Report Number : ICRR0021677

1. Project Data

Operation ID	Operation Name
P155605	Albania Competitiveness DPL
Country	**Practice Area(Lead)**
Albania	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-86890	31-Jan-2018	77,723,593.33
Bank Approval Date	**Closing Date (Actual)**	
31-Jan-2017	31-Jan-2018	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	70,000,000.00	0.00
Revised Commitment	70,000,000.00	0.00
Actual	77,723,593.33	0.00

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

a. Objectives

The objective of the Development Policy Lending (DPL) operation, as stated in the Program Document (PD, page v), was:

"To enhance Albania's competitiveness by improving the investment regime, making it easier to do business and facilitating trade".

This ICR Review will assess the achievement of the project's over-arching goal of enhancing Albania's competitiveness in terms of the following three specific project development objectives (PDOs), which correspond directly with the DPL's three policy pillars (presented immediately below):
PDO1: to improve the investment regime.
PDO 2: to make it easier to do business.
PDO 3: to facilitate trade.

b. Pillars/Policy Areas

This project was initially designed as a programmatic two operation series. However, this decision was later reversed to a stand-alone single tranche operation, endorsed by the Regional Operations Committee decision on October 21, 2016. According to the clarifications provided by the team, the decision to cancel the second operation was due to a combination of factors, including uncertainties linked with the upcoming elections in 2017 and lending envelope space.

The DPL pursued reforms under three policy pillars, which are the DPL's specific objectives as indicated above. (PD, page 2). There were nine prior actions, as shown below under their respective policy pillars.

Pillar one. Attracting and retaining investment. This pillar supported reforms aimed at developing a comprehensive investment regime and creating an Investor Grievance Mechanism for settling investor-state disputes. There were two prior actions. First, the Council of Ministers adopts an investment policy statement, outlining the government's action plan for developing an investment law, that was compatible with international best practices. And second, the Ministry of Economic Development, Tourism and Trade establishes the secretariat for addressing investor grievances.

Pillar two. Making it easier to do business. This pillar pursued reforms aimed at making it easier to set-up and operate business through reforms in the areas of getting permissions for construction, electricity connections, and business licensing, and establishing a national quality infrastructure (market surveillance system for non-food consumer products). There were four prior actions. First, the Ministry of Urban Development adopts a decision on Territorial Planning and Development, outlining guidelines for new construction permits and introduces the new online platform for issuing construction permits. Second, the Energy Regulatory Entity adopts electricity regulation on new connections to the distribution network. Third, the Parliament enacts the law for merging the National Registration Center and the National Licensing Center. And fourth, the Council of Ministers adopts a decision establishing a Market Surveillance Inspectorate and issuance of an order by the Prime Minister approving the organizational structure of the Market Surveillance Inspectorate.

Pillar three. Facilitating trade. This pillar aimed at making it easier to trade across borders through introducing risk management for food products, mainstreaming border clearance process and reforms at the main trade gateway (the Durres port). There were three prior actions. First, the Director General of the

National Food Agency adopts the decision introducing the risk management policy for food products. Second, the Customs Director General adopts the instruction on local clearance for border clearance. And three, the Ministry of Transport and Infrastructure and the Ministry of Finance adopted a joint instruction on port regulation, aimed at reducing the number of free freight storage at Durres port.

c. Comments on Program Cost, Financing, and Dates

Operation cost. The cost at appraisal was US$70.00 million equivalent. The actual cost was US$77.72 million equivalent. The difference between the appraisal cost and actual cost was due to the appreciation of Euro relative to the US$.

Financing. The operation was financed by a Euro-denominated IBRD loan amounting to Euros 65.80 million (US$70.00 million equivalent). The amount disbursed was US$77.72 million equivalent. The team clarified that the difference between the appraisal estimate and actual disbursements in US$ was due to the appreciation of the Euro relative to the US$ during implementation.

Dates. The operation was approved on January 31, 2017 and closed as scheduled on January 31, 2018.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The program objectives were relevant to country conditions at appraisal and at completion. Albania is a small, open economy and growth in the years before appraisal was mainly demand-driven (primarily construction activities) and fueled by remittances from workers employed abroad. Since the end of 2013, the government had undertaken several reforms, which enabled the country to attain candidate status for European Union (EU) in June 2014 (ICR, paragraph 2). Albania's export structure is concentrated, both in terms of commodity composition (minerals account for 50% of exports) and in terms of destination (five countries accounted for 70% of exports and Italy alone accounted for 50%). Although Foreign Direct Investment (FDI) was growing in absolute terms before appraisal, the growth rate of FDI was modest and Albania lagged behind some top regional performers benefitting from EU integration (such as Bulgaria and Hungary). The operation's objectives were important in the country context, as discussed below.

The program objectives were highly relevant to the government strategy. The objectives were consistent with the government's National Economic Reform Program (NERP) of 2016-2018. This program was aligned with Albania's EU accession plans and identified priority structural reforms for generating sustained medium-term growth. This program was subsequently reaffirmed in the NERP of 2018-2020. The objectives were consistent with the government priorities articulated in the Doing Business Action Plan for 2014-2016, the Business

Investment Development Strategy for 2014-2020 and the National Strategy for Development and Integration for 2015-2020 (ICR, paragraph 16).

The objectives were highly relevant to the priorities outlined in the Bank's Country Partnership Framework (CPF) for 2015-2019. The objectives directly contributed to the second focus area of the CPF: creating conditions for accelerated private sector growth. The ICR (paragraph 31) notes that preparation of a new CPF has not yet started, but accelerating growth and expanding employment, underpinned by improved competitiveness, is expected to be one of the main themes.

Rating
High

b. Relevance of Design

Albania's macroeconomic framework, at the time preparation of this DPL operation was generally satisfactory (Program Document, paragraph 10). Real Gross Domestic Project (GDP) grew by 3.1% in the first half of 2016, as compared to 1.8% and 2.8% in 2014 and 2015 respectively. The growth rate was demand-driven, with private investment and consumption, contributing 1.7 and 1.2 percentage points respectively to GDP growth. The rebound in growth, was despite weak growth in the euro area and Albania's high exposure to neighboring countries (Greece and Italy). The annual average inflation at 1.9% in July 2016 was lower than the target band, due to lower oil and food prices (Program Document, paragraph 14). The current account deficit, mainly financed through Foreign Direct Investment (FDI), was projected to increase to 13% of GDP in 2016 (from 11.7% in 2015). Though FDI was above 7% of GDP in 2015. it decreased by 23% in the first half of 2016. The eighth review of Albania's Extended Fund Facility (EFF) arrangement, conducted by the International Monetary Fund on August 2016 (for a three year EFF arrangement for supporting the government's reform program approved on February 28, 2014), concluded that all the performance criteria had been met with comfortable margin and that good progress had been made on the structural reform agenda (Program Document, paragraphs 39 and 40).

There is a logical causal relationship between the prior actions (discussed in section 2b) and intended achievement of objectives. Adopting an investment policy statement that was compatible with international best practices and establishing a mechanism for setting investors grievances are relevant for attracting investments. Adopting new guidelines, for issuing construction permits and introducing a new online platform for issuing permits, electricity connections, business licensing processes and establishing a Market Surveillance Inspectorate, contribute to achieving the objective of making it easier to do business. Adopting guidelines for streamlining border clearance processes, introducing risk management for food products and reforms at the Durres Port help to facilitate trade across borders. The pillars were complementary and mutually reinforcing on addressing some of the key constraints to competitiveness of the economy.

There were however shortcomings in design. Some prior actions were weak and inadequate to achieve the intended objectives and there were no appropriate prior actions for some intended objectives. For instance, it is not clear whether the prior actions pertaining to attracting investments were the most critical ones for supporting the path to institutional reform, given that the prior actions were mainly administrative statements with weak or uncertain institutional depth. There was no prior action for the objective of retaining investment. Furthermore, there were issues of attribution of outcomes, given that the outcomes pertaining to the objectives of reducing the cost of doing business, relied almost exclusively on the Distance to Frontier methodology of the Bank's Doing Business indicators (discussed in section 4).

The stand-alone operation was unrealistic in terms of the time frame. The operation was initially prepared as a programmatic two operation series. Many of the prior actions in the first phase, were to focus on the less ambitious upstream policy reform phase (such as, enactment of laws, adoption of decrees and byelaws) and the follow-up operation was to support implementation of institutional reforms. The original design was reversed and limited to a stand-alone operation by the Regional Operations Committee, due to a combination of external reasons (the upcoming elections in 2017 and uncertainty as to whether the new government would continue to support the reforms) and internal reasons (issues with the lending envelope). The design change necessitated adjustments to the policy matrix and some interventions proved to have less impact than originally anticipated. Further, some planned results could not be met as their achievement required follow up institutional reforms, which were to be supported through the abandoned second operation in the series (discussed in section 4).

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To attract and retain investment.

Rationale

This policy pillar supported reforms aimed at providing a transparent investment regime that provided equal treatment to domestic and foreign investors and establishing a mechanism for settling investor-state disputes and thereby increasing transparency in handling investor grievances.

Attracting investment. The prior action supported legislation pertaining to a single Unified Investment Law, in line with international best practices. The ICR (paragraph 37) reports that when the DPL was prepared, there were two investment laws: (i) the Law on Foreign Investment amended in 2010. This law lacked clarity in areas, pertaining to compensation for expropriation and nationalization, transfers and dispute settlement: and (ii) the Law on Strategic Investment that was adopted in May 2015 as a transitory law, with a termination date of December 31, 2018. An Investment Policy Statement was adopted by the Council of Ministers, which included key principles of a single Unified Investment Law and the road map for adopting it by the end of 2018. The ICR notes that due to political changes and related delays, the law was not adopted as of March 2019. According to the clarifications provided by the team, the draft of the new law to date has been sent for public consultations and the law is expected to be in force by the end of 2019.

There was one outcome target, i.e., to increase in the number of investment leads generated annually by the Albanian Investment Development Agency (AIDA) (ICR, paragraph 39). The number of 'investment leads' increased to 28 in 2018 (as compared to 16 at the baseline in 2015), exceeding the target of 18. Neither the Program Document nor the ICR define or give specific paramaters to "investment leads".

Retaining investment. This pillar supported creation of an Investment Grievance Mechanism (IGM) for settling investor-state disputes. There was no prior action specified for this objective. The ICR (paragraph 38) notes that the Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE), adopted a decision to establish IGM in the Albanian Investment Development Agency. However, due to subsequent management changes at AIDA and changes in ministries, the IGM is not operational to date. The ICR notes that an informal mechanism similar to IGM was set up however under the Minister of State for Entrepreneurs, and that this mechanism was helping investors with three types of issues (tax, infrastructure and customs), when this operation closed. The intended outcome increases in the amount of investment retained due to the IGM was not realized, as the formal IGM was not operational.

In summary, of the two targets, only one was partly realized. Efficacy of this objective is rated as modest.

Rating
Modest

Objective 2

Objective

To make it easier to do business.

Rationale

This pillar addressed issues pertaining to reducing the cost of setting and doing business. Specifically, the pillar aimed at reducing the time for fulfilling the administrative requirements associated with getting construction permits, electricity connections and business licensing, using the Distance to Frontier (DTF) methodology of the Bank's Doing Business (DB) indicators. (The DTF illustrates the distance to the "frontier", which represents the best performance on each DB topic across all economies since 2005. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier. An improvement in score through time would indicate the economy is improving). This pillar also addressed issues pertaining to expediting the process of administrative inspections for non-food consumer product groups.

Permissions for construction activities. As a prior action, the Ministry of Urban Development issued a decision (number 734), relating to implementing the Law on Territorial Planning for issuing construction permits (prior action). The key provisions of this decision included (ICR, footnote 2, page 12), clarification of the responsibilities of municipalities and the National Territorial Planning for issuing construction permits, introducing a one-stop for construction permits, setting time limits for municipal and other agency reviews of building permit applications, mandatory submission of electronic applications and introducing requirements for the agencies involved in processing construction permits. Guidelines for end-users were made available on a dedicated website of the Ministry of Urban Development by December 31,2016. The ICR (paragraph 41) reports that other reforms were implemented to support the processing of construction permits. For example, municipalities needed up to date plans for implementing the new process of issuing permits. Out of 60 municipalities, 34 had up dated plans, 10 had finalized drafting the new plans and 16 were drafting plans, when the operation closed. The ICR notes that the number of constructions steadily increased over the years, from 170 in 2015, to 455 in 2016, 819 in 2017 and 1194 in 208.

The expected outcome from this prior action was improvement in Albania's score on the Distance to Frontier (DTF) of the Bank's Doing Business (DB) report. Albania's score on DTF on dealing with construction permits improved marginally from 56.76 in 2015 to 57.01 in 2018. This was significantly short of the target of 66. (According to the clarifications provided by the team, there were changes in the DB methodology through time and this made it difficult to ascertain the extent to which this DPL contributed to the marginal improvement in outcome through time).

Permissions for electricity connections. A new regulation on new electricity connections to the Distribution System, was enacted on October 10, 2016, by the Board of the Energy Regulatory Authority, as a prior action. This regulation streamlined procedures, introduced time limits for processing new applications, required licensed operators to execute the works and entrusted the responsibility of supervision and testing of final works to the electricity distribution company to improve the quality control of connections. According to the DB report, the time needed for getting an electricity connection decreased from 177 days in 2016 to 134 days in 2018. The system average interruption index decreased from 112 days in DB 2016 report to 77 in DB 2018. It is not clear the extent to which the decrease in time could be solely attributed to the new regulation. The expected outcome from this policy action was Albania's DTF score on Getting Electricity. Albania's DTF score improved from 43.7 at the baseline in 2015 to 57.7. This was a much better score than the target of 48.

Business licensing. The legislation for merging the National Registration Center and the National Licensing Center into a single National Business Center was enacted as a prior action on December 14, 2015. This center was functional on April 2016. This reform on authorizations, licenses and permits was part of the Government's broader deregulation reform, aimed at reducing red tape and increasing the efficiency of the institutions offering services to citizens and entrepreneurs. The expected outcome from this policy action was Albania's score on the overall Business DTF. Albania's score on the overall business DTF improved from 60.57 at the baseline in 2015 to 69.51, slightly short of the target of 70.

Inspection of Non-food Consumer Product Groups. The Market Surveillance Inspectorate (MSI) was established to oversee the implementation of rules that created fair market competition, as a prior action on 2016. The inspectorate had the mandate to perform processes such as inspections, laboratory testing and imposing sanctions on non-compliant businesses (Program Document, paragraph 68). The expected outcome from this policy action was the number of inspections initiated by MSI. Five inspections were initiated by MSI of the following non-food consumer product groups (toys, elevators, textiles, detergents and some appliances) in 2018. This exceeded the target of two.

In summary, the expected outcome of inspection of non-food consumer product groups, was exceeded. The targets pertaining to permission for construction activities was not met. The expected outcomes of three policy actions relied on the Albania's scores on DTF through time. It is difficult to ascertain the extent to which the policy reforms contributed to realizing the outcomes, given that as the ICR (footnote 1, page 8) notes, an improvement in DTF scores could conceptually be due to multiple reasons such as, an improvement in the policy area, a decline in the best country's performance (that is, frontier). While attribution is difficult, given that the targets for three indicators were for the most part realized, efficacy of this objective is rated as substantial.

Rating

Substantial

Objective 3

Objective

To facilitate trade.

Rationale

This pillar aimed at trade facilitation reforms in general and facilitating cross-border trade in particular. Specifically, the pillars aimed at establishing a risk management policy by border agencies for physical inspections of internationally-traded agribusiness goods, streamlining border clearance processes for rewarding compliant traders and improving the operational efficiency of the Durres port.

Introducing risk management for food products. As a prior action, risk management policy was adopted by the National Food Agency (NFA) in 2016, This policy aimed at reducing the number of physical inspections and laboratory testing requirement for internationally-traded agribusiness goods and products of animal origin (Prior action). The ICR (paragraph 46) notes that although the policy was adopted by the NFA, there were delays in amending the law introducing the risk-based approach. The existing law still mandated physical inspection of all goods. Given that all imported agribusiness goods were still subject to physical inspections in 2018 as at the baseline in 2015, the expected outcome was not realized (target of 90% of imported cargo subject to physical inspections).

Streamlining border clearance processes. As a prior action, the legislation pertaining to local customs clearance was enacted by the Directorate General of Customs on April 2016. This legislation was intended to expedite the clearance of imported goods, through enabling the importers or their authorized agents at approved locations. This legislation specified, the criteria relating to local customs clearance of imported goods, the procedural actions to be taken from the moment goods arrive at the border until they are released and the duties of the economic operator. The expected outcome of this policy action was the increase in the annual value of imports under local clearance procedures, when the operation closed. The annual value of imports under local clearance procedures increased steadily from US$ 9.00 million at the baseline in 2015, to US$12.00 million in 2016, to US$110.00 million in 2017 and to US$147.00 million when the operation closed in 2018. This exceeded the target of US$70.00 million in 2018 (ICR, paragraph 49).

Reforms at the Durres Port. As a prior action, the Ministry of Transport and Infrastructure and the Ministry of Finance jointly issued the legislation on September 16, 2015, pertaining to reducing the number of free freight storage days at the Durres port (the time allowed for free storage of cargo. This legislation was intended to improve the operational efficiency of the port through minimizing the already limited operational space at the port, reducing port congestion and aiding in reducing port dwell times. The expected outcome of this reform was 20 percent in cargo dwell time at the port (from nine days at the baseline to seven days in 2018. The ICR (paragraph 49) notes that the expected outcome could not be verified, as the data for monitoring this indicator was not provided by the port authorities.

In sum, of the three indicators, one indicator pertaining to the annual value of imports under local clearance procedures was realized. The second indicator pertaining to the percentage of cargo subject to physical inspections was not realized and the third indicator, pertaining to reduction in cargo dwell time could not be verified, for lack of data. Given that only one of the three indicators were realized, efficacy of this objective is rated as modest.

Rating
Modest

5. Outcome

The relevance of the program's objectives is rated high, but that of design modest. Some prior actions were weak and inadequate to achieve the intended objectives and some results could not be realized because of the abandoned second operation. Efficacy of the second objective - to making it easier to do business - is rated as substantial, as the indicators were realized, for the most part. Efficacy of the first and third objectives- attracting and retaining investment and facilitating trade is rated as modest, since outcomes fell short of expectations. Overall, shortcomings are considered significant, and outcome is assessed as moderately unsatisfactory.

a. Outcome Rating

Moderately Unsatisfactory

6. Rationale for Risk to Development Outcome Rating

Institutional risk. The ICR (page 17) notes that despite the delays following the 2017 elections which contributed to non-realization of some of the outcomes, the Government has continued to work on all the areas supported by this operation. According to the ICR (paragraph 57), the new Unified Investment Law is law is expected to be adopted in Autumn 2019. Information subsequently provided by the team clarified that the draft of the Law has now been completed and sent for public consultations to date. Further evidence the implementation of these reforms will continue is provided by the fact that these reforms were aligned with Albania's strategic objective of EU accession, a priority for the country.

Weak achievements in most areas supported by the operation also present a risk to the operation's sustainability.

a. Risk to Development Outcome Rating

Modest

7. Assessment of Bank Performance

a. Quality-at-Entry

Several analytical works underpinned the series. These included:

- An ongoing technical assistance.
- The International Finance Corporations (IFCs) investment climate and agribusiness competitiveness project and the IFC's Trade Facilitation Advisory project.

- The Government's Doing Business Working Group on Doing Business related reform.
- Analytical work by other partners (the United States Agency for International Development (USAID) and the German Development Agency (GIZ) (Program Document, pages 18-20).
- Technical notes prepared in late 2015 and early 2016 for shaping policy decisions (such as on the Strategic Investment Law, the Investor Grievance Mechanism, on priorities of Doing Business related reforms and construction permits) (ICR, paragraph 60).

The operation was prepared by a team which included staff from the Bank and from IFC, in consultation with private sector development stakeholders and key development partners (including the European Community Delegation, the United States Agency for International Development, the European Bank for Reconstruction and Development and the German Development Agency (GIZ). (ICR, paragraph 21). Several risks were identified at appraisal including substantial risks associated with political and governance, macroeconomic risks associated with spillovers from weaker euro area growth and weak capacity of the implementing agencies. Mitigation measures incorporated at design included, public outreach and communication strategy by the government to garner public support for its reform efforts, focusing on areas where there was strong commitment for reforms and technical assistance to strengthen implementation capacity (ICR, paragraph 21). Appropriate arrangements were made at appraisal for safeguards compliance (discussed in section 10).

There were major shortcomings in quality-at-entry. As indicated in section 3b, some prior actions were weak and inadequate to achieve the intended objectives and there were no appropriate prior actions for some objectives. The stand-alone operation was unrealistic in terms of the time frame. As a result, some interventions proved to be less impactful than originally anticipated and some planned results could not be met as their achievement required follow up prior actions, which were to be supported through the abandoned second operation in the series (discussed in section 4). There were shortcomings in M&E (discussed in section 9).

Quality-at-Entry Rating
Moderately Unsatisfactory

b. Quality of supervision

The ICR (paragraph 62) reports that bank supervisions took place on a regular basis (with five missions from July 2015 to October 2016) (ICR, paragraph 62). The supervision included visits by technical teams in 2015 and 2016. The ICR notes that some team members were based in the country and this aided in engagement with the country team. The team coordinated efforts between the different institutions and agencies implementing the operations. The team was proactive in addressing emerging problems during implementation. For instance, according to the information provided by the team, the Bank team worked with the Albanian Investment Development Agency, when there were management changes and this aided in ensuring continuity. The team also aided implementation by preparing technical notes on different topics.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

8. Assessment of Borrower Performance

a. Government Performance

The ICR (paragraph 64) notes that the government had overall ownership as the project objectives were in line with Albania's EU accession framework priorities. Although many ministries and agencies were involved in the reforms supported by the project, there was good coordination. The ICR also notes that the capacity to implement was appropriate overall and where capacity was not sufficient or there were knowledge gaps, the counterparts were very receptive to the technical assistance and advisory support provided by the Bank.

However, significant delays by the government on some of the prior actions (such as introduction of the new unified investment law, investment of the Investor Grievance Mechanism and introduction of risk-based approach in the National Food Agency), contributed to the reduced impact of the project.

Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

The government implemented the program. There is no separate assessment of implementing agency performance.

Implementing Agency Performance Rating

Not Rated

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

M&E were to be based on the legislative and economic data provided by the authorities. Most of the indicators were quantitative outcome indicators and baseline data and target values were provided for the indicators.
Many of the indicators pertaining to the policy area on making it easier to do business, relied on the Bank's Doing Business (DB) Distance to Frontier (DTF) measurements. This raised attribution issues, especially given the methodological changes in DB indicators through time. The ICR (paragraph 23) notes that DB indicators had large visibility in the country and in that sense were a good tool to motivate the authorities to push for reforms. While this needs to be taken into account, it would have been appropriate to use indicators with more granularity, to better monitor the performance of the supported interventions.

b. M&E Implementation

The ICR (paragraph 24) notes that during implementation, the relevant ministries and agencies tracked the results that were relevant to their mandate. For instance, the customs administration tracked data on imports of companies that were authorized for Local Clearance. One issue with the indicators was that some reforms were not fully implemented and thus the indicators were not met by default. For example, investor grievance mechanism was not operationalized, so the indicator to measure its results could not be monitored.

c. M&E Utilization

The ICR provides no indication that the indicators were used for purposes other than monitoring performance of this operation.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

Environmental issues. An environmental assessment was conducted at appraisal (Program Document, paragraph 31). Most of the prior actions were not expected to have environmental impacts, as the operation supported mainly regulatory reforms, with no direct link to physical infrastructure. The ICR does not report on any environmental impacts from this operation.

b. Fiduciary Compliance

No issues with fiduciary compliance are reported in the ICR.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	The operation presents significant shortcomings in the form of modest design relevance and modest efficacy ratings on two out of three objectives.
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	There were major shortcomings in Quality at Entry.
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

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

12. Lessons

The most important lessons in the ICR are the following (with some adaptation of language).

(1) Finding the right balance between supporting upstream and downstream activities is important for capturing the full benefits of reforms. In this operation, most of the supported reforms were on upstream activities (adopting by-laws and decisions). To fully capture the benefit of reforms, it is important to consider the impact of downstream activities, which require more time.

(2) The Doing Business Distance to Frontier (DTF) indicators for the results framework either needs to be refined or supplemented with other indicators to address attributional issues. In this operation, the DTF indicators were used mainly because they had large visibility in the country and hence considered to be a good tool to motivate the authorities to push for reforms. Notwithstanding this benefit, it would have been useful to complement this indicator, with more granularity for addressing attributional issues.

(**3) Supervision and dedicated technical assistance resources are required for supporting progress on reforms, especially in areas of weak capacity**. In this operation, the team prepared several technical notes, and this aided in informing and advancing the policy dialogue.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well-written and provides a concise narrative. It also candidly discusses the issues at preparation (from an operation which was initially prepared as a programmatic two series operations and later reversed to a stand-alone operation). It also candidly discusses the methodological issues with the chosen indicators in the operation. The ICR is consistent with the guidelines.

The ICR provides no information on whether there were safeguards or financial management issues during implementation.

a. Quality of ICR Rating

Substantial