

2015 Development Policy Financing Retrospective Consultation Meeting

FEEDBACK SUMMARY

Date:	May 21, 2015
Location:	Islamabad, Pakistan
Total Participants:	46

The World Bank held a consultation meeting in Islamabad, Pakistan via Video Conference on the preliminary findings of its Retrospective, which covers the period between April 1, 2012 and December 31, 2014. The objective of the consultation meeting was to seek feedback on the early emerging findings of the analysis, and share experiences and lessons with stakeholders. The participant list is included in the Annex.

Ed Mountfield (Manager, Operations Policy and Country Services) and Reynold Duncan (Operations Advisor, Pakistan Country Management Unit) gave brief opening remarks and Appolenia Mbowe (Senior Economist, Operations Policy and Country Services) presented the preliminary findings of the Retrospective. The meeting was moderated by Muhammad Waheed, Senior Economist in Macroeconomics & Fiscal Management at the World Bank.

Overview and General Reactions

The consultation meeting provided a platform for a rich and very informative discussion on development policy financing, including macroeconomic conditions, the impact of DPOs on development results, suggestions on how to make DPOs more effective, environmental and social impact of the reforms supported by DPOs, and risk management. There was also keen interest from the participants on how Pakistan could make the best use of the instrument at both the federal and provincial levels to help the country achieve a more equitable growth and boost the income of the bottom 40 percent.

Main Issues Raised

Requisite Macroeconomic Conditions for Development Policy Operations (DPOs)

- The participants inquired on what constituted an adequate macroeconomic policy framework, especially in the context of Pakistan, and wanted to know if there were any specific macro indicators

used to determine the adequacy of macro framework. They also asked about the necessary macroeconomic conditions of a country to be eligible for DPOs and if Pakistan fulfils those requirements.

- The participants inquired on how the DPLs have supported fragile countries. They also inquired about the flexibility of DPOs to accommodate Conflict Affected and Fragile countries, especially in terms of assessing the adequacy of acceptable macroeconomic policy framework conditions.

The Impact of DPOs on Pakistan's Development Results

- It was noted that DPOs have been used to provide budgetary support to the Government of Punjab (provincial government) to implement institutional and policy reforms in a number of areas including education, health and urban development. However, Development Policy Financing (DPF) is largely dominated by the federal government with recent operations in power and energy (at the Federal level).
- Some of the participants were of the opinion that DPOs have increased the dependency of the Government on external financing for budget gap/fiscal deficit.
- Despite the support of the World Bank, some stakeholders felt that the poverty gap was increasing in the developing countries and specifically, Pakistan. While there is an increase in the growth rate, it is not pro-poor and there is an inequitable distribution of gains.

Suggestions to make DPOs more Effective in Pakistan

- The governance capacity of the government and its ability to design quality reform programs needs to be considered more significantly while preparing DPOs as well as the results framework.
- There was a suggestion to back DPF operations with stronger Advisory and Analytical works to ensure effective delivery of results.
- The World Bank was also advised to take the lead in identifying the priority areas of growth in Pakistan.
- In a country like Pakistan, where multiple donors are supporting several sectors, it was suggested that the World Bank take the lead and establish a donor coordination framework. This will ensure effective utilization of donor assistance and reduce the transaction cost.
- The participant's noted that generally, DPF has been limited at the Federal level as it provides budgetary support for policy reforms in line with national priorities. However, after the

eighteenth amendment and devolution this needs to be changed. The Bank should work with the provincial governments as well to support their socio-economic policy framework and tackle economic constraints at the provincial level.

- There was also a suggestion to have special reconsideration on cost/pricing of DPF for developing countries and take into account economic challenges being faced by the borrowing country at a given point in time.

Environmental and Social Impact of the Reforms supported by DPOs

- It was acknowledged that all World Bank instruments, including DPOs, include considerations with regard to environment and social risks. However, the mitigation of risks are specific to the countries and the World Bank needs to help Pakistan develop an overall strategy to deal with environment and social risks. This implementation framework will also enable the government to better manage the social and environmental impact of policy operations.

Other Comments

- The participants also asked for more details about the Retrospective process – how are the lesson learnt incorporated in future development policy operations and more importantly, how is the effectiveness of respective changes measured.

Annex:



*2015 Development Policy Financing Retrospective
Consultation Meeting*

PARTICIPANTS LIST

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Location: Islamabad, Pakistan

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