

Chairman's Summing Up of World Bank Board Discussion of Joint Bank-Fund Paper on "Poverty Reduction Strategy Papers: Operational Issues"(December 20, 1999)

Following earlier meetings last week, a number of important points emerged from today's Board meeting.

Directors endorsed the overall approach set out in the paper and welcomed the progress made in operationalizing the PRSP concept. There was general agreement with the principles underlying the PRSPs, namely: that they should be country driven with broad participation of elected bodies, civil society and development partners; that they should reflect the country specific nature and determinants of poverty; and that they should be results oriented and link public actions to poverty outcomes, especially through faster and broad based growth. Directors noted that these principles are consistent with the Comprehensive Development Framework.

Directors emphasized that flexibility should be built in to the process to reflect diversity in country context and capacity and to develop and implement poverty reduction strategies. Many Directors stressed that this approach would likely result in greater variation, in both substance and form, across the future country programs considered for support by the Bretton Woods Institutions. However, some Directors also noted the responsibility of staff to share the lessons of international experience on what constitutes good policy to reduce poverty.

Directors stressed that many countries would need assistance to prepare such comprehensive and participatory strategies and called for the Bank- and other bilateral and multilateral agencies – to treat such assistance as a matter of high priority. They emphasized the importance of countries reaching out early to other development partners so that the PRSP Initiative could gain from their perspective and support at both the country and agency level.

Most Directors agreed that the joint staff assessment, which would accompany the PRSP to the Boards should focus on the evaluation of substantive policies and only describe the participatory process used to define key anti-poverty actions and monitoring procedures. Some Directors also recommended that staff assessments should go a step further and give an evaluation of the participatory process, or at least provide a more structured description of the participatory process that had been followed in each country case.

Directors agreed that the PRSP provides a context for concessional lending to support countries and for debt relief under the HIPC Initiative. They agreed that Executive Directors would consider the overall approach set out in the PRSP and endorse it as a context for the Bank's assistance. The PRSP, and the Board's guidance to Management, would then set the context for the CAS and the CAS lending scenarios. Directors recognized that the "endorsement" envisaged would not constitute formal approval of the PRSP, which is a country owned document. Directors noted that the procedures for the

parallel review of the PRSP by the Executive Directors of the Bank and the Fund would need to be developed in greater detail over the coming months. In this regard, some Directors suggested that more use be made of joint meetings of the two Boards to review individual PRSPs and overall progress under the Initiative.

Directors stressed that, to ensure country ownership, poverty reduction strategies will take time to establish. They were also concerned, however, that unnecessary delays should not be created in the provision of debt relief under the HIPC Initiative, and welcomed the concept of an Interim PRSP as a means of avoiding such delays in the transition period. More generally, Directors emphasized the need for early debt relief for countries that demonstrate good policy performance.

With respect to retroactive cases under the Enhanced HIPC Initiative, many Directors recommended that the adoption of a participatory PRSP should be a sufficient requirement for the completion point, subject to progress in policies and poverty reduction measures. Many other Directors indicated that they support even faster progress towards the provision of debt relief and asked that the period between decision and completion points for these countries be kept relatively short or collapsed together.

Directors took note of the expected timetable for processing HIPC cases in the coming months. Specifically, they welcomed that under current plans, and subject to country progress, it was expected that three countries would reach their decision points in January – Bolivia, Mauritania and Uganda, with Mozambique following shortly thereafter. Staff are also working on a number of other early country cases, and depending on policy implementation and resolution of outstanding policy issues, a further four to seven countries could reach their decision points in the subsequent three months.

There was general agreement that the PRSP process would need careful review. Directors welcomed the proposal of a status report by the time of the Spring Meetings, a progress report in the Fall of 2000, and a full review in the Fall of 2001.

Finally, Directors commended the staff of the Bank and the Fund for their continued strong collaboration on the PRSP exercise and for their work in preparing the paper. They agreed that, subject to the outcome of the Fund Board discussion tomorrow, the joint paper and this summing up should be posted on the Bank's web site as drafts for consultation.