Report Number : ICRR14311

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted : 05/29/2014		
Country :	Grenada			
Project ID :	P082392		Appraisal	Actual
Project Name :	Public Sector Modernization Technical Assistance Credit	Project Costs (US$M):	3.50	3.04
L/C Number :	C4137	Loan/Credit (US$M):	3.50	3.04
Sector Board :	Public Sector Governance	Cofinancing (US$M):		
Cofinanciers :		Board Approval Date :		12/15/2005
		Closing Date :	12/31/2010	03/31/2013
Sector(s):	Central government administration (100%)			
Theme(s):	Public expenditure; financial management and procurement (33% - P); Administrative and civil service reform (33% - P); Regional integration (17% - S); Micro; Small and Medium Enterprise support (17% - S)			

Prepared by :	Reviewed by :	ICR Review Coordinator :	Group :
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2. Project Objectives and Components:

a. Objectives:

The project objective was to assist the Government of Grenada to begin the process of modernizing its public sector, including building the capacity to design and implement public sector modernization initiatives which would address "rightsizing" the public sector and determining which services would best be delivered by an Executive Agency or commercialization. The specific objectives of the project were to: (i) improve service delivery in those agencies designated Executive Agencies; (ii) introduce modern human resource management principles into the public sector; (iii) build the capacity of the Government to lead and implement modernization efforts; (iv) encourage sub-regional cooperation through the procurement of select goods and services; and (v) strengthen the enabling environment for small and micro businesses. [Project Appraisal Document, (PAD), p.7]. The above project objective was differently formulated in the Annex 3 of the PAD and was stated as follows: "Modernize Grenada's public sector through improved service delivery of select functions; improved management capacity of the Public Sector Reform Unit; and increased regional cooperation".

The project objective as stated in the Financing Agreement was "to assist the process of modernizing Grenada's public sector with a focus on improving public sector efficiency in service delivery and management, enhancing private sector collaboration in support of developing small businesses, and promoting regionalization initiatives" (Financing Agreement, 2006, p. 5).

The project was restructured in October 2010 (level 1) to align the project objective in the PAD with the

Financing Agreement. The restructuring also included revisions to the outcome indicators/targets to better align with the harmonized PDO and in line with the government's decision to no longer pursue the establishment of Executive Agencies. This evaluation will use the formulation of the objective as stated in the Financing Agreement and its Amendment.

b.Were the project objectives/key associated outcome targets revised during implementation?

Yes

If yes, did the Board approve the revised objectives /key associated outcome targets?

Yes

Date of Board Approval: 10/01/2010

c. Components:

Initial components:

Component 1: Executive Agencies (EAs) and Performance Management: Cost at appraisal of $1.5 million: The first sub-component intended to finance: (i) the strategic review of the proposed organizations and functions for conversion to EA status; (ii) the preparation of detailed modernization and financing plans for each conversion; (iii) the preparation of a Policy Framework for Executive Agencies; and (iv) the preparation of enabling legislation, including the preparation of a draft Executive Agencies bill. It also aimed at financing the design and implementation of policies and procedures on outsourcing and commercialization. The second sub-component was to support: (i) the creation of 2 EAs (the National Lands Agency and the Companies/Intellectual Property Office); (ii) the design and implementation of an information campaign; and (iii) the design and implementation of training courses for EA and ministerial staff and management on the implementation of the policy framework and modernization plans for each EA.

Component 2: Strengthening the Grenada Industrial Development Corporation: **Costs at appraisal of $0.5 million:**This component would support the strengthening of the Small Business Development Centre of the Grenada Industrial Development Corporation (GIDC) that will provide technical assistance and training to the micro/small segment of the business community

Component 3: Regional Pooled Procurement: Cost at appraisal of $0.4 million. The project was to support Grenada in taking the lead to jointly procure select goods and services with other Organization of Eastern Caribbean States (OECS) countries. The first sub-component which includes (i) the identification of specific goods and/or services which Grenada wants to jointly procure and enter into a Memorandum of Understanding with at least one other OECS country for same; and (ii) the analysis of pooled procurement training needs and design and/or identification of structures and documents to implement pooled procurement. The second sub-component intended to provide technical assistance to Grenada through the Caribbean Center for Development Administration to prepare a diagnostic review of Public Sector Reform Unit needs and action plan as well as to provide the necessary follow-up support.

Component 4: Public Sector Reform Unit and Project Administration: Cost at appraisal of $0.76 million: The Project aimed to strengthen the Public Sector Reform Unit by providing financial and technical resources and training on key policy areas, including change management. The objective of this component was to strengthen the unit itself so that it can play a stronger role in Grenada's public sector reform, including commercialization and outsourcing.

Revised components and costs:

Component 1. Enhanced Departments and Public Sector Performance Management (revised to $1.731 million against actual costs of $1.82 million): The project was no longer pursuing the creation of Executive Agencies. Instead, the project would continue to pursue the conversion of selected Government

functions through the establishment of two new Enhanced Departments - (i) Deeds and Land Registry and (ii) Corporate Affairs and Intellectual Property Office - to remain within constitutional restrictions.

Component 2: Strengthening the Grenada Industrial Development Corporation (GIDC): costs revised to 0.455 million against actual costs of $0.38 million: This component was unchanged but the cost was revised.

Component 3. Regional Initiatives: (revised to $0.281 million against actual costs of $0.10 million). This component was revised to focus on activities that would facilitate the implementation of a regional pooled procurement scheme: (i) analysis of training needs; (ii) training to facilitate regional pooled procurement implementation; and (iii) design of a regional pilot procurement payment and inventory management system.

Component 4. Public Sector Reform Unit (PSRU) and Regional Initiatives: (revised to $0.693 million against actual costs of $0.74 million): The following key activities were dropped because alternative grant financing has become available: (i) consultancy services of a local information technology specialist in the Public Sector Reform Unit, and (ii) consultancy services for monitoring and evaluation. Funds under this Component would be reallocated to additional financing requirements for project administration in view of the Credit closing date extension.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project costs: The project costs amounted to $3.04 million or 87 percent of the approved amount, leaving a balance of about 23 percent which was cancelled at project closure. Most resources (60 percent) were used to fund the Enhanced Departments and the Performance Management component, which overdrew above the allocated budget.

Financing: This was an International Development Association technical assistance credit in the amount of $3.5 million to Grenada, with no co-financing. The borrower secured the property wherein the Grenada Land Agency (GLA) and Corporate Affairs and Intellectual Property Office (CAIPO) were to be located.

Dates: The project was approved on December 15, 2005 and made effective on April 26, 2006. The credit was restructured three times: (i) a level 1 restructuring in October 2010 to harmonize the project objectives, reconfigure the project components and costs, and the results framework, among other things, and (ii) two level 2 restructuring operations October 11, 2011, and on June 07, 2012 to reallocate the proceeds, and to extend the project duration respectively. The credit was closed on amended schedule March 31, 2013.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Relevance of objective for the initial project: Substantial

The Bank's interventions in the OECS were described in the sub-regional FY06-09 Country Assistance Strategy (CAS) endorsed in a meeting with OECS heads of government. The CAS had two pillars focusing on: (i) stimulating growth and competitiveness and (ii) reducing vulnerability through greater social inclusion and strengthening disaster risk management. A new 2010-14 OECS Regional Program Strategy was prepared with a first pillar devoted to build resilience with results expected in promoting fiscal and debt sustainability and protecting and improving human capital. The second pillar intended to enhance competitiveness and stimulate sustainable growth, with results expected in strengthening domestic financial sectors and in improving access to quality public services. The results areas of the above strategy remained valid after the

2012 Regional Program Strategy progress report.

There was a clear consistency between the project objectives and activities and some of the pillars of the Bank strategies in the OECS in general, and in Grenada in particular. For instance, enhancing public sector management could lead to better management of public resources, with positive impact on fiscal sustainability or public service delivery. Similarly, improving the business environment could pave the way for growth and competitiveness in Grenada. However, a deeper dialogue with the client, or more researched political economy studies could have helped the Bank's team to identify more appropriate activities.

In summary, relevance of objectives for this operation was substantial, because they were in line with country's priorities and were consistent with the Bank's strategies in the region and in the country, both at the appraisal and the closure of the project. In the hindsight however, a better choice of activities was needed.

Relevance of objectives for the revised project: Substantial

A level 1 restructuring took place in October 2010 to harmonize the objective statement in the PAD and in the Financial Agreement, and to revise the project components and the results matrix. The relevance of objectives remains substantial.

b. Relevance of Design:

Relevance of design for the initial project: Modest

There was some ambiguity in the statement of the project objectives and the selection of project components. There was a lack of consistency between the objectives as defined in different parts of the PAD, and between the PAD and the Financing Agreement. Some initial project components could not be implemented, as the government argued that they were unconstitutional, reflecting an insufficient political economy analysis when appraising the project.

The result matrix (Annex 3 of the PAD) had shortcomings, because the original performance indicators were not sufficiently outcome-oriented and the baseline for measurement was not established. The design of implementation arrangements was flawed, as two parallel implementing units were reporting to a steering committee and to different government decision centers.

The design of this operation was overall inadequate as key components could not be implemented during the first 5 years, due to project design that ignored political economy factors and a weak results framework. The ICR indicated that the following obstacles should have been identified and analyzed at the design stage: legal viability of Executive Agencies; enabling legislation for pooled procurement; critical technical instruments for efficient service delivery by Grenada Land Agency; or more strategic public servants' rotation that would not have undermined capacity building efforts.

The relevance of design for the revised project: Substantial

Five years after approval, the operation went through a level 1 restructuring, which harmonized the statement of the project objective in the PAD and the Financing Agreement. Moreover, it redefined the components, with a more improved results framework and completely revised outcome indicators . The revised results matrix was improved during the FY10 restructuring operation, but needed more refinement.

While useful in terms of implementation, the FY10 restructuring was unable to totally make up for the accumulated delays on the initial project design and performance, and to catch up with the lost opportunities.

4. Achievement of Objectives (Efficacy):

Efficacy toward the initial objective, November 2005-October 2010: 33 % of disbursed resources -Modest

Expected outputs and outcomes under this sub-objective were as follows: (i) improved management capacity of the public service to deliver services, (ii) more cost effective and efficient public services, (iii) increased capacity of the public sector to implement modernization projects, (iv) stronger enabling environment for small business development, (v) progress in staffing with adequate number of qualified personnel by end of project, and number of proposals prepared, accepted and under implementation, and (vi) number of goods and services jointly procured.

Considering the PDO results indicators, there was some improvement in processes to register a business, and to register property. There were new small businesses set up by GIDC trainees, and some progress in building up the PSRU. However, progress was stalled on creating two executive agencies pending resolution of legality and constitutionality. This made it difficult to measure indicators where the two agencies were among the key sources of information as envisaged in the PAD.

Efficacy toward the revised objective, November 2010-March 2013: 67% of disbursed resources.

- **Improving public sector efficiency in service delivery and management: Substantial**

Out of the three new outcome indicators, two were achieved, and another was partially achieved as follows:

(i) The number of days to register a business, receive a company certificate, and process a company's prospectus have decreased, lowering the overall number of days to start a business. Bills of sale are filled and registered in one day, against a baseline of 10 days to register a company and receive company certificate and 20 days to complete all registration activities.
(ii) The number of days needed to register property deeds has decreased, and Doing Business levels are currently 47 days to complete property registration and 30 days to register deeds.
(iii) While training and strategy for the Public Sector Modernization Division were delivered, staff turnover undermined the continuity of capacity building.

At institutional level, two enhanced departments are de facto operational - GLA and CAIPO - although Parliament has not voted yet the law approving their new status. Moreover, internal procedures and information management have been modernized. With regard to GLA, contribution was made by the project to improving the registration of deeds and land. All departments that will constitute the GLA have been connected through fiber-optic connection to enable information sharing and to facilitate future streamlining of business processes related to and preceding the registration. A separation of CAIPO from the Supreme Court Registry was initiated, and a building for CAIPO was procured, and partially refurbished, but until the ICR mission, the CAIPO was physically housed in the premises linked to the Supreme Court. There was increased staff with requisite defined skills and competencies in CAIPO, but not to the Deeds and Land Registry yet. Although staff was trained and a public sector reform strategy developed, the Public Sector Modernization Division capacity was still insufficient to drive public sector modernization activities.

- **Enhancing private sector collaboration in support of developing small businesses: Substantial**

The unique outcome indicator was achieved. Forty-two new businesses were set up by trained entrepreneurs as of December 2012 against a target value of 30 GIDC trainees commencing new businesses. 1601 persons were trained in entrepreneurial skills and 160 new businesses were registered. There was an increase in investment in training as an amount of EC$234,327 was invested in training, against a baseline of EC$92,344.

All users of GIDC services (trainees and employers) indicated satisfaction with the program.

In summary, new businesses were set up by trained entrepreneurs and there was an increase in people trained in entrepreneurial skills and in new registered businesses. There was an increase in investment in training.

- **Promoting regionalization initiatives: Negligible**

The unique outcome indicator was missed as economies of scale explored at OECS regional level through pooled procurement could not realized in the absence of a revised law.

Economies of scale were explored at OECS regional level through pooled procurement with St. Vincent, but pooled procurement could not be realized in the absence of a revised law. A Memorandum of Understanding on pooled procurement was signed but it has never been implemented due to the lack of proper legislation, and the training could not be realized without the appropriate legal basis.

5. Efficiency:

Efficiency: Modest

No financial or cost-benefit analysis was discussed in the PAD or in the ICR. Efficiency will be assessed on the basis of performance management in the allocation and utilization of project resources.

Five years after approval, project expenses stood at 33 percent of total disbursements. The major portion of the committed resources was frozen during the first five years. Not only was there no progress toward expected outcomes, but the resources could not be used otherwise. The credit was restructured three times: (i) a level 1 restructuring in October 2010 to revise the project objective, reconfigure the components and their costs, and the results framework, and (ii) two level 2 restructuring operations, on October 11, 2011, and on June 07, 2012 to reallocate the proceeds, and to extend the project duration respectively.

As pointed out in the ICR, it is challenging to measure efficiency of investment in cases when the planned reforms have not been fully accomplished to yield the efficiency savings for the government. More accurate estimation of efficiency would be possible when the speed, costs and quality of the registration services could be measured. Given that the reform is still unfolding, such measurements were not possible to make. Also, protracted delays in project implementation have somewhat negatively impacted the efficiency of the investment by delaying results. The challenging political situation in the country had significant impact on overall efficiency of the project. Efficiency for promoting regionalization initiatives did not occur as the component could not be implemented.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Moderately unsatisfactory

- **Outcome for the initial objective, November 2005- October 2010: 33% of disbursed resources: Unsatisfactory**

Relevance of objectives for this operation was substantial, but relevance of design was modest, as was efficacy of achievement of objectives. Efficiency was modest, because there was much less achievement of efficiency gains than planned relative to the project resources used. Drawbacks in implementation delayed efficiency gains.

Outcome for the revised objective, November 2010- March 2013: 67% of disbursed resources: Moderately Satisfactory

Relevance of objectives for this operation was substantial, and relevance of design was also substantial. Efficacy was rated as substantial for the two first objectives, and negligible for the third objective. Toward enhanced executive departments, the Grenada Land Agency and Corporate Affairs and Intellectual Property (CAIPO) have been de facto operational, and the Public Sector Modernization Division has been well staffed, and services to the public have improved. Toward business development in Grenada, there was an increase in people trained in entrepreneurial skills and in new registered businesses. In the area of regional initiatives, there was no progress, due to the lack of proper legislation. Efficiency was modest as efficiency gains were delayed due to difficulties in project implementation. Applying the harmonized IEG/OPCS formula for assessing restructured projects, overall outcome is rated as **moderately unsatisfactory**.

a. Outcome Rating : Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

Risk to development outcome is rated as high

The GLA and the CAIPO Acts have not been approved yet by the Parliament, although the Prime Minister is supportive of these initiatives and Parliament has a strong pro-government majority. Implementation of institutional changes upon unification of various departments into a single GLA will require additional technical assistance, as the capacity of the new management team is weak.

Sustained small business development would require expanding the focus of training from general entrepreneurial skills to technical areas that would support a more diversified distribution of businesses among sectors, including innovative sectors. Also the lack of start-up capital and collateral requirements significantly restrict a number of new business start-ups. The Government does not have enough resources to support financing through a grant scheme, and external financing is the main alternative.

In the area of pooled procurement, the risks are even higher, as the Government needs to finalize the Procurement Act that enables pooled procurement and ensure its adoption by the Parliament, as well as strong leadership during implementation and completion of the regional reform.

There are several risks to development objective that vary in severity. Improvement of performance in the two new enhanced departments, and the pooled procurement, will require first the passage of the laws, and then consultancy support and gradual introduction of performance management culture through monitoring performance indicators and performance agreements, and this process will take time and is risky.

a. Risk to Development Outcome Rating : High

8. Assessment of Bank Performance:

a. Quality at entry:

There were several shortcomings during project preparation. While areas of Bank engagement were relevant to the country's and Bank's regional strategy, deeper political economy analysis could have helped to better understand local challenges on the path to achieving results under the first and third components. The risks to achievement of development objectives were not adequately identified due to incomplete analysis of legal feasibility of the proposed institutional changes (decentralization of the human resource management practices, and introduction of a pooled procurement practices). While the PAD reported strong donor coordination, and extensive analytical work completed and used to guide the design of this operation, selection of project components and activities could have been better informed.

The results matrix (Annex 3 of the PAD) had shortcomings, because the original performance indicators were not sufficiently outcome-oriented and the baseline for measurement was not established. The design of implementation arrangements was flawed, as two parallel implementing units were reporting to a steering committee and to different government decision centers.

Because of the flaws in project design, the project entered an impasse in 2008, causing implementation delays, and low disbursement rate.

Quality-at-Entry Rating : Unsatisfactory

b. Quality of supervision:

Supervision and implementation were handicapped by frequent turn-over of project TTLs (three during the project life), vacancy of the key position of project manager, and flawed implementation arrangements which did not provide a clear line of decision-making to settle operational issues that hindered project execution until FY11. This explains why the Bank was unable to react promptly when project implementation was stuck following the fact that part of the government opposed the launch of components 1 and 3 of the project.

The project experienced a turnaround following the FY11 restructuring, when implementing a new organizational reform was replaced by a new purpose of consolidating separate departments under two Enhanced Departments, and by enriched context of transformation based on the use of modern technologies for efficient service delivery. 67% of total disbursements took place within the last two years of the project. Unfortunately, five years had elapsed with lower than expected disbursement. Two extensions aiming to catch up with the accumulated delay in project execution could not make up all the lost opportunities. While some project funds were cancelled at completion, 97% of baseline estimated expenditures were achieved.

From the fiduciary perspective, the project financial management was satisfactory to the Bank, which was reflected in unqualified project audit reports. Similarly, no major issues were identified in supporting project procurement, as Bank's prior procurement review was conducted in a timely fashion. Aide Memoires and Implementation Status and Results Reports provided a clear picture of the progress in project implementation.

Quality of Supervision Rating : Moderately Satisfactory

Overall Bank Performance Rating : Moderately Unsatisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

At the beginning, the Government was strongly committed to the project objectives, and implementation proceeded as planned. With the 2008 elections, the project experienced a number of leadership changes, including those of the key officials responsible for project implementation. The new administration challenged the constitutionality of the action undertaken by the previous administration in relation to establishment of Executive Agencies, causing implementation delays and project restructuring. Parliament prorogation in July 2012 prevented the project from establishing Enhanced Departments despite the efforts of the Executive to implement necessary legal reforms that would have enabled the establishment of these departments. As a result, the project has been more successful in achieving technical improvements that did not require political and legislative decision-making. Although pooled procurement has been already successfully implemented by Grenada with other OECS countries in the pharmaceutical area, this process was not institutionalized due to the failure to enact the new Procurement Act.

Government Performance Rating Moderately Unsatisfactory

b. Implementing Agency Performance:

The Department of Public Administration (DPA), reporting to the Prime Minister, was the project implementing agency and had to drive the project, address emerging issues and facilitate their resolution through the Project Steering Committee. The latter was also overseeing a Project Coordinating Unit in charge of handling financial and procurement issues and reporting to the Minister of Finance. Other implementing and beneficiary agencies included the Grenada Investment Development Corporation (small business development), Ministry of Finance (pooled procurement), and various departments related to land registration (Lands and Survey Division, Valuation Division, Physical Planning Unit, and Supreme Court Registry). The Public Sector Reform Unit (later renamed Reform Management Unit) of the DPA was also one of the beneficiaries. As described above, institutional arrangements for project implementation were cumbersome. The center of decision and leadership, and the line of responsibility and reporting were unclear.

The Department of Public Administration played a major role in the coordination of activities, anticipation, identification and resolution of emerging issues; but in the second part of the project it was not sufficiently proactive. There was no evidence that the Project Steering Committee, which according to the Financing Agreement was responsible for oversight of the implementation and ensuring the delivery of the Project outputs and attainment of Project outcomes, fulfilled its role effectively. As a result, the focus on project performance shifted from the Implementing Agency to the Project Manager, the Project Coordinator and the Project Coordination Unit. During the critical period for the project in 2008-2010, the Project Manager's post was vacant for almost two years, creating an impasse and severe risks for project continuity. The bulk of responsibility for moving project forward was placed on the Project Coordination Unit in addition to its core role of administrative and fiduciary functions.

Insufficient communication from the Implementing Agency with the stakeholders on project implementation procedures, as specified in the Financing Agreement, negatively impacted the performance of beneficiaries during the preparation of the consultant's Terms of References and technical specifications for acquisition of goods under the project. At project exit and at the time of ICR preparation, the Implementing Agency did not have a clear plan for sustaining the project outcomes that would lead to better public service performance.

Implementing Agency Performance Rating : Moderately Unsatisfactory

Overall Borrower Performance Rating : Moderately Unsatisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The results matrix (Annex 3 of the PAD) had shortcomings, because the original performance indicators were not sufficiently outcome-oriented and the baseline for measurement was not established. The revised results matrix was improved, but needed refinement. The project was to be monitored by the Project Steering Committee and the respective units responsible for each sub-component. The Bank was to conduct, at least, three supervision missions per each fiscal year when the project was under implementation.

b. M&E Implementation:

The ICR did not provide information related to how implementing agencies handled the M&E mechanism described in the PAD. In practice, the M&E implementation was handicapped by the flaws found in the design and the set-up of implementation arrangements, and the difficulties to launch key activities. Due to the multiplicity of implementing agencies, and the lack of clarity in their relationship, it has been difficult to determine which units will collect the data, which ones will analyze them and make the required decision to move forward. As project implementation was slow during the first five years, the M&E function could not be brought to bear, because there was very little to report. During the level 1 restructuring in FY11, the results matrix was revised, and its effectiveness did improve somewhat on the way forward.

c. M&E Utilization:

The ICR did not report extensively on how the project team used the M&E design and arrangements to collect data and use them to refine or reorient project implementation. As the project faced difficulties starting from the origin, due to inadequate selections of components and inarticulate implementation units, the use of the M&E mechanism was not straightforward. After restructuring, M&E utilization contributed to achieving good results.

M&E Quality Rating : Modest

11. Other Issues

a. Safeguards:

The project triggered none of the Bank's social and environmental policies.

b. Fiduciary Compliance:

The project financial management was satisfactory to the Bank, which was reflected in unqualified project audit reports. Similarly, no major issues were identified in supporting project procurement, as Bank's prior procurement review was conducted in a timely fashion.

c. Unintended Impacts (positive or negative):

Not applicable

d. Other:

Not applicable

12. Ratings:	ICR		Reason for

		IEG Review	Disagreement /Comments
Outcome:	Moderately Satisfactory	Moderately Unsatisfactory	IEG used the required process for a split evaluation.
Risk to Development Outcome:	Moderate	High	The ICR indicated several risks to development objective that vary in severity.
Bank Performance :	Moderately Satisfactory	Moderately Unsatisfactory	The quality of initial design, choice of components and results chain were weak, and implementation arrangements were dysfunctional, despite some good progress after restructuring.
Borrower Performance :	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of ICR :		Unsatisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

IEG concurs with some of the lessons discussed in the ICR, which are summarized below:

(i) Careful political economy analysis is required before supporting institutional reforms that require a legal action, because the legislative process is in principle outside of the control of the executive. This is more so when the reform touches upon the existing civil service legislation and regulations in any country. A good understanding of the key political forces at play in the country can help to design structural reforms that will have a critical mass of support, while conforming to legal requirements.

(ii) The careful design and establishment of effective implementing arrangements are central to project success. If these arrangements are functional and effective, emerging problems can be quickly addressed. If they are badly designed, it will be difficult to initiate a corrective action in case of bottlenecks. Finally, all project beneficiaries need to have a good understanding of project implementation procedures and commit to adhere to them.

(iii) Especially in small island states with capacity constraints, improved synergies across projects can enhance development effectiveness. In these kind of environments, there could be economies of scale if fiduciary arrangements (financial and procurement) for multiple projects are pulled together.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR was appropriately balanced in acknowledging the achievements of the project following the restructuring, while also considering the shortcomings. It correctly points out that efficiency is difficult to measure when the planned reforms have not been fully accomplished. It also notes the improvement in Bank supervision and M&E implementation that occurred following the restructuring. However, a serious weakness is that the ICR did not carry out a split evaluation, as is required when there is a formal revision in the PDOs and key associated outcome targets. In addition, the ICR could have elaborated more on the political economy factors blocking the project launch and the passage of legal instruments underpinning the set-up of institutions created with the support of the project. The ICR could also have clarified that the original objective in Section B.2 of the PAD had been different from the one in the Financing Agreement. Following the restructuring, the objective as stated in the Financing Agreement prevailed, but with significant changes in key associated outcome targets.

a.Quality of ICR Rating : Unsatisfactory