrtle Diachok (SDV); Ann Hjetland (TFESSD Coordinator/Technical Adviser); Joyce Chinsen (SDV)

The experiences with the new funding procedures were discussed.

The meeting agreed that the new procedures were a step in the right direction, and that the roles of the donors and the Bank were now clearer than earlier.

The meeting pointed out specific steps of the new procedures that had worked well and should be continued:

- Sector Boards were actively engaged in suggesting priority themes for the Call for Proposals and in the review of concept notes. The focus has been moved from individual proposals to strategic use of the TFESSD.
- Peer review by sector directors worked well and contributed to better quality and cross-sectoral focus.
- Advice and comments from donors/RG on concept notes were useful.
- The responsibility for proposals was moved to the relevant sector board early in the process.

The meeting recommended the following improvements of the procedures:

- The thematic priorities from the donors should be broader and less detailed, and there should be no more than 3-4 themes.
- Donor priorities should be kept unchanged over several years to secure continuity and predictability (not clear whether this implies that (part of) the Call should be kept the same over several years or only the overall themes from the donors). One suggestion was to define 'products' that would be kept for several years (e.g. PSIA, CDD) combined with broader topics.
- "Enough" (how much?) money should be allocated to a theme in order to secure useful outcome and impact.
- Each sector should have seed money for pilot programs (\$100,000/window?) which could be allocated throughout the year at the Sector Board's discretion.
- Larger proposals (above \$200,000?) should be required to provide more detailed proposals and should not be limited to 2 pages e.g. up to 5 pages. This would give the technical reviewers a better background for qualified review.
- Encourage closer cooperation between Sector Directors/Window Managers/Sector Board members and TTLs during the preparation of proposals to improve technical quality and avoid overlap between proposals.

TFESSD Semi-annual meeting, Helsinki June 6-7, 2006

(The procedures were slightly amended at the meeting in Oslo May 9, 2007 and will be applied for FY09)

New Procedures for TFESSD Open Call for Proposals

During the last year there have been discussions both on the donor side and the Bank side on how to make the TFESSD more focused and result-oriented while at the same time reducing transaction costs related to the administration of the trust fund. These issues also raise questions about what role the donors, reference group and the Bank should play and what incentives they have to secure good governance and greater impact from funded activities.

The Norwegian and Finnish donors have agreed with the World Bank that new procedures for an open call for proposals will be implemented for FY08 and FY09. An open call, along the lines described below, is transparent and gives all Bank staff the opportunity to compete for funding of innovative ideas and is preferable to earmarked funding. If desired, a focus on specific countries or regions could be done explicitly in the call; and use of local consultants and/or cooperation with local institutions will be one of the selection criteria.

The timeline of the new procedures is set to better integrate the call for proposals with work program planning in the Bank. The objective is to increase the relevance of TF activities to other work in the Bank and at the same time secure that the TTLs include sufficient time in their work program for supervision of the activity.

New procedures for open call:

1. May/June: The donors give a first signal on strategic direction during the semi-annual consultation meeting and thereafter send broad overall priorities for the following year to the Bank no later than end-June.
2. September: The SDV, ENV, POV and SP sector boards suggest maximum two priority themes each for an open call for proposals. The themes have to be cross-sectoral (minimum two sectors). The list with suggested themes is sent to the donors.
3. October: The donors select maximum 5 themes from the list and allocate amounts (per cent of funding in FY09) for each of the selected themes. The profile of the selected themes will be discussed during the semi-annual consultation meeting in Washington DC. The meeting will take place early October. Open call for concept notes is announced.
4. November. The sector boards review, rate and rank the concept notes related to their respective theme(s). The sector directors serve as peer reviewers on the proposals put forward by other sector boards. A list with recommended concept notes for all the themes including endorsements from the "peer reviewing" director, representing 1.5 times the available amount is sent to the donors for approval. The donors make sure that the recommended proposals do not violate agreed selection criteria. The reference group gives advice to the donors.
5. January. Call for full proposals is announced.

6. February. Submission of full proposals. Each of the four windows is responsible for selecting and financing an independent technical reviewer for the review team. The team will review, rate and rank all the proposals. Neither the sector boards nor the donors will be involved in the review. The list of recommended proposals will be sent to the donors for formal approval.
7. March/**April**: Announcement of approved proposals.
8. The sector board/window will manage the activities of their respective priority theme.

The new procedures clarify, to a larger extent than earlier, the roles of the trust fund parties. The donors will set the strategic direction for the trust fund by giving early signals on overall priorities at the June meeting. Further, they will be responsible for the actual selection of the priority themes of the open call. They will allocate money to each of the themes up front. This will give clear signals of donor priorities and will also increase predictability in TFESSD funding. The sector boards' role will be to suggest priority themes to the donors. They will be responsible for following up on their respective theme(s) if selected by the donors. More precisely they will secure the strategic fit of potentially funded activities (at the concept note stage) and later on manage activities that are approved. This will increase ownership and at the same time reduce transaction costs for the sector board and the window administration. In order to secure cross-sectoral activities, each concept note will be peer reviewed by a sector director from one of the other sectors. Other measures to secure cross-sectoral work will also be considered.