

**Trust Fund for Environmentally and Socially Sustainable Development
(TFESSD)
Semi-Annual Consultations, June 11, 2004, Helsinki
Minutes**

Introduction

1. A meeting was held on June 11, 2004 between the World Bank TFESSD management and delegations from the Finnish Ministry for Foreign Affairs, the Norwegian Ministry of Foreign Affairs, and the Norwegian and Finnish Reference Group for the TFESSD. The agenda and list of participants are attached.
2. Pasi Hellman, Director, Unit for Development Financing Institutions, chaired the meeting on behalf of the Finnish Ministry for Foreign Affairs, which hosted the semi-annual consultations. He welcomed the Bank and Norwegian delegations to Helsinki, and expressed confidence that the meeting would be a productive and rewarding one. The Norwegian delegation was led by Mr. Olav Seim, Senior Adviser, Section for Multilateral Bank & Finance Institutions, Multilateral Affairs Department, Ministry of Foreign Affairs. The Norwegian and Finnish Reference Group was headed by Desmond McNeill.

Presentation and discussion of the May 2004 Semi-Annual Report and discussion of pending issues

May 2004 Semi-Annual Report

3. Warren Evans thanked the Finnish Ministry for Foreign Affairs for organizing and hosting the meeting. He thanked the Donors for their continued support to and engagement with the TFESSD. He stressed the value of the trust fund and the fact that we are beginning to see some impact. For example, the draft policy on Development Policy Lending (revised OP 8.60) has been influenced by the work done under the TFESSD. He raised three main issues: First, the program has grown substantially and World Bank management believes we reached the limit of what we can cover with the resources available. Additional resources are needed if the Bank and Reference Groups are to add more priorities to the agenda and still do justice to existing ones. This has implications for the scope and financing of the next call for proposals. Second, we now have a "living laboratory" from activities being implemented under TFESSD, and would like to be able to use some TF resources to develop a knowledge sharing activity to pull out and disseminate good practices. Third, we are concerned about the negative impact that unpredictable contributions have on implementation of activities.
4. Desmond McNeill commended the Bank on behalf of the Reference Group (RG) for the continuous improvement of the report, noting that this has been the best report so far in terms of content and overall format. It contained the information that the Donors asked for and it came on time. Two issues raised were the need for a concluding section

that would highlight strategic directions and stronger emphasis on dissemination of results of activities.

5. A general discussion ensued focusing on the following topics:

- *Partnerships.* Warren Evans clarified that institutional partnerships received roughly 41% of approved amounts and that this underestimates the extent of partnerships, as many of these partnerships were programmatic but not funded by the TFESSD. He stressed that the report has made a start in discussing partnerships and that this will become a regular feature of our reporting as well as of Sector Board portfolio reviews. Finland asked that Finnish and Norwegian partners be listed separately. Norway requested more information on partnerships with UN agencies, as well as with NGOs. The Reference Group stressed the importance of building capacity of local partners and commended the TFESSD for the high share of local institutional partnerships compared to others. It was agreed that in order to facilitate contacts between interested institutions in donor countries and Task Managers, approved activities would be posted on the TFESSD external website¹ with contact names.
- *Results.* Donors highlighted the need for more information on results/impact achieved; the discussion in the ENV window report was positively received and it was recommended that other window managers consider doing the same. Steen Jorgensen mentioned that there are two levels of impact--on the Bank and in client countries. For example, PSIA has had an impact on the Bank and is beginning to have an impact on country policies. The Reference Group stressed that country-level activities need to be well integrated with country strategies; Bank management confirmed that we insist on having Country Director approval to ensure activities are well integrated, and asked that Donors flag any problems in funded activities that come to their attention so they can be dealt with directly before they generate bad publicity.
- *Dissemination and knowledge sharing.* On in-country dissemination, it would be useful to get more information (especially in TM's reports) on dissemination activities, support for processes (as opposed to production of reports), time it takes to get reports out, web link to reports if available, alignment with other Bank activities, etc. The completion report template should be revised. On knowledge sharing, the Bank should prepare by the next report a proposal on how to review the lessons learned.

¹

www.worldbank.org/tfessd

Pending Issues

List of Eligible Countries

6. Norway clarified that the TFESSD is funded out of the development budget, which uses the OECD DAC list, and therefore we need to continue using the DAC list. Finland concurred with this assessment and approach. It was therefore agreed that the DAC list would be used as a rule. However, exceptions could be made on a case-by-case basis, as was done for Brazil in the evaluation of the last set of proposals on the grounds that there are important lessons to be learned through inclusion of ineligible countries in multi-country proposals. Pasi Hellman stressed that IDA countries should also be given preference, as stated in Annex I of the Legal Agreement. Steen Jorgensen confirmed that this is usually stressed in the Calls for Proposals.

7. *Confirmation of contributions*

- a. The Donors indicated that their budgets are not multi-year, therefore they can only confirm the current year contribution (decisions are made by December for the following year's budget).
- b. Pekka Hukka indicated that Finland's contribution for CY04 is Euro 1.4 million, which will be sent towards the second half of CY04 (it can be processed as early as July if needed). For CY05 Finland aims to keep its contribution at the same level, but this is an indication, not a commitment. Finland is working with the Resource Mobilization team in cleaning up dormant CTF accounts and additional funds may be allocated to the TFESSD as a one-time extra contribution. The amount should be clear in September-October 2004.
- c. Olav Seim indicated that Norway allocated NOK 80 million to TFESSD for CY04, and this has already been transferred. With many priorities for next year, it is unlikely that the Norwegian contribution for CY05 will increase; but the amount will be confirmed as soon as a decision from the Parliament is received in early December.
- d. In the interest of fulfilling commitments to the ongoing activities and to plan better for future Calls for Proposals, the Bank requested the Donors to immediately alert the Bank if a budget reduction is expected.

For the purpose of making the fund more visible and increasing support for it, Olav Seim indicated that it would be useful to produce a printed version (in booklet form) of the semi-annual reports as was done for the NTF on Education. There was some initial discussion of what such a printed version may contain: an executive summary, a list of all the projects, and Task Managers' contact information. The meeting agreed that more thinking was needed and that the Reference Group would get back to the Bank with a proposal. It was noted that as resources are limited, investment in such a publication would be at the expense of other activities.

8. *Consultants: reporting, Extended Term Consultants (ETCs)*. Both Donors confirmed that the amendment permitting funding of ETCs is acceptable. The agreement

will be sent to the Bank as soon as it has been signed. Task Managers will be asked to report on ETCs.

9. *Timing and format of the December meeting.* Constraints to the scheduling of the next meeting to be held in Washington are the IDA 14 meeting and the African Development Fund Ninth meeting. However, the meeting agreed to tentatively plan for November 30-December 2, 2004.

10. In terms of format, one day of formal meetings and roughly two days of learning events would be fine. Disability week will be Dec 1-2 with Disability Day on Dec. 3, so there will be events on Disability at World Bank headquarters at this time. The Norwegians noted that meetings with the Sector Boards were very useful; therefore the Bank will arrange to include such meetings in the agenda for December 2004.

Discussion of FY05 ENV-SOC-POV proposals selection

11. After a brief introduction by the Bank, the Reference Group provided some feedback on the proposed approved and rejected lists from the FY05 Call for Proposals: the proposals are of good quality, but this makes it difficult to choose and to see why the goal to allocate 50% of the funds to Africa is hard to achieve. The Reference Group asked for clarification on the discussion at the joint Sector Board meeting, on whether the variance across reviewers' ratings was significant, and on how technical merit was scored. Proposals should include a short summary of proposed activities to facilitate review.

12. Olav Seim commented that the tough discussions within the Bank may be due to a misperception that this is an environment TF. Norway has been supporting mainstreaming of environment for many years and cannot continue forever. The focus has shifted to linkages with social and poverty and vulnerability, not straight environmental work, which would naturally result in a drop in the share of ENV activities. This was partly the intent when the funds were not increased at the time of the addition of the SP window. It is important to report this back to ENV staff. He also noted that the projects in Environment had in many cases been weak as regards their catalytic, innovative character.

13. In response to questions, the Bank explained that Baltic Sea countries are not eligible and that forestry gets funding from PROFOR (this was the reason why some forestry proposals were not approved, in addition to not having strong regional support). On the Africa share, the Bank explained that activities in Africa get funds from other sources and this is affecting the region's capacity to absorb TFESSD funds. The Bank also emphasized that all the proposals prioritized by AFR regional management have been included in the list of proposals for approval. The importance of reaching the 50% share for Africa was however commonly acknowledged. It was also noted that the last Call for Proposals achieved this target better than before, and that efforts in this direction should continue.

14. *Decision on Proposals Approved for FY05 Funding.* The Bank requested and the Donors agreed to approve the proposals in the A & B lists except for the five projects listed below, on which the donors would subsequently send their queries :

- #4 Yemen Country Social Analysis
- #7 Northeast of Thailand Sustainable Development
- #36 Catalytic Role of Women in Effecting Sustainable Development in Egypt and Yemen
- #83 Conflict, Social Inclusion, & Poverty in Nepal: Operationalizing the Government's PRSPs
- #84 Sustainable Conflict Recovery: Strengthening CDD Approaches

The Donors also requested that the Bank consider approving two proposals which were recommended for rejection:

- #3 Human Rights and Services for Poor People (for AFR countries)
- #58 Mainstreaming Risk & Vulnerability in Poverty Reduction Strategies/CASs

Social Protection window proposals

15. Robert Holzmann explained that the Social Protection window follows from earlier engagement with the donors on child labor and disability. This is why the proposals focused on these strategic priorities. The disability team has been waiting for a long time for this money and they had good proposals ready; same for the team working on orphans and vulnerable children. Because funds were limited, proposals on youth employment and child labor were not encouraged. The proposals were reviewed following a similar process to what was done for the joint Env-Soc-Pov window; the process was smooth.

16. The Donors indicated that they had doubts on two proposals recommended for approval (#20 and #21 on Brazil) and that they would like the Bank to reconsider #3 (why was #4 approved while #3 was not?), #6 and #10. On proposal #18, Mainstreaming Disability, they questioned approval of such a large proposal. Robert Holzmann explained that work has been funded by the President's Contingency Fund, but this was coming to an end. The proposal is meant to mainstream work in the regions and has a governance structure. Olav Seim indicated that they have been impressed by the strength and breadth of partnerships achieved and that this could be a model for other boards. Donors accepted this explanation and agreed to approve #18.

17. Looking forward, there are two cross-sectoral themes (disability and youth and children) and then there are pure Social Protection themes. Of these, the Social Protection management would like to see social risk management topics covered under the TFESSD (and not for instance social insurance, labor markets, safety nets). Also, funding is sought for two partnerships: Understanding children's work, together with ILO and UNICEF, and Youth employment, together with UN in NY and ILO. Robert Holzmann asked whether the Donors would like to see social risk management issues

covered and if so with additional resources, and whether they would want to provide funding for the two partnerships under the TFESSD. He stressed that opening the SP window had cost about 1/3 of the funding received (\$1 m), which was unacceptably high, and that the governance structure with the addition of the SP Board would increase the administrative burden.

18. The Donors emphasized that the themes should be integrated, without allocation of funds a-priori to any of the windows; earmarked funds this year were an exception. Administrative costs would decrease now that the window is open; the purpose of bringing in the Social Protection Board was to ensure cross-linkages, not add to the burden. Funds provided this year were above what had been provided in the past. The Norwegians have been supporting disability but want to see this work more integrated into cross-departmental and regional work. Steen Jorgensen reminded all that global programs have a hard time competing in the TFESSD because weight is given to impact on the ground. The Donors also indicated that the two partnerships mentioned are already being supported in different ways, for example through the ILO. Finland also mentioned that it is supporting the partnership on disability by funding a disability adviser on secondment to the Bank.

Preliminary discussion of FY06 Call

19. The discussion took as starting points the fact that there would not be additional funds, that there would be one call for all windows including SP, and that the thematic scope should not be extended.

20. The Bank indicated that one possibility to avoid expanding the scope was to identify key activities--such as upstream analytical work and related capacity building, perhaps linked to implementation of the new operational policy on development policy lending--rather than themes. Not selecting themes would mean that themes which are still being mainstreamed or that are global may not receive funding; on the other hand, prioritization would be made at the country and sectoral level, so those themes that are key in country dialogue and PRSP would emerge.

21. The Donors indicated a strong dislike for ring-fencing funds for specific topics. Olav Seim wondered whether VPs would identify key strategic priorities; the Bank team emphasized that the VPs involved cover ten SBs, so this may result in more, not fewer, priorities.

22. It was agreed that the Bank would prepare by September a proposal for the next call, building on the suggestion to narrow down the scope by identifying key activities rather than themes and on the general sense that identifying themes leads to an "entitlement" mentality which runs counter to the effort to integrate and mainstream themes.

Status of recommendation of Governance Review

23. Recommendations were reviewed quickly. It was agreed that the Bank would prepare a table with the recommendations (as in the Annex to the Governance Review) and add a column indicating what will be done by whom and by when.

Evaluation of the TFESSD: brief presentation by working group and discussion

24. Desmond McNeill referred to the Concept Note that was distributed to the group in line with what was agreed at the December meetings. He identified four key issues:

- *Timing*: Clearly the evaluation cannot start before 2005 because of funding issues.
- *Funding*: Donors need to clarify how much is likely to be available and how Finland will contribute.
- *Responsibility*: As proposed in the Concept Note, and agreed upon at the meeting, this would be a donor-led exercise
- *Role of Reference Group*: Will there be a need for a RG for the evaluation?

25. Lars Vidaeus clarified that it is impossible to separate the impact of TFESSD on mainstreaming from the impact of other factors; thus, the Concept Note identified some criteria to assess impact, on which agreement should be reached.

26. Olav Seim asked whether the evaluation could wait until 2006 so as to be done jointly with Finland. The Norwegian Evaluation Department has a cooperation agreement with OED, a possibility that could be considered. Pasi Hellman confirmed that Finland has been in the TF for only a year and a half and there is no pressing need for an evaluation; delaying to 2006 would give Finland time to come in. Warren Evans pointed out that the exercise to learn lessons logically precedes the evaluation; moreover, in the coming year we can carry out a self-assessment exercise and generate more information on processes. In conclusion, agreement was reached to delay the evaluation to 2006 and take a bit more time to discuss its focus.

List of Participants

Finland, Ministry for Foreign Affairs

1. Mr. Pasi Hellman, Director, Unit for Development Financing Institutions
2. Mr. Pekka Hukka, Counsellor, Unit for Development Financing Institutions
3. Ms. Anna-Maija Kärkkäinen, Second Secretary, Unit for Development Financing Institutions
4. Ms. Kaisa Reetta Karhu, Attaché, Unit for Development Financing Institutions

Norway, Royal Ministry of Foreign Affairs/The Norwegian Agency for Development Cooperation (NORAD)

1. Mr. Olav Seim, Senior Adviser, Section for Multilateral Bank & Finance Institutions, Multilateral Affairs Department, Ministry of Foreign Affairs
2. Mr. Torgeir Fyhri, Higher Executive Officer, Section for Multilateral Bank & Finance Institutions, Multilateral Affairs Department, Ministry of Foreign Affairs
3. Ms. Camilla Tveteraas Helgø, NORAD

Reference Group

1. Mr. Desmond McNeill, Head of Reference Group, Professor, Centre for Development and the Environment (SUM), University of Oslo
2. Ms. Berit Aasen, Researcher, Norwegian Institute for Urban and Regional Research
3. Mr. Henrik Harboe, Senior Macroeconomic Adviser, Ministry of Foreign Affairs, Norway
4. Ms. Anita Kelles-Viitanen, Senior Development Consultant, Finland
5. Mr. Timo Voipio, Adviser, Social Development/Social Protection, Department for International Development Cooperation
6. Mr. Matti Nummelin, Environmental Adviser, Department for International Development Cooperation

World Bank

1. Mr. James Warren Evans, Acting Director, Environment Department
2. Mr. Steen Lau Jorgensen, Director, Social Development Department
3. Ms. Giovanna Prennushi, Lead Economist, Poverty Reduction and Economic Management Network
4. Mr. Robert Holzmann, Sector Director, Social Protection Department
5. Mr. Ede Ijjasz Vasquez, Acting Sector Manager, Environment Department
6. Mr. Keith McLean, Social Development Economist, Social Development Department
7. Mr. Lars Vidaeus, Consultant, Environment Department
8. Ms. Nenuca Robles, Environment Department
9. Ms. Payton Deeks, Environment Department

**Trust Fund for Environmentally and Socially Sustainable Development
(TFESSD)
Semi-Annual Consultations, June 11, 2004, Helsinki
Agenda**

- 8:45 Breakfast/Coffee
- 9:00-9:15 Welcome, Introduction of participants, and overview of agenda (Pasi Hellman, Director, Unit for Development Financing Institutions, Ministry of Foreign Affairs, Finland)
- 9:15 -10:30 Presentation and discussion of the November 2003 Semi-Annual Report and discussion of pending issues (Warren Evans, Acting Director, Environment Department, World Bank)
- List of eligible countries: can we use the WB list instead of the DAC list?
 - Confirmation of contributions
 - Consultants: reporting, ETCs
 - Timing of next meeting
- 10:30 -12:00 Discussion of FY05 ENV-SOC-POV proposals selection
- 12:00-13:30 Luncheon at Restaurant Kasino
- 13:30-14:15 SP window, Children and Youth and Disability: Status (R. Holzmann)
- 14:15-14:45 Preliminary discussion of FY06 Call
- 14:45-15:30 Status of recommendation of Governance Review
- 15:30-16:30 Evaluation of the TFESSD: brief presentation by working group and discussion (Desmond McNeill)
- 16:30-17:00 Closing remarks