

1. Project Data:		Date Posted : 12/03/2013	
Country:	Lebanon		
Project ID:	P103875	Appraisal	Actual
Project Name:	Lb - Municipal Infrastructure	Project Costs (US\$M):	30.0 29.51
L/C Number:		Loan/Credit (US\$M):	30.1 29.6
Sector Board:	Public Sector Governance	Cofinancing (US\$M):	
Cofinanciers:		Board Approval Date:	11/03/2006
		Closing Date:	12/31/2009 04/30/2012
Sector(s):	Roads and highways (32%); General water sanitation and flood protection sector (30%); Sub-national government administration (30%); Other social services (5%); General industry and trade sector (3%)		
Theme(s):	Conflict prevention and post-conflict reconstruction (40% - P); Other urban development (20% - S); Municipal governance and institution building (20% - S); Urban services and housing for the poor (20% - S)		
Prepared by:	Reviewed by:	ICR Review Coordinator:	Group:
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2. Project Objectives and Components:

a. Objectives:

The project was prepared in less than two and a half months under emergency procedures . The project was initially planned as an expansion of the of the ongoing First Municipal Infrastructure Project (FMIP) which was approved by the Bank in June 2000. Hostilities in July-August 2006, which displaced one million people and devastated public infrastructure in the affected areas, required a reorientation of the planned operation, focusing on replacing lost and damaged municipal assets and restoring basic services in the municipalities affected by the 2006 conflict. The project was financed by a grant under the Trust Fund for Lebanon, set up in 2006 by the Bank from IBRD profits to help alleviate the impact of the 2006 conflict. The Grant was processed as additional financing but treated as a separate project because of the difference in financing sources . In the ICR, the first Project is referred to as the "FMIP Loan" and the Project under review as the "FMIP Grant". This review has followed the same practice .

The objective of the project under review was "to (i) restore and rebuild priority public infrastructure in the municipalities and villages of the recipient; (ii) support economic recovery and development in the municipalities that have suffered the heaviest damage, and (iii) build the capacity of municipalities to mitigate the impact of the hostilities on municipal finances within the context of developing the municipal sector (Schedule 1 of the Grant Agreement). The language in the Project Paper is substantially the same as that in the Grant Agreement . The FMIP Loan objectives were adapted to the changed circumstances by adjusting the allocation criteria of the grant proceeds according to the level of recorded destruction instead of registered population and expanding the geographic coverage to municipalities affected by the hostilities . The FMIP Grant also included development activities to facilitate the revival of the regional economy, a feature that was not included in the 2000 FMIP .

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

No

c. Components:

The Project included three components :

1. **Reconstruction of Public Infrastructure** (cost at appraisal, US\$18.0 million; cost at completion, US\$ 17.45 million)

Reconstruction of public infrastructure destroyed or damaged during recent hostilities in about 185 municipalities not supported by other donors, including urban roads, sidewalks, retaining walls, street lighting, water and sewerage networks, municipal buildings, and information and communications technology equipment .

2. **Municipal Recovery and Development** (cost at appraisal, US\$9.0 million; cost at completion, US\$9.91 million)

Building selected municipal infrastructure in order to help revive the local economy in the municipalities most affected by the recent hostilities including market places, access to public facilities and upgrading of service delivery systems and related equipment . The Grant would support development-oriented sub-projects in about 10-15 municipalities that (i) receive assistance from other donors; (b) show the highest potential to become growth centers for the regional economy .

3. **Project Management and Capacity Building** (cost at appraisal, US\$3.0 million; cost at completion, US\$3.15 million)

Support, including technical assistance to : (a) strengthen project management; (ii) build capacity for increasing local revenues and improving transparency in the management of intergovernmental transfers and financial flows between the central government and municipalities .

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

Costs and Financing :

The project cost at appraisal was US\$ 30.0 million. The actual project cost was US\$29.51 million or 98.4 percent of appraisal estimates. The distribution of costs did not change substantially from appraisal estimates .

Reconstruction of public infrastructure, the largest component of the project, remained substantially the same as those estimated appraisal (actual expenditures represented 97.2 percent of planned expenditures).

Expenditures for municipal recovery were some 9 percent above the initial estimates and expenditures in the capacity building/project management category were some 5 percent over the initial estimates. As this was an emergency operation, no counterpart financing was envisaged .

There was no formal cofinancing of the project, but the Project Paper indicates that the project would complement the reconstruction program of other donors by covering most of the estimated damages to municipal infrastructure in the affected municipalities (ICR, para. 27). Other donors included the European Union and the United States.

Dates:

The project was restructured five times mainly due to delays associated with the volatile situation in Lebanon, and to changes in municipal governments in 2010. The changes consisted of: (i) extending the eligibility of the Grant to municipalities of northern Lebanon; and (ii) extending the Grant Closing Date four times and reallocating the Grant proceeds, as summarized below :

On January 28, 2008, in the absence of objection from the Board, the Grant Agreement was amended to expand FMIP Grant activities to six municipalities located in the vicinity of the Palestinian refugee camp of Nahr El Bared, near Tripoli in Northern Lebanon. Violence erupted in the camp in May 2007 and the four-month long conflict had negative effects on infrastructure and on the local economy in the camp and in surrounding municipalities

On December 16, 2009, the project's Closing Date was extended from December 31, 2009, to June 30, 2011, in order to: (i) process pending municipal recovery and development subprojects under Component 2; (ii) finalize

the establishment of a Municipal Observatory within the Directorate General of the Local Administration of the Ministry of Interior and Municipalities (MOIM) under the technical assistance component (Component 3); and (iii) carry out the Municipal Finance Study also under Component 3.

On March 14, 2010, Grant proceeds were reallocated from the unallocated category to the works category to cover the cost of works carried out under components 1 and 2.

On May 14, 2011, the Closing Date was extended from June 30, 2011, to December 30, 2011, for Components 1 and 3 to complete remaining project activities which had been affected by the municipal elections held in May 2010.

On December 30, 2011, the Closing Date was extended for an additional four months from December 30, 2011, to April 30, 2012, and grant proceeds reallocated among categories. The extension, limited to Component 2, was granted to enable completion of sixteen local development projects which could have remained unfinished due to a lack of investment funds at the municipal level and due to security issues during the June to September 2011 period.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

The project objectives are **highly relevant**.

The project addressed urgent needs following the 2006 conflict and is in line with the country and Bank strategies and objectives. By focusing on the restoration of basic services and on the development of the local economy, the project is consistent with the Bank's Country Partnership Strategy (CPS) for FY11-14. The CPS aims to support the Government in putting the economy on a path to sustained, high and broad-based growth; create employment; and provide adequate infrastructure and social services and support social inclusion. The project objectives are consistent with Lebanon's development priorities outlined in its Economic and Social Development Program (ESP) approved in 2009 which included the objectives (a) of reviving the middle class through job creation and better distribution of wealth, among others, by improving access to economic infrastructure; and (b) of promoting equity through narrower regional disparities and good governance.

b. Relevance of Design:

The relevance of design is **substantial**.

The project activities and expected outputs were consistent with project objectives. The project design was kept simple and built in flexibility in that subprojects to be financed were selected as they were presented by the participating Municipalities. The project kept the main focus on rehabilitation and repair of infrastructure, and retained the support for building the capacity of municipal institutions, but also included activities to encourage economic development in the project areas. The implementation arrangements were well developed relying on the approach of the FMIP Loan.

Given the urgency of the operation, the team adopted the same indicators as those in the FMIP Loan but did not develop the Monitoring and Evaluation (M&E) framework with baselines and expected results before project approval. The ICR notes that the appraisal team's focus was to measure whether the project was delivering on the most pressing reconstruction needs, with the view that the M&E framework would be complemented with indicators for the institutional part of the project; the M&E framework was introduced following the mid-term review. IEG concurs that focusing initially on the indicators of the FMIP Loan was appropriate; the FMIP Loan indicators that were to be monitored were not listed in the Program Paper.

4. Achievement of Objectives (Efficacy):

The project contributed to short- and medium term reconstruction and economic recovery and directly provided an estimated 374,653 people with restored basic services and economic development opportunities, 276,000 from activities under PDO 1 and 98,563 from activities under PDO 2 (paras. 40 and 45 of the ICR). The direct beneficiary figure differs slightly from the 375,427 direct beneficiaries given in para. 38.

The total number of people living within the area served by investments carried out under component 2 -- e.g. a market or a community center, which is the definition of total beneficiaries in para. 38 the ICR -- is estimated at 2.5 million (para. 38 of the ICR). Slightly different beneficiary figures are given in paragraph 91 of the report. The high beneficiary figure was achieved in large part because a key selection criteria for the sub-projects was the number of beneficiaries. The ICR notes that technical assistance provided by the project reduced municipal dependence on transfers, strengthening the municipalities' prospects to be responsible for continued recovery efforts.

PDO 1: Restore and rebuild priority public infrastructure in the municipalities and villages of Lebanon : Substantial

The project helped restore basic infrastructure, bringing the city environment back to or superior to conditions before the conflict, re-establishing transport and access to water, and providing street lighting for increased security. The ICR notes and IEG generally agrees that while physical works are outputs, this being the measurement used under the first objective, physical works are relevant measures of achievement in a reconstruction effort. However, some outcome indicators could have been introduced during implementation. Having municipal buildings in place is essential for developing the ability to provide an appropriate response to citizens' needs and to establish a functioning and participating democracy at the local level (ICR para. 40). The project met most of the output indicators set for this objective. The project funded 440 sub-projects benefiting 178 municipalities, almost reaching the tentative appraisal estimate of 185 municipalities. These included the reconstruction of 17 municipal buildings; the repair of 175 km of roads and 13 km of water drains; and the erection of over 4,500 street light poles. Some 276,000 people benefitted from the works under this component.

The proceeds of the project were allocated equitably compared to the intensity of the damage and the density of municipal infrastructure in each area, which was important given the divisions in the country. Grant assistance was in line with the density of assets and level of damage, except for North Lebanon, where additional funds (US\$3.5 million) were provided under the Grant (reallocated from initially planned sub-projects which were eventually financed by other donors) to overcome damages caused by the Nahr El Bared conflict. National statistics show that beneficiary municipalities had significantly higher poverty levels than the national average (ICR, para. 43).

PDO 2: Support local economic recovery and development in the municipalities that have suffered the heaviest damage . Substantial

The project helped revive the economy of 11 districts with a total of 98,653 people benefitting directly from the Local Economic Development (LED). Over two million people live in the municipalities that benefited from LED projects and from other infrastructure reconstruction.

Eleven projects were launched compared to the 10 planned at appraisal. These include (i) an agricultural center serving 500 farmers which provided strategically located retail and wholesale spaces for the sale of agricultural products, and helped reduce transportation costs and middlemen fees; the center houses an agricultural research center to be run by the Ministry of Agriculture; (ii) a water pumping station is providing water for two towns; (iii) the construction of a public market which has served as an outlet for the area's agricultural products, helped reduce transportation costs and middlemen fees; (iv) heritage products market to facilitate artisanal production; the market houses a new Saudi-financed cultural center and the area has become a commercial, cultural and recreational hub for the region.

In addition construction under the project increased economic activity in the region; beneficiary assessments reported that some 95 percent of contractors had purchased some or all of the materials from within the municipalities and districts (cazas) (ICR, para. 63-66).

PDO 3: Build the capacity of municipalities to mitigate the impact of hostilities on municipal finances within the context of developing the municipal sector : Substantial

The three studies carried out under the project form the basis for MOIM's Municipal Finance Strategic Framework which is under implementation. These included recommendations for strengthening the municipal finance framework; improving the independent municipal fund, among other objectives, to make it more sustainable; increasing the accountability of municipalities and increasing the efficiency of financial operations; and modernizing the municipal property tax. The Task Manager indicated that some of the changes associated with the reforms included improved tax and fee collection and improved municipal accounting.

The ICR notes that the ratio of municipal revenues to government transfers declined from a baseline figure of 70

percent to 49.5 percent, which is slightly higher than the targeted 40 percent. The declining ratio should lead to an increase in municipal autonomy and improved service delivery .

Other outcomes

The project outcomes can be directly attributed to the project activities . The ICR notes that the quick implementation of the reconstruction program was instrumental in addressing the poverty and more general social issues, although no poverty analysis was conducted and poverty reduction was not an objective of the project. The project was concentrated in the poor municipalities (see Development Objective 2).

The project helped strengthen institutions at the national and municipal levels . At the national level, project activities helped strengthen the capacity of MOIM to manage the implementation of infrastructure projects by working closely with the PCU. The project also helped strengthen information management at the Ministry through the establishment of a Municipal Observatory, which provides a framework for the establishment of a sustainable municipal database, which should help the Ministry of Finance better monitor the municipalities ' finances.

The ICR notes that the project also improved the capacity of the municipalities in project management through their participation in their project definition and implementation activities and in overall management. The project provided hands on training to familiarize municipalities with the technical, economic and other criteria used in the prioritization of investment projects (ICR, p. 43).

5. Efficiency:

Efficiency is rated **high**.

The Project Document does not include a quantitative analysis of project costs and benefits . In order to determine the efficiency of the project, the ICR team compared the unit costs of project outputs with similar works in Lebanon and in comparable countries in the region. Despite the difficult operating environment, unit costs of the project's physical outputs for which comparable data were available compare favorably with outputs of similar works in the country and in the region . Under the project, a kilometer of road was completed at a unit cost of US\$56,332/km, which is well below the unit costs of similar works in Jordan (US\$177,500/km). The unit cost of rehabilitating a kilometer of a storm water drain was US\$ 139,371/km compared with the costs of similar projects in Jordan (US\$225,000/km), West Bank and Gaza (242,560/km) and Yemen (162,400/km). Within Lebanon, the costs of the project's infrastructure were found to be the same or slightly less than other similar projects in the country. For example, the unit cost of a repaired road was US\$ 56,332/km for the project, compared with US\$58,000 for non-FMIP projects. Similarly, the unit cost of constructing a kilometer of sewerage was US\$36,349/km compared with US\$40,000 for a non-FMIP project.

The ICR team conducted an analysis of cost per beneficiary by type of project for Components 1 and 2 activities for a total of about 375,427 direct beneficiaries (276,774 for Component 1 and 98,653 for Component 2) and 2,164,445 indirect beneficiaries for Component 2. The results of the analysis show that overall the project recorded acceptable costs per beneficiary reached, at US\$ 63 and US\$94 per direct beneficiary for Components 1 and 2, respectively. The ICR notes (para. 56, p. 13) that these costs are slightly higher than the cost per capita (US\$68) of the predecessor project (FMIP Loan), which targeted a quarter of the population of Lebanon but only invested in Component 1-type sub-projects, whereas the FMIP Grant included local development sub -projects for Component 2, with important local economic development potential and promising good returns on investments justifying the slightly higher cost per beneficiary . For both the FMIP Loan and Grant, the cost per beneficiary was kept down by making the number of beneficiaries ' part of the selection criteria for investments . The overall cost was kept down by also including economic selection criteria .

The overall costs of goods and services were reasonable, and were within the prevailing market prices . Project management costs were reasonable in light of the Bank's experience and the country context . The cost of project management was only about 4.1 percent of total cost of the project, and below the generally accepted level of 5 to 8 percent for a project of this nature with many sub-projects. This could be attributed in part to the economies resulting from an existing project unit.

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	No		
ICR estimate	No		

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

6. Outcome:

The project objectives were highly relevant to the needs of the country . A functioning infrastructure network is critical for economic activity, and the development of local capacities especially important in a country as diverse as Lebanon. The relevance of design was substantial; it drew from experiences under a successful project and used staff from that project who were experienced in implementation of the operation . The achievements were substantial and the project helped improve living conditions in the affected areas by restoring basic services and rebuilding priority public infrastructure; helped support local economic recovery and development in the most affected municipalities and helped put in place systems that would improve municipal finances . The small discrepancies in beneficiary data do not change outcomes. The project efficiency was high. Despite the country conditions, the costs of works and services were similar to those in neighboring countries .

a. Outcome Rating : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The risk to development outcome is rated significant because of the possible effects of political events in the country and the region on the project . The ICR rates the risk to development outcomes as moderate, given the commitment of the Government and of the municipalities and the institutional improvements and other factors summarized in the next paragraph, but does not comment on exogenous risks such as the political risk which may have become more acute since the ICR was prepared .

The ICR notes that the government's commitment to maintain and operate the Municipal Observatory should help build a strong municipal information database . With assistance from the United Nations Development Programme (UNDP), the observatory has been staffed, but MOIM efforts will be required to sustain it; an upcoming EU-financed municipal development project is likely to provide needed support . Also, the project supported the introduction of improved financial and management practices which would help sustain project outcomes. Municipalities have increased their financial independence, and the share of central government's transfers to municipal revenues have fallen substantially .

a. Risk to Development Outcome Rating : Significant

8. Assessment of Bank Performance:

a. Quality at entry:

The project was well prepared in two and one-half months. The Bank quickly put together an experienced team, which worked closely with the Government, other donors, and affected municipalities to ensure smooth preparation and quality of design . Soon after cessation of hostilities, the Bank led an assessment mission to the affected areas to determine the damage; the Bank team worked closely with the European Commission which had prepared assessments of damage . Key municipal stakeholders were involved in project preparation and provided inputs into the project design . Project activities were coordinated with those of other donors and the Bank actively sought to concentrate its support in municipalities which were not covered by them. The shortcomings on M&E, discussed under design above, can be partly explained by the emergency nature of the project and the speed with which the operation was prepared . The ICR explanation is valid -- that the appraisal team's initial focus was to measure pressing physical reconstruction needs, with the view that the M&E framework would be complemented with indicators for the institutional part of the project later. However, it would have been helpful to include the FMIP Loan indicators that were being monitored in the Project Document. Also attributable to the speed of processing was the fact that the Integrated Safeguard Data Sheet (ISDS) was not disclosed after it had been prepared . The ISDS was subsequently disclosed and the M&E framework prepared .

Key risks identified in the implementation of FMIP Loan and mitigation measures were incorporated into project design. The risk that project implementation could slow down given multiple urgent demands by central and local authorities was mitigated by contracting consultants to prepare priority subprojects and placing the responsibility for the day-to-day operation of the project with an experienced unit; the risk that the condition of underground utilities requiring extensive earth works might involve unexpected costs was mitigated by including 15 percent contingencies to cover changes in quantities and prices; and the risk that donor projects would overlap was mitigated through extensive discussion /coordination with key donors.

Quality-at-Entry Rating : Satisfactory

b. Quality of supervision:

Despite the volatility of the political situation in the country, the Bank conducted 12 supervision missions with the final mission in March 12, 2012, shortly before the Closing Date of the project.

During implementation, Bank staff maintained close relations with the Government to that the Bank was ready to respond to unexpected events such as the destruction of municipalities in the area of the of the Nar el Bared camp in 2007. The ICR notes that the high level of supervision quality had a substantial impact on project performance (ICR para. 68-69). The ICR notes that the Bank agreed to all Closing Date extensions requested by the Government, which were not unexpected considering the difficult country environment . A country portfolio quality assessment done in 2010 rated project implementation as satisfactory, and as one of the best performing projects in Lebanon .

Quality of Supervision Rating : Satisfactory

Overall Bank Performance Rating : Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The Government was committed to the success of the project, and provided the needed support to the project preparation and implementation team. However, the turnover of ministers coupled with other external factors affected decision-making on project execution. During project preparation and implementation, seven ministers were charged with the project, each serving on average less than one year . The lack of continuity at the ministerial level was probably compensated by the strong project unit and work at the municipal level . At the municipal level, the municipal authorities were involved at all stages of project preparation and implementation and the majority of mayors involved in the project intervened directly to help resolve key implementation issues.

Government Performance Rating Satisfactory

b. Implementing Agency Performance:

The PCU played an effective role in guiding the participating municipalities and communities beneficiaries during the preparatory work and project selection . The PCU performed well, because of its prior experience with Bank financial management and procurement procedures, and the quality of its management and staff . The PCU ensured that Bank procurement and disbursement rules and procedures were followed, and safeguards properly observed . It facilitated all supervision missions and effectively served as a link between the Bank and the Government. It also supported the participating municipalities in carrying out their assigned project tasks. During implementation, the PCU maintained high standards for civil works through regular monitoring and supervision of subproject activities . The findings of the beneficiary assessment of Component 2 confirm that the municipalities and communities acknowledge that the PCU handled management of project implementation well.

Implementing Agency Performance Rating : Highly Satisfactory

Overall Borrower Performance Rating : Satisfactory

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

a. M&E Design:

The Grant was processed quickly under emergency procedures and the monitoring and evaluation of the project design was not developed at appraisal. The initial indicators from the FMIP Loan which focused on physical investments helped ensure that the project kept track of the essential reconstruction activities. It would have been helpful if the FMIP Loan indicators had been included in the Grant Project Document. The ICR notes that a key feature of the M&E design was planned beneficiary assessments every six months, intended to closely monitor and gather information on the social impact of the project, and compensate for the limited monitoring indicators set out imposed by the emergency nature of the project. This is not explicitly stated in the Project Document.

b. M&E Implementation:

The ICR notes that M&E implementation consisted principally of three surveys intended to assess the infrastructure component's impact on the beneficiaries. Two separate surveys were conducted for components 1 and 2. It also notes that because the focus was initially on physical infrastructure, M&E reporting was mainly geared towards the performance of subproject contracts. Following the Mid-Term Review of November 2008 the PCU developed indicators to capture outcomes of the economic development and municipal strengthening objectives. The indicators for Component 1 focused on outputs and outcome indicators were not developed. The ICR notes that physical works are relevant measures of achievement in a reconstruction effort. IEG agrees, but some outcome indicators might have been attempted.

The ICR reports that data was collected systematically, and standard reporting formats were developed and used for data collection although it does not present information on this. The monitoring indicators first appear in the Implementation Status Report (ISR) of December 2011. The municipalities assigned their own project managers for overseeing contract execution and the PCU provided an oversight role and monitored activities through consultants, who submitted monthly reports to the PCU for input into the M&E system. The M&E system did not keep track of the number of direct beneficiaries, but the information was subsequently derived by the Bank team and the PCU.

c. M&E Utilization:

During the first two years of the project physical infrastructure indicators which derived from project works contracts were monitored by the Government/project unit and the beneficiary municipalities. The ICR notes that the ICR team used the indicators developed following the mid-term review for assessing project outcomes, coupled with estimates of the total number of beneficiaries. At least one beneficiary survey was reported in the ISRs. The content of the ICR suggests that considerable information was gathered during implementation particularly on the physical aspects of the project and used for analysis of progress, although this information does not appear systematically in internal Bank reporting.

M&E Quality Rating : Modest

11. Other Issues

a. Safeguards:

At appraisal, the project team screened a small number of sub-projects for environmental impacts, which confirmed the limited scale and significance of the potential environmental impacts of the subprojects . The project was thus classified as category B in line with OP 4.01 (environmental assessment), and did not trigger OP 4.12 (involuntary resettlement). The environmental guidelines of the FMIP Loan were adopted . A shortcoming at the initial stage was that the team did not fully comply with Bank safeguard procedures during project preparation: (i) the Integrated Safeguard Data Sheet (ISDS) was completed but not disclosed; and (ii) the environmental guidelines were not re-disclosed prior to the appraisal of the project . An environmental management plan was prepared and findings from its implementation showed no significant safeguards issues .

b. Fiduciary Compliance:

The project complied with the Bank’s financial management (FM) procedures and requirements . It submitted interim financial reports to the Bank on time . All ISRs rated FM as satisfactory; audit reports were submitted on time, with unqualified auditors’ opinions acceptable to the Bank .

Procurement was rated satisfactory in all Bank supervision missions, including six post -procurement reviews missions. The overall procurement oversight was satisfactory, and this helped keep the project on track . A bottleneck in procurement was the lengthy approval process for bidding documents, which caused delays averaging about 16 months between the PCU’s approval of bidding documents and the launching of advertisements by the municipalities . The PCU worked with the municipalities to address the issues, providing them with hands-on training.

c. Unintended Impacts (positive or negative):

The ICR does not report any unintended impacts.

d. Other:

None

12. Ratings :	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Moderate	Significant	Regional/country issues and conflicts could impact government and municipal systems and finances as well as physical infrastructure .
Bank Performance :	Satisfactory	Satisfactory	
Borrower Performance :	Satisfactory	Satisfactory	
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:

IEG supports the main lessons discussed in the ICR . The lessons, which incorporate revisions to reflect IEG views, are summarized below .

- In emergency situations, keeping the scope of the project simple and allowing for maximum flexibility facilitates successful implementation . The project's design allowed for flexibility in the choice of subprojects which enabled it to be implemented in difficult circumstances .
-
- Emergency projects should include features that help lay the groundwork for activities that strengthen the economy and institutions . In this case, the economic development and municipal strengthening activities should help future improvements to municipal finances and overall municipal strengthening .
-
- In emergency projects it is particularly important to take advantage of existing implementation capacity and if possible to use an already proven and tested project unit rather than creating new structures . In the case of the FMIP, the use of the existing project unit contributed to the success of the project .
-
- Experienced and technically qualified Bank staff, some stationed in the field, greatly contributes to a project success . The Bank was able to deploy a strong team at appraisal and subsequently during supervision which was able to effectively address difficult issues . The ICR notes that the strong team in the Bank office was important in ensuring a rapid response to problems .
-
- The speed with which emergency operations are prepared may require that the monitoring and evaluation framework be modified during implementation . Surveys can provide valuable monitoring information.
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14. Assessment Recommended? Yes No

Why?

A joint assessment of the operation under review and its predecessor the First Municipal Infrastructure Project is recommended, if country conditions permit . The reasons for the recommendation are as follows :

First, the grant is essentially a follow-up to an earlier project and the joint assessment would provide insights on how lessons learned from the earlier project were reflected in the follow -on operation, and more importantly, examine the overall outcome/impact.

Second, the assessment would allow us to learn more about how this operation succeeded in a volatile political environment and in working on a small scale with many individual municipalities . It might also serve as an input into a future IEG Country program evaluation (CPE).

15. Comments on Quality of ICR:

The ICR is well written and presents a clear discussion of project achievements based on available evidence . The discussion on project efficiency is well done, and responds to a comment made by IEG on the ICR of the FMIP Loan. The ICR presents a clear statement on issues relating to compliance with safeguards . Exogenous risks such as regional and domestic conflict on project outcomes are difficult to assess . However, these factors need to be taken into account in determining the risk to development outcomes . There are slight discrepancies in beneficiary figures which detract from a well done report .

a.Quality of ICR Rating : Satisfactory