Building Poverty Reduction Strategies Within A Comprehensive Development Framework

Remarks at the PRSP Launch Promo

With James D. Wolfensohn
President
The World Bank Group
and
Stanley Fischer

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MR. FISCHER: The PRSP is a new way, certainly for the Fund and possibly also for the Bank, of doing business, in several important respects.

First of all, it is going to be a country-led process. Second, it will require very close collaboration between our two institutions, much closer than we have had before. Third, it is going to be comprehensive. It is going to involve the country in the lead, with the cooperation of the Bank and the Fund, and with the cooperation, most importantly, of civil society, and to the extent possible, other donors.

It is a very new way of doing business. It is critical to changing the way, as I say, we in the Fund do business. I suspect it is important also for the Bank in that regard. So this has tremendous implications for our ability to work not only with the HIPC countries, but if it works as well as it should, with many other countries as well.

MR. WOLFENSOHN: I share precisely what Stan said, and would say also that what is very important for us is that there will be a document emerging under the country leadership which will be a common document for both the Bank and the Fund, so that the lending that the Bank does and the lending that the Fund does will in fact be guided by this document.

The first thing that will make a difference is that within the countries themselves there is likely to be a more participatory process, and the development of programs which are owned to a greater extent by the country concerned. And we think that the issue of country ownership and the adoption of the programs is likely to be the single most important factor in terms of being effective in what we are doing, and in that sense is likely to have a seriously important impact on the whole question of poverty alleviation.

So for us it is important. Of course, it will vary by country -- the extent to which the country leadership seeks to go out and consult and embrace the country concerned. And our hope would be that they err on the side of broader consultation rather than less; and to the extent that it is broader, we believe our programs will be more effective.
MR. FISCHER: Yes, I think both the Bank and the Fund are concerned about the possibility that we raise expectations too much, and there are things in this process that are very new, that are very experimental, and there are some tensions.

For instance, we want the process to be participatory. As Jim says, that is absolutely essential. Well, that may take time, and it may take a little longer to get the PRSPs in place. I think we are willing to trade a little bit of time to get it to be wholly owned by the country.

And then we need to bear in mind that we are looking to improvements in indicators of poverty, literacy and health, that will be difficult to move in many countries, including the industrialized countries. So we need to be ambitious and we need to be realistic, and we need to recognize that these things take time, but we must realize we are dealing in many cases with countries which we have seen regress over long periods, and turning that around will in itself be an achievement. That is another area of some tension.

We are certainly going to collaborate, I think with the Bank in the lead, because they have had much more experience in helping countries develop poverty strategies and putting poverty assessments in place. These are not things we are going to do. We are going to rely on the Bank, together with them; we will work closely.

The big question of whether our two institutions can cooperate has, I think, been resolved for instance in work on the financial sector, where I find, and I would not be surprised if Jim finds, that they cooperate so well together that they are inclined to ignore the managements of both institutions. I hope we reach the stage with the PRSPs where they are working as well together as they do in the financial sector.

It is a critical challenge. It will certainly have the full support of the management of the Fund. We have talked with Jim and his colleagues about it. It will have their support, and I expect we will learn to work together better, but the country has to be in the lead.

MR. WOLFENSOHN: Well, I agree with Stan that particularly the example of the financial sector collaboration has been extremely positive, and I think we look forward to the PRSP collaboration with exactly the same sense of optimism.

I think we should understand in the Bank that the responsibilities of the two institutions remain exactly the same, and that within the context of the PRSP it is extremely important that we recognize the leadership role of the Fund in terms of the macro issues that they have typically dealt with, which are not apart from the whole question of poverty alleviation.

We are dealing with the poverty reduction strategy papers, but they have to be in a context, and I think it is very important that in the way in which we operate with the Fund, that we each remember what we are. But I believe that this will be an extremely useful way in which our teams can come together to produce a common result.
MR. FISCHER: That question is one that is the most difficult for both of us, but the Fund particularly have a tendency, when things don't happen, to get out there and get on with it. But if the country is in the lead, that is more difficult than it is when you are in the lead.

So I think our style is probably going to have to change more than the Bank's working style. We are going to have to give countries options rather than present them with a single course of action. We are going to have to listen to them more closely, possibly, than we have in the past. And we are going to have to recognize that the schedule is not entirely ours. It depends on the country, primarily, and on our colleagues. That will require a change in the way we have worked in the past.

MR. WOLFENSOHN: We may have made some greater movement towards the participatory process, but we still have quite a ways to go even in our own institution. It is not that we always listen completely and fully to what our clients say, so I would be the last to say that we have got it all right. I think we will be learning, as well, and the thing is that we will be doing it together with our colleagues in the Fund, and I think we probably have a lot to learn from each other. I am very, very positive about this initiative.

The one thing we cannot do is to dictate to the governments how they bring about participation, and there will be those countries that are very anxious to have broad participation, and there are some other governments who regard participation as dealing with the enemy, dealing with NGOs that want to throw them out of office, and the reality of that is clear in the countries.

So I think what we need to do is to be sensitive to the government leadership but, without seeking to dominate them, indicate to them that there are enormous benefits in having a participatory process. So I think we have to stay within the limits of the country being in the driver's seat, but I do not think that stops us saying to them that broad participation in the establishment of objectives is not in everybody's interest, and certainly that would be the position that the Bank would take.

MR. FISCHER: This thing is interesting, because we see it for instance in the way the--the initial reaction of the Boards of the two institutions was to want to approve, I think, every detail of the PRSP, and to not recognize that there is actually a conflict between having the country own it and having us agree with everything.

I think we have now got our Boards to a position where they will broadly approve. You would not expect any institution to support something which they flatly disagree with or believe is not going to produce the desired results, but I hope that in neither institution will the Boards insist on approving of everything that is in there.

The PRSP process is really a subset of the CDF, and it has important elements that are in the CDF as central to it; for instance, that the macroeconomics has to be consistent with the antipoverty strategy. That
is precisely what the idea of the comprehensiveness of the CDF is. So I do not see a conflict, and I believe this is just part of -- could be part of, depending on the country -- an overall CDF.

MR. WOLFENSOHN: I think that the CDF has, first of all, a broader audience, in that it is not just limited to the PRSP countries. But the principles that are engaged are very similar. They are participatory; they are designed to have country ownership; they are designed to weld a consensus; they are designed to bring about better coordination; and in the countries in which we are operating, that appears to be working.

Some of the countries in which the CDF is now being applied are PRSP countries. PRSP is for a more narrow purpose and for a three-year cycle, but I think the principles that are engaged in following through the PRSP and the CDF are pretty much the same, but the purposes are different. PRSP is a document that is country-owned but developed for the Bank and the Fund. The CDF does have a broader context. But in no sense do they compete, because the approach is very similar.