Report Number : ICRR0020728

1. Project Data

Operation ID	Operation Name
P149886	Solomon Islands Recovery DPO
Country	**Practice Area(Lead)**
Solomon Islands	Macroeconomics, Trade and Investment

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-H9980	31-Dec-2015	5,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
21-Nov-2014	31-Dec-2015	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	5,000,000.00	0.00
Revised Commitment	5,000,000.00	0.00
Actual	4,580,994.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Policy Areas

a. Objectives

"The program development objectives (PDOs) of the operation include: i) improved management of public expenditure and debt; ii) strengthened management of extractive industries; and iii) better conditions for private sector investment (Program Document [PD], p. iii).” This review will assess the program against these three objectives.

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

of the series?
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c. Pillars/Policy Areas

The operation had three pillars.
Under the first pillar of improving management of public expenditure and debt, the operation supported measures to improve: (i) the financial management of SOEs, and (ii) the allocative efficiency in the education sector. Under the second pillar of strengthening the management of extractive industries, the operation supported measures: (i) to improve revenue transparency from extractive resources and (ii) to bring a transparent and predictable revenue regime for extractive industries. Under the third pillar of improving conditions for private sector investment, the operation supported a more transparent process for land transactions.

d. Comments on Program Cost, Financing, and Dates

The Loan was approved by the Board on 11/21/2014 and became effective as planned on 03/03/2015. The loan closed as scheduled on 12/31/2015. The loan, which was initially approved for an amount of $5,000,000, was disbursed for an amount of US$ 4,580,994 in a single tranche. The ICR doesn’t explain the reason for the difference.

3. Relevance of Objectives & Design

a. Relevance of Objectives

Country conditions: The major flooding in April 2014 caused widespread destruction of businesses, houses and public infrastructure, which heavily affected private and public sector activities. The operation, which was part of a larger Bank and donor response to the floods, aimed to fill the government revenue gap, support recovery expenditure, enhance private sector investment, and ensure the cash balance didn't fall below the limit established under the International Monetary Fund (IMF) program.
Country Development Priorities: The objectives were relevant to the 2011-20 National Development Strategy and supported the Economic and Financial Reform Program (EFRP) which assembled through a consultative process with the core economic working group (CEWG) various policy actions of the Strategy. Over time the EFRP has evolved from an historical focus on PFM reforms to include structural reforms to support inclusive improvements in living standards. At time of closure of the DPO, the EFRP had.s adopted a stronger focus on economic growth. The objectives supported by this operation are relevant to ensure continued progress in fiscal management and sustainability but also to boost growth.
Alignment with CPS priorities: The objectives were also relevant to the CPS engagement areas: strengthening economic resilience; and improving public service provision. The operation supported in particular sub-objectives and related outcomes under the economic resilience pillar, such as: (i) the quality of spending, including revised scholarship policies that are expected to contribute to a reduction of the deviation from original budget allocation, (ii) economic diversification through Extractive Industry Transparency Initiative (EITI) certification and an updated mineral law and regulation to develop the mining industry, which is

considered as a key driver of future growth given the projected decline of the logging industry, and (iii) strengthened business climate through land reforms. Access to land is cited by businesses as an important constraint to private sector activity.

Rating
High

b. Relevance of Design

The assessment of the relevance of design focuses on the following dimensions: (1) prior actions, (2) macroeconomic framework, (3) lending instruments.
Prior actions were overall well designed and linked to objectives, but three out of five of these measures were similar to structural actions supported by a parallel IMF program. The ICR doesn't provide information on the rationale for these parallel conditionalities, hence their value added is questionable.
(i) Relevance: Prior actions (PAs) were aligned to the objectives and associated outcomes. SOEs play a vital role in the Solomon Islands (SI) as in most small states, but are often poorly managed, resulting in large accumulated debt in the absence of explicit controls. Hence, establishing new policies to guide on lending and issuance of guarantees (PA1) was key to ensure debt sustainability while allowing SOEs to access financing to meet service expansion goals. Implementing new procedures for the approval of tertiary scholarship was critical to improve overall budget execution as well as allocative efficiency, since large overspending on scholarships in 2013 had undermined the implementation of the National Education Action Plan for the early childhood and basic education sub-sectors. The January 2014 IMF review also underlined that tertiary scholarship expenditures were crowding out other priority spending. The adoption of a new tax regime for mining (PA4) was also vital to foster growth and create an attractive enabling environment for new mining investment in the face of declining revenues from logging over the medium term. Accessing urban land was commonly cited as a barrier to operation and expansion and also imposed broader social costs in the context of rapid urbanization, hence PA5, which called for the adoption of the Land and Titles (Amendment) Act, was relevant to improve conditions for private sector investment.
(ii) Institutional depth: This operation was a standalone DPO, but most PAs sought to consolidate results under the policy areas targeted in the previous DPO or to build intermediate steps toward meeting CPS outcomes. For example, PA1 on SOE borrowing follows actions supported in the previous DPO series to address accumulated debts of SOEs through debt swap arrangements, and to improve financial management through the establishment of explicit community service obligation subsidies to SOEs in the annual budget. The submission of the first EITI report follows key steps towards EITI implementation supported by the previous DPO series (PA3). But the institutional depth of some PAs was weak. For example, the level of approval of PA2 on scholarship policy was too low. Cabinet endorsement for this highly political issue would have been stronger than approval by the National Education Board.
(iii) Additionality of PAs supported by this DPO is questionable in some cases. Three out of five PAs concern policy areas were already supported by the IMF program. Firstly, the IMF program supported a trigger to "submit to Cabinet the instructions for SOE borrowing". This benchmark (not met in March 2013) was rescheduled and met in June 2013 (IMF country report No 14/12, January 2014, table 2 p42)(http://www.imf.org/en/publications/cr/issues/2016/12/31/solomon-islands-staff-report-for-the-2013-article-

iv-consultation-and-second-review-under-41262). Secondly, the IMF supported a benchmark "to obtain cabinet approval for revamped policies for tertiary scholarship" for end January 2014. This benchmark was part of the IMF program when the DPO was prepared but remained unmet during the last review of the IMF program by end April 2015. Thirdly, the IMF program supported a trigger to "obtain Cabinet's approval of a draft amendment to income tax, customs and excise tax, and goods tax legislations related to the new mining tax regime in line with IMF TA recommendations". It is unclear how this trigger is complemented by Prior Action no. 4: "passing an amendment to the Mines and Minerals and the Income Tax Acts". The IMF trigger proposed in June 2013 was finally fully met in July 2014 according to the IMF program. However, the amended mines and minerals act had loopholes since it didn't cover all minerals. The Bank remained engaged after project closure to address the shortfall in legislation. The ICR only mentions some IMF TA on the tax regime but doesn't provide rationale for this parallel conditionality.
The PAD states: "IMF relies on IDA for advice and assistance on issues such as sector strategies, human development challenges, and private sector development." This suggests that even if there were some elements of parallel -conditionality, the DPO policy actions could have been justified by giving the Bank a seat at the policy table to make the case for these actions. The ICR doesn't include additional information that could justify these parallel policy actions. The ICR team was not responsive to the ICRR Evaluator's repeated requests that asked for clarification on these issues.
(iv) Measurability: Overall, the results to which most prior actions was contributing provided an adequate measure of the intermediate outcome within the timeline of the DPO. However, two out of seven indicators were poorly linked to the objective. The proportion of on-lending and guarantees to SOEs endorsed by the Debt Management Advisory Committee is not an adequate measure to assess whether Government provides on-lending and guarantees to SOEs only for high value projects. The indicators linked to the control over scholarships did not go far enough to measure precisely the improvement in the execution of the sub-items within this budget line.
Macroeconomic Framework: There was an adequate macroeconomic framework at appraisal. The Central Bank monitored closely price impacts of recent flooding. The government's fiscal framework remained sound despite spending pressure, and a widening current account deficit following a decline in gold exports and an increase in imports related to the post flooding reconstruction and rehabilitation efforts. The Solomon Islands (SI) government maintained an adequate macroeconomic framework during implementation of the overall program, as attested by the satisfactory completion of the review of the IMF program.
Lending Instrument: This operation was building on a programmatic series of two DPOs. Project design involved a standalone project as opposed to a programmatic series of loans. This option was driven in part by the need to provide financing to help the government meet immediate recovery needs and by the fact that a possible programmatic series would be more appropriate following elections in November 2014 and finalization of a new Economic and Financial Reform Plan. This operation was informed by adequate analytical work.
Conclusion: The project design targeted relevant policy areas and was based on a clear and logical results chain. However, as three out of five prior actions seemed to represent parallel conditionality with the IMF program with questionable value added, the overall relevance of this operation is modest (Note that the ICR doesn't propose a rating for relevance).

Rating

Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Improved management of public expenditure and debt

Rationale

The operation contributed to improving the management of debt through the adoption of an on-lending and guarantee policy for SOEs. Since the adoption of this policy, all new guarantees and on-lending proposals have been processed by the Debt Management Advisory Committee and are subject to a robust evaluation process (ICR, section 3.2 i). The ICR mentions two projects reviewed but doesn't indicate the number of new borrowing and guarantees granted since the adoption of the policy and whether the selected projects were of high value. The updated 2016 debt sustainability analysis, which now incorporates risks from natural disasters and climate change, concluded that the debt distress rating remains at a moderate level, thus achieving the PDO indicator target.

The operation also supported an improvement in the management of public expenditure, but to a lesser extent than initially envisaged. The government introduced new policies and procedures to address administrative aspects of scholarship awards, created a national scholarship division and established a scholarship management and information system to track, control and manage scholarship expenditure. As a result, the aggregate scholarship budget was overspent by merely 0.6% in 2015 against 101% in 2013, thus achieving the PDO indicator target. Yet the ICR noted that this masks considerable variation in actual spending against original budget allocations in domestic (+72.4%) and overseas (-20.3%) scholarship awards. The system can track gender targets for tertiary education scholarship awards but the ICR team couldn't verify whether the ministry's own gender related target was met. In addition, the new scholarship policy and procedure which will be part of the SI Tertiary and Skills Authority Act had yet to be approved by Parliament in early 2017.

These targets were achieved with support of prior actions leading to adoption of new policies on on-lending, guarantees, and scholarships. The Bank was engaged in policy dialog with the government, helping to ensure that the prior actions and related work contributed to achieve the objective of improved management of public expenditure and debt.

Rating

Substantial

Objective 2

Objective

Improvement in the management of extractive industries

Rationale

The operation contributed to achieve greater transparency around revenue derived from extractive industries through the publication of the first EITI report. The ICR noted that two out of six companies involved in the EITI failed to submit their reporting to the reconciler; as a result the authorities reported on receipts received from those two companies unilaterally. Consultations were held in 2014 and 2015 in five provinces to build public awareness and involvement around the utilization of natural resource rents, thus meeting the PDO indicator target. EITI findings were also discussed during Anti-Corruption Day events, and the 2015 EITI conference helped gather stakeholder views to improve EITI implementation. The full impact of this reform should be quantifiable over time.

The implementation of a transparent and predictable mining regime as a first step towards establishing a regulatory environment capable of attracting sustainable new mining investment and ensuring the adequate capture of mining benefits was still lagging at project closure. The amended Mines and Mineral Act states a clear articulation of benefit sharing arrangements and requires the establishment of a Mining Royal Special Fund for royalties from specified minerals. But, the fund was not established during the program implementation period. Moreover, the legislation excluded the most critical minerals (gold, silver, copper, nickel, bauxite and iron ore). Hence reporting the balance and transfers into the Mining Royalty Special Fund (targeted result) became meaningless. To date because of the cessation of production by the only operating (gold) mine, there has been limited implementation of the new mining tax regime. At the time the ICR was prepared, the Bank continued to engage with the government to address the key shortfalls in the legislation so that the reform could bring the desired results over the medium term.

The PDO target achieved on EITI provincial consultations helped to raise awareness on submission of an EITI report, which was in turn supported by a prior action. Experience in other countries suggests that the EITI process can support the objective of improvement in the management of extractive industries, inter alia through building public awareness and involvement in decision making and anticorruption, and the ICR suggests that improvement is taking place.

The PDO target of reporting of transfers and balances in Special Fund in 2015 Budget was supported by the prior action calling for the adoption of The Mines and Minerals (Amendment) Act No. 6 of 2014 and The Income Tax (Amendment) Act No. 7 of 2014. However, the Mining Royal Special Fund included in the Mining Act was not established, and even if it had been, the legislation excluded the most critical minerals. Thus, the target wasn't achieved in any meaningful way. The establishment of such a fund for minerals with the largest production would be expected to contribute to achievement of the objective of improvement in the management of extractive industries. The ICR reports that the Bank is working with authorities to address the key shortcomings of the legislation, so the desired fund can be realized, albeit with substantial risks (see Section 6).

Rating

Modest

Objective 3

Objective

Improvement in the conditions for private sector investment

Rationale

The operation brought an important step forward in the administration of urban land which represents a vital priority for private sector growth and job creation. The Parliament passed the Land and Titles (Amendment) Act, shifting the responsibilities of the Commissioner of Lands regarding land allocation to a Land Board, which includes among its 13 members one representing women's interests, one representing business interests and one expert on land issues. The adoption of the Land and Titles (Amendment) Act was supported by a prior action of the DPO. Information on all transactions approved by the Land Board is now publicly available, meeting the target. Publication was initially made in the Land Board's Annual Report instead of the Ministry of Land Annual Report (targeted result) but was later published on the Ministry of Lands' website. The ICR noted that over the first year the Board met 10 times to consider over one thousand land applications, but acknowledged remaining challenges to deal with the fall-out from questionable land transactions prior to the establishment of the Board (e.g. "double allocations to more than one party, inappropriate allocation of government land to private interest and the allocation of Honiara's forest shore"). The Solomon Island Public Satisfaction Surveys suggested on going issues such as back-dating of land allocations or unofficial payments taken by officers. In summary, the adoption of the Act and greater transparency in land transactions is likely to improve conditions for private sector investment; conditions are likely to improve further as the minor implementation shortcomings are addressed going forward.

Rating
Substantial

5. Outcome

The project objectives were highly relevant, but the design of the operation presented some weaknesses. The loan provided financing for immediate recovery needs in the aftermath of the major flooding in April 2014. The operation supported important reforms of the Government economic reform program to improve public financial management, the management of extractive industries and the conditions for private sector investment. These policy areas remain highly relevant at project closure. The project was well aligned with priorities expressed in the Bank strategy, in particular under the "strengthening economic resilience" pillar. The project was based on a clear and logical results chain. But overall, the project value added was weakened by the fact that three out of five prior actions were either dated and/or similar to structural actions supported by a parallel IMF program.
The project is associated with some positive results such as contributing to maintaining

macroeconomic and fiscal stability. The project supported reforms that help the government to make progress towards sound financial management of the SOEs. In addition, the project supported greater transparency in land transactions, which is likely to improve conditions for private sector investment;
Despite these considerable achievements, in an extremely difficult context, one target under the PDO was not achieved (under the second objective). The critical Mines and Mineral Act and related income tax did not ring-fence prospective revenues from the most important minerals (such as gold, nickel and bauxite). Hence, a transparent and predictable mining regime will not be in place until a revised law, prepared through World Bank (WB) follow-up assistance after project closure, is approved by Parliament.

a. Outcome Rating

Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

The PD (paras. 76-78) had identified several broad risks which provided good coverage of issues. The ICR (section 4) briefly described the status of exogenous and endogenous risks to development outcomes at closing.
External shocks didn't affect program implementation throughout 2015 but the SI, like many small island states, remain highly vulnerable to further natural disaster which could have severe impacts on macro stability and divert already thin Government administrative capacity towards emergency operations. The reform program supports policy areas that are subject to political contestation by vested interests, including mining taxation and transparency, enhanced control of scholarship expenditures and improvement to urban land administration arrangements. As a result, reforms related to mining regime and scholarships remained incomplete at project closure. Deepening these reforms through the adoption by Parliament of the new scholarship policy or an amended legislation of the mining regime may therefore suffer from further setbacks. Despite the adoption of the Land Board to increase transparency in land transactions and reduce opportunities for corruption, surveys suggest problems including back-dating of land allocations and officers taking unofficial payments may still persist.
While the DPO was stand-alone, it was anticipated that this will be part of a broader engagement with the SI government. But following national elections in 2014, the incoming government didn't engage actively, which led to a deterioration of the high-level dialogue on economic policy between the government and key donor representatives. The ICR noted preliminary discussions for a new series that could be prepared with the Ministry of Finance and Treasury (MOFT) in FY2017 with disbursement in FY2018.
The ICR also mentioned the risk of resurgence of popular unrest in the face of continued rapid urbanization, high unemployment, poor service delivery and the breakdown of traditional safety nets.

a. Risk to Development Outcome Rating

Substantial

7. Assessment of Bank Performance

a. Quality-at-Entry

The operation was consistent with the government's priorities and the Bank's strategy. The operation was designed as a stand-alone operation, using resource from the IDA allocation and the Crisis Response Window to provide immediate cash relief to the SI government in the aftermath of the natural disaster. The program was part of a broader package of measures that the Bank supported to help the SI government respond to the flood, including the preparation of a rapid assessment of damages and losses, assistance in setting-up evacuation centers, refocusing of existing community infrastructure and urban employment creation programs toward flood-impacted communities.

The design of the operation was simple, focusing on the three reform areas linked to the government's ongoing reform program, some of which were already supported by the former programmatic DPL series. There were only few prior actions to maintain focus on critical reforms in the aftermath of the natural disaster. Yet as noted in the ICR (section 5.1), there was some shortcoming in the definition of the prior action related to changes in scholarship policies. Given the inherent politicization of scholarship awards, requesting approval of the policy by the National Education Board, rather than the Cabinet, lacked institutional depth. Indeed, by project closure, the new policy which was expected to be approved by Parliament in early 2015, had not yet passed in early 2017. Similarly, the PA on the mining regime failed to stipulate that this should include all minerals, therefore unless the Mines and Mineral Acts is amended to ring fence all prospective revenue, the PA will prove ineffective in achieving the targeted outcome. M&E indicators were in most cases adequately defined, as discussed in Section 9.

The program was based on extensive analytical studies and recommendations that were discussed and agreed upon with the government. This included inter alia, a Public Expenditure Review, ongoing work on line ministry expenditure analysis, and the 2010 SI Source of Growth Study.

The reform program was also developed in close coordination with other donors, but there was some overlap with the IMF program for three PA. The ICR doesn't provide any rationale for this parallel conditionality in the case of the SOE reforms, scholarship policy and mining regime.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank monitored closely the implementation of the reforms supported by this operation. One Implementation Status and Results Report was filed in July 2015. The ICR indicated that there was a comprehensive review performed under the annual Joint Review Mission in 2014 and regular missions to ensure continued implementation of the work program within an adequate macroeconomic framework (section 2.3). The ICR also noted strong management support and close cooperation with IMF and other donors.

The reforms targeted by the project were all supported by prior actions. After program closure, the Bank continued its engagement in the mining sector subsequent to the passing of the revised legislation to address key shortfalls in the National Mineral Policy to enable new investment over the medium term. The ICR also noted that the country team remained engaged in preliminary discussions with the authorities to prepare a programmatic series of DPOs in FY2017.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance
The ICR reported that despite the more limited high level engagement under the CEWG with the incoming government, the MOFT continued to support the actions under the program. Yet, there were some delays and/or deficiencies in the implementation of several reforms. The Cabinet only approved in 2016 after project closure the new scholarship policy and procedures endorsed by the National Education Board in July 2014. The amended legislation on mines and minerals had major loopholes since it didn't cover the revenues from key minerals including gold, nickel and bauxite. The Mining Royalty Special Fund was not established during the program implementation period. The annual report of the Land Board was not available in the 2015 annual report of the Ministry of Land but only subsequently published on its website in 2016.

Government Performance Rating
Moderately Satisfactory

b. Implementing Agency Performance
The primary implementing agency was the MOFT, which coordinated with other agencies. The Financial and Economic Development Unit within the MOFT was responsible to provide half yearly reports to the WB and other CEWG budget support partners on implementation progress against established timetables and agreed performance indicators.
The newly established units were able to implement the reforms. For example, the Debt Management Advisory Committee in the MOFT controlled the issuance of new borrowing and guarantees by SOEs. The Ministry of Education and Human Resource Development started to operationalize some aspects of the new policies and procedures for scholarship attribution but the ICR noted that full implementation was pending approval by the Parliament. The Land Board established by the Ministry of Land produced its first annual report publishing information on all land transactions. The multi-stakeholder group together with the MOFT successfully submitted the EITI reports despite difficulties in compiling and reconciling these reports.

Implementing Agency Performance Rating
Satisfactory

Overall Borrower Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Overall, the result indicators were aligned with the objectives. The indicators were specified with base line and target values. However, the indicators linked to the control over scholarship did not go far enough to measure the improvement in the execution of this budget line. Instead of focusing on the variation between aggregate scholarship budget and actual expenditure, it would have been more suitable to define it more narrowly to capture over (under) spending on individual scholarship items such as domestic and overseas scholarships.

b. M&E Implementation

Monitoring of the operation was conducted jointly between the MOFT and donors under the CEWG. Despite the more limited high-level engagement under the CEWG with the incoming government in 2015, the Financial and Economic Development Unit within the MOFT continued to closely monitor the actions supported under the program. The ICR notes close coordination with the World Bank in country office and regular missions to ensure continued implementation of the work program. Data required to monitor progress were the authorities' own data (e.g. Ministry of Finance, Ministry of Education, Ministry of Lands) and did not require DPO-specific surveys. The only exception was the IMF/WB debt distress rating. Overall, the operation's limited number of indicators and availability of required data allowed effective monitoring.

c. M&E Utilization

The ICR doesn't specifically comment on M&E utilization. It is unclear whether the authorities continue to monitor progress attributable to reforms. The Ministry of Education and Human Resource Development use the established scholarship and information system to help inform forward budget estimates. Though the Ministry had the ability to track gender targets, the ICR couldn't confirm whether the ministry had met its gender target related to tertiary scholarships.

M&E Quality Rating

Substantial

10. Other Issues

a. Environmental and Social Effects

The operation triggered none of the Bank safeguard policies. The PD (para. 68) indicated that policies supported by the operation are not likely to have positive or negative effects on the SI environment, forests or other natural resources. Land reform will only have impacts within Honiara municipal boundaries where most areas have already been developed. The PD went on to mention that actions related to transparency in mining could have a positive environmental impact by encouraging broader civil society oversight of the

mining sector.
The PD (para 64) and ICR (section 3.5) described how the proposed operation was expected to have significant positive direct and indirect impacts on reducing extreme poverty and improving living standards of the bottom 40 percent by: (i) providing vital financing for reconstruction activities to restore and expand access to services and (ii) fostering greater allocative efficiency in public spending and revenue transparency.

b. Fiduciary Compliance

The operation was carried out in compliance with the Bank's fiduciary standards.

c. Unintended impacts (Positive or Negative)

Not Applicable.

d. Other

The ICR noted that most policy actions contributed to strengthening Solomon Island's institutions which should deliver benefits over the medium and long term. This is particularly true in the area of: (i) debt management through the newly established debt management advisory committee in the MOFT, (ii) mining oversight by the EITI multi stakeholder group and (iii) land allocation through the Land Board.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Satisfactory	Moderately Satisfactory	Delays and deficiencies in the implementation of the new scholarship policies and mining regime
Quality of ICR		Modest	---

Note
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.

12. Lessons

The ICR didn't propose specific lessons learnt from this operation but discussed findings related to the challenge of preparing operations in the context of a recent natural disaster and in small states with limited capacity.
But the ICR summarized key lessons from other programmatic series of DPOs that informed the design of this operation such as the importance of: (i) integrating budget support within an aid package that includes evidence-based policy dialogue, analytical work, TA and capacity building activities, (ii) establishing close working level relationship with key government counterparts to ensure ongoing implementation, (iii) proposing a modest reform agenda of uncomplicated and politically feasible reforms for gradual reforms to create momentum for future change, (iv) effective coordination among donors in small states with limited capacity and (v) complementing policy actions with TA both for design and implementation of policy actions.
A lesson that IEG adds is, the importance of defining relevant intermediary outcome measures to enable achievement of reform targets at project closing. In the case of this operation, the full impact of reforms concerning land and extractive industries will only be visible over time.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

This ICR is a concise document but could have provided more evidence on intermediary outcomes. In particular, the expected social impact of several reforms that sought to foster resilience (under pillar 1 of the CPS) was hardly discussed in the ICR though the PD detailed how they were expected to benefit the poor. For example, the new tertiary scholarship policy was expected to improve allocative efficiency and help reallocate resources towards early childhood and education. The ICR made no reference on progress (or lack of) in allocative efficiency in the education sector. Annex 4 (summary of borrower's ICR comments) only noted that the Ministry of Education and Human Resource Development has slightly reduced the overall budget for scholarship in 2016 and 2017 but not at the level indicated by the program. The ICR described how the new borrowing and issuance of a guarantee policy for SOEs had improved debt management but it didn't discuss whether this also contributed to the selection of high-value projects, which was another intermediate targeted output.
The ICR could also have provided more on the rationale for the parallel conditionalities with the ongoing IMF program. The ICR didn't draw any specific lessons from this operation, but suggested other relevant lessons of other DPO series that informed this DP. The ICR was posted in June without the initial summary tables (A to H

data sheet which include the result framework analysis and rating) and inadequate format according to guidelines (e.g. lacking the front page, the numbering of paragraph and pages). The document had to be resubmitted in September.

a. Quality of ICR Rating
Modest