Report Number: ICRR13755

IEG ICR Review

Independent Evaluation Group

1. Project Data:			Date Posted: 11/17/2011	
Country:	Madagascar			
Project ID:	P072160		Appraisal	Actual
Project Name:	Mg - Prviate Sector Development Ii	Project Costs (US$M):	29.65	26.78
L/C Number:	C3567	Loan/Credit (US$M):	23.80	23.24
Sector Board:	Financial and Private Sector Development	Cofinancing (US$M):		
Cofinanciers:		Board Approval Date:		08/28/2001
		Closing Date:	06/30/2006	12/31/2010
Sector(s):	Central government administration (95%); General finance sector (2%); General industry and trade sector (2%); Micro- and SME finance (1%)			
Theme(s):	State enterprise/bank restructuring and privatization (40% - P); Regulation and competition policy (40% - P); Small and medium enterprise support (20% - S)			

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2. Project Objectives and Components:

a. Objectives:

The project appraisal document (PAD) states the objective as "to enable the Government of Madagascar (GOM) to improve access, reliability, and affordability of key utilities, including transport. The objectives will be achieved by: (i) completing the divestiture of four key state-owned enterprises (SOEs) and 30 small and medium-sized enterprises as well as liberalization reform in corresponding sectors (agro-industry, air transport, energy, finance, and telecommunications), thereby improving efficiency of the companies and creating opportunities for new private entry and investment; and (ii) strengthening the capacity of GOM to regulate sectors in which private participation is sought." (p. 2)

The development credit agreement (DCA) states the objective as "to assist the Borrower to improve access, reliability and affordability of key utilities, through completion of the divestiture program of key state-owned enterprises, and capacity building initiatives to strengthen the capacity of autonomous regulators and privatization agencies, and facilitate entry of new operators in the deregulated sectors." (October 5, 2001, Schedule 2, no page number)

The Board approved a restructuring of the project in November 2002 and April 2005. The Memorandum of the President (MP, October 22, 2002) stated the objectives as "to assist Madagascar to improve access, reliability, and affordability of key utilities, through completion of the divestiture program of key state-owned enterprises, and capacity building initiatives to strengthen the capacity of autonomous regulators and privatization agencies, and facilitate entry of new operators in the deregulated sectors and increase the competitiveness of Malagasy companies (MP, pars. 96 and 99).

To evaluate project performance this review takes the objectives defined in the DCA and modified in

the Memorandum of the President. They are more specific than the PAD objectives and better suited to evaluate project performance.

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: 11/12/2002

c. Components:

The original project consisted of three components.

Component 1- Regulatory and capacity building : The component would: (a) provide hands-on support to strengthen the regulatory capacity of the three autonomous regulators for the air transport, petroleum and telecommunications sectors; (b) help build in-house capacity of the Center for Facilitation of Enterprise Creation (CFEC); and (c) strengthen the financial system, in particular the insurance sector. Estimated cost at appraisal: US$11.79 million; actual cost: US$4.30 million; original Bank financing: $8.95 million. Annex 1 of the ICR presents cost estimates for the other three amendments of the project.

Component 2 – Transaction Implementation : The component would finance: (a) technical assistance (TA) to strengthen the Privatization Secretariat (STP for its acronym in French); (b) expertise services to manage the process of selling shares of the Privatization Trust Fund to local investors; and (c) advisory services to support the completion of privatization of the remaining key companies and small and medium-sized enterprises of the current privatization program: telecommunications, the main airports, and agro-industrial companies (sugar, cotton). Estimated cost at appraisal: US$16.12 million; actual cost: US$12.77 million. Annex 1 of the ICR presents cost estimates for the other three amendments of the project.

Component 3 – Developing new private sector development (PSD) activities : The component would finance: (a) support to the operational set up of the Office of Micro and Small Enterprises (OMPE for its acronym in French), a center recently created to coordinate activities of micro and small enterprises and to provide services to support their efficient development; and (b) formulation of strategies to support the implementation of the Interim Poverty Reduction Strategy Paper (I-PRSP). Estimated cost at appraisal: US$1.73 million; actual cost: US$8.69 million. Annex 1 of the ICR presents cost estimates for the other three amendments of the project.

The Board approved restructuring the project in November 2002 and April 2005. For the first restructuring the Government requested IDA to restructure the project to: (i) strengthen its capacity to accelerate and implement the privatization process o f Telecom Malagasy (TELMA), Sugar Company (SIRAMA), Cotton Company (HASYMA), Railroads Malagasy (RNCFM), and International Airport of Antananarivo (IVATO); (ii) support private sector growth by improving access to working capital finance through the use of guarantees; and (iii) improve the overall investment climate. The restructuring led to dropping some sub-components and adding others. For the second restructuring the government proposed to use savings in the project to finance two additional sub-components: (a) Madagascar's initial contribution to the insurance facility managed by the African Trade Insurance Agency (AFTI); and (b) technical assistance facility for small and medium enterprises in cooperation with IFC. While elements of the components changed, neither the Memorandum of the President (November 2002) nor the amendment of the development credit agreement of April 2005 provided results indicators for the activities added to the project. The following table summarizes the changes in the sub-components after the first and second restructuring.

Summary of changes to project			
Component and sub-component	Project Appraisal	Restructuring	

		November 12, 2002	April 18, 2005
1 - Regulatory capacity building			
Petroleum regulator (OMH)	X	X	X
Telecoms regulator (OMERT)	X	X	X
Civil aviation authority	X	Dropped	Dropped
Center for Facilitation of Enterprise Creation (CFEC)	X	Dropped	Dropped
Strengthening of the financial system	X	Dropped	Dropped
2 - Transaction implementation			
Institutional capacity (STP)	X	X	X
Local ownership scheme (PTF)	X	X	X
Privatization transactions	X	X	X
3 - New PSD Activities			
Center for the promotion of micro and small enterprises (OMPE)	X	Dropped	Dropped
PSD Strategies in support of PRSP	X	Dropped	Dropped
One Stop Shop (GUIDE)		X	X
Develop EPZs		X	X
Trade and Investment promotion		X	X
Support to the tourism sector		X	X
CAPE / PPD forum		X	X
African Trading Insurance (ATI)			X
SME support (BPI)			X
Source: ICR, Table 3. Note: X means sub-component included in project			

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

Total estimated cost at appraisal reached US$29.65 million, of which IDA would finance US$23.80 million and the government US$5.85 million. Actual project cost reached US$26.78 million, of which the Bank financed US$23.24 million and the government US$3.54 million. The project was restructured four times (2003, 2005, 2006, and 2007) and its closing date extended three times. The planned closing date changed from June 30, 2006 to December 31, 2010. As a result of the restructuring, the contribution of the Bank changed from 80 percent of estimated project cost to 87 percent of actual costs.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

In the 1990s the government changed the legal business environment to encourage private sector development. It liberalized markets and privatized some 50 state-owned enterprises (SOEs), including eight of the largest and two financial institutions. The reforms helped to improve the business environment, but key constraints to private sector development remained, as exemplified in the findings of a survey carried out by the Foreign Investment Advisory Service (FIAS). The survey found: (a) negligible private investment, low quality and high cost of service in the utilities, transport, manufacturing and agroindustrial sectors, where SOEs had significant presence; (b) low capacity of the regulatory agencies to perform their oversight functions and low compliance with technical, economic and environmental regulations in liberalized sectors; (c) wavering commitment by the government to the institutional framework for divestiture of SOEs; (d) cumbersome procedures for companies to enter and exit businesses; and (e) weak response of the private sector to the sale of

government assets and the new business opportunities the liberalization created. These problems and their solutions had been noted in the 1997 CAS and in Madagascar's IPRSP of 2000. The FY07-11 CAS supported removing constraints to investment and improving the scope and quality of service delivery. The objectives of the project were coherent with those of the CAS and the IPRSP. The objectives had ***substantial*** relevance.

b. Relevance of Design:

The PAD lacked a good diagnostic of the causes of the problems and, consequently, it failed to produce a good results framework that could lead to achieving the operation's objectives. While SOEs could be associated with low-quality and high cost of services, the weak response of the private sector to the sale of government assets and new business opportunities indicated that something more serious and fundamental was amiss. The PAD did not look at what generated the private sector's apathy to invest and the actions it supported (project components) could not deal with the problem at hand. The problem of weak initial design was compounded by the redesign of the third component, new PSD activities, which, as the ICR notes, "lacked in terms of demand analysis and few interventions did effectively address the 'competitiveness' of Malagasy companies". With new activities the project lost more focus and its design lost relevance. Therefore, the relevance of design was, at best, ***modest***.

4. Achievement of Objectives (Efficacy):

To assess achievement of objectives the review follows the ICR and divides the objective in two sub-objectives: (a) improve access, reliability, and affordability of key utilities; and (b) increase the competitiveness of Malagasy companies. To assess achievement of objectives, this review assesses efficacy against the revised objectives.

1. Improve access, reliability and affordability of key utilities

Components 1 and 2 supported this objective. Component 1 financed consultant services, purchase of goods, and payment of training services to help build capacity and improve the regulatory capacity in the offices regulating hydrocarbons (OMH) and telecommunications (OMERT). Component 2 financed: (a) technical assistance to build institutional capacity in the Privatization Secretariat (STP), (b) financial advisory services to the Privatization Trust Fund (PTF) for the sale of shares to local investors, and (c) advisory services to help the government privatize the remaining key companies (telecoms, main airports, sugar, and cotton) and small and medium-sized enterprises.

Telecommunications: The main activities consisted of TA to OMERT, advisory services to design a rural telecom policy and funding mechanism and support for the privatization process of TELMA. OMERT received technical assistance and as a result has better capacity but lacks autonomy. There is no evidence that OMERT impacted the market for telecom services. The main results in the telecoms sector were:

- **Mobile phone**. The service improved access, reliability and affordability. The number of telephone lines (fixed and mobile) per 100 inhabitants rose from 0.8 percent in 2000 to 26 percent according to data from the International Telecommunications Union (ICR, p. 37). Most of the increase happened in mobile phones with some five million phone users according to TELMA. The price of a 3-minute local call fell from $3.19 in 2000 to $0.45 in 2006 (ICR's latest information), exceeding the fall set for the benchmark countries ($0.57 in 2000 and $0.68 in 2006).
- **Fixed lines**. The reliability of the service improved but access and affordability improved less than expected. The annual fault rates fell from 79 percent in 2000 to 36 percent, and the faults cleared the next working day increased from 32 percent in 2001 to 55 percent in 2006.These results can be a result both of TELMA's efforts to improve its service as well as to a fall in the demand for

fixed line services, where consumers use less than 10 percent of the installed capacity (ICR, p. 35 for numbers). Fixed line subscribers, about 200,000, more than doubled during the project's life but that increase cannot be attributed to the project either. The price of a 3-minute local call fell from $0.45 in 2000 to $0.18 in 2006 (ICR's latest information), but still remains higher than the benchmark countries ($0.05 in 2000 and $0.09 in 2006); moreover, in 2009 Madagascar ranked 156 out of 161 countries in ITU's price basket for ICT services (fixed, mobile, internet).

- **Internet**. Internet users increased from 30,000 in 2000 to 316,100 in 2008. The PAD defined the indicator as number of subscribers but there is no information on how many subscribers there are. On accessibility the ICR has a graph showing Madagascar in 2009 as one of the most expensive places relative to its GDP per capita; the ICR does not inform on how the price of the service changed between 2000 and 2010.

The project also helped to improve the regulatory capacity of OMERT.

Petroleum: The project financed: (a) the purchase of advisory services, works and goods to strengthen the regulatory capacity of Madagascar Petroleum Office (OMH); (b) legal and technical advisory services to (i) carry out an environmental audit of the petroleum sector prior to privatizing the National Oil Company (SOLIMA); (ii) monitor compliance with the resettlement action plan for squatters on the oil pipeline in Tamatave (Madagascar's main port) ; and (iii) develop environmental regulations, and monitor the application of environmental standards and regulations; and (c) purchase of equipment and the construction of civil works for establishing a laboratory to measure and monitor compliance with environmental standards. The above activities had little relation with access, reliability and affordability and other performance indicators of the project.

On results this review notes that the people in Madagascar have **access** to petroleum products, but the ICR does not inform on whether access improved as a result of the project. The organization of the industry suggests there is little competition, which might be affecting access. One company owns the single storage facility in Tamatave that handles 95 percent of Madagascar's petroleum consumption and four large retailers (Galana, Jovenna, Shell and Total) manage service stations and market petroleum products. The ICR claims, based on anecdotal evidence, that r**eliability** has improved because oil quality is higher and consumers have more choice. It also claims that the liberalization process increased the security of supply but does not present evidence to support the assertion. It also notes that OMH claims there are no fuel shortages. On **affordability**, prices in 2002 and 2008 were among the highest in Africa's 43 countries. The high prices result in part from high transport costs, taxes (20 percent of VAT and 17 percent for other taxes), and possibly from the organization of the industry: storage monopoly and limited logistic options. In the last three years of the project's life prices increased sharply, faster than international ones; this suggests that the increase has little to do with taxes and more with the organization of the industry.

The project also helped to improve the regulatory capacity in OMH.

Privatization Secretariat (STP) and divestiture program : The project financed TA to help strengthen in-house capacity in STP to ensure successful management of upcoming complex transactions such as the concession of main airports and the sale of TELMA. STP received the TA and strengthened its capacity. STP became essential for the privatization and liquidation of companies, but the government dismantled it after the project closed.

On divestiture the project supported the privatization of key companies (telecoms, main airports, sugar, and cotton) and small and medium-sized enterprises. Of the ones identified for privatization, the government sold the cotton (HASYMA) and telecoms (TELMA) companies but neither sold the sugar company (SIRAMA) nor the international airport of Antananarivo. The government decided to not sell the other seven companies slated for privatization. For the other public enterprises included in the plan, the government liquidated 27 companies but it has to clear the debt to creditors for 12 of them. The government also suspended two companies and transferred other six to the Ministry of Finance. The PAD did not define what was expected from these actions, and the ICR did not indagate their impact on access, reliability and affordability or other outcome resulting from their sale or

liquidation.

The project also financed expertise services to help the Privatization Trust Fund (PTF) to develop a local ownership scheme whereby PTF sells shares to local investors of targeted private enterprises. The sale of shares to local investors has not materialized.

Efficacy in achieving this objective was *modest*.

2. Increase the competitiveness of Malagasy companies

This objective was supported by Component 3, which the development credit agreement listed as support for new initiatives of the private sector (Schedule 2, part C). The first restructuring (2002) abolished the initial sub-components and added four; a second amendment (2005) added two other sub-components. The subcomponents financed activities that sought to develop export processing zones, strengthen Madagascar's image to attract foreign direct investment (FDI), support the tourism industry, develop a long term strategy on private sector development issues, support Madagascar's participation in the insurance facility that the African Trade Insurance Agency managed, and support a technical assistance facility that would complement investments made by the SME Risk Capital Fund (ICR, p. 7).

The ICR notes that the export processing zones, the support for the tourism sector, the insurance facility and the SME Risk Capital Fund did not materialize, were insufficiently designed or were not in demand, so they had no impact on Madagascar's development. Some private investment took place and the project implementation unit (PIU) recorded 37 cumulative cases at the end of 2009 against a target of 51; IFC and partners financed the investments (US$2.4 million in 2007 to US$6.6 million by September 2010) and the project financed the technical assistance. In summary, the review agrees with the ICR's conclusion that "there is no evidence that the project helped increase the competitiveness of Malagasy companies", and that "it is impossible to establish any causal link between these activities and the 'competitiveness of Malagasy companies".

Efficacy in achieving this objective was *negligible.*

3. Main outcome indicator

The project did not achieve its main outcome indicator: "private investment in the targeted sectors increased by US$100 million annually from 2004 to 2007".

5. Efficiency:

The project had modest efficiency. Component 1, regulatory capacity building, cost US$4.3 million and accounted for about 17 percent of total project costs. As the targets in Telecoms were exceeded and the environmental impact assessment of SOLIMA helped to treat the sludge in dumping sites in Toamasina (Tamatave) it could be argued that efficiency was substantial for this component. Component 2, transaction implementation, cost US$12.8 million and accounted for 49 percent of project costs. According to the ICR the net present value of net revenues from privatization varies between 39 and 34 Malagasy Ariari (MGA), about US$18 or US$15.6 million. These numbers indicate that it cost between 70 and 82 cents to generate one dollar of net revenue, which suggests a low efficiency of the project in achieving its goal. Component 3, new PSD activities, cost US$8.7 million and accounted for 34 percent of project costs. It delivered negligible results and four of its six sub-components did not materialize or its services were not demanded. Overall efficiency of the project is rated ***modest***.

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		%	%
ICR estimate		%	%

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

6. Outcome:

The project's main achievements were the improvement in access, reliability and affordability in telecoms and petroleum, the building of capacity in the regulatory agencies, and the privatization of TELMA and HASIMA. The project failed in privatizing the sugar company (SIRAMA) and the airport of Antanarivo, in increasing the competitiveness of Malagasy companies, and in enforcing an agenda of competition in the telecoms and petroleum sectors. The project also suffered heavily from design weaknesses. Its overall efficiency was modest.

a. Outcome Rating : Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

The review considers the risks of reversing the outcomes achieved to be moderate. In part this is so because they were limited. On *regulatory capacity*, the government built significant technical expertise in OMH and OMERT, the agencies regulating the petroleum and telecoms sectors, but has not given them autonomy to operate. OMH regulates a sector serviced by a small number of players who could prevent it from carrying out its functions. OMERT, on the other hand, could be less restrained by the power of the parties it regulates, but that remains to be seen: that Malagasies still pay high prices for their telecom services possibly reflects the balance of power of the telecom companies relative to OMERT. The government also built STP but left it without staff starting May 2011, letting it wilt; therefore, some of the positive institutional developments have been already lost. On *privatization* it is unlikely that the most important divestitures, like in telecoms, be reversed, as consumers will demand at least to maintain the benefits they enjoy today. On petroleum the number of operators is unlikely to fall below today's number; also, and given the volatile politics there is a low likelihood of foreign investment swamping the sector. Liquidated and privatized companies are likely to remain as such, because the government lacks the resources to revive them or buy them back. On *private sector development activities* the project achieved little, but insecurity of financing for the Economic Development Board of Madagascar, established with support from the project, endangers the sustainability of its performance.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The Bank identified the aspects that exemplified the poor performance of the private sector but did not probe in depth the reasons for that performance. Paying insufficient attention to the causes of that performance contributed to the weak results framework and the even weaker results indicators. The Bank identified the critical risk elements that could prevent the success of the project, especially government commitment to reform, weak capacity of government agencies, and local opposition to reform, but overlooked an important one. With looming elections it overlooked the risk of a new administration arriving with new priorities and policy objectives, as it eventually happened. Last, in the first restructuring the Bank agreed to drop some components and accepted to include new sub-components that had an unclear relation to the project's development objectives.

Quality-at-Entry Rating : Moderately Unsatisfactory

b. Quality of supervision:

The Bank provided adequate resources to supervise the project but this was insufficient for the project to benefit from the supervision effort. Supervision was uneven in intensity, which prevented the Bank from restructuring the project when the circumstances demanded. The records suggest that staff supervising the project knew well of the issues affecting implementation and provided sound recommendations to improve project performance. Supervision reports, though, could have been more forceful and their ratings could have reflected project performance better if staff had paid more attention to outcomes than to outputs. The ICR notes that the project was allowed to run for too long and the Bank did not use the opportunity of the mid-term review to restructure it.

Quality of Supervision Rating : Moderately Satisfactory

Overall Bank Performance Rating : Moderately Unsatisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The political crisis that broke when the project started had a serious impact on project results . The new government that took over was unwilling to implement the agreed agenda. One casualty of it was the privatization program, where only HASYMA and TELMA were privatized. Another one was the government's refusal to transfer more than a small proportion of the agreed assets to the Privatization Trust Fund, weakening the goal of broadening local ownership of companies . OMH and OMERT, the regulatory agencies, were strengthened technically, but they never had the necessary autonomy to carry out their functions. Last, the government failed to resolve implementation issues on time, among others disbursing counterpart funds in the early years of the project.

Government Performance Rating Unsatisfactory

b. Implementing Agency Performance:

Two phases can be distinguished. During the first half of the project's life the PIU was a bloated bureaucracy which worked slowly and ineffectively, appointed an inexperienced person to monitor M&E, and failed to pay consultants on time, thereby affecting project performance. During the second half of the project's life the agency was committed to administering the project and achieving its objectives. It consulted with beneficiaries and stakeholders for the privatization and liquidation of companies, as well as trade and investment promotion. The PIU followed the agreed guidelines for privatization as well as those for preparing environmental audits and studies . Last, the PIU arranged for proper transition arrangements, including preparing a detailed account of project failures and achievements.

Implementing Agency Performance Rating : Moderately Satisfactory

Overall Borrower Performance Rating : Moderately Unsatisfactory

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

a. M&E Design:

The PAD lacked a good set of outcome indicators, with the exception, perhaps, of those in the telecoms sector. The ICR argues that after the November 2002 restructuring the Bank added new performance indicators, but the reviewers could not find them in the Memorandum of the President that presented the case for restructuring of several loans, including this one. Even if the indicators were drawn, the ICR notes that the M&E framework remained weak.

b. M&E Implementation:

At first, the PIU hired someone without experience in M&E to carry out this function. After the mid-term review the PIU hired someone with a better idea of monitoring project performance and collecting data according to the indicators. Most of the indicators collected measured outputs or intermediate inputs rather than outcomes.

c. M&E Utilization:

There is little information on whether data were used to affect project implementation, but the discussion of M&E in the ICR suggests that this function was underutilized. Specifically, the ICR notes that "a general lack of data left the M&E function underutilized".

M&E Quality Rating : Negligible

11. Other Issues

a. Safeguards:

The project was rated environmental category B and the Bank's environmental assessment safeguard (OP 4.01, BP 4.01, and GP 4.01) applied to it. After consulting with stakeholders the government conducted an environmental pre-audit for each listed privatization candidate, and carried out environmental audits for ADEMA, HASYMA, SIRAMA and the National Oil Company of Madagascar (SOLIMA). SOLIMA had the largest environmental impact. In response to the audit of SOLIMA the new private companies, Galana in particular, were charged with doing the environmental cleanup, which was required to take care of the problems linked to the main pipeline and the old refinery. The ICR does not report about the impact of the other audits.

b. Fiduciary Compliance:

The PIU followed the rules, procedures and guidelines for procurement but had difficulty in respecting the payments schedules, especially in the first years of the project when counterpart funds entered sporadically. The PIU cleared outstanding arrears during the last two years of the project and produced a complete report of its accounts that was used as input for the preparation of the ICR.

c. Unintended Impacts (positive or negative):

There is no information to estimate the impact of the project on poverty, but two potential impacts should be pointed out. First, Malagasies have access to better and cheaper telephone services than

ever before. Mobile phone services have made great inroads in the country, and the ICR notes that there are more than five million users of mobile phones. Ten years ago one out of 100 people had a mobile phone while today more than one in four people have it; also, the cost of a three minute phone call today is about one tenth of what it was in 2000. Access in price and quantity has increased substantially, with a gain in welfare that is proportionally larger for the poorer than for the richer. Second, divesting of loss making enterprises reduces the drain in the budget of resources that can now go to finance expenditures in health and education.

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Moderately Unsatisfactory	Moderately Unsatisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance :	Moderately Unsatisfactory	Moderately Unsatisfactory	
Borrower Performance :	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of ICR :		Satisfactory	

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:

The experience of this project shows, once again, that:

- Neglecting potential changes in the political conditions and, as a result, in the ownership of reform can be extremely costly for the success of the project.
- Complex project design in countries where the government lacks a good implementing capacity is likely to lead to problems in implementation and underperformance in results; and
- A weak monitoring and evaluation framework is a liability for project implementation.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR is of excellent quality both for the information presented and its analytical content. Despite the legacy of poor indicators and almost a non-existent M&E framework, the ICR gathers sufficient information to analyze the potential impact of the project. Also, the ICR assesses in a candid manner the shortcomings in project preparation and implementation and in Bank and Borrower performance; the sections dealing with these issues would have been even better if the ICR had assessed them in a

simpler and direct manner.

Two minor shortcomings should be noted: the ICR uses the wrong rating scale for efficacy (e.g., satisfactory instead of substantial) and it failed to translate the Borrower's ICR from the original French. Despite these shortcomings the ICR made an excellent review of the implementation of the project and succeeded in getting indicators that could shed some light on what the project achieved . The ICR quality rating would have been exemplary without the two shortcomings.

a.Quality of ICR Rating : Satisfactory