DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 00/41

10:00 a.m., April 11, 2000

Contents

Decisions Taken Since Previous Board Meeting

Executive Board Attendance

S. Fischer, Acting Chairman
E. Aninat, Deputy Managing Director
S. Sugisaki, Acting Chairman

Executive Directors	Alternate Executive Directors
	A.S. Alosaimi
A. Barro Chambrier	D. Ondo Mañe
T.A. Bernes	P. Charleton
A.G. Carstens	H. Oyarzábal
	A. Del Cid-Bonilla, Temporary
	W. Szczuka
B. Esdar	W.-D. Donecker
	A.G. Zoccali
	O.A. Hendrick, Temporary
R. Faini	H. Vittas
K.-T. Hetrakul	Nguyen Q.T., Temporary
W. Kiekens	J. Prader
O.-P. Lehmussaari	Å. Törnqvist
K. Lissakers	
J.-C. Milleron	G. Bauche
	S. Rouai, Temporary
	C. Rustomjee
	A. Lushin
S. Pickford	
	R. Junguito
	A.F. Al-Faris
	J.N. Oh
	Jin Qi
	Luo Y., Temporary
	Y.G. Yakusha
	H. Toyama
	M. Yanase, Temporary

S.J. Anjaria, Secretary
A.S. Linde, Acting Secretary
A. Mountford, Acting Secretary
S. Soromenho-Ramos, Assistant
G. Nkhata, Assistant

Also Present

IBRD: D. Morrow, Poverty Reduction and Economic Management Network; R. Sura and A. dePlaa, Africa Technical Families. African Department: G.E. Gondwe, Director; E.C. Harris. Asia and Pacific Department: B. Arnason, R.P. Kronenburg, T.R. Rumbaugh. External Relations Department: T. C. Dawson, Director; M.W. Bell, G. Bhatt, D.R. Hawley, J.T. Irving-Smedley, B.J. Mauprivez, W.J. Murray, L. Wallace. Fiscal Affairs Department: K.-Y. Chu, S. Gupta, C. Schiller. Legal Department: F.P. Gianviti, General Counsel; R.C. Baban, H.V. Morais, C.G. Ogada. Policy Development and Review Department: J.T. Boorman, Director; T. Leddy, Deputy Director; B.W. Ames, A.R. Boote, C. Brachet, R.T. Harmsen, L. Wallace, M. Singh, G.R. Kincaid, A.T. MacArthur, L.E. Psalida. Research Department: M. Mussa, Economic Counsellor and Director; F. Larsen, Deputy Director. Secretary's Department: S. Bhatia, P. Davies, P. Gotur, A. Mountford. Technology and General Services Department: B.C. Stuart, Director; F.P. McLaughlin, I.E. Prebensen, R.D. Walker. Treasurer's Department: A.K. McGuirk. Western Hemisphere Department: J. Bailen, L.A. Cardemil, T. Gudac. Office of the Managing Director: A. Bauer, N.H. Bradshaw, D.A. Citrin, H.L. Mendis, S. Tiwari, T. Wolde-Semait. Advisors to Executive Directors: J.A. Chelsky, B. Couillault, J.C. Estrella, P.R. Fenton, E.J.P. Houtman, A.R. Ismael, J. Jonáš, E. Jourcin, B. Konan, M.F. Melhem, J. Ntamatungiro, A.R. Palmason, Y. Patel, M. Sobel, I.M. Woolford. Assistants to Executive Directors: S.A. Bakhache, G. De Blasio, R. Djaafara, T. Elkjaer, S. Hinata, I.C. Ioannou, A. Jacoby, B. Kelmanson, S.K. Keshava, D.H. Kranen, W.C. Mañalac, J.A.K. Munthali, J. Nelmes, Peh K.H., M. Pérez dos Santos, L. Redifer, C.-P. Schollmeier, R.J. Singh, T. Skurzewski, A. Sutt, Vongthieres O., A.Y.T. Wong, I. Zakharchenkov.

1. REPORT BY DEPUTY MANAGING DIRECTOR

The Deputy Managing Director, Mr. Aninat, reported on his recent travel to Rome, Italy, for a meeting of the Administrative Committee on Coordination of the heads of all UN agencies.

The Deputy Managing Director made the following statement:

> I would like to brief the Board on the Fund's participation in the 2000 session of the Administrative Committee on Coordination of the heads of all UN agencies in Rome. Among the 18 agencies attending were the World Health Organization, UNDP, the ILO, the World Trade Organization, the FAO, the World Food Program, UNIDA, UNICEF, UNB, and the World Bank.
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> On form, I have to note the appreciation expressed by Secretary-General Annan for the work of the Fund as a crucial financial development institution. In fact, a clear distinction was given to the status and role of the Fund in all of the sessions and matters. The Fund was permitted to attend the private session on security issues headed by the Secretary-General.
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> On content, the discussions for the two days covered a variety of subjects: the reason for high priorities on country matters, especially regarding peace and security initiatives by the UN and issues regarding extreme poverty challenges and poverty reduction pledges, as well as those related to debt relief. Two specialized panel sessions reported to the plenary, one on trade and development and trade openness, and the other on information technology and the new economy and the implications for the catch-up between the developing world and the industrialized world.
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> On security issues, the Secretary-General spoke about the peace making efforts by the UN. There are currently 11,000 troops deployed in various regions and countries for peacekeeping. The noted developments included the problems remaining in Kosovo, the trafficking of drugs, the issue of organized crime, the issue of citizen security, and a special issue on the traffic in small arms, especially in the U.S., a matter that is related to drug trafficking and terrorism activities.
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> The meeting also covered the difficult issue of the drought in the Horn of Africa. Ethiopia, Eritrea, and other countries face a potential famine that could, if prevention and measures are not taken, become as severe as the one 15 years ago.
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> On the UN, the discussion centered on how globalization forces are affecting the task and goals of the UN system as a whole. The main challenge, shared by all agencies of the UN, is poverty reduction and the pledges

formally made for 2015. There were two interlinks regarding those pledges. The first was trade openness and trade opportunity. I had the opportunity of representing the Fund in those sessions and discussions. The second was the challenges on human capital needs, education reform, networking, and the safety nets required in light of the information technology revolution. It was clear that if we are going to meet the 2015 development goals, growth rates, even if positive, are still insufficient in many subregions of the developing world affected by poverty. The role and focus of social expenditures in fiscal budgets also have much to do with catch up.

In a speech made by Secretary-General Annan to the Italian parliament during the meetings, he specifically highlighted the issue of debt reduction. In one of his statements he said that, without a convincing program of debt relief to start the new millennium, the objective of tackling world poverty by 2015 will only be a pipe dream. Debt relief for the poor countries must be an integral part of any integrated strategy to promote development.

During the discussions of the committees and in the plenary session, the role of the Fund and World Bank regarding the HIPC Initiative was largely supported and appreciated. The technicalities and the challenges involved were discussed, but the general emphasis was that the Initiative was the correct avenue for undertaking the issue of debt reduction in a rational and forthcoming way.

There was a chance to discuss a 57-page report by the Secretary-General, which is called "We the People: The Role of the United Nations in the 21st Century." With such a long report—and the expectation that it would include too much diplomatic wording—the participants were positively surprised by its content. The Fund's UN office should forward a copy of the report to each Executive Directors' office. The report was released last Monday and discussed at that closed meeting. Let me elaborate on some of the issues in the index, not for discussion today but to provide Directors with the flavor of where the vision is going.

On the issue of globalization and governance, there is an interesting chapter on how the goals and challenges of the UN system were laid out in 1945. The challenge now is to readapt that task for 2000 onwards.

There is a chapter on the issue of poverty, although linked to the issues of freedom from fear, citizen security, safety nets, and vulnerabilities. There is a long chapter and interesting figures about the environment, the need for organizational change in the agencies of the United Nations, the challenge of technological change inside the organization, and the issue of shared responsibility and the new set of values for guidance on the work ahead.

On the issue of shared responsibility, I contributed to an added twist on the proposal, saying that it is important to consider involving the private sector much more actively as a true development partner, not only in economic enterprises but also in civil society. There was a discussion of the new role of the private sector in direct foreign investment, financial flows, and technological change. By making that explicit and integrating it into the vision and proposal, it might be possible to avoid the attacks that the Fund and World Bank have been under from various alternative organizations.

The second suggestion by the Fund was to take advantage of the window of opportunity provided by the current stability in the world economy, lower worldwide inflation, and positive growth prospects for 2000 and the medium term, to advance more forcefully in consolidating the structural reform and macroeconomic gains of the recent past.

On the trade patterns, there was an interesting article by Mr. Ricupero from UNCTAD raising two points. First, there was a critique of trade negotiations from an original, novel perspective, that I would recommend Directors read. I will circulate that brief article. Second, there was a piece on the issue of access by less developed countries to industrialized markets, which suggested that dismantling quotas was a powerful tool for poverty reduction in the longer term.

The panel on information technology included some information on how UN organizations are using technology with positive organizational implications.

Finally, in the ending plenary sessions, Mr. Annan and his deputies made an explicit call for the Fund's new Managing Director to participate in the September summit, where these millennium issues will be taken up forcefully by heads of state and high-caliber delegations from all countries. There was also a call in the more private meetings to support some of the initiatives of the institute set up to train the UN's staff and officials. The World Bank is currently doing that by contributing staff months of training on various subjects. I said that I would address that request first with Fund management and eventually with the Board.

Overall, the two days of meetings were useful in focusing on the main challenges being faced and in dealing with some organizational issues. There were a number of additional issues that the Board might eventually want to touch upon, for example regarding the security of staff on missions in several countries. Security aspects of 1999 missions were reported in detail, and some new ideas put forward by the UN organizations regarding staff missions would be useful for the Fund to consider.

2. INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES—DRAFT PROGRESS REPORT TO THE INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE AND THE DEVELOPMENT COMMITTEE

The Executive Directors considered a draft progress report by the Acting Managing Director and the President of the World Bank on the implementation of the Initiative for Heavily Indebted Poor Countries (HIPC) (EBS/00/60, 3/29/00). They also had before them a background note and revised timetable for the implementation of the enhanced HIPC Initiative (EBS/00/61, 3/29/00), a report by the Acting Managing Director to the International Monetary and Financial Committee on financing the Fund's participation in the HIPC Initiative and the continuation of the Poverty Reduction and Growth Facility (EBS/00/73, 4/7/00), and a note on the estimated timing of discussions by the Fund and the World Bank Executive Boards on support for low-income member countries in 2000, which was prepared jointly by the staffs of the Fund and the Bank in consultation with the member countries concerned (SM/00/76, 4/10/00).

Paper revised in light of Executive Directors' comments (EBS/00/60, Rev. 1, 4/14/00).

Mr. Milleron submitted the following statement:

We very much welcome this report and believe it to be a very important reporting tool for the Ministers, allowing for accountability of the institution in meeting the expectations set out last September.

That being said, one has to recognize that we have so far dealt with very few actual cases: despite our many progress in the learning process on the guidelines, we still have a lot to learn on specific cases, and this caveat should be better reflected in the report. In particular, one cannot deny that the cases have so far well highlighted the challenges or tensions inherent to the PRSP process, and this should be better pointed out in the document, thereby drawing ministers' attention on the upcoming issues, including by being more candid on some weaknesses met in the country cases put forward so far (Uganda, Ghana).

If we support the main thrust of the document, while noting that it could have been more reader-friendly and problematic, we would like to emphasize the three following points:

Despite some efforts in the wording, the description of the expected content of Interim PRSP and PRSPs lies too much on the side of processes and not of content, without enough emphasis in our view on the notions of "core content" or building blocks. The key issue of interaction between sustainable macro-economic framework and programs to tackle efficiently the determinants of poverty, which in itself requires deep upstream work through Poverty Assessment, PERS, and other analytical tools, should be better addressed. The needed "multi-dimensional approach" for successful poverty reduction cannot be reached without such attention. The whole part II-A and II-B of the report could have been more explicit and straightforward in this respect.

In the same vein, it could be worthwhile to clarify the wording on participatory process, in particular par. 11, not to be prescriptive but to help countries develop useful and meaningful processes. The examples of Bolivia and Mozambique show that our institutions can be helpful in this respect.

While welcoming the effort to reflect the responses to the consultation process, and in particular the comments coming from client countries, we are a bit disappointed by the language on the contribution of the donor partners, multilateral and bilateral, in the PRSP process. The potential tension with ownership—seen as a constructive process—has to be acknowledged, but we believe it crucial not to give the feeling that implication of the international community in PRSP processes only comes through the IMF and the World Bank, all the more as the financial implications for other partners are meaningful.

More clarity seems necessary on the exact links between decision/completion points and interim or full-fledged PRSPs and their implementation, so that we better state the very strong political message of the enhanced HIPC, i.e. that faster, deeper and broader debt relief aims at lasting impact on poverty alleviation. We strongly believe that completion points should be, in a steady state, conditioned by the preparation of a full PRSP and sufficient progress in its implementation. The needed flexibility in the early cases—and in particular the retroactive ones—should nonetheless clearly demonstrate our strong commitment to this endeavor. Some early cases might raise doubts in this respect.

On the HIPC Debt Initiative progress report, we also welcome this report, which provides very helpful information on the progress made to secure financing of the initiative, even if more details could have been provided on the actual status of the process of the various pledged contributions. In this respect, more up-to-date information would be welcomed on the US contribution to the HIPC Trust Fund, the description of the US financing of PRGF-HIPC Trust Fund (paragraph 20) being much more explicit for instance. It is quite awkward that no specific mention of this is made in the "status of HIPC Trust Fund financing for MDBs", leaving the feeling that everything is secured (cf. Table 3). We would very much appreciate it if this Table 3 could be more specific, and also better reflect the status of pledges which only transit through the HIPC Trust Fund.

In addition, we would like to remind our strong attention to the principle of having secured sufficient financing assurances from the multilateral institutions at the decision point.

We would also appreciate it if staff could update the Board on the status of the discussions with other MDBs, and if such update could be reflected in the final document.

On the HIPC Initiative timetable, the background note is very useful and helps replacing the steps taken since the Annual Meetings in the broader context of the whole list of countries to be examined this fiscal year. This being said, we would appreciate it if staff could provide additional information on the following points:

On Senegal, it is our firm understanding that the delay in the presentation to the Board of the HIPC documents reflected the wish to secure the new authorities' commitment and ownership of the HIPC and Interim PRSP documents and framework. We strongly expect the mission to be sent on the ground to focus on such discussions and therefore the case to be presented before end of April. The wording in page 4 of the document should reflect this approach better.

When the second decision point is scheduled in Q2 2000 and when the completion point could occur in 2000, we expect the "possible timeline table" to mention this expected completion point schedule.

Mr. Faini and Mr. De Blasio submitted the following statement:

We welcome these reports. They provide a comprehensive review of the progress so far and a useful background for the discussions at the IMFC and at the DC.

We have a few remarks to offer.

As Mr. Milleron, we see a need to put squarely both progress reports in the broader context of the enhanced Initiative. More specifically, the rationale for the existing framework (and its modifications since the last Annual Meetings) should be discussed more thoroughly. There should also be an effort to describe how the decisions already made for individual countries are fully consistent with the agreed framework. We would suggest something along the following lines:

Starting from the strong message of the HIPC2—that faster, deeper, and broader debt relief should be linked with poverty reduction.

Re-emphasizing that a strong commitment to reforms and macroeconomic stability is required to ensure a permanent exit from the debt overhang and lasting progress in poverty reduction (especially in light of the once-and-for-all feature of the debt reduction initiative). The Board has established a clear timeframe that requires countries to have a PRSP in place at the DP and to complete at least one year of satisfactory implementation by the CP (see Concluding Remarks by the Chairman, Board on Operational Issues, BUFF/99/154, 12/27/99).

Recalling the Board decision to allow for some flexibility in order to deal with the possible tension between speed and effectiveness of the Initiative. More specifically, it was decided that: i) an Interim PRSP may be sufficient to reach the DP; ii) for the retroactive cases (countries that have already reached DP under HIPC1) the timing of the CP would be decided on a case-by-case basis taking into account the overall progress in poverty reduction and economic performance.

Emphasizing how the decisions already made by the Board fit into this rule-based approach, in a way that ensures overall transparency as well as equality of treatment across countries.

We found the PRSP Progress report, particularly Section III, extremely interesting. First, the emphasis given to partnership is entirely appropriate, since one of the main roles of the PRSP is to coordinate efforts among development partners. Second, the broad view offered in section IIIB on the main points that have emerged from the consultation process is very valuable: not only does it show how broad the challenges ahead are, but it also provides useful elements to improve the current framework. Having said that, we have two suggestions.

Paragraph 12 touch on a number of issues, namely the time needed to develop a domestic dialogue, the lack of a quantified framework and the consequent inability to evaluate trade-offs, the risk that the participatory process may promote divisions rather than consensus, and the perceived dominance of the Bretton Woods Institutions. These are crucial issues for the whole process. Yet, the way they are dealt with seems to detract from their importance. First, their paramount role should have called for greater elaboration and perhaps greater emphasis. Second, these issues are not unique to the Interim PRSP. Again, they should have been given more emphasis, by moving them to the final section of the paper.

On the participatory process, the main Board message (see Concluding Remarks by the Chairman, Board on Operational Issues, BUFF/99/154, 12/27/99) was a call for caution. First, the Board recognized that this approach could lengthen the decision-making process and hamper the ability of the Fund to respond swiftly to new circumstances. Second, and perhaps more crucially, the Board was particularly concerned that the emphasis on a participatory process that fully involves civil society should not undermine the legitimacy of democratically elected bodies and should also ensure that the groups and the organizations involved were truly representative and fully accountable. Other institutions, particularly in the UN group, are better endowed to help the authorities to arrange such a participatory process. For all these reasons, the Board agreed upon a minimal and cautious approach, in which joint staff assessment will only describe and not evaluate the participatory process. As it stands, the paper does not dwell much on this aspect. Doing so however is important. Moreover, it should go some way in alleviating the countries' concerns as expressed in paragraph 29.

We should not forget that full financing is not yet secured, even though the recent reassurance by the US chair regarding the attitude of the Congress toward the remaining five-fourteenths has provided confidence that the whole package will be closed soon. We hope that all donors will soon be in the position to finalize their committed contributions.

The Director of the Policy Development and Review Department said that management of both the Fund and the World Bank had decided to intensify and formalize some of the mechanisms that had been put in place in the previous six months to ensure as smooth and as rapid an implementation of the HIPC Initiative and PRSP processes as possible, in light of the demanding requirements of those initiatives. To that end, the staff was working to establish a new group, to be called the Joint Implementation Committee. It was to be co-chaired by the new director of PREM in the World Bank, and a Deputy Director of PDR and it would comprise staff of the central divisions in PREM and PDR, as well as representatives of the area departments in the Fund and regions in the Bank.

The new committee would be dedicated to the continuous monitoring of the progress in the implementation of the HIPC Initiative and the PRSP framework, and would report regularly to management and provide informal briefings to the Boards on progress in individual cases, as needed, the Director explained. Communication on the status of individual cases and why they were progressing or not progressing had been inadequate in the previous couple of months. The staff also hoped that the committee would be able to ensure that a common message was being sent from the two institutions to the countries concerned regarding issues that required policy adjustment. The committee would also work to secure financing assurances in individual cases, which was becoming an issue. It would also ensure that there were no differences left unresolved by the staff as it worked its way through the process and through individual cases. The Fund and Bank staff were currently discussing those issues.

Concerning the progress reports, the staff proposed that they be sent to the IMFC and the Development Committee as they had been in the past, with a brief note from management informing them of the establishment of the Joint Implementation Committee, the Director said.

The staff representative from the Policy Development and Review Department noted that the draft progress report had been discussed by the Bank Board the previous week; and he informed Directors of a number of changes that needed to be made, and of several sets of square brackets that could be removed in the text, in light of the actions taken by both Boards on various country cases since the report had been drafted.

Moreover, in the case of Tanzania, the staff would propose including a footnote after paragraph 6, item 2, to reflect the view expressed by many Directors that, in view of Tanzania's long track record of adjustment and reform, the requirement for a full year of implementation of the PRSP prior to reaching the completion point should be interpreted flexibly, the staff representative said. That addition would be subject to the agreement of the Bank staff.

In paragraph 21, the data on multilateral development bank (MDB) participation and financing would be updated in light of the World Bank-chaired meeting with MDBs held at the beginning of the previous week, the staff representative remarked. The Chairman's summary would be circulated to the Board for information, but the staff could report that, of the 17 multilateral institutions represented at that meeting, eight had been able to report confirmation by their Boards of participation in the enhanced HIPC Initiative framework. Those were the BOAD, CABEI, the EIB, the European Union, the Inter-American Development Bank, IFAD, the Nordic Investment Bank, and the Nordic Development Fund. That would be reflected in a revised paragraph 22.

The staff would also revise paragraph 23 to note that the African Development Bank remained committed to the principles of the Initiative and would seek approval of its participation in the enhanced Initiative at a Board meeting scheduled for April-May, the staff representative stated. The OPEC Fund and Arab Bank for Economic Development had also indicated their agreement in principle to participate, subject to the agreement of their governing bodies. CAF [Corporacîou Audina de Fomento] had reiterated its commitment to the HIPC Initiative in principle, subject to the availability of donor support. The Islamic Development Bank was also preparing a position. Paragraph 23 would also note the Bank-facilitated information-sharing meetings between some of the concerned MDBs and donors that might be interested in potentially providing assistance.

Mr. Rouai noted that paragraph 20 said that the amount of shortfall in financing, if the Fund had a problem with the U.S. Congress regarding approval of the U.S. participation, would be $560 million, whereas in EBS/00/73, it was said to be $600 million. The staff should reconcile the two.

Mr. Rustomjee remarked that it would be helpful to know the extent of the total anticipated contribution from the eight multilateral institutions that had confirmed their participation.

The staff representative from the Policy Development and Review Department explained that, regarding Mr. Rouai's question, the reference in EBS/00/73 was to SDRs, while the reference in the HIPC progress report was to U.S. dollars, the normal denomination that the Fund employed in the HIPC context. Moreover, the reference did not just move from SDRs to U.S. dollars, but from SDRs to U.S. dollars on an as-needed basis. Thus, the numbers were very close, but they were not the same.

In paragraph 24, the sentence that referred to pledges to the HIPC Trust Fund could be updated, the staff representative noted. The first sentence of paragraph 24 should read:

"all donors that pledged during the Annual Meetings have reconfirmed their pledges, and additional pledges have been received from Canada, Japan, New Zealand, and Spain. A total of $2.1 billion in donor pledges have been received (see Table 3)."

The Acting Chairman noted that Australia had been omitted.

The staff representative from the Policy Development and Review Department replied that Australia had made its pledge during the Annual Meetings, and it therefore should not be referred to as an additional pledge. That was why the staff had proposed removing Australia from that sentence.

Finally, in footnote 7, a reference would be made to the document on the expected timetable for HIPC countries that had already been published and circulated, the staff representative noted.

Ms. Lissakers asked whether Table 3 on page 12 would be updated to show contributions received since the Annual Meetings, to make it consistent with the text.

The staff representative from the Policy Development and Review Department replied that he would check with the Bank staff whether the last column could be updated or clarified in response to Ms. Lissakers's comments.

The Acting Chairman noted that the HIPC Trust was the responsibility of the World Bank and other multilateral development banks, however the Fund staff would ensure that any needed updating was done.

Mr. Bauche wondered whether the proposed footnote about Tanzania was consistent with the general guidelines on the HIPC Initiative, particularly those that said that there should be an annual progress report on the PRSP implementation. Had that position been supported by many or several Directors?

The staff representative from the Policy Development and Review Department said that that view had certainly been taken by many Directors on the Bank Board, and he would confirm with the Secretary's Department that that had indeed also been the view of many Fund Directors. The Board had had a rather lengthy discussion of the case of Tanzania and the Legal Department had offered advice during that meeting. The PRGF framework required one year's implementation of the PRSP, and that was reflected in the PRGF/HIPC instrument. The decision for Tanzania reflected that general framework. Nevertheless, the view of many Directors on the Fund and the Bank Boards was that there should be a flexible interpretation.

Ms. Lissakers commented that the summings up of the Board discussions should capture the specific nuances of the Board's position on country cases. It was neither desirable nor necessary to have a footnote in the progress report to the Development Committee and the IMFC. There were many other details and nuances that could be added in footnotes, but that would change the general status report on the Initiative.

Mr. Kelmanson said that he had no objection to including the footnote, and in fact would welcome it, as it captured fully the discussion that the Boards of the Bank and Fund had had. It would be a useful addition to the document, which was meant to provide an update on specific country cases, as well as on the general implementation of the Initiative.

Mr. Esdar said that he agreed with Mr. Kelmanson. The Board had had a long discussion on Tanzania and it would be appropriate to reflect that in a short footnote to Ministers.

The Acting Chairman said that the footnote would be a factual reflection of what had been discussed by the two Boards.

Mr. Faini said that the point was to send a clear message to the IMFC. Introducing a nuance that might not be completely consistent with the guidelines would not add to clarity, although it could perhaps provide some sense of what the Board discussion had been. As the purpose of the document was to inform in IMFC of the procedures for the implementation of the Initiative, he did not agree with Mr. Esdar that the inclusion of the footnote was appropriate, as it was not essential and did not add to clarity.

Ms. Lissakers expressed concern that the footnote would suggest to the reader that, in Tanzania's case, there would not necessarily be an annual progress report on implementation of the PRSP; and that was incorrect.

The Acting Chairman responded that the decision for Tanzania mentioned the progress report as one of the conditions to reach the completion point.

Mr. Kelmanson suggested that the footnote could be adequately drafted to show that many Directors had expressed the desire to consider the timing of the report in a flexible manner.

Mr. Esdar said that it would be fair to reflect in a footnote the difference in the political interpretation of what the requirement for an annual report on the implementation of the PRSP meant for the timing of the floating completion point.

Ms. Lissakers said that she was concerned about introducing into the document a different decision than the Board had actually made. The formulation of the footnote could make a difference in the interpretation.

The Acting Chairman remarked that it was important to make sure that the footnote reflected what the Board had discussed. Many Directors had mentioned the point about flexibility.

Mr. Rustomjee said that the Acting Chairman's summing up on Tanzania's decision point said that: "while Directors agreed that these conditions should also include the endorsement by the Fund and Bank Boards of the PRSP and of the authorities' first annual report on the implementation of the poverty reduction strategy, many Directors urged that the latter condition be interpreted flexibly, so that it does not unduly lengthen the period between the decision and the completion point." That issue had been a lengthy part of the discussion on Tanzania. It would thus be appropriate to include it in a footnote, and there was no reason to suggest that including it would cause confusion. All participants in the discussions that had led to the establishment of the linkage between the PRGF and the HIPC Initiative had stressed the need for flexibility in every facet of that linkage. That was then transposed into the discussion on Tanzania. The Board should adequately reflect to Ministers the degree of flexibility that the Board was prepared to accept within the Initiative.

Ms. Lissakers asked the staff to re-read the language that would be used in the footnote.

The staff representative from the Policy Development and Review Department said that the staff had proposed that the footnote say that: "Many Directors noted that for Tanzania, reflecting its long track record of adjustment and reform, this condition should be interpreted flexibly so that it would not unduly lengthen the period between the decision and completion point."

Ms. Lissakers said that she would prefer a shorter version, as long as it specified that that was the view of "many Directors." The proposed footnote should not change the substance of the decision made by the Board, which included a clear reference to the need for an annual progress report on the PRSP. Those Directors who felt strongly about the issue could have their concern reflected in the footnote in the general report, but it should be fully consistent with the decision the Board had made.

The Acting Chairman remarked that no Director had suggested any change in the decision. It was just simple, short language showing that many Directors wanted flexibility in that case.

Mr. Barro Chambrier asked whether it would be appropriate to combine the discussion of the PRSP and HIPC Initiative documents.

The Acting Chairman replied some of the statements referred to the two documents, but the Board should discuss each separately, as drafting changes were involved.

Mr. Barro Chambrier made the following statement:

> I would like to thank the staff for producing this informative progress report on the implementation of the HIPC Initiative. The countries in my constituency are strongly committed to the strengthened HIPC Initiative. However, so far, no country has passed the completion point, and important financing problems remain. While there has been progress in bringing countries to the Board for consideration under the strengthened HIPC Initiative, this progress remains slow and could be indicative of the operational complexities of the Initiative. That is unfortunate, as one major objective of the strengthened Initiative is the fast delivery of debt relief. One

way to speed up the process would be to introduce more flexibility regarding the PRSP process, particularly for retroactive cases. While we welcome the acceptance of Interim PRSPs, the requirement of sufficient progress in the implementation of the PRSP as a condition for the completion point should be eliminated. The preparation of a full PRSP through a consultative process should suffice.

Poverty reduction is a long process that cannot be achieved overnight. In addition, the consultation process entails increased accountability on the part of governments, thereby ensuring that the PRSP will be implemented.

The major difficulty that we see relates to the financing of the HIPC Initiative, which is still under-funded. Without financing assurances, the HIPC Initiative will not be viable and may cause serious credibility problems for the Fund and other donors, as it has already raised expectations. There is a need to make a stronger appeal to donors and creditors to speed up the financing so that eligible countries can have rapid access to it.

The financing of Fund and Bank contributions to the Initiative is far from secured, which does not put the institutions in a position to provide interim assistance to HIPC Initiative cases that reach the decision point. In addition, financing from other multilateral institutions is uncertain and requires additional efforts. The staff appears too sanguine in paragraph 25 as to the capacity of the multilateral development banks to mobilize internal resources before donor pledges become effective. A number of the multilateral development banks mentioned in paragraph 22, such as the African Development Bank and the West African Development Bank, are unable to meet the costs related to the HIPC Initiative. In addition, as evidenced by the Board's recent discussion, difficulties in securing equal treatment from non-Paris Club bilateral creditors adds to the uncertainty of delivering the full financing expected under the Initiative.

The IMFC needs to be made aware of this reality and to face its responsibilities. In this context, I support the view expressed by Mr. Milleron that the Board should not suggest in the report that everything is secured. The Board should also urgently counter the speculation linking the slow progress on the completion point with the difficulties in securing financing.

Mr. Yanase made the following statement:

Like Mr. Barro Chambrier, I also welcome this informative report and thank the staff for its efforts. Securing financing is among the top priority issues to achieve the steady and early implementation of the enhanced HIPC Initiative. In this respect, it is my pleasure to report that the Japanese authorities announced their additional contribution to the Initiative yesterday.

In addition to Japan's 100 percent reduction of ODA claims to HIPC Initiative countries, which was announced at the last year's Cologne Summit, Japan decided yesterday to extend enhanced debt relief of up to 100 percent of its non-ODA claims to eligible HIPC Initiative countries under the enhanced framework.

Moreover, Japan has decided to make further contributions of up to $200 million to the Bank's HIPC Trust Fund, including $10 million that was already disbursed. These measures show the priority that the Japanese authorities place on addressing the difficulties of the HIPC Initiative countries. Japan will continue to support those countries through various assistance measures, including the further provision of grant assistance.

I would appreciate it if this progress report could include these new commitments made by my authorities.

Finally, we will strongly request that other countries and international organizations strengthen their respective efforts to address the critical problem of financing the enhanced HIPC Initiative.

Ms. Lissakers made the following statement:

The main issue for the HIPC initiative at this point is financing. The Board has had extensive discussions recently on members' bilateral contributions and on burdensharing for non-Paris Club creditors, so I will not revisit those discussions.

I will offer a quick update on the status of legislation authorizing me to approve the use of the remaining investment income from off-market gold sales. As we mentioned before to the Board, the process is very uncertain. Since then, the supplemental FY 2000 budget has run into difficulties on the Senate side. That said, the movement of the Senate Foreign Relations Committee to support the authorization was a positive sign, and there are relatively solid prospects for getting the authorization in the coming months, perhaps in the FY 2001 appropriations process. NGOs have stepped up their Congressional lobbying efforts, which is helping.

The legislation also includes our request for $600 million in authorization for the HIPC Trust Fund. We understand the first tranche of the EU contribution of some $700 million is forthcoming—perhaps one of the European chairs could comment on the status. Our understanding has been that the tranches are not contingent upon U.S. financing: is that correct?

With regard to interim financing assurances, we wish to seek greater clarity on the Fund policy. We note that there seem to be assurances of over 70 percent for Mauritania, for example, but Fund staff has still not yet decided to present the Board with the option of providing interim relief. Can staff state explicitly what the problems are?

On the timing issue, our view is that quality is more important than speed. Accordingly, we continue to be of the firm view that the policy decision should be adhered—to require an annual progress report on the implementation of PRSPs for nonretroactive HIPC countries. This will be addressed in this afternoon's PRSP progress discussion.

That said, we do believe that we should consider whether streamlining conditionality under the PRGF programs may be useful. We are of the view that fewer conditions, more strictly enforced, could fashion a more coherent and credible process. While we continue to believe that enhanced debt relief calls for enhanced performance, the integrated approach of expectations and conditions for growth, macroeconomic stabilization and poverty reduction call for, in our view, for a less diffused macroeconomic program.

We think the new liaison committee between the Fund and the Bank would be a good place to start in considering how marginally important structural performance criteria, for example, could be eliminated and/or the PRGF structural criteria can be streamlined better with the priorities identified in Bank lending operations. The committee should play a role in making the integration of programs a coherent process.

The Acting Chairman said that he appreciated the efforts by Ms. Lissakers and her government to allocate the necessary funding, and he hoped that those efforts would soon bear fruit.

Mrs. Del Cid-Bonilla made the following statement:

I thank staff for the very informative draft progress report on the status of implementation of the HIPC initiative and the corresponding financing issues with regard to the implementation issue. I share Mr. Faini's and Mr. De Blasio's views, expressed in their gray, that it is necessary to set more clearly the stage for the progress reports. Having said that, I am going to concentrate my comments on the financing issues. In this regard, I am very concerned that even though potentially up to twenty countries will qualify for debt relief this year, among them two of our constituency, not enough progress has been made for finding appropriate solutions for the overall financing of the HIPC initiative. This includes multilateral institutions, regional banks and non-Paris Club bilateral creditors.

I am glad to see the progress made so far for the financing of the initiative in the case of the Fund. I hope that a decision could be made soon by the USA Congress, in order for the Fund to be able to transfer to the HIPC the remaining five-fourteens of the investment income on profits from gold sales.

Without this decision, there will be a shortfall in resources available for debt relief from the Fund of approximately US$560 million.

In the case of the World Bank, we took note of the modalities for the provision of debt relief approved by IDA's board. Specifically, and in view that the Bank component of the HIPC Trust Fund will not have sufficient resources to provide full financing of debt relief commitments at the point the commitment is made, IDA, rather than the HIPC Trust Fund, will assume the responsibility of providing the debt relief at the time of the commitment. Within this scheme, the World Bank component of the HIPC Trust Fund will reimburse annually to IDA, provided that there is availability of resources. Although this solution allows the Bank to move on with the initiative at this time, it would be essential to find a solution on a more permanent basis, since a shortage of resources in IDA would result in a reduction of concessional loans for the eligible countries. This would work against the development and poverty reduction programs of HIPC countries.

With regards to the Interamerican Development Bank, we would like to have additional information from staff on the status of its contribution. The IDB is the largest multilateral creditor of the Latin American HIPC countries; therefore, finding appropriate solutions for its participation in the initiative is particularly relevant for the region. Of the four eligible countries in the region, under the enhanced HIPC, Bolivia has already reached its decision point with no interim assistance approved, Honduras final decision point document is scheduled to be discussed at the end of this month, and the final decision point documents of the other two countries are expected in the second semester of this year.

In relation to the Central American Bank for Economic Integration – CABEI-, even though it has already compromised about US$230 million of its own resources to provide debt relief to Honduras and Nicaragua under the HIPC, the total debt relief required from this regional bank is approximately US$500 million in NPV, an amount that it cannot afford if we want it to continue being viable. Therefore, complementary support from multilateral institutions and donor countries will be necessary.

I understand that some multilateral institutions and regional banks are eligible to get support to complete its financing of the initiative through the HIPC Trust Fund; therefore, I would appreciate it if staff can give us updated information on the contributions, if any, made so far to these institutions. I would also like to hear some comments from staff on the results of the last multilateral banks' meeting held in Washington.

Finally, with regards to financing from non-Paris Club bilateral creditors, I reiterate the point made in our last Friday's discussion on "burden sharing issues" that a strategy to solve the problem of poor and middle income developing countries which are HIPC creditors is urgently needed.

Mr. Zoccali made the following statement:

I can be brief . The background note prepared by staff provides a useful summary of implementation of the enhanced HIPC Initiative. At the outset, we agree with Mr. Faini and Mr. De Blasio that the rationale for the existing framework could perhaps be reflected more integrally in the report. In that context, the decision to allow for some flexibility in order to deal with the tension between speed and effectiveness of the initiative should be clearly captured. This said, the availability of adequate financing for the enhanced initiative remains our principal concern and I associate myself with the comments just expressed by Ms. Del Cid Bonilla on this issue. More specifically on the text of the report, we have four observations:

First, the reference in paragraph 10 regarding the prospects in MDBs suggests, as already noted by Mr. Barro Chambrier, faster progress than the more detailed explanation in paragraph 25. Some greater correspondence might be preferable, keeping in mind the limitations placed by some donors regarding the use of their contributions and the concerns of a number of MDBs about proceeding on a less than full upfront financing basis. In paragraph 22, it is also stated that "in moving forward, it has been stressed to the MDBs that a maximum effort is required to provide their share of assistance from internal resources while at the same time maintaining the institutions' financial integrity". Its not clear to us that this has been the unanimously accepted view given its implications for borrowing countries, which fall in the emerging and low income developing country grouping. Hence a more nuanced reference as to the strategy for moving forward would seem appropriate.

Second, it would be useful if the different notes, tables and reports referring to updated cost estimates and status of financing used a standardized the unit of value, be it 1998 or 1999 NPV terms, nominal US$ values or an "as needed" basis estimate, such as that used in the Acting Managing Director's report on Financing the Fund's Participation in the HIPC Initiative and the Continuation of the PRGF.

Third, the reference in paragraph 27 to the participation of official bilateral creditors as threatening to compromise the debt sustainability of HIPCs should be modified to reflect more closely the text of the summing up on this issue which included, if I'm not mistaken, the notion of broad and equitable participation and flexibility in application, case by case, keeping in mind non Paris-Club creditor- countries' circumstances. Moreover, the reference in paragraph 20 to the eventual shortfall in resources for debt-relief that would arise if the legislation by the US Congress to transfer the remaining five-fourteenths of the investment income on profits from gold sales is delayed, suggests that the former is not the only issue that could affect the timely release of debt relief. Ms. Lissakers also referred to possible snags in the approval of the US bilateral contribution to the HIPC Trust.

Finally, it would be useful if table 3 with the status of bilateral donor pledges to the HIPC Trust Fund, were supplemented with the broader list of participants in EBS/00/72 that also pledged bilateral contributions to the PRGF-HIPC Trust. We should keep in mind that the option to earmark pledges was generally available and that many members chose not to go this route, going instead with the PRGF-HIPC Trust as the vehicle for channeling their respective contributions.

Mr. Pickford made the following statement:

This is a helpful progress report, which Ministers will find useful. I do not have particular drafting comments, because the document accurately reflects the situation.

On financing and HIPC progress more generally, it will not come as any surprise to Directors that we are disappointed that the HIPC Initiative is progressing more slowly than had been hoped. Part of that is connected to the financing issue. In that regard, I welcome Japan's announcement that it will move toward 100 percent relief on non-ODA claims and provide a greater contribution to the HIPC Trust Fund. It is perfectly obvious that Directors need to play a part in securing financing for the Initiative. The staff at the Fund and the World Bank have been helpful in terms of taking the discussions forward with the other MDBs. The paper is right to say that the MDBs should make the maximum contribution possible from their own resources. That will require some innovative approaches, perhaps also extending the period over which they contribute to the costs of the Initiative.

We had hoped to have further progress by the Spring Meetings. We still think that the appropriate target is for a significant number of countries to reach the decision point by end-2000. Clearly, there is tension between ensuring that countries demonstrate sufficient commitment, through the preparation of PRSPs that are well thought out and presented, and the desire to take countries through the process quickly. That is why the mechanisms of interim relief and Interim PRSPs were proposed. We have also argued for a flexible, case-by-case approach, consistent with equitable treatment. We continue to think that progress under the HIPC Initiative should be driven primarily by an increased focus on poverty reduction and national ownership. We need to continue to investigate ways to ensure that the provision of debt relief is not unnecessarily delayed, to use the phrase in the footnote. As we have said on many occasions, there is a need to encourage a stable macroeconomic environment, but it is also necessary to be flexible and to concentrate on the issues that are crucial for poverty reduction. Conditionality should accurately reflect that focus.

There should be greater transparency about the whole process. The events this week demonstrate that the perception of a slow implementation will threaten the credibility of the Initiative and of the institutions. It is important that in each case where a country does not make as rapid progress as expected the reasons for that are made clear and are justified in public, so that the Fund can defend itself in the face of public scrutiny. That is why it is extremely helpful for the progress report to give information on each of the individual countries. That should be repeated on a regular basis in further reports.

On transparency, there was discussion in the Bank Board about publishing these papers in advance of the Spring Meetings, on an exceptional basis. The Fund Board should also consider that possibility.

Mr. Houtman said that he agreed with Mr. Pickford that the Fund should be as transparent as possible with regard to the progress in the implementation of the HIPC Initiative and the PRSPs. In that respect, a press release had been issued the previous week saying that the Chairman of the IMFC had made a proposal for an international oversight committee to look into the implementation of the HIPC and PRSP. Could Mr. Pickford elaborate on the details of that proposal?

Mr. Pickford said that the Chairman of the IMFC had not made such a proposal. Britain's Chancellor of the Exchequer and the Secretary of State for International Development had written a letter to the First Deputy Managing Director and the President of the World Bank that had not been released in public. In the letter, which Directors were welcome to look at, there was a proposal for a mechanism to take the HIPC Initiative forward. It said that: "a mechanism needs to be established which can ensure consistency in the implementation of the Initiative, can manage its delivery in line with the necessary urgency and which can present the integrated efforts of the Fund and Bank proactively toward those who have a stake in the Initiative." The U.K. proposal was that the Bank and Fund set up a HIPC Initiative implementation group to give a focus to the Initiative. The Joint Implementation Committee that had been proposed by the staff would be a helpful step forward and could meet the aims of what the U.K. authorities had intended when they had proposed the implementation group.

Mr. Rustomjee made the following statement:

At the out set, I would like to associate myself with the statements of Mr. Zoccali and Mr. Barro Chambrier, particularly Mr. Barro Chambrier's strong call for greater flexibility with PRSPs and the elimination of the one year waiting period.

The report gives a good overview of where we are with regard to the implementation of the HIPC Initiative. It covers all the key operational and procedural matters which provide some indication of progress. The key message in our view is for governors to focus on the future. In this regard, the report has pointed to the importance of identifying sufficient resources to finance the Initiative. A critical element has to do with the financing responsibility of multilateral development banks. The update provided this morning by Mr. Boote on progress made by these institutions in overcoming the hurdles regarding the financing issue has been valuable. As suggested it could be useful to reflect in the document the share of contribution to HIPC which would be expected to be financed by the 8 MDBs who have now indicated their willingness to support the augmented HIPC framework.

It is important that this report keeps the spotlight on the necessity of the timely implementation of the Initiative and I welcome the language in the document on this. Given the link between the PRSP and debt relief, it would be useful to point to some general observations from the cases dealt with so far particularly, for example, the resource constraints being experienced by countries in preparing their I-PRSPs and PRSPs. This constraint is already being experienced, for example, by all three of our authorities, Tanzania, Mozambique and Uganda, who have prepared I-PRSPs. While all agree that debt relief is seen as a critical instrument for fighting poverty, we should underscore the need for flexibility to enable countries to get to their completion point as early as possible. In this regard I have to say that I am uncomfortable with the language used in paragraph 2, which refers to the retroactive cases and which says that a key requirement for reaching the floating completion points for these countries is the adoption of a fully developed PRSP.

Here I would like to add a word on the issue of flexibility. At the time of our decision to link the PRSPs and our PRGF with HIPC, our Chair supported this linkage, but pointed to the need for flexibility in all areas of this linkage. We called for this because there are real limitations and real constraints on the side of HIPC debtors. And we called for flexibility because there is a genuine tension between, on one hand, releasing debt relief resources early, which can then themselves contribute to capacity building so as to deal with poverty reduction; and on the other hand, withholding relief until we are sure that the resources will be used appropriately. Clearly there are two forces here, equally valid, equally compelling. Six months after we endorsed the decision to make the linkage, our concern is that flexibility is being interpreted too restrictively.

In this regard let me illustrate, by reading out what we agreed to when we had our discussion on operational issues on PRSPs and PRGFs on 21st Dec 1999. The Chairman's summary on this point reads: "However, I sense that the majority of the Board favored early decision points under the

> enhanced Initiative for retroactive cases, depending on performance, with the timing of completion points decided on a case-by-case basis linked to the adoption of an Interim PRSP, the degree to which the PRSP is participatory, and overall progress in poverty reduction and economic performance." The emphasis was clearly on I-PRSPs, yet in each of the retroactive cases we have dealt with since, we have insisted on full PRSPs.
>
> Separately, on Mozambique our office will be receiving the summing up of the HIPC discussion we had a few days ago. In Mozambique's case, similar expressions of flexibility were provided by Directors during the Board discussion, particularly on the conditions for assessing progress in achieving completion point. I would suggest that a similar footnote be included in the case of Mozambique.
>
> Finally, there has been important and significant bilateral progress in funding HIPC in the last 6 months which we very strongly welcome, including some recent new developments and we welcome this.

The Acting Chairman commented that Mr. Rustomjee's point on the capacity and administrative constraints on the part of debtors was well known, and all Directors would appreciate it. It was not clear how much it was captured in the report, but if there was no mention of it, it should be added.

Mr. Nguyen made the following statement:

> We thank the staff of both the Fund and the Bank for the report updating the Board, the IMFC, and the Development Committee on the status of the implementation of the enhanced HIPC Initiative since the Annual Meetings.
>
> Over the past six months, Fund and Bank missions have visited about 20 countries to prepare debt sustainability analyses and help the authorities initiate the poverty reduction strategy paper process. However, only a few cases have been reported to the Boards for discussion. As a result, the number of HIPC cases that have benefited from the Initiative is small, compared with expectations. Part 2 of the report is just an snapshot of the status of the implementation. The staff should have pointed to the reasons why the process has been so slow, what the differences have been, and how the problems are going to be addressed.
>
> Part 3 of the report describes the status of the participation in the financing of the Initiative, but did not mention the difficulties encountered in coordinating actions from creditors, in particular from non-Paris Club bilateral creditors. These include the divergent views on burden sharing, the arrears of HIPC Initiative countries to many creditors, the differences among the HIPC Initiative countries in securing debt relief from creditors, and issues related to

the HIPC Initiative countries that are creditors to other HIPC Initiative countries.

During the Board discussion on the participation of official bilateral creditors, most Directors called for flexible solutions to the specific countries on a case-by-case basis. It would be helpful if that view could be reflected in the report.

As pointed out in the report, securing sufficient funding to cover the increased costs of the enhanced framework will become more and more urgent. I would, therefore, encourage all donors to finalize their committed contributions in a timely manner.

Mr. Houtman made the following statement:

I would like to associate myself with the statement by Messrs. Faini and De Blasio that it would be useful to elaborate on the rationale for the modified Initiative.

I agree with many of the speakers who have expressed concerns over the financing of the Initiative, both the Bank's financing and that of the multilateral development banks. I would particularly like to support Mr. Milleron's statement on that issue, especially with regard to the status of the U.S. contribution. The Fund should be a bit more transparent here. I also support Mr. Zoccali's suggestion on Table 3.

With respect to the burden sharing issue, as Mr. Nguyen said, the paragraph on burden sharing is cryptic. I have not yet read the summing up that came out this morning, but perhaps part or all of it could be included here. Nevertheless, I would suggest adding a sentence to show that something will be done about it. It could say that after further discussion, the Board might consider publishing a revised note on issue following the Spring Meetings.

Finally, I would like to support Mr. Rustomjee's last point on the Interim PRSPs for retroactive cases.

Ms. Lissakers said that she was puzzled by Mr. Milleron's desire to focus on the U.S. contribution to the HIPC Trust Fund. Although the U.S. was delaying the process of gold sales, it was not clear why the U.S. should be highlighted with regard to the HIPC Trust Fund. There were other countries that had not put forward their contributions either.

The Acting Chairman said that Ms. Lissakers had already reported on the status of the discussion on Capitol Hill, and that could be incorporated into the progress report. Each Director should report orally or in writing to their authorities about the current status of the Initiative.

Mr. Houtman commented that the $600 million from the U.S. was much less certain than most of the contributions that had been pledged by European countries.

Ms. Lissakers noted that the paper said that 60 percent of the pledges had been provided, and there were no differences among the remaining 40 percent. There was no basis for asserting that the contribution from the U.S. was any more uncertain than those from other countries. That was why there should be a clarification of Table 3 to make clear that the U.S. money and the pledges from other countries had not yet been received.

Mr. Bauche said that he only sought some clarification, and welcomed the statement that Ms. Lissakers had made on the budget appropriation and the deliberations in the U.S. Congress.

Ms. Lissakers noted that Directors from other countries that had not yet made contributions had not reported on the exact status of their contributions. It was appropriate for Directors to question the status of the U.S. decision on the gold sales, where the U.S. was clearly complicating matters. In that case, the progress report specifically stated that legislation was required in order to complete that transaction, which was legitimate.

The Acting Chairman said that he appreciated Ms. Lissakers's clarification of the issue. It was sufficient for Directors to know where the U.S. stood. The resolution of the gold issue was important for the HIPC-PRGF Trust Fund. That was why Directors were so interested in that issue. The Trust Fund needed more contributions and real pledges from many contributors so that it would be a cooperative effort.

Mr. Rouai made the following statement:

> I would like to thank the staff of the World Bank and the Fund for an informative progress report and for their efforts in keeping the Board informed and in adhering to a strict timetable of implementation for the remainder of the year. I associate myself with the comments made by Messrs. Barro Chambrier, Zoccali, and Rustomjee. I share their disappointment regarding the relatively slow progress of the overall strategy and the difficulty in fully securing the financing for the HIPC Initiative. I share the emphasis expressed by many speakers on the need for a flexible implementation of the overall strategy, and to not unduly delay the delivery of debt relief—in particular for retroactive cases—because of the PRSP process.

Mr. Melhem said that he associated himself with the comments made by Mr. Zoccali, especially regarding the participation of the MDBs, and his suggestion regarding replacing the language in paragraph 27 with the more nuanced language from the Board's discussion.

Mr. Oh said that, recognizing the importance of financing for the HIPC Initiative, he welcomed the Japanese authorities' decision to increase their contribution to the HIPC Initiative. He expressed his gratitude for that contribution on behalf of the members of his constituency.

Mr. Lou made the following statement:

We welcome this comprehensive review of the implementation of the enhanced HIPC Initiative. Since the last meeting of the Interim Committee, the progress in the strategic financing of operational and institutional arrangements has been impressive and has laid a solid foundation for the full-fledged implementation of the enhanced Initiative. We are broadly in agreement with the thrust of the report, in light of its balanced and comprehensive views.

With regard to the PRSP, we welcome and endorse the current Interim PRSP arrangements and the learning-by-doing attitude toward formulating the PRSP. We also stress the importance of government ownership and appropriate control of the strategy formulation. We share the concerns expressed by HIPC member countries over the balance between broad participation and timely formulation. The over-emphasis on broadness might complicate the process. I agree with the suggestion of Messrs. Faini and De Blasio that the report should reflect the Board agreement; and that the joint staff assessments should only describe, and not evaluate, the participatory process.

When the Board last discussed the operational issues of the PRGF, some Directors raised the issue of the cost of formulating the PRSP for HIPC Initiative countries. We think that it is necessary to reflect that issue in this report.

As for the HIPC progress report, we find that the description in Part 3, Section C on the participation of official bilateral creditors has exaggerated the problem of debt relief rendered by non-Paris Club official creditors. In view of the small portion of that kind of debt in the total, some more balanced description is appropriate. On this issue, I support the views expressed by the Mexican chair.

Mr. Singh made the following statement:

I wish first of all to thank the staffs of the Fund and the Bank for this progress report. It is useful to take stock regularly of the experience we are gathering on the implementation of the HIPC Initiative. The paper gives a comprehensive account of the progress under the enhanced HIPC Initiative and we do not have much to add. I simply wish to make three remarks here.

First, I wish to associate my Chair with the remarks made by Messrs. Milleron, Faini and De Blasio on the need to set the progress report within a broader context. I think it would be particularly important to underscore to a greater extent the tensions and trade-offs inherent to the enhanced Initiative. I have especially in mind the tension between the objective to provide faster debt relief and demonstrate flexibility at the completion point, on the one hand, and the aim to assure a definite exit to a country's debt problems, on the other hand.

It should be clear that one of the aims of the Initiative is to achieve a definite removal of unsustainable debt burdens for all HIPCs. In this respect, merely reaching the completion point will not be sufficient. It will be crucial that eligible countries maintain sound macroeconomic policies over the long term. It should therefore not be our prime objective to rapidly push as many countries as possible through the Initiative. Rather, we should ensure that HIPC assistance is granted for countries that continue to demonstrate a strong commitment to sound economic policy.

The second point I wish to make is related to the participation of official bilateral creditors. I think the progress report should draw more extensively on the discussion we had last week on the participation of non-Paris Club creditors to the HIPC Initiative. For instance, the report should take up the suggestions to open up the Paris Club framework to non-Paris Club creditors.

Finally, we would support Mr. Zoccali's suggestion to add to the progress report a table related to the contributions to the PRGF. The HIPC-Trust of the World Bank is not the only instrument through which member countries can contribute to the financing of the Initiative and credit should be given to countries that have opted to finance the Fund's PRGF.

Mr. Bakhache made the following statement:

Like others, we would like to thank the staff for a comprehensive and concise progress report. I would only like to comment on the issue of flexibility in implementation, particularly for retroactive cases. In this regard, we welcome the addition of the footnote on Tanzania. More generally, I associate myself with the views expressed by Messrs. Pickford and Rustomjee on this issue.

Mr. Fenton said that he also welcomed the report and shared the concern expressed by many Directors on the slow pace of progress to date.

The Acting Chairman said the report would be updated as suggested by Directors. Comments on the issue of burden sharing—modeled on those in the summing up, which reflected recent discussions—would be added; and the issue raised by Mr. Rustomjee about the inclusion of a footnote on flexibility for Mozambique, which would also relate to the PRSP process for retroactive cases, would be examined. A full PRSP was needed for countries to reach the completion point, which was why Directors had urged countries to prepare PRSPs as soon as possible. Directors had also said that other conditions could be interpreted more flexibly, which suggested that there should be more commitment on the structural issues, as well as macroeconomic issues.

Mr. Bauche agreed that a footnote could be added on Mozambique, but he wondered about the final message that the progress report would convey if there were too many footnotes expressing exceptions to the basic principles of the Initiative.

Mr. Barro Chambrier said that perhaps the question of flexibility should be taken into account for a broader range of retroactive cases, as the Board should be consistent with all cases.

The Acting Chairman pointed out that there were not many retroactive cases, and perhaps they could be dealt with on a case-by-case basis.

Ms. Lissakers said that she agreed with Mr. Bauche about the footnotes. If a long list of exceptions were made, soon the principles would be lost. There were nuances, but the appropriate place to take care of those was in the individual country discussions, not in the umbrella report.

Mr. Kelmanson said that he agreed with Mr. Bauche and Ms. Lissakers that the Board should not ignore the framework that had been agreed after so many hours of discussion However, one of the components of that framework was flexibility, and the two were entirely consistent. Moreover. Mr. Barro Chambrier was correct that the Board must ensure that the HIPC framework was applied consistently across all cases.

Mr. De Blasio associated himself with the concerns expressed by Mr. Bauche and Ms. Lissakers. A proliferation of footnotes would definitely weaken the transparency of the framework.

Mr. Singh associated himself with the comments of Messrs. De Blasio and Bauche and Ms. Lissakers. It was understood that the conditions for the completion point should be interpreted in a pragmatic and flexible way across countries such as Tanzania, Mozambique and Mauritania. Therefore, the number of footnotes should be limited, and calls for flexibility in partial cases should be included in the main text.

The staff representative from the Policy Development and Review Department said that in paragraph 2, the only condition mentioned for reaching the floating completion point for retroactive cases was the adoption of a fully participatory PRSP. The Board had envisaged that there would be flexibility with regard to the other requirements. Therefore, there was no need for a footnote on Mozambique.

The Director of the Policy Development and Review Department commented that the usual tensions in moving the Initiative forward vis-à-vis flexibility, financing, and other issues were clear. These tensions complicated the implementation of the Initiative. Nevertheless, the staff was trying to ensure that the Initiative was implemented with the uniformity that Mr. Barro Chambrier had spoken about. That was one of the reasons for the establishment of the proposed Joint Implementation Committee. The staff had tried to walk a narrow line in drafting the report, in light of the tensions. It was hoped that on the MDB financing issue the staff had adequately covered the views of Mr. Zoccali on the one hand and Mr. Pickford on the other. It was difficult to make too many changes without upsetting the balance, but the staff could update some of the information on the situation with the other MDBs, particularly to make the general point that there was no misunderstanding that all of the necessary financing had been secured. Clearly it had not, and there was some way to go before the financing was fully secure, even for those MDBs that had made firm commitments. Therefore, the staff had no problem in moving ahead on a case-by-case basis in terms of securing financing assurances.

It would probably be useful to reflect some of the issues raised by Messrs. Faini, Singh, and others in the papers, the Director said. Perhaps that could be done in an early paragraph or in the cover memorandum of the Managing Director and the President of the World Bank which conveyed the reports to the committees.

As difficult as the financing issue was, that was not the reason for the slow pace of implementation of the Initiative, the Director stated. It might become an issue at some point, perhaps even as early as end-2000 if more progress was not made, but that had not been a factor to date, either in moving the countries forward or in deciding the level of interim assistance that would be provided to countries.

On the comments made by Mr. Zoccali and others on Table 3 it should be noted that that table presented contributions to the Bank's HIPC Trust Fund, the Director explained. Bilateral contributions to the PRGF-HIPC Trust Fund, which was a different instrument, were mentioned in the other paper that had been introduced, EBS/00/72. On the latter paper, which was being circulated for comment until noon the following Friday, the staff had heard from at least one Executive Director suggesting a possible modification to the presentation. That would probably involve adding a cumulative figure in the table that would include the contributions of a number of countries, rather than showing them explicitly. That had been the practice in some of the presentations on bilateral contributions in the past.

As suggested by Mr. Rustomjee, the staff was trying to distill best practices from the early experience with the Initiative, the Director said. Those would be considered at a seminar that would be held starting on April 24, where the staffs would try to take stock and look further at how to advance the matter.

The staff representative from the Policy Development and Review Department said that Bank staff had been asked to re-examine Table 3 to see whether it might be possible to respond to the general request for differentiation between contributions received in cash and those pledged but not yet waived. Perhaps there would have to be a separate category to cover those contributions that had already been partially received. The staff was looking into whether it could make the distinctions clearer, as had been requested. It was also important to include the contribution announced by Japan in the updated table.

The staff intended to update paragraph 27 in light of the discussion by the Boards of the Bank and the Fund on burden sharing, the staff representative noted. Clearly, the staff needed to nuance that paragraph in light of the summing up. It was also a mistake to refer in the HIPC progress report, which would be made public, to the issues paper, as there had been agreement not to publish the latter, although it was the staff's intention to publish a revised version in due course. Perhaps it would be appropriate to say that there was an intention to publish a revised paper. Moreover, Mr. Houtman had made a valid comment on the need to incorporate the concerns raised by Directors on the participation of non-Paris Club creditors, the staff representative noted.

Regarding Mr. Rustomjee's question about exposure, the contributions of the eight out of 17 MDBs that he had mentioned represented about 60 percent of the costs, the staff representative reported. However, it should be stressed that some of those MDBs would require bilateral contributions to meet those costs, thus it could not be assumed that the 60 percent was in any way covered. Moreover, while the IDB governors had endorsed in March the participation of the IDB in the enhanced Initiative, and had then established a working group to report to the Board of Governors by end-June on how that would be best accomplished, there was still no certainty about that institution's ability to contribute. As he had noted before, there would be an update on the status of Multilateral Development Banks (MDB) participation under the enhanced framework in light of the meetings chaired the previous week by the Bank.

Mrs. Del Cid-Bonilla wondered which multilateral institutions and regional banks had been able to get support from the HIPC Trust Fund to complete their financing of the Initiative

The staff representative from the Policy Development and Review Department replied that all multilateral institutions were eligible to receive contributions from the HIPC Trust Fund. However, in terms of actual contributions received, the Bank staff had confirmed that the only multilateral institution that had had contributions made on its behalf was the African Development Bank. The structure of the HIPC Trust Fund was fairly complicated. There was an unallocated portion, for example, which could be provided to all institutions, and another that was country-specific and could thus be used for all institutions that were exposed to a particular country. The donors to the Trust Fund could, in a sense, choose how to allocate their money.

Mr. Zoccali asked whether it would be possible to supplement Table 3, as the report referred to the funding availability for enhancements to the HIPC Initiative framework, and it was difficult to conceive the HIPC Initiative framework without the PRGF-HIPC Trust being included. As some countries were in a position to earmark their contributions for either Trust, the fact that they had chosen the PRGF-HIPC Trust should somehow be reflected. Could the table be made available in some specific report that would go directly to the IMFC?

The Director of the Policy Development and Review Department replied that the proposal before the Board was that, after Directors had vetted the listing of bilateral contributors, it would be listed on the web site. The title of Table 3 should probably be changed to make it clear that it involved the Bank's HIPC Trust Fund. The report was out for comments until noon the following Friday, therefore the staff should circulate those other papers as soon as possible, partly because of what Mr. Pickford said, that there had been agreement that those should be released publicly. Nevertheless, the staff would find some vehicle to bring the two together at some point.

The Acting Chairman said that, in light of the Board's comments, the paper would be revised jointly with the World Bank. The Board had agreed to have the paper published ahead of the IMFC and Development Committee meetings.

3. POVERTY REDUCTION STRATEGY PAPERS—PROGRESS REPORT

The Executive Directors considered a staff report on poverty reduction strategy papers (PRSPs), prepared jointly by the staffs of the Fund and the World Bank for the Development Committee and the International Monetary and Financial Committee (SM/00/69, 3/29/00). They also had before them a note on the estimated timing of discussions by the Fund and the World Bank Executive Boards on support for low-income member countries, which was prepared jointly by the staffs of the Fund and the Bank in consultation with the member countries concerned.

Paper revised in light of Executive Directors' comments (SM/00/69, Rev. 1, 4/14/00).

Mr. Milleron submitted the following statement:

> We very much welcome the PRSP progress report and believe it to be a very important reporting tool for the Ministers, allowing for accountability of the institution in meeting the expectations set out last September.
>
> This being said, one has to recognize that we have so far dealt with very few actual cases: despite our many progress in the learning process on the guidelines, we still have a lot to learn on specific cases, and this caveat should be better reflected in the report. In particular, one cannot deny that the cases have so far well highlighted the challenges or tensions inherent to the PRSP process, and this should be better pointed out in the document, thereby drawing ministers' attention on the upcoming issues, including by being more candid on some weaknesses met in the country cases put forward so far (Uganda, Ghana).
>
> If we support the main thrust of the document, while noting that it could have been more reader-friendly and problematic, we would like to emphasize the three following points:
>
> Despite some efforts in the wording, the description of the expected content of Interim PRSP and PRSPs lies too much on the side of processes and not of content, without enough emphasis in our view on the notions of "core content" or building blocks. The key issue of interaction between sustainable macro-economic framework and programs to tackle efficiently the determinants of poverty, which in itself requires deep upstream work through

Poverty Assessment, PERS, and other analytical tools, should be better addressed. The needed "multi-dimensional approach" for successful poverty reduction cannot be reached without such attention. The whole part II-A and II-B of the report could have been more explicit and straightforward in this respect.

In the same vein, it could be worthwhile to clarify the wording on participatory process, in particular paragraph 11, not to be prescriptive but to help countries develop useful and meaningful processes. The examples of Bolivia and Mozambique show that our institutions can be helpful in this respect.

While welcoming the effort to reflect the responses to the consultation process, and in particular the comments coming from client countries, we are a bit disappointed by the language on the contribution of the donor partners, multilateral and bilateral, in the PRSP process. The potential tension with ownership—seen as a constructive process—has to be acknowledged, but we believe it crucial not to give the feeling that implication of the international community in PRSP processes only comes through the Fund and the World Bank, all the more as the financial implications for other partners are meaningful.

More clarity seems necessary on the exact links between decision/completion points and interim or full-fledged PRSPs and their implementation, so that we better state the very strong political message of the enhanced HIPC Initiative, i.e. that faster, deeper and broader debt relief aims at lasting impact on poverty alleviation. We strongly believe that completion points should be, in a steady state, conditioned by the preparation of a full PRSP and sufficient progress in its implementation. The needed flexibility in the early cases—and in particular the retroactive ones—should nonetheless clearly demonstrate our strong commitment to this endeavor. Some early cases might raise doubts in this respect.

We also welcome the HIPC Debt Initiative Progress Report, which provides very helpful information on the progress made to secure financing of the initiative, even if more details could have been provided on the actual status of the process of the various pledged contributions. In this respect, more up-to-date information would be welcomed on the US contribution to the HIPC Trust Fund, the description of the US financing of PRGF-HIPC Trust Fund (paragraph 20) being much more explicit for instance. It is quite awkward that no specific mention of this is made in the "status of HIPC Trust Fund financing for MDBs", leaving the feeling that everything is secured (cf. Table 3). We would very much appreciate it if this Table 3 could be more specific, and also better reflect the status of pledges which only transit through the HIPC Trust Fund.

In addition, we would like to remind our strong attention to the principle of having secured sufficient financing assurances from the multilateral institutions at the decision point.

We would also appreciate it if the staff could update the Board on the status of the discussions with other MDBs, and if such update could be reflected in the final document.

The background note on the HIPC Initiative Timetable is very useful and helps replacing the steps taken since the Annual Meetings in the broader context of the whole list of countries to be examined this fiscal year. This being said, we would appreciate it if the staff could provide additional information on the following points:

On Senegal, it is our firm understanding that the delay in the presentation to the Board of the HIPC Initiative documents reflected the wish to secure the new authorities' commitment and ownership of the HIPC Initiative and Interim PRSP documents and framework. We strongly expect the mission to be sent on the ground to focus on such discussions and therefore the case to be presented before end of April. The wording in page 4 of the document should reflect this approach better.

When the second decision point is scheduled in Q2 2000 and when the completion point could occur in 2000, we expect the "possible timeline table" to mention this expected completion point schedule.

Mr. Faini and Mr. De Blasio submitted the following statement:

We welcome these reports. They provide a comprehensive review of the progress so far and a useful background for the discussions at the IMFC and at the DC.

We have a few remarks to offer.

As Mr. Milleron, we see a need to put squarely both progress reports in the broader context of the enhanced Initiative. More specifically, the rationale for the existing framework (and its modifications since the last Annual Meetings) should be discussed more thoroughly. There should also be an effort to describe how the decisions already made for individual countries are fully consistent with the agreed framework. We would suggest something along the following lines:

Starting from the strong message of the HIPC2 – that faster, deeper, and broader debt relief should be linked with poverty reduction.

Re-emphasizing that a strong commitment to reforms and macroeconomic stability is required to ensure a permanent exit from the debt overhang and lasting progress in poverty reduction (especially in light of the once-and-for-all feature of the debt reduction initiative). The Board has established a clear timeframe that requires countries to have a PRSP in place at the DP and to complete at least one year of satisfactory implementation by the CP (see Concluding Remarks by the Chairman, Board on Operational Issues, BUFF/99/154, 12/27/99).

Recalling the Board decision to allow for some flexibility in order to deal with the possible tension between speed and effectiveness of the Initiative. More specifically, it was decided that: i) an Interim PRSP may be sufficient to reach the DP; ii) for the retroactive cases (countries that have already reached DP under HIPC1) the timing of the CP would be decided on a case-by-case basis taking into account the overall progress in poverty reduction and economic performance.

Emphasizing how the decisions already made by the Board fit into this rule-based approach, in a way that ensures overall transparency as well as equality of treatment across countries.

We found the PRSP Progress report, particularly Section III, extremely interesting. First, the emphasis given to partnership is entirely appropriate, as one of the main roles of the PRSP is to coordinate efforts among development partners. Second, the broad view offered in section IIIB on the main points that have emerged from the consultation process is very valuable: not only does it show how broad the challenges ahead are, but it also provides useful elements to improve the current framework. Having said that, we have two suggestions.

Paragraph 12 should touch on a number of issues, namely the time needed to develop a domestic dialogue, the lack of a quantified framework and the consequent inability to evaluate trade-offs, the risk that the participatory process may promote divisions rather than consensus, and the perceived dominance of the Bretton Woods Institutions. These are crucial issues for the whole process. Yet, the way they are dealt with seems to detract from their importance. First, their paramount role should have called for greater elaboration and perhaps greater emphasis. Second, these issues are not unique to the Interim PRSP. Again, they should have been given more emphasis, by moving them to the final section of the paper;

On the participatory process, the main Board message (see Concluding Remarks by the Chairman, Board on Operational Issues, BUFF/99/154, 12/27/99) was a call for caution. First, the Board recognized that this approach could lengthen the decision-making process and hamper the ability of the Fund to respond swiftly to new circumstances. Second, and perhaps more crucially, the Board was particularly concerned that the emphasis on a participatory process that fully involves civil society should not undermine the legitimacy of democratically elected bodies and should also ensure that the groups and the organizations involved were truly representative and fully accountable. Other institutions, particularly in the UN group, are better endowed to help the authorities to arrange such a participatory process. For all these reasons, the Board agreed upon a minimal and cautious approach, in which joint staff assessment will only describe and not evaluate the participatory process. As it stands, the paper does not dwell much on this aspect. Doing so however is important. Moreover, it should go some way in alleviating the countries' concerns as expressed in paragraph 29.

We should not forget that full financing is not yet secured, even though the recent reassurance by the US chair regarding the attitude of the Congress toward the remaining five-fourteenths has provided confidence that the whole package will be closed soon. We hope that all donors will soon be in the position to finalize their committed contributions.

Mr. Kelkar and Mr. Karunasena submitted the following statement:

At the outset we would like to thank the staffs of both the Fund and the Bank for preparing the progress report on Poverty Reduction Strategy Papers (PRSPs) reviewing developments to date and describing a range of important issues raised by countries that are in the process of preparing Interim PRSPs (I-PRSPs) or PRSPs. The idea of basing all Fund and Bank concessional lending operations in developing countries on a comprehensive PRSP, which would be endorsed by both Boards has been already operationalized. A review of the experience so far and identification of the operational issues faced by the developing countries as well as their international development partners will provide important inputs to strengthen the PRSP framework within a collaborative, responsive and learning-by-doing framework, as expected at the establishment of the program.

The review clearly shows satisfactory progress made in developing and operationalizing the PRSP framework since its endorsement by the Development and Interim Committees in September 1999. The PRSP concept was expected to build within a comprehensive framework ensuring the country ownership and a broad participatory consultative process. Thus, the expected PRSP framework was not only new to the developing country but also to other development partners, including IFIs. The Bank/Fund has responded promptly and effectively to the challenge by working constructively together to develop the PRSP initiative and operationalize it in collaboration with developing countries and other development partners. Consequently, the program has been moving forward and already four countries have completed their I-PRSPs and a number of developing countries are in the various stages of developing their I-PRSPs or PRSPs.

The poverty reduction activities and programs are not new to developing countries, as most of them have been implementing poverty alleviation policies over a long period of time. What is new for them under the new initiative is the comprehensive content and the process expected under the PRSP preparation. It is not surprising that comprehensive coverage, setting specific targets, broad consultative process and collaborative approach expecting under PRSP framework create challenges and difficulties to developing countries in developing and implementing country-driven PRSPs, particularly owing to their limitations in information availability, skills and institutional capacities. Therefore, we underscore the necessity of providing adequate technical assistance to improve skills and institutional capacity in developing countries. In this context, we are of the view that adequate attention has to be given to mobilize expertise from developing countries, preferably on a regional basis as they are aware and familiar with the country specific situations. It may be also useful organizing regional seminars/workshops with high level participation to strengthen the PRSP framework and facilitate resolving of implementation issues.

Experience has shown that the flexibility shown by the Fund and the Bank in agreeing to accept I-PRSPs during the transitory period is a prudent move particularly given the information and capacity limitation in developing countries and required long time to complete full PRSPs. Certainly it has been helpful to reduce the tension between the principle of country-owned PRSPs preparing with the participation of a broad spectrum of shareholders on the one hand and the need to avoid delays in bringing in as many countries as possible as beneficiaries of HIPC Initiative and for providing new PRGF or IDA assistance, on the other. We agree with the staff that there is no single prescription for I-PRSPs and the only minimum requirements could be specified. Consequently, a significant variation in I-PRSPs, in terms of their coverage, depth of analysis and fixing of targets, is unavoidable at the early stage of the program given countries' different stages in preparedness and difficulties in following a participatory process as expected. We wish to reiterate the position of our Chair that a greater flexibility is necessary in determining the required level of participatory process, particularly given the difficulties in effective involvement of civil society without undermining political legitimacy. Such flexibility is more justifiable, particularly owing to some of their attachment to different political, social and cultural concepts and/or groups. Therefore, the ultimate decision on the selection of appropriate representatives from civil society and the degree of their involvement in the PRSP process has to be left primarily to the relevant country authorities, i.e. central governments and state/local governments.

We recognize the benefits of linking the PRSP framework with International Development Goals (IDGs) for poverty reduction, education, health and gender equality. However, we should not underestimate the required long time and enormous resources to achieve such optimistic targets successfully. Simply, developing countries alone cannot achieve them within a reasonable time horizon without strong international financial assistance. Therefore, every effort has to be made to ensure the availability of sufficient external assistance on concessional terms over a long period for implementing PRSPs endorsed by donors in order to strengthen the credibility of the framework and reputation of international institutions without creating excessive expectations among millions of desperate people in developing countries. Also, it is necessary to identify external constraints affecting on poverty reduction programs in preparation of PRSPs.

The process of PRSP development has clearly demonstrated the usefulness of close collaboration between the Bank and the Fund at the early stage of developing a comprehensive framework. We agree that it may be difficult to clearly divide responsibilities between the two institutions and hence it is necessary to share responsibilities in some areas. However, we are of the view that it is necessary to strongly encourage (or if necessary to request) the responsible institution to take necessary measures to address the issues related to its core areas before entering into areas within the other institution's mandate even the involving issues are critical for a program as described in paragraph 19. We may consider reviewing paragraph 19 accordingly.

Even though it is too early to draw conclusions, the present review provides useful information necessary to strengthen the PRSP framework. It has been correctly argued in the paper that existing poverty alleviation strategies vary widely in terms of scope, depth and the nature of participatory process among countries and hence it is counterproductive to lay down a legitimate approach to PRSPs. The range of important issues with respect to PRSPs content and processes identified in paragraph 28 need immediate attention of all partners involved in the framework. A greater cooperation and strong commitment from developing countries as well as from international community are necessary to resolve them effectively.

Finally, in order to provide a more complete picture of the progress to date, it may be useful to attach a summary table to the report in consultation with country authorities indicating possible or expected timing for submission of I-PRSPs and PRSPs to the Fund and the Bank as a large number of countries other than four which have already received the endorsement of the Boards for their I-PRSPs are in different stages in the preparation of I-PRSPs and PRSPs and discussion with the staff on HIPC Decision and Completion Points and for new PRGF programs.

The staff representative from the World Bank made the following statement:

The Bank Board discussed the progress report on PRSPs on April 6, 2000.

A number of Directors pointed out the need to prepare PRSPs and Interim PRSPs relatively quickly, particularly in the context of the HIPC Initiative. That could have implications for the quality of these documents and for the quality of the participatory process and country ownership. The tension surrounding those issues was an element of the discussion. Management agreed that it would try, subject to the views of the Fund Board, to find some language to better highlight that issue.

There was a discussion about the tension between defining the minimum core content of PRSPs and the flexibility needed in PRSPs. Some Directors considered that the progress report could provide a more detailed treatment of the core components essential in any growth-oriented strategy, which could be consistent with strong ownership. Other Directors felt that different countries' situations and the need to protect ownership argued for taking a more flexible approach to defining PRSPs.

The progress report is not aiming to define new ground or set new policy. It is designed to summarize what was agreed by the Boards in December, and the staff is continuing to follow the approach that was agreed. Perhaps the best way to proceed is to refer back to those discussions.

Finally, Footnote 1, which defines the term "broad endorsement by the two Boards," was written in somewhat narrower language than had been agreed in the concluding remarks in this Board. That language will be changed to include consideration by both Boards of the entire PRSP, as well as by each institution in its respective area of competence. In other words, the language from the summing up of the Fund Board should be used in that footnote.

Mr. Barro Chambrier made the following statement:

Let me again thank the staff for producing this informative set of documents on the progress in the implementation of the PRSP. This paper gives a comprehensive overview of the status of the implementation of the poverty reduction framework adopted in September 1999, which should help the IMFC to establish clear guidelines for future work.

Countries in my constituency strongly support the poverty reduction approach underpinning the PRSP process. As indicated in the paper, the African heads of state endorsed this approach at the Libreville Summit of January 2000. However, as pointed out by the African Ministers during the workshop held in Abidjan in mid-March, the implementation of the new framework is at too early a stage to draw definitive conclusions. In this context, I share the staff's view that the framework is to be improved through a learning-by-doing process, and I encourage the staff to continue the consultation process. We also welcome the recent administration changes made within the Fund to support the process.

However, there is a need to solve the serious staffing issues that are being raised by the new Initiative. Particularly in the African Department, there is always a lag between the decision taken in the budget framework and the hiring of staff. This is already creating a serious disturbance. Similarly, given the technical and capacity constraints in program countries, particularly regarding the elaboration and maintenance of a reliable statistical base, the technical and financial assistance of the donor community will be critical.

Paragraphs 29 to 31 of the paper point to some important operational difficulties that need to be taken into account in the Board's decisions. One such issue relates to the concept of ownership, which has not yet been clearly explained to PRGF countries. In fact, while paragraph 16 rightly rejects any one-size-fits-all approach to PRSPs, paragraph 9 refers to minimum requirement as regards poverty reduction commitments and policies. This course of action brings some confusion to policymakers. Our authorities wonder whether there is an implicit minimum set of conditionalities attached to the PRSP proposals. The early participation of the donor community in the consultation process could deter any risk of rejection of the PRSP. The staff's views on that issue are welcome.

A number of other operational difficulties were also raised in the Abidjan workshop, such as the delineation of the respective roles of the Fund and the World Bank. In particular, it was pointed out that the delineation of Fund and Bank roles, according to traditional areas of expertise, is not always easy to implement. As indicated in Paragraph 17, many areas will be shared between the staff of the two institutions, such as trade liberalization and financial sector development.

Another area of critical importance for the framework that is not mentioned in the paper is the effectiveness of public spending. The Fund should advise countries on how to improve budget control mechanisms and accountability, while Bank staff should focus on the effectiveness of public expenditure at the receiving end, using outcome-related performance. I hope that the Bank's role will go beyond the regular public expenditure reviews so as to be close enough to the beneficiaries of public spending.

Another issue relates to the need to strengthen donor coordination, not only in the area of financial and technical assistance but also regarding conditionality, as stressed in the Libreville declarations. Experience has shown that donors tend to set their own conditionalities, with no consideration for those set by others. As a result, donor conditionalities in a number of cases have tended to be inconsistent and contradictory. This inconsistency has tended to add extra work to already overworked public administrations in program countries.

Ms. Lissakers made the following statement:

It has been six months since the PRSP process was endorsed at least year's Annual Meetings. Since then, we have learned that the preparation of PRSPs will generally take longer than we initially envisioned. That said, we are of the view that we do not want the process accelerated at the expense of quality. The PRSPs have enormous potential to provide a framework for delivering lasting results in growth, poverty reduction and macroeconomic stability. Ensuring the quality of the PRSP process is the best means of maximizing that potential.

Core Content of PRSPs

Perhaps the most important element of the PRSP process that differs from most earlier development strategies is the participatory process, which includes civil society in the architecture of its own development instrument. Similarly, the PRSP explicitly integrates growth, macroeconomic and poverty alleviating measures.

Country ownership and flexibility are key for making the framework function effectively. We all agree on this. However, we think it is not inconsistent with this aim to express expectations on a few fundamental issues on which detailed coverage should be standard to PRSP documents. In our view, the progress report underplays these elements. Specifically:

(1) The PRSPs need to identify areas where further action is needed to spur growth, for example, pricing policies, market arrangements, trade liberalization, infrastructure, and supporting institutions to bring about significant increases in areas such as agricultural production and labor-intensive manufacturing.

(2) The PRSPs need to clearly identify poverty reduction priorities with a cost-based plan of action and clearly defined monitorable targets.

(3) The PRSP should provide plans for addressing any needed institutional changes for more effective delivery of related poverty alleviations and/or social services.

(4) The PRSP needs to provide a clear tie-in to the macroeconomic stability program under the PRGF. Within the budgetary/fiscal framework, the PRSP needs to include a very transparent presentation of how resources

freed from debt relief will be directed into poverty reduction. Along with this, any efforts to ensure more transparent budget procedures and efforts to combat corruption should be outlined.

Interim PRSPs

Taking time to produce a quality poverty reduction strategy means that some type of interim PRSP must be the reality for a transition period, so that program and interim assistance flows can proceed.

Again, we believe that there can be some general expectations expressed about what an interim PRSP should contain: (1) it should contain information about how any potential interim relief, if sufficient details exist, is to be spent; and (2) it should contain details on the timing and composition of the participatory plan and finalization of the PRSP itself.

We believe the progress report language misleading with its categorical statement "there is no minimum threshold for participation" for an interim PRSP. A better formulation, would be that countries should begin to formulate and implement their participatory processes as soon as possible, and ahead of decision points as is possible.

Similarly, we find misleading the statement in paragraph 7 that an interim PRSP can be "short" – if countries are able to provide a better fleshed out poverty reduction strategy and more input from participatory processes at the time they present the interim PRSPs to the Boards, they should feel obliged to do so.

Mr. Pickford made the following statement:

The points made by Ms. Lissakers are important. The paper itself is helpful, setting out what is an important change in the way the Fund deals with low income countries. Ms. Lissakers is right to stress the key features of ownership and participation, because the evidence shows that a broad participatory approach that generates political consensus in a country produces better results.

In terms of whether the transition is likely to be too long, it is important to spend the time to get full PRSPs right, because only that will produce the benefits from ownership and participation. The experience with these early cases is that, unless countries had already made significant progress in producing PRSPs or equivalent poverty reduction strategies before the Fund required them, they are going to take some time to elaborate. It may well be that many, if not most, of the cases coming through this year will not have had the time to complete a full PRSP, unless they had made significant progress before the Fund adopted the PRSP approach. That does not overly concern me, because it is important not to put too many obstacles in the way of reaching decision points, consistent with making sure that the process is working.

In terms of what the Interim PRSPs and full PRSPs look like, the outline summarized in paragraph 9 is a good one for the interim. We would not want to see any extra elements added to it. It is important not to put too much emphasis in Interim PRSPs on analytical work on the poverty impact of different poverty reduction options, because the full PRSP will hopefully draw out those options. Therefore, the main objective should be to set priorities. We do accept that the full PRSPs will take time to be elaborated if they are done well, and if they are to be effective in terms of addressing poverty.

The paper is rather generous to donors on the issue of donor coordination. For example, paragraph 14 says that the coordination of donor activities is particularly promising. From our experience, donors—multilateral, bilateral, and the Fund included—need to use poverty reduction strategies as a basis for their aid, which will require fundamental changes in the way that bilateral donors, in particular, coordinate their aid policy, streamline their requirements, work with the systems in countries, and adapt to the priorities set by the countries themselves.

Mrs. Del Cid-Bonilla made the following statement:

We welcome this progress report on poverty reduction strategy papers. At the outset, I would like to commend the staff for the intense and continuous efforts made in order to make operational the PRSP process. As the PRSP are still in an experimental stage for both the Bank, the Fund and the countries, appropriate adjustments will need to be made along the way. However, like others, I consider that each country case should be analyzed individually, taking into account its particular circumstances, which in other words means that we need to give enough flexibility to this process.

In this context, it is important that we give full consideration to the different concerns raised so far by participating countries. In particular, they have asked the Bank and the Fund to give them more space to design their own programs and to derive more streamlined and less detailed Bank and Fund conditionality from the PRSP process. They also have expressed concern about the time and capacity required in the formulation of PRSPs. In this context, they stressed the need to use Interim PRSPs in order not to delay debt relief under the HIPC Initiative. They asked for flexibility and careful consideration of individual country conditions in program implementation and asked advice on how to best organize the participatory process that is required. On this last point, as the staff points out in the report, a main concern is how to avoid undermining political legitimacy and letting powerful interest groups dominate the process.

We should also be aware of the technical assistance needs that the countries will have both during the process of preparation and implementation of PRSP. In this regard, we strongly encourage the staffs of the Fund and the Bank to continue with the training programs; in particular the launching of a broader learning program focused on PRSP for all the eligible countries. It is also important that the workshops focusing on discussing the PRSP framework and its links to Bank and Fund concessional lending be extended to all the regions.

Finally, I would like to refer to Paragraph 11 of the report which states in its last sentence that "Nicaragua plans to undertake similar consultations with civil society as part of its I-PRSP". In this regard, I would like to clarify that my Nicaraguan authorities started these consultations several months ago. In fact, a poverty reduction strategy has been part of the government program since 1997. This strategy has been incorporated to the economic program supported by international financial institutions, and was presented in the two Consultative Group meetings at Geneva and Stockholm. Participatory meetings with civil society, donors and key national leaders have taken place previous to those gatherings.

In the context of the new findings of the 1998 Leaving Standard Measurement Survey and the HIPC Initiative, a new strengthened poverty strategy is in the process of elaboration since October of 1999. The first two chapters, the country poverty profile and the strategy chapter, have been under consultation at three different levels since December, within the government at the technical and political level including the President and the members of the government Cabinet. Through the Economic and Social National Planning council civil society has been consulted. The Council includes representatives from the private sector, NGO's, labor organizations, political parties, universities, and community service organizations. Additionally, consultation meetings have been held with the international community, municipal and local governments, and the media. The recommendations from these meetings are being incorporated in the poverty strategy paper, and a matrix with these recommendations will be annexed to the final paper. I request this to be reflected in Paragraph 11 of the report.

Mr. Nguyen made the following statement:

We highly appreciate the efforts of the staffs of both the Bank and the Fund in undertaking the intensive work to develop the proposed approaches to the poverty reduction strategy papers, and in working with the countries at the operational level to support their preparation of PRSPs. We acknowledge that this is a difficult process, as it involves many parties and takes substantial time and effort on the part of countries.

However, the authorities and society in a number of potential HIPC Initiative and PRGF and IDA-eligible countries are not well informed of the procedures and necessary content of the PRSP. The efforts made so far by the staff in organizing a series of meetings with member countries and international development communities have been commendable. Nevertheless, a more detailed explanation of the PRSP content and procedures in the form of training and workshops for authorities and civil society would be helpful to illustrate workable PRSP samples, in addition to a description of procedures and content. In this connection, the staff is encouraged to have early consultations with HIPC Initiative and PRGF-IDA eligible member countries, not just the early cases, as mentioned in the paper.

Country ownership is critical for the effectiveness of poverty reduction strategies over time and, as many HIPC Initiative and PRGF and IDA-eligible member countries already have strategies for poverty reduction, it would be beneficial if the PRSPs for these countries were built on the basis of those existing strategies, with appropriate modifications as necessary. This will save much time and effort on the part of both the authorities and the staff. At the same time, it will enhance the ownership of the recipient countries.

Finally, we highly appreciate the timely publication of the tentative timeline for Fund and Bank support for low income member countries in 2000.

Mr. Rouai made the following statement:

I thank the staff for their informative paper and for their efforts in helping low income countries go through their PRSP exercise. I know that this is a progress report and not a review of the PRSP process itself. I am, however, concerned with the early conclusion drawn by the staff—summarized in paragraph 12—that countries are less well-equipped to prepare quantified targets, to cost the strategy, and to evaluate trade-offs. These elements of the PRSP process are important and constitute, in addition to ownership, the central feature of the exercise, which differentiates PRSPs from traditional PFPs. While the rest of the report deals with the consultation process, Bank/Fund collaboration, and other important aspects of the PRSP process, I do not detect an elaboration of how the staff is helping countries to deal with these deficiencies. Staff may wish to comment.

Mr. Hendrick made the following statement:

Mr. Chairman, I would be brief. First, I would like to join other Directors in welcoming the Progress Report on Poverty Reduction Strategy Papers (PRSP). In the broader context of the Enhanced HIPC Initiative, the PRSP play a crucial role in strengthening the link between debt relief and poverty reduction. As the staff indicates in the report, the PRSP process would need to evolve over time. We will have to learn from early experience how to improve and make more effective the process of strategy implementation on an ongoing basis, including the revision of the requirements to reach a decision and a completion point. Unfortunately, as Mr. Milleron notes in his preliminary statement, we have so far dealt with very few actual cases. Nevertheless, I agree that the challenges and tension inherent to the PRSP process should be better reflected in the report for the ministers' attention.

I share the views expressed by Mr. Faini and Mr. De Blasio on their preliminary statement, in particular that more attention could be devoted to the issues of the time needed to develop a domestic dialogue and the risk that the participatory process may promote divisions rather than consensus. They are right to remind us that at the end of the discussion on Operational Issues, the main Board message in this regard was a call for caution. Like Ms. Cid Bonilla, although the early experiences of Bolivia, and Mozambique have been positive in this regard, the countries' views expressed during the consultation process that the PRSP-based participation processes should avoid undermining political legitimacy or letting powerful interest groups dominates the process should be properly taken into consideration for the future work.

I find adequate part II of the report regarding the initial work on the Interim PRSP and full PRSPs. Mr. Milleron expresses some concern that there are too much emphasis on the side of processes and not of content. I agree that there is still more work to be done but at this stage of this ongoing process we can not ask the staff for more. The link between growth and poverty reduction, including better income distribution is a highly complex and debatable issue between academics and policy makers. During the 70s many American Universities have a Center for Development studies. Also, many developing countries, particularly in Latin America, had their own strategies to address developing issues. Decades of debate can not be solved in few months or years, despite the high professional level of the Fund and Bank staff.

As the staff indicates in paragraph 12 of the report, experience to date suggest that countries have some difficulties to prepare quantified targets, to cost the strategy, and to evaluate trade-offs under conditions of limited resources availability. The lack of adequate statistics and institutional framework in many of these countries underscore the need not only of technical assistance but also, about the need to be flexible in evaluating the progress made under the PRGF.

Regarding Ms. Lissakers' concern on the convenience to have a full PRSP for the future decision points once the "transitional" period is over, I fully share her view that ideally a full PRSP should be place at the decision point. However, we have to face the reality that, as the staff indicates in paragraph 8, a full PRSP can take up to two years depending on the individual country circumstances. Thus, I believe we should remain flexible about this issue, with due consideration for the stage of development of each particular country. We have to keep in mind that in cases such as Uganda or Bolivia in our constituency, they had already have done a lot of work on these issues, and most importantly, they did have some statistics to be analyzed. Some other countries do not even have an institutional framework responsible of data collection.

I agree with Mr. Pickford that paragraph 9 already contains more than enough elements for a PRSP, and we should not add more requirements at this point.

Finally Mr. Chairman, this Chair believe that this is a good report than can be delivered to the Development Committee, including the suggestions and recommendations made during today's Board discussion.

Mr. Rustomjee made the following statement:

I welcome the opening remarks and the information provided.

I thank the staff for this concise paper which provides a comprehensive overview of the progress achieved in this area and the concerns that are emerging from all participants. I would like to associate myself with the statement of Mr. Barro Chambrier, in which he raises all of the key issues which countries in our chair would also be concerned with. I also share the views expressed in Mr. Faini's and Mr. De Blasio's statement, particularly in the participatory process.

I would like to reiterate my comment that we are not being entirely candid to Governors on the retroactive cases, which we said in December 1999 could be required to have I-PRSPs but for which, in every case we have decided so far, we have insisted on full PRSPs for.

I very much welcome Ms. Lissakers' remarks on not overloading of conditionalities on the poverty reduction aspects of countries' development strategies and wonder how this could be operationalized. I also share her view that we should not lose sight of the high growth objective of PRSPs.

I would like to touch very briefly on the resource constraint issue. Ms. Lissakers correctly points to the challenges facing these countries in alleviating poverty and recognizes that the apparently modest poverty reduction gains being set as objectives in the first batch of I-PRSP cases probably reflects the daunting nature of these challenges. Subsequently, Mr. Pickford raises the issue of priority setting, once the full PRSPs have been prepared. Our chair has, from the beginning of this initiative, raised concerns at the magnitude of financing that will be required in this second phase, the period when the substantive policies need to be financed. We have said that we believe that the burden of this financing will be borne by the PRGF countries themselves. It is clear even from the early cases that this financing burden will be high. We need to begin to give consideration early, as to how we are going to help countries to finance this additional burden.

I welcome the "sourcebook" approach outlined in paragraph 20, especially as it is conditioned on a case-by-case approach to PRSPs.

Regarding other aspects of the current paper, I welcome the progress that has been achieved and we thank the management and staffs of our two institutions, the donor countries and NGOs in facilitating these achievements. Let me mention that there are a few additional on the issue of the design of the PRSP and the PRGF itself, which we think deserve the attention of the coming meetings;

Firstly, we have always pointed out that front-loaded debt relief endows a country with resources to start early on the path of growth and poverty reduction. The same applies on this issue. The staff have made it clear, particularly in the PRSP on Uganda that the government budget is a key instrument in operationalizing the poverty strategy. In this context, budgetary support, provided upfront, to finance universal primary education, better health facilities, infrastructure development, extension services to small holders, allows countries to make faster progress in reducing poverty and we urge development partners to take early action in this regard.

Secondly, in many developing countries, the majority of the population resides in the rural areas and agriculture plays a pivotal rôle in reducing poverty. One of the outcomes in the case of Uganda has been the sharp difference between farmers engaged in cash crops who have gained from export market liberalization and coffee price boom and those engaged in subsistence farming who have not benefited much. The staff have concluded that greater effort is needed to improve the delivery of public services. We agree, but also think the problem goes deeper to the wide disparities in the ownership of fertile land. This is a problem prevalent in many countries, has heightened tensions among social groups in some countries and requires urgent solutions even though it is not clear to anyone what these may be. In addition, a genuine effort by the international community towards reducing poverty should address the issue of protectionist agricultural policies in developed countries.

Thirdly, we have experienced that even an Interim PRSP requires some minimum amount of detail to allow for informed decisions and actions. Exercises such as household surveys, unemployment surveys, surveys into constraints faced by small and medium-scale firms, among others, provide important insights but cost large amounts of money and use disproportionally high levels of human resources. Meanwhile, there are pressing poverty issues and projects that are easily identifiable and can be addressed right away. We feel resources for such initiatives and projects should be readily available, even while I-PRSPs/PRSPs that take into account the multidimensional elements involved in both the determinants of poverty and efforts to alleviate it are being developed. In this regard, the tension between the time needed to prepare participatory PRSPs and the need to avoid delays in qualifying countries for assistance is resolved.

Fourthly, the issue of tension between domestic stakeholders and development partners is complex. As these countries are at the same time undergoing political transition and nursing nascent democracies, the perception is sometimes created of externally imposed democratic and development models, particularly given the importance that is rightly attached to resources management by external providers of resources. While concerns on governance, transparency, etc, are legitimate and need to be addressed, there are benefits in showing patience (may be it is a more appetizing word than flexibility). In saying this, we are also fully aware of the imperatives dictated by the globalization process. The prominent role of the Bank and the Fund whose endorsement of PRSPs is a necessity, remains a sensitive issue and we feel the wording in paragraph 19 leaves too excessive scope for cross-conditionality between the two institutions, thereby exerting undue pressure on country-owned actions and leading to avoidable delays.

Fifthly, we welcome that the need for technical assistance has been adequately highlighted.

Finally, in our view, when taken as a whole, the three progress reports on financing, burden sharing, and the current one, do not, in sum, explain why we are behind schedule in processing as many countries for the HIPC Initiative as expected by the two Committees. I hope this question will be addressed in the Acting Managing Director's and the Bank President's reports to the meetings.

Mr. Singh made the following statement:

We thank the staffs of the Fund and the Bank for this progress report. The paper gives a comprehensive account of the progress achieved in the implementation of PRSPs. We are in broad agreement with the content of the report and I wish here to make only three brief remarks.

First, I thank Mr. MacArthur for his summary of the World Bank discussion and wish to associate my Chair with the conclusions reached by my colleagues across the street, especially in regard to the need to underscore to a greater extent the tensions and trade-offs that are embodied in the PRSP process. In saying this, I have particularly in mind the problem to reconcile the necessity to proceed quickly with debt relief, on the one hand, and the long-term character of poverty reduction strategies, on the other hand. Another tension is between home-grown strategies and the necessity of their endorsement by the Boards of the Fund and the World Bank.

My second point is related to the issue of Bank and Fund collaboration in the PRSP process. The progress report is rather forward looking and does not built very much on the experience in collaboration from the first PRSPs. As Mr. Barro-Chambrier pointed out, finding the right delineation of competencies between our two institutions is not as obvious as the paper tends to suggest. We wonder therefore whether it would not be useful to add a paragraph that would make a lesser use of the future tense and indicate the problems that our institutions have experienced drawing up the first Interim PRSPs.

My final remark concerns donor assistance. As Mr. Pickford pointed out earlier, the PRSP process implies for the donor community a significant change in the way of doing business. Donors should be ready to accept the implications of country-led poverty alleviation strategies. This could, for example, imply moving from project to program support in certain cases. It could be useful to highlight in the progress report to what extent such changes have been noted or the readiness of the donor community to carry through these changes.

The Director of the Policy Development and Review Department said that he agreed strongly with Ms. Lissakers's insistence on the importance of growth. There was a risk that the conflicting signals on the issue would confuse countries. The section of the WEO that had examined the impact of growth on poverty reduction had done a good job of putting things into perspective, but it was important to keep the issue at the forefront. The staff could attempt to put some more stress in the report on the core features of the PRSP, the link between macroeconomic policies and poverty reduction, and the importance of growth. That might address Mr. Milleron's and others' concern that there was too much focus on process and not enough on content.

Regarding Mr. Pickford's point about donor coordination, the use of the word promising had been meant to bring attention to the fact that much more needed to be done and that that would be difficult, because it would require genuine changes on part of the donor agencies to integrate into the process differently than their operations had permitted in the past, the Director explained. It was promising that the issue of the PRSPs and the way in which donors should interact with them was prominently on the agenda of a high-level meeting to be held at the DAC the following month.

On the point made about the need for more explanation, training, and workshops for HIPC Initiative and PRGF and IDA-eligible countries, Directors should bring to the staff's attention any cases of constituent countries that were not getting the kind of assistance that they needed to understand the process, the Director requested. Perhaps more needed to be done in the context of individual countries, or in certain regions.

The staff representative from the Policy Development and Review Department said that the answer to Ms. Lissakers's question about how many countries would be able to reach decision points based on Interim PRSPs could be found in the table presented in SM/00/76, which included the timetables of all countries in the calendar year, and which showed that most of them would reach their decision points based on Interim PRSPs. However, there were at least three countries where one would expect full PRSPs to be prepared. More generally, the staff expected that Interim PRSPs would be increasingly ambitious for countries that were complementary Fund-supported programs. However, for countries that were coming from post-conflict situations or that had suffered interruptions in their programs owing to other reasons, that general expectation would not necessarily apply. The description of what Interim PRSPs should include was country specific and reflected the amount of time a country had had in relation to the clearly articulated international approach.

There had been less progress on preparing quantified targets than the staff had hoped, and the staff acknowledged that there was a need to help countries further with that aspect, the staff representative reported. There was particularly a need to quantify poverty reduction targets and exactly what was required by way of public expenditure in order to achieve specific targets. That was time-consuming, detailed work that the staff of the World Bank needed to carry out. However, the PRSP approach had only been in effect for six months. Over time, and with much work based on detailed poverty data and surveys, one would expect to strengthen country capacity in that regard.

Ms. Lissakers said that she assumed that the work of defining quantified targets, costing the strategy, and evaluating trade-offs was already well under way in cases that had prepared Interim PRSPs.

The staff representative from the Policy Development and Review Department replied that one of the key objectives of the Interim PRSP was to define precisely what data was needed and what work program was necessary to develop quantified poverty reduction targets.

Ms. Lissakers wondered whether the staff's response indicated that such work was not yet under way in any of the cases that had come to the Board.

Mr. Pickford commented that it was clear that quantified objectives were important, and he had interpreted the staff's response to mean that the Interim PRSP should set out the process for the country to work out for itself what those objectives should be, given its priorities. The World Bank would help countries in terms of working through the participatory process toward the PRSP. It was important to have the quantified targets set out in the PRSPs, but the level of detail presented in the documents that had been submitted to date appeared adequate.

Ms. Lissakers noted that Uganda, Bolivia, and Mozambique were the countries closest to having what could be considered a full PRSP. Was the World Bank currently engaged in helping those countries to prepare quantified targets, costing the strategy, and evaluating the trade-offs?

The staff representative from the World Bank said that he did not have information on the specific cases of Bolivia, Mozambique, and Uganda and thus could not provide detailed indications about whether the Bank was providing such assistance. The setting of targets and the costing of public measures to reach those targets was at the core of the Bank's assistance program. However, much of the work on the costing of public programs, over a medium term horizon, would benefit from the contributions of other bilateral and multilateral agencies. The progress report noted that it was hoped that other donors, under the guidance of their governments, could contribute to the work.

Mr. Rustomjee observed that his chair had always argued that debt relief should be given, and should not be withheld, once adequate poverty reduction strategies were established. However, it appeared from the discussion that Interim PRSPs should already do that. Thus, it could be argued that every time a country completed an Interim PRSP, debt relief should be forthcoming and the completion point should arrive.

Ms. Lissakers explained that the point of her question was to see whether the World Bank saw the poverty reduction effort in the same way that the Fund did, and whether work was under way to help countries complete the process, because external support was going to be crucial. Bilateral donors could make an important contribution, but the Bank was the primary engine for helping countries complete the process, and she wanted to know if the Bank was working on doing that.

Mr. Barro Chambrier suggested that the points raised by Ms. Lissakers and Mr. Rustomjee highlighted the fact that the time needed to reduce poverty might be longer than the approach adopted in the framework. The main issue constraining the ability to have precise targets was the availability of adequate data. Time was needed to implement technical assistance and to strengthen data collection capacity.

The Acting Chairman remarked that the World Bank was outcome-oriented in fighting against poverty, thus the answer to the question raised by Ms. Lissakers was yes.

Mr. Hendrick said that he supported Mr. Barro Chambrier's comments. Countries like Bolivia and Uganda had already done a great deal before the PRSP had been introduced, thus they had some data to be analyzed. That was different from countries that had no infrastructure for statistics and had to start fresh. Therefore, there was much for the World Bank and the Fund to do. The World Bank should, for instance, be helping countries to build up institutional frameworks to construct statistical databases.

The staff representative from the World Bank noted that paragraph 17 included some indication of the respective responsibilities of the Bank and the Fund. One sentence in that paragraph said that Bank staff would focus on the necessary diagnostic work and on helping the authorities to cost the poverty-reducing expenditures designed to achieve particular outcomes. That was an area in which the Bank had accepted that responsibility. However, the contributions of other donors and multilateral agencies would also be important.

Mr. Esdar commented that the situation would vary from country to country, but it seemed to him that what Ms. Lissakers had asked was whether, in those countries that had a reasonable process, the process of identifying quantified targets had started.

Ms. Lissakers observed that in Uganda, the costing of the strategy had still not been done, thus it was a priority to complete the PRSP. Some of the Interim PRSPs that had been done also appeared somewhat vague on that front. The larger issue, which was not limited to the Bank but to all the parties involved in the exercise, was what would be done differently than in the past. One of things that countries and to some extent multilateral institutions were being asked to do differently was public outreach and public dialogue. That appeared to be under way in a limited fashion in some cases and in a more ambitious way in others, and that seemed to have been understood at least as a point of principle. She was less confident about the extent to which the Bank, Fund, and donors had internalized and defined the changes that would be necessary in their operations—not just in their processes but in the content of their assistance and advice. It was clear that the Fund and Bank would work hard to bring donors into a comprehensive framework, but there was also a need to think more about composition and program content.

Mr. Pickford said that he did not disagree with Ms. Lissakers's point, but it involved many dimensions and thus would require much work. Capacity building was necessary, for instance, to ensure that there were policymaking capabilities in place in order to introduce service delivery systems and to devolve responsibilities down to the local level where such services would be delivered. There was no point in setting objectives without such systems in place. It was also necessary to have financial management systems in place to follow on through those approaches. Therefore, there was a range of issues that contributed toward a country being able to define and cost particular objectives and to have reasonable certainty that it could deliver on those objectives, even if the resources were there, which was why there was a need to shift those capacity-building areas of technical assistance. That was happening; whether it was happening quickly enough was another question. It was an area that had come up repeatedly in discussions in the Bank Board, which had focused not only on putting the strategies in place but also on delivering on those strategies.

The Acting Chairman noted that the Board would have an opportunity the following day to discuss Uganda, which would be coming to the completion point under the enhanced HIPC Initiative. In that case, the link between the resources that would be freed by debt relief and increased social expenditure was already quite clear; and Uganda was an advanced country in that sense. The time needed to set targets and estimate costs to reach those targets would vary from country to country, but certainly that link was on the minds of the staff of the Fund, and it was the main purpose of the HIPC Initiative.

The staff representative from the Policy Development and Review Department said that the paper on PRGF operational issues that had been discussed on December 13, 1999, had included proposals to reduce overlapping conditionality. Those had been endorsed by the Board in the summing up to which Mr. Rustomjee had referred. The intention was for PRGF arrangements to concentrate on the areas of Fund and Fund-related conditionality, and avoid any degree of overlapping with Bank conditionality. In particular, the joint assessment of the PRSP by the Board and Fund staff would contain a description of which institution was responsible for monitoring certain elements of the program. It would also provide a link between the process and substance in that it would raise the key questions of whether, in the view of the Boards, the strategy contained the necessary elements to lead to faster growth, and in turn poverty reduction; and one would have to concentrate on core content to answer that question.

The Acting Chairman said that the staff would redraft the paper in light of the discussion of the Boards of the Fund and the World Bank, and re-issue the paper for the consideration of the IMFC and the Development Committee. The two papers would probably be bundled together with a cover note from the Bank and Fund management.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/00/40 (4/10/00) and EBM/00/41 (4/11/00).

4. SURVEILLANCE OVER EXCHANGE RATE POLICIES—REVIEW

1. The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by paragraph VI of Procedures for Surveillance contained in the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, as amended. The next review shall be conducted no later than April 10, 2002.

2. The Executive Board has reviewed the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, as amended, as required by paragraph 2 of that decision. The next review of the document shall be conducted no later than April 10, 2002. (SM/00/40, Sup. 2, 4/3/00)

Decision No. 12178-(00/41), adopted
April 10, 2000

5. EXECUTIVE BOARD TRAVEL

Travel by an Executive Director and by Assistants to Executive Directors as set forth in EBAM/00/53 (4/7/00) is approved.

APPROVAL: March 27, 2001

SHAILENDRA J. ANJARIA
Secretary