

QUALITY ASSESSMENT OF LENDING PORTFOLIO

MAIN REPORT

April 22, 2009



QUALITY ASSURANCE GROUP

ACRONYMS AND ABBREVIATIONS

AFR	Africa Region	ISR	Implementation Status and Results Report
APL	Adaptable Program Loan	KPI	Key Performance Indicators
ARAP	Abbreviated Resettlement Action Plan	LCR	Latin America and Caribbean Region
ARD	Agriculture and Rural Development Sector	M&E	Monitoring and Evaluation
ARPP	Annual Report on Portfolio Performance	MNA	Middle East and North Africa Region
CAS	Country Assistance Strategy	MRIL	Management Review of Investment Lending
CODE	Committee on Development Effectiveness	MTR	Mid-term Review
CPAR	Country Procurement Assessment Report	NGO	Non-governmental Organization
CSIA	Continuous Social Impact Assessment	OPCS	Operations Policy and Country Services
DO	Development Objective	OVP	Operational Vice-President
EA	Environmental Assessment	PAD	Project Appraisal Document
EAP	East Asia and Pacific Region	PCU	Project Country Unit
ECA	Europe and Central Asia Region	PDO	Project Development Objective
ED	Education Sector	PEC	Parent Education Committee
EMP	Environmental Management Project	PMU	Project Management Unit
EMT	Energy and Mining Sector	PREM	Poverty Reduction and Economic Management Network
ENV	Environmental Sector	PSG	Public Sector Governance Sector
FI	Financial Intermediary	PSIA	Poverty and Social Impact Analysis
FM	Financial Management	QAG	Quality Assurance Group
FPD	Financial and Private Sector Development Network	QALP	Quality Assessment of the Lending Portfolio
GAC	Governance and Anti-Corruption	QEA	Quality at Entry Assessment
GEF	Global Environment Facility	QER	Quality Enhancement Review
HDN	Human Development Network	QSA	Quality of Supervision Assessment
HNP	Health, Nutrition and Population Sector	RAP	Resettlement Action Plan
IAD	Internal Auditing Department	RETF	Recipient-Executed Trust Fund
IAP	Infrastructure Action Plan	SAR	South Asia Region
IBRD	International Bank for Reconstruction and Development	SD	Social Development Sector
IDA	International Development Agency	SDN	Sustainable Development Network
IEG	Independent Evaluation Group	SIL	Specific Investment Loan
IL	Investment Lending	SIM	Sector Investment and Maintenance Loan
INT	Integrity Department	SPF	Special Financing
IP	Implementation Progress	TAL	Technical Assistance Loan
IPP	Indigenous Peoples Plan	TF	Trust Fund
IPS	Implementing Partners	TOR	Terms of Reference
IRIS	Integrated Records and Information System	TTL	Task Team Leader
		WAT	Water Sector

ACKNOWLEDGEMENTS

The QALP exercise was managed by Anis Dani. This report was prepared by a team led by Anis Dani and included Amnon Golan, Betty Casely-Hayford and Tarranum Kohli. Contributions were also provided by specialized review teams led by Varalakshmi Vemuru (Poverty and Social Development), Tracy Hart (Environment), Bernard Donge (Financial Management), Jorge Claro (Procurement). In addition, contributions were made by Sue Berryman (Education), Eugene McCarthy (Energy and Mining), Jose Sokol (Public Sector Governance), and Nils Fostvedt (Africa). Statistical sample design and analysis were done by Melvin Vaz. Assessment logistics were managed by Betty Casely-Hayford and Maureen Serieux with assistance from Joseph Salvatore Calascione and Tarranum Kohli. Documentation was managed by Lora Marshall and Fe Cabacungan. QAG wishes to thank the panelists and task teams who participated in the QALP exercise, as well as the quality assurance staff in the regions, for their support and valuable contributions.

Xavier Legrain, Director (Acting), Quality Assurance Group, guided the overall QALP exercise effort and production of the final report.

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EXECUTIVE SUMMARY

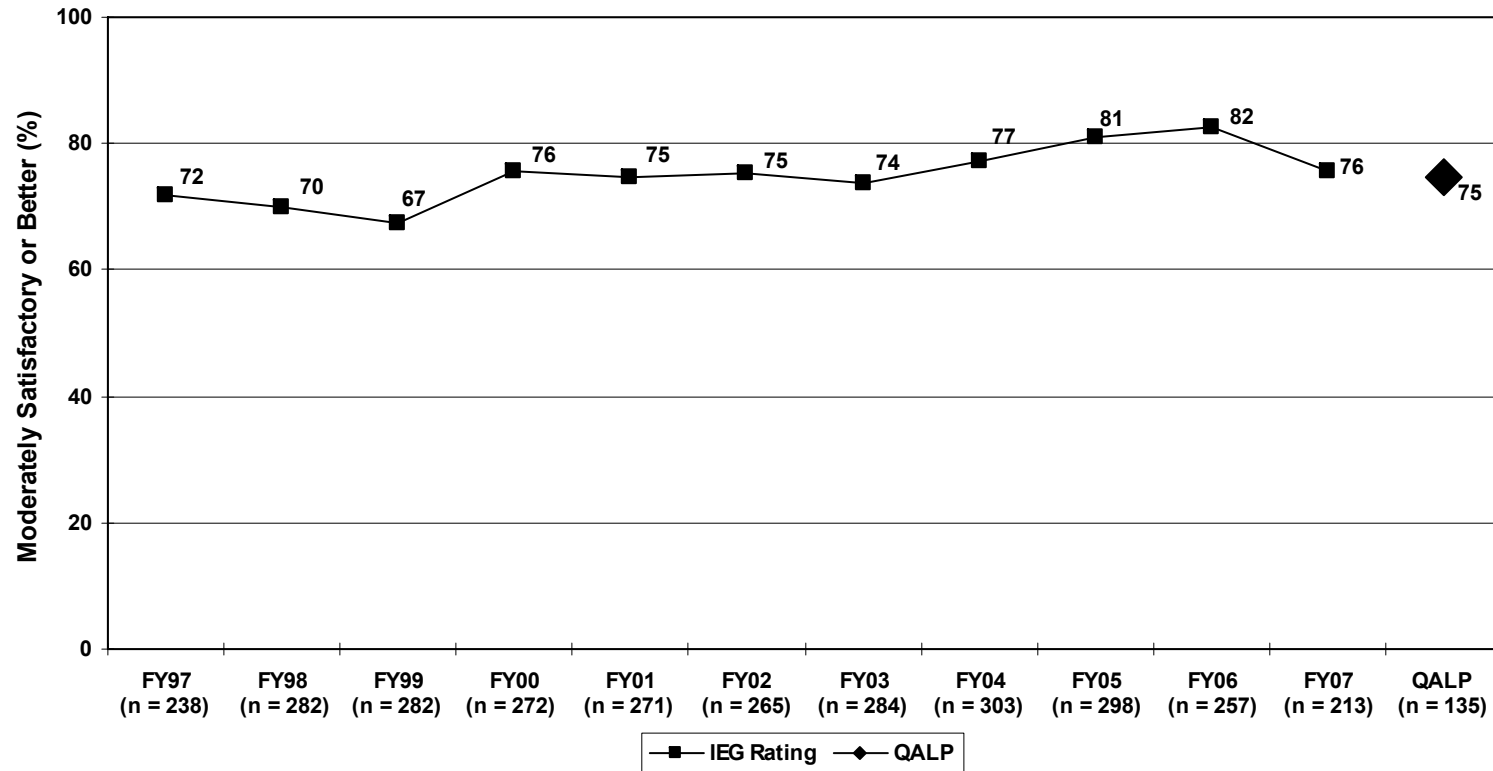
A. QALP Objectives

- ☞ QALP shifts focus from quality of Bank performance to Results (for details, see Slide 1).
- ☞ The main objective is to assess the Likelihood of Achieving Development Objectives (DOs) in order to identify shortcomings and risks in a timely manner and provide recommendations on how to improve project outcomes.
- ☞ The Likelihood of Achieving the DOs, Quality of Design, Quality of Implementation and Quality of Bank Supervision are assessed as four separate dimensions of operational quality.
- ☞ Methodological differences between QALP and QEA/QSA assessments are:
 - QALP gives primacy to Likelihood of Achieving DOs.
 - The sample is based on a subset of the portfolio and includes projects that are at least 18 months past effectiveness and at least 18 months prior to the closing date.
 - Timing of the QALP review, which provides a reality check on quality of design; and
 - Greater weight is given to candor and realism in overall QALP supervision ratings.
- ☞ QALP findings are representative of the QALP universe rather than of the entire lending portfolio. Repeating the QALP assessment will make the findings increasingly representative of the portfolio, as was the case with the QEA series.
- ☞ The structure and methodology of QALP was developed after a systematic review of all the Quality of Supervision Assessments (QSA) carried out by QAG since FY00. It also integrated the lessons from the FY08 Learning Reviews for AFR, PSG and HNP.

B. Key QALP Findings

- ☞ **Likelihood of Achieving DOs:** The medium-term outlook for the portfolio is stable. The Aggregate QALP rating for Likelihood of Achieving DOs for projects midway during implementation is similar to the IEG outcome rating for FY07 exits and falls within the historical range of recent IEG outcome ratings (see next slide).
- ☞ **Quality of Design and Bank Supervision:** There is an apparent decline in quality of design and Bank supervision compared to previous QEA/QSA results. At the aggregate level this is due to the more robust methodology of the QALP assessment.
- ☞ **Quality of Implementation:** This is a new dimension introduced by QALP to assess Implementation Progress (IP). This lags behind the performance of DOs primarily because around half the QALP sample had substantial implementation delays.
- ☞ **Quality by Source of Funds:** While IBRD performance remains strong, IDA projects lag significantly behind on DOs, design and Bank supervision.
- ☞ **Quality by Region:** There is a clustering of performance around the Bankwide average. AFR is the outlier with significantly weaker results in all four quality dimensions, while likelihood of achieving DOs was weak in ECA mainly in IDA countries as well as in Romania.
- ☞ **Network / Sector Boards:** Among Networks, FPD and SDN are the best performers. Most sector boards performed at or better than the Bankwide average, however, ED, HNP and PSG projects show significant lag in quality.
- ☞ **Project Restructuring:** Projects are not being restructured as early nor as deeply as needed. The two-fifths of projects that are rated moderately satisfactory on DOs, design and Bank supervision are indicative of the downside risks that need to be addressed.
- ☞ **Candor and Realism:** Candor and realism continues to be weak on both DO and IP, particularly in AFR and in ED and HNP sectors. The absence of candor runs the risk of problems not being identified until it is too late to improve development results.

Development Outcomes: IEG and QALP Ratings



Assessment Findings*

Likelihood of Achieving DOs

- ☞ The Likelihood of Achieving DOs in the QALP sample is rated 75% *Moderately Likely or better* (ML+), which is broadly in keeping with IEG's outcome ratings for FY07 exits and falls within the historical range of recent IEG outcome ratings.
 - Weaker results on DOs are often due to over-ambitious or unclear formulation of DOs and inadequate Results Frameworks.
 - QALP assessment is done midway during implementation so there is still time to improve results for problem projects.

- ☞ However, two-fifths of projects in the QALP sample are rated *Moderately Likely* on DOs (see QALP diamond in Slide vii)
 - As demonstrated by QAG's QSA review, these projects have higher risk of failure compared to those rated *Likely or Highly Likely*.

* Further details on Bankwide results can be found in Slides # 4-29.

Quality of Design and Bank Supervision

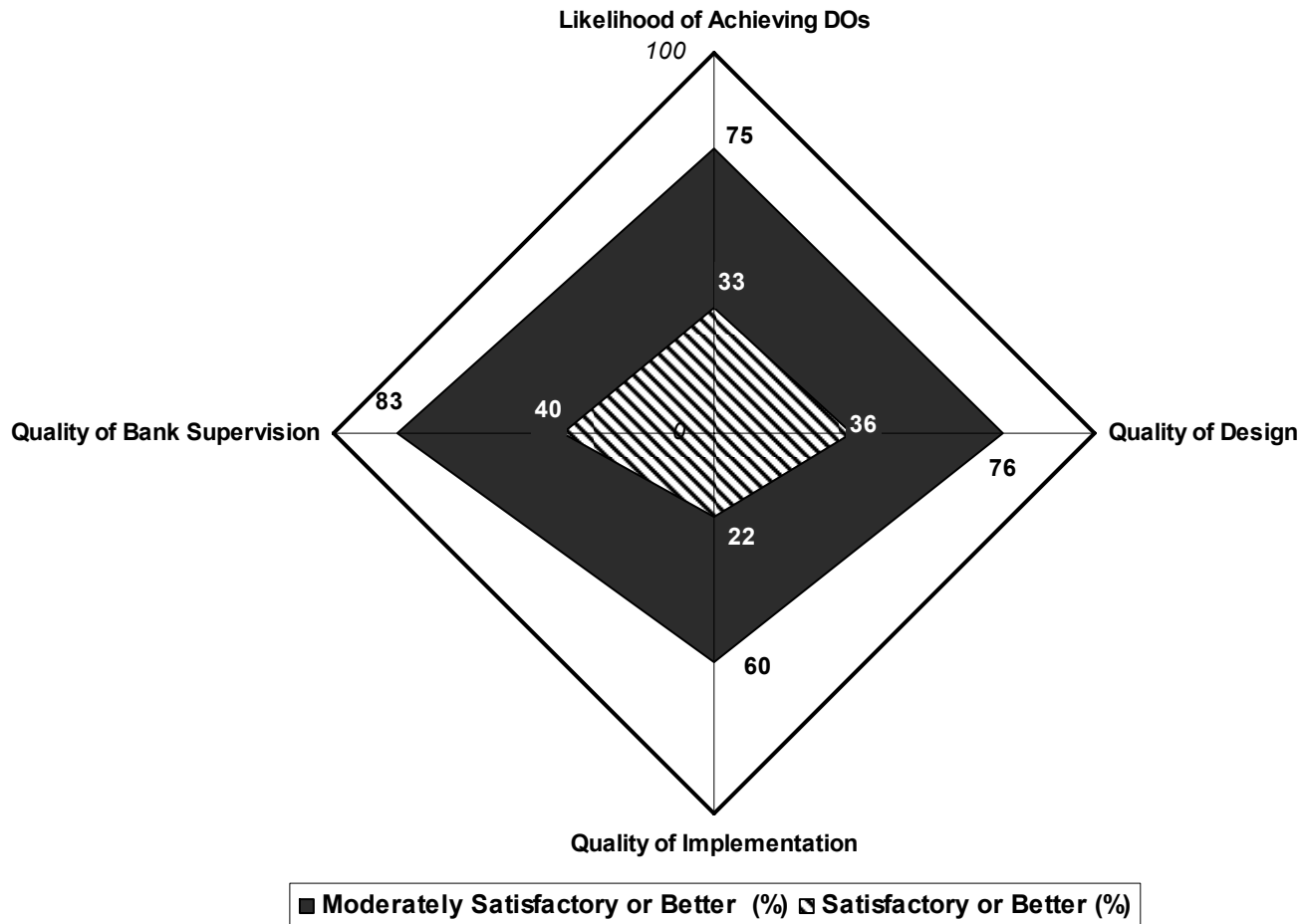
- ☞ Overall Quality of Design is rated as 76% *Moderately Satisfactory or better* (MS+), which is lower than the ratings for QEA7-8.
 - This difference is due to the timing of the assessment. QEAs were restricted to a judgment of quality at Board approval whereas QALP assess quality of design 18 months or more after Effectiveness. This suggests that design problems become more evident during implementation than at Board approval.
 - Design weaknesses in more than one-fifth of the QALP sample include overly complex designs, inappropriate institutional arrangements, and inadequate results frameworks. It frequently seemed to panelists that the results frameworks were drawn up as an afterthought and not used to drive the design itself.

- ☞ The overall rating for quality of Bank supervision is 83% MS+, which is lower than the ratings for QSA6-7.
 - The difference is primarily due to the higher weight given to candor and realism, which continues to be problematic for both DO and IP ratings.
 - Fiduciary/safeguards aspects show a decline which is statistically significant, primarily due to the decline in procurement ratings.

Quality of Implementation

- ☞ The QALP assessment of Quality of Implementation mirrors the ISR rating of Implementation Progress (IP).
- ☞ Quality of Implementation is rated 60% MS+. This low rating is caused by implementation delays and difficulties in resolving implementation issues. Half the QALP projects had substantial delays, only one-fifth being fully on schedule, resulting in a lower rating for that dimension than that for the DOs.
- ☞ The Quality of Implementation for both IDA and IBRD projects was similar, the performance of IBRD projects in ECA (40%MS+) driving down the IBRD average. QALP panel ratings for IBRD projects was 69% MS+ in the rest of the Bank.
- ☞ QALP panels found that IP ratings in ISRs tended to be unrealistic. Overall, panelists found significant implementation problems in twice as many projects as those reported by TTLs.

QALP Quality Diamond



Quality by Source of Funds*

- ☞ IDA projects are 14% less likely to achieve their DOs than IBRD projects. DOs of IDA projects in AFR (60% MS+) and ECA (67% MS+) are more vulnerable than those of other regions (see Slide # 33).
- ☞ Panelists found that IDA projects were more likely to be overly complex in relation to the Borrower's track record and absorptive capacity indicating a lack of customization of project design to country conditions.
- ☞ IDA projects also appear to be less well supervised, with less candor than those in IBRD countries.
- ☞ IDA projects have lower ratings on DOs, design and Bank supervision compared to IBRD projects, even after excluding projects in Fragile states (see Slide 10).
- ☞ The sample size of projects financed by Trust Funds is too small to draw robust conclusions.

* For further details see Slides # 8-10, 14, 18, and 27-28.

Summary of Ratings By Source of Funds (% MS+)

Source of Funds	No. of Projects	DO	QD	QI	QBS
IBRD	46	81	82	59	93
IDA	72	67	69	57	76
IDA-AFR	25	60	60	52	64
IDA-Other Regions	47	71	75	60	84
TF	17	90	84	80	84
Bankwide	135	75	76	60	83

DO = Likelihood of Achieving DOs; QD = Quality of Design; QI = Quality of Implementation; QBS = Quality of Bank Supervision

Note: TF includes GEF, Montreal Protocol, Special Financing and other RETFs;

Quality by Region*

Quality by Region (% MS+)

	Likelihood of Achieving DOs	Quality of Design	Quality of Implementation	Quality of Bank Supervision
AFR	64%	64%	54%	68%
EAP	80%	80%	60%	80%
ECA	70%	80%	50%	95%
LCR	87%	80%	80%	87%
MNA	78%	78%	65%	87%
SAR	79%	76%	69%	86%
Bankwide	75%	76%	60%	83%

- ☞ The above QALP results show reasonable performance in five regions but significant problems on all four quality dimensions – DOs, design, implementation, and Bank supervision – in AFR.
- ☞ Within AFR the problems are concentrated largely in fragile states and within the education sector, while in ECA the DOs are at risk mainly in IDA countries as well as in Romania.
- ☞ Threats to the DOs continue to be underestimated Bankwide with QALP panels finding twice as many problem projects than reported in ISRs, while in AFR it is three times as many. The Net Disconnect with IEG outcome ratings also show significantly greater problems in AFR (see Slide 41).

* For further details see Slides # 30-45.

Networks and Sector Boards*

- ☞ At the Network level, FPD and SDN are the best performers.
- ☞ Findings for EMT suggest better outcomes compared to recent IEG outcome ratings.
- ☞ Among Sector Boards, ED, HNP and PSG had low ratings for likelihood of achieving DOs as well as weak supervision quality.
- ☞ HNP and PSG have already reviewed their portfolios and are preparing Action Plans for improvement. The HNP anchor also plans to offer QERs to all projects when they reach 18 months after effectiveness.
- ☞ Major shortcomings in quality of design for these three sectors include excessively complex designs relative to the absorptive capacity of the Borrower.

* For further details see Slides # 46-59.

Project Restructuring*

- ☞ Projects are not being restructured as early nor as deeply as needed.
- ☞ Many Task Teams appear reluctant to restructure projects despite obvious weaknesses in DOs and implementation. Most restructuring tends to occur around MTR, although many of the weaknesses are evident well before, in the first 18 months after Effectiveness.
- ☞ Nine projects in the QALP sample had been restructured, but four were found to still have design weaknesses and three need further restructuring.
- ☞ In addition, panels also identified restructuring needs for another 20 projects to address design and implementation gaps.
- ☞ Several regions have expressed a need for simplification of the 2006 Guidelines for Project Restructuring. However, this needs to be accompanied by changes in the incentive structure and appropriate training for TTLs, Sector Managers, Country Lawyers and Borrower staff to encourage earlier and deeper restructuring.

* For further details see Slides # 25-26, and 42.

Candor and Realism in Supervision Reporting

- ☞ The persistence of problems with candor and realism indicate that incentives and accountabilities to address this need urgent attention.
- ☞ QALP panelists found twice as many problem projects on DOs and IP, compared to those identified by TTLs in ISRs.
- ☞ While most regions and sector boards tend to be overly optimistic on DO and IP ratings, the lack of candor and realism is most evident in AFR.
- ☞ IP ratings were also inflated in one-fourth of MNA projects; in contrast ECA and EAP were more candid in IP reporting.
- ☞ Among sector boards, ED and HNP were the outliers with weak identification of DO/IP problems. The ISRs for EMT and PSG revealed that task teams were more candid about implementation progress but PSG remained overly optimistic about progress towards the DOs.

Also see Slides # 40 and 54.

C. Recommendations

Responsibility/Action	Timeline
Regions:	
In consultation with OPCS, undertake measures to improve the quality and achieve better alignment of the results frameworks with the PDO and project design.	June 2010
AFR should review the 35 projects in the QALP universe that were not sampled (14 in Fragile States, and 21 in IDA countries from sectors at higher risk of not achieving their DOs – ARD, EMT, HNP, PSG, and WAT) to identify and address weaknesses (see Appendix 2, Table 1).	December 2009
Regions should monitor implementation of QALP panel recommendations for individual projects and take appropriate measures as needed to ensure that shortcomings are being remedied.	March 2010
Sector Boards:	
This being the first time that significant problems have been identified in Education projects, the Sector Board should review the 29 remaining ED projects in the QALP universe (see Appendix 2, Table 2) and develop an Action Plan to address shortcomings, as appropriate.	December 2009
OPCS:	
Identify incentives to encourage regions to undertake earlier and more substantial project restructuring and arrange training for TTLs, Sector Managers, Country Lawyers and Borrower staff on restructuring.	December 2010
In the context of IL Reforms consider introduction of a flexible mechanism to review project performance and determine if pre-MTR restructuring, including project redesign, is needed to increase the likelihood of achieving outcomes.	In tandem with IL Reform
Strengthen staff and managerial incentives and accountabilities for candor and realism in supervision reporting (carried over from QSA7).	June 2010

I. OBJECTIVES AND METHODOLOGY*

- ☞ The systematic review of previous QSAs, overseen by an Advisory Group with representation from the regions and OPCS, led to the new QALP approach. Major features of the new approach include:
 - Shifting the focus from quality of Bank performance to results by focusing on Likelihood of Achieving DOs and on Quality of Implementation. This allows QALP panelists to assess candor and realism of self-reporting on DO/IP ratings by TTLs in the ISRs.
 - Combining the assessment of Quality of Bank Supervision with Quality of Design.
 - Assessing quality at least 18 months after Effectiveness and 18 months prior to the Closing Date.
 - Giving more weight to candor and realism in supervision ratings.
 - Replacing the earlier focus on compliance with Bank requirements on FM and procurement with emphasis on implementation problems and risks.
 - Including recommendations for task teams to take corrective action or restructure projects, as appropriate, to improve the likelihood of achieving DOs.

* See details in Appendix 1

Methodology

- A total of 285 panelists comprising both staff and consultants participated in the QALP assessment; to promote learning, Bank staff participated in 66 panels as observers.
- QALP included specialized reviewers for social aspects, environmental aspects, and procurement aspects. While initially the intent was to have financial management aspects addressed by the main panels, QALP later included FM specialists on each panel.
- Thirteen Moderators with extensive experience in QAG assessments ensured consistent application of the methodology and ratings.
- In addition, QAG Management reviewed all assessments to further ensure consistency in the assessment reports.
- Panelists used a 6-point rating scale similar to that used by IEG. For Likelihood of Achieving DOs (*Highly Likely, Likely, Moderately Likely, Moderately Unlikely, Unlikely and Highly Unlikely*), and for quality of Design, of Implementation and of Bank Supervision (*Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory and Highly Unsatisfactory*).
- In terms of accountability, the first three ratings – HL/HS, L/S, and ML/MS – are considered to be the three levels of *Satisfactory* performance, or above the line, while the last three ratings fall within the *Unsatisfactory* range, or below the line.

Sample and Robustness of Results

- The current portfolio includes 1,582 investment operations. The universe for the QALP sample is a subset of the portfolio consisting of 540 projects that were more than 18 months after Effectiveness and at least 18 months away from the revised Closing Date. Consequently, this QALP universe is not representative of the entire portfolio.
- The QALP sample included 135 randomly selected operations representing 25% of the number of projects and 28% of the net commitment amount (USD 10.5 Billion out of USD 37.8 Billion) of this universe.
- The QALP sample consists primarily of projects approved between FY03 and FY06. Since most DPLs now tend to be single-tranche the sampling criteria excluded DPLs from the QALP sample.
- QALP results are statistically representative of the QALP universe at 95% confidence interval and +/- 4% margin of error Bankwide, and at 90% confidence interval and +/- 8% margin of error for Regions.

Distribution of QALP Sample

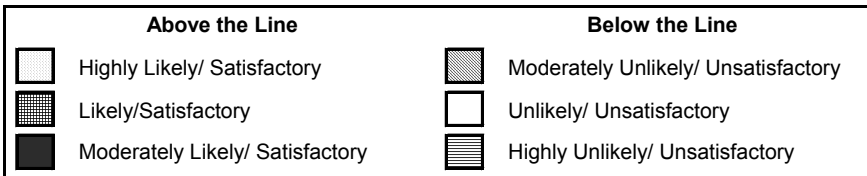
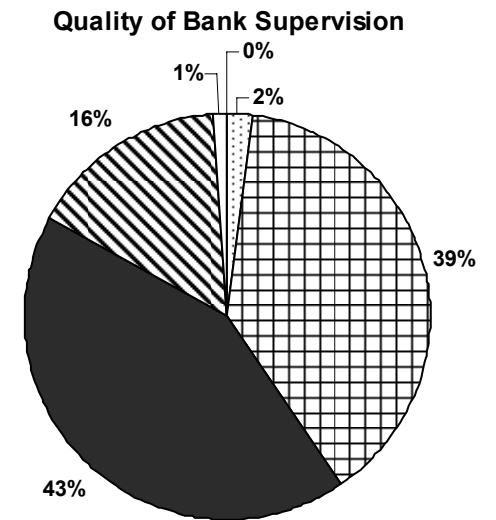
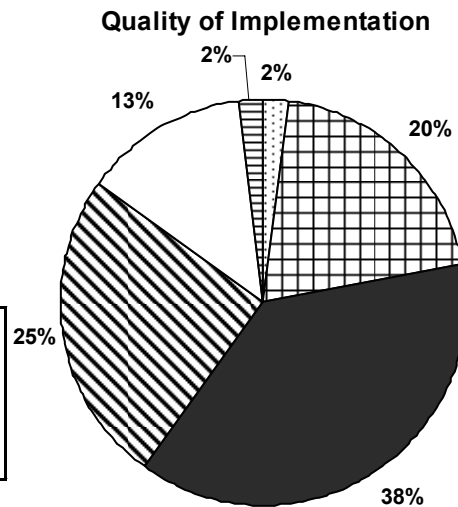
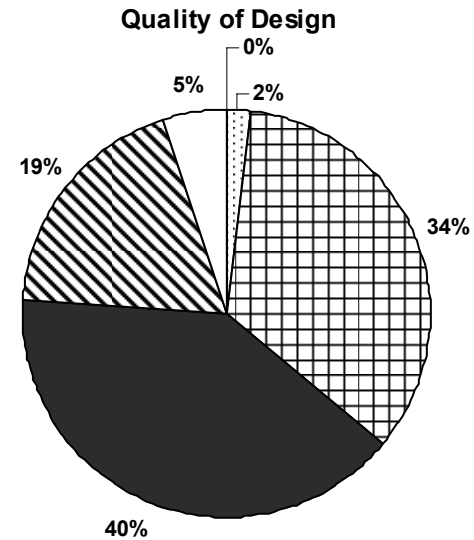
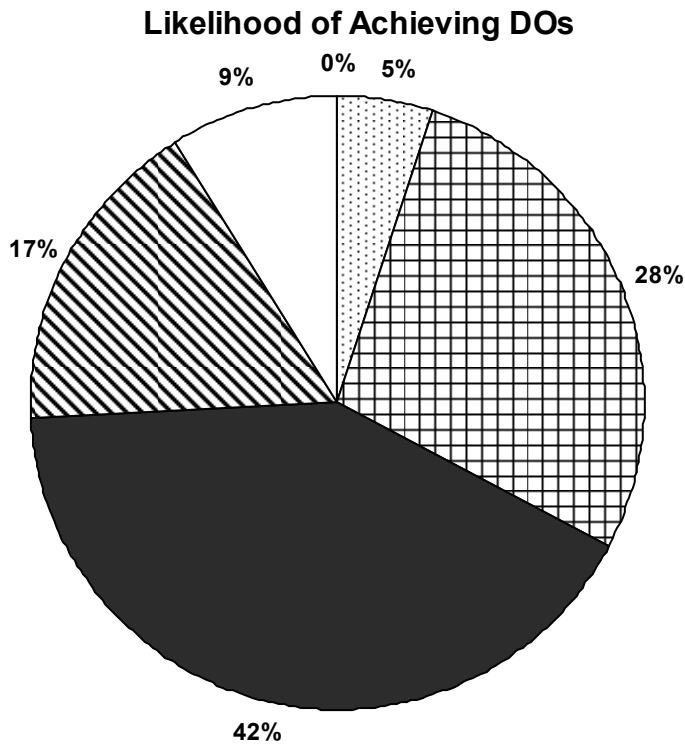
Region		Network		Source of Funds		Instrument	
AFR	28	FPD	13	IDA	72	SIL	103
EAP	20	HDN	30	IBRD	46	APL	9
ECA	20	PREM	11	GEF	10	ERL	5
LCR	15	SDN	81	RETF	3	TAL	10
MNA	23			SPF	2	SIM	6
SAR	29			MP	2	FIL	2

II. ASSESSMENT FINDINGS

A. Bankwide Results

- ☞ QALP panelists rated 75% of projects as moderately likely or better (ML+) to achieve their DOs, below the 80% Bank target.
- ☞ Forty-two percent of the sample was rated moderately likely (ML) to achieve their DOs, which is at higher risk of failure than those rated Likely or Highly Likely.
- ☞ QALP panelists rated quality of design 76% moderately satisfactory or better (MS+), quality of implementation 60% MS+, and quality of Bank supervision 83% MS+.
- ☞ About 40% of projects were rated moderately satisfactory (MS) for quality of design, implementation and supervision; these projects have higher risk of failure than those rated Satisfactory or better.
- ☞ Since QALP reviews are done midway during implementation, IEG outcome ratings for the QALP sample could be higher than QALP ratings for DOs if projects are restructured or identified shortcomings are addressed. While this applies to the sample it does not to the rest of the QALP universe and calls for further focus on supervision of projects that were not sampled.
- ☞ The share of problem projects identified through DO and IP ratings was found by panelists to be twice that identified by TTLs in the QALP sample, highlighting a continuing lack of candor and realism.

Distribution of Ratings in QALP Sample



Operations Rated Highly Satisfactory

Country	Task Title	Sector	DO	QD	QI	QBS
Bulgaria	ENRGY EFF (GEF)	Energy and Mining	1	1	1	1
Sri Lanka	North East Housing Reconstruction Progra	Urban Development	1	1	2	2
Jordan	JO: ODS PHASEOUT II	Environment	1	2	1	2
Yemen, Republic of	RY-THIRD PUBLIC WORKS	Urban Development	1	2	1	2
Colombia	CO-(APL2) Disaster Vulnerability Reduct.	Urban Development	1	2	2	2
Mongolia	MN-Index-Based Livestock Insurance	Agriculture and Rural Development	1	2	2	2
Pakistan	Balochistan Education Support Project	Education	1	2	2	2
Yemen, Republic of	RY TAIZ MUNICIPAL DEV & FLOOD PROTEC	Urban Development	2	2	2	1

- ☞ Eight projects in the sample (6% of the total) received Highly Satisfactory ratings on at least one of the aspects assessed by QALP.
- ☞ These projects are distributed across 5 regions; of these projects 4 are from the Urban Development Sector and 3 from the MNA Region.

Operations Rated Highly Satisfactory

☞ Operations rated *Highly Satisfactory* are characterized by:

- **Clear Development Objectives** – DOs with demanding but realistic indicators with reasonable chance of meeting them during implementation, well timed and strong support and commitment from Government and institutional arrangements to enable continuation and scaling-up of project activities after it closes.
- **Realistic Design** – Strategically relevant and appropriate DOs; clear and persuasive results framework, and M&E arrangements unusually well developed and credible; attention to policy constraints; realistic risk assessment with credible mitigating measures; internalization of international lessons covering project activities; appropriate application of lessons from previous operations.
- **Effective Implementation** – Strong government commitment; effectively managed and dedicated implementation agency; project often a well-designed repeater project.
- **Proactive and Candid Bank Supervision** – High frequency of supervision missions; continued contact with the Borrower between missions; issues brought quickly to the attention of relevant decision makers; specific advice on how to address constraints; support for implementation of corrective actions adopted by Government.

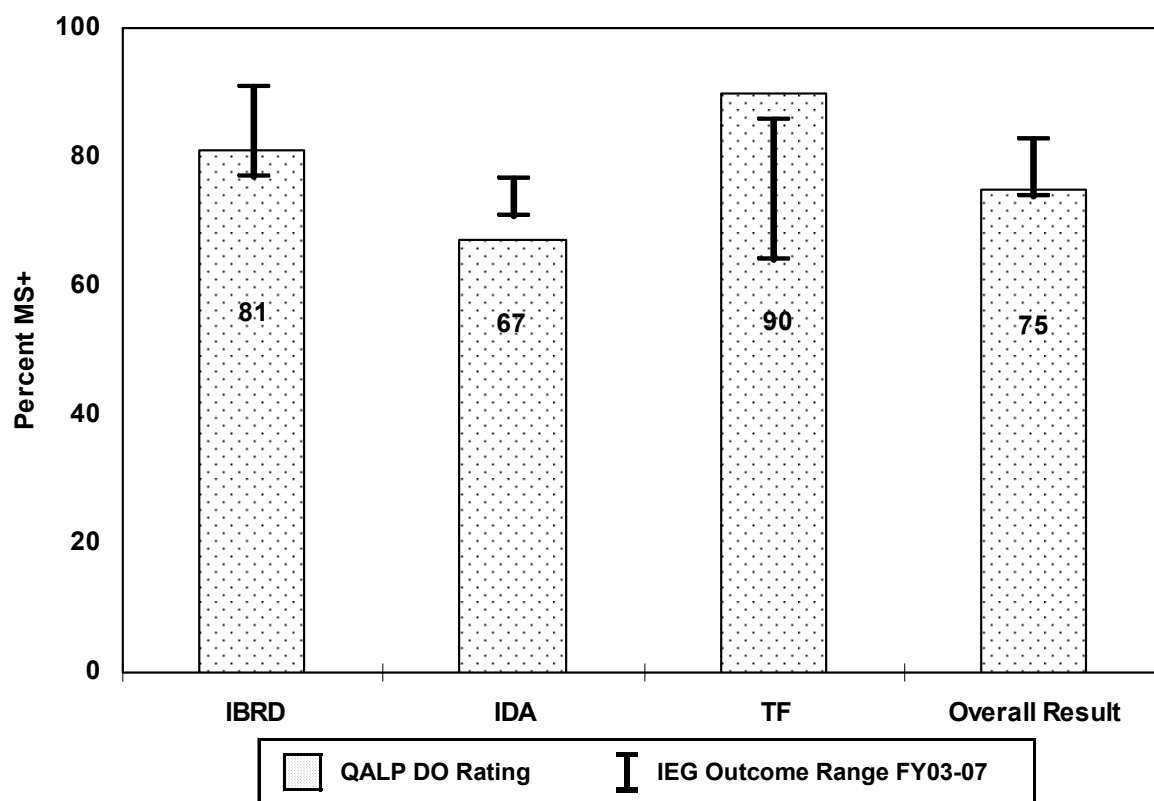
Likelihood of Achieving DOs By Source of Funds

	No. of Projects	Moderately Satisfactory or Better	Satisfactory or Better	Moderately Satisfactory
IDA	72	67%	20%	46%
IBRD	46	81%	42%	39%
TF	17	90%	58%	32%
Bankwide	135	75%	33%	42%

- ☞ QALP results indicate that IDA projects are less likely to achieve their DOs compared to IBRD. This is consistent with previous IEG outcome ratings.
- ☞ While QALP DO results for IBRD projects midway during implementation are within the range of IEG exit ratings from the past five years, DO ratings of IDA projects are lower than the IEG outcome range for those cohorts (see next slide).
- ☞ IDA projects also face greater downside risks; a higher percentage of IDA projects in the QALP sample being rated moderately likely than in IBRD.

Likelihood of Achieving DOs by Source of Funds

QALP Rating vs. IEG Outcome Range: FY03-07



No. of Projects Assessed				
	TF	IBRD	IDA	Bankwide
FY03-07 IEG Outcomes	86	595	676	1357
QALP DO	17	46	72	135

Trust Funds include GEF, Montreal Protocol and other RETF projects:
Sample size of TFs is too small for results to be statistically significant.

QALP Ratings by Source of Funds

Source of Funds	Total				
	Projects	DO	QD	QI	QBS
IBRD	46	81	82	59	93
IDA	72	67	69	57	76
IDA (Fragile States)	10	45	28	22	49
IDA (Non-Fragile States)	62	71	76	63	80
TF	17	90	84	80	84
Bankwide	135	75	76	60	83

Key: DO = Likelihood of Achieving DOs; QD = Quality of Design; QI = Quality of Implementation; QBS = Quality of Bank Supervision

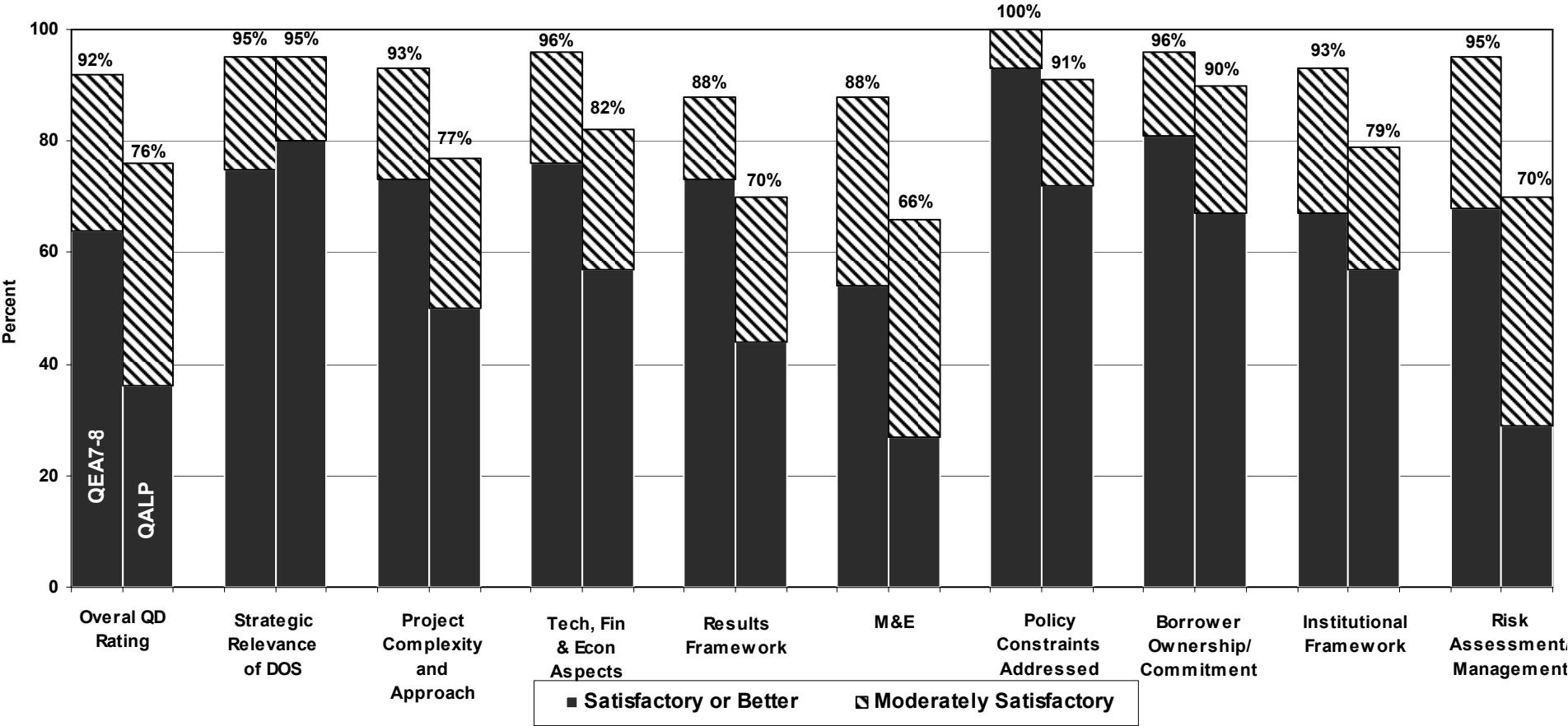
- ☞ Performance of IDA projects on DOs, design and Bank supervision is lower than IBRD even when the poorer performance of fragile states is accounted for.

QALP findings on Design

- ☞ Overall Quality of Design is 76% MS+, which is lower than QEA7-8 ratings. This difference is due to the timing of the assessment. QEAs assessed quality at Board approval whereas QALP assesses design 18 months or more after Effectiveness when design problems become more evident.
- ☞ Variables with highest correlations to Quality of Design are:
 - **Complexity of design and approach** relative to the track record and absorptive capacity.
 - **Adequacy of results framework** to achieve the DOs, including realism of causal links between the project's inputs, activities, outputs, and intended outcomes.
- ☞ Projects are rated highly on strategic relevance of DOs (95% MS+), and on adequacy of measures in project design to address policy constraints, on borrower ownership, and on fiduciary/safeguards aspects which are rated around 90% MS+.
- ☞ However, more than one-fifth of the QALP sample has overly complex designs (77% MS+) and deficiencies in the institutional framework (79% MS+). Panelists also noted that many projects lacked project implementation plans (PIP) at entry.
- ☞ Lower QALP ratings for the results framework (70% MS+) and M&E (66% MS+) is a consequence of QALP emphasis on DO outcomes. Panelists also noted some inconsistencies in the language of the DOs among various project documents.

Quality of Design

Bankwide Results from QEA7-8 and QALP

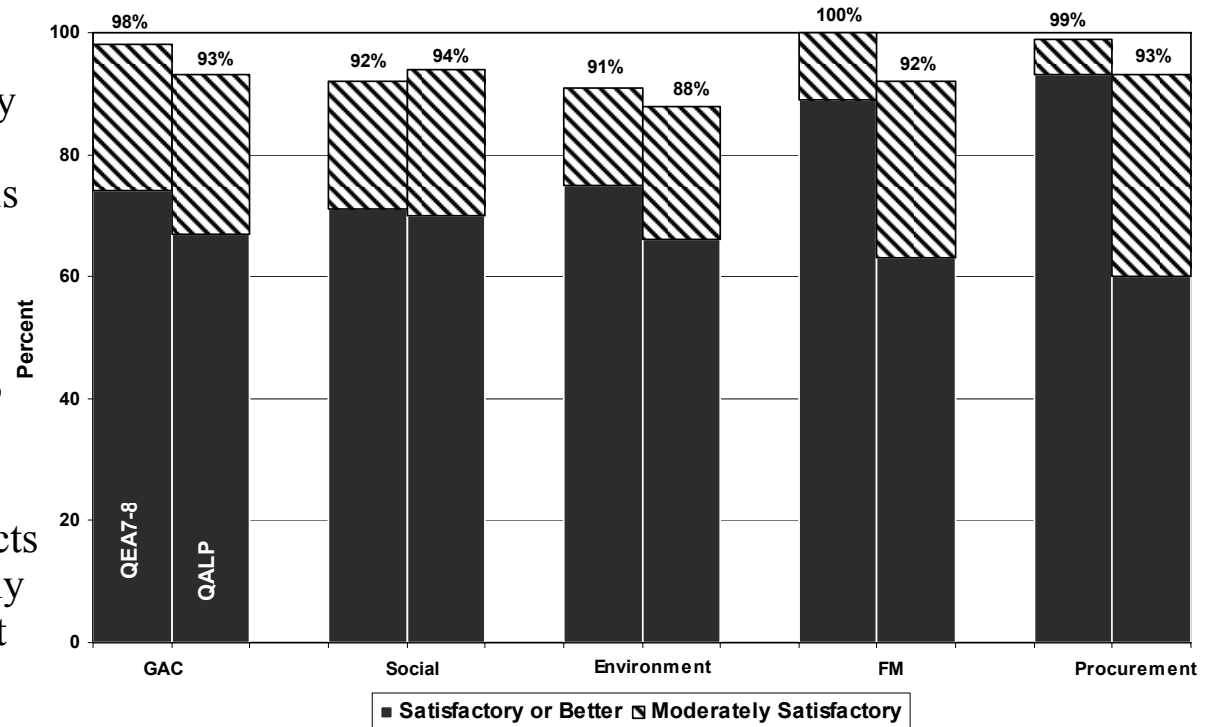


Quality of Design

Bankwide Results on Fiduciary/Safeguards (QEA7-8 vs QALP)

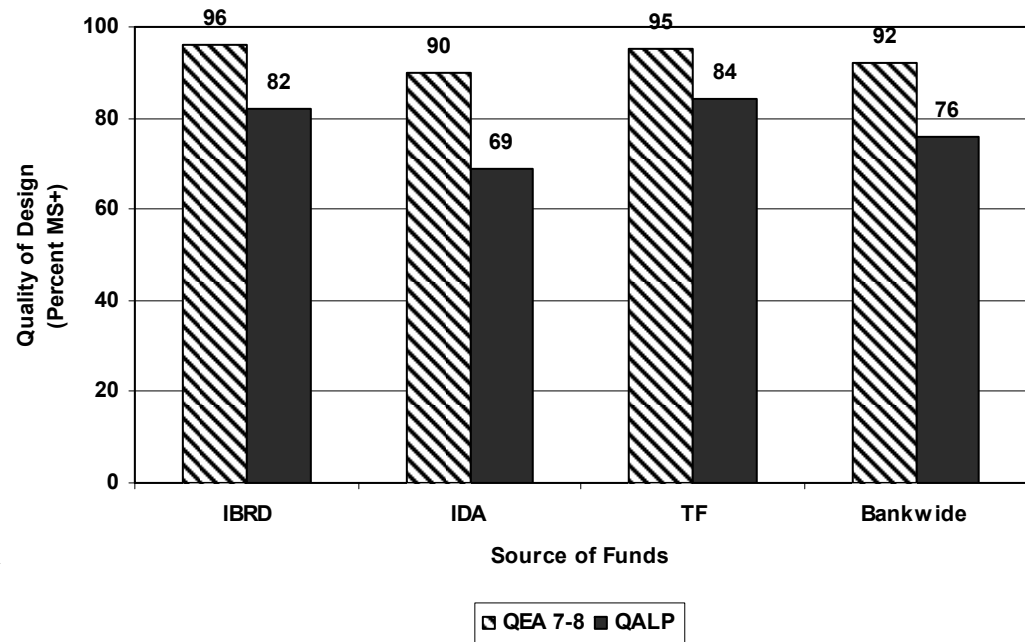
☞ GAC and fiduciary aspects in project design were rated slightly lower in QALP than in QEA7-8 but at MS+ level the difference is within the margin of error.

☞ There is however a significant increase in the number of QALP projects rated MS on FM and procurement aspects, indicating that about one-third of the projects in the QALP sample had not fully addressed related risks in project design.



Design by Source of Funds

- ☞ IDA projects have weaker design and are rated more than 13 percentage points lower than IBRD projects.
- ☞ IDA projects were more frequently found to be overly complex, suggesting the need for greater customization of IDA projects to the Borrower's institutional capacity.
- ☞ IDA quality may well be affected by institutional pressures and incentives to adhere to predetermined timelines and IDA allocations.



No. of Projects Assessed				
	IBRD	IDA	TF	Bankwide
QEA 7-8	79	136	30	245
QALP	46	72	17	135

* Trust Funds include GEF, Montreal Protocol and other RETF projects

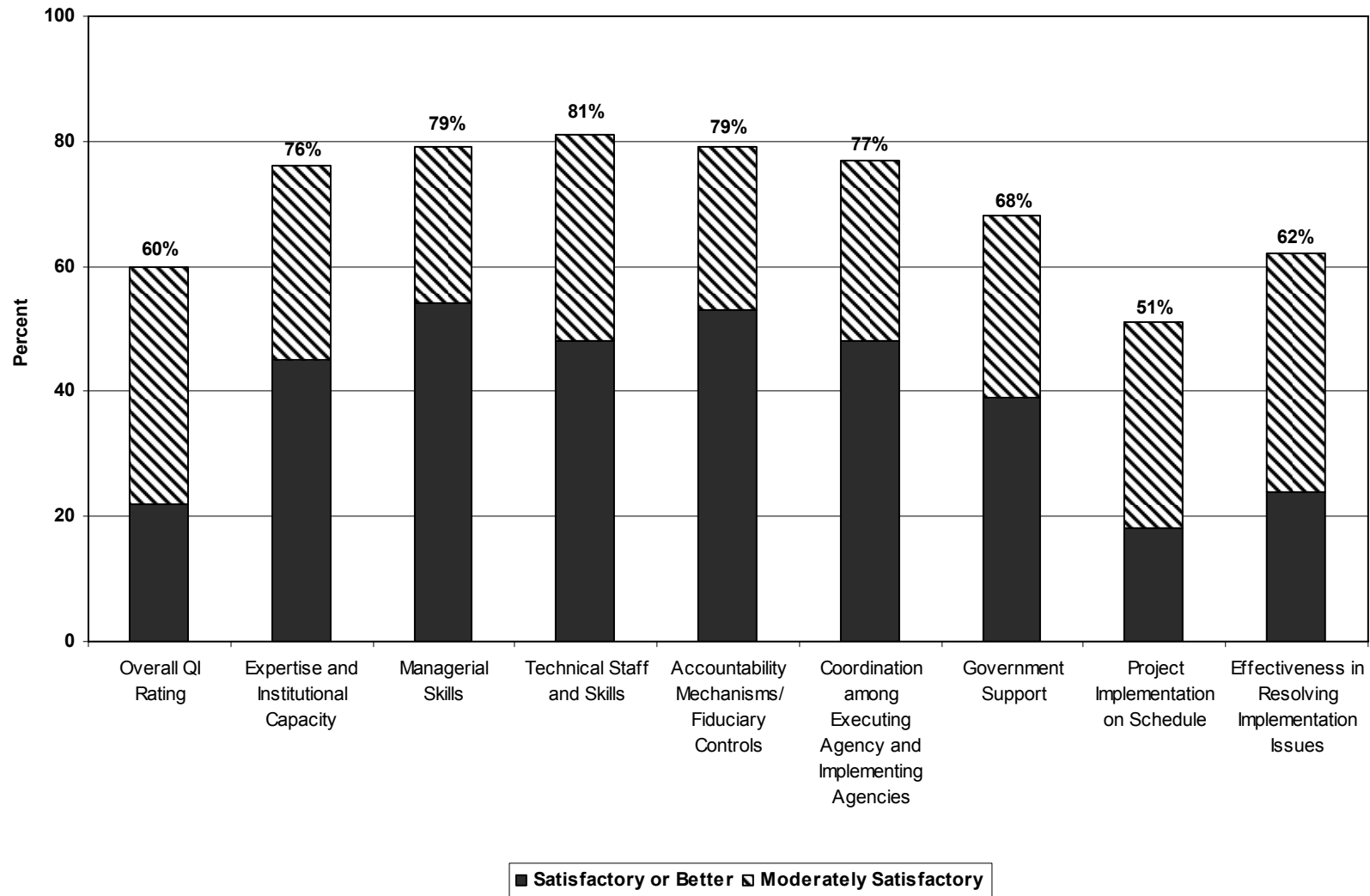
Quality of Implementation

- ☞ The QALP assessment of Quality of Implementation assesses Implementation Progress (IP).
- ☞ This being the first time that Quality of Implementation is being assessed there are no benchmarks to compare QALP data against.
- ☞ The overall rating for Quality of Implementation is 60% MS+. The Quality of Implementation of IBRD and IDA projects is virtually identical (see Slides 36-37).
- ☞ This rating is caused by implementation delays and difficulties in resolving implementation issues.
- ☞ QALP panels found that IP ratings in ISRs tend to be unrealistic. Overall, panelists found significant implementation problems in twice as many projects as those reported by TTLs (see Slide 37).

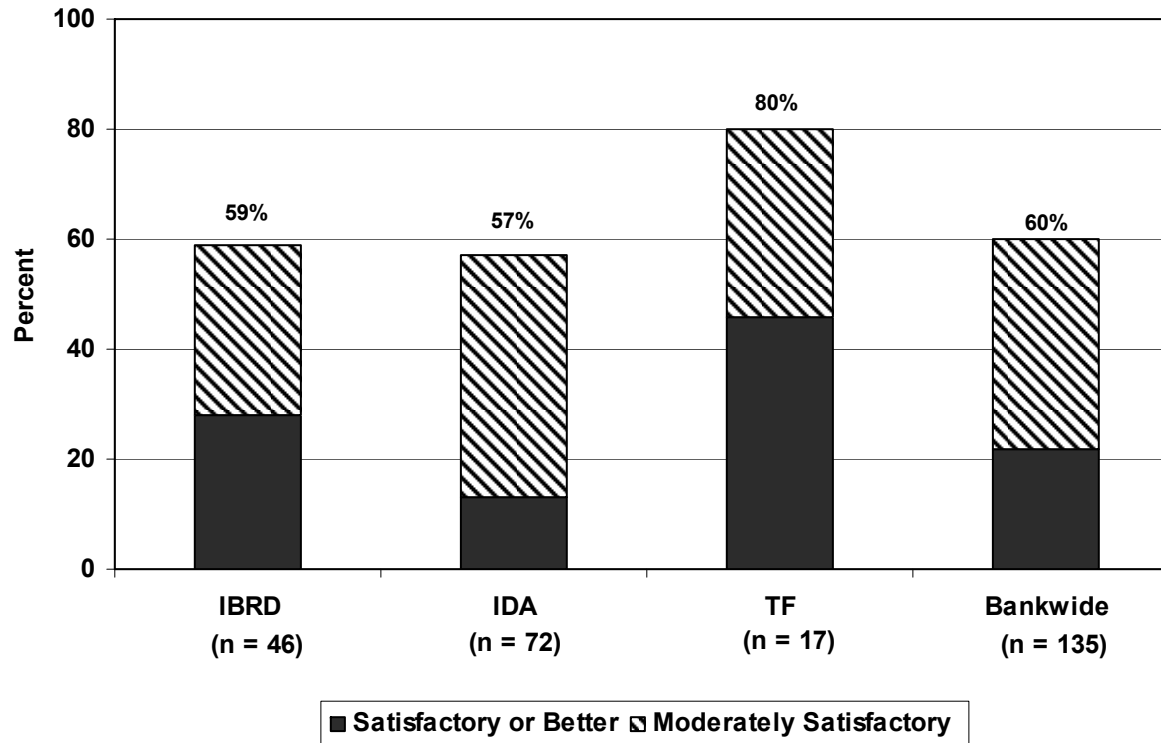
Quality of Implementation (contd.)

- ☞ The Bankwide rating on implementation is heavily influenced by timeliness of implementation and effectiveness in resolving issues.
- ☞ Implementation delays reported in the ISRs, which is a measure of efficiency, play an important role in the IP rating. Substantial delays affected almost half of the sample and less than 20% of projects were fully on schedule (see next Slide). Consequently, the overall rating for Quality of Implementation is lower than that for Likelihood of Achieving DOs.
- ☞ Design weaknesses – particularly through overly complex projects in relation to the Borrower's capacity and weak institutional frameworks and risk assessment, which affect over one-fifth of projects – contribute to implementation delays.
- ☞ Complex designs and unrealistic institutional arrangements also result in coordination problems between executing and implementing agencies, adversely affecting quality of implementation.
- ☞ About two-fifths of projects are weak in terms of effectiveness in resolving implementation issues, which is probably also linked to design complexity and lack of readiness for implementation.
 - The Borrower's ability to deal with these issues also depends on the quality of the Bank's advice to resolve problems (which is quite good) and to simplify and restructure project design (which is weak).

Quality of Implementation



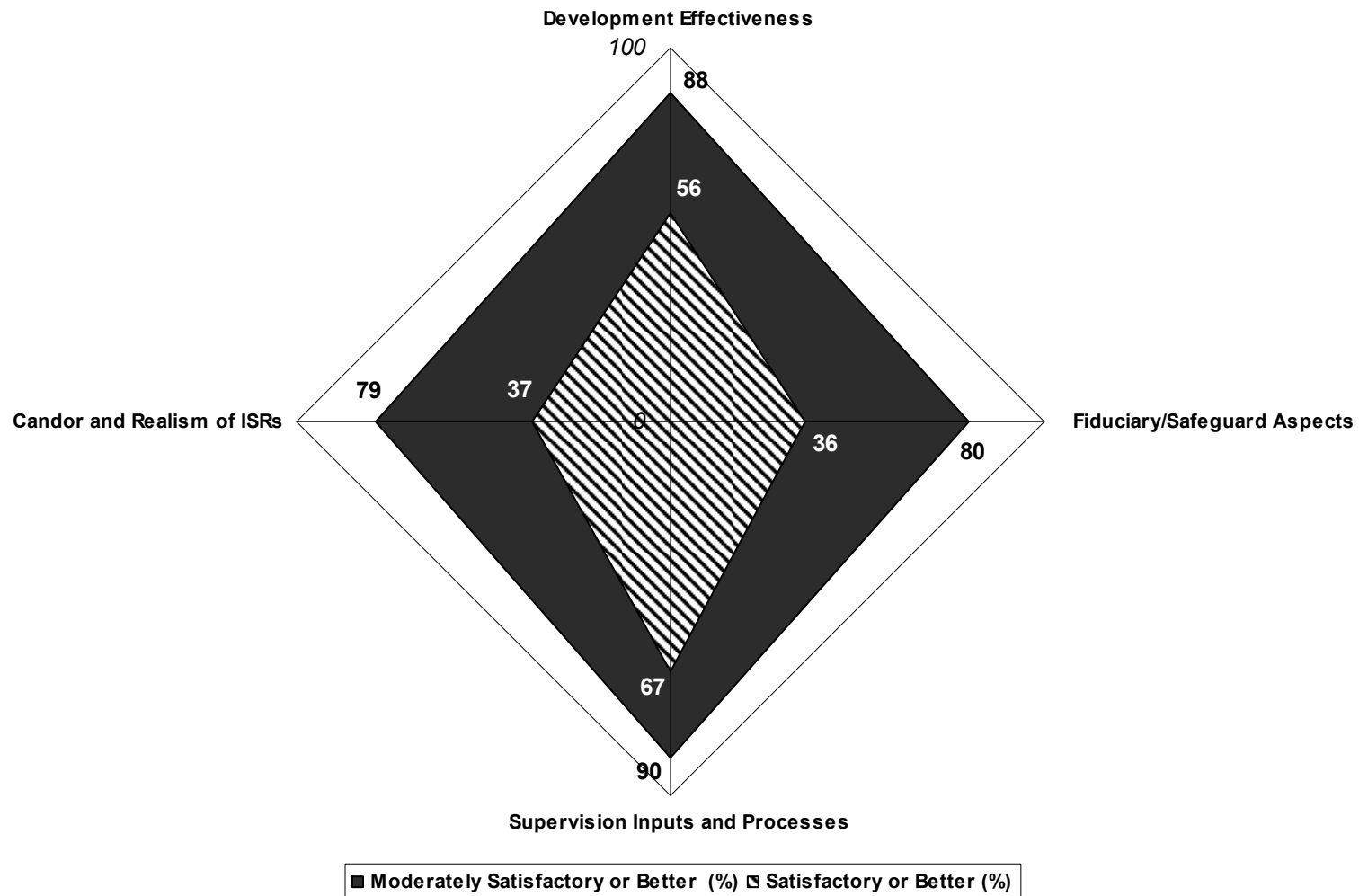
Implementation by Source of Funds



* Trust Funds include GEF, Montreal Protocol and other RETF projects

Quality of Bank Supervision

Quality Diamond



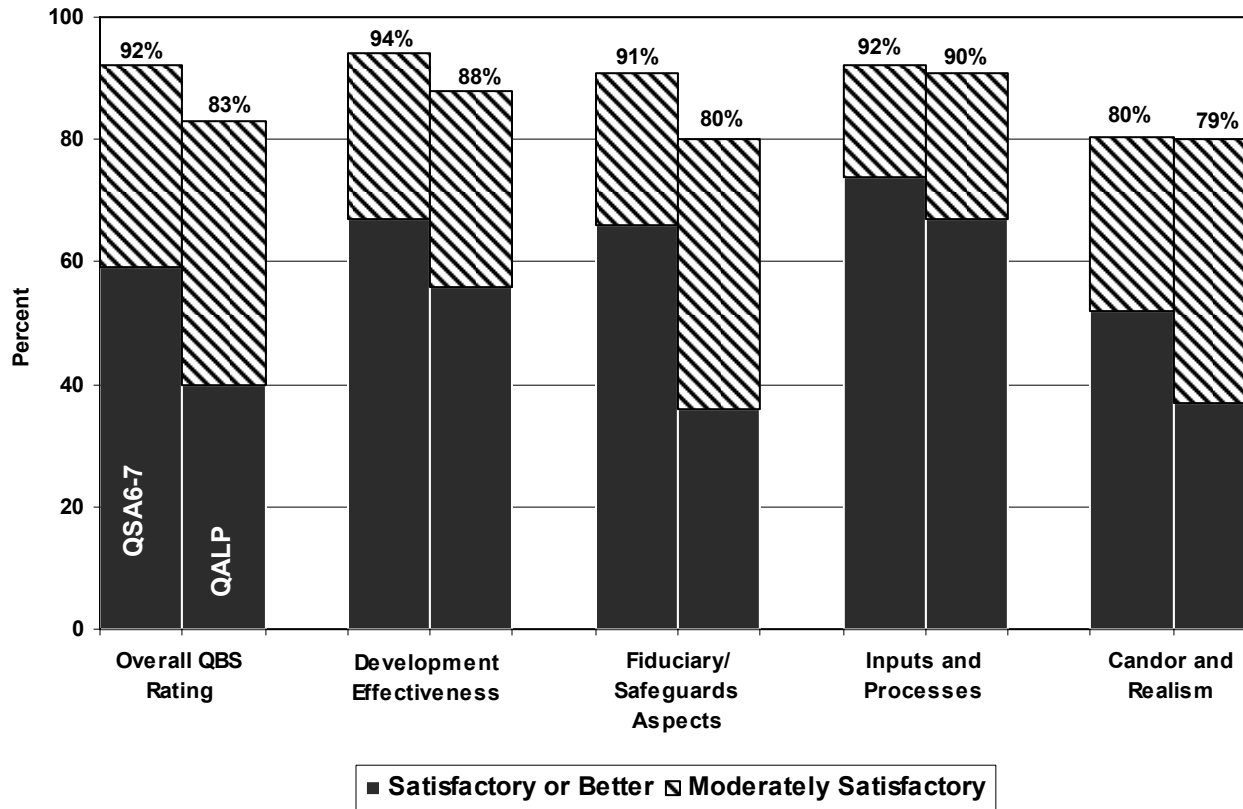
Overall Quality of Bank Supervision: 83% MS+ and 40% S+

Quality of Bank Supervision

- ☞ Overall rating for quality of Bank supervision is lower in QALP compared to QSA6-7 ratings (see next slide).
- ☞ Lack of Candor and Realism remains an issue. This was given more weight in QALP affecting the overall ratings for quality of supervision.
- ☞ At the Bankwide level, where the margin of error is +/- 4%, the decline is significant for Fiduciary/Safeguard aspects.
- ☞ The Focus on Development Effectiveness is rated 88% MS+ but with around two-fifths rated MS.
- ☞ The decline in fiduciary/ safeguards aspects is driven primarily by the tightening of procurement assessment resulting in lower procurement ratings (84% in QALP vs. 96% in QSA6-7).

Quality of Bank Supervision

Bankwide Results QSA6-7 vs. QALP

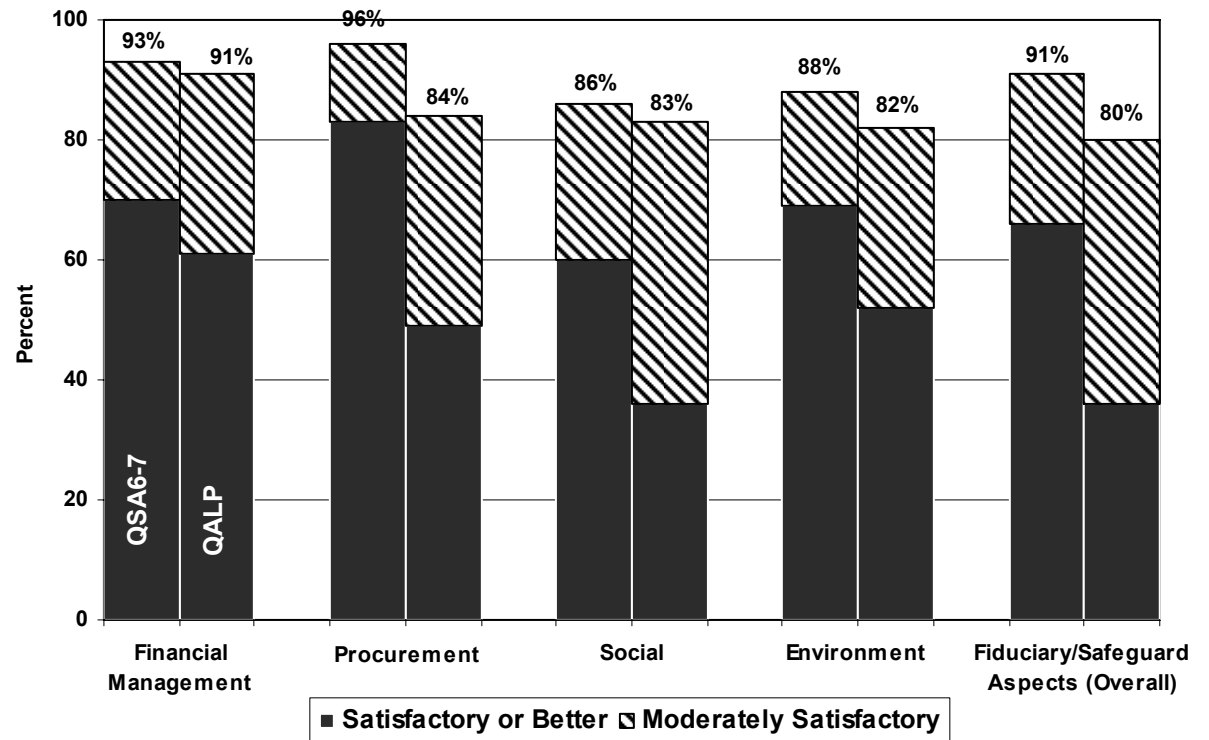


Fiduciary and Safeguards Oversight

Supervision ratings have dropped slightly for all fiduciary / safeguards aspects, however, the only statistically significant decline is for Procurement.

The significant rise in MS ratings, particularly for procurement and social supervision is of concern as it suggests that the overall 80% MS+ result may be at risk.

Supervision of social, environmental and procurement aspects is noticeably weaker than quality of design.



Fiduciary/Safeguards Oversight

- ☞ On poverty, gender and social (SD) aspects (see analysis in Annex 6), design intentions of delivering services and programs to the poor and vulnerable groups were not followed through during supervision largely due to the non-inclusion of specialists in task teams leading to inadequate advice to clients. FPD, ED and HNP projects did particularly poorly.
- ☞ The record on social safeguards is also mixed. Projects with substantial safeguard issues are well supervised, although they tend to crowd out attention to broader SD issues, such as equity and inclusion and accountability. However, projects with policy frameworks for safeguards remain unsupervised, which could lead to reputational risks.
- ☞ On environmental aspects too, better attention is awarded during project design than during supervision (see Annex 7). However, AFR has caught up with or exceeded other regions in supervision of environmental aspects.
- ☞ Similar to SD aspects, these environmental issues are not well addressed by projects which appear to pose less environmental risk – FPD and HDN projects and land cadastre projects and projects classified C or FI.
- ☞ Projects with environmental and/or social safeguard policy frameworks are less likely to be adequately supervised in comparison to non-framework approach projects. This gap is most visible in SDN projects, which had the largest number of projects with policy frameworks.

Fiduciary/Safeguards Oversight (contd.)

- ☞ The quality of FM oversight was broadly in line with previous QSA ratings (see analysis in Annex 8). Many projects combined supervision of project activities with efforts to improve the Borrower's FM systems and, for the most part, FM was fully integrated with Bank supervision. However, there were a few cases of complacency in monitoring the implementation performance and lack of follow up despite unsatisfactory implementation by the Borrower.
- ☞ Decentralized projects and projects involving numerous sub-projects pose particular challenges for supervision and were a factor in the lower FM ratings for LCR, which joined AFR as one of the two regions with lower supervision quality.
- ☞ QALP conducted a more thorough review of procurement aspects than in recent QSAs and added independent procurement specialists to the panels. Procurement ratings are significantly lower (84% MS+) than in previous QSAs, with about one-third rated MS. Among the regions AFR and EAP, and among sectors HNP and PSG have considerable scope for improvement (see Annex 9).
- ☞ Typical procurement weaknesses stem from unrealistic assessments at entry of executing entities, excessive focus on a few (or a single) experts, inadequate attention to strengthening the capacity of decentralized agencies, and failure to adopt strong risk mitigation measures when potential GAC weaknesses had been identified.

Project Restructuring

- ☞ QALP results suggest that task teams do not restructure projects as early nor as deeply as needed (see next Slide).
- ☞ Only one-third of the projects that panelists felt needed restructuring had been restructured: the average age at restructuring was 4.3 years and average disbursement was 30%.
- ☞ Most restructuring tends to occur around MTR, although many of the weaknesses are evident by the second year of implementation; if these projects were restructured earlier, and if the restructuring remedied key design flaws, it could significantly improve prospects for better end-of-project ratings by IEG.
- ☞ Four of the 9 restructured projects were still found to have design weaknesses and were rated below the line by QALP panels.
- ☞ Panels recommended restructuring for another 20 projects primarily due to design weaknesses – projects rated Unsatisfactory had serious design flaws, projects rated MS were too complex, ambitious, or had poor results framework. The average age of these projects was 3.8 years, and disbursement stood at 26% at end-FY08.
- ☞ Several regions have expressed a need for simplification of the 2006 Guidelines for Project Restructuring. However, this needs to be accompanied by changes in the incentive structure and appropriate training for TTLs, Sector Managers, Country Lawyers and Borrower staff to encourage earlier and deeper restructuring.

Project Restructuring (contd.)

Restructuring Actions

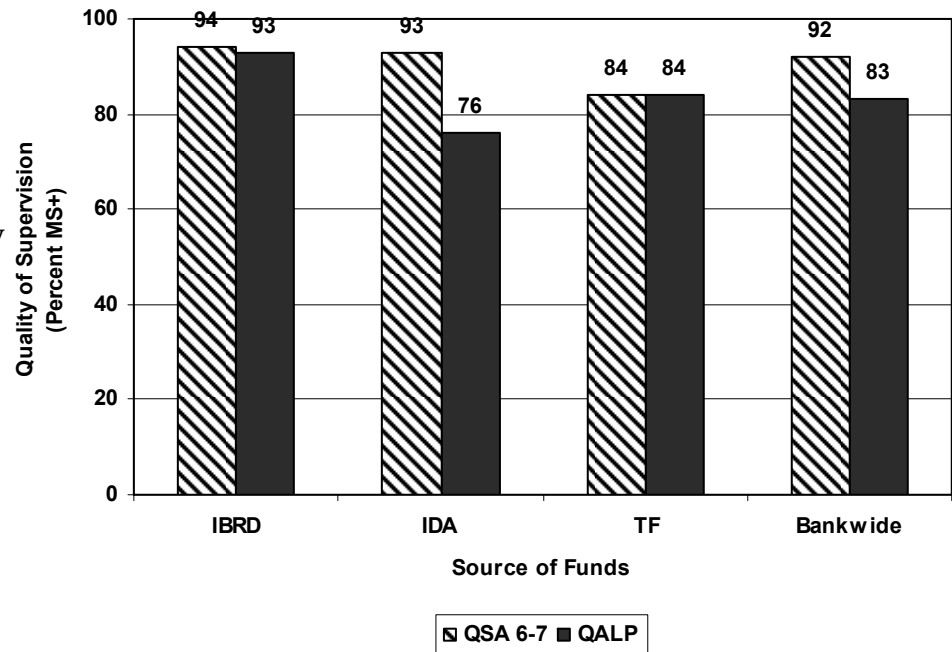
Type of Restructuring	Wording changes to PDO/KPI	Change Institutional arrangements	Substantial revision of PDO / outcome targets	Reallocation among Components
Projects already restructured (9)	3	1	3	6
Restructuring recommended (20)	8	8	6	16

*Note: Restructuring for projects may include more than one action.

- ☞ Most restructuring involves reallocation of resources among, or dropping/adding components.
- ☞ Three projects have undergone substantial revision of the PDO or associated outcome targets; panelists recommended that another 6 projects need similar restructuring.
- ☞ Only one project has redesigned its institutional arrangements; panelists recommended that another 8 revamp institutional arrangements in order to achieve the DOs. Task teams appear more reluctant to modify institutional arrangements.

Supervision by Source of Funds

- ☞ Supervision of IBRD projects is significantly better than that of IDA projects.
- ☞ Quality of supervision remains stable for IBRD but has declined significantly for IDA compared to previous QSAs due to the greater weight given to candor and realism, where IDA is weaker than IBRD (see next Slide).
- ☞ Among supervision dimensions, IDA projects lag IBRD projects by over 10 percentage points in R1: Focus on Development Effectiveness, R2: Fiduciary/Safeguards Aspects, and R4: Candor and Realism of ISRs (see next Slide).



No. of Projects Assessed				
	IBRD	IDA	TF	Bankwide
QSA 6-7	84	143	33	260
QALP	46	72	17	135

* Trust Funds include GEF, Montreal Protocol and other RETF projects

Supervision by Source of Funds



No. of projects assessed: IBRD = 46; IDA = 72; Trust Funds (TF) = 17

* TF include GEF, Montreal Protocol, Special Financing and other RETF projects

Recommendations by QALP Panels: Main Themes

1. Project restructuring to address substantial changes to scope (PDO and associated outcome targets) or project design
2. Results frameworks and M&E
3. Institutional and implementation issues
4. Donor coordination, particularly for sector-wide programs
5. Fiduciary/safeguards aspects

B. Regional Results

- ☞ Overall, with one exception there is a clustering of performance around the Bankwide average.
- ☞ LCR has the best performance overall, particularly on DOs and quality of implementation.
- ☞ While ECA performed better on supervision, likelihood of achieving DOs remains at risk particularly in IDA countries and in Romania. Quality of implementation in ECA was weakest, which was candidly recognized by task teams through their IP ratings.
- ☞ AFR is the outlier with significantly weaker results in all four quality dimensions – DOs, design, implementation, and Bank supervision – and the highest proportion of projects at risk. These weaknesses are more pronounced among projects in fragile states and in the education sector (see Annex 10).
- ☞ QALP panelists found three times as many problem projects in AFR as reported in ISRs.
- ☞ While Bankwide the ratio of projects rated MS to MS+ on all four quality dimensions is about 50%, in AFR the ratio is about 80% (see Slide 34).

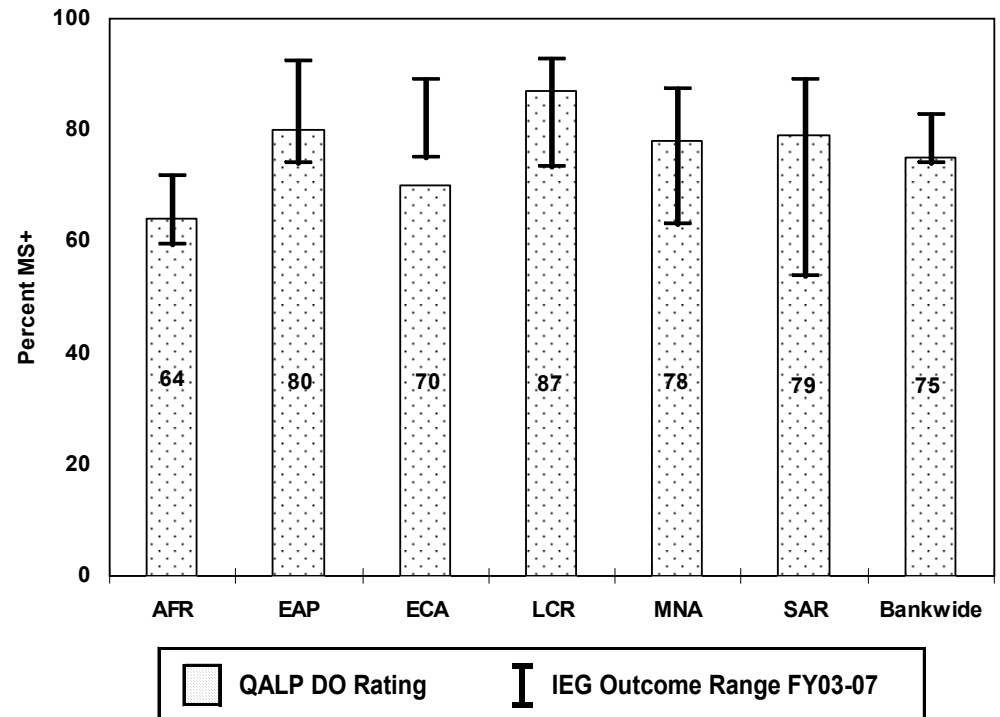
Regional Results %MS+

	Likelihood of Achieving DOs	Quality of Design	Quality of Implementation	Quality of Bank Supervision
AFR	64%	64%	54%	68%
EAP	80%	80%	60%	80%
ECA	70%	80%	50%	95%
LCR	87%	80%	80%	87%
MNA	78%	78%	65%	87%
SAR	79%	76%	69%	86%
Bankwide	75%	76%	60%	83%

Likelihood of Achieving DOs by Region

QALP Rating vs. IEG Outcome Range: FY03-07

- ☞ QALP ratings are based on results midway during implementation while IEG ratings depict outcomes at exit during FY03-07.
- ☞ With the exception of ECA, the distribution of QALP ratings for likelihood of achieving DOs falls within the range of FY03-07 IEG exit ratings.
- ☞ Exit ratings for the QALP cohort can be expected to improve through greater attention to shortcomings and risks during the remaining life of the projects.

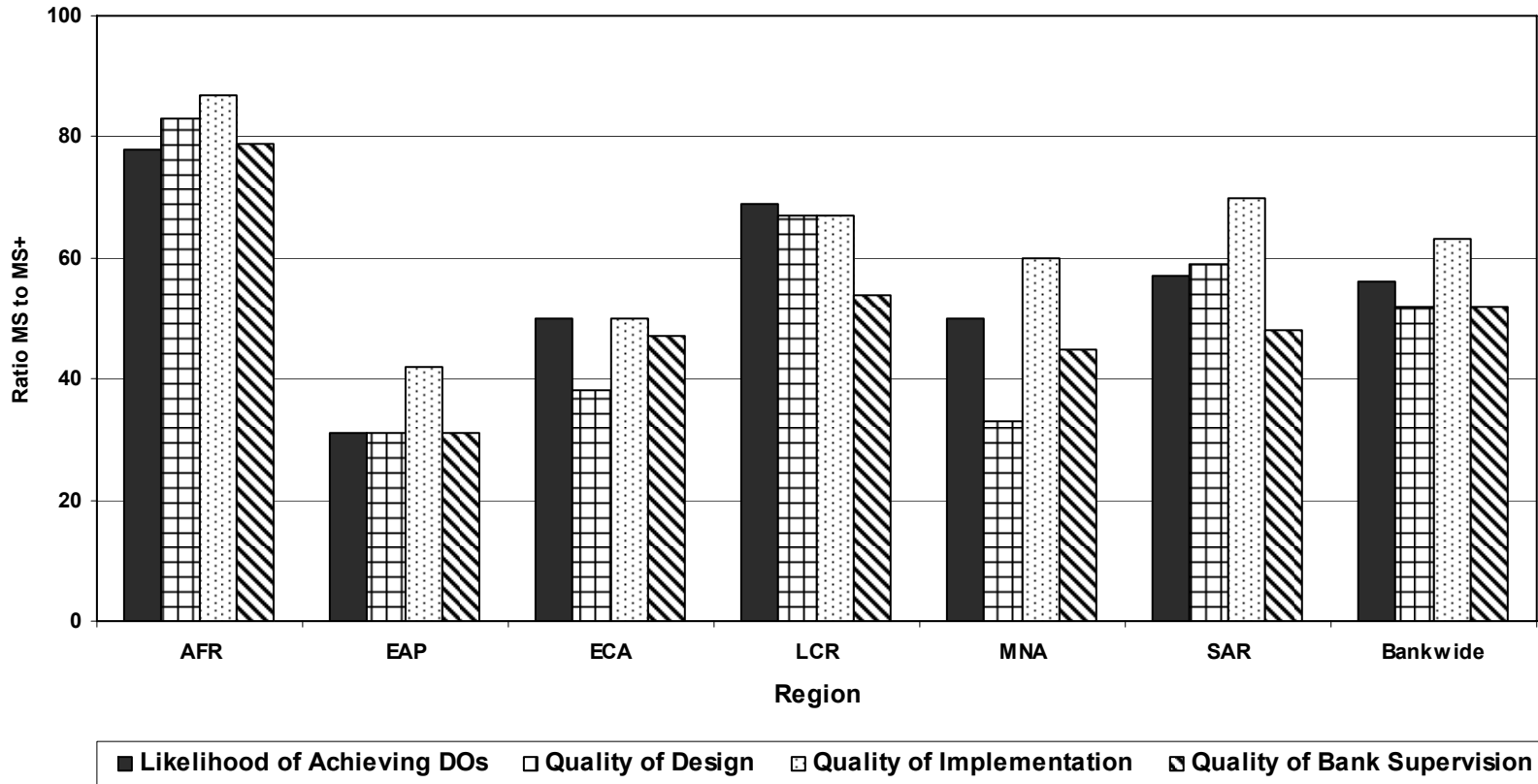


No. of Projects Assessed							
	AFR	EAP	ECA	LCR	MNA	SAR	Bankwide
QALP DO	28	20	20	15	23	29	135
FY03-07 IEG Outcomes	325	209	282	309	111	120	1357
Margin of Error	7.9	8.0	8.1	6.3	8.1	8.1	3.9

DO Ratings by Source of Funds

	IBRD		IDA		TF		Bankwide	
Region	Total Projects	DO	Total Projects	DO	Total Projects	DO	Total Projects	DO
AFR	0	NA	25	60	3	100	28	64
EAP	8	88	8	75	4	75	20	80
ECA	10	70	9	67	1	100	20	70
LCR	13	85	0	0	2	100	15	87
MNA	11	82	7	71	5	80	23	78
SAR	4	100	23	74	2	100	29	79
Bankwide	46	81	72	67	17	90	135	75

MS/MS+ Ratio



Note: The percentage of MS/MS+ is a good proxy of the robustness of ratings. Bankwide the ratio is around 50% but projects in AFR and LCR are noticeably riskier.

Quality of Design

- ☞ AFR stands out as the lagging region in terms of quality of design, largely because of overly complex project design in relation to the Borrower's track record and absorptive capacity.
- ☞ Project complexity within fragile states was pervasive in AFR to a much greater degree than in other regions.
- ☞ Design weaknesses are more evident in QALP than in QEAs as evidenced by 22 projects that were previously assessed by QEA7. Seven of the 22 (all of which had been rated above the line in QEA7) were downgraded by QALP.
 - Three of the 6 projects from AFR previously reviewed in QEA7 (all three from the education sector) were downgraded by QALP panels. The remaining downgraded projects were 2 from SAR and one each from EAP and MNA.
 - The downgraded projects proved to be overly complex and had inappropriate institutional arrangements, which were more evident during implementation, while several also suffered from over-ambitious, unrealistic DOs and inadequate results frameworks.

Quality of Implementation

- ☞ ECA and EAP were more candid in rating implementation progress in the ISRs. In contrast, among MNA and AFR projects QALP panelists found three times as many problem projects as those reported in the ISRs.
- ☞ TTLs in ECA were most candid on IP performance in IBRD projects, rating them 60% MS+(see next Slide).
- ☞ Quality of Implementation ratings by QALP panels for IBRD projects was 40% MS+ in ECA and 69% MS+ in the rest of the Bank. The ECA rating was the main factor pulling down IBRD performance on implementation.
- ☞ Positive aspects of implementation include skills and institutional capacity of executing agencies in more than three-fourths of the projects.
- ☞ During implementation government commitment was rated lower (70% MS+) than during project design (90% MS+). This drop is most acute in AFR and ECA which are rated 60% MS+ during implementation.
- ☞ Major challenges encountered are implementation delays (51% MS+ Bankwide) and ineffectiveness in resolving implementation issues (62% MS+). These issues affected more than half the projects in AFR and more than two-fifths in ECA. Implementation delays are often caused by overly complex designs which is often within the Bank's control.

Implementation Progress: TTL vs. QALP Panel Ratings

Entire QALP Sample	AFR	EAP	ECA	LCR	MNA	SAR	Total
# Proj	28	20	20	15	23	29	135
TTL ratings for IP in FY08 ISR (% MS+)	86%	75%	70%	80%	91%	83%	79%
IP Rating by QALP panel (% MS+)	54%	60%	50%	80%	65%	69%	60%
Variance in IP ratings: ISR vs QALP	32%	15%	20%	0%	26%	14%	19%

IBRD Source of Funds	AFR	EAP	ECA	LCR	MNA	SAR	Total
# Proj	0	8	10	13	11	4	46
TTL ratings for IP in FY08 ISR (% MS+)	NA	75%	60%	77%	91%	100%	73%
IP Rating by QALP panel (% MS+)	NA	63%	40%	77%	64%	50%	59%
Variance in IP ratings: ISR vs QALP	NA	13%	20%	0%	27%	50%	14%

IDA Source of Funds	AFR	EAP	ECA	LCR	MNA	SAR	Total
# Proj	25	8	9	0	7	23	72
TTL ratings for IP in FY08 ISR (% MS+)	88%	75%	78%	NA	100%	78%	83%
IP Rating by QALP panel (% MS+)	52%	50%	56%	NA	71%	70%	57%
Variance in IP ratings: ISR vs QALP	36%	25%	22%	NA	29%	9%	26%

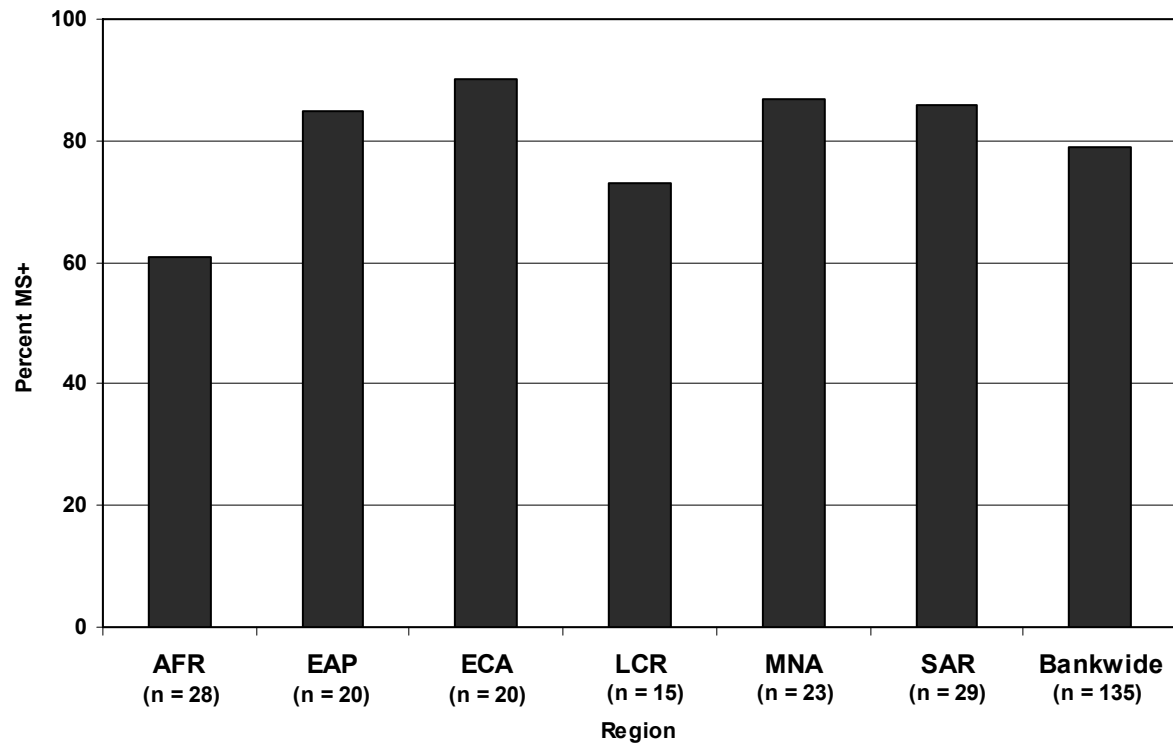
Quality of Implementation

Region	Total Assessed	Quality of Implementation	Expertise and Institutional Capacity	Managerial Skills	Technical Staff and Skills	Accountability Mechanisms/ Fiduciary Controls	Coordination among Executing Agency and Implementing Agencies	Government Support	Project Implementation on Schedule	Effectiveness in Resolving Implementation Issues
AFR	28	54%	68%	68%	68%	64%	65%	61%	39%	50%
EAP	20	60%	80%	85%	85%	80%	75%	75%	60%	60%
ECA	20	50%	75%	85%	90%	85%	79%	60%	50%	60%
LCR	15	80%	93%	86%	93%	93%	86%	71%	47%	80%
MNA	23	65%	78%	87%	83%	86%	71%	70%	57%	70%
SAR	29	69%	69%	72%	69%	79%	89%	83%	66%	66%
Bank-wide	135	60%	76%	79%	81%	79%	77%	68%	51%	62%

Quality of Supervision

- Bank supervision continues to be of high quality in four of the six regions but has considerable scope for improvement in AFR.
- AFR's results are pulled down by candor and realism and weak fiduciary/safeguards oversight.
- AFR has recently initiated actions to strengthen portfolio performance, including a review of ISR ratings. The results from IEG and QALP suggest that this needs to be given high priority by AFR regional management.

QALP ratings for Candor and Realism by Region



ISR, QALP and IEG Ratings for DOs

	AFR	EAP	ECA	LCR	MNA	SAR	Total
TTL ratings for DOs in FY08 ISR (% MS+)	89%	85%	85%	87%	91%	93%	88%
QALP ratings for DOs in FY08 (% MS+)	64%	80%	70%	87%	78%	79%	75%
Variance in DO ratings: ISR vs QALP	25%	5%	15%	0%	13%	14%	13%
FY07 Net disconnect (IEG)	30%	9%	8%	18%	13%	25%	16%

- ☞ QALP panels found twice as many problem projects that those reported in ISRs.
- ☞ The variance between TTLs and Panels on DO ratings and Net Disconnect with IEG outcome ratings is most acute in AFR, where QALP panels found three times as many problem projects as reported in ISRs.
- ☞ Variance with QALP DO Ratings is also high for ECA, MNA and SAR, the latter two also having significant disconnect with IEG outcome ratings.

Project Restructuring

☞ The need for restructuring has been most acute in AFR, in keeping with QALP findings about overly complex or inappropriate design in a high proportion of projects.

☞ Of the projects already restructured, one-third need further restructuring illustrating that even when projects are restructured critical design flaws are not always addressed.

Region	No. of Projects restructured	Projects for which panels advised restructuring	Total	% of Sample
AFR	3	7	10	36%
EAP	0	3	3	15%
ECA	2	2	4	20%
LCR	1	2	3	20%
MNA	1	3	4	13%
SAR	2	3	5	17%
TOTAL	9	20	29	21%

Variance between AFR QALP and recent QEA/QSA results

- ☞ QALP results for the AFR portfolio (see Annex 10 for details) are much weaker on quality of design compared to QEA7-8 and quality of Bank supervision compared to QSA6-7.
- ☞ The weaker performance of AFR projects is explained partly by the timing of the QALP assessment.
- ☞ Three-fourths of the AFR sample had overly complex design in relation to the country's track record and absorptive capacity. This mismatch is easier to identify given the QALP timing for assessing quality of design.
- ☞ Fragile states in AFR perform significantly worse than projects in fragile states in other regions, both in terms of QALP results and IEG exit ratings (see subsequent slides). Without the projects in fragile states, AFR results are closer to those of other regions.
- ☞ AFR results were also pulled down by the poor performance of projects in the Education sector (see Annex 12).

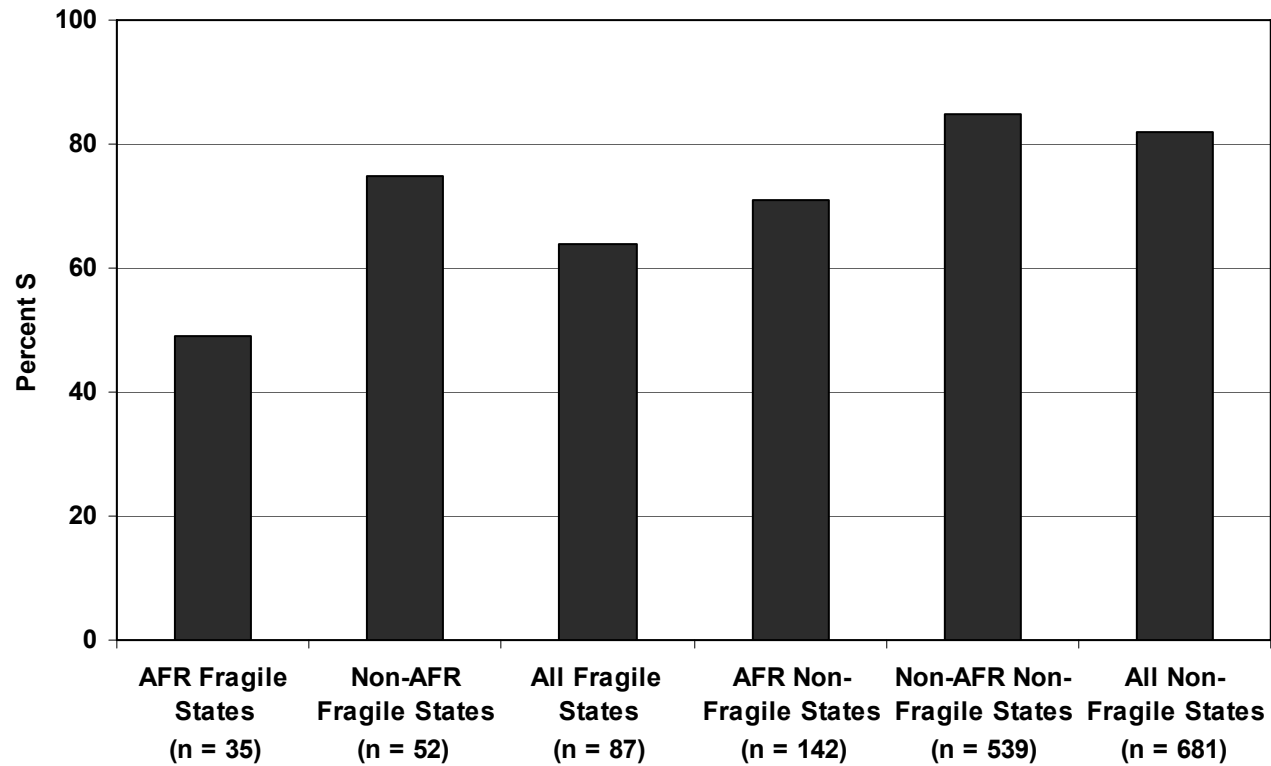
QALP Results Percentage MS+

(Fragile States vs. Non-Fragile States)

	Total Assessed	Likelihood of Achieving DOs	Quality of Design	Quality of Implementation	Quality of Bank Supervision
AFR in Fragile States	5	40%	20%	0%	40%
Non-AFR in Fragile States	8	67%	58%	48%	73%
All Fragile States	13	54%	40%	26%	58%
AFR in Non-Fragile States	23	70%	74%	65%	74%
Non-AFR in Non-Fragile States	99	79%	81%	64%	89%
All Non-Fragile States	122	77%	79%	64%	84%
Bankwide	135	75%	76%	60%	83%

IEG Outcome Ratings: FY05-07 exits

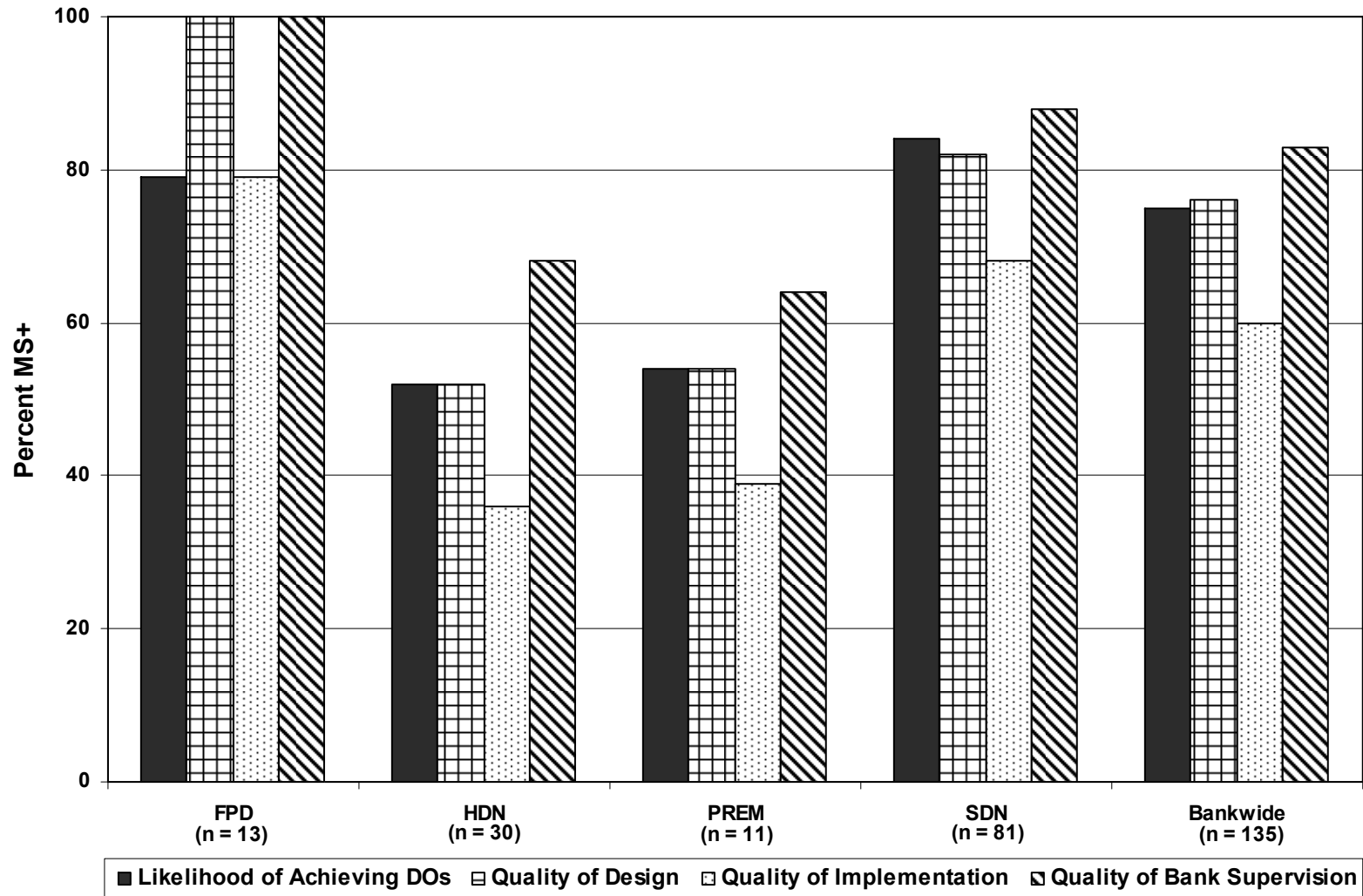
(Fragile States vs. Non-Fragile States)



C. Network and Sector Board Results

- ☞ At the Network level, FPD and SDN are the best performers in the QALP sample.
- ☞ FPD projects were rated highest on quality of design and Bank supervision, although slightly lower than SDN on Likelihood of Achieving DOs.
- ☞ Within the QALP universe, the randomly selected sample is more statistically representative of some sectors than of others, with the confidence interval indicated in Slides 48 and 50.
- ☞ SDN did well on most quality dimensions, although there are some variations among sectors. QALP ratings for Likelihood of Achieving DOs compared to historical IEG outcome ratings are significantly higher for EMT and lower for ARD and WAT (see Slide 48).
- ☞ The performance of HDN was driven by the weak results for the Education and HNP sectors (28 projects) on all four quality dimensions assessed. Half of the projects from these two sectors were assessed as being unlikely to achieve their DOs without significant restructuring.
- ☞ All 11 projects from the PREM Network are from the PSG sector which remains among the weak performers.

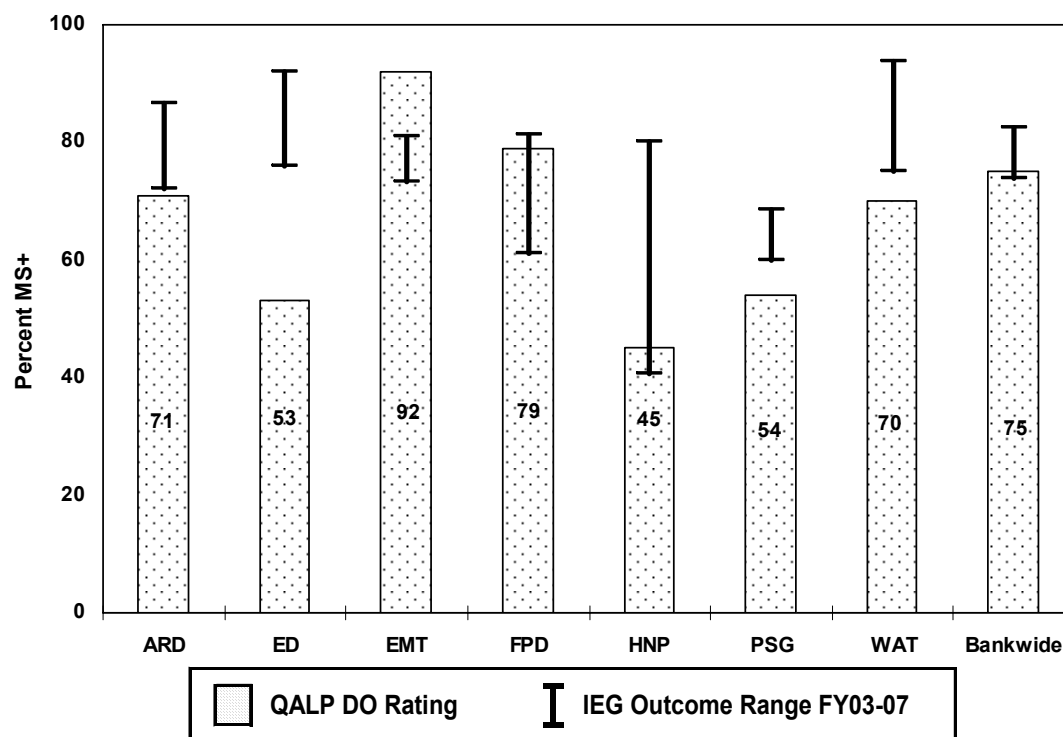
Results by Network



Likelihood of Achieving DOs by Sector

QALP Rating vs. IEG Outcome Range: FY03-07

- QALP DO ratings for EMT are significantly better than IEG ratings for FY03-07 exits, suggesting improvements since FY03. However, EMT projects in AFR remain at risk.
- The weak DO result of HNP and PSG in QALP is consistent with previous QAG assessments and IEG exit ratings.
- DO ratings for education are considerably lower than the FY03-07 range of IEG exit ratings. IEG exit ratings for ED also declined to 76 percent by FY07, indicating that the ED portfolio may have become riskier.



No. of Projects Assessed								
	ARD	ED	EMT	FPD	HNP	PSG	WAT	Bankwide
QALP DO	25	16	16	13	12	11	12	135
FY03-07 IEG Outcomes	185	140	81	125	114	125	70	1357
Margin of Error	7.4	8.6	7.6	13.4	13.8	11.9	0.0	3.9

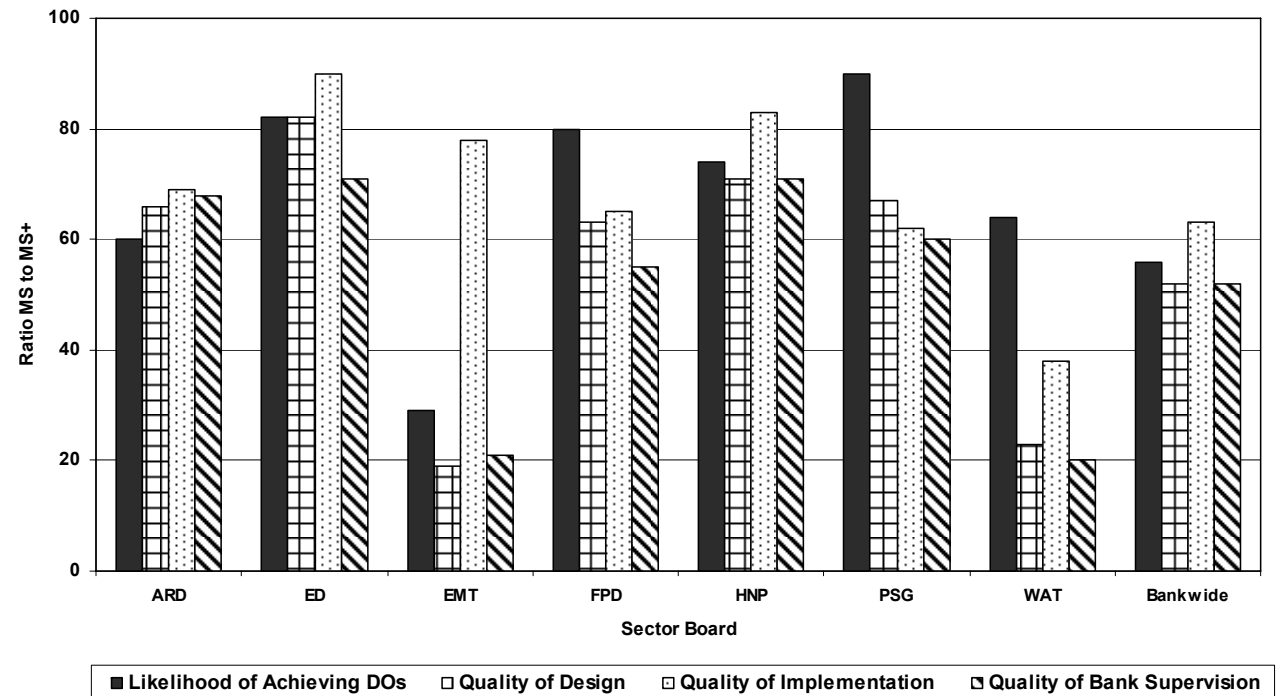
Note: Figures only include data for sector boards with more than 10 projects in QALP sample. All sector boards with smaller samples were well above the Bankwide average.

MS/MS+ Ratio by Sector Board

☞ The ratio of MS/MS+ is on average 50%, while sector performance is more mixed.

☞ ED and HNP are noticeably riskier on all four dimensions.

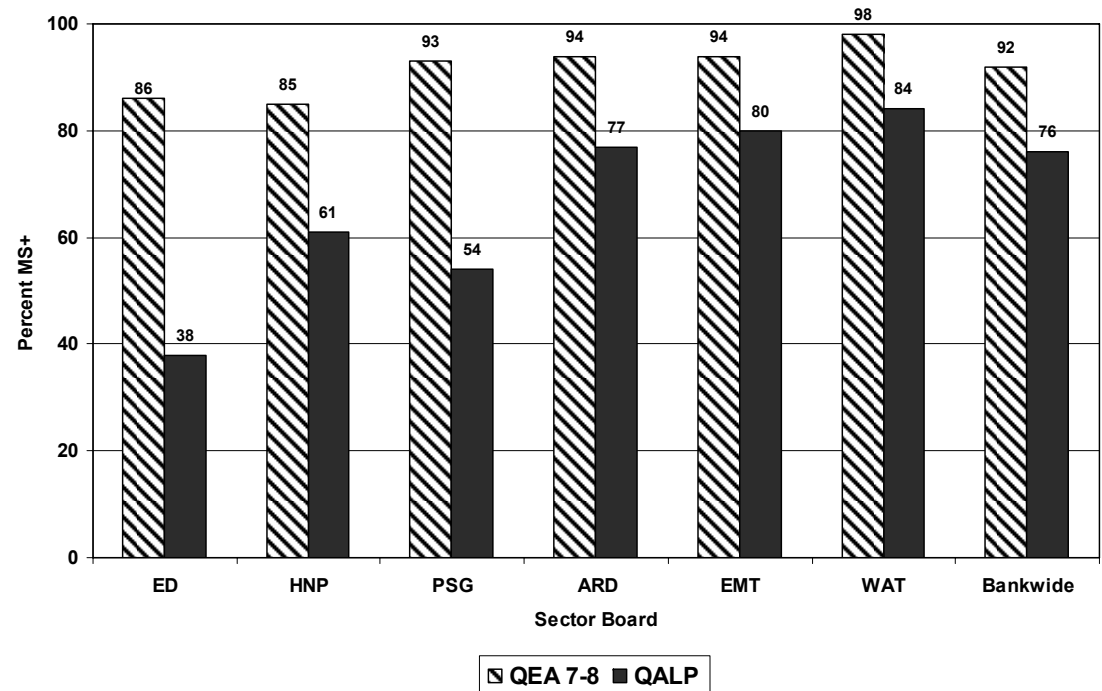
☞ DOs are at higher risk for PSG and FPD, while EMT has more implementation risks.



Quality of Design by Sector Board

☞ The variance in QALP vs. QEA7-8 ratings are statistically significant for ED, PSG, ARD and WAT sectors.

☞ These sectors are particularly affected by overly complex project design and weaknesses in institutional arrangements.



No. of Projects Assessed							
	ED	HNP	PSG	ARD	EMT	WAT	Bankwide
QEA 7-8	21	18	13	43	27	14	245
QALP	16	12	11	25	16	12	135
Margin of Error	8.6	13.8	11.9	7.4	7.6	0	4

Quality of Implementation by Sector Board

- ☞ Among sector boards, FPD and most SDN sectors were rated highly on quality of implementation.
- ☞ Results for sector boards indicate that HNP projects suffer from the greatest deficit of skills and institutional capacity.
- ☞ ED, HNP and PSG also suffer from weak coordination, possibly arising out of overly complex institutional arrangements.
- ☞ Implementation delays affected 80% of education projects and around half of HNP, PSG and WAT projects.
- ☞ PSG, HNP and ED were also affected the most by government ineffectiveness in dealing with implementation issues, possibly caused by overly complex designs.

Quality of Implementation by Sector Board

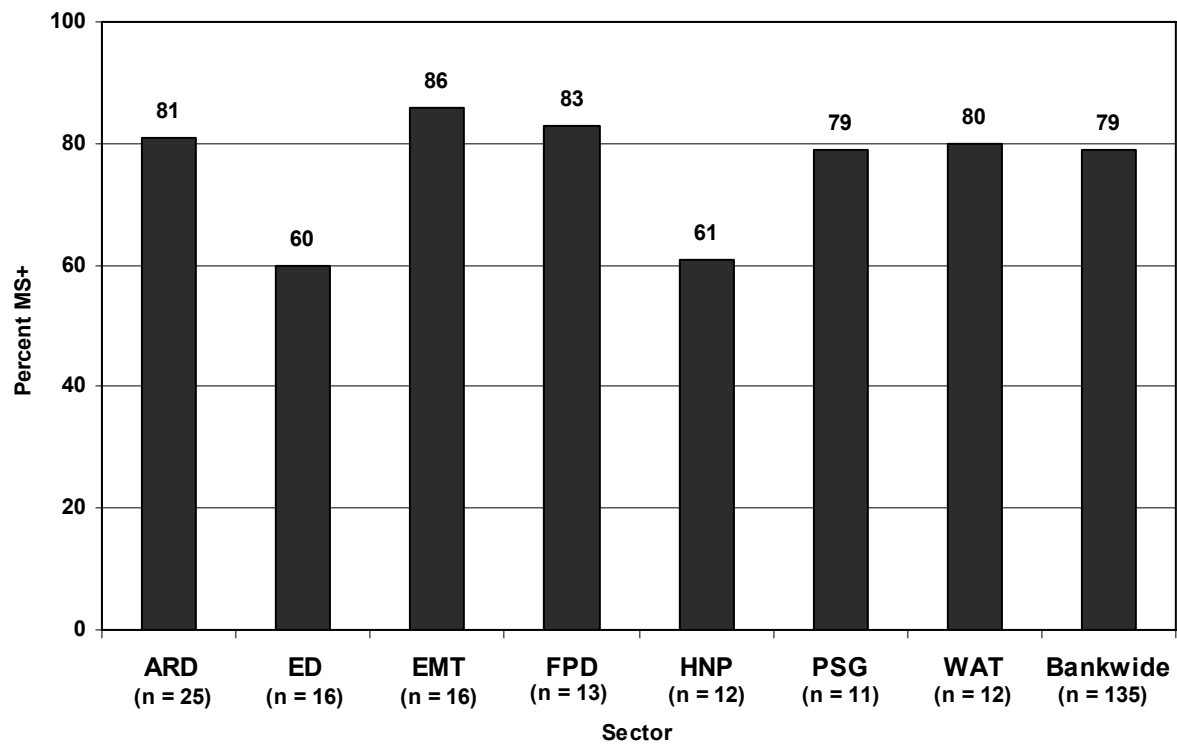
Sector Board	Total Assessed	Quality of Implementation	Expertise and Institutional Capacity	Managerial Skills	Technical Staff and Skills	Accountability Mechanisms/ Fiduciary Controls	Coordination among Executing Agency and Implementing Agencies	Government Support	Project Implementation on Schedule	Effectiveness in Resolving Implementation Issues
ARD	25	53%	81%	91%	86%	76%	84%	57%	51%	55%
ED	16	42%	50%	64%	64%	54%	47%	34%	20%	42%
EMT	16	77%	94%	85%	100%	88%	86%	86%	71%	73%
FPD	13	79%	83%	83%	75%	100%	83%	92%	58%	91%
HNP	12	35%	29%	35%	33%	45%	54%	30%	45%	40%
PSG	11	39%	60%	60%	76%	76%	51%	50%	48%	29%
WAT	12	59%	84%	95%	95%	89%	95%	70%	52%	70%
Bankwide	135	60%	76%	79%	81%	79%	77%	68%	51%	62%

Implementation Progress: TTL vs. QALP Panel Ratings

	ARD	ED	EMT	FPD	HNP	PSG	WAT	Total
TTL ratings for IP in FY08 ISR (%MS+)	72%	78%	85%	96%	88%	54%	80%	79%
QALP ratings for IP in FY08 (% MS+)	53%	42%	77%	79%	35%	39%	59%	60%
Variance in IP ratings: ISR vs QALP	19%	36%	8%	17%	53%	14%	21%	19%

- ☞ The variance between TTL's ISR ratings and QALP Panels on implementation quality is most acute in HNP and ED.
- ☞ TTLs of EMT and PSG projects were candid about implementation quality.
- ☞ Almost half of the PSG projects in the sample had IP ratings below the line in ISRs.

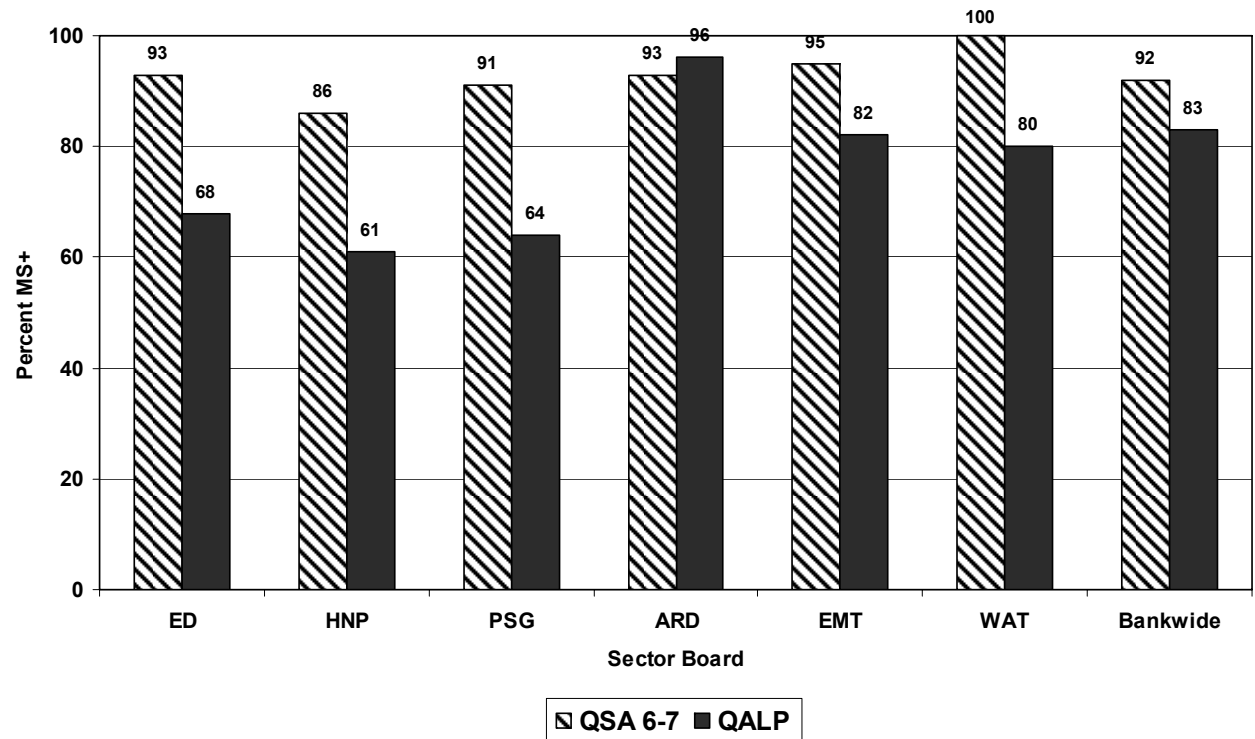
QALP ratings for Candor and Realism by Sector Board



Quality of Bank Supervision by Sector Board

☞ QALP ratings for quality of Bank supervision are lower than QSA6-7 ratings for most sector boards except for ARD.

☞ The lower ratings are statistically significant for ED and PSG sectors but are also of concern for HNP as illustrated by the next slide on Candor and Realism.



No. of Projects Assessed							
	ED	HNP	PSG	ARD	EMT	WAT	Bankwide
QSA 6-7	26	25	26	38	15	15	260
QALP	16	12	11	25	16	12	135

ISR, QALP and IEG Ratings for DOs

	ARD	ED	EMT	FPD	HNP	PSG	WAT	Total
TTL ratings for DOs in FY08 ISR (%MS+)	85%	78%	94%	96%	100%	79%	80%	88%
QALP ratings for DOs in FY08 (% MS+)	71%	53%	92%	79%	45%	54%	70%	75%
Variance in DO ratings: ISR vs QALP	14%	25%	2%	17%	55%	25%	10%	13%
FY07 Net disconnect (IEG)	13%	20%	5%	25%	37%	27%	0	16%

- ☞ The variance between TTLs and QALP Panels on DO ratings is most acute in HNP, ED and PSG. These results are corroborated by the high Net Disconnect with IEG outcome ratings.
- ☞ While the HNP sector board is actively attempting to improve quality, the education sector board also needs to review its portfolio, particularly its ISRs carefully.

D. Results for selected Sector Boards: Energy and Mining

- ☞ EMT projects were rated 92% ML+ on likelihood of achieving DOs and suggest better outcomes compared to recent IEG assessments (also see Annex 13).
- ☞ However, EMT projects in AFR have a higher level of uncertainty with four of the five projects rated ML.
- ☞ The design, content, and objectives of EMT operations appear to have benefited from the recommendations of the Infrastructure Action Plan (IAP).
- ☞ Most projects pursued efficiency, access and renewable energy goals using public sector institutions or agencies.
- ☞ EMT projects displayed strong government commitment, capable and well-staffed institutions for project management, and strong and sustained Bank supervision.

Selected HDN Sectors

- ☞ HNP projects were rated 45% ML+ on likelihood of achieving DOs, which is lower than recent IEG outcome ratings. They also performed poorly on candor and realism.
- ☞ HNP projects tended to be excessively complex and over-ambitious, many of them also being insufficiently prepared and/or with unrealistic results frameworks.
- ☞ As part of their Action Plan for improving quality, the HNP anchor plans to offer QERs to all projects when they reach 18 months after effectiveness.
- ☞ Education projects were rated 53% ML+ on likelihood of achieving DOs, significantly lower than recent IEG outcome ratings, and also had the lowest rating on quality of design (38% MS+) and low ratings on quality of supervision (68% MS+) (also see Annex 11).
- ☞ Education projects were often too complex relative to the capacities of the Borrower, in part due to an increase in the number of sector-wide programs. Sector-wide programs have considerable benefits but are more complex to design and supervise.
- ☞ Complex designs and approaches result in coordination problems between executing and implementing agencies that exceed their managerial and technical skills, fragment Government's attention to implementation problems, and result in implementation delays.
- ☞ Education projects also had relatively weak results frameworks with (a) frequent mismatch between KPIs and DOs, (b) inadequate specification of KPIs, and (c) ineffective M&E arrangements.
- ☞ The ED sector board would be well advised to review the remaining projects in the QALP universe to determine the extent of shortcomings in the universe that need to be addressed.

Public Sector Governance

- ☞ Almost half the PSG projects were deemed unlikely to achieve their DOs and suffered from inadequate design, and one-third had inadequate Bank supervision overall.
- ☞ IP ratings by TTLs in the ISRs for PSG projects showed that almost half the projects in the QALP sample faced considerable implementation problems.
- ☞ PSG projects' performance was affected mainly by overambitious DOs, complexity of project design compared to the absorptive capacity of the country, and inadequate risk assessment.
- ☞ During supervision the main issues appear to be timeliness of management attention and advice on redesign and restructuring when problems are identified (see Annex 12).

III. Feedback from TTLs, Panelists and Observers

- ☞ The 135 TTLs, 285 panelists and 66 observers taking part in QALP were requested to rate and comment on the panels' performance and the assessment's approach, process and usefulness. Response rates were 55% for TTLs, 73% for observers (both slightly lower than in previous assessments) and 73% for panelists (higher than in previous assessments).
- ☞ The survey provides positive feedback on the usefulness of the QALP instrument and process but somewhat mixed feedback on the panels competence and fairness, with observers and panelists consistently having a more favorable view than TTLs (see Annex 14).
- ☞ About half of TTLs felt that the QALP approach was fair, transparent and enhanced accountability, compared to over 90% of observers.
- ☞ Survey results contradict the perception that assessments emphasizing accountability are not useful for learning purposes.
- ☞ 75% of TTLs felt the QALP process was a good learning experience, the endorsement being even higher from observers (96%) and panelists (99%), while 71% of TTLs endorsed the QALP process overall.

Feedback (contd.)

- Over 80% of TTLs, and well over 90% of Observers and Panelists, endorsed the focus on development objectives and the combination of design, implementation and supervision in a single assessment, implying a high degree of support for the QALP instrument and methodology.

QALP Methodology (%MS+)

	TTLs	Observers	Panelists
Combining design/implementation/supervision	81	96	97
Focus on DOs	82	93	98
Operational usefulness of panel's recommendations	67	93	97
As a learning experience for you	75	96	99
Quality of the QALP process overall	71	NA	98

IV. Status of Previous Recommendations

A. Recommendations from QEA8

Responsibility/Action	Timeline	Status
Regions :	June 2009	
Undertake measures to improve the quality of investment projects:		
In the context of IL reform, together with OPCS, review measures to improve prospects for timely project completion and readiness of first year's program for implementation;		Ongoing; Concept Paper reviewed by Board Feb 2009; intermediate outputs on target.
Strengthen M&E arrangements by enhancing focus on evaluating impacts and measuring outcomes;		Action underway for new projects.
In applying the MRIL, agree with OPCS on a differentiated scale of acceptable risk for fragile states.		Instead of a differentiated scale for fragile states the Rapid Response Committee for each operation considers the appropriateness of the project for country circumstances.
Sector Boards:		
The ARD, HNP, and PSG Sector Boards should review current performance and take action, as necessary, to address shortcomings.	HNP & PSG – October 2008; ARD – March 2009	HNP and PSG reviews completed in FY08 and are introducing action plans. ARD review completed in Jan 09.

Status of Recommendations from QEA8

Responsibility/Action	Timeline	Status
OPCS:		
Review the appropriateness of lending instruments, procedures and implementation arrangements for Global and Regional projects, and consider options for capacity building of regional bodies and financing of supranational organizations and regional public goods.	December 2008	Agreed that issues will be incorporated into Phase II of IL Reform.
Provide guidelines and designate resource persons within the Bank to provide support on TA & Training to task teams.	September 2008	Guidelines issued in FY08; WBI has compiled a roster of TA experts.
Integrate the lessons on scope for improvement in Additional Financing guidelines (being revised by OPCS), and help the Regions adopt appropriate quality arrangements that reflect the experience of Additional Financing.	September 2008	Board Paper discussed Feb 09. Regions developing their quality arrangements.
OPCS, in consultation with the Regions, should consider including a provision as part of IL reform for adopting an incremental, programmatic approach for social and environmental analysis similar to programmatic ESW for some DPO programs.	June 2009	Will be considered after the IEG review on Bank and IFC safeguards in 2010.
Resolve, together with the Sustainable Development Network and Environmental Sector Board, the divergence of interpretation on the guidelines and norms for addressing environmental aspects within DPOs.	December 2008	OP 8.60 guidance has been reconfirmed.

Status of Recommendations from QEA8

Responsibility/Action	Timeline	Status
QAG:		
Undertake a dialog with the Regions and relevant Sector Boards on how to refine the assessment questionnaire on fiduciary aspects to ensure it better captures ground realities in future assessments.	September 2008	Done.
Review the implications of the six-point scale on the Bank's Quality at Entry targets and, if necessary, revise quality benchmarks to improve the linkage between assessment ratings and management of risks to development outcomes.	September 2008	Review completed in FY08; benchmarks will be refined after the next QALP.
Refine the instruments for future assessments to tailor them to different product lines – such as Additional Financing or Regional projects, Recipient Executed Trust Funds, and programmatic operations.	December 2008 or prior to launch of QSA8, whichever comes first	QALP questionnaire introduced for investment projects.
Increase the robustness of the sampling frame for future assessments to minimize the distortion created through addition of special projects by limiting the multiple strata in the sample and separating the analysis of Bankwide and regional samples from the additional cohort of special projects.	Prior to launch of future assessments	Done in QALP.

B. Recommendations from QSA7

Responsibility/Action	Timeline	Status
Regions:		
Improve quality and timeliness of Mid-term Reviews and encourage restructuring of problem projects as early as possible;		Some progress on restructuring reported by OPCS but QALP results indicate need for further improvement. IL Reform, Phase 1 will include a further simplification of the restructuring process to encourage timely actions.
Ensure that supervision budget allocations are tailored to project needs to maximize impact.		Agree on need for further action – a review of the supervision model is a specific objective of IL Reform.
Ensure that procurement and financial management staff are better integrated with supervision teams.		QALP results show better integration.

Status of Recommendations from QSA7

Responsibility/Action	Timeline	Status
Sector Boards:		
Provide guidance and training to task teams to improve the results framework of projects and promote dissemination of best practice examples across regions.		Regions initiated training but QALP results show problems persist.
Senior Management:		
Strengthen staff and managerial incentives and accountabilities for candor and quality of supervision reporting.		QALP results indicate problem persists. OPCS revising the supervision model as part of IL reform, and the ISR is proposed for disclosure. OPCS believes this will improve candor.
QAG:		
Explore options for improving the value added from future QSAs in light of progress made to date in supervision quality.		Addressed by new QALP format.