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Report Number : ICRR13523

IEG ICR Review
Independent Evaluation Group

1. Project Data:		**Date Posted :** 03/08/2011		
PROJ ID :	P091787		**Appraisal**	**Actual**
Project Name :	NCO - Public Sector Reform Capacity Building Loan	**Project Costs (US$M):**	18.0	0.0
Country:	Jordan	**Loan/Credit (US$M):**	15.0	0.0
Sector Board :	PS	**Cofinancing (US$M):**		
Sector(s):	Central government administration (100%)			
Theme(s):	Administrative and civil service reform (50% - P) Economic statistics modeling and forecasting (25% - S) Public expenditure financial management and procurement (25% - S)			
L/C Number:	L7279			
		Board Approval Date :		03/22/2005
Partners involved :		**Closing Date :**	03/31/2009	03/26/2008

Evaluator :	**Panel Reviewer :**	**Group Manager :**	**Group:**
Aristomene Varoudakis	Ismail Arslan	Ismail Arslan	IEGCC

2. Project Objectives and Components:

a. Objectives:

The objectives of the project were : (a) to assist in the implementation of the Government's public sector reform program, by hiring staff, procuring equipment, and providing technical assistance in key agencies responsible for administrative reform; and, (b) to support the implementation of reforms in areas ranging from policy coordination to improved financial and human resource practices . The description of project objectives in the Project Appraisal Document and the Loan Agreement was consistent .

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

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):

The project had four components :

1) Improving Policy Coordination and Decision Making . ($1.39 million at appraisal; $0.0 million actual) The component would strengthen the capacity of the Cabinet Secretariat to more effectively manage the Cabinet process by establishing new operating units and ministerial subcommittees to vet decisions before presentation

to the cabinet. By-laws would also be re-drafted to reduce the amount of routine business submitted to the Cabinet for decision.

2) Strengthening Performance Monitoring and Evaluation . ($6.54 million at appraisal; $0.0 million actual) The component would support the roll-out of a Service Delivery Improvement System (SDIS) across line ministries and departments; capacity building within Government institutions to implement the SDIS; re-engineering of certain services in line ministries; establishment of the Government Performance Directorate to monitor the achievement of performance targets across ministries and Government agencies; creation of pilot Performance Improvement Units in selected ministries and institutions; and provision of financing for innovative sub-projects through grants from a Challenge Fund.

3) Streamlining of Government Institutions . ($3.65 million at appraisal; $0.0 million actual) Under this component the project would support the realignment of functions in a number of ministries and agencies by financing staff costs and providing technical assistance in a limited number of agencies for streamlining exercises.

4) Improvement of Human and Financial Resource Management . ($6.58 million at appraisal; $0.0 million actual) The project would support the drafting of new civil service bylaws; the development of a strategy for civil service pay reform and employment rationalization, with the aim of reducing wage compression and improving recruitment of skilled staff; and the reorganization of Government HRM functions . In financial management the operation would support capacity building in the Ministry of Finance (MOF) for macro-fiscal analysis; a functional review of the MOF; strengthening of selected Treasury functions; developing a Medium-Term Expenditure Framework; improving budget classification; supporting performance orientation of the budget in two line ministries.

There were inconsistencies in the description of component activities in the Project Appraisal Document, the Procurement Plan Annex of the PAD, and the Loan Agreement. The project closing date indicated in the Loan Agreement (September 30, 2008) was different from the date indicated in the PAD (March 31, 2009). The estimated cost by component follows the Project Costs Annex of the PAD (Annex 5).

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

According to the financing plan of the project, the estimated total cost was $ 18 million, of which $ 15 million were to be financed from the Bank loan and the remaining $ 3 million would be provided by the Government as co-financing. The component costs indicated in the Project Costs Annex of the PAD (Annex 5) add up to $ 21,70 million, including project management and contingencies, thus exceeding the total project cost according to the financing plan. Yet another cost breakdown by component is indicated in the Procurement Plan (Annex 8 of PAD), with total project costs estimated at $ 20.66 million. Loan proceeds would be allocated primarily to the financing of consultant services ($ 10,95 million). Allocations for goods and training were respectively $ 0,6 and $0,9 million. An estimated $0,87 million would be allocated for grants paid from the Challenge Fund.

On October 27, 2005, three months after project effectiveness, the Government requested a reduction of the loan amount from $15 million to $6.5 million. Project restructuring was initiated but the request was never submitted to the Board for approval. The project remained on hold, with no disbursements in any of its components. Eventually, on March 25, 2008, the Government submitted to the Bank a loan cancellation request and the loan was closed. Commitment fees were charged but were eventually voided.

3. Relevance of Objectives & Design:

Relevance of Objective : The objectives of the project were relevant as they were well aligned with the various dimensions of the Government's Public Sector Reform agenda outlined in a White Paper approved by the Government in October 2004. The project was consistent with the objective of improving public sector efficiency and governance outlined in the Bank's Country Assistance Strategy (CAS) for 2002-2006. It was also meant to assist in advancing the reforms supported by an earlier series of Public Sector Reform loans . The Bank's 2006-2010 CAS, approved by the Board in May 2006, continued to rely on the project to achieve the objective of Public Expenditure Restructuring and Public Sector Reform. However, the project's relevance to the achievement of this objective had waned, in view of the Government's partial cancellation request soon after effectiveness and the project's inactivity.

Relevance of Design : The project's design was over-ambitious, covering several dimensions of public sector reform, including sensitive areas of institution streamlining, employment rationalization, and civil service pay reform. The project was a high-risk operation, because of the sensitivity of these reforms and the volatile political environment, with high rotation of Cabinet Members and uncertain commitment to the various sub -components of public sector reform. The project's result's framework placed exclusive emphasis on outputs, with absence of measurable outcome indicators, especially regarding the quality of service delivery and citizens' perceptions of its improvements. Implementation risks due to the high turnover of Cabinet Members and the possible waning reform momentum were reckoned in the PAD but not mitigated. The alternative of an adaptable program loan, which could have supported a phased implementation of public sector reforms, was not considered .

4. Achievement of Objectives (Efficacy):

None of the project objectives were achieved as the project was not implemented .

5. Efficiency (not applicable to DPLs):

Not evaluable as the project was not implemented.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

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

6. Outcome:

Not applicable

a. Outcome Rating : Not Rated

7. Rationale for Risk to Development Outcome Rating:

Not applicable

a. Risk to Development Outcome Rating : Non-evaluable

8. Assessment of Bank Performance:

Quality at entry is rated *unsatisfactory*. The design of the project was over ambitious, without adequate attention to the phasing of sensitive reforms and the effectiveness of commitment in a volatile political environment. Implementation risks were thus underestimated and no mitigation measures were considered . Activities supported by the project components were vaguely defined and inconsistencies remained in various parts of the PAD and the Loan agreement. Conflicting cost estimates were provided in the financing plan, the procurement plan, and the cost breakdown by project components . The monitoring and evaluation framework placed excessive emphasis on project outputs, with no effort to define measurable outcome indicators especially regarding the intended improvement in Government service delivery . As mentioned above, while implementation risks were recognized at appraisal, no mitigation measures were envisaged .

Quality of supervision is rated *unsatisfactory.* Up until 2007, the ISRs rated the project moderately satisfactory, despite its stalled status and the request for partial cancellation by the Government . As a result of lack of candor in reporting project performance, the 2006-11 CAS asserted that the portfolio included no projects at risk, while the results framework of the CAS continued to foresee ambitious public sector reform outcomes based on the implementation of the project. The extent of management effort to activate the project is unclear but has been ineffective .

a. Ensuring Quality -at-Entry: Unsatisfactory

b. Quality of Supervision : Unsatisfactory

c. Overall Bank Performance : Unsatisfactory

9. Assessment of Borrower Performance:

Government Performance is rated *unsatisfactory* as the commitment to Public Sector reform remained weak and progress on the reform agenda outlined in the White Paper and supported by the project has been uneven. Progress to date in civil service pay, meritocracy, HR management, streamlining government functions, and improving policy coordination has been limited . The high Cabinet turnover did not provide an enabling environment for maintaining reform momentum .

a. Government Performance : Unsatisfactory

b. Implementing Agency Performance : Unsatisfactory

c. Overall Borrower Performance : Unsatisfactory

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

The quality of M&E design was modest as no monitorable outcome indicators were included in the M&E framework, which relied exclusively on project outputs . As the project was not implemented, the implementation and utilization of the M&E framework is not evaluable .

a. M&E Quality Rating : Non-evaluable

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

The project complied with fiduciary and safeguard standards .

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Not Rated	Not Rated	
Risk to Development Outcome:	Non-evaluable	Non-evaluable	
Bank Performance :	Unsatisfactory	Unsatisfactory	
Borrower Performance :	Unsatisfactory	Unsatisfactory	
Quality of ICR :		Satisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

13. Lessons:

The NCO highlights lessons on the importance of high Cabinet Member rotation as a factor that affects commitment to sensitive areas of public sector reform, as well as the need to adopt a more focused and pragmatic approach in the design of such operations in environments where the commitment to reform is uncertain. An additional lesson for the Bank would be to consider risk mitigation through the phased financing of reforms in sensitive areas and the use of adaptable program loans as appropriate . The high proportion of loan proceeds used to finance consultant services may also have been a factor that deterred project implementation in a context where commitment to reform was not solid and donor support had materialized in the past essentially through grants. Governments are often reluctant to finance technical assistance activities and consultant services through non-concessional borrowing. When technical assistance is financed through a loan, implementation risks could possibly be mitigated through co-financing arrangements with other donors that create a significant grant element in the loan.

14. Assessment Recommended?

○ Yes ● No

15. Comments on Quality of ICR:

The NCO is concise and provides a candid assessment of the shortcomings in the design and supervision of the project as well as the shortcomings associated with the borrower's performance . It draws useful lessons from the operation. The NCO indicates an estimated cost to the Bank budget of about $ 345,000 for the preparation and supervision of this project, but does not comment on the efficiency of the use of these resources, especially during the supervision phase that absorbed half of the project cost .

a.Quality of ICR Rating : Satisfactory