

SEVENTH QUALITY AT ENTRY ASSESSMENT (QEA7) Report no. 46477
FISCAL YEAR 2004-2005

DEVELOPMENT POLICY LENDING QUESTIONNAIRE

COUNTRY:	Cape Verde	PROJECT TITLE:	CV-PRSC (FY05)
REGION:	AFR	TASK TEAM LEADER:	VAN DOMELEN
SECTOR MANAGER:	Alexandre V. Abrantes; Helga W. Muller; Robert R. Blake	COUNTRY DIRECTOR:	Madani M. Tall
SECTOR BOARD:	Poverty Reduction	PROJECT ID:	P078860
THEMATIC COVERAGE:	Public expenditure, financial management and procurement (40%) Macroeconomic management (20%) Access to law and justice (20%) Other social protection and risk management (20%)	SECTORAL COVERAGE:	Gen pub admin se Sub-natl govt adm Other social servi Gen education sec Health (20%)
DATE APPROVED:	02/22/2005	DATE EFFECTIVE:	04/15/2005
INSTRUMENT:	PRC	PRODUCT LINE:	IDA
LN/CR/GRANT AMT (\$MIL):	15	LOAN/CR/GRANT NO:	40370
ENV. CATEGORY:	U	TTL HQ BASED:	Field
PERSON(s) INTERVIEWED:	Julia Van Domelen; Helene Grandvoinnet; Robert R. Blake; Manuela Francisco		

PLEASE SELECT ONE:

If Concept Review Prior to September 1, 2004:

If Concept Review On or After September 1, 2004:

DPL (OP8.60 APPLIES)

FIRST STAGE REVIEW

FIRST STAGE REVIEW:

PANEL MEMBER(S):	Jose B. Sokol; Bension Varon	QAG MODERATOR:	Sulaiman S. Wast
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OBSERVER:	Lire Ersado
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SPECIALIZED REVIEWERS:	
1. Environment	Colin P. Rees
2. Social Assessment	John Keith Rennie
3. Financial Management	Douglas I. Graham

STAGE 1 RATING: 1	ASSESSMENT DATE	06/07/2005
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SEVENTH QUALITY AT ENTRY ASSESSMENT (QEA7) FISCAL YEAR 2004-2005

PANEL REPORT

COUNTRY: Cape Verde

PROJECT TITLE: CV-PRSC (FY05)

A. Overall Judgment

The panel rates the first Poverty Reduction Support Credit to Cape Verde *Highly Satisfactory*(1) overall--together with its assessment dimensions of Strategic Relevance and Approach; Poverty, Gender and Social Development; Fiduciary Aspects; Implementation Arrangements; and Bank Inputs and Processes. The Structural, Financial and Macroeconomic Aspects; Policy and Institutional Aspects; and the Risk Assessment dimensions are rated *Satisfactory*(2). The Environmental Aspects are considered *Not Applicable*.

This PRSC --which became effective in April 2005 for the amount of US\$15 million--is a response to the Government's request for the external partners to align with national strategies and systems for poverty reduction, as agreed at the Donors' Roundtable Meeting in Praia, Cape Verde's capital, in April 2003. The objective of the credit is to support the implementation of the GPRSP. It is a one-tranche operation, the first of a planned series of three annual programmatic single-tranche operations. The financial support provided through the PRSC will narrow the gap between the cost of implementing key elements of the GPRSP and resources available from the government's own domestic revenues and other donor support. A policy dialogue and results-based framework under PRSC-1 is to focus on the following pillars of the GPRSP: (a) promoting good governance; (b) developing human capital in education and health sectors; and (c) improving the effectiveness and sustainability of the social protection system. In sum, the reform program associated with this operation is at the core of IDA's FY05-08 CAS.

The panel wishes to emphasize the operation's contribution to improving the functioning of national budget systems, reducing transaction costs and distortions due to international assistance, introducing better linkages between sectors and cross-cutting issues, improving service delivery for the poor, and improving the well-being of the population. The panel also wishes to note the best-practice features embodied in developing the monitoring aspects of the operation, in strengthening and building in-house capacity related to service delivery to the poor, and in effectively managing the operation under a three task-manager approach. The operation has developed a comprehensive and cutting-edge monitoring system based on intermediate and final outcomes to track the effectiveness of the poverty reduction programs.

In the education sector, the efforts supported by the program would result in the expanded coverage of early childhood education, improved quality and efficiency of education, expanded and diversified professional training service delivery, and a consolidated and restructured tertiary education sector. In the area of governance, the program would lead to an improved ability to manage public sector reform across institutions, a framework to manage and train civil servants better adapted to modern administration, public expenditures allocated and used according to GPRSP priorities, more transparent public expenditure management (PEM), empowerment of oversight institutions, and the functioning of municipalities in a clearer framework matched by adequate resources. In the judicial system, the program efforts would lead to improved adherence and knowledge of the law among local communities, increased free access to justice systems by the poor, and improved supply of professional alternative dispute resolution (ADR) mechanisms such as mediation. In the health sector, the operation would lead to improved access and quality of health services, greater efficiency, improved coverage of priority health programs (IMCI), a population more knowledgeable and with healthier behaviors, and improved financial access and sustainability of health services. In social protection, the reforms would improve the ability to plan and monitor social assistance services, improve access of the poor to education, health (especially medicines) and nutrition services, expand coverage and better targeting of the non-contributory pension schemes, improve outreach and coverage of children at extreme risk, and better prevent and manage food crises. Finally, for effective monitoring and monitoring and evaluation of the GPRSP, the measures supported by the operation would provide easy and timely access to relevant information, increased statistical capacity, improved data quality and reliability, and an effective dialogue among all development partners.

The panel fully agrees with the task team that the move to supporting poverty reduction through programmatic lending is consistent with Cape Verde's level of economic, political, and social development as well as an acknowledgment of the country's strong commitment to implementing a strategy of growth/poverty reduction in recent years.

B. Strong Aspects

- (a) The program approach taking into account the lessons of experience and sought extensive support from other partners (Dutch Cooperation, UNDP, and CIDA) especially for capacity building in public financial management and M&E.
- (b) The firm base in the diagnostics of completed CFAA, PER, and CPAR exercises, which provided a comprehensive overview of the critical weaknesses in the public financial management system.
- (c) The quality of stakeholder consultation, which was particularly high, and the process resulting in strong ownership and a wide and deep grounding that is likely to penetrate to municipal and community levels.
- (d) Extensive dialogue with the counterparts on synchronizing the sequencing of policy reforms.
- (e) Continuity of Bank staff for supervision and preparation of subsequent operations in Cape Verde.
- (f) The social sector reform agenda embedded in the PRSC and PRSP.
- (g) Comprehensive program documentation; and intensive and effective teamwork in the assignment and carrying out of responsibilities according to areas of specialization. In addition, use of training and facilitation techniques to enhance collaboration amongst the various unit was commendable.

C. Areas Needing Improvements

(a) Creation of new budget systems, especially the move to program-based budgeting, remains a challenge for both the concerned ministries and the implementing agencies in Cape Verde. Even in countries in an advanced stage of budgetary formulation practices, program-based budgeting systems have not been fully put in place.

(b) More emphasis on the growth aspects of the growth/poverty link is warranted for the country's growth projections to be sustainable in the medium- to longer-term. In this context, the issue of how fiscal deficits will be financed (e.g., taking into account contingent liabilities of parastatals) requires elaboration.

D. Any Systemic Lessons

- Concerted efforts to promote teamwork, learning, and division of responsibilities with management support across all units. The creation of a multi-sector learning team, facilitated by coaching and mentoring sessions with the Human Resources Services Leadership and Organization Effect (HRSLO), is an innovative feature of this operation.

- Processing of programmatic operations: some of the current procedures and avenues of financing (Public-Private Infrastructure Advisory Facility (PPIAF), Trust Funds) are not well adapted to the rapid processing of such complex and detailed operations. Specifically, given the short gestation of single-tranche operations, flexibility may be needed on some of the loan processing requirements of the central units.

E. Suggestions to the Task Team

In light of this assessment, list two or three factors that will require particular attention in the short-medium term to improve the prospects for achieving the operation's development objectives and long-term sustainability. Please clearly distinguish between issues that are specific to the operation and any general lessons that are of relevance for the Bank's senior management.

- More attention (in the subsequent operations) to the linkages among tourism, crime, and environmental (water shortage) aspects.

- Better integration of the inter-sectoral approach to poverty reduction--beyond service delivery and social protection mechanisms.

- Benefiting from the experience of countries comprising OECS--on growth-related issues, particularly on their successful development of tourism and other services.

Rejoinder from the Region

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PANEL REPORT

COUNTRY: Cape Verde
PROJECT TITLE: CV-PRSC (FY05)

Major Issues Identified:

Recommendations for Panel Skills:

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SUMMARY ASSESSMENT SHEET

Assessment Rating

- 1 = Highly Satisfactory
2 = Satisfactory
3 = Moderately Satisfactory
4 = Moderately Unsatisfactory
5 = Unsatisfactory
6 = Highly Unsatisfactory
NA = Not Applicable

1.	STRATEGIC RELEVANCE AND APPROACH	<u>1</u>
2.	STUCTURAL, FINANCIAL AND MACROECONOMIC ASPECTS	<u>2</u>
3.	POVERTY, GENDER AND SOCIAL DEVELOPMENT	<u>1</u>
4.	ENVIRONMENTAL ASPECTS	<u>NA</u>
5.	FIDUCIARY ASPECTS	<u>1</u>
6.	POLICY AND INSTITUTIONAL ASPECTS	<u>2</u>
7.	IMPLEMENTATION ARRANGEMENTS	<u>1</u>
8.	RISK ASSESSMENT	<u>2</u>

OVERALL ASSESSMENT

1

The relative importance of the eight quality dimensions are not of equal weight and thus the overall rating is not a simple average of the individual ratings. The project, sector, and the relative importance of these dimensions. Hence, the panel should use its knowledge, judgment and professional skills in arriving at weights to determine the overall rating

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DEVELOPMENT POLICY LENDING QUESTIONNAIRE

Development Objectives (Parts A and B are to be completed by the Task Team and Parts C and D by the Review Panel)

A. List the primary Development Objectives outlined in the operation's document (frequently encountered DOs are described in Part B). The Task Team is requested to rate the importance of these DOs as: **H = High** or **M = Moderate**.

i.	Poverty Reduction	<u>H</u>
ii.	Structural and Sector Policy Reform	<u>H</u>
iii.	Private Sector Development	<u>M</u>
iv.	Institutional Development/Capacity Building	<u>H</u>
v.	Human Development ¹	<u>H</u>
	<i>Comments:</i>	
vi.	Environmental Sustainability	<u>NA</u>
vii.	Infrastructure Development	<u>M</u>
viii.	Other (specify) ²	<u>NA</u>
ix.	Macroeconomic Management	<u>H</u>

Comments: Project development objectives are to:

- (a) support the policies and reforms set forth in the Government's GPRSP in order to achieve sustained improvements in the well-being of the population;
- (b) develop an improved form of external assistance that reduces distortions and transaction costs associated with project-based aid (particularly acute given Cape Verde's small size) and increases Government capacity to plan, execute, and monitor its effects to address poverty;
- (c) harmonize donor support around the GPRSP, including alignment with other multilateral and bilateral donors (EU, Dutch Cooperation) involved in or planning budget support operations;

- (d) provide predictable support to the budget cycle to consolidate and smooth resource transfers, particularly important given its external vulnerabilities; and
- (e) improve access to and quality of key social services.

1/ Specify which one of the following four MDGs: (i) Achieve Universal Primary Education; (ii) Reduce Child Mortality; (iii) Improve Maternal Health; (iv) Combat Diseases.

2/ E.g., Gender Equality and Empower Women.

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DEVELOPMENT POLICY LENDING QUESTIONNAIRE

B. For each Development Objective identified under A as **High**, the Task Team is requested to describe the corresponding outcomes that will serve as the primary indicators that the objectives have been attained, and an interim benchmark to evaluate progress during implementation.

Development Objectives

i. Poverty Reduction

Outcome: - Reduction in percentage of households in extreme poverty (MDG higher-order outcome--specific outcomes in sections below.) - Public expenditure according to GPRSP priorities.

Interim Benchmark: Positive JSA of GPRSP progress.

ii. Structural and Sector Policy Reform

Outcome: - Judicial Reform: improved adherence to and knowledge of the law among local communities; increased access to justice system by the poor; the effective exercise of individual and collective rights. - Decentralization: municipalities function in clarified framework, matched by adequate resources for budget executing and reporting.

Interim Benchmark: - Judicial Reform: number of women assisted through the judicial aid fund; number of people surveyed know about the judicial reform. - Decentralization: state resources transferred to municipalities through FEF greater than seven percent; legal framework for competencies and transfer of functions; five municipalities working with IT-based expenditure procedures and systems.

iii. Private Sector Development

Outcome:

Interim Benchmark:

iv. Institutional Development/Capacity Building

Outcome: Outcome of the PRSC Series. - Public Administration: an efficient, effective, and accountable public sector; improved ability to manage public institutions, frameworks to manage and train civil servants better adapted to modern administration, and citizens using key public services have easier access to Government). - Public Expenditure Management: public expenditure management transparent, and oversight institutions empowered; budget planning efficiency and effectiveness of tax administration; reinforced checks and balances, and comprehensiveness in budget execution and reporting; improved internal and external controls; and streamlined procurement procedures. - Monitoring and Evaluation: policies elaborated based on appropriate indicators based on effective monitoring and evaluation, including timely access to relevant information, increased statistical capacity and improved data/information systems, and better coordination among development partners.

Interim Benchmark: - Public Administration: operational mechanism for public sector reform coordination and implementation fully functional; civil service and operational; training budget as percentage of wage bill increases to 0.8 percent of the budget; Citizen's House established in Praia. - Public Expenditure: five ministries working with full or partial MTEF; over 90 percent of autonomous institutes incorporated into budget; State General Accounts up-to-date in a timely fashion; number of registered taxpayers increases to 22,000 and tax arrears decrease to 25 percent; six ministries work with de-concentrated financial management; autonomous institutes participate in consolidated treasury management; over 20 procurement officers trained and all ministries publish their procurement opportunities in a timely fashion. Evaluation: BDEO and STATLINE operational; GPRSP and MDG indicators available in a timely fashion; number of donors supporting implementation of reforms increases.

v.

Human Development¹

Outcome: - Education: expanded coverage of early childhood education; improved quality and efficiency of education; expanded and diversified general education supply; expanded and diversified professional training service delivery. - Health: improved access to and quality of health services; improved prevention, and treatment of communicable and non-communicable diseases; improved financial access and sustainability of health services. - Social Protection: improved planning instruments in place; better management of non-contributory pensions; increased access of at-risk groups to education, professional training, health services; expansion of local community development instruments; improved protection of children's rights and institutional capacity to assist children at risk; improved management of food crises.

Interim Benchmark: - Education: percentage of 3-5 years old enrolled in pre-school increases to 62 percent; repetition rate in basic education less than 10 percent; students who complete basic education in six years increases to 48 percent; percentage of children completing eight years of schooling increases to 60 percent; percentage of education teachers without formal pedagogic training decreases to 17 percent; number of students receiving aid to attend secondary school increases to 700; number of annual health statistics; percentage of children under age 1 who are fully vaccinated increased to 90 percent; increased number of nurses and doctors trained; INPS reduces to 10,000,000 CVE (prevalence of HIV-AIDS in women during assisted deliveries remains below 1.1 percent). - Social Protection: revised management system; decentralized system; percentage of capacity utilization rises to 90 percent; all non-contributory pension recipients provided with revised ID cards and e-cards; number of poor students that benefit from school support increases to 700; support to number of at-risk children, elderly, and beneficiaries of NGO community development programs increases by 10, 5, and 10 percent respectively each year; all organizations working with children's rights are monitored by Cape Verdean Institute for Children's Rights; children benefiting increases; food security system decentralized and functional in rural areas and food security bulletins published regularly.

vi.

Environmental Sustainability

Outcome:

Interim Benchmark:

vii.

Infrastructure Development

Outcome:

Interim Benchmark:

viii.

Other (specify)²

Outcome:

Interim Benchmark:

ix.

Macroeconomic Management

Outcome: Continued prudent management of fiscal policy through support of priority sectors and cross-cutting reforms in GPRSP and control of continuing

Interim Benchmark: Social sectors budget shares rise slightly; extraordinary expenditure as percentage of GDP to under 1.5 percent.

1/ Specify which one of the following four MDGs: i) Achieve Universal Primary Education; ii) Reduce Child Mortality; iii) Improve Maternal Health; iv) Combat Diseases.

2/ E.g., Gender Equality and Empower Women.

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C. Likelihood of the project achieving the DOs listed as H above (Panelists should choose one of the following categories: 1 = Highly Likely, 2 = Likely, 3 = Moderately Likely, 4 = Moderately Unlikely, 5 = Unlikely, 6 = Highly Unlikely, or NA = Not Applicable).

i.	Poverty Reduction	<u>2</u>
ii.	Structural and Sector Policy Reform	<u>2</u>
iii.	Private Sector Development	<u>NA</u>
iv.	Institutional Development/Capacity Building	<u>1</u>
v.	Human Development	<u>1</u>
vi.	Environmental Sustainability	<u>NA</u>
vii.	Infrastructure Development	<u>NA</u>
viii.	Other (specify)	<u>NA</u>
ix.	Macroeconomic Management	<u>2</u>

Comments: Cape Verde has made considerable progress in institutional development and capacity building--involving the counterparts and expertise of the donors. More emphasis is needed on the growth aspects, with the private sector leading the effort toward developing especially the tourism and other services sectors.

D. Sustainability. Panel's judgment of the likelihood that the project's results will be sustainable over its intended useful life (Panelists should choose one of the following categories: 1 = Highly Likely, 2 = Likely, 3 = Moderately Likely, 4 = Moderately Unlikely, 5 = Unlikely, 6 = Highly Unlikely, or NA = Not Applicable).

Comments: Consensus-building is a highlight of this operation, ensuring the continuity and viability of the policy reforms.

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DEVELOPMENT POLICY LENDING QUESTIONNAIRE

1. STRATEGIC RELEVANCE AND APPROACH

- 1.1 *Coherence and consistency of development rationale underpinning the operation? [OP8.60, para 2]

Comments: The analysis of the enabling (policy and regulatory) environment was adequate.

- 1.2 *Clarity, focus, and realism of the objectives of the program [OP8.60 paragraph 8]?

Comments: The program is very well-designed, and in accordance with the Government and Bank priorities.

- 1.3 Extent to which lessons of experience are adequately reflected in the program's approach?

Comments: The operation benefited from extensive prior analysis (ESW) both for the country and the region.

- 1.4 *Adequacy of country and sector knowledge underpinning the operation [OP8.60, paragraph 9]?

Comments: This knowledge has been acquired through prior operations, preparatory fiduciary work, CAS, and Bank-country and Bank-donor dialogue.

- 1.5 *Level of country ownership [OP8.60 paragraph 3]?

Comments: The reform agenda is owned by the country at large. There was a formal request by the Government. More importantly, consultations with the civil society were built in the PRSP process.

- 1.6 Appropriate partnership arrangements with the IMF [OP8.60, paragraph 5] and with other donors [OP8.60 paragraph]?

Guidance: Consider whether the Bank-Fund division of labor is appropriate and the Bank team has consulted with the IMF in line with policy, and whether the implementation arrangements, key measures and objectives of the program supported by the Bank are adequately coordinated with other major donors.

Comments: Debt Sustainability Analysis was conducted by the IMF. Further, there has been continuous dialogue with the other external partners.

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DEVELOPMENT POLICY LENDING QUESTIONNAIRE

2. STRUCTURAL, FINANCIAL AND MACROECONOMIC ASPECTS

2.1 Appropriateness of the macroeconomic policy framework and extent of Bank assessment of the framework (citing existence of an on-track IMF program not in itself sufficient) [OP8.60 paragraph 5]?

- (a) Extent to which there is a consistent and realistic scenario of key macroeconomic variables to underpin the Bank's assessment of the adequacy of the macroeconomic policy framework?
- (b) Quality of analysis underpinning the Bank's assessment of the adequacy of the macroeconomic policy framework?
- (c) Demonstration of medium-term debt sustainability (and credit-worthiness, for IBRD borrowers) [OP8.60 paragraph 4]?

Comments: While the Bank relied on the IMF's assessment of the macroeconomic policy framework, the project document could have benefited from elaboration on the issues of: (a) financing fiscal deficits from domestic borrowing; (b) revenue losses emanating from tariff reductions; and (c) sustainability of growth rate projections.

2.2 *Degree to which the country's overall program supported by the operation is fully funded, including finance from the operation being considered?

Comments: While the program is fully funded, the role of other donors in meeting the country's financing requirements has not been fully explained.

2.3 Appropriateness of arrangements for "Crisis Lending?"

Guidance: This question applies only to operations specifically designated as addressing a crisis or post-conflict situation on an exceptional basis, as in OP8.60 paragraphs 32 and 33).

- (a) Extent to which the operation's content and design exhibit a degree of flexibility, innovativeness, realism and speed commensurate with the special "crisis" circumstances and the country's development needs?
- (b) *Adequacy of description in the program document of when and how remaining design considerations would be addressed [OP8.60 paragraph 33]?
- (c) Extent to which there is a clear diagnosis of the crisis, particularly of the structural aspects (pre-crisis, or forward-looking in a non-borrowing country)?

- (d) Overall quality of the corporate review process (typically OC)?
- (e) Where applicable, adequacy of prior actions agreed with government for subsequent lending to deal with the crisis and reduce likelihood of future crisis?
- (f) Adequacy of provisions in the operation (or other related programs) to ameliorate impact of the crisis on the poor, including financial support for the social sectors and poverty alleviation/social safety net programs for ensuring access/coverage of critical services for poor and vulnerable?
- (g) Appropriateness of the exit strategy for the Bank, including clear assessment of risks and benefits of continued engagement?

Comments:

- 2.4 Appropriateness of arrangements for programmatic operations?
- (a) Extent to which the expected results of the overall multi-year program are clearly spelled out and the operation is set within this multi-year framework?
 - (b) Extent to which the expected prior actions (“triggers”) for the subsequent operation been spelled out, and are they focused on key milestones relevant for achieving medium-term results?
 - (c) For follow-on operations, extent to which the operation compare actual progress against original triggers?
 - (d) In cases of divergence from original triggers, extent to which the program includes a clear statement of the assessment and response (overall progress satisfactory or not/reduce amount/delay operation/modify program)?

Comments: All the essential components of PRSC 1 are on track. Several of the triggers for PRSC 2 (under preparation and due December 2005) have been met; and the follow-up operation is being aligned with the fiscal year of the government.

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3. POVERTY, GENDER AND SOCIAL DEVELOPMENT

3.1 *Quality and adequacy of measures to safeguard against significant poverty and social consequences?

- (a) Appropriate implementation of provisions to assess whether policies supported by the operation have a significant poverty and social impact [paragraph 10]?
- (b) In cases of significant impact, adequacy of the borrower's systems for reducing adverse poverty and social effects and enhancing positive effects associated with the specific policies being supported by the operation?
- (c) In case of significant gaps in analysis or in the borrower's systems, adequacy of proposed measures to address these gaps.

Comments: High quality analysis underlines this work. The GPRSP deals with many facets of growth, inequality and poverty, disaggregates urban-rural and factors many aspects including gender (FHH high), size of household, education, remoteness. Further work remains to be done on improving understanding of livelihood strategies, microeconomic analysis, and community mechanisms of solidarity in social protection.

Many of the measures proposed are aimed at laying the foundations for poverty reduction, and the direct impact on poverty will not be immediately evident. But there are others steps, including attention to service delivery and to resourcing and empowering municipalities with a poverty-based formula, food security measures, community development, involvement of civil society organization, and a comprehensive M&E and poverty mapping exercise, that are strong, and the access to justice for the poor is an innovative and potentially-powerful instrument.

3.2 *Quality of stakeholder analysis and consultation?

- (a) Adequacy of arrangements for consultations and participation relevant to the operation, and the outcomes of the participatory process adopted in formulating the country's development strategy [OP8.60 paragraph 6]?
- (b) Adequacy of arrangements to make the relevant analytic work available to the public as part of the consultation process, in line with the Bank's disclosure policy [OP8.60 paragraph 6]?

Comments: The quality of stakeholder consultation was particularly high, and the process has resulted in strong ownership and a wide and deep ground that is likely to transcend possible change in government and penetrates to municipal and community levels. This, combined with a potentially powerful

M&E system that can disaggregate geographically and by gender, is a potentially powerful mechanism for poverty reduction provided it can be coupled with appropriate pro-poor growth policies and measures.

The high rating given to these achievements combines with the satisfactory rating of the measures themselves for an overall highly satisfactory evaluation of poverty, gender and social development.

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4. ENVIRONMENTAL ASPECTS

4.1 For SECAL or sectoral PRSC operations, appropriateness and quality of environmental impact and risk assessment?

Comments: The project conforms to an adjustment operation; therefore the requirements of OP 8.60 apply. However, environmental aspects will be reviewed should any future PRSC be designated as a sectoral adjustment operation.

4.2 *For SECAL operations classified as A or B, adequacy of arrangements for mitigating adverse environmental impacts?

Comments:

4.3 *Adequacy of upstream analytic work and arrangements to ensure that policies supported by the operation will not lead to negative impacts on the country's environment, forests, and other natural resources [OP8.60 paragraph 11]?

Comments:

4.4 *Extent to which the borrower's systems are adequate to reduce such adverse effects and enhance positive effects [OP8.60 paragraph 11]?

Comments:

4.5 Extent to which the operation adheres to environmental Good Practice (only applicable to DPL)?

Comments:

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5. FIDUCIARY ASPECTS

Financial Management

- 5.1 *Extent to which the operation draws on relevant analysis of the country's public financial management system [OP8.60 paragraph 17]?

Comments: The prior actions proposed under the PRSC are firmly based on the diagnostics of completed CFAA, PER, and CPAR exercises, which provide a comprehensive overview of the critical weaknesses in the public financial management system.

Procurement

- 5.2 *Extent to which the operation draws on relevant analysis in the Country Procurement Assessment Report and/or other relevant documents?

Guidance: Consider the extent to which the strengths and weaknesses identified in the Country Procurement Assessment Report and/or other relevant analysis are appropriately reflected in the design and documentation of the operation (e.g. through specific conditionality and/or parallel capacity building/technical assistance).

Comments:

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6. POLICY AND INSTITUTIONAL ASPECTS

6.1 Extent to which the implementing agencies have:

- (a) Appropriately defined role and clear mandate for program execution?
- (b) Capacity to implement the operation (funding, staff and organization structure)?
- (c) Commitment to implement the program and promote the stated objectives?
- (d) Political backing/support to carry out the reforms and institutional changes included in the program?
- (e) Capacity to implement the project's poverty and social development agenda?
- (f) Capacity to implement the environmental agenda?

Comments: The counterparts are: the Ministry of Finance, General Directorate of Planning, and the concerned sectoral ministries. Overseeing this operation is the General Directorate of Planning. In addition, there is a Steering Committee for the PRSP, which is also responsible for overseeing the PRSC and other budget support operations supporting PRSP implementation..

6.2 Appropriateness and realism of the institutional capacity building measures (either under the operation itself, a related TA, a donor funded operation, or other programs)?

Comments: Institutional capacity building measures have been incorporated in both the PRSP and the overall PRSC program.

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7. IMPLEMENTATION ARRANGEMENTS

7.1 Extent to which the operation was ready to proceed at the time of Board approval?

Comments: The operation is closely-timed and aligned with CAS and GPRSP.

7.2 *Adequacy of arrangements for monitoring and evaluation?

(a) *Appropriateness of arrangements by which the borrower will carry out its responsibilities for monitoring progress during implementation and evaluating results on completion? [OP8.60 paragraph 16]?

(b) *Appropriateness of arrangements by which Bank staff will review and verify during supervision fulfillment of program conditions and compliance with legal covenants, and validate monitoring and evaluation findings [OP8.60 paragraph 16]?

Comments: The supervision responsibilities both within the Bank and the counterparts are clearly defined.

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8. RISK ASSESSMENT AND MANAGEMENT

8.1 *Quality of assessment of financial and non-financial risks (with particular reference to candor and rigor [OP8.60 paragraph 15])?

- (a) Country capacity (*macroeconomic and political environment, governance problems and borrower commitment*)?
- (b) Institutional effectiveness to implement the operation?
- (c) Social risks (*Risk of adverse social impact like exclusion of key groups; lack of socio-political support; presence of indigenous people or resettlement issues*)?
- (d) Environmental risks (*Including natural resource management*)?
- (e) Financial management capacity (*financial management risks in the country that may impact the operation*)?
- (f) Resilience to exogenous factors (*reaction of local and external civil society advocates, support from relevant stakeholders*)?

Comments: The program document clearly states the major inherent risks: (a) the possibility of macroeconomic shocks undermining stability and growth and (b) the electoral cycle bringing about fiscal slippages and delaying implementation of the more politically-sensitive policy reforms.

8.2 Quality of design to mitigate/manage risks?

Comments: The value added of the program lies in both the nature of the programmatic approach and the results expected (dealing with cross-sectoral issues and creating the foundations of long-term structural reforms).

8.3 Are the rewards commensurate with the non-mitigable/residual risks?

Comments: See 8.2 above.

**SEVENTH QUALITY AT ENTRY ASSESSMENT (QEA7)
FISCAL YEAR 2004-2005**

DEVELOPMENT POLICY LENDING QUESTIONNAIRE

9.	BANK INPUTS AND PROCESSES		<u>1</u>
9.1	Elapsed time (<i>months</i>):		
(a)	Concept-Appraisal	13	
(b)	Appraisal-Board	2	Was the service standard of 5 months?
(c)	Board-Effectiveness	2	Was the service standard of 4 months?
9.2	Preparation/Processing Expenditures (\$000):		
(a)	BB	452	
(b)	TF	0	
(c)	Other		
(d)	Total	452	
9.3	Task team's composition in relation to the operation's complexity?	1	
(a)	Skill-mix?	1	
(b)	Continuity?	1	
(c)	Experience?	1	
(d)	Staff/consultants mix?	NA	

Comments: The operation is characterized by excellent teamwork; organization, commitment, motivation, and continuity--all representing Best Practice.

**SEVENTH QUALITY AT ENTRY ASSESSMENT (QEA7)
FISCAL YEAR 2004-2005**

DEVELOPMENT POLICY LENDING QUESTIONNAIRE

9.4 Appropriateness of processing time considering the operation's complexity and urgency?

If the time was too much, assess whether because of

Comments: Any delays in processing can be justified by the project's broad range and the complexity of objectives.

9.5 Overall efficiency of resources used in relation to operation's complexity?

Comments: The credit has been prepared and designed with cost-effectiveness in mind. While the amount of \$452,000 in preparation/processing expenditure appear to be above the Bank's and region's average for an adjustment operation, the panel is cognizant of the broad scope of the reform program carried out in a country fragmented with many islands. Indeed, in preparing the program, the Bank team worked on and visited most of the country's 10 islands--which accounts for the higher-than-average program processing costs. The Bank team points out that beside the cost linked to travel between islands, the processing costs (generally quite high in the region for PRSCs) are linked to the following reasons: process of the first PRSC, which took extra time since this was a new operation in the country, the size of the team (many sectors are involved), and the fact that there is not much division of costs for travel into the country since there are no ongoing projects with which to share costs (unlike in many other PRSC countries), and the fact that there is no resident mission (thus extra costs for logistics and arranging meetings).

9.6 Value Added from management (*Explain how and why was the value added high or low*)?

- (a) Country Management
- (b) Sector Management
- (c) Regional and senior management

Comments: The panel found more than sufficient evidence of concerted managerial support and quality control of the operation. The regional, senior, and sector management provided its full support and attention.

9.7 If QER, adequacy of arrangements for quality enhancement?

- (a) Appropriateness of reviewers' selection?
- (b) Quality of guidance given?
- (c) Appropriate use of advice provided?

Comments:

9.8 Adequacy of arrangements for peer review?

- (a) Appropriateness of reviewers' selection?
- (b) Quality of guidance given?
- (c) Appropriate use of advice provided?

Comments: Throughout the operation, there has been both excellent cross-sectoral guidance and advice from a highly-knowledgeable and fully-committed peer reviewers.

9.9 Quality of support provided?

- (a) Network Anchor
- (b) Legal
- (c) LOA (Disbursement)?

Comments: Excellent collaboration amongst the key units.

9.10 Quality of the Bank's documents (MOP, legal documents)?

Comments: Exemplary. For example, Annex 5 of the program document is a very systematic illustration of the results chain associated with the efforts to effective public sector management and promote good governance.

