

## **NTFESSD Semiannual Report May 2002**

The report consists of six parts and one annex:

1. Report of the Overall NTFESSD
2. Overall NTFESSD portfolio table.
3. Report of the Environment Window
4. Report of the Social Window
5. Report of the Poverty Window
6. Report on the process of selection of new proposals for FY03 and FY04, including a list of projects proposed for funding.
7. Annex 1, Individual Task Manager semi-annual reports and logframes. (Will be handed over in the meeting)

# 1. Overall NTFESSD Report

## 1.1 General overview

The changes in management, agreed on during last year's meeting in Oslo (June 2001), have been implemented and has resulted in a much smoother running of the Trust Fund. From a strategic point of view, the three sector boards have improved the cross-cutting aspects of the trust fund and have aligned each window's activities with emerging priorities within each thematic area. On the administrative side, the NTFESSD is now managed by the Environment Department on behalf of ESDVP and has three Window Managers (Keith McLean SDV, Giovanna Prensushi PRMPR, Mona Gleditsch ENV) who deal with the day-to-day administration of the activities in the three different windows, and from April 2002 also handles transfers of funds to the projects in their windows. The overall Coordinator (Mona Gleditsch) tracks overall expenditure, transferring to the window sub-accounts as necessary. While the Window Managers take care of most of the interaction with their respective Sector Boards, the Coordinator advises all Boards on general issues.

The NTFESSD funds an extremely diverse portfolio which is not easily classified into a few categories, over 60 separate activities are presently ongoing, within a total of 47 separate projects under the fund. Projects are supported in all geographical regions. Some of the activities are large pieces of analytical work, and to the extent possible, we ask the task managers to list them in the regional lists of ongoing analytical work (ESW/AAA) and have them peer reviewed. However, since this has not been the practice with trust funded analytical work, it is not yet standard practice in the NTFESSD.

## 1.2 Progress, financial management

Several of the ongoing activities in the Environmental and Social Windows (EW and SW) still show slow implementation in FY02, but in the main the carry-over funds are due to the slow initial start in FY00 and 01. Due to acceleration of other projects, overall FY 02 expenditures have been high, except for Poverty Window (PW) projects which were cleared only in January 2002.

Similar problems in the start-up process in all the windows have shown that the ***start-up costs and time involved in setting up appropriate administrative arrangements to work with partners***, especially local partners and community groups, should not be underestimated. Activities which rely on such partners will not be avoided or cut because of slow spending, compared to those relying on international consultants where administrative arrangements are generally easier. The impact on the ground in terms of local capacity building and the strengthening of partnerships could well be higher for the former.

A second lesson is that ***knowledge of trust fund financial management practices among task managers needs to be improved***. The program of certification of trust fund task managers to be launched by the Trust Fund unit in the Bank, whereby staff will have to attend a brief course to be able to manage trust funds, should help in this respect. In future we will require all NTFESSD task managers to take this course.

Part of the accumulated unspent funds from FY00 and FY01 and FY02 will be with us until the initial projects are finished in FY03 and FY04. The spending for FY02, however, has been good in the established windows, in terms of the projections presented in December.

**Cumulative and FY02 received and spent (\$):**

Windows	Allocations			Disbursed and Committed	Balance left in projects	Balance not allocated
	FY01	FY02	Total			
Environment	7,572,119	4,692,015	12,264,134	7,734,459	974,104	3,555,571
WDR <sup>a</sup>	0	1,000,000	1,000,000	614,965	385,035	
Poverty	0	1,500,000	1,500,000	446,244	779,752	274,004
Social	2,220,000	2,600,000	4,820,000	3,535,499	1,006,377	278,124
West Africa Hub <sup>b</sup>	0	210,493 <sup>c</sup>	210,493	9,680	200,813	
Coordination	204,400	200,000	404,400	347,489	52,735	4,176
FY02 Currency Gain		726,145	726,145			726,145
<b>Total</b>	<b>9,996,519</b>	<b>10,928,653</b>	<b>20,925,172</b>	<b>12,688,336</b>	<b>3,398,816</b>	<b>4,838,020</b>

<sup>a</sup> This is part of the Environment Window, but received a separate allocation

<sup>b</sup> This been retrofitted into the Social Window, bringing with it a separate allocation

<sup>c</sup> This is the total transferred into NTFESSD, not just an FY02 allocation

Despite the accelerated spending in the environment window in FY02, we still have large reserves unspent and as yet unallocated to projects (21% of the cumulative allocation from FY00 to now). This reflect the carry-overs from the initial slow disbursements, and the problems Bank task managers have in adjusting to a system of receiving trust funds annually only. However, since replenishments have often not arrived until some time into the new FY (Bank and Norwegian) we need some unspent balance to tide us over those months. In February 2002 we had no funds left in the parent fund, and had to temporarily borrow from ongoing projects. Given the Bank's systems, this is a technically cumbersome process which we will try to avoid in future. This residual carry-over should probably not exceed 10% in the future.

The WDR received its entire allocation in FY02 and has so far disbursed and committed 43% of it. The remainder of the funds for the West Africa Hub secondment was retrofitted into the Social Window in February 2002, and has a balance of \$210,545. Another 10 projects, of which 5 are managed by the Africa Region, have unspent balances of \$100,000 or more, 2 in the Environment Window, 5 in the Social Window and 3 in the Poverty Window

**Sub-Saharan Africa actual expenditures** have, as in previous years, been less than planned. but given that FY02 overall expenditures were lower than planned, expenditure on Sub-Saharan Africa in FY02 as a share of total was actually quite high in both the Poverty and Social windows:

**Expenditures FY02 for Sub-Sahara Africa, as % of plan, and % of total FY02 expenditure**

	Planned FY02 SSA	Actual FY02 SSA	% of Plan for SSA	% of Total FY02 NTFESSD spending
Environment Window	2,920,000 <sup>a</sup>	2,081,900 <sup>a</sup>	71%	46%
Social Window	1,360,000 <sup>b</sup>	1,060,617 <sup>b</sup>	78%	53%
Poverty Window	827,500	188,000	23%	53%
<b>Total<sup>c</sup></b>	<b>5,217,500</b>	<b>3,879,305</b>	<b>74%</b>	<b>57%</b>

<sup>a</sup> This figure excludes WDR

<sup>b</sup> This figure excludes the West Africa Hub

<sup>c</sup> These figures exclude both WDR and the West Africa Hub

**1.3 Results**

Several final reports from analytical work and workshops have been produced, printed and disseminated in the last year, and some are posted on our web-site (Reports/Progress Reports and Results). Both the Environment and Social Windows have had internal reviews of the

ongoing projects and have either restructured or closed projects which were not performing or where the objectives of the projects no longer fit with the strategic priorities of the sector boards or the overall trust fund. Our assessment is that there are no projects in these two windows which are not achieving the results they originally planned, although some are still in the process of restructuring activities and several will run into FY03 to reach the targets they had set for FY02. Many are finding that more can be done with the money they received than originally foreseen, and some have asked for extensions to be able to finish these new tasks. Extensions have been granted where it makes sense to do so, and can be seen in the Portfolio table (Part 2 of the report). Sector Boards and TTLs have found that some activities need less money than estimated to finish their planned tasks, and have handed the remaining funds back to the parent fund.

Sector Boards have also encouraged some restructuring of projects, where projects in the same country or same thematic area can be merged, thus allowing for better supervision and progress and reallocations between activities. Examples of this is the three China projects (TF023376, TF027742 and TF027747) and South Asia Social (TF024411 and TF024506). Regarding the Poverty Window, since the projects had only had two to three months of implementation, it is too soon to assess results.

#### **1.4 Partnerships.**

There are several Norwegian institutions involved (and several more potentially involved in the new proposals) in the activities funded by NTFESSD. Most of these are relatively small contracts, however, and more long-term relationships between the Bank and Norwegian Institutions have not happened on a large scale. Since a lot of the activities are small and short term, consultant contracts are also small, and Washington-based consultants are often chosen for convenience. In activities largely based in the LDCs, local consultants are used to some extent, and we have encouraged this in the new proposals.

There are no long-term partnerships with UN organizations under the fund, but several of the projects have good cooperation with UN agencies locally in the projects, and several of the new proposals plan joint activities with UN agencies.

Partnerships with local institutions in the recipient countries are a common feature in many of the projects, and we have actively encouraged this in the new proposals. Given the relatively short duration of most of the projects in the portfolio, however, it is not likely that long term-relationships will be greatly stimulated through this trust fund, except where the trust funded activity builds on an already established partnership, or is followed by a lending operation later.

#### **1.5 Who benefits from Bank contracts?**

Several donors have been interested to see a breakdown of where the major purchases by the Bank, in its lending operations, come from. We have had a version produced which covers Norway, which we will bring to Oslo. It does not however, cover consultants or other services procured under trust funds. To see what is happening in the NTFESSD we have engaged the same consultant to review NTFESSD procurements, and his results will be presented to you later in the year.

#### **1.6 Trends and Future Directions**

The call for new proposals which went out Bank-wide in February, elicited a large number of proposals of varying quality and extent of collaboration. The fact that units at the time of the call not have their FY03 Bank budget envelopes, complicated the matter of endorsement for new activities. We therefore propose to proceed with a second call for proposals, for the whole NTFESSD, at the beginning of FY 03, and will bring with us to Oslo a suggested text for the call to discuss with you. To ensure sufficient number of quality proposals for Sub-Saharan Africa we plan to make this a special focus of the new call for proposals. The process of the call for, and selection of, new proposals is described in Part 6 of this Report, with our prioritized list proposed for funding.

With the New Environment Strategy, the agenda for environmental mainstreaming is set firmly in the Bank. We are facing important challenges in the development of upstream environmental analysis at the country level (Country and Strategic environmental assessment). In some of these areas we would like to prepare better projects for future funding and we believe that there are opportunities for utilizing Norwegian expertise. The new Rural Strategy is about to be finalized, and will give opportunities for clear priorities in rural work. The NTFESSD will be used to further clarify the linkages between Poverty, Environment, and Social and Rural Development and mainstream this into Bank operations.

In FY 01 the NTFESSD supported the work on the Environment Strategy. In FY02, one million of the allocation was used for the World Development Report on Sustainable Development. In FY 03, we would like to ask for a special allocation to the work on the Social Development Strategy.

After the completion of strategies on rural, environment, forestry and water, the one remaining strategy in the suite of sustainable development strategies is social development. Work has begun, and two activities have already been funded under the existing allocation (one carried out by Christian Michelsen Institute). The preparation of the social development strategy is taking on increasing global importance as social issues are becoming more and more important for the WSSD in Johannesburg. Since the theoretical arguments are well developed already, the strategy will be more focused on implementation issues. The preparation of it in the coming year will allow for the strategy to directly contribute to the Bank's follow-up activities from the WSSD.

There is excellent scope for collaboration with Norwegian and UN agencies in the preparation of background analytical work, and in piloting new activities in the social area. The focus of the strategy is likely to be on moving participation upstream to policy-level (especially as relates to PRSPs) but also downstream to include social accountability measures. For social analysis we are working to integrate this into the "normal" analysis process for Bank-supported policies and programs (see for instance the draft manual for poverty and social impact analysis prepared jointly by the social development and poverty departments). On issues of community-driven development there will be good opportunities for collaboration with rural and human development as we move towards a phase of scaling up and focusing on the enabling environment. Finally as relates to conflict prevention and reconstruction, we are focusing on "social" reconstruction of societies and analysis in policy reform from a perspective of ensuring that they do not promote conflict. In all four areas there are expertise in Norway that we could build on, and especially as relates to community-driven development and conflict we already have close collaboration with several UN agencies.

With the preparation of the Social Development Strategy, there is a window of opportunity to influence this in the coming financial year. We therefore think an extra focus on this theme is justified in FY03. We therefore propose substantial support to the strategy work and consultative process, which implies a substantial increase to the Social Window in FY03, while holding the other two windows at approximately the same level as in FY 02 (Environment Window excluding the support to the WDR).

While the high % of support for Sub-Sahara Africa-related activities is enshrined in the NTFESSD agreement, we have found that the absorptive capacity of the region is not as high as could be expected, given the needs in the region. We have not been able to allocate 50% to SSA-related activities in the suggested list of new proposals, and we expect we may see slow implementation and thus not reach 50% of actual expenditures in FY03, as in former years. If even with a special focus on Africa in the new call for proposals this remains the case, we request that we be allowed to reallocate unused "Africa-funds" to other Least Developed Countries and Other Low Income Countries for FY03 and FY04, after consultations with you on the concrete proposals.