

Final Minutes

TFESSD Consultations, Oslo, May 30, 2011

Agenda:

1. Opening
2. Annual Report
 - a) Updates from the sectors
 - b) Comments from the donors
3. The possible phasing out of the TFESSD
 - a) Liquidity situation and Potential new round for Call for Proposal
 - b) Terms of Reference for the Proposed Assessment of TFESSD
4. Update on administrative matters
 - a) TFESSD meeting fall 2011
5. Any other business

Participants from the donors: Harriet V. Solheim (chair) and Ingjerd Haugen (Norway); Olli Kantanen and Matti Kiisseli (Finland).

Participants from donors' advisors: Benedicte Kaltenborn, Gunnar Bøe, Erik Aakre, Vedis Vik (Norway); Ronald Wiman (Finland).

Participants from the Bank: Cyprian F. Fisiy, Kury Cobham, and Rasmus Heltberg (Social Development); Mary Barton-Dock and Remi Kini, (Environment); Jaime Saavedra and Nora Dudwick (PREM Poverty&Equity).

Introduction

Harriet V. Solheim opened the meeting on behalf of the Norwegian donors.

Annual Report and updates from the sectors

The annual report had been circulated prior to the meeting. The Bank noted that the trust fund remains very relevant and much sought after by task teams from all parts of the Bank, as it remains one of the few trust funds that support upstream analytical work. The change, effective February 1, 2011 to allowing staff time and travel has made it more relevant than ever.

The discussion of the annual report started with the Poverty window. The window is organized along the lines of the work program of the PREM Poverty and Equity team. Notable areas of work include: equity, distribution, and the role of the state; and crisis impacts and effectiveness of government responses to crisis. The work on equity emphasizes analysis of what equal opportunity would cost such as, for example, the cost of enrolling all children in schools as well as work on the distributional implications of taxes and expenditures. PREM noted that this window supports evidence-based policy and innovations in data collection which can be critical because of the paucity of data in many developing countries. While there has been good progress on measurement of inequality around the world, progress on analyzing equity of fiscal issues has been more varied, with some countries much more interested than others.

The discussion praised the Poverty section for being well-organized along thematic issues and for having strong ownership of the data and results from the window. The importance of using the TFESSD for capacity building was stressed; the capacity building agenda requires sustained hands-on efforts by Bank teams in addition to workshops and toolkits. The allowance of staff time and travel will hopefully strengthen the Fund's role in capacity building. The donors also noted the need for increasing the use of the Bank's own resources in knowledge products and capacity building, to which the Bank replied that the point was well-taken but hardly realistic in the current flat budget environment.

The Bank is preparing a new lending instrument termed Program for Results (P4R) which will be an output-based aid modality in which disbursements are contingent on results. P4R will therefore be neither investment lending (where disbursements are contingent on financing specified inputs) nor program/policy lending (where disbursements depend on policy reforms). Instead, P4R ties disbursements to agreed results such as the number of children enrolled in school or the number of patients treated in clinics. The expected benefit of the approach is to refocus efforts on the underlying causes of adverse results. A potential drawback is that the P4R approach places high demands on the M&E systems of countries, which may not always be adequate in low income countries. Capacity building can often take long time, so successful implementation of P4R will require finding ways to develop adequate monitoring capacity in a timely manner.

The use of TFESSD for supporting innovation was discussed. The Finnish donors commented that PSIA should no longer be regarded as innovative, although it was when it was first pioneered by the TFESSD. There is now a PSIA trust fund that has mainstreamed PSIA into the regions. It focuses on winners and losers of policy change and on how to make any policy more equitable.

The Environment window is the largest with almost \$52 million in receipts since inception in 1999. Its aims remain to inform lending, build client capacity, and build WBG capacity. Several activities have achieved very strong results and the support of the TFESSD has helped provide leadership in new

complex areas such as, for example, REDD, benefit sharing in forests (joint with Social Development), West Africa landscape management, valuation of landscape carbon, territorial development in Guatemala and Honduras, and the overlay of social, environmental, and indigenous peoples issues. The new environment strategy under preparation will be ready by the Fall and the sector is hoping for continued support for implementing it. There is a particular focus on the role of knowledge in the sector, and a desire to learn from and replicate the positive experience with the climate portal (<http://climatechange.worldbank.org/data>) which has proven highly popular.

The discussion focused on the extent to which environment has been mainstreamed into other sectors. The Bank felt that there has been very good progress; for example, a sector such as Agriculture and Rural Development is well aware of environmental issues. Climate change is another issue with very good cross-sectoral uptake and collaboration. Climate change has consumed many resources¹, and there is a need to revert to some of the older core environmental issues such as biodiversity and pollution management, and to continue the work on mainstreaming some of these issues. To this end, a common platform such as the proposed 'Green Growth for all' can be useful by providing shared framework, goals, and monitoring. The proposed 'Green Growth for all' is admittedly very broad but it will be defined more precisely going forward.

The social development window has seen a big jump in activities on shocks and vulnerability as a result of the FY11 Call on vulnerability. These activities aim to understand the causes of vulnerability and are linked also to climate change, and complement well the other themes in the window such as governance, community-driven development, empowerment, and so on. The activities in the window have also supported substantial capacity building using a variety of approaches to do so – see for example the Livelihoods Actions Learning Fund (<http://worldbank.org/rurallivelihoods>).

Overall, there was a rich discussion of the annual report, which was well-organized and succeeded at giving an overview of results looking across windows, although some windows were better at describing results. The description of shortfalls was also appreciated. For next year, it would be good to see more analysis of results in specific themes in a manner that relates back to the objectives of the Call. Now, results are described mostly at the level of activities but it would be useful to aggregate up to themes. This should be doable for select themes, for example crisis impacts and crisis monitoring, or vulnerability. Ideally, it should be done across windows, assessing all activities on a theme regardless of the window they are mapped to, aiming also to make the knowledge generated broader accessible. In addition, an annex of approved activities by theme would be welcome.

The possible phasing out of the TFESSD

It is expected that the donor contributions pledged for Calendar years 2011 and 2012 will be the last to the TFESSD. Given the need to fund earlier approved activities, a liquidity forecast indicates there is

¹ For the TFESSD alone, activities on aspects of climate change have consumed 60% of the resources allocated under the FY09-12 Call, namely \$30 million of the total \$50 million allocated in those four rounds.

scope to approve not more than \$7 million for new activities under the FY12 Call on Inequality. This would then most likely be the last Call for TFESSD.

The bank emphasized that there remains substantial scope and demand for something like the TFESSD in all four sectors. In Environment, for example, there is a feeling that while many battles have been won, the overall war is being lost, and environmental sustainability has not seen anything like the level of progress seen in fighting global poverty. Support for environment partnerships could, for example, emphasize the Rio+20 agenda, the new Environment sector strategy, the “Wealth Accounting and Valuation of Ecosystems” (WAVES) project, and biodiversity. The bank underscored that to be successful, environmental support should be linked to regional priorities.

Draft Terms of Reference for the planned external review of the TFESSD were discussed. The purpose of the review is twofold: to assess the benefits from the partnerships and determine if the Fund has set a footprint in the bank’s policies, operations or partnerships. Second, to learn for the future, informing the bank and donors of efficient ways of collaborating and contributing to setting high priority issues on the agenda. It is therefore important to conduct the review at this time, and all partners are supportive of it. The review should:

- Give priority to activities approved in or after 2008 to avoid overlap with the earlier evaluation and limit to a reasonable number the range of activities and themes to be assessed
- Be conducted by people with broad expertise in aid architecture and World Bank priorities and how they have evolved in recent years
- Balance attention to the structure and processes of the partnership with the pertinence of the topics and the activities
- Identify the additionality of the Fund (has the TFESSD financed public goods? Achieved things the Bank otherwise couldn’t have done?)
- Identify innovations supported by the Fund
- Discuss the impact of the Africa share and of the cross-sectoral approach
- Relate to partnerships, dissemination and capacity building efforts by the TFESSD while keeping in mind that field visits did not prove very insightful for the 2008 evaluation.

The two secretariats (Bank and Norad) will take the review forward based on this feedback with results to be available at Spring meetings in 2012. Financing of the review will need to be clarified , but was not discussed.

Update on administrative matters

The donors proposed organizing the Fall consultations and seminars in Africa and use the event to get a sense of how TFESSD activities are perceived by African partners. East Africa would be the most suitable because of donor representation, and Dar es Salaam has been tentatively identified. The seminar will aim to present activities clustered into themes and invite counterparts from relevant regional institutions to attend and speak, aiming also to foster south-south learning.