

QUALITY OF SUPERVISION IN FY05-06 (QSA7)
A QAG ASSESSMENT

ANNEXES

MAY 31, 2007



ACRONYMS AND ABBREVIATIONS

AFR	Africa Region	MP	Montreal Protocol
AM	Aide-Memoire	MS	Moderately Satisfactory
APL	Adaptable Program Lending	MS+	Moderately Satisfactory or Better
APL01	Adaptable Program Lending Phase 01	MTR	Mid-Term Review
APP	Actual Problem Project	MU	Moderately Unsatisfactory
CDD	Community-Driven Development	NGO	Nongovernmental Organization
CO	Country Office	NR	Not Rated
CODE	Committee on Development Effectiveness	OA	Overall Assessment
CPPR	Country Portfolio Performance Review	ODS	Ozone Depleting Substance
DO	Development Objective	OP	Operational Policy
DPL	Development Policy Lending	OPCQC	Quality Assurance & Compliance in OPCS, formerly QACU
EA	Environmental Assessment	OPCS	Operations Policy and Country Services
EAP	East Asia and Pacific Region	OVP	Operational Vice President
ECA	Europe and Central Asia Region	PAD	Project Appraisal Document
EMP	Environmental Management Plan	PREM	Poverty Reduction and Economic Management
ESSD	Environmentally and Socially Sustainable Development Network	PSD	Private Sector Development
ESW	Economic and Sector Work	PSDN	Private Sector Development Network
FM	Financial Management	PSR	Project Status Report
FMR	Financial Monitoring Report	QAG	Quality Assurance Group
FMS	Financial Management Specialist	QEA	Quality-at-Entry Assessment
FSE	Financial Sector Network	QSA	Quality of Supervision Assessment
FY	Fiscal Year	R1	Focus on Development Effectiveness
GEF	Global Environment Facility	R2	Supervision of Fiduciary/Safeguard Aspects
HDN	Human Development Network	R3	Adequacy of Supervision Inputs and Processes
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome	R4	Candor and Quality of ISR
HQ	Headquarters	RAPMAN	Risk and Portfolio Management Model
HL	Higher Level	S	Satisfactory
HS	Highly Satisfactory	SAL	Structural Adjustment Loan
HU	Highly Unsatisfactory	SAR	South Asia Region
IBRD	International Bank for Reconstruction and Development	S+	Satisfactory or Better
IDA	International Development Association	SD	Social Development
INF	Infrastructure Network	SDV	Social Development Sector Board
IP	Implementation Progress	SPF	Special Project Facility
KPI	Key Performance Indicator	TA	Technical Assistance
LCR	Latin America and the Caribbean Region	TF	Trust Funds
LIL	Learning and Innovation Loan	TOR	Terms of Reference
M&E	Monitoring and Evaluation	TTL	Task Team Leader
MNA	Middle East and North Africa Region	U	Unsatisfactory

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A team managed by Albert Martinez, which included the Moderators (see Annex 2), prepared this report. Contributions were also provided by specialized review teams led by Maria Concepcion J. Cruz (Social Development), Colin Rees (Environment), Marius Koen (Financial Management), and Pamela Bigart (Procurement). Data processing and analysis were done by Melvin Vaz. Betty Casely-Hayford provided logistical and administrative support, with back-up from Josephine Onwuemene, Maureen Serieux, Erika Mae Lorenzana, Conchita Castillo and Amelia Laya.

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Prem Garg, Director, Quality Assurance Group, guided the overall effort.

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ANNEX 1: LIST OF QSA7 OPERATIONS

Africa Region		Latin America and the Caribbean Region	
Burkina Faso	BF-Com Based Rur Dev (FY01)	Barbados	Barbados - Caribbean HIV/AIDS I
Burkina Faso	BF-STATCAP SIL (FY04)	Bolivia	BO- Education Quality
Burkina Faso	BF-Transp Sec SIM (FY03)	Brazil	BR Salvador Urban Trans
Burundi	BI-MultiSec HIV/AIDS & Orph APL (FY02)	Brazil	BR CEARA WTR MGT PROGERIRH SIM
Burundi	BI-Agr Rehab & Sustain Land Mgmt (FY05)	Brazil	BR Espirito Santo Wtr & Coastal Pollu
Chad	TD-Pop & AIDS 2 (FY02)	Central America	GEF 6C Integ Mgt. Indigenous Communities
Chad	TD-Critical Elec & Water Srvc (FY03)	Costa Rica	CR Ecomarkets
Eritrea	ER-Cultural Assets Rehab LIL (FY02)	Guatemala	GT Tax Admin TAL
Eritrea	ER-Education Sec SIL (FY03)	Honduras	HN Emerg Disaster Mgmt (TAL)
Ethiopia	ET-Energy Access SIL (FY03)	Mexico	MX Irrigation & Drainage Modernization
Ethiopia	ET-Food Security SIL (FY02)	Mexico	MX Housing & Urban Technical Assistance
Ethiopia	ET-Road Sec Dev Prgm Ph 2 Supl 2 (FY05)	Nicaragua	NI Natural Disaster Vulnerability Reduc
Gambia, The	GM-Gateway SIL (FY02)	Paraguay	PY Pilot Community Development Project
Guinea	GN-Multi-Secal AIDS SIL (FY03)	Peru	GEF PE Participatory Mgmt Prot Areas
Guinea	GN-Natl Rural Infrastructure (FY05)	Peru	PE Lima Transport
Guinea	GN-Education for All APL (FY02)	Uruguay	UY Energy Efficiency Project
Guinea-Bissau	GW-Coastal & Biodiv Mgmt (FY05)	Venezuela	VE- Caracas Metropolitan Health
Guinea-Bissau	GW-Priv Sec Rehab & Dev (FY02)		
Kenya	KE-Free Primary Edu Supt (FY03)	Middle East and North Africa Region	
Lesotho	LS-ESDP II APL - Phase 2 (FY04)	Algeria	DZ-Mortgage Finance Tech. Assistance
Malawi	MW-MASAF APL 3 (FY03)	Algeria	DZ-Telecommunications & Postal Sector
Mali	Growth Support	Djibouti	DJ-Flood Emergency Rehabilitation
Mali	ML-Finance Sec Dev (FY00)	Djibouti	DJ-HIV/AIDS, Malaria and TB Control
Mozambique	MZ-Coastal & Marine Biodiv Mgmt (FY00)	Iran, Islamic Republic of	IR-Tehran Sewerage I
Nigeria	NG-Transmission Dev SIL (FY02)	Jordan	JO: Public Sector Reform Capacity Bldg.
Nigeria	NG-HIV/AIDS Prog Dev (FY02)	Jordan	JO: ODS Phaseout II
Sierra Leone	SL-Inst Reform & Cap Bldg TAL (FY04)	Morocco	MA-Protected Areas Management
Sierra Leone	SL-Natl Soc Action (FY03)	Morocco	MA-Irrigation Based Community Dev.
Tanzania	TZ-Tax Administration (FY99)	Morocco	MA-Rainfed Agriculture Development
Tanzania	TZ-Pub Sec Reform Prgm (FY00)	Tunisia	TN-GEF: Gulf of Gabes
Uganda	UG-Power SIL 4 (FY02)	West Bank and Gaza	GZ-North Gaza Emergency Sewage Treatment
Uganda	UG-Agr Rsrch & Training SIL 2 (FY99)	Yemen, Republic of	RY Basic Education Expansion Project
Uganda	UG-Road Sec & Inst Supt (FY98)	Yemen, Republic of	RY-Civil Service Modernization
Zambia	ZM-Copperbelt Env (FY03)	Yemen, Republic of	RY-Social Fund for Development III
Zambia	ZM-Seed (FY05)		
East Asia and Pacific Region		South Asia Region	
Cambodia	KH-Cambodia Education Sector Support	Afghanistan	Nat'l Emergency Emp. Prog for Rural
China	CN-Shanghai Urban Environment APL1	Afghanistan	Emergency Transport Rehabilitation
China	CN-Shanghai Waigaoqiao	Afghanistan	Public Admin Capacity Building Project
China	CN-Sustainable Coastal Resources Dev.	Bangladesh	Female Secondary School Assis. II
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China	CN-Hubei Shiman Highway	Bhutan	Education Development Project
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Indonesia	ID-Health Workforce & Services (PHP 3)	India	Food & Drugs Capacity Building Project
Indonesia	ID-Land Management & Policy Develop	India	UP Sodic Lands II
Lao People's Dem Rep	LA -Road Maint APL2	India	Karnataka RWSS II
Lao People's Dem Rep	LA-Second Education Development	Maldives	III Education & Training
Lao People's Dem Rep	LA-Agricultural Development Project	Pakistan	GEF-Protected Areas Management Project
Mongolia	MN-Financial Capacity Dev. Project	Pakistan	Tax Administration Reform Project
Papua New Guinea	PNG-Gazelle Restoration II	Sri Lanka	Legal and Judicial Reforms
Philippines	PH - Community Based Reso		
Solomon Islands	SB-Health Sector Development		
Timor-Leste	TP-Small Enterprises Project II		
Vietnam	VN-Rural Finance II Project		
Vietnam	VN-HCMC Environmental Sanitation		
Vietnam	VN-GEF Demand Side Mgmt & Energy		
Europe and Central Asia Region			
Armenia	Municipal Water & Wastewater	Russian Federation	Municipal Water & Wastewater
Azerbaijan	Irrig Dist Sys & Mgmt Improvement	Russian Federation	Capital Market Dev
Bosnia-Herzegovina	Quality Protect (GEF)	Serbia and Montenegro	Education Improvement (SERBIA)
Bosnia-Herzegovina	BUS ENABL ENV SAC	Serbia and Montenegro	Real Estate Cadastre (Serbia)
Bulgaria	Energy Efficiency (GEF)	Serbia and Montenegro	Danube Ents Pollut Reduc (GEF)
Georgia	ENT REHAB	Slovak Republic	Human Capital TA (SIDEM APL #1)
Georgia	Forestry	Tajikistan	Rural Infra Rehab
Kazakhstan	Nura River Clean-Up	Tajikistan	Commty Agric & Watershed Mgmt
Kosovo	Social Protection (Kosovo TF)	Turkey	ARIP
Kyrgyz Republic	ASSP	Turkey	ODS Phaseout 2 (Montreal Protocol)
Macedonia, former Yugosl	Child/Youth Development LIL	Ukraine	ST Tax Service Mod Prog (APL #1)
Moldova	Health Investment Fund	Uzbekistan	Bukhara/Samarkand WS
Poland	Roads 2		
Romania	Rural Finance (APL #1)		
Romania	SDF 2 (APL #2)		

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ANNEX 3: SEVENTH QUALITY OF SUPERVISION ASSESSMENT (QSA7)

APPROACH PAPER

1. The Quality Assurance Group (QAG) announces, through this Approach Paper, the Seventh Quality of Supervision Assessment (QSA7), to begin July 7, 2006. QSA7 will cover supervision during FY05-06. The following paragraphs outline the objectives, scope, and methodology of the assessment.

OBJECTIVES

2. The primary objectives of QSA7 are: (a) to provide senior management with real-time feedback on the overall effectiveness and efficiency of the Bank's supervision work at the Regional and Network levels; and (b) to evaluate the Bank's experience in identifying and resolving problems in the portfolio, and draw conclusions for learning in key areas of supervision quality and processes.

SCOPE AND AREAS OF FOCUS

3. Areas of focus in QSA7 flow from the findings of QSA6 (FY03-04). The previous assessment reported that supervision quality had stabilized, overall, at about 90 percent *Satisfactory*, but there were significant areas of concern which QSA7 will pay close attention to: *lack of realism of performance reporting, slippage in compliance on Social Safeguards, Portfolio Monitoring Indicators understating the risk of not achieving DOs, and design issues in particular with respect to the results framework and project scope and timetable*. In addition, QSA7 will focus on supervision issues in the LICUS portfolio--following the FY05 ARPP which noted less candor and realism in supervision ratings--as well as issues in multi-sectoral projects. Also, the fiduciary assessment will be strengthened to better assess the effectiveness of Task Teams in ensuring minimization of potential for fraud and corruption issues.

4. To enable QSA7 to improve its assessment of the areas mentioned in the previous paragraph, several modifications are being made to the QSA6 methodology. First, the QSA7 sampling is stratified to enable a robust sample of LICUS countries. Second, the basic questionnaire is modified to include questions that will enable greater emphasis on some areas such as performance reporting, results framework, and multi-sectoral supervision. Third, the comments section will include Panel identification of factors behind problems in performance reporting, use of monitoring indicators, and links between the project design and quality of supervision. Fourth, Panelists will review the sub-ratings ("risk flags") to check the reliability of project performance ratings in ISRs, do their own ratings for FY05 and FY06 ISR risk flags and project components, and explain divergence between their ratings with those in the ISRs. Fifth, the fiduciary questionnaires have been augmented to better assess the effectiveness of Task Teams in ensuring minimization of potential for fraud and corruption.

5. QSA7 will include specialized reviews in four areas--financial management (FM), procurement, environment, and social aspects. The supplementary questionnaires have been strengthened based on experience in QSA6. The financial management questionnaire has substantive changes to take into account the FM Practices Manual issued in 2005. The supplementary questionnaires are also attached.

6. QSA7 will implement the recommendations emanating from the feedback process for QSA6. These include: (a) involving more staff as Panelists and Observers to increase understanding of the process; (b) improve on the assessment reports which should contain detailed recommendations and guidance on how to improve supervision quality; and (c) intensify efforts to disseminate findings including presentations to regions and sector boards.

SAMPLE SELECTION, COVERAGE, AND ROBUSTNESS OF RESULTS

7. QSA7 will cover all projects approved prior to FY06 and still active on July 1, 2006. The resulting universe from which the sample will be drawn is 1,193 operations. QSA7 will sample 125 of these operations.¹ To reduce the evaluation overload on task managers of multiple, concurrent assessments, QAG will exclude operations for which Task Team Leaders (TTLs) or specific tasks were covered by other QAG assessments (QEA7, Country AAA, and Global & Regional AAA in FY06).

8. In order to be able to draw conclusions relevant to the objectives of the exercise, the sample of 125 projects will be *publicly* drawn on a random basis, stratified by Region and LICUS/non-LICUS (attached is a brief note to explain the sample stratification). *QSA7 Bank-wide results will be statistically robust at a confidence level of 95% +/-5%, and Regional results at 90% +/- 10% (except for MNA and SAR, at about 90% +/-15%)*. Results for smaller cohorts, such as PSD, FSE, several sectors and lending instruments, are unlikely to be statistically robust.

METHODOLOGY

9. The major determinants of supervision quality measured by QSA7 will be:

- Focus on *development impact*. How well is supervision assessing and helping to ensure project impact and what is the relevance, timeliness and effectiveness of Bank's responses to project issues? Panelists will review how supervision addresses the shortcomings of project design and the extent to which supervision is more results and outcome focused.
- Attention to *fiduciary and Safeguard aspects*. How adequately is the Bank supervising environment, financial management, social aspects, procurement, disbursements, and compliance on Safeguards and legal covenants?
- Appropriateness of *supervision inputs and processes*. What is the quality (relevance, effectiveness, and efficacy) of the Bank's supervision inputs and management oversight, particularly in relation to the risk of the project not achieving its development outcomes?
- Quality of *project ratings and reporting*. How reliable and accurate are project ratings, especially ratings for achieving development objectives (DO) and justification for project status? How effectively is the ISR used as a supervision tool?

10. For the operations in the sample, QAG will extract copies of the PAD, legal documents, data on supervision budgets (planned and actual), and ISRs. QAG will provide a check list of additional documents required by the Panels and request the TTLs to provide them (electronically, wherever possible) within 10 working days. The TTLs are free to provide any additional documents.

11. Panels for these assessments will work in two-person teams, combining subject matter expertise with implementation skills and country background. Specialized reviewers in financial management, procurement, environment, and social aspects will review these areas and advise the Panels of their findings prior to the Task Team interviews. In order to streamline interviews by minimizing the need for specialized reviewers to be present, TTLs will be asked to identify their specialists in these areas, so the specialized reviewers can contact them directly. Should there be a need for substantive clarification after these contacts; the specialized reviewers would attend the Panel interviews. Each Panel will include a

¹ At the request of the GEF Secretariat, the sample was enlarged by 5 projects to provide more robust findings for the GEF Projects.

moderator selected by QAG to help ensure consistent rating standards, due process, and a cordial but substantive review. Due to cost and logistical considerations, QSA7 will not seek feedback from stakeholders as an input to Panelists' judgments; however, stakeholder feedback may be sought on an exception basis.

12. QSA7 Panelists will review the written documentation and rate the operations using the *Guidance Questionnaire* which is attached. Quality will be rated on a six-point scale similar to the scale used by OED in its evaluations. Within each question, Panelists will use the comments section for clarifying the basis of their ratings. The overall rating is not an average, but requires careful judgment by the Panelists. The basis for the ratings is explained below:

1 = Highly Satisfactory	An exemplary supervision effort, demonstrating good practice in several areas with highly proactive identification and resolution of threats to achieving the operation's development objectives.
2 = Satisfactory	Satisfactory or better on all aspects--a solid supervision effort, defined by sound and timely focus on implementation problems and development effectiveness.
3 = Moderately Satisfactory	Satisfactory on all key aspects but some deficiencies and missed opportunities to improve prospects of project outcomes and/or strengthen the Bank's fiduciary role.
4 = Moderately Unsatisfactory	Significant deficiencies in a few key aspects, which may jeopardize project outcomes and/or undermine the Bank's fiduciary role.
5 = Unsatisfactory	Significant deficiencies in several key aspects of supervision that jeopardize project outcomes and/or undermine the Bank's fiduciary role.
6 = Highly Unsatisfactory	A broad pattern of deficiencies in supervision that is likely to jeopardize project outcomes and/or undermine the Bank's fiduciary role.

13. Prior to the scheduled interview, the TTL will receive a list of questions which will help set the agenda for the interview. Interviews with TTLs will include team members and sector/country managers/directors at the discretion of the TTLs. Following the interview, QAG will, within two weeks, provide the Task Team, Sector and Country Managers, and Regional Quality Director, a copy of the draft assessment report for the operation, requesting comments within a week. QAG will then finalize the assessment report, normally within two weeks of receiving the Region's comments. This process comprises what is called the First Stage Assessment.

14. If the overall assessment rating is *less than Satisfactory*, the Region could request a second review, in which case QAG would constitute a fresh Panel for this purpose. A small portion (projected to be about 10 percent of the sample based on experience in past QSAs) is expected to pass through a second stage assessment at the Region's request. Such a request should outline the areas of disagreement with the First Stage Assessment. The second stage Panel would receive the report of the first stage Panel, but conduct its own review and interview. At the conclusion of this review, the Panel will decide whether to revise the first stage assessment to reflect its judgments. Again, the Region would be asked to comment, and the report is expected to be finalized within two weeks of the second stage Panel's interview. If the Region still disagrees with the Panel's conclusions, it may submit a rejoinder which will be appended to the Panel Report.

SYNTHESIS REPORT

15. A synthesis report of QSA7 findings will be presented to the OVPs for discussion in November 2006 after discussion with Panelists, Regions and Networks. The report will follow the streamlined format used in QSA6, and incorporate results of feedback surveys of TTLs, Panelists and Observers.

16. **Costs.** The cost of QSA7 is estimated at about \$1.2 million, of which about 75 percent would be the direct costs of the Panel reviews. These costs do not include an estimate of approximately 4 staff days per project for Task Teams whose work will be assessed in QSA7. However, the estimates include the time of specialized reviewers (environment, financial management, procurement, and social aspects), and about half of these costs will be funded by their respective Sector Boards.

17. **Schedule.** The QSA7 schedule is timed to provide key inputs to the ARPP, which is to be presented to CODE in December 2006. As a result, *it is crucial for the Task Team interviews to be completed by September 29, 2007.* The QSA7 schedule is as follows:

June 23, 2006	Approach Paper distributed in draft to Quality Directors
July 6, 2006	Approach Paper issued in final
July 7, 2006	Sample Selection
July 10, 2006	Notification of Task Team Leaders for operations included in the sample
July 12-31, 2006	Orientation sessions for TTLs and Panelists
July 24, 2006	Deadline for submission of documents (consideration to be made for staff on leave or operational travel).
July 27, 2006	Specialized reviewers begin their assessments
August 1, 2006	Main Panels begin Task Team interviews for QSA7 sample
September 29, 2006	Panels complete all stage 1, most stage 2 interviews
October 20, 2006	All stage 2 interviews completed
November 20, 2006	Working level review of draft synthesis report
November 30, 2006	Review by Regional Quality Directors of draft synthesis report
December 11, 2006	Draft to OVPs
December 2006	OVP level review

OBSERVERS

18. As in other recent QAG assessments, Regions and Networks are invited to nominate Observers to participate in QSA7 reviews as a learning experience. Observers will be expected to: (i) read the documentation; (ii) give sufficient notice if they change plans to attend interviews; and, (iii) provide feedback after their participation. Observers will not rate operations, although they may ask questions to understand how Panelists come to their judgments.

Attachment 3.1**QSA 7: NOTE ON SAMPLE STRATIFICATION AND WEIGHTING****1. Objectives of Stratification:**

- To help provide robust measurements for every Region, i.e., conclusions at a statistical significance of 90% +/- 10% (except for MNA and SAR, about 90% +/- 15%).
- To support valid conclusions on quality of portfolio for LICUS.

2. Order of Stratification:

- First by Region, and then by LICUS and Non-LICUS.

3. Excluded from the Sample:

- Operations approved in FY06--their time in implementation/supervision too short to permit valid conclusions.

4. Sampling Fractions:

- Chosen for each Region based on a priori probability indicated by QSA 5-6 results;
- LICUS projects in the universe will be sampled at twice the rate than that of non-LICUS projects.
- The minimum sample size for any Region is set at 15 operations--the smallest universe is expected to be MNA and SAR.
- The sampling fractions for Bank-wide are shown in Table 1 and for Regions are shown in Table 2.
- The sampling fractions by LICUS and Non-LICUS are: LICUS: 21%
Non-LICUS: 9%.
Overall: 10%.

5. Weighting:

- Each operation in the sample will be assigned a weight which is the inverse of the ratio of the sample size in the respective stratum for Region and LICUS & Non-LICUS to the portion of the universe from which it is drawn.
- Example: There are expected to be about 79 "LICUS" projects for AFR in the portfolio, of which 16 would be drawn in the sample. This provides a ratio of 16/79 or a reciprocal of 79/16, i.e., 4.9375.
- Each operation in this sub-sample of 16 would therefore be assigned a weight of 4.9375, as it represents 4.9375 operations in the sub-universe from which it is drawn.

- By carrying out the weighting for each of the 125 operations in the QSA7 sample, the results of the assessment can be scaled up to the universe of 1,193 operations from which the sample will be drawn, in a proportional manner which adjusts for the different sampling rates.

6. The Sampling Matrix for QSA7:

Table 3.1: Bank-Wide QSA7 Sampling Matrix

	# Universe (N) ^{1/}	# Sample (n) ^{2/}	Sampling Fraction ^{3/}	Confidence Interval ^{4/}
LICUS ^{5/}	160	33	0.21	6.1
Others	1,033	97	0.09	5.0
Bank-wide	1,193	130	0.11	4.9

Table 3.2: QSA7 Sampling Matrix (Regional Breakdown)

Region	# Universe ^{1/}		# Sample ^{2/}		Weights	
	LICUS ^{5/}	Non-LICUS	LICUS ^{5/}	Non-LICUS	LICUS ^{5/}	Non-LICUS
AFR	79	220	16	19	4.938	11.579
EAP	33	155	7	14	4.714	11.071
ECA	20	234	4	23	5.000	10.174
LCR	2	225	0	17	NA	13.235
MNA	12	83	3	12	4.000	6.917
SAR	14	116	3	12	4.667	9.667

Table 3.3: Bank-Wide QSA7 Sampling Matrix

Region	# Universe ^{1/}		# Sample ^{2/}		Weights	
	LICUS ^{5/}	Non-LICUS	LICUS ^{5/}	Non-LICUS	LICUS ^{5/}	Non-LICUS
AFR	79	220	16	19	4.938	11.579
EAP	33	155	7	14	4.714	11.071
ECA	20	234	4	23	5.000	10.174
LCR	2	225	0	17	NA	13.235
MNA	12	83	3	12	4.000	6.917
SAR	14	116	3	12	4.667	9.667

^{1/} Includes all the active projects in the portfolio except those that were approved in FY06.

^{2/} Represents the sample size based on the above parameters at +/-10 at 90% confidence level for LICUS & others and at +/-5 at 95% confidence level for Bank-wide.

^{3/} Denotes the ratio of the Sample over the Universe.

^{4/} Confidence interval based on the Universe, a priori Probability, t-value and Sampling Fraction.

^{5/} Includes the active projects for those countries which are in the FY06 LICUS List.

^{6/} One Task under Others is included in the MNA Region.

ANNEX 4: DETAILED RATING TABLES

RESULTS BY REGION

A. Overall Assessment by Region (%)

Region	Total Assessed		HS		S		MS		MU		U		HU	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
AFR	35	35	0	7	53	53	32	36	10	3	5	0	0	0
EAP	15	21	22	6	57	37	17	49	4	8	0	0	0	0
ECA	30	27	12	16	68	48	10	34	6	2	4	0	0	0
LCR	15	17	13	0	56	47	31	47	0	6	0	0	0	0
MNA	20	15	12	7	29	30	33	55	16	0	10	0	0	7
SAR	15	15	0	7	52	33	28	52	16	0	4	7	0	0
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by Region – % Moderately Satisfactory or Better

Region	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
AFR	35	35	85	97	88	97	79	87	83	97	73	95
EAP	15	21	96	92	96	100	87	94	96	92	96	72
ECA	30	27	90	98	90	98	96	100	96	100	78	86
LCR	15	17	100	94	100	94	91	100	100	94	78	82
MNA	20	15	75	93	84	93	84	85	69	93	57	78
SAR	15	15	80	93	80	93	84	100	72	93	73	85
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

C. Quality Dimension by Region – % Satisfactory or Better

Region	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
AFR	35	35	53	60	69	71	65	57	70	81	46	47
EAP	15	21	78	43	78	46	78	60	87	66	65	37
ECA	30	27	80	64	90	70	84	70	86	74	62	40
LCR	15	17	69	47	69	65	72	53	91	71	48	12
MNA	20	15	42	38	48	59	75	56	50	59	22	33
SAR	15	15	52	41	60	41	51	63	55	63	28	33
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY NETWORK

A. Overall Assessment by Selected Network^{a/} (%)

Network	Total Assessed		HS		S		MS		MU		U		HU	
	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7
ESSD	38	39	8	5	46	45	32	44	6	4	9	0	0	2
HDN	33	29	7	5	49	44	35	41	7	10	2	0	0	0
INF	34	39	10	6	63	48	22	47	4	0	1	0	0	0
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by Selected Network^{a/} – % Moderately Satisfactory or Better

Network	Total Projects		OA		R1		R2		R3		R4	
	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7
ESSD	38	39	86	94	86	97	76	94	84	94	71	85
HDN	33	29	91	90	95	90	84	93	87	92	68	86
INF	34	39	94	100	96	100	91	94	92	100	83	89
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

C. Quality Dimension by Selected Network^{a/} – % Satisfactory or Better

Network	Total Projects		OA		R1		R2		R3		R4	
	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7	QSA6	QSA7
ESSD	38	39	54	50	62	58	60	57	77	71	39	26
HDN	33	29	56	49	65	64	68	42	70	69	42	42
INF	34	39	73	53	84	61	76	63	87	78	58	33
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

^{a/} Only for Networks that have a confidence interval of 90% +/- 10%.

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY SECTOR BOARD

A. Overall Assessment by Selected Sector Board ^{a/} (%)

Sector Board	Total Assessed	HS	S	MS	MU	U	HU
Education	26	3	49	41	7	0	0
Energy and Mining	15	25	51	18	3	3	0
Environment	33	7	46	33	4	8	2
Public Sector Governance	26	14	53	25	5	3	0
Rural Sector	38	7	43	44	7	0	0
Transport	28	0	53	43	4	0	0
Water Supply and Sanitation	15	0	49	51	0	0	0
Bank-wide	260	9	50	34	5	2	0

B. Quality Dimension by Selected Sector Board ^{a/} – % Moderately Satisfactory or Better

Sector Board	Total Projects	OA	R1	R2	R3	R4
Education	26	93	93	83	89	76
Energy and Mining	15	95	97	92	97	88
Environment	33	86	86	82	86	82
Public Sector Governance	26	91	93	100	93	86
Rural Sector	38	93	96	87	92	75
Transport	28	96	96	92	92	81
Water Supply and Sanitation	15	100	100	100	100	87
Bank-wide	260	92	94	91	92	81

^{a/} Combined QSA6 and QSA7 sample. Includes only Sector Boards that have a confidence interval of 90% +/- 10%.

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

C. Quality Dimension by Selected Sector Board^{a/} – % Satisfactory or Better

Sector Board	Total Projects	OA	R1	R2	R3	R4
Education	26	52	56	52	66	43
Energy and Mining	15	77	76	74	95	77
Environment	33	53	56	58	71	30
Public Sector Governance	26	67	72	86	69	53
Rural Sector	38	50	62	58	74	33
Transport	28	53	57	65	75	33
Water Supply and Sanitation	15	49	67	62	79	35
Bank-wide	260	59	67	66	74	42

^{a/} Combined QSA6 and QSA7 sample. Includes only Sector Boards that have a confidence interval of 90% +/- 10%.

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY INSTRUMENTS

A. Overall Assessment by Selected Instruments^{a/} (%)

Lending Instrument	Total Assessed		HS		S		MS		MU		U		HU	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
APL	7	16	0	0	41	44	59	53	0	4	0	0	0	0
SIL	90	87	10	8	55	45	22	41	8	4	5	1	0	1
TAL	13	15	27	10	59	38	10	51	3	0	0	0	0	0
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by Selected Lending Instrument^{a/} – % Moderately Satisfactory or Better

Lending Instrument	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
APL	7	16	100	96	100	96	90	92	100	96	52	82
SIL	90	87	87	94	89	96	85	96	85	94	75	84
TAL	13	15	97	100	97	100	93	95	100	100	97	85
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

C. Quality Dimension by Selected Lending Instrument^{a/} – % Satisfactory or Better

Lending Instrument	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
APL	7	16	41	44	52	70	31	34	65	73	21	36
SIL	90	87	65	53	72	59	72	60	78	72	51	36
TAL	13	15	87	49	97	70	89	81	89	57	66	20
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

^{a/}Only for Instruments with at least 7 sample projects in QSA7.

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY “AT RISK” CATEGORY ^{a/}

A. Overall Assessment by Selected “At Risk” Category^{b/} (%)

At Risk Status	Total Assessed		HS		S		MS		MU		U		HU	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
Risky	16	22	8	0	60	46	22	36	5	12	5	5	0	0
Actual Problem	10	15	12	0	57	30	24	48	7	14	0	8	0	0
APP (IP/DO)	3	9	0	0	22	24	48	32	30	29	0	15	0	0
Potential	6	7	0	0	67	83	20	9	0	8	13	0	0	0
Non-Risky	114	108	10	9	54	44	25	44	8	2	3	0	0	1
2-Flag	26	23	15	18	53	28	20	50	13	0	0	0	0	4
Low-Risk	73	62	9	8	52	42	30	48	6	3	3	0	0	0
NA	15	23	10	5	66	63	12	29	6	2	6	0	0	0
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by Selected “At Risk” Category^{b/} – % Moderately Satisfactory or Better

At Risk Status	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
Risky	16	22	91	82	91	85	88	97	91	82	83	63
Actual Problem	10	15	93	78	93	78	88	96	93	78	93	50
APP (DO)	0	1	0	100	0	100	0	100	0	100	0	100
APP (IP)	7	5	100	100	100	100	84	100	100	100	100	43
APP (IP/DO)	3	9	70	55	70	55	100	92	70	55	70	48
Potential	6	7	87	92	87	100	87	100	87	92	67	92
Non Risky	114	108	89	97	91	98	87	94	89	98	77	89
2-Flag	26	23	87	96	89	96	91	92	90	96	75	75
Golden	0	0	0	0	0	0	0	0	0	0	0	0
Low-Risk	73	62	90	97	92	99	86	94	90	98	76	91
NA	15	23	88	98	88	98	88	98	82	98	82	93
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

^{a/} The ISR risk rating for QSA6 was taken at the end of FY02 and for QSA7 at the end of FY04 as per Region.

^{b/} Only for “At Risk” Categories with at least 7 sample projects in QSA7.

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

C. Quality Dimension by Selected “At Risk” Category^{a/} – % Satisfactory or Better

At Risk Status	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
Risky	16	22	68	46	76	60	60	55	88	57	57	29
Actual Problem	10	15	69	30	81	49	57	50	88	41	64	23
APP (DO)	0	1	0	0	0	100	0	100	0	0	0	0
APP (IP)	7	5	84	43	100	68	68	43	94	43	69	18
APP (IP/DO)	3	9	22	24	22	24	22	47	70	48	48	32
Potential	6	7	67	83	67	83	67	67	87	92	45	41
Non Risky	114	108	65	53	72	62	73	61	76	74	48	36
2-Flag	26	23	68	46	82	69	84	60	73	56	62	31
Golden	0	0	0	0	0	0	0	0	0	0	0	0
Low-Risk	73	62	61	50	66	58	66	59	77	77	43	37
NA	15	23	76	68	82	68	88	67	76	83	54	37
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

^{a/} Only for “At Risk” Categories with at least 7 sample projects in QSA7.

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY PROJECT AGE*

A. Overall Assessment by Project Age (%)

Project Age	Total Assessed		HS		S		MS		MU		U		HU	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
a. <= 3	63	77	8	4	55	47	28	46	6	2	3	0	0	0
b. > 3 & <= 5	38	35	14	6	52	35	25	48	5	6	4	3	0	2
c. > 5	29	18	12	21	62	50	8	23	16	6	2	0	0	0
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by Project Age – % Moderately Satisfactory or Better

Project Age	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
a. <= 3	63	77	91	98	91	99	86	95	89	98	79	88
b. > 3 & <= 5	38	35	91	89	93	89	89	94	89	91	75	75
c. > 5	29	18	82	94	89	100	90	94	87	94	76	89
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

C. Quality Dimension by Project Age – % Satisfactory or Better

Project Age	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
a. <= 3	63	77	63	51	70	57	71	55	74	74	47	40
b. > 3 & <= 5	38	35	65	41	75	54	69	50	85	62	56	27
c. > 5	29	18	74	71	77	89	84	94	80	77	46	30
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

* Age = Years

Age of projects in the QSA6 sample is as of June 30, 2002 and for projects in the QSA7 sample is as of June 30, 2004.

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY SOURCE OF FUNDS

A. Overall Assessment by Selected Source of Funds^{a/} (%)

Source of Funds	Total Assessed		HS		S		MS		MU		U		HU	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
IBRD	43	41	16	3	53	41	25	50	6	6	0	0	0	0
IDA	69	74	5	9	58	47	25	41	10	2	2	2	0	0
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by Selected Source of Funds^{a/} – % Moderately Satisfactory or Better

Source of Funds	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
IBRD	43	41	94	94	96	97	93	96	94	94	75	83
IDA	69	74	88	97	89	97	84	94	87	97	80	87
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

C. Quality Dimension by Selected Source of Funds^{a/} – % Satisfactory or Better

Source of Funds	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
IBRD	43	41	69	44	76	62	75	55	84	70	49	23
IDA	69	74	63	56	70	64	71	62	75	72	53	42
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

^{a/} Only for Sources of Funds that have a confidence interval of 90% +/- 10%.

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY LOCATION OF TASK LEADERS (TTLS)

A. Overall Assessment by TTL Location (%)

Location of TTL	Total Assessed		HS		S		MS		MU		U		HU	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
Field	27	25	7	6	66	42	13	41	8	6	6	4	0	0
Headquarters	103	105	11	8	52	45	27	44	7	3	2	0	0	1
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by TTL Location – % Moderately Satisfactory or Better

Location of TTL	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
Field	27	25	86	90	86	96	80	91	81	90	86	86
Headquarters	103	105	91	96	92	96	89	96	91	97	75	84
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

C. Quality Dimension by TTL Location – % Satisfactory or Better

Location of TTL	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
Field	27	25	73	49	73	47	64	75	81	71	48	30
Headquarters	103	105	63	53	72	65	74	56	76	72	49	36
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY LOCATION OF LICUS**A. Overall Assessment by LICUS (%)**

LICUS	Total Assessed	HS	S	MS	MU	U	HU
Yes	33	6	29	52	12	0	0
No	97	8	47	42	2	1	1
Bank-wide	130	8	44	43	4	1	1

B. Quality Dimension by LICUS – % Moderately Satisfactory or Better

LICUS	Total Assessed	OA	R1	R2	R3	R4
Yes	33	88	91	91	91	76
No	97	96	97	95	96	86
Bank-wide	130	95	96	95	95	85

C. Quality Dimension by LICUS – % Satisfactory or Better

LICUS	Total Assessed	OA	R1	R2	R3	R4
Yes	33	36	42	63	48	30
No	97	54	65	60	75	35
Bank-wide	130	52	62	60	71	35

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY NON-DEDICATED MULTI-SECTOR**A. Overall Assessment by Non-Dedicated Multi-Sector (%)**

NON DEDICATED MULTI-SECTOR	Total Assessed	HS	S	MS	MU	U	HU
Yes	21	8	59	33	0	0	0
No	109	8	42	45	4	1	1
Bank-wide	130	8	44	43	4	1	1

B. Quality Dimension by Non-Dedicated Multi-Sector – % Moderately Satisfactory or Better

NON DEDICATED MULTI-SECTOR	Total Assessed	OA	R1	R2	R3	R4
Yes	21	100	100	91	100	91
No	109	94	96	95	94	83
Bank-wide	130	95	96	95	95	85

C. Quality Dimension by Non-Dedicated Multi-Sector – % Satisfactory or Better

NON DEDICATED MULTI-SECTOR	Total Assessed	OA	R1	R2	R3	R4
Yes	21	67	76	68	84	41
No	109	49	59	59	69	33
Bank-wide	130	52	62	60	71	35

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

RESULTS BY LOAN SIZE

A. Overall Assessment by Loan Size (%)

Loan Size	Total Assessed		HS		S		MS		MU		U		HU	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
a. <= 20	54	47	11	7	52	43	27	43	4	2	5	2	0	2
b. > 20 & <= 50	37	40	10	9	52	44	29	42	8	5	0	0	0	0
c. > 50	39	43	8	6	62	46	16	44	11	4	2	0	0	0
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by Loan Size – % Moderately Satisfactory or Better

Loan Size	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
a. <= 20	54	47	90	94	91	95	90	97	91	95	80	80
b. > 20 & <= 50	37	40	92	95	95	95	84	97	92	95	72	86
c. > 50	39	43	87	96	88	99	86	91	83	96	78	88
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

C. Quality Dimension by Loan Size – % Satisfactory or Better

Loan Size	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
a. <= 20	54	47	63	51	73	57	74	61	70	70	51	29
b. > 20 & <= 50	37	40	62	53	69	65	67	67	90	67	49	43
c. > 50	39	43	70	52	75	63	73	54	78	76	47	34
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory
S = Satisfactory

MS = Moderately Satisfactory
MU = Moderately Unsatisfactory

U = Unsatisfactory
HU = Highly Unsatisfactory

RESULTS BY CPIA GROUP

A. Overall Assessment by CPIA Group (%)

CPIA Group	Total Assessed		HS		S		MS		MU		U		HU	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
High CPIA	87	79	13	9	55	49	23	39	7	1	2	1	0	1
Low CPIA	35	42	3	6	54	30	33	56	8	8	3	0	0	0
No CPIA	8	9	10	0	68	47	0	37	6	16	16	0	0	0
Bank-wide	130	130	10	8	55	44	25	43	7	4	3	1	0	1

B. Quality Dimension by CPIA Group – % Moderately Satisfactory or Better

CPIA Group	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
High CPIA	87	79	91	97	92	98	87	96	90	97	79	87
Low CPIA	35	42	89	92	91	92	87	91	89	92	73	79
No CPIA	8	9	78	84	84	92	84	100	78	92	78	84
Bank-wide	130	130	90	95	91	96	87	95	89	95	77	85

C. Results by CPIA Group – % Satisfactory or Better

CPIA Group	Total Assessed		OA		R1		R2		R3		R4	
	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7	QSA 6	QSA 7
High CPIA	87	79	67	58	73	67	74	66	81	77	50	39
Low CPIA	35	42	57	36	69	43	66	41	70	57	47	29
No CPIA	8	9	78	47	78	69	78	70	61	69	44	8
Bank-wide	130	130	65	52	72	62	72	60	77	71	49	35

OA = OVERALL ASSESSMENT

R1 = Focus on Development Effectiveness

R2 = Supervision of Fiduciary/Safeguard Aspects

R3 = Adequacy of Supervision Inputs and Processes

R4 = Candor and Quality of ISR

HS = Highly Satisfactory

S = Satisfactory

MS = Moderately Satisfactory

MU = Moderately Unsatisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

ANNEX 5: GUIDANCE QUESTIONNAIRE RESULTS FOR QSA7

GUIDANCE QUESTIONNAIRE RESULTS

(% Moderately Satisfactory or Better)

	QSA 6		QSA 7	
	% MS+	% S+	% MS+	% S+
OA OVERALL ASSESSMENT	90	65	95	52
R1 Focus on Development Effectiveness	91	72	96	62
R2 Supervision of Fiduciary/Safeguard Aspects	87	72	95	60
R3 Adequacy of Supervision Inputs and Processes	89	77	95	71
R4 Candor and Quality of ISR	77	49	85	35
A(a) Assessment of project design at entry ^{1/}	NA	76	80	33
A(b) Quality of PAD's results framework (including intermediate performance indicators) and readiness of implementation arrangements for M&E ^{1/}	NA	55	75	44
A(b.i) Extent to which the planned outcomes and key indicators in the results framework are precise and relevant to the activities undertaken by the project.	NA	NA	83	52
A(b.ii) Extent to which the planned outcomes in the results framework are linked with the outcomes/objectives in the CAS.	NA	NA	98	90
A(b.iii) Extent to which there are adequate arrangements linking project results framework to the borrower's monitoring and evaluation system.	NA	NA	74	45
A(b.iv) Quality of baseline data	NA	NA	66	46
A(c) Borrower commitment to the Project ^{1/}	NA	90	91	65
A(d) Readiness of implementation at approval ^{1/}	NA	57	70	37
A(e) Overall implementation performance prior to FY05 ^{1/}	NA	45	61	24
A(f) Extent to which the problems encountered during implementation have been identified at entry ^{1/}	NA	63	76	32
A(g) Extent to which the panel agrees with previous QAG assessment(s).	NA	NA	88	74
1.1 Identification and Assessment of Problems	94	78	98	77
1.1(a) Timely identification and assessment of implementation problems?	95	88	98	87
1.1(b) Timely identification and assessment of possible threats to DO?	90	77	91	68
1.2 Focus on Sustainability (extent to which the supervision mission paid attention to this aspect)	94	85	97	79
1.2(a) Borrower and Stakeholder Ownership	95	87	98	84
1.2(b) Technical Assistance, Training and Capacity Building	95	80	99	79
1.2(c) Evidence that project supervision showed:	NA	NA	97	81
1.2(ci) appropriate approach to building state institutions (capacity and accountability)	NA	NA	96	81
1.2(cii) effectiveness of multi-donor approaches	NA	NA	100	91
1.2(ciii) awareness of conflict or peace-building impact on political and security dynamics	NA	NA	90	86
1.3 Actions Taken and Follow-Up	89	79	94	64
1.3(a) Appropriateness of Advice and Proposed Solutions to the Borrower	94	81	97	80
1.3(b) Appropriateness and Speed of Bank follow-up action	88	77	95	67
1.3(c) Impact and effectiveness of Bank actions	87	65	90	59
1.3(d) Quality and timeliness of Mid-Term-Review (if it took place during FY05-06)?	94	74	88	62
1.3(e) Quality and timeliness of Restructuring Plan (if it took place during FY05-06)?	95	88	88	78
1.3(f) Extent to which the project team implemented previous QAG recommendations			82	46
1.4 Performance Monitoring	76	42	80	48
1.4(a) Extent to which the task team made use of the PDO and intermediate outcome indicators to assess the project's implementation?	83	54	83	50
1.4(b) Extent to which the indicators (both quantitative and qualitative) have been used to identify and address potential obstacles to the achievement of the DO (attention to outcomes)?	72	40	79	46

	QSA 6		QSA 7	
	% MS+	% S+	% MS+	% S+
1.5 Effective use of the CPPR or other venues for portfolio review with the borrower to resolve problems affecting the project, including cross-sectoral issues (e.g. governance, transparency)?	90	77	86	75
2.1 Procurement e.g., In the context of the project's procurement risk profile: appropriate level and adequacy of procurement inputs; timeliness of advice and follow-up; adequacy of support to borrower.	95	88	97	78
2.2 Financial Management e.g., In the context of the project's FM risk profile: appropriate level and adequacy of FM inputs; timeliness of advice and follow-up; adequacy of support to borrower.	92	72	94	69
2.3 Legal Aspects e.g., Legal compliance; clarity/timeliness of advice	90	83	98	89
2.4 Environmental Aspects e.g., Environmental impact, safeguard compliance	86	70	90	68
2.5 Social Aspect e.g., Social impact, safeguard compliance	85	61	87	59
3.1 Staffing	95	88	98	79
3.1(a) Staff Continuity	95	93	98	94
3.1(b) Supervision Skill Mix (with special attention to fragile states and multi-sectoral projects)	93	77	91	62
3.1(c) Impact of decentralization on supervision quality	NA	NA	99	86
3.1(c.i) TTL or sector staff	NA	NA	97	87
3.1(c.ii) Procurement	NA	NA	97	88
3.1(c.iii) Financial Management	NA	NA	95	85
3.2 Supervision Activities	96	86	97	81
3.2(a) If TTL is HQ-based, quality of mission preparation and effectiveness of time spent in the field	92	84	97	89
3.2(b) If TTL is field-based, quality of coordination with and support from HQ	NA	NA	98	82
3.2(c) If there was joint supervision with co-financiers, quality of coordination and other supervision activities.	NA	NA	100	97
3.2(d) Adequacy of overall supervision mix from HQ, in-country, and neighboring country.	NA	NA	95	80
3.2(e) Effectiveness of Budget Use (including use of TFs)	NA	NA	94	78
3.3 Quality of supervision documentation including aide-memoire & management letters and follow-up	89	68	92	59
3.4 Effectiveness of Relationships	92	83	98	84
3.4(a) With the Borrower	92	80	98	82
3.4(b) With donors and other stakeholders	97	89	98	86
3.5 Management Inputs	87	71	91	62
3.5(a) Adequacy and speed of management attention and actions	87	75	91	61
3.5(a)(i) Management guidance on and responsiveness to supervision issues	NA	NA	92	56
3.5(a)(ii) Was there appropriate management attention to non-dedicated components of multi-sector project	NA	NA	100	88
3.5(b.i) Adequacy of supervision budget - Overall budget	81	72	78	74
3.5(b.ii) For non-dedicated components of multi-sector projects, adequacy of supervision budget	NA	NA	80	80
4.1 Extent to which ratings for DO, IP and overall risk reflect actual conditions (for overall risk, please refer to Table on Risk Flags and DO/IP Status at the end of this questionnaire)?	77	67	88	48
4.2 Adequate explanation of DO, IP and risk ratings and of any change in ratings?	78	48	86	52
4.3 Accuracy of ratings of project components and discretionary flags?	74	57	79	39
4.4 Quality and timeliness of data (including the intermediate outcome indicators) to support the key performance indicators.	NA	NA	79	42
4.5 ISR focus on issues and actions.	NA	NA	84	45
4.5(a) TTL Inputs	NA	NA	88	49
4.5b Management Comments	NA	NA	83	51

^{1/} Since in QSA6 the possible values for A(a), A(b), A(c), A(d), A(e) and A(f) were either "Yes" or "No", % S+ for QSA6 denotes the percentage of the projects rated as "Yes". Also, for these questions %MS+ is not applicable.

ANNEX 6: LICUS VS. NON-LICUS

(% Moderately Satisfactory or Better)

	LICUS		Non-LICUS	
	% MS+	% S+	% MS+	% S+
OA OVERALL ASSESSMENT	88	36	96	54
R1 Focus on Development Effectiveness	91	42	97	65
R2 Supervision of Fiduciary/Safeguard Aspects	91	63	95	60
R3 Adequacy of Supervision Inputs and Processes	91	48	96	75
R4 Candor and Quality of ISR	76	30	86	35
A(a) Assessment of project design at entry	66	26	82	34
A(b) Quality of PAD's results framework (including intermediate performance indicators) and readiness of implementation arrangements for M&E	71	38	75	45
A(b.i) Extent to which the planned outcomes and key indicators in the results framework are precise and relevant to the activities undertaken by the project.	81	48	84	53
A(b.ii) Extent to which the planned outcomes in the results framework are linked with the outcomes/objectives in the CAS.	100	90	98	90
A(b.iii) Extent to which there are adequate arrangements linking project results framework to the borrower's monitoring and evaluation system.	58	38	77	46
A(b.iv) Quality of baseline data	65	45	67	46
A(c) Borrower commitment to the Project	91	60	91	66
A(d) Readiness of implementation at approval	63	27	72	39
A(e) Overall implementation performance prior to FY05	40	17	64	25
A(f) Extent to which the problems encountered during implementation have been identified at entry	66	39	77	31
A(g) Extent to which the panel agrees with previous QAG assessment(s).	100	77	86	73
1.1 Identification and Assessment of Problems	100	70	98	78
1.1(a) Timely identification and assessment of implementation problems?	100	78	98	89
1.1(b) Timely identification and assessment of possible threats to DO?	91	61	91	70
1.2 Focus on Sustainability (extent to which the supervision mission paid attention to this aspect)	97	69	97	81
1.2(a) Borrower and Stakeholder Ownership	100	78	98	85
1.2(b) Technical Assistance, Training and Capacity Building	100	64	98	81
1.2(c) Evidence that project supervision showed:	97	72	97	83
1.2(c.i) appropriate approach to building state institutions (capacity and accountability)	97	69	96	83
1.2(c.ii) effectiveness of multi-donor approaches	100	93	100	90
1.2(c.iii) awareness of conflict or peace-building impact on political and security dynamics	90	86		
1.3 Actions Taken and Follow-Up	91	54	94	65
1.3(a) Appropriateness of Advice and Proposed Solutions to the Borrower	100	78	96	81
1.3(b) Appropriateness and Speed of Bank follow-up action	91	57	95	69
1.3(c) Impact and effectiveness of Bank actions	78	51	92	60
1.3(d) Quality and timeliness of Mid-Term-Review (if it took place during FY05-06)?	100	60	85	62
1.3(e) Quality and timeliness of Restructuring Plan (if it took place during FY05-06)?	61	40	93	84
1.3(f) Extent to which the project team implemented previous QAG recommendations	100	62	80	45
1.4 Performance Monitoring	73	43	81	49
1.4(a) Extent to which the task team made use of the PDO and intermediate outcome indicators to assess the project's implementation?	82	51	84	50
1.4(b) Extent to which the indicators (both quantitative and qualitative) have been used to identify and address potential obstacles to the achievement of the DO (attention to outcomes)?	75	40	79	47

	LICUS		Non-LICUS	
	% MS+	% S+	% MS+	% S+
1.5 Effective use of the CPPR or other venues for portfolio review with the borrower to resolve problems affecting the project, including cross-sectoral issues (e.g. governance, transparency)?	93	82	85	74
2.1 Procurement e.g., In the context of the project's procurement risk profile: appropriate level and adequacy of procurement inputs; timeliness of advice and follow-up; adequacy of support to borrower.	97	78	97	78
2.2 Financial Management e.g., In the context of the project's FM risk profile: appropriate level and adequacy of FM inputs; timeliness of advice and follow-up; adequacy of support to borrower.	94	66	94	70
2.3 Legal Aspects e.g., Legal compliance; clarity/timeliness of advice	100	82	97	90
2.4 Environmental Aspects e.g., Environmental impact, safeguard compliance	82	65	91	69
2.5 Social Aspect e.g., Social impact, safeguard compliance	88	66	87	58
3.1 Staffing	91	67	99	81
3.1(a) Staff Continuity	97	91	98	94
3.1(b) Supervision Skill Mix (with special attention to fragile states and multi-sectoral projects)	91	64	91	62
3.1(c) Impact of decentralization on supervision quality	97	80	99	87
3.1(c.i) TTL or sector staff	92	84	98	87
3.1(c.ii) Procurement	100	79	97	90
3.1(c.iii) Financial Management	93	81	95	86
3.2 Supervision Activities	91	75	97	82
3.2(a) If TTL is HQ-based, quality of mission preparation and effectiveness of time spent in the field	96	71	97	93
3.2(b) If TTL is field-based, quality of coordination with and support from HQ	100	86	98	82
3.2(c) If there was joint supervision with co-financiers, quality of coordination and other supervision activities.	100	100	100	96
3.2(d) Adequacy of overall supervision mix from HQ, in-country, and neighboring country.	97	78	95	81
3.2(e) Effectiveness of Budget Use (including use of TFs)	97	81	94	78
3.3 Quality of supervision documentation including aide-memoire & management letters and follow-up	94	51	92	60
3.4 Effectiveness of Relationships	100	91	98	83
3.4(a) With the Borrower	100	85	98	82
3.4(b) With donors and other stakeholders	100	91	97	85
3.5 Management Inputs	85	45	92	64
3.5(a) Adequacy and speed of management attention and actions	85	45	92	64
3.5(a)(i) Management guidance on and responsiveness to supervision issues	93	46	92	57
3.5(a)(ii) Was there appropriate management attention to non-dedicated components of multi-sector project	100	100	100	86
3.5(b.i) Adequacy of supervision budget - Overall budget	73	63	79	76
3.5(b.ii) For non-dedicated components of multi-sector projects, adequacy of supervision budget	85	85	79	79
4.1 Extent to which ratings for DO, IP and overall risk reflect actual conditions (for overall risk, please refer to Table on Risk Flags and DO/IP Status at the end of this questionnaire)?	91	39	87	50
4.2 Adequate explanation of DO, IP and risk ratings and of any change in ratings?	81	39	87	53
4.3 Accuracy of ratings of project components and discretionary flags?	76	49	80	37
4.4 Quality and timeliness of data (including the intermediate outcome indicators) to support the key performance indicators.	69	45	81	41
4.5 ISR focus on issues and actions.	81	33	84	46
4.5(a) TTL Inputs	91	36	88	51
4.5b Management Comments	78	36	83	53

ANNEX 7: SUPERVISION OF SOCIAL ASPECTS

1. Social development, poverty and gender (SD) issues were found to be relevant in 124 of the 130 projects in the QSA7 sample. These included 122 Investment and two Development Policy Lending (DPL) operations. SD aspects were covered in the main questionnaire under Question 2.5 in the Supervision of Fiduciary/Safeguard Aspects section and under Part B (Compliance with Safeguard Policies) in the Context section. The team of specialized SD reviewers applied the same set of benchmarks used in QSA6 for rating projects² and reviewed the scores on a weekly basis to ensure consistency in application of benchmarks.

2. The SD dimensions for assessing quality of supervision included:

- level of effort devoted to supervision of SD aspects, in particular, attention to supervision of equity and inclusion issues;
- effectiveness of Bank supervision in addressing key SD issues, especially social and political risks;
- attention to monitoring of SD outcomes; and
- degree of attention to stakeholder participation and social accountability.

3. In view of the increasing attention to equity (following the release of the WDR06 *Equity and Development*), the team paid special attention to the treatment of equity and inclusion in identification of SD issues. In view of the focus on LICUS countries in QSA7, the team paid special attention to how Task Teams addressed social and political risks, when assessing effectiveness of Bank supervision.

SD ASPECTS IN QSA7

4. Of the 130 operations reviewed in QSA7, 46 percent of the TTLs identified poverty reduction as High or Moderate among the Development Objectives (DO). A total of 33 projects in the sample were in LICUS countries, while 25 projects had DOs referring to post-conflict reconstruction and conflict management, which is about the same number of projects reviewed in QSA6. The QSA7 sample also included more projects with community driven development (CDD) activities (35 projects), compared to QSA6, with 20 projects. Twelve projects explicitly identified gender in their DOs. Social Safeguards were found in a smaller number of projects in QSA7 (43 compared to 47 projects in QSA6), representing 35 percent of the sample but the incidence of Safeguards was slightly larger. There were a total of 73 cases among these projects where one or more Social Safeguards were applicable (compared to 66 cases in QSA6). In terms of Task Team composition, 49 projects (39% of the sample) had SD specialists; of these SD specialists in the supervision teams, 62 percent were Bank staff.

KEY FINDINGS

5. Quality of supervision of SD issues remains about the same as in QSA6, with overall SD ratings of 59 percent Satisfactory or better (S+), and 87 percent Moderately Satisfactory or better (MS+). Thirty-four projects (27%) were found to be Moderately Satisfactory (MS) in QSA7, and the number of projects rated Highly Satisfactory dropped from 10 to 4 in QSA7.

² The benchmarks are available at the Social Development website: <http://esd.worldbank.org/oredb/hp/SD>.

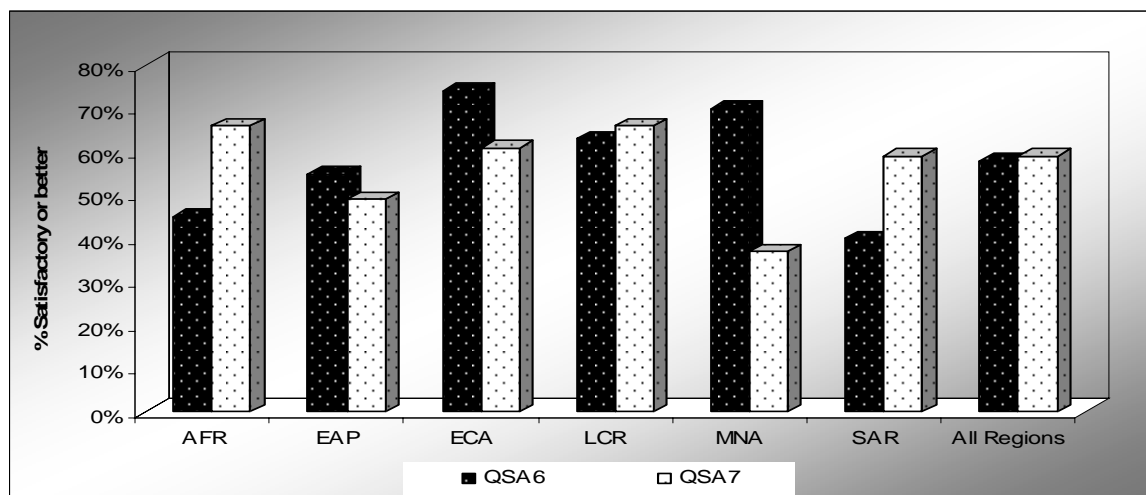
- Of the projects in the sample, 46 percent of the TTLs identified poverty reduction as High or Moderate among the Development Objectives (DOs). Panelists found that 46 percent of these were “Likely or better” to achieve this DO, while 78 percent had a “Moderately Likely or better” chance of achieving this DO.
- Overall, there is much greater consistency in performance across the four dimensions of SD quality, with stakeholder participation continuing to score the highest, and monitoring of SD outcomes the lowest among these dimensions.
- SD supervision in IDA countries has improved significantly, especially in AFR and SAR but this has been offset by declines that were substantial in MNA, noticeable in ECA, and to a lesser extent in EAP.
- Among the Networks, there is improvement in supervision quality of SD dimensions (S+) in HDN, and a larger proportion of Moderately Satisfactory projects in ESSD and INF.
- Performance on Social Safeguards appears to be reaching a plateau, compliance having increased to 87 percent in QSA7, compared to 80 percent in QSA6. In 3 of the 7 cases, non-compliance was procedural rather than material.
- The review found a significant number of projects, including half of those in LICUS countries, where relevant social and political risks were not adequately addressed during supervision, which could reduce the likelihood of achievement of development objectives.
- One cause of concern is that Panelists found several cases where an exclusive focus on Social Safeguards led to crowding out of attention to other social and political risks, which could have a profound impact on development impact.
- The quality of supervision of gender issues, in the projects where gender was found to be relevant, continues to be below 50 percent Satisfactory.

6. Overall supervision performance correlated well with quality of supervision of SD issues. **Of the 61 projects that were rated S+ on quality of overall supervision, 80 percent were found to be S+ on supervision of SD issues, compared to 37 percent (for 64 projects) rated less than Satisfactory.**

DETAILED RESULTS

7. **Results by Region.** SD results by region are shown in Figure 7.1. They indicate that:

- Quality of supervision of SD aspects in IDA countries appears to have caught up with the performance in IBRD countries. The percentage of projects rated Satisfactory or better increased by more than 20 percentage points in AFR and SAR regions bringing them up to, or better than, the Bank-wide average.
- In contrast, supervision of SD issues in MNA has dropped precipitously by 30 percentage points compared to QSA6. This clearly calls for urgent attention by regional management.
- Supervision performance in EAP and ECA also reveals some slippage in SD quality that goes beyond the margin of error.

Figure 7.1: Quality of Supervision of SD Issues by Region (% S+)**Table 7.1: Quality of Supervision of SD Aspects by Network (QSA7)**

	ESSD	HDN	INF	Bank-wide
Number of projects in QSA7	35	29	38	124
QSA7 % Satisfactory or better (S+)	56%	65%	56%	59%
QSA6 % Satisfactory or better (S+)	56%	50%	61%	58%
QSA7 % Moderately satisfactory or better	83%	74%	92%	87%
QSA6 % Moderately satisfactory or better	74%	87%	86%	85%

8. **Results by Network.** Network results on supervision of SD aspects are shown in Table 7.1:

- Supervision of HDN projects rated S+ on SD aspects has improved by 15 percent, compared to QSA6 but the number of projects rated Marginally Unsatisfactory or worse doubled from 13 percent in QSA6 to 26 percent in QSA7.
- S+ ratings for INF also declined but the number of operations rated Marginally Satisfactory on SD aspects increased substantially to 34 percent in QSA7, leading to a rating of 92% MS+.
- ESSD ratings are about the same at the S+ level in QSA7, with a slightly higher percentage rated Moderately Satisfactory compared to QSA6; consequently the percentage of projects rated MS or better (MS+) increased to 83 percent. The relatively high proportion of Moderately Satisfactory projects in QSA7 (MS=27% for ESSD) indicates that there is considerable room for rapid improvement in project quality by providing more careful attention to supervision in particular to social and political risks, and to monitoring of outcomes.

9. **Compliance with Social Safeguards.** Compliance with Social Safeguards was not found to be a major problem in QSA7, although a few deficiencies still exist. Safeguard performance has improved to 87 percent for the 73 cases where Safeguards were applicable (slightly higher than the 80 percent satisfactory rating for the 66 cases in QSA6). Seven cases in QSA7 were problematic: four involved

material noncompliance, apparently either due to errors in judgment or due to the absence of adequate information on which clearances were provided. Three other cases involved procedural shortcomings which can be avoided through greater management attention. However, while the establishment of specialized units for Safeguard review and clearance in each region has improved Safeguard compliance, it has also led to ring-fencing of Safeguard issues from other dimensions of SD quality, including other social and political risks. Part of this shortcoming could be due to the specialization of those SD staff who work exclusively on Safeguards, leading to insufficient supply of specialists who are able to combine broader SD issues with Social Safeguards. But at least part of the problem comes from the exclusive attention to Safeguards clearance in some regions, even in projects where Safeguards are expected to impact a very small percentage of the people who will be affected positively or negatively by the project. In those cases one could argue that attention to Safeguards is crowding out other relevant social issues that could affect the project's development impact.

10. **Supervision of Social and Political Risks.** LICUS countries received special attention in QSA7. The review of SD aspects therefore paid greater attention to follow up during supervision of social and political risks relevant to the respective projects. Of the 33 LICUS operations in QSA7, 15 were conflict affected. The quality of supervision of social and political risks in these conflict affected projects was 46% S+. There was somewhat greater attention to social and political risks in other countries. Even so, there were noticeable omissions. For example, in an agricultural rehabilitation project in Africa, there was compliance with Social Safeguards affecting a small number of displaced households but little attention to the process of reinsertion, and rehabilitation of the majority of project beneficiaries who were refugees, and internally displaced populations.

11. **Attention to Equity and Inclusion Issues.** Equity and inclusion issues were found to be relevant to 112 projects in QSA7. Of these, 49 percent were rated S+ on quality of supervision of these issues. The LCR region performed slightly better than other regions, reflecting how equity is frequently a part of their discourse and forms one of the core CAS objectives in many LCR countries. In contrast, in EAP and MNA, Task Teams appear to have paid less attention to these issues during project supervision despite their relevance to the Region. The more recent work initiated in EAP on lagging regions and ethnic minorities does not appear to have impacted supervision quality yet, and will need increased attention from management. Weak supervision of equity and inclusion also contributed to weaknesses in monitoring and evaluation.

12. **Supervision of Gender Issues.** The quality of supervision of gender issues continued to be low at 47% S+, although this is a slight improvement compared to the 41% S+ in QSA6. The QSA7 sample had 109 projects where the Panelists found gender issues to be relevant. Twelve of these projects had gender objectives specified in their DOs, while many projects had activities and components likely to lead to gender impacts. In the QSA7 sample, 38 projects were in countries with completed Gender Country Assessments (GCA); one half (19 projects) referred to CGA findings during supervision (e.g., measurement of gender-disaggregated indicators), while others did not. While many Task Teams readily acknowledged the relevance of gender issues there was a sense that they lacked support and guidance in dealing with these issues during supervision.

13. **Supervision Performance across the Quality Dimensions.** There is much greater consistency in supervision performance, the range of scores for level of effort, effectiveness, monitoring of SD outcomes, and stakeholder participation now falling within a much smaller band than used to be the case during the early years of supervision assessment by QAG. Stakeholder participation continues to score the highest, with a score of 77% S+ and 93% MS+ (Moderately Satisfactory or better), compared to other quality dimensions.

14. **Stakeholder Participation in Implementation.** Stakeholder participation was especially important in community driven development (CDD) projects. In the 35 CDD projects (including stand alone CDD projects and those with significant CDD components), the review looked at quality of supervision of local level mechanisms, including decentralized budgetary allocations and decision making, and presence of mechanisms for making public officials more accountable for project outputs. Some projects made use of citizen reporting (e.g., Romania Social Funds). Participatory monitoring was particularly useful in projects with infrastructure investments that relied on decentralized management of community works. For example, in the India Karnataka Water Supply Project, output indicators (e.g., number of *gram panchayats* planning and constructing water schemes) were supplemented by a pilot “sustainability monitoring evaluation” approach involving villagers and women’s self-help groups in community monitoring.

15. **Monitoring of SD Outcomes.** Monitoring of social, poverty and gender issues remains the weakest of the four quality dimensions of SD supervision. The ratings in QSA7 remained at the level of QSA6, with a score of 36% S+. Another 38 percent were rated marginally satisfactory, giving an aggregate score of 75 percent for MS+. The high proportion of projects rated Marginally Satisfactory were largely those which monitored outputs only. A large number of projects suffered from inadequate specification of outcomes, absence of realistic key performance indicators, and inadequate baseline data to assess project impacts. Many reported impacts on the aggregate population with inadequate or no disaggregation by other categories, such as income, gender, location or ethnicity, even when these distinctions had immediate relevance to the projects. Limiting supervision to aggregate results alone can be misleading. For example, an education project in South Asia was reporting positive results despite the fact that female enrollment rates continued to decline in the poorer regions. In contrast, the two DPLs (Russia and Bosnia Herzegovina) had paid attention to macro level poverty and social impacts, consistent with guidance provided in OP8.60, and paid close attention to measurement and follow-up of these impacts during supervision.

16. **Applying Knowledge to Improve Supervision.** An approach that worked well was the use of Bank knowledge (AAA work and special studies) which helped in understanding dynamics in the social and political contexts. For example, the Bosnia Herzegovina DPL Task Team made use of results from the poverty and social impact analysis (PSIA) in reformulating business surveys for tracking the distributional impacts of proposed privatization reforms. Good practice notes on such examples of application of AAA can improve the Bank’s overall supervision performance.

FOLLOW-UP ACTIONS AND RECOMMENDATIONS

17. In QSA6, five actions were proposed: (a) provide strategic support to SAR and AFR and ESSD and PREM networks; (b) develop SD outcome indicators; (c) improve supervision of compliance with Social Safeguards; (d) support supervision of gender issues; and (e) improve definition and measurement of poverty outcomes. Of these five, there is noticeable improvement in SAR and AFR, and in Safeguard compliance. Specification of SD outcome indicators and measurement of poverty outcomes is a continuing problem, consistent with the Bank-wide weakness in monitoring of results.

18. In addition to the carryover from previous assessments, two new issues identified during QSA7 will need attention: (a) social and political risks that might have a bearing on the project, and (b) distributional effects of project benefits and costs on different population groups.

19. The following actions are recommended based on findings from the QSA7 review:

- **Strengthen identification, measurement, and monitoring of SD outcomes.** Monitoring systems suffer because of the focus on project outputs rather than outcomes and impacts.

Effective monitoring systems require clear specification of intended social, and poverty outcomes, and impacts on winners and losers. Identification of outcomes, combined with forethought to identification of monitorable indicators, and establishment of baseline data or benchmarks are prerequisites for effective monitoring. The Social Development and Poverty Sector Boards need to provide better guidance to help Task Teams identify and measure SD outcomes. The results will be tracked in future QAG assessments.

- **Focus on equity and inclusion issues.** An increasing number of operations--both DPLs, as well as programmatic investment loans--affect large populations that cut across ethnic, gender and regional groups who may be affected differentially by the operation. When benefits and costs are unequally distributed they can give rise to a new set of problems that need to be taken into account. The Social Development and Poverty Sector Boards need to engage Regions and Country Teams to ensure that equity and inclusion issues are clearly specified and adequately supervised. The Gender Sector Board should also provide better guidance on the gender equity and inclusion aspects that are relevant to Bank-supported operations.
- **Supervision of gender impacts.** Quality of supervision of gender issues remains weak. The Gender Sector Board will need to address this persistent problem and provide more hands-on guidance on how to integrate gender more effectively in the design and supervision of Bank operations. Significant improvements will require attention both from regional Management and the Gender Sector Board.
- **Improve candor and realism in supervision of social and political risks.** There is still room for some improvement in compliance with the Safeguard policies. Recent structural changes in Safeguard review procedures could help plug this gap, provided they do not lead to further isolation of Safeguards from other quality issues. In addition to Safeguard risks which affected over 40 percent of the projects reviewed, political economy risks and risks of conflict or social tensions affected the majority of projects reviewed. As noted by several review Panels, Task Teams need to better address social and political risks which are important for project sustainability. The Network Anchors need to support Regions and Country Teams to better understand the political economy issues at the macro level, and relevant social and political risks at the project level.

ANNEX 8: SUPERVISION OF ENVIRONMENTAL ASPECTS

OVERVIEW

1. A team of environment specialists assisted in assessing the quality of the Bank's supervision of the application of environmental Safeguards in QSA7 sampled projects, environmental issues being found relevant in 102 of the 130 projects. This Annex discusses key findings, strengths and weaknesses of environmental supervision issues requiring Management's attention, and proposed actions to improve performance. The areas in which environmental due diligence was assessed included:

- Compliance with Bank Safeguard policies on environmental assessment, natural habitats, forestry, pest management, safety of dams, and legal policies on international waterways and disputed areas;
- Sufficiency of financial and human resources budgeted/planned for supervision of environmental Safeguards implementation;
- Satisfactory monitoring of the Environmental Management Plan (EMP) or equivalent as well as use of indicators/benchmarks and actions taken to ensure implementation of mitigation measures;
- Extent to which the Bank monitored/reported the effectiveness of the agencies responsible for implementing agreed environmental protection measures and took appropriate actions;
- Extent to which Bank supervision assessed and took into account the views of key stakeholders and attempted to strengthen mechanisms for participation in implementation of the project; and
- The commitment of the Borrower to supervising environmental requirements.

SAMPLE PROFILE

2. Table 8.1 provides a profile of the environmental impact categories of the QSA7 sample. Twenty-seven projects (20% of the sample) in Category C, and one Category B project did not require attention to environmental issues during the review period. Accordingly, the remaining 102 projects (80% of the sample) were reviewed and the quality of the Bank's supervision was assessed against the criteria outlined above. These projects included large-scale infrastructure, energy development, community-driven development, education and health services, agriculture, natural resources management and environmental protection and conservation.

Table 8.1: QSA7 Sample

Environmental Impact Category	No.	No. Assessed
A	20	20
B	64	63
C	39	12
FI	7	7
Total	130	102

KEY FINDINGS

3. Overall, at 68 percent Satisfactory or better (S+), the quality of supervision of environmental aspects remained comparable to that under QSA6 (70%). There was an increased share of the Moderately Satisfactory category (22% compared to 16% in QSA6). Seven instances of non-compliance with the EA Safeguard (up from QSA6) and missed opportunities to incorporate environmental management requirements during implementation indicate room for improvement. Among the Regions, noticeable improvements in the quality of supervision were attained only in SAR (91% Satisfactory or better compared to 53% in QSA6); in contrast, there was a significant decline in Satisfactory or better ratings for EAP (81% to 67%). ECA maintained a comparable rating at 82 percent S+; other Regions showed a slight decline: LCR (69% to 60% S+), AFR (59% to 52% S+) and MNA (from 80% to 77% S+). In the Networks, there was a noticeable decline with INF (from 91% to 76% S+) and HDN (57% to 49%); ESSD showed some improvement (from 61% to 69% S+).

ENVIRONMENTAL AND LEGAL SAFEGUARD POLICIES

4. Environmental and legal Safeguard policies were triggered a total of 147 times, with a marked preponderance of environmental assessment (Table 8.2).

Table 8.2: Environmental and Legal Safeguards

Safeguard	Triggering the Policies
Environmental Assessment (OD/OP 4.01)	108
Natural Habitats (OP 4.04)	14
Forestry (OP4.36)	7
Pest Management (OP 4.09)	7
Dam Safety (OP 4.37)	6
International Waters (OP 7.50)	4
Disputed Areas (OP 7.60)	1

LEVEL OF COMPLIANCE

5. Of 22 projects having compliance issues prior to FY05, seven (covering health--3 instances, Social protection and Energy--2 instances, and Transport, Rural and Environment sectors--1 each) were found during FY05/06 to be out of compliance with the environmental assessment Safeguard policy (this compares unfavorably with QSA6 where 3 projects were not in compliance). Issues concerned lack of a mitigation/management plan, inattention to legal/regulatory provisions, and absence of supervision of environmental Safeguards. The importance of these issues was discussed during Panel meetings and Task Teams were urged to take appropriate remedial measures to bring these projects into full compliance.

IMPLEMENTATION OF ENVIRONMENTAL MITIGATION AND OTHER PROTECTIVE MEASURES

6. Overall, Bank supervision efforts to assist implementation of environmental mitigation and other protective measures had a 68 percent Satisfactory or better rating. Some 79 percent of projects assessed were rated Satisfactory or better for EMP implementation though use of indicators or benchmarks was rated only 62 percent Satisfactory or better and appropriate measures to take corrective actions was rated 76 percent. The Bank's monitoring of efforts by the Borrower's implementing agencies was rated 73 percent S+; accommodating the views of stakeholders 71 percent S+; and Borrower commitment to supervising Safeguards 68 percent S+. Comparison with QSA6 findings are shown in Table 8.3 in which, save for one category, there is a decline in the quality of supervision; the exception is the monitoring of agencies' performance where reporting appears to have been done with better diligence by the Teams if only through use of clients' data and analyses. The Africa Region has the lowest rating for dedicated resources for Environment Specialists (49% Satisfactory or better compared with a Bank average of 76%) and for Borrower commitment (54% Satisfactory or better compared with a Bank average of 68%).

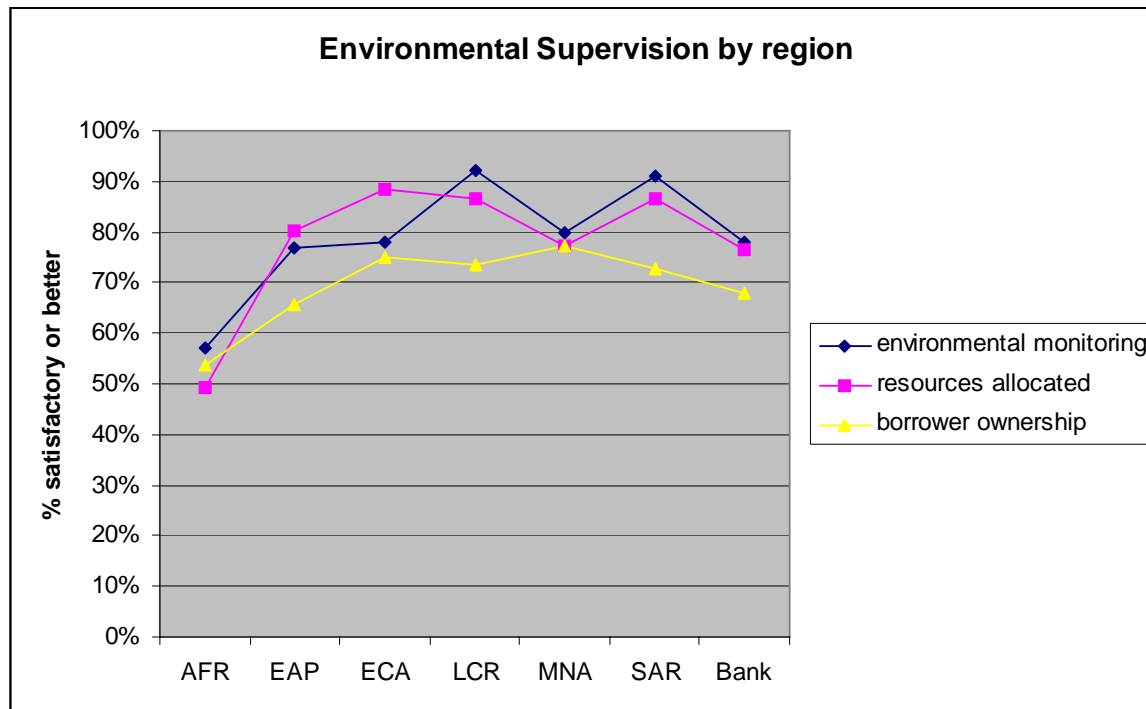
Table 8.3: Implementation of Environmental Mitigation and other Protective Measures

Environmental due diligence:	Satisfactory or Better (%)		Moderately satisfactory or Better (%)	
	QSA7	QSA6	QSA7	QSA6
Overall rating	68	70	90	86
Resources dedicated ³	76	69	85	88
Monitoring of EMP or variant	79	95	90	92
Use of indicators	62	82	84	82
Measures taken to assure implementation	76	80	86	80
Monitoring/reporting of implementing agencies' performance	73	67	90	87
Stakeholder involvement	71	92	87	96
Role of borrower	68	75	86	84

7. Figure 8.1 suggests a correlation between the commitment of resources to environmental supervision and quality of the implementation of environmental Safeguards, using the quality of environmental monitoring (of EMPs or other plans) and the commitment of the Borrower as parameters of environmental due diligence by the Bank. This is particularly apparent in the Africa Region.

³ Human and financial.

Figure 8.1: Relationship of Allocated Bank Resources for Environmental Supervision and the Quality of Environmental Monitoring and Commitment/Ownership by the Borrower



8. Ratings of performance by EA impact category are presented in Table 8.4. A noticeable decline in the handling of Category Bs contrasts with improvements for Category Cs and FIs.

Table 8.4: Ratings by Environmental Impact Category (%)

Environmental Impact Category	Satisfactory or Better (QSA7) (%)	Satisfactory or Better (QSA6) %
A	80	80
B	58	69
C	84	73
FI	85	60
Bank-wide	68	66

9. Performance by Region and Network are presented, respectively, in Tables 8.5 and 8.6. The best performing Region was SAR at 91 percent Satisfactory or better followed by ECA at 82 percent. Highly Satisfactory ratings were concentrated in SAR and MNA, though the latter has a rather high percentage of Moderately Unsatisfactory or lower (11%). AFR has the lowest Satisfactory or better rating (52%), followed by LCR (60%) and EAP (67%). Compared to QSA6, SAR clearly demonstrated improvement and ECA maintained the same level. Among the Networks there was a noticeable decline with INF (from 91% to 76% S+) and HDN (57% to 50% S+); ESSD showed a slight improvement (from 61% to 69% S+).

Table 8.5: Supervision of Environmental Aspects by Region (%)

Region	No. Assessed	Satisfactory or Better (QSA7)	Satisfactory or Better (QSA6)
AFR	28	52	59
EAP	18	67	81
ECA	19	82	83
LCR	15	60	69
MNA	15	77	80
SAR	12	91	53
Bank-wide	102	68	70

Table 8.6: Supervision of Environmental Aspects by Network (%)

Network	No. Assessed	Satisfactory or Better (QSA7)	Satisfactory or Better (QSA6)
ESSD	34	69	61
HDN	22	49	57
INF	37	76	91
Bank-wide	102	68	70

NOTE: Analysis covered only the Networks with large cohorts.

STRENGTHS OF SUPERVISION

10. The Bank's monitoring/reporting of the effectiveness of agencies in implementing Safeguards proved more diligent than under QSA6, and resources dedicated to environmental supervision increased in FY05/06, with the notable exception of AFR.

WEAKNESSES OF SUPERVISION

11. Measures to assure compliance during supervision declined from 80 percent Satisfactory or better in QSA6 to 76 percent in QSA7. Other weaknesses in supervision of environmental Safeguards concern inadequate monitoring of EMPs or other management tools, poor use of indicators, and insufficient stakeholder involvement, and Borrower commitment. There was also an absence in ISRs and Aide-memoires of reporting on progress with the implementation of environmental Safeguards and detailing of needed actions by Management. These shortcomings contributed to a lapse in compliance of some projects and exacerbation of problems of design, especially in institutional responsibilities and commitment.

12. Some systemic problems in implementing environmental Safeguards may be traced to oversights in preparation:

- Inadequate analysis of institutional capability/organization, particularly weaknesses in coordination across the sectors;

- Fragile institutional arrangements, often based upon an expectation that a champion (individual or technical body) was judged secure enough to sustain the functions in an unstable institutional environment;
- Under appreciation of the complexity/constraints of the legal/planning process;
- M&E framework was typically generalized: indicators (outputs/outcomes), lacked potency;
- Lack of guidance for supervision (absence of a supervision plan), including designated use of specialists;
- Synergy with neighboring projects (temporal and spatial domains) was not registered; and
- Inexperience of the team members in environmental planning and management and sustainable development.

13. In addition to the above design shortcomings, there were a number of major deficiencies during supervision of the projects:

- Absence or insufficient use of Environment Specialists during supervision missions;
- Need for earlier interventions to help re-structure/modify components, especially institutional arrangements/responsibilities;
- Sharpening of the baseline studies and re-ordering management priorities;
- Reluctance of the Team to reshape supervision requirements, including composition of Team members;
- Failure to coordinate the preparation of supervision objectives with Borrower's agencies; and
- Variable support by the Borrower/Bank management.

ISSUES REQUIRING FURTHER ATTENTION AND RECOMMENDED ACTIONS

14. Based on the QSA7 results, environmental supervision requires a number of follow-up actions to improve performance. Most of these have been stated in previous QSA reports, and Management should again review how the Environment Department and the Regions (with the support of the Quality Assurance & Compliance unit in OPCS - OPCQC) have been implementing the recommendations. The following recommended actions should be taken by OPCQC, the Environment Department and the Regions (especially their Safeguard Units) with oversight provided by the Environment Sector Board.

I. ACTIONS BY THE REGIONS

A. Compliance with Environmental Safeguard Policies

15. QSA7 identified 7 instances of non-compliance with Safeguards, all concerning OP 4.01 Environmental Assessment.

Recommended Actions

- Regional Environmental Safeguards Units to follow up with the TTLs to help bring projects back into compliance and ensure all projects rated Moderately Satisfactory or less are properly supervised. As necessary, support may be provided by OPCQC.

B. Dedicated Resources for Environment Specialists

16. During Panel interviews, some Task Team Leaders stated that they had sought the services of an Environment Specialist for supervision of Safeguards, but had been severely constrained by lack of financial resources or availability of such Specialists; in some cases they reported that their Management was not sympathetic to providing the needed resources (though, in many instances, these resources materialized following Panel meetings).

Recommended Actions

- Scheduling responsibilities and budgeting for supervision by Bank Environment Specialists should be explicit in project preparation documents; Annual Task Team budgets should include provisions for environmental supervision commensurate with environmental category impacts and issues. Consideration might be given to conducting Thematic Supervision reviews of projects in selected sectors as a means of combining scarce resources.

C. Guidance for Supervision

17. The failure to provide adequate guidance during supervision continues, particularly in relation to Category B projects, where it is expected that Environment specialists should provide an input to the supervision of B projects at least once a year.

Recommended Actions

- Task Teams should consult with environment specialists prior to missions to determine the need for environmental supervision. If a specialist does not join the mission, the Task Team should assure continued communications on any environmental issues requiring attention;
- Supervision review by environment specialists could be enhanced by their offering recommendations on linking the project with other geographically proximal Bank or donor assisted projects having similar objectives. This applies especially to natural resources management/rural development and water management projects where cross sectoral integration is vital to gaining efficiencies and dealing with the systemic issues of environmental planning and management; and
- Task Teams should consider using independent environment specialists to assess risky projects or major problems arising during implementation.

D. Environmental Management Plans (EMPs)

18. EMPs or variants were available to guide the implementation of mitigation measures in most of the classified projects sampled--a continuing improvement over previous years. Equally, Project

Implementation or Operational Manuals are being used increasingly if unevenly for Category B projects. Supervision of contractors' performance in implementing environmental Safeguards was also found to vary, especially in the energy and rural sectors. However, as also noted in QSA6, monitoring their implementation and ensuring satisfactory performance remains a major shortcoming.

Recommended Actions

- Regional Environment Safeguard Units should assist Task Teams to ensure that environmental management requirements for projects are satisfactorily reflected in Project Implementation Manuals and contract documents.

E. Institutional Capacity and Coordination

19. Ill-defined or discretionary institutional arrangements and poorly conceived capacity building requirements, coupled with a lack of commitment by the Borrowing agencies, often led to major problems necessitating a fundamental restructuring of the project's approach. The need to improve coordination among agencies is also evident from the sampled projects--enforcement of environmental Safeguards invariably lay outside the implementing agency.

Recommended Actions

- During preparation, environment specialists should assist Task Teams in detailing institutional arrangements for the effective conduct of environmental Safeguards, including ensuring Borrower ownership, and to assure that devolved responsibilities become fully operational. This should include a thorough assessment of constraints, strategies to overcome these constraints (including approaches for the longer-term), and required financial resources to assure the appointment and sustainability of qualified staff/consultants in the relevant agencies, including provisions for field visits;
- Where training of counterparts is recommended, specific details should be provided covering objectives, targeted audiences (agency staff, consultants and contractors), courses (including outline of contents), responsibilities and costs, including international consultants, external training, etc.; and
- Task Teams should be more proactive in restructuring institutional and implementation arrangements in light of QEA issues and weak Borrower ownership.

F. Quality of Reporting

20. Reporting in ISRs is all too frequently perfunctory or absent for ratings of compliance with Safeguard policies, and environmental protection performance in general; and Aide-memoires should be used more effectively to report environmental issues, and recommended actions for the Borrower and Bank Management

Recommended Actions

- Task Teams should report explicitly on the status of compliance and implementation of environmental mitigation and other protective measures in ISRs. Regional Environmental

Safeguard Units should ensure Environment Specialists provide input into Aides Memoire and BTOs to help move reporting to a higher standard.

H. Borrower Ownership

21. For most Regions, Borrower commitment to implementing Safeguards declined and there is a clear need for better attention to the ownership of environmental Safeguard requirements during preparation, and subsequent nurturing of responsibilities for compliance during implementation.

Recommended Actions

- During preparation and implementation, Environment Specialists as members of Task Teams should provide seminars/workshops on environmental Safeguards to help government agency staff gain understanding and ownership of their application and value in attaining development objectives; and,
- For the longer-term, the Regions need to develop regionally based programs to help establish responsibility for environmental Safeguards in the borrower's agencies. The establishment of environment units within agencies in the transport sector is a promising model.

II. THE ENVIRONMENT DEPARTMENT

A. Environmental Indicators

22. A persistent problem in supervision of environmental aspects of projects has been the inability to use indicators/benchmarks to measure performance. In part this reflects a widespread lack of clarity and focus for M&E needs in Bank supervision with the consequence that Task Teams are at a loss to accurately portray progress in the implementation of environmental Safeguards, including identifying actions to be taken.

Recommended Actions

- As urged in previous QSA reports, the Environment Department should resuscitate its work on environmental performance indicators (output, outcome and impact indicators) for major investment sectors, updating existing publication notes and conducting training sessions for the Region.

III. OPCQC, THE ENVIRONMENT DEPARTMENT AND REGIONS

A Training of TTLs and Task Teams

23. To gain more ownership of the application of environmental Safeguards by operational staff, it is essential that more training is provided by experienced environment specialists. This should be done within an agreed program, with a clear articulation of topics to be covered, targeted audiences and budgeted resources.

B. Training of Environment Specialists

24. Courses in environmental supervision should be provided for these specialists to apply environmental Safeguards and wider environmental planning and management perspectives to the development context. Greater appreciation of the latter would enable them to adopt a more systemic approach and move away from a tendency to “ring fence” projects in favor of applying only Safeguards needs. It is also suggested that HQ specialists with global expertise complement resident mission specialists in adopting good practice during supervision missions.

ANNEX 9: SUPERVISION OF FINANCIAL MANAGEMENT ASPECTS

OVERVIEW

1. Between July and October 2006, a team of Financial Management (FM) reviewers⁴ assessed the quality of the Bank's supervision of FM, including disbursement aspects, for FY05 and 06. As in the past the reviewers were guided by specific criteria, agreed by the FM Sector Board, paying particular attention to four questions: (i) the appropriate level of FM inputs in supervision; (ii) timeliness in dealing with FM issues; (iii) identification and follow-up of FM issues; and (iv) appropriate support in helping the borrower address FM issues or improve its FM arrangements.

2. The release of the new FM Manual, *Financial Management in World Bank-financed Investment Operations*, issued in November 2005, which places more emphasis on risk management and on developing country FM systems, has raised the bar for FM supervision work. Also, recently more emphasis has been placed on fraud and corruption issues, with a view to considering the apparent contradiction between favorable FM and Procurement ratings and fraud and corruption issues, which are especially prevalent in certain types of projects and specific countries. In response to these new approaches *guidance* for areas to be considered in seeking to answer the above **four** FM questions has been modified for QSA7. In particular they:

- (i) move away from "process" type considerations and require that the FM Reviewer makes much more substantive judgments about quality of FM inputs;
- (ii) seek to explore the extent to which Bank staff are aware of current developments in the country environment in which the operation is situated and the extent to which such developments are taken into account in varying supervision inputs; and
- (iii) reflect the conclusions of the FM QEA7 report which noted that "Supervision work should be linked with the risk assessment framework to follow up on the operational implications of the risk mitigation measures identified during the preparation phase of the project,
- (iv) and to confirm how the FM network is discharging its responsibility in this regard."

3. In addition, a **fifth** question was added that specifically addresses the fraud and corruption issue. This question was not considered as one of the criteria for rating the FM supervision efforts, but rather sought to gather information where, in response to any identified project/country circumstances, FM supervision included appropriate, enhanced anticorruption measures.

4. Responding to concerns expressed in previous years, and given the particular attention paid under QSA7 to issues of fraud and corruption, the reviewers were nominated on the basis of their widely recognized FM experience and skills.

5. Out of a sample size of 130 operations, 94 percent were rated *Moderately Satisfactory* or better. As shown in Table 9.1, this compares favorably with the earlier assessments, which is particularly noteworthy due to the increase in the standards mentioned above.

⁴ Ivor Beazley, Rafika Chaouali, Nestor Coffi, Douglas Graham, Mozammal Hoque, Marius Koen, Tanuj Mathur, Patricia Mc Kenzie, Rajat Narula, Victor Ordóñez.

RESULTS

Table 9.1: Overall Ratings

% Moderately Satisfactory or Better				
RSA3	QSA4	QSA5	QSA6	QSA7
81	86	78	91	94

6. The assessment results, shown in Table 9.2, and Attachments 1 & 2, were as follows:

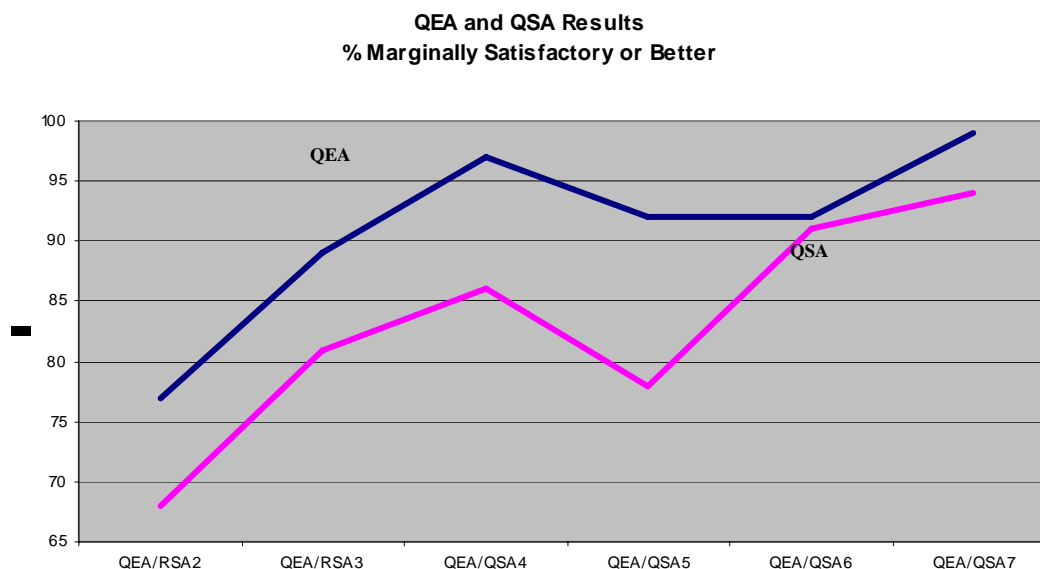
- Overall FM supervision quality of projects in QSA7 at 94 percent Moderately Satisfactory or better is at about the same level as in QSA6 (91 percent MS+).
- It is a matter of concern that the number of projects rated in the *Moderate* cluster (i.e. MS and MU) increased from 34 in QSA6 to 40 in QSA7. This is primarily at the expense of *Satisfactory* ratings.
- Around 8 percent (QSA6: 5%) of the sample (10 projects) was rated *Highly Satisfactory* with ECA representing 60 percent of these.
- Three regions – ECA, LCR, and SAR - were above Bank average with LCR and SAR scoring a 100 percent *Moderately Satisfactory or better* performance.

Table 9.2: QSA7 Financial Management Ratings

Number of Projects and %								Moderately Satisfactory or Better (MS+)
	HS (1)	S (2)	MS (3)	MU (4)	U (5)	HU (6)	Total*	
No. Projects	10	80	32	8	0	0	130	122
Percentage	8%	61%	25%	6%	0%	0%	100%	94%

HS - Highly Satisfactory; S - Satisfactory; MS - Moderately Satisfactory; MU - Moderately Unsatisfactory; U - Unsatisfactory; HU - Highly Unsatisfactory

7. The results also show that, although there is convergence in the trend, the quality of FM supervision remains below that of FM Quality at Entry (QEA) indicating that a little more diligence continues to be exercised at entry rather than fulfilling the expected continuum of FM inputs and support throughout implementation. (See Figure 9.1 below).

Figure 9.1: Comparison of QEA and QSA Results Over Time

8. The overall ratings were based on a set of four sub-ratings shown in Table 9.3 below. The Satisfactory cluster of ratings (1+2+3) shows the second category – dealing with FM issues in a timely manner – at marginally lower performance than other.

Table 9.3: FM Ratings, Sub-Questions (QSA6 in Brackets)

Issues	HS (1)	S (2)	MS (3)	MU (4)	U (5)	HU (6)	Total	Moderately Satisfactory or Better (1+2+3)
Appropriate level of FM input in supervision activities	19% (16%)	58% (59%)	14% (19%)	5% (4%)	4% (2%)	0% (0%)	100%	91% (94%)
FM issues (arising from SA, SOE, FMR and Audit Reports Reviews) dealt with in a timely manner and relevant remedies applied	10% (7%)	53% (69%)	23% (16%)	13% (7%)	1% (1%)	0% (0%)	100%	86% (91%)
FM issues adequately identified and followed up appropriately	7% (6%)	63% (65%)	21% (24%)	8% (5%)	1% (1%)	0% (0%)	100%	91% (94%)
Task Team provided appropriate level of support to the borrower in working out problems and improving its FM arrangements	9% (14%)	65% (58%)	19% (17%)	7% (8%)	0% (3%)	0% (0%)	100%	93% (89%)

HS - Highly Satisfactory; S - Satisfactory; MS - Moderately Satisfactory; MU - Moderately Unsatisfactory; U - Unsatisfactory; HU - Highly Unsatisfactory

9. Ten (QSA6: 7) projects, which were rated *Highly Satisfactory*, had the following common characteristics:

- **Integration.** Full integration of the Financial Management Specialist into the Task Team with good coordination and communication with TTL. Also, the TTL demonstrates a serious and strong awareness of the significance of FM supervision, and is supportive in resolving FM issues.
- **Coverage.** Thorough, appropriate, and risk-based FM involvement--the coverage and intensity of FM supervision efforts are well documented and planned, consistent with the assessed level of FM risk (well recorded at appraisal and updated subsequently). In this regard the review shows that the Risk and Portfolio Management Model (RAPMAN) or similar systems provide a solid mechanism to ensure that the project FM risk is updated regularly, and that supervision coverage/intensity is commensurate with the assessed level of FM risk.
- **Planning.** FM work is well planned and recorded in the Country FM Strategy which considers the linkages with the CAS, identifies generic FM portfolio issues, and takes into consideration key findings/recommendations of the CFAA and related ESW. Consequently, sector and country FM issues are clearly identified, and incorporated within FM supervision.
- **Action.** The FMS responds proactively, appropriately and timely to FM issues as they arise. Bank remedies are applied appropriately after consultation with the team and referral to management. Where FM issues remained unresolved, management demonstrates strong support for the application of appropriate remedies, and communicates with the client at a high level.
- **Follow-up.** Actions to address issues arising from supervision missions and review of audit reports, management letters and FMRs are agreed with the client and spelt out in a time bound action plan, progress on which is reviewed with the client. Also, FMS shows flexibility in assisting client in resolving FM issues. Progress is reported back to the TTL in a timely manner.
- **Support.** Strong and timely client support to improve FM arrangements and enhance FM capacity, e.g., on-sight support, discussion forums, VCs, workshops, etc.
- **Documentation.** Supervision efforts are well documented in supporting working papers. All communications with the TTL and the client are recorded (including informal communications such as discussions and telephone calls).

10. Projects that were rated *Moderately Satisfactory* or worse shared many of the following characteristics:

- **Coverage.** Risk-based supervision insufficiently rationalized due to lack of clearly documented FM project supervision plans or Country FM Strategies (often not updated).
- **Follow-up.** Untimely and poor follow-up with the client on FM issues raised in audit reports and management letters as well as reluctance to resort to Bank remedies. Similarly implementation of agreed actions remain unresolved for excessively long periods (mostly

until the next supervision mission), leaving the project open to potential increased fiduciary risks.

- **Documentation.** Poor quality of documentation, such as lack of FM supervision reports, Aide- Memoires, SOE reviews, and failure to reflect FM ratings in the ISR etc. This is particularly relevant where the FM function is decentralized (as it is in most cases) – where phone calls to and from clients are common – there is little attempt to record the discussion/decisions through written communication. Also, IRIS filing remains an area that needs further improvement.
- **Interim reporting.** Unaudited Interim Financial Reporting (FMRs) remains a problem all over: (i) FMRs are not being submitted regularly (and there isn't much of a follow up); and (ii) where these are submitted, they are not being reviewed.
- **Dispute resolution.** Mechanisms for dispute resolution are not always satisfactorily employed – there are still cases in which important messages flagged by the FMS (for example ISR FM ratings) are not taken into account by the TTL or management.
- **Support.** Failure to assist borrowers in improving FM systems, and generally low level of communication with borrowers on outstanding issues.

11. **Fraud and corruption issues.** As mentioned above, a separate question was incorporated in QSA7 that sought to gather information where, in response to any identified project/country circumstances, FM supervision included appropriate enhanced anticorruption measures. Nineteen of the 130 projects reported the inclusion of such measures of which 17 (90%) were regarded to be Moderately Satisfactory or better. Examples of such measures include; (i) strengthening of the internal control environment; (ii) technical audits; (iii) site visits to conduct physical verification of equipment and project outputs; (iii) intensified supervision and SOE reviews; (iv) portfolio fiduciary review conducted with INT's involvement; (v) set-up of a committee to develop a “Guidance Note on Governance and Accountability Action Plans” for implementing agencies; (vi) improving management control through implementation of a contracts management module as part of the accounting software which identifies costs per unit and reports variances; and (vii) utilizing a participatory mechanism at community level, as a part of the social/ participatory audit, the financial details together with the implementation progress details till date are displayed on a common platform to communities and the public at large to enhance public awareness. All of these actions helped to improve the fiduciary environment.

CONCLUSIONS

12. Notwithstanding the sustained good performance of FM quality of supervision, the results indicate that some issues, consistent with QSA6 findings, continue to affect the quality of FM supervision. Key among these are:
- Improvements in the quality of FM supervision in QSA6, and sustained in QSA7, reflect the impact of several policy and procedural changes,⁵ which have had the effect of setting out more clearly, in specific areas, the expectations of the FM Sector Board. Financial Management Specialists have shown the ability to apply the flexibility embodied in the FM

⁵ Among others, and related to supervision – *Financial Monitoring Reports: Guidelines to Staff* (November 2002), *Guidelines: Annual Financial Reporting and Auditing For World Bank-Financed Activities* (June 2003) and the manual on *Financial Management in World Bank-financed Investment Operations* (November 2005).

Framework. A key example is the adoption of a risk-based approach to guide the coverage and intensity of FM supervision efforts. While it was too early to measure the impact of the November 2005 FM Manual, some reviewers mentioned noticeable improvements in the quality of supervision outputs that were prepared during the period January to June 2006.

- At the same time, there is still much scope for FM as a sector to move its focus from purely process issues to more substantive supervision efforts – to focus on what's actually happening on the ground on funds flow, internal controls, corrective actions on audit findings etc. rather than engage in never ending discussions on process issues, e.g., formats of FMRs or micro managing client staffing.
- Despite the availability of the above-mentioned Guidelines, variations in the application of procedures remained across regions including those mentioned in paragraph 10. It is however expected that the lack of clarity on what constitutes good FM supervision has been removed by the issuance of the FM Manual and should provide a basis for a common understanding and application of such guidance.
- While Financial Management Specialists have traditionally been comfortable with the fiduciary (compliance-oriented) role, the results show that they are becoming more comfortable in an advisory (capacity development) role--a common example is the fact that when problems are identified in client FM systems, FMSs will provide hands-on support in resolving the issues. In turn, FMSs are being stretched too thin and may thus not be able to devote concerted attention to such needs.
- A number of Financial Management Specialists demonstrated some confusion about the difference between the FM rating submitted as input to the ISR (based on a scale of HS to HU) and project FM risk (based on a scale of High to Low). Annex 6 of the FM Manual requires both these aspects to be considered and updated. The review showed that the aforementioned is updated quite regularly while FMSs generally failed to record the update of the FM risk. In this regard, the application of the RAPMAN or similar system has proven to provide a solid control mechanism system to ensure that both these risks are considered and recorded.

RECOMMENDATIONS

13. In order to sustain the positive trend shown by QSA7 results, the FM Sector Board should consider addressing the remaining areas of concern:

- (i) Guidance in the FM Manual may be improved for those areas where weaknesses had been identified as a result of the QSA7 work.
- (ii) Through appropriate mechanisms (for example region specific FM team retreats, good practice databases etc.) Regional FM Managers should impart their expectations to FMSs for fully adopting the new supervision guidelines in the FM Manual.
- (iii) At the same time, regions should consider mechanisms for strengthening quality assurance arrangements with a view to ensuring that staff apply supervision principles consistently across regions.
- (iv) The FM Anchor should organize learning events for disseminating lessons learned and good practices from the QSA7 review.

- (v) The FM Sector Board should examine ways in which to enhance the advisory role of the FMS. In particular, it should look at ways of strengthening support for guidance provided by the Task Team in assisting the borrower to improve FM capacity.
- (vi) Following the finalization of the proposed “FM Sector Position Paper on Anticorruption”, tools and guidance for staff will be needed to facilitate staff understanding and implementation of enhanced anticorruption focus with an emphasis of integration into their ongoing and planned activities. The inclusion of a separate question on fraud and corruption should become part of the assessment of the overall FM rating as and when the FM Sector Board has issued implementation guidance on this issue.
- (vii) The regions should put into effect recording of supervision activities undertaken by country based staff. The envisaged Financial Management Status Report, which is expected to become operational in 2007, should largely facilitate this.

COMMENTS ON THE QAG PROCESS

14. While the time allowed for FM review (about 1 day) was generally sufficient for a review of the documentation submitted by the Task Team, the weaknesses identified in connection with availability of documentation (affecting not just FM) required FM reviewers to engage in detailed and time consuming discussions with the relevant FMS, and other members of the Task Team to derive meaningful information. In addition to these complications in the assessment process, the perception remains--built up by FM reviewers who have worked on successive QAG reviews--of a Bank-wide culture of automatically disputing any rating below *Satisfactory* with demands, reasonable or not, that these be adjusted upwards. In these circumstances, and in order to better serve the Sector Board’s commitment to continuously monitor, evaluate and improve service, the Sector Board is considering, jointly with Controller’s, alternative arrangements outside the QAG process that will serve as a continuous quality assurance process. Finally, the FM reviewers generally experienced difficulty in deciding if projects should be rated Moderately Satisfactory or Moderately Unsatisfactory--there is a need to sharpen the criteria for distinguishing between these ratings.

Attachment 9.1**Financial Management Performance in QAG Supervision Reviews***(% Satisfactory cluster)*

	Quality of supervision				
	RSA3 (FY99)	QSA4 (FY00)	QSA5 (FY01)	QSA6* (FY03& 04)	QSA7*(FY05 & 06)
AFR	76	83	80	86	92
EAP	83	79	73	80	91
ECA	83	88	89	97	97
LCR	86	77	65	100	100
MNA	88	100	82	90	87
SAR	80	91	100	93	100
Bank-wide	81	86	78	91	94

* Percentage of "Moderately Satisfactory or Better"

Attachment 9.2**FM Ratings by Region**

Regions	Number of Projects						Total
	Highly Satisfactory (1)	Satisfactory (2)	Moderately Satisfactory (3)	Moderately Unsatisfactory (4)	Unsatisfactory (5)	Highly Unsatisfactory (6)	
	2	25	5	3	0	0	35
EAP	0	13	6	2	0	0	21
ECA	6	12	8	1	0	0	27
LCR	0	10	7	0	0	0	17
MNA	1	9	3	2	0	0	15
SAR	1	11	3	0	0	0	15
Grand Total	10	80	32	8	0	0	130

ANNEX 10: SUPERVISION OF PROCUREMENT ASPECTS

OVERVIEW

1. As part of the procurement specialized review conducted in support of QSA7, procurement staff and consultants reviewed 127 projects to assess the quality of procurement supervision. In the recent past, procurement specialized reviews have been conducted on a case by case basis and not on the full sample of projects under review. However, due to the recent concern about corruption under Bank-financed projects, it was agreed that a specialized review would be conducted on all QSA7 projects with the exception of DPLs which do not apply the same requirements for procurement supervision as investment loans. An enhanced procurement questionnaire was created and used by all staff and consultants in assessing the materials provided for each project (see Attachment 1 for a copy of the procurement questionnaire used to support QSA7).

2. Procurement supervision is undertaken by procurement specialists or accredited staff as part of the overall supervision of projects. During supervision, post review of contracts awarded during the implementation of the project, which are not subject to prior review provisions, are reviewed on a sampling basis. The sample of contracts to be covered by post review is generally determined during the design of the project and is linked to the risk assigned to the procurement under the project. Risk is usually determined on the basis of a number of factors, including country risk, the complexity of the project, and most importantly, the capacity of the implementing agency. Regional guidelines are in place to establish thresholds for determining the method of procurement to be used and to set the prior and post review requirements. This information is captured in the PAD. Included in the PAD is the recommendation guiding frequency of supervision. The questions contained in the procurement questionnaire were aimed at determining how well procurement supervision helps to ensure that the project is implemented in accordance with the PAD and other key documents that govern procurement. There are several documents considered important to the quality of procurement supervision and are listed below:

- The PAD: which sets out the basic information on procurement under the project, including methods of procurement, thresholds and identified risk. The PAD will also specify any conditions which need to be implemented in order to mitigate risk identified under the project.
- The capacity assessment of the implementing agency: identifies specific risks associated with implementation of the project and what steps need to be taken to mitigate risk.
- The CPAR: identifies country risk and importantly, identifies national practices for procurement that are unacceptable to the Bank. Such unacceptable practices must be clearly addressed in order for the country to use national competitive bidding (NCB) procedures. Usually unacceptable procurement practices at the country level are addressed in a side letter to the loan agreement.
- The procurement plan(s): which is important to the management of implementation throughout the project. Procurement plans are required to be updated throughout the life of the project.

3. In order to ensure a high level of review, the Regional Procurement Managers were requested to nominate several senior procurement specialists from their regions to support the review of projects. Those nominated to participate were invited to several briefing sessions to inform them about the process

and introduce them to the questionnaire that would be used to record their assessment comments. In addition, staff were given a scoring sheet that provided guidance on how to rate the project against a six point scale used by QAG for this assessment. It quickly became apparent that the staff nominated to participate would need to be substantially augmented by consultants in order to meet the very stringent time constraints of QSA7 which required reviews to be completed from July to October. This timeframe spanned both the traditional vacation periods of July and August and the heaviest travel periods for staff of September and October. As a result of other work constraints, the procurement supervision reviews involved 16 staff and 6 consultants. Each reviewed between 3-8 projects. In addition, OPCPR staff reviewed approximately 45 projects. All completed questionnaires were reviewed to help ensure some level of consistency in the application of the questionnaire and other guidance provided.

SUMMARY OF FINDINGS

4. Out of a sample size of 127 projects, 97 percent were rated Moderately Satisfactory or better. As shown in Table 10.1, this compares favorably with earlier assessments. The guidance for procurement supervision has remained relatively stable since the issuance of specific guidance on conducting post review was issued in 2002.

Table 10.1: Overall QSA Procurement Ratings

% Satisfactory			
QSA4	QSA5	QSA6	QSA7
85%	91%	95%	97%

5. The assessment results are broken down more specifically in Table 10.2 below showing the number of projects and percentage for each of the six rating categories (see Attachment 2 for ratings broken down by regions). Since detailed analysis was not conducted for some of the earlier QSA reviews, it is not possible to give a detailed analysis of changes in the ratings over time.

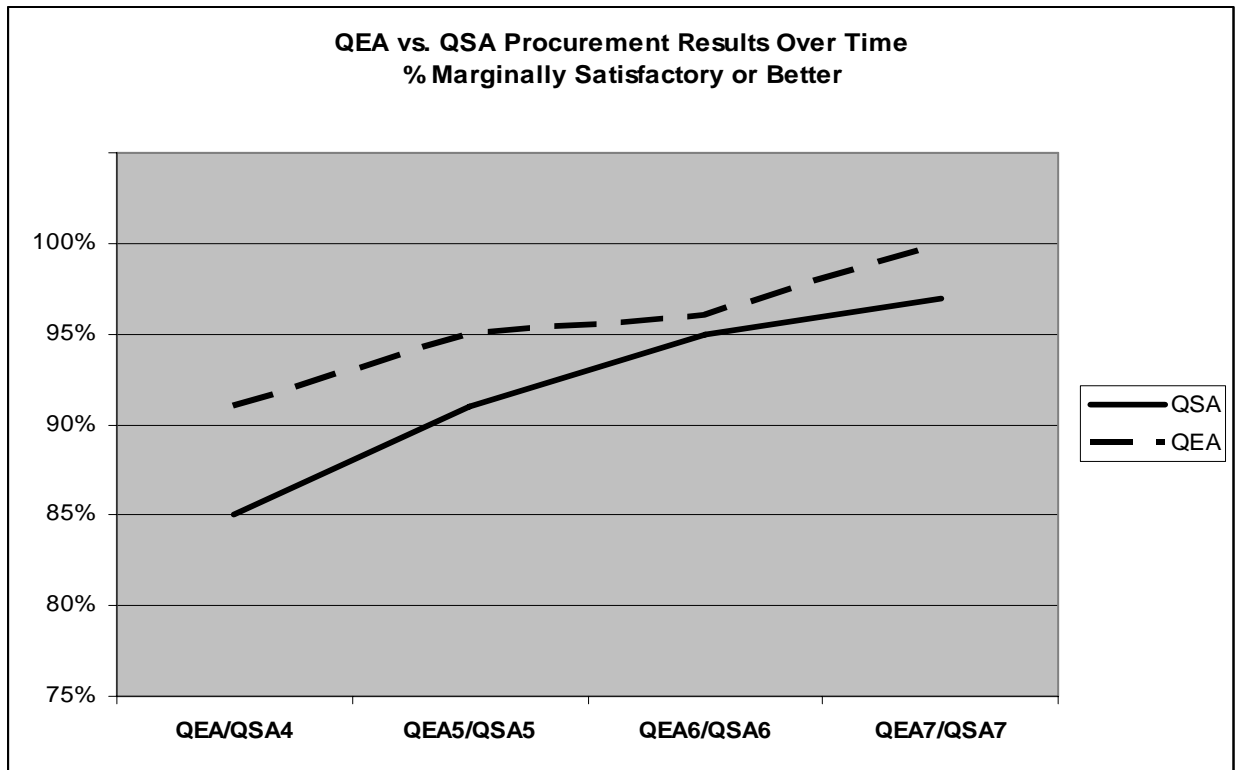
Table 10.2 - QSA7 Procurement Ratings

Number of Projects and %									
	HS (1)	S (2)	MS (3)	MU (4)	U (5)	HU (6)	Total*	Marginally Satisfactory or Better (MS+)	Satisfactory or Better (S+)
No. Projects	2	98	23	4	0	0	127	123	100
Percentage	2%	77%	18%	3%	-	-	100%	97%	79%

HS - Highly Satisfactory; S - Satisfactory; MS - Marginally Satisfactory; MU - Marginally Unsatisfactory; U - Unsatisfactory; HU - Highly Unsatisfactory

6. The QAG results for the specialized reviews of procurement supervisions and the results for the specialized review of quality at entry remain high and generally are stable. Figure 10.1 below shows the trends for both QSA and QEA from FY00-01 to the present.

Figure 10.1: QSA Results Over Time



7. In order to better understand the relative strengths and weaknesses of the assessment of procurement supervision, the results according to each of the rated questions contained in the procurement questionnaire are shown in Table 10.3 below. Although there were 9 questions in the questionnaire, the following table only tracks 7 as question number 1 was a yes/no question and the final question, number 9 (added as a new question), was determined to be poorly structured and difficult to rate on the basis of available information.

Table 10.3: Procurement Ratings, Sub-Questions (Attachment 1)

Issues	HS (1)	S (2)	MS (3)	MU (4)	U (5)	HU (6)	Total	Marginally Satisfactory or Better (1+2+3)	Satisfactory or Better (1+2)
2. Quality of procurement arrangements in PAD, including risk identification and mitigation	13%	56%	24%	5%	2%	0%	124	93%	69%
3. Existence and quality of the procurement plan	8%	63%	19%	10%	1%	0%	126	90%	71%
4. Compliance with supervision requirements (including post reviews and identifying and following up on actions)	12%	61%	20%	7%	1%	0%	121	93%	73%
5. Timely identification of procurement implementation problems	9%	69%	19%	3%	0%	0%	119	97%	78%
6. Timeliness and quality of Bank response to procurement implementation issues raised	3%	72%	21%	3%	0%	0%	115	97%	76%
7. Evidence that risk mitigation measures in the PAD or Loan Agreement are being implemented and put into place	2%	70%	21%	6%	1%	0%	115	93%	72%
8. Review of use of implementation manuals and other documents to guide implementation of procurement under the project	2%	73%	21%	3%	1%	0%	103	96%	75%

HS - Highly Satisfactory; S - Satisfactory; MS - Marginally Satisfactory; MU - Marginally Unsatisfactory; U - Unsatisfactory; HU - Highly Unsatisfactory

8. Out of 127 projects, only two (2%) were rated as Highly Satisfactory for procurement supervision. This is a very small sample. Therefore, the sample has been expanded to include all projects receiving a rating of 2 (Satisfactory) or above (S+) in order to draw lessons on good practice. The following characteristics were noted as contributing to Satisfactory or better procurement supervision:

- **Coverage.** Procurement participation as part of supervision teams was frequent, and consistent with the recommendation stated in the PAD. There was good coverage of the results of the mission contained in both the Aide-memoire and the ISR prepared.
- **Action.** Procurement actions to address problems noted during supervision missions were clearly stated, indicating a responsible party for taking the action and providing a reasonable timeframe for completion.
- **Follow-up.** Subsequent supervision missions commented upon actions and status of actions taken providing good follow up.
- **Decentralization.** A clear indication that country based staff contribute to the overall quality of procurement supervision. Although some ISR indicated that no procurement

staff participated during a specific supervision mission, reading of the Aide-memoire often indicated frequent interaction between the Bank procurement staff and the project staff to resolve procurement issues on a timely and on-going basis.

- **Documentation.** Projects rated Satisfactory or above provided the necessary documentation. The key documents were comprehensive and well written and provided a basis for review and follow up.
- **Planning.** Procurement plans are key documents that help guide the implementation of a project. The procurement plan requirements were revised in May 2004. Good projects were found to have good procurement plans that were maintained, and used as a management tool.
- **Integration.** The procurement specialist needs to be a key team player who contributes to the resolution of issues related to the implementation of the project. Projects rated more highly for procurement supervision demonstrated good coordination, and communication between the specialist and the TTL, and other members of the team, including the FMS.

9. An analysis of the projects rated Marginally Satisfactory or worse for procurement supervision shared many of the following characteristics which are generally the reverse of the characteristics noted above:

- **Coverage.** Many supervision missions did not include procurement specialist or accredited staff. Often the frequency of procurement supervision did not comply with the recommendations of the PAD.
- **Action.** Procurement issues were noted in a general manner without providing a clear action plan to address noted issues. When an action was recommended, there often was no set timeframe making it difficult to monitor.
- **Follow up.** It was often difficult to determine between supervision missions whether the necessary procurement actions had been taken. This was usually due to insufficient record keeping, but also relates to the failure to set specific timeframes for actions and to follow up.
- **Decentralization.** While decentralization was generally seen as contributing to better supervision, in some cases, decentralization contributed to a lack of communication and coordination with the TTL. In some cases, TTLs failed to indicate that procurement supervision was being handled somewhat independently from the regular supervision missions. It was not always clear that good coordination was taking place within the team.
- **Documentation.** Documentation was often the cause for poor ratings as it made it impossible to determine if the required procurement supervision was taking place and to evaluate the quality of the supervision. Post review reports were mentioned as existing but were not available for review. Even repeated requests for specific documents were not met. It is clear that this area needs attention.
- **Planning.** Procurement plans are a key document. In projects rated Highly Satisfactory, procurement plans were available and well done and updated as required. In projects rated less than Satisfactory, a key issue was the quality of procurement plans and the updating of such plans.

10. **Fraud and Corruption.** Procurement supervision is set up to consider the implementation of procurement in accordance with the *Procurement and Consultants Guidelines* which are made applicable to all loans and grants financed by the World Bank. During post review or procurement audits (sometimes used to augment procurement supervision), the Guidelines, procurement plans and monetary thresholds established in the PAD determine the baseline used to ensure that project procurement is being implemented in accordance with the Loan Agreement. When there are discrepancies, they are noted and they can result in a declaration of misprocurement or in a referral to INT for further investigation if fraud or corruption is suspected. As the Bank continues to consider ways to enhance its fight against fraud and corruption under Bank financed projects, post review procedures will play an increasingly important role. Staff are currently advised to increase the sample of contracts reviewed if they find indications of problems with the initial sample. Although not yet in place, plans are underway to capture more data from the post review process and use this data to analyze trends that can help staff improve the efficiency of post review. OPCPR is planning to increase its cooperation with INT and to provide staff with specific training on "red flags" which can be indications of systemic issues related to fraud and corruption.

CONCLUSIONS AND RECOMMENDATIONS

11. The results of QSA7 indicate that procurement supervision is being conducted in a Moderately to Highly Satisfactory basis in 97 percent of the projects reviewed. While this is a high percentage, it is important to take note of the lessons learned from the review and continue to address quality improvements especially at the margins of Satisfactory performance. In this regard, the Moderately Satisfactory level is where improvements can be made. The Procurement Sector needs to take aboard the lessons learned from the key characteristics of highly rated versus poorly rated procurement supervision. Some areas where better guidance is needed include the following:

- Documentation requirements need to be clearly specified and staff need to maintain the files for procurement supervision. These files are extremely important when there is a change of staffing. In addition, the quality reviews rely on documentation as the main basis for assessing quality.
- Post review continues to be a key element in procurement oversight of projects. The guidance issued in 2002 needs to be updated.
- Risk assessment and risk mitigation are key issues related to good supervision of projects. New tools are needed to help develop consistency, and to enable better monitoring to determine which mitigation measures are effective.
- As post review is one of the key means of discovering indications of fraud and corruption under a project, staff need to be educated about typical "red flags" that may indicate a problem or at least alert staff that more detailed review may be required. The Procurement Sector Board needs to work more closely with INT and arrange for staff to learn from INT experience.
- OPCPR plans to initiate a study on the consistent use, quality and application of procurement plans under the new guidelines.
- OPCPR is working with the Regions to help develop a consistent means of tracking post review and analyzing data obtained during post review. This may result in a centralized database that will help monitor quality.

Attachment 10.1**PROCUREMENT QUESTIONNAIRE**

1. Was a Procurement Specialist/Procurement Accredited Specialist involved in supervision?
2. Quality of procurement arrangements in Annex 8 of PAD, including the identification of risk for the project and how the procurement arrangements were intended to mitigate risk.
3. Existence and quality of the Procurement Plan.
4. Quality of compliance with procurement supervision requirements, including conducting post review and clearly identifying and following up on corrective actions that need to be taken.
5. Degree to which procurement implementation problems were identified in a timely manner.
6. Timeliness and quality of response by the Bank in addressing the procurement and implementation issues raised.
7. Evidence that supervision missions verify that risk mitigation measures identified in the PAD and/or in the Loan Agreement are actually put into place and are achieving the intended results.
8. Has the supervision mission reviewed implementation manuals and documents dealing with procurement prepared subsequent to project effectiveness to determine if they are of high quality, consistent with the capacity of end users and are in fact being used to guide the implementation of procurement under the project?
9. Degree of coordination with FM evidenced during supervision missions to compare findings and ensure full coverage of fiduciary issues.

Attachment 10.2**PROCUREMENT RATINGS BY REGION**

Regions	Number of Projects						Total
	Highly Satisfactory (1)	Satisfactory (2)	Marginally Satisfactory (3)	Marginally Unsatisfactory (4)	Unsatisfactory (5)	Highly Unsatisfactory (6)	
AFR	0	23	10	2	0	0	35
EAP	1	15	4	0	0	0	20
ECA	0	23	2	1	0	0	26
LCR	0	15	2	0	0	0	17
MNA	1	11	1	1	0	0	14
SAR	0	11	4	0	0	0	15
Total	2	98	23	5	0	0	127

ANNEX 11: RELATIVE PERFORMANCE OF REGIONS DURING FY05-06⁶

<i>Strong Aspects</i> ⁷	<i>Opportunities for Improvement</i> ⁸
AFR:	
<ul style="list-style-type: none"> • Identification and Assessment of Problems • Focus on Sustainability • Performance Monitoring • Legal Aspects • Social Aspects • Supervision Activities • Effectiveness of Relationships • Management Inputs • Extent to Which Rating for DO, IP and Overall Risk Reflect Actual Conditions • Adequate Explanation of DO, IP and Risk Ratings and of Any Change in Ratings 	<ul style="list-style-type: none"> • Environmental Aspects • Staffing
EAP	
<ul style="list-style-type: none"> • Legal Aspects • Staffing • Supervision Activities • Effectiveness of Relationships 	<ul style="list-style-type: none"> • Identification and Assessment of Problems • Focus on Sustainability • Actions Taken and Follow-up • Performance Monitoring • Effective Use of CPPRs and Other Venues for Portfolio Review with the Borrower • Social Aspects • Management Inputs • Extent to Which Ratings for DO, IP, and Overall Risk Reflect Actual Conditions • Accuracy of Ratings of Project Components and Discretionary Flags • ISR Focus on Issues and Actions
ECA	
<ul style="list-style-type: none"> • Focus on sustainability • Effective Use of CPPRs and Other Venues for Portfolio Review with the Borrower • Procurement • Legal Aspects • Environmental Aspects • Staffing • Supervision Activities • Effectiveness of Relationships 	<ul style="list-style-type: none"> • Identification and Assessment of Problems • Actions Taken and Follow-up • Financial Management • Extent to Which Ratings for DO, IP, and Overall Risk Reflect Actual Conditions

⁶ Supervision aspects refer to the sections or main questions within the four quality dimensions in the questionnaire.

⁷ Strong aspects are those that: (a) are rated 15 percentage points or more above Bank-wide averages in QSA7 in terms of MS+ or S+; (b) are rated 80% or better in QSA7 in terms of S+; or (c) improved by 15 percentage points or more compared to Regional performance in QSA6 in terms of MS+ or S+.

⁸ Weak aspects are those that: (a) are rated lower by 15 percentage points or more than Bank-wide averages in QSA7 in terms of MS+ or S+; or (b) declined by 15 percentage points or more compared to Regional performance in QSA6 in terms of MS+ or S+.

<i>Strong Aspects</i>	<i>Opportunities for Improvement</i>
LCR	
<ul style="list-style-type: none"> • Focus on Sustainability • Procurement • Legal Aspects • Supervision Activities 	<ul style="list-style-type: none"> • Actions Taken and Follow-up • Performance Monitoring • Effective Use of CPPRs and Other Venues for Portfolio Review with the Borrower • Quality of Supervision Documentation including Aide-memoire & Management Letters and Follow-up • Effectiveness of Relationships • Management Inputs • Extent to Which Ratings for DO, IP, and Overall Risk Reflect Actual Conditions • Adequate Explanation of DO, IP, and Risk Ratings and Any Change in Ratings • Accuracy of Ratings of Project Components and Discretionary Flags • Quality and Timeliness of Data to Support KPIs • ISR Focus on Issues and Actions
MNA	
<ul style="list-style-type: none"> • Identification and Assessment of Problems • Performance Monitoring • Effective Use of CPPRs and Other Venues for Portfolio Review with the Borrower • Procurement • Legal Aspects • Quality of supervision Documentation including Aide-memoire & Management Letters and Follow-up • Management Inputs • Adequate Explanation of DO, IP, and Risk Ratings and Any Change in Ratings 	<ul style="list-style-type: none"> • Social Aspects • Accuracy of Ratings of Project Components and Discretionary Flags
SAR:	
<ul style="list-style-type: none"> • Effective Use of CPPRs and Other Venues for Portfolio Review with the Borrower • Financial Management • Environmental Aspects • Social Aspects • Staffing • Quality of Supervision Documentation including Aide-memoire & Management Letters and Follow-up • Effectiveness of Relationships • Management Inputs 	<ul style="list-style-type: none"> • Focus on Sustainability • Procurement • Legal Aspects • Supervision Activities • Accuracy of Ratings of Project Components and Discretionary Flags • Quality and Timeliness of Data to Support KPIs

ANNEX 12: QSA7 PROJECTS RATED S+ ON OA VS. PROJECTS RATED MS- ON OA

	Projects rated S+ on OA		Projects rated MS- on OA		% Diff
	# Rated	% S+	# Rated	% S+	
OA OVERALL ASSESSMENT	64	100	66	0	100
R1 Focus on Development Effectiveness	64	95	66	25	70
R2 Supervision of Fiduciary/Safeguard Aspects	64	83	66	36	47
R3 Adequacy of Supervision Inputs and Processes	64	100	66	41	59
R4 Candor and Quality of ISR	64	59	66	8	51
DO.C Sustainability	64	55	66	30	25
A(a) Assessment of project design at entry	64	49	66	15	34
A(b) Quality of PAD's results framework (including intermediate performance indicators) and readiness of implementation arrangements for M&E	63	64	64	23	41
A(b.i) Extent to which the planned outcomes and key indicators in the results framework are precise and relevant to the activities undertaken by the project.	63	66	64	37	29
A(b.ii) Extent to which the planned outcomes in the results framework are linked with the outcomes/objectives in the CAS.	63	94	60	85	9
A(b.iii) Extent to which there are adequate arrangements linking project results framework to the borrower's monitoring and evaluation system.	61	64	62	26	38
A(b.iv) Quality of baseline data	61	60	62	32	28
A(c) Borrower commitment to the Project	64	82	66	47	35
A(d) Readiness of implementation at approval	64	52	66	22	30
A(e) Overall implementation performance prior to FY05	47	32	49	16	16
A(f) Extent to which the problems encountered during implementation have been identified at entry	63	43	66	21	22
A(g) Extent to which the panel agrees with previous QAG assessment(s).	20	81	23	67	14
1.1 Identification and Assessment of Problems	64	98	66	55	43
1.1(a) Timely identification and assessment of implementation problems?	64	96	66	78	18
1.1(b) Timely identification and assessment of possible threats to DO?	64	90	66	45	45
1.2 Focus on Sustainability (extent to which the supervision mission paid attention to this aspect)	64	95	66	62	33
1.2(a) Borrower and Stakeholder Ownership	64	94	66	73	21
1.2(b) Technical Assistance, Training and Capacity Building	64	90	66	68	22
1.2(c) Evidence that project supervision showed:	62	97	65	64	33
1.2(c.i) appropriate approach to building state institutions (capacity and accountability)	62	95	65	65	30
1.2(c.ii) effectiveness of multi-donor approaches	46	94	45	86	8
1.2(c.iii) awareness of conflict or peace-building impact on political and security dynamics	9	100	12	75	25
1.3 Actions Taken and Follow-Up	64	89	66	37	52
1.3(a) Appropriateness of Advice and Proposed Solutions to the Borrower	64	96	66	63	33
1.3(b) Appropriateness and Speed of Bank follow-up action	64	83	65	50	33
1.3(c) Impact and effectiveness of Bank actions	63	78	64	37	41
1.3(d) Quality and timeliness of Mid-Term-Review (if it took place during FY05-06)?	20	78	21	43	35
1.3(e) Quality and timeliness of Restructuring Plan (if it took place during FY05-06)?	9	100	8	44	56
1.3(f) Extent to which the project team implemented previous QAG recommendations	20	69	21	25	44
1.4 Performance Monitoring	62	70	65	25	45
1.4(a) Extent to which the task team made use of the PDO and intermediate outcome indicators to assess the project's implementation?	61	72	64	27	45

	Projects rated S+ on OA		Projects rated MS- on OA		% Diff
1.4(b) Extent to which the indicators (both quantitative and qualitative) have been used to identify and address potential obstacles to the achievement of the DO (attention to outcomes)?	62	65	65	25	40
1.5 Effective use of the CPPR or other venues for portfolio review with the borrower to resolve problems affecting the project, including cross-sectoral issues (e.g. governance, transparency)?	55	92	56	56	36
2.1 Procurement e.g., In the context of the project's FM risk profile: appropriate level and adequacy of FM inputs; timeliness of advice and follow-up; adequacy of support to borrower.	63	85	64	70	15
2.2 Financial Management e.g., In the context of the project's FM risk profile: appropriate level and adequacy of FM inputs; timeliness of advice and follow-up; adequacy of support to borrower.	64	74	66	64	10
2.3 Legal Aspects e.g., Legal compliance; clarity/timeliness of advice	64	93	66	85	8
2.4 Environmental Aspects e.g., Environmental impact, safeguard compliance	52	86	50	48	38
2.5 Social Aspect e.g., Social impact, safeguard compliance	60	79	64	38	41
3.1 Staffing	64	93	66	64	29
3.1(a) Staff Continuity	64	96	66	91	5
3.1(b) Supervision Skill Mix (with special attention to fragile states and multi-sectoral projects)	64	83	66	39	44
3.1(c) Impact of decentralization on supervision quality	61	94	61	77	17
3.1(c.i) TTL or sector staff	51	96	48	76	20
3.1(c.ii) Procurement	56	92	58	84	8
3.1(c.iii) Financial Management	61	89	60	80	9
3.2 Supervision Activities	64	92	66	69	23
3.2(a) If TTL is HQ-based, quality of mission preparation and effectiveness of time spent in the field	44	100	46	78	22
3.2(b) If TTL is field-based, quality of coordination with and support from HQ	24	87	24	76	11
3.2(c) If there was joint supervision with co-financiers, quality of coordination and other supervision activities.	22	95	14	100	-5
3.2(d) Adequacy of overall supervision mix from HQ, in-country, and neighboring country.	62	88	64	72	16
3.2(e) Effectiveness of Budget Use (including use of TFs)	64	92	65	63	29
3.3 Quality of supervision documentation including aide-memoire & management letters and follow-up	64	79	66	36	43
3.4 Effectiveness of Relationships	64	98	66	69	29
3.4(a) With the Borrower	64	96	66	67	29
3.4(b) With donors and other stakeholders	60	98	61	72	26
3.5 Management Inputs	64	83	66	39	44
3.5(a) Adequacy and speed of management attention and actions	64	86	66	35	51
3.5(a)(i) Management guidance on and responsiveness to supervision issues	33	75	32	33	42
3.5(a)(ii) Was there appropriate management attention to non-dedicated components of multi-sector project	12	90	7	82	8
3.5(b.i) Adequacy of supervision budget - Overall budget	64	72	66	77	-5
3.5(b.ii) For non-dedicated components of multi-sector projects, adequacy of supervision budget	14	79	9	83	-4
4.1 Extent to which ratings for DO, IP and overall risk reflect actual conditions (for overall risk, please refer to Table on Risk Flags and DO/IP Status at the end of this questionnaire)?	64	67	66	29	38
4.2 Adequate explanation of DO, IP and risk ratings and of any change in ratings?	62	66	66	36	30
4.3 Accuracy of ratings of project components and discretionary flags?	64	62	66	14	48
4.4 Quality and timeliness of data (including the intermediate outcome indicators) to support the key performance indicators.	63	61	65	21	40
4.5 ISR focus on issues and actions.	64	66	66	21	45

	Projects rated S+ on OA		Projects rated MS- on OA		% Diff
4.5(a) TTL Inputs	64	69	66	27	42
4.5b Management Comments	64	71	66	29	42