

**FAST TRACK INITIATIVE
CATALYTIC FUND**

**Interim Progress Report
Presented to the CF Committee meeting in Rome,
November 2009.**

Human Development Network Education

October 19, 2009

Introduction

1. The Bank continues to give high priority to improving the performance of the FTI portfolio. In a separate note the Bank analysis the implications of some of the measures that were discussed in Copenhagen to further improve performance. This note provides interim progress on performance of the active portfolio. The Bank will provide a full progress report for the period ending December 2009 end of February 2010.

Disbursement trends and prospects

2. As of October 2, 2009 disbursements have reached US\$171 million in 2009. Total disbursements for this year are projected at about US\$324 million, as compared to US\$213.9 million in 2008 and US\$126 million in 2007. Cumulative disbursements since the fund's inception amount to US\$639 million (44% of allocations). Additional information on the financial performance is provided in the report from the Secretariat as well as in the attached summary.

Bank's monitoring of the CF portfolio

3. The Bank has since July 2008 produced internal Implementation Status Report for all active CF projects except for three projects closing in 2010 for which a different system will be applied. These projects were sub-merged into reporting for existing IDA projects. Flags on core issues will, if needed, be raised and/or unsatisfactory ratings attached to achieving development objectives and on implementation progress. At the time of reporting there are problems related to four countries: Benin, Guinea, Madagascar, and Mauritania. The details are described below and separate discussion is tabled for Madagascar and Guinea. More detail on all projects will be available in the annual progress report in February 2010.

4. Systematic monitoring of the overall portfolio performance and measurement of results is the key to ensure the Catalytic Fund operations achieve its objectives. However, supporting the monitoring of and timely reporting on overall Education Sector performance is important given that FTI CF operations, though sometimes freestanding, are integral to the overall sector program.

5. The Bank is ready to assist in providing a common structure for doing so allowing consolidation of performance data and implementation progress information regularly. In addition, it allows management to agree on specific actions to take regarding projects at risk and monitoring actions agreed to be taken to get some of the projects out of problem status.

6. Reforms underway in Bank policies also benefit CF operations e.g. use of DPOs, introduction of the new programmatic investment lending instruments, reduction of processing time for low risk projects, and adoption of more robust results frameworks.

Country by country performance.

Benin:

7. There is a strong expansion of enrollment and access is progressing at all levels of education. However this growth seems to be accompanied by a decline of quality as evidenced by the deterioration of some key indicators. The full causes of this deterioration have not been yet analyzed but it seems that the expansion of the sector is outpacing the capabilities of the administration. There is not yet a visible impact of EFA/FTI since the implementation of the Grant had not started when the indicators were measured.

8. During the review of the education sector that took place April 27-30, 2009 it has been agreed: (i) to disseminate the EFA/FTI procedure manual and train the staff of the Ministries to better involve their administration at centralized and decentralized level; (ii) to strengthen the procurement units to reduce the processing time; (iii) to accelerate the audit of the school grants; (iv) to identify the causes of the decline of quality.

9. The outcomes indicators have been slightly revised to reflect the IDA 15 indicators and now the ISR include all the indicators of the grant agreement. At the next review meeting, the Government and the group of donors should fine-tune the choice of indicators to ensure the full compatibility between those that are used to monitor the EFA/FTI program and the indicators of the budget support (ABC indicators). Update of the report will be in the fall.

Burkina Faso:

10. The first year part of the \$102 million DPO (budget support) was signed and disbursed.

Cambodia:

11. After a slow start, especially of the construction part, the pace has picked up.

Cameroon:

12. The previously approved tranche of \$25 million is being prepared and is expected to be signed and disbursement to start before the end of 2009.

Ethiopia:

13. The government had problems fulfilling effectiveness conditions, but more than half of the CF allocation has been disbursed already. An additional financing proposal for \$ 98 million is being prepared under streamlined procedures.

Gambia:

14. The grant was signed on August 6 and the first disbursement (\$5.6 million) took place recently.

Guinea:

15. After President Lansana Conté's death in late December 2008, the military overthrew the government in a military coup and abrogated the constitution. Captain Moussa Dadis Camara emerged as the leader of the group of army officers and proclaimed himself the de-facto president of Guinea. Since the coup d'état, the World Bank has stopped all disbursements under its existing portfolio and only funds remaining in the special accounts may be used to finance ongoing activities.

16. Guinea remains suspended from both the African Union and the Economic Community for West African States (ECOWAS) until elections are held. Presidential elections have been postponed to January 2010 (from the originally proposed October 2009). As of today, the media has been prohibited to report on any political subjects taking a heavy toll on the freedom of expression! The security situation is tense and manifestations have taken place in certain areas of Conakry to demonstrate against the possible candidacy of the de-facto president to take part in the elections. The majority of the international community has frozen its aid except for humanitarian aid. It seems unlikely that any re-engagement will take place before the elections, legislative or presidential, and which would need to be recognized by the International Contact Group/International Community.

17. The conditions for grant effectiveness were fulfilled in early January 2009 and under normal circumstances, the FTI program would be effective. Within the pooled fund arrangement, AFD approved a first disbursement in May 2009 in the amount of US\$5 million. In June, the country management suggested a reduced profile for the Bank during the transition period up to the formation of an elected government and submitted an official note to the Africa VP proposing a possible re-engagement. The CF was included as one of the few projects to be unblocked. The sector team proposed to scale down the activities supported under the CF and target only key activities with the highest impact, lowest risk and that would directly benefit the communities. The total amount suggested to be disbursed was estimated at about US\$10 million instead of the originally planned US\$50 million for the first year of implementation including (i) activities to be executed directly by the communities without having to go through the central government; (ii) activities related to the pre-service training covering student teachers' practical training and deployment, (iii) and provision of school grants for the primary schools.

18. Given recent political events, it may be unlikely that the proposed scaled down disbursement projections be achieved.

Guyana:

19. The new grant approved in September 2008 was signed and an initial disbursement of \$2.3 million made in August 2009.

Haiti:

20. The team is working on getting the grant agreement signed. That will happen around the time of the Rome meeting.

Kyrgyz Republic:

21. The second year allocation of \$6 million will be ready for signature end of 2009.

Madagascar:

22. In March 17th 2009, a new Government came to power through an army backed Coup d'Etat. Andry Rajoelina proclaimed himself as the President of the High Authority for the Transition and the Senate and the Parliament were suspended.

23. The Bank's relations with the new Government are very limited and there is no official communication. With the establishment of a de facto Government, the Bank stopped disbursing its overall portfolio. Subsequently, the Bank undertook an OP 7.30 assessment mission in May 2009. Based on its results, exceptions for disbursement have been granted for specific components in three projects which have the most direct impact on the poor people in Madagascar, namely, the (i) Community Nutrition, (ii) HIV/AIDS, and (iii) Emergency Food Security projects.

24. Most of the international aid is suspended, except for humanitarian aid. Madagascar is also currently suspended from the African Union (AU) and the Southern African Development Community (SADC). An international group of mediation composed of representatives from the African Union, the SADC, the International Organization for Francophone countries and the UN has been created to conduct the discussions between the groups under conflicts. So far the discussions have not resulted in the expected consensus on a road map for the organization of new elections to resume a normal situation. Madagascar is facing a risk to incur international sanctions if the groups under conflicts do not reach any agreement on sustainable solutions.

25. The new 3-year EFA CF Grant (2009-2011) of US\$85 million was approved for Madagascar in April 2008, of which signature is still pending.

26. With the process of this CF Grant being put on hold, the education sector will face an important financial gap. The education reform was launched in September 2008 and is confined to the 20 selected districts. However, there is a high risk for a massive drop out in primary education to the detriment of the EFA results achieved by Madagascar. To address this situation, local donors have been looking for alternative to allow the use of the new 3-year CF Grant to finance some critical activities and expenditures, already scheduled in the endorsed 2008 EFA plan. There is a joint donor proposal to seek to transfer some funds from the CF Grant to UNICEF to finance these activities for a period of four to six months. The proposal will be tabled separately. Currently two main donors are still active in the education sector namely UNICEF and the French Agency for Development. UNICEF is also managing the Norwegian Education Funds and is using direct financing to local beneficiaries without working with the public administration.

Mauritania:

27. The de-facto status was a result of a military coup d'état that took place in Mauritania on August 6, 2008. The army put in place a military junta to replace the first democratically elected civilian President. The consequences of these political and military developments vis-à-vis the Bank's relations with Mauritania were governed by OP/BP 7.30 (dealings with De Facto

Governments). In the meantime the IMF suspended missions in Mauritania, the African Union (AU) excluded Mauritania from the union and European Union sanctioned the country.

28. Presidential elections were held on July 18, 2009 with more than 300 observers. The General Mohamed Ould Abdel Aziz was the winner with 52% of the vote. On July 23, 2009, the constitutional Court endorsed the election and the endorsement was accepted by the international community, including the EU, US, France, Spain, and the African Union. Recently the IMF management agreed to re-engage with Mauritania. The President appointed a new government on August 11, 2009.

29. In order to ensure a properly phased re-engagement, the Minister of Economic Affairs and Development sent to the President of the World Bank on September 2, 2009, a letter of confirmation of the new Government its international liabilities including (i) recognition of the country's past international obligations, (ii) the willingness of the new government to assume all its predecessors' obligation to the Bank; (iii) the ability of the Government to ensure continued and efficient implementation of relevant projects or programs supported by the Bank.

30. Disbursement started on October 9, 2009.

Mongolia:

31. Amendment of the grant agreement to add the already allocated \$12 million was signed on August 24, 2009. The Mongolians expect the grant to be fully disbursed end of 2009.

Niger:

32. The additional allocation of \$8 million is expected to be signed shortly.

Rwanda:

33. The allocation of \$ 35 million in April 2009 for a DPO is expected to be signed and disbursed shortly.

Senegal:

34. The grant was signed late July and the first disbursement will take place shortly.

Yemen:

35. The year 3 grant was signed end of September and the first disbursement will take place shortly.

Zambia.

36. Funds were transferred to the Dutch on August 26, 2009.