



1. Project Data:		Date Posted : 08/14/2003	
PROJ ID: P074054		Appraisal	Actual
Project Name: Emergency Economic Recovery Credit	Project Costs (US\$M)	6.0	6.13
Country: Comoros	Loan/Credit (US\$M)	6.0	6.13
Sector(s): Board: PS - Central government administration (100%)	Cofinancing (US\$M)		
L/C Number: C3563			
	Board Approval (FY)		02
Partners involved : None	Closing Date	12/31/2002	12/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
Gerard Kambou	John H. Johnson	Kyle Peters	OEDCR
2. Project Objectives and Components			
a. Objectives			
To provide assistance to the economy to maintain macroeconomic stability during the transition out of the secessionist crisis and to address urgent social needs . The credit was to cover about 50% of the estimated budgetary financing gap for the 12-month transition.			
b. Components			
The credit has no formal component . It was disbursed against a positive list of imports . The government and the Bank agreed that the local currency equivalent of the credit would be used to finance expenditures in three priority areas in the government spending program : (a) poverty reduction (50% of the credit funds), (b) decentralization (30%), and (c) national reconciliation (15%). A project implementation unit (PIU), coordinated by the Planning Commission, was to receive 5% of the credit funds to cover its running costs .The poverty reduction component was to alleviate social distress amongst the poor by financing projects in health, education, water and sanitation and rural development. In health, the focus was to be on equipping and upgrading health posts and centers and on increasing the availability and access of the poor to medicine . In the education sector, the credit was to equip and upgrade schools, increase school supplies and retrain the teaching staff . In the water sector, the credit was to assist in extending water systems and improving access of the population to drinking water . The credit was to promote rural development through support of the fisheries sector by financing the purchase of equipment and lifeboats . Under the decentralization component, the credit was to finance the construction and rehabilitation of public buildings and support the deployment and training of civil servants . Finally, under the reconciliation component the credit was to finance the activities of the Monitoring Committee and Tripartite Commission which were responsible for the implementation of the Framework Agreement and assist in efforts to establish a new fiscal structure consistent with the decentralization of institutions .			
c. Comments on Project Cost, Financing and Dates			
The credit was appraised on June 21, 2001 and approved on August 02, 2001. It became effective on September 18, 2001 as planned and closed at end-December 2002 as scheduled. There were no explicit conditionalities attached to the release of the funds but disbursements were to be made in three instalments depending on the achievement of key milestones in the transition and satisfactory financial management . The credit was fully disbursed. Of the total credit funds, 47% were allocated to the poverty reduction component, 18% to the decentralization component and 4% to the national reconciliation component, which supported the Monitoring Committee and the Tripartite Commission. Included under the heading of national reconciliation, the running costs of the PIU and investments in support of the Planning Commission accounted for 4% and 5% of the credit funds, respectively. About 20 percent of the total credit's funds were re-allocated, with the agreement of the Bank, to help overcome constraints in the privatization of the main port in Grande Comore (10%) and to make up for the delays in the release of funds by other donors to finance the payment of civil servants' salary arrears (10%). Exchange rate fluctuations between the US dollar and the Comorian Franc caused commitments to exceed budgeted funds by 3 percent.			
3. Achievement of Relevant Objectives:			
The credit has not fully achieved its objectives . A new constitution that gives regional autonomy to each of the three			

Islands was adopted in a national referendum, and presidents for the union as well as for each of the three islands were elected, which were key elements of the Framework Agreement . Anjouan, the secessionist island, was again participating in the federation, but the transition, which was envisaged to last one year, had not been completed at the close of the credit and the secessionist crisis had not been overcome . In particular, agreement had not been reached on the specific responsibilities of the governments of each of the islands, how the federal government will work had not been determined, and new lines of confrontation had emerged between the central government and the government of Grande Comore both of which are located on the same island . The credit achieved significant successes in the area of poverty reduction with almost all of the projects in health, education, water and rural development completed as planned, particularly on the island of Anjouan, but was less successful in the area of decentralization where much of the construction and rehabilitation of administrative building suffered delays . In addition, there is no evidence that a new fiscal structure has been established as envisaged . Though stated as one of the credit's objectives, the ICR does not contain a discussion of whether macroeconomic stability had been maintained. On the other hand, added components -payment of civil servants' salary arrears and the compensation of port workers, which was critical for the privatization of the port in Grande Comore -achieved their objectives .

4. Significant Outcomes/Impacts:

Health services improved with the purchase of medicine, medical equipment and ambulances; and learning conditions were enhanced as a result of construction and rehabilitation of schools and the purchase of equipment . However, much needed teacher training has not taken place . Through the financing of construction activities and equipment, the credit was a contributing factor to the resumption of real GDP growth . Overall, the evaluation of outcomes is impaired by the lack of targets and indicators in the credit's documents, as well as in the government's program, which emphasizes activities and outputs rather than outcomes .

5. Significant Shortcomings (including non-compliance with safeguard policies):

Designed to support an essentially political transition process in a country with an extremely poor track record, the EERC was inherently a high risk operation . Although the Bank had correctly identified the risk that the reconciliation process could stall or be reversed, the measure to guard against this risk was modest . By only requiring stakeholders to express, ex-ante, their commitments to the reconciliation process, the Bank appeared to have seriously underestimated the extent of mistrust and political disagreements between the island and central governments, which generated political instability and led to the limited achievement of the credit's objectives .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	The credit has been instrumental in helping move the reconciliation process forward and it improved health services and education; but the transition out of the secessionist crisis has not been completed and the decentralization and national reconciliation components generated no significant outcomes . The moderately satisfactory rating agrees with the text of the ICR
Institutional Dev .:	Modest	Modest	
Sustainability:	Unlikely	Unlikely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Unsatisfactory	The government was unable to complete the reconciliation process, its recovery program lacked outcome indicators, the Bank has raised serious reservations on the procurement of several items and, because of the level of government commitment, the sustainability of the credit is unlikely .
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

(a) Targets and performance indicators must be explicitly defined to enable the assessment of progress and the evaluation of project outcomes and impacts . (b) In designing an emergency recovery credit to support a political transition process it is important to ensure that the credit contains compelling measures that can significantly mitigate the risk that the transition process would stall or be reversed .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

Overall the ICR is of satisfactory quality . It effectively summarizes the strengths and weaknesses of the credit, and provides an interesting discussion of the reasons behind the limited attainment of the credit's objective in supporting the transition. However, it does not include any indicators of macroeconomic stability, one of the credit's objectives .