Guidance

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INTERIM GUIDANCE NOTE TO STAFF:
TECHNICAL ASSESSMENT

These interim guidance notes are intended for internal use by Bank staff to provide a framework to conduct assessments required by the Program-for-Results financing policy. The notes will be updated and complemented from time to time. They are being shared with the public on an informational basis.

Operations Policy and Country Services
June 18, 2012
**ACRONYMS AND ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>ACGs</td>
<td>Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing</td>
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<td>BP</td>
<td>Bank Procedure</td>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CF AAA</td>
<td>Country Financial Accountability Assessment</td>
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<td>CMU</td>
<td>Country Management Unit</td>
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<td>CPAR</td>
<td>Country Procurement Assessment Review</td>
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<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
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<td>CPS</td>
<td>Country Partnership Strategy</td>
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<td>DLI</td>
<td>Disbursement-linked indicator</td>
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<td>ESSA</td>
<td>Environmental and Social Systems Assessment</td>
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<td>F&amp;C</td>
<td>Fraud and Corruption</td>
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<td>FM</td>
<td>Financial management</td>
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<td>FSA</td>
<td>Fiduciary Systems Assessment</td>
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<td>GAC</td>
<td>Governance and anti-corruption</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INT</td>
<td>Integrity Vice Presidency (World Bank)</td>
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<td>ISR</td>
<td>Implementation Status and Results Report</td>
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<td>IT</td>
<td>Information technology</td>
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<td>M&amp;E</td>
<td>Monitoring and evaluation</td>
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<td>MIS</td>
<td>Management Information System</td>
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<td>MTEF</td>
<td>Medium-term expenditure framework</td>
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<td>NGO</td>
<td>Nongovernmental organization</td>
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<td>OP</td>
<td>Operational Policy Statement</td>
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<td>PAD</td>
<td>Program Appraisal Document</td>
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<td>PAP</td>
<td>Program Action Plan</td>
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<td>PCN</td>
<td>Project Concept Note</td>
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<td>PDO</td>
<td>Program Development Objective</td>
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<td>PEFA</td>
<td>Performance Expenditure and Financial Accounting</td>
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<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PforR</td>
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<td>PFS</td>
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<td>ROSC</td>
<td>Report on Observance of Standards and Codes</td>
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<td>SAI</td>
<td>Supreme Audit Institution</td>
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<td>SMU</td>
<td>Sector Management Unit</td>
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<td>SW Ap</td>
<td>Sectorwide Approach</td>
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CHAPTER ONE: TECHNICAL ASSESSMENT INTERIM GUIDANCE NOTE

1. The purpose of this guidance note is to provide Bank staff, government counterparts, and development partners a framework to conduct the technical assessment of a Program proposed for support by a Program-for-Results (PforR) operation. It also gives Bank staff a framework for providing technical advice to the borrower during the preparation, appraisal, and implementation of a PforR operation. The note proposes examples of areas to be explored and questions to be discussed as a means of fostering the technical dialogue between the Bank and the borrower. In the context of a specific PforR operation, other areas and questions may arise and should be reflected as necessary in the assessment and taken into account as part of the technical advice offered by the Bank. An indicative outline for the technical assessment can be found at the end of this Chapter in Attachment 1.2.

I. PROGRAM ASSESSMENT STRUCTURE AND SCOPE

2. In carrying out the assessment, task teams evaluate, with the borrower’s support, the adequacy of the Program arrangements and their performance in four areas:
   • Strategic relevance and technical soundness,
   • Expenditure framework,
   • Results framework and monitoring and evaluation (M&E) capacity, and
   • Economic justification.

3. Task teams identify key weaknesses and possible improvements, propose specific recommendations,¹ and define the relevant key risks to the achievement of the Program’s stated results and associated mitigation measures. The actual depth of analysis to be provided in the assessment for a particular PforR operation will be a function of (a) the complexity of the Program; (b) the level of innovative features under the Program; and (c) the level of the Bank’s and other partners’ knowledge of the Program. Task teams will need to exercise judgment and follow Bank Management guidance to determine the depth of analysis for a given operation.

4. The assessment is carried out during the preparation phase of the operation based on information provided by the borrower and relevant development partners, found in existing reports and studies, or collected and analyzed as part of the assessment’s undertaking. This includes analytic work supported by development partners. The assessment provides an evaluation of the Program’s technical arrangements and identifies key areas for improvements.

5. Based on the assessment findings, the Bank, together with other development partners when relevant, will discuss the following with government counterparts: (a) actions (as needed) to be undertaken by the borrower (with Bank support as needed) during preparation and implementation to address selected areas for improvement; (b) the definition of the scope and form of technical support during implementation; and (c) the key technical risks to the Program

¹ These recommendations are expected to be put in place over the preparation and implementation period of the PforR operation.
not achieving its expected results as inputs to the integrated risk assessment for the operation. It is anticipated that the assessment could be coordinated with or carried out jointly with other development partners.

II. OVERVIEW OF THE TECHNICAL ASSESSMENT BY PROCESSING STAGES

6. **During identification**, as an input to the Program Concept Note (PCN), the task team conducts an initial review of the Program in relation to the four areas included in the technical assessment. Specifically, it is anticipated that the task team will (a) provide in the PCN a preliminary assessment of the government program’s strategic relevance, governance arrangements, level of borrower commitment to the program, as well as the program objectives, key results, implementation arrangements, and overall performance (for ongoing programs); and (b) propose the boundaries of the Program. At this stage, the assessment will rely mainly on available documentation from the borrower (e.g., internal progress reports, plans, organizational charts, policies or laws related to the program, annual budgets); from the Bank (e.g., the latest country assistance/partnership strategies [CAS/CPS], sector-specific analytic and advisory activities, public expenditure reviews); and from development partners.

7. Elements of the assessment that are key inputs to the PCN are a description of the government program, and an initial proposal of the Program’s goals, results framework, activity type, and overall Program expenditure profile. The Program’s detailed results framework may not be available or may not have been formally stated. If this is the case, it would be important to begin working with the borrower to strengthen the results focus of the Program and develop an explicit results framework for the Program. While it is not feasible to fully assess a Program’s expenditure framework during identification, a snapshot of the budget with major classifications (e.g., by administrative units, economic categories, functions, activities) should be completed in most cases. The PCN should also address basic questions of the economic rationale for the Program and Bank support, framing how these questions can be answered more fully through preparation and into implementation.

8. **During preparation**, the task team works in close partnership with the borrower and any development partners to deepen the assessment of the technical aspects of the Program, including strategy, institutional set-up (including governance features), expenditures, results framework, M&E capacity, definition of disbursement-linked indicators (DLIs), and implementation arrangements. In addition, at this stage the DLIs, their related Verification Protocols, and disbursement arrangements will be developed.²

9. **During appraisal**, the task team pulls together the findings of the various assessments into an overall assessment of the Program and its associated systems, the commitment to and potential for making improvements, the risks of the Program not achieving its expected results, and the economic rationale. Proposals for improvements in Program performance, capacity building, and risk arrangements (including with respect to the Program’s monitoring and evaluation), are discussed with government counterparts and other stakeholders; and, as needed, agreed measures are included in the Program Action Plan (PAP). A summary and conclusions

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² See Chapter Two, Disbursement-Linked Indicators and Disbursement Arrangements Interim Guidance Note.
³ For more details on the Program Action Plan, see the Overview to these Interim Guidance Notes.
from the technical assessment, among others, is presented in the Program Appraisal Document (PAD). A fairly complete draft of the technical assessment should be made available by the time of the operation’s Decision Review. The final technical assessment is disclosed at the same time as the PAD.

10. **During implementation**, the Bank provides implementation support to the borrower in carrying out improvement, capacity building and risk management measures agreed on during preparation under the PAP. It also monitors (a) progress under the Program and provides support in resolving issues emerging under the Program’s implementation; (b) progress in the achievement of the Program’s results, including the DLIs; (c) changes in the Program’s technical and other risks; and (d) compliance with the PforR operation’s legal agreements.

III. **PROGRAM STRATEGIC RELEVANCE AND TECHNICAL SOUNDNESS**

A. **Program Strategic Relevance**

11. **Program rationale.** Programs supported by PforR operations need to have a strong strategic rationale. Assessing the rationale usually implies validating the issue(s) the Program aims to address as relevant and priority issues for economic development and poverty reduction in the borrower’s country. Such issues have usually been identified as bottlenecks in the borrower’s development agenda, sector strategies or studies, as well as in the corresponding Bank or development partners’ country- and sector-level strategies or studies. If the issue at hand is an emerging one, the Bank could help the borrower in consolidating the diagnosis of the issues and in shaping an appropriate response. Task teams, working in close partnership with the borrower, provide evidence with regard to the scope and impact of the issue for the borrower’s development at the country or local level.

12. Once the issue is validated, *is there a clear case for government intervention?* Public investment plays a unique role in a country’s development by handling a range of issues that can only be dealt with through government action. The main rationales warranting public action include market failures, spillovers, redistribution, and social and political concerns. Given the scarcity of public funds and implementation capacity, public investment in new or ongoing programs contributes most to development when those programs are clearly directed to addressing one or more of these concerns. Governments’ role in reducing market failures and promoting other economic, social, or political goals often takes the form of public provision, but in some cases public–private partnerships of a variety of forms may be the preferred solution. The choice will depend on the strength of governments in terms of their regulatory and administrative capacities and independence from capture by special interests, as well as the relevant private sector’s level of development and competitiveness. The specific design features of a given program will also help determine its suitability for public, private, or mixed provision, taking into account, for example, whether the program allows for user fees to be charged and whether the quality of service is realistically contractible.

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4 The Bank hosts several important public–private partnership resource guides and knowledge sharing portals, including the Global PPP Network (http://pppnetwork.ning.com/) and the Financial and Private Sector Development Knowledge Resources (http://rru.worldbank.org/).
13. The assessment then turns to whether the Program is adequately structured to resolve the issue at hand, taking into account international good practice. There should be a clear and robust causal link between the Program design and the issue being addressed. If the issue is lagging development in one of the borrower’s regions, for example, and the Program is structured as a road construction program, the causal link is likely to be tenuous since other types of interventions are usually necessary to foster economic development in a lagging region. There should also be a significant likelihood that the issue will be addressed as a result of the program’s implementation. In the case of ongoing programs, the track record in program implementation progress and impact is evaluated, based primarily on progress and M&E reports/studies available at the time the assessment is conducted. In the case of new programs, the evaluation is based on progress and M&E reports and studies available for similar programs already completed or ongoing, if possible in the same country.

14. The Bank’s sector networks, relevant research centers, and academics are a few of the contacts available to provide support on these topics. In the technical assessment, task teams provide a short rationale for the public sector intervention and its form, determining whether the Program is adequately structured to resolve the targeted issue.

B. Program Technical Soundness

15. A technically sound Program is designed, organized, and implemented to efficiently produce results and reach the Program’s objectives. Technical soundness is assessed against relevant international experience and good practice, adapted as necessary to the specific context of the country and sector. The assessment of a Program’s technical soundness starts by determining whether the type of Program activities is adequate to reach the Program’s objectives. If a Program’s objective is to increase access to basic health services in rural areas, for example, the construction of clinics and the provision of clinic equipment may be well-justified activities under the program. However, if the Program were to include the construction of local roads, there could be a question as to whether such activities might not be better handled under a separate rural roads construction program. The assessment also confirms that the type of activities under the Program is sufficient to reach the program’s objectives. For example, if the problem is low access to water connections among poor households caused by high connection costs, is the program proposing a reasonable strategy to increase effective demand for water connections? Or if the problem is low quality of education services, has the program identified the key drivers for change as they relate to availability of educational inputs or teacher presence and motivation?

16. The assessment then reviews the incentives in place for Program stakeholders to contribute effectively to the Program’s success. Box 1.1 lists questions that may guide the review. Finally, the assessment reviews the Program’s organizational ability to plan, design, implement (including manage and supervise contracts), and monitor Program execution. For ongoing Programs, the assessment will also focus on actual performance. Box 1.2 lists indicative questions that a task team may ask in conducting the assessment.

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5 In some cases, there may be a case for the borrower, the Bank, and relevant development partners to work together and ensure the necessary reports and studies are completed by the time the PforR operation is to be prepared.
Box 1.1. Indicative questions to assess incentives for Program stakeholders

- Is the Program timely?
- Among all the pressing issues the borrower needs to resolve, do Program stakeholders see the issue the Program tackles as a priority issue to be resolved at this point in time?
- How supportive are the potential end users?
- Is the political environment supportive of the Program?
- Does the consensus on the Program’s strategic relevance translate into day-to-day support from the central and line ministries, as well as appropriate staff, staff skills mix and budgets made available (taking into account the overall fiscal constraints)?
- Does the program have a champion?
- Is there a clear structure of accountability in place for the Program?
- Are the implementing agency staff accountable but also empowered?
- If a key bottleneck to the Program’s success is behavior from, for example, government staff or end users, is the Program designed to induce the expected behavioral changes?
- Is the Program sufficiently focused, and do the stakeholders understand clearly how Program activities will help resolve the issues the Program intends to tackle? In other words, are the cause-to-effect links clear, have they been communicated widely, and has a consensus emerged on the ability of the Program to resolve the issue?
- Are there political economy issues?
- Do Program activities increase benefits for some while reducing benefits for others?
- Who has vested interests?
- Is there on-going transparent communication, consultations, and engagement with stakeholders?
- What are the benefits for the Program stakeholders?
- Are the Program benefits obvious to beneficiaries and civil society at large?
- Is civil society/beneficiaries involved in any way in the Program?
- How will the implementing agency staff be recognized if the Program is successful?
- For an existing Program, is the team cognizant of any allegations of fraud and corruption and, if any, how was it addressed?

Box 1.2. Indicative questions to assess the Program’s planning, design, execution and monitoring capacity

1. Planning of Program activities

- Have key steps and their sequence been clearly identified to allow for an efficient implementation of Program activities and achievement of results? Is this critical path followed in practice?
- Are cost and time assumptions related to Program activities realistic, and calibrated through market tests and data from recently completed activities?
- Is planning dynamic, reflecting new information as it comes in and changes in key assumptions surface?
- Is planning effectively used as a basis to take decisions?
- If so, how transparent has this process been?

2. Design of Program activities

- Are the strategies operationalized in a way that would facilitate implementation? Can Program managers translate strategy into actions?
- Do the various Program stakeholders have adequate incentives to influence Program performance? What mechanism is in place to ensure participation in the design process?
- Do the specifications ensure that Program activities are affordable and economically viable?
- Do the specifications allow for competition among potential providers?
### Box 1.2. Indicative Questions that Might be Asked in Conducting the Assessment (cont’d)

#### 3. Execution of Program activities

- Does the implementing agency have adequate technical capacity to manage the Program and a clear structure of accountability?
- Is the management structure and decision-making consistent with the overall government structure, the Program objectives, and the budget system? If not, what are the key constraints?
- In cases where Program activities are contracted out, do agency staff have sufficient technical expertise to ensure the integrity of the selection process, manage contracts and contractors efficiently and transparently, resolve disputes, and ensure most contracts are executed on time and on budget?
- Does the implementing agency ensure that its staff has sufficient information, technical expertise, and integrity to authorize payments in the right amount to the right beneficiary? What can be learned from past performance in this area?
- Is the implementing agency able to adequately allocate its staff and resources in function of evolution of demand?
- Are the intended beneficiaries the actual beneficiaries? Do the beneficiaries receive the intended benefit? What is their degree of participation in program activities? Is the program publicized enough for the beneficiaries to be aware and know what to expect? Are their factors of possible participant exclusion to be considered?
- In the case of an ongoing Program, are outputs of acceptable quality?
- Is a feedback loop included in the Program’s structure, to allow for continuous monitoring of emerging issues, and timely implementation of corrective measures? Does it include all the necessary stakeholders?

#### 4. Monitoring of Program activities

- Is the Program subjected to adequate monitoring by an entity capable of objectively and reliably assessing Program performance and credibly measuring progress in reaching the Program’s objectives?
- What reporting arrangements are in place for Program monitoring? What entity is responsible for reporting? What agencies receive routine reporting? How do these agencies use the information reported?
- Can the implementing agency know whether the Program is achieving its expected results and impact, and what the main obstacles to reach such results are? If so, does the implementing agency adequately act upon such knowledge?

#### 5. Overall performance of the Program

- For ongoing Programs, has the Program been performing consistently?
- Have expected results been achieved over the recent past?
- How do the overall achievements compare to their plans and targets?
- What are the main constraints and weaknesses facing the Program?
- How widely are the results known?
17. Task teams may rely on knowledge and experience of team members and internal and external experts, as well as those working with other development partners, as needed, to conduct the technical assessment. Task teams may also rely on available guidance on topics such as project management, monitoring and evaluation, and how to handle sector-specific technical issues. In the assessment, task teams provide a summary evaluation of the Program’s technical soundness and incentives structure, as well as of the Program’s organization at the various stages of processing, planning, designing, executing, and monitoring program activities.

C. Institutional Arrangements

18. **Borrower capacity.** Task teams assess the adequacy of borrower capacity to implement the Program and the proposed PAP, including the ability to manage fraud and corruption risks (F&C). In cases where there is a choice of agency, task teams would confirm that the borrower’s choice in terms of Program implementing agencies is adequate, within the pool of likely implementing agencies. For example, if an agricultural frontier development program was to involve road construction, would the construction of such roads best be handled by the borrower’s Ministry of Agriculture’s implementing unit, or by the borrower’s road administration?

19. The assessment then turns to the institutional structure for Program implementation. Task teams may consider the following questions:

- Are the necessary borrower entities involved under the Program?
- Are their roles and responsibilities clearly defined in relation to the Program’s implementing agency, including accountability for delivering the Program?
- Are there adequate incentives to ensure cross-entity collaboration?

20. **Does the implementing agency have adequate resources to carry out the Program?** In answering this question, task teams may assess whether (a) staffing levels and skills mix are adequate at each of the Program stages; (b) the agency can quickly leverage its available staffing with external support (e.g., consultants or staff from other government entities) to respond to specific issues arising during Program implementation; (c) approved budgets, both for recurrent and capital expenditures, have adequate levels and are made available in a timely and transparent fashion to respond to the Program’s needs; (d) there is adequate capacity to provide credible, routine reporting on the Program and its outcomes; and (e) there is an adequate oversight mechanism.

21. **Are adequate arrangements in place to implement the Program?** Programs can be implemented in various ways. Regardless of the arrangements in place, they (a) should cover the various stages of the Program, such as planning, design, resource commitment, bidding/contracting (when needed), execution, supervision, reporting, and auditing; (b) should involve staff with relevant skills and experience for the various aspects of the Program; and (c) should be designed to foster the Program’s performance. Typical issues to look for include

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6 Parts of the input for the assessment of institutional arrangements are expected to be generated from the systems assessment for PforR operations; see Fiduciary Systems Assessment Interim Guidance Note (Chapter Three) and Environmental and Social Systems Assessment Interim Guidance Note (Chapter Four).
overlapping or competing responsibilities among different agency units, weak arrangements at a specific program stage (e.g., supervision), and weak M&E arrangements. In addition, the technical assessment is expected to include a description of the institutional and organizational framework in place in the country to deal with F&C, and to allow for complaints, and of the framework’s elements applicable under the Program. If possible, the assessment should indicate whether the framework is functioning (e.g., by providing estimates of the number of F&C allegations or complaints received and/or processed recently under the Program, and making reference to available background studies/evaluations available to the task team on the framework’s efficiency in general or, if possible, under the Program).

22. **How clear is the decision-making process in the agency? Who are the decision-makers and are they accountable for the delivery of the Program?** In answering these questions, task teams may look at whether (a) decision-makers receive, in a timely fashion, the necessary information to conduct their analysis, identify issues, and support their decisions to resolve such issues; (b) routine decisions are predictable; and (c) decisions are communicated with a clear justification.

23. **Is there a clear accountability structure in place for the Program?** In answering this question, task teams may look at whether (a) staff roles and responsibilities are adequate and clear, and whether staff understand them clearly; (b) staff have appropriate incentives to carry out these roles, including commitment to the Program’s results, access to adequate resources, management support, and compensation; and (c) accountability is enforced. Task teams may also look at whether the Program benefits from clear leadership in its management.

24. **Borrower commitment.** A strong borrower commitment to the Program’s objectives and implementation is key to ensure that it can meet its expected results in a timely and efficient fashion. Building and maintaining commitment is a dynamic process for the borrower. It often involves persuading new groups to support and contribute to the Program, and it sometimes requires modifying the Program to reflect evolving experience and changing circumstances. The Bank can contribute to this process through its policy dialogue and its analytic work.

25. Assessing commitment can be difficult. At the level of strategic discussions between a borrower and the Bank (e.g., in the context of the preparation of a Bank country strategy), specific government programs are usually referred to in broad terms, with few details given on the program’s precise objectives and results, and usually no details given on the program’s design and implementation arrangements. Also, policymakers may underestimate the risks of the program not achieving its expected results in a cost- and time-efficient fashion. In most cases, assessing ownership requires thoughtful inquiry by Bank staff. Because ownership can change over time, periodic reassessment is necessary. Finally, a PforR operation should not be used to induce a borrower to introduce improvements that it does not wish because it is unlikely that these improvements will be fully implemented and sustained. Box 1.3 provides indicators for assessing borrower commitment.
Box 1.3. Illustrative Indicators for Assessing Borrower Commitment

- The program is specifically referred to in the country’s national or relevant sectoral development plan or similar document that has been widely discussed and formally approved.
- Key policymakers articulate their commitment and to the program and its relevance.
- Political leaders have publicly stated their support for the program.
- Relevant interest groups have been engaged in dialogue with the government about the program design and implementation and have indicated general support.
- The government has a good track record in implementing the program or in implementing programs similar in size, scope, complexity, and impacts on the environment and society.
- The government has recently taken steps to address some of the key issues under the program.
- Budgets and payments under the program allow for meaningful implementation progress.

26. Task teams provide a summary of their assessment of borrower capacity and commitment to the Program, using, as necessary, inputs from the other sections of this technical assessment or sections of the systems assessments.

IV. ASSESSING THE PROGRAM EXPENDITURE FRAMEWORK

27. An adequate expenditure framework is essential for an effective implementation of government programs and the delivery of services, which enable the achievement of the country development objectives. A sound government expenditure framework should contribute to the efficient execution of government programs in three ways:

(a) A good expenditure framework favors the maintenance of financial sustainability and the predictability of resource availability, essential for the continuous funding of government programs and the delivery of services.

(b) A well-functioning expenditure management system allows the alignment of the policy objectives, selected priorities, and intended results established in the government’s strategies with the resource allocation defined in the budget and more importantly in the budget execution.

(c) A proper budget execution system creates the mechanisms and incentives supporting an efficient service delivery and value for money in government programs.

28. The content and complexity of the assessment of a Program expenditure framework varies according to size and complexity of the financing structure of the programs to be supported. Therefore, the scope of the assessment should focus on the government budget and expenditure management issues that may put at risk the capacity of the Program to reach its expected results.

29. There are four suggested steps for assessing the Program expenditure framework:

   Step 1. Review the budget structure and classification,
   Step 2. Assess the Program’s financial sustainability and funding predictability,
   Step 3. Assess the adherence of the budgeted Program expenditure and its execution to the government’s priorities, and
   Step 4. Focus on the efficiency of Program expenditures.
30. **Step 1. Review the budget structure and classification.** The assessment begins by tracking government expenditures under the Program and the budgetary information available on the economic category and programmatic composition of expenditures (i.e., the share of the Program’s expenditures that is allocated to salaries, operating, and capital spending). A proper classification allows the tracking of expenditures according to (a) administrative units (ministries, decentralized entities, etc); (b) economic categories (recurrent, capital spending, etc); (c) functions (health, education, etc); and (d) government programs, subprograms, projects, and activities.

31. **Step 2. Assess the Program’s financial sustainability and funding predictability.** The task team assesses the capability of the government to finance (from various funding sources) the execution of the Program, relative to the government’s overall fiscal situation in a multi-year perspective. A quick verification of the medium-term financial conditions of the government could be done early and simply through referencing the main findings of the IMF/Bank Joint Debt Sustainability Analysis. Another option that has been commonly used in sector-wide approaches (SWAs) is the medium-term expenditure frameworks (MTEFs) for the Program. The MTEFs provide projections and detailed information on expenditure composition by sectors, programs, and/or administrative units. Some programs may have an MTEF while others may prepare one as part of the preparation of sector strategies or the preparation of a PforR operation. The formulation of a Program’s MTEF would involve making projections of both expenditures and their sources of financing. The aggregate financing expected to be available for the Program over the projection period is the Program’s resource envelope. For each year of the projection, expenditures must fall within the resource envelope. In projecting the Program’s expenditures, it may not be necessary or feasible to use the same level of aggregation in the projection as that found in the base-year annual budget. The projection could be made using a broader level of aggregation.

32. Determining the proper level of aggregation of the expenditure projection requires judgment and would be discussed and agreed on between the Bank and the counterpart team at an early stage of preparation. A medium-term projection of a Program’s expenditures usually includes the definition of the results to be achieved within a specific timeframe and the specific transactions and activities to achieve such results. In assessing a Program’s medium-term budget, the Bank applies certain criteria. The first is that the medium-term budget adequately reflects the estimated costs of the transactions and activities that would have to be carried out in order to generate the outputs required to achieve the Program’s objectives as summarized in the results.

33. Task teams also assess the government’s ability to execute, under the Program, its budgeted expenditures. A measure of the ability to execute budgeted expenditures could be the aggregate expenditure out-turns compared to those approved in the budget law. Sizeable and persistent deviations (e.g., of more than 20 percent and for the last three years) could indicate weaknesses with regard to the government’s ability to implement the Program or that resource availability projections used to prepare the Program budget are not reliable and therefore planned or budgeted expenditures are not realistic.
34. The generation of arrears is an important source of risk that may affect the Program’s ability to achieve its expected results. A stock of arrears reflects inadequate budgeting of expenditures (underestimation of expenses), cash shortfalls, or cash flow uncertainty and weaknesses in budget execution controls under the Program at the commitment stage. Task teams would request information on the existent stock of arrears under the Program and on the annual flow of arrears generation. A large stock of arrears and permanent generation of arrears could indicate that the government frequently under-finances its programs or that financial execution controls are weak.

35. In conducting their assessment, task teams could also consider the possible impacts from unexpected exogenous shocks that are not under the control of the government but could negatively affect the accuracy of revenue projections, thus harming the predictability of funding of government programs. In this respect, task teams could evaluate the priority level of the Program when a government has to consider budget cuts since frequently the government’s maneuverability is limited during budget cuts in scenarios of revenue shortfall. Certain programs, considered of strategic importance by the government, have revenue protection mechanisms in place. Mandatory expenditures such as salaries, debt service payments, pensions, and other entitlements or earmarking revenue mechanisms reduce maneuverability; and expenditure adjustments are concentrated in programs that are less resilient to potential cuts (mostly discretionary spending or non-mandatory spending) and not necessarily on programs that the government would like to cut.

36. Expenditure rigidity can be measured as the proportion of expenditures that cannot be reduced (due to their mandatory nature or because they provide continuous services) on total expenditures. Values above 80 percent indicate that expenditure rigidity could threaten the implementation of programs, especially those involving discretionary spending. If quantitative measurement of expenditure rigidity cannot be easily estimated (mainly because there is controversy regarding the rigid nature of some expenditures), task teams could provide a qualitative assessment of the impact of budget rigidity for the Program, or use the sum of salaries and debt services (both categories are clearly rigid) to total expenses as a proxy.

37. Along this line, task teams could review the composition of the expenditure of the Program according to the economic category classification. Shares of salaries, goods, and services and capital spending on total expenditures and expected maintenance costs would allow the identification and measurement of parts of the expenditure program that would become permanent and therefore could affect financial sustainability in the medium term.

38. The predictability of donors’ aid flows in terms of budget support operations or support to specific government programs is another relevant factor affecting the execution of programs, especially in cases when there is a low domestic resource mobilization capacity, and donors’ support represents a large portion of government revenues. Lack of predictability of donor support has the same effect of inaccurate projection of revenues: high variability and delays within the year of donors’ support jeopardizes expenditure management harming the ability to execute the budget as planned.

7 “Generation of arrears” is debt accrued by the government under the Program after having missed one or more due payments.
Step 3. Assessing the adherence of the budgeted Program expenditure and its execution to the government’s priorities. This aspect of the assessment consists of (a) verification of whether Program budget allocations are aligned with government priorities; (b) comparison of Program expenditure composition out-turn and original approved budget composition; (c) verification of whether the Program budget allocations are consistent with intended results; and (d) analysis of budget allocations across the various types of Program transactions.

Alignment of budget allocations with government priorities. For a given sector, there is often a sector strategy defined in which government priorities are explicitly defined and translated into sector programs, which are sometimes explicitly noted in expenditures. Programs may also be part of a medium-term government strategy for development or poverty reduction, or be included in a medium-term expenditure framework. In principle, allocations defined in annual budgets should simply reproduce on an annual basis the allocations defined in the multi-year framework. Of course, some discrepancies are likely due to differences in revenue forecasts, unexpected events, etc.; but in the medium term, the adherence between multi-year and annual budget allocations is expected to be observed.

A simple measure to assess the adherence of budget allocations to government priorities could be the ratio of actual annual budget allocations for sectors or programs to the resource allocation defined in the multi-year program. For countries that do not have multi-year budgeting, a simple judgment on compatibility between overall government priorities and aggregated allocations directed to sectors would be used.

Comparison between Program expenditure composition out-turn and the expenditure composition in the budget. When expenditure composition differs considerably from the composition derived from the approved budget, it is possible to deduce that the budget may not be a reliable source of information regarding government priorities and that implementation capacity may be an issue. Such discrepancy may be due to inefficiencies in budget management, including inaccurate revenue forecasts, underestimation of mandatory expenses, cash management inefficiencies, and inadequate budget execution controls. Such discrepancy may also be linked to the capacity of the Program’s implementing agency. In principle, the quality of public spending would improve to the extent to which the Program’s implementing agency and line ministry have adequate technical capacity and institutional processes.

Relationship between budgetary allocations and intended results. The assessment of this relationship could provide information on the relevance attributed by the government to the Program to allow it to achieve its expected results. Bank experience and knowledge on the sectors and programs in client countries could provide information to assess whether expenditure levels devoted to the Program are adequate for the achievement of intended results. Key expenditure parameters are essential to determine whether resource allocations are sufficient to obtain the intended level of outputs or service delivery. How that is done will vary depending on the nature of the sector and the specific results of the Program. Good practice notes and examples could be made available to task teams to help guide them in this task. Task teams could also build upon the assessments of the Program’s strategic relevance and technical soundness.
44. **Budget allocations across the various types of Program activities.** The analysis of such budget allocations would allow for the determination of whether the budget received by each type of activity corresponds to the technical need for such activity (as evaluated under the Program’s technical soundness assessment). Under a primary education program, for example, it would be important to assess whether the budgetary allocations for teachers’ salaries versus classroom construction versus provision of textbooks would allow the primary education program to reach its expected results.

45. **Step 4. Focus on the efficiency of Program expenditures.** This step is complementary to the Program’s economic analysis. Task teams assess whether the Program is delivered efficiently, taking into account available resources, and/or if the production costs are reasonable (e.g., compatible with national or international standards). Given the difficulties of comparing what is actually produced or performed with what can be achieved with the same consumption of resources, the task team could perform simple comparisons between international unitary costs or costs observed in other programs in the same country (or countries with similar characteristics), and build on the lessons learned and evaluation studies and good practice to assess if the Program is efficiently delivered. The results of such analysis could be complemented by the Program’s economic evaluation.

46. Task teams would also identify the factors explaining the expenditure levels of the Program. From an expenditure management perspective, three key factors to be considered in the approach and related costs for the delivery of the Program are (a) its procurement system, (b) budget process, and (c) the corresponding institutional arrangements (including the expenditure execution incentive mechanisms).

47. **Quality of the Program budget execution process.** It is important to ascertain if there has been a recent pattern of major discrepancies between budget allocations, releases, and actual expenditures. Gaps between budget allocations and releases may be indicative of a pattern of over-estimation of government revenues (usually a government-wide feature, rather than specific to any given program). On the other hand, if releases had been timely and in line with the corresponding budget allocations but actual Program expenditure had fallen short of the amounts released, this would suggest that the Program’s implementing agencies have had insufficient capacity to carry out their planned activities. The Bank would need to ascertain and assess what changes the borrower intends to make in order to enhance implementation capacity of the relevant agencies. A poor budget execution process has perverse effects on the efficiency in the use of resources and on the pricing of government programs. In particular, the lack of predictability in resource flows negatively affects plans and use of resources in a timely and efficient manner. When private sector contracts are involved, for example, delays in financial execution lead to higher costs due to constant renegotiation and readjustment of contracts (known as “stops-and-gos”), litigations, higher costs of supervision and management, and additional interest payments on loans.

48. **Institutional arrangements and expenditure execution incentive mechanisms.** Task teams could assess the degree of autonomy in budget execution and the institutional capacity of the Program’s implementing agency. For example, systems that mix central input control through line-

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8 See Chapter Three, Fiduciary Systems Assessment Interim Guidance Note, for more details.
item budgeting and commitment and cash control with a degree of ministerial autonomy in actual program-level resource allocations do not create a favorable environment for efficient resource use by sector ministries. Because the sector ministries do not have any control of the flow of resources received, they are not accountable for results. Instead the focus of these ministries is to protect their overall budgets, executing non-priority programs with the expectation that central agencies will release resources for government priority programs executed by them and for their basic operation and maintenance costs. As a result, a reversal of budget priorities frequently occurs with cuts in investment programs and contingent liabilities generated by new expenditure commitments made by execution agencies out of approved budgets.

49. The guarantee of predictability of funds generates incentives that in turn affect the efficiency of government expenditures. In particular, the use of earmarking resources as a way to guarantee or at least to make funds more predictable could result in inefficient and wasteful use of resources. In fact, the effect of excessive earmarking on incentives to improve efficiency is normally negative.

50. While guaranteeing predictability and protecting key government expenditures, earmarking is a technically complex issue in which political economy considerations play a relevant role—since behind each earmarking arrangement, there is a vested interest prepared to defend the existing allocation. To the extent these “protected” expenditures are also of high quality, meeting the collective societal welfare, the use of earmarking mechanisms may actually enhance government expenditure allocation efficiency, at least in the static sense, especially in a situation where the budgeting process leads to unpredictable funding flows for legally unprotected expenditures. The problem with earmarking is not necessarily that those rigid budget components are always inefficient in terms of allocation but that it removes those portions of the budget from overall allocative decision-making in annual or even multi-annual budgetary considerations where inevitable trade-offs should be considered. It is thus likely that by “protecting” specific expenditure items through earmarking or obligatory designation, some of the programs that the government and the society might consider to be higher priorities end up becoming de facto lower priorities in terms of resource allocations. More importantly, protection generates incentives in expenditure efficiency. As resources are guaranteed, benefited agencies may not have incentives to improve performance and results since the feedback to the budget cycle will not affect the earmarked resources. Box 1.4 gives indicative questions that might be asked in conducting the expenditure review.

51. Task teams will inform whether the Program is protected by revenue-earmarking mechanisms and assess the impact of such earmarking on funding predictability and expenditure efficiency. As necessary, task teams will review the structure of financing of the Program, calculating the “protected” share of the Program that could be defined as the ratio of earmarked revenues (that finances the Program) to the budgeted expenditure dedicated to the Program.
Box 1.4. Indicative Questions a Task Team May Ask in Conducting the Expenditure Review

**Budget classifications**
- Are budget classifications in place to track government expenditures under the Program?
- Is budgetary information available on the economic category and programmatic composition of expenditures (i.e., the share of the Program’s expenditures that is allocated to salaries, operating, and capital spending)?

**Financial sustainability and funding predictability**
- Is the government able to finance, from its own revenues, loans, credits, or grants (including from relevant development partners) the execution of the Program?
- Is the government able to execute, under the Program, its budgeted expenditures? Are there sizeable and persistent deviations between the aggregate expenditure out-turns and the approved amount in the budget law (e.g., of more than 20 percent and for the last three years)?
- Is there a stock of arrears reflecting inadequate budgeting of expenditures (underestimation of expenses), cash shortfalls, or cash flow uncertainty and weaknesses in budget execution controls under the Program?
- Are there possible impacts from unexpected exogenous shocks that are not under the control of the government, but could negatively affect the accuracy of revenue projections, thus harming the predictability of funding of government programs? Is the Program a high enough priority that it would survive budget cuts?
- What is the predictability of donors’ aid flows in terms of budget support operations or support to the Program?

**Adherence of Program expenditure to government priorities**
- Are Program budget allocations aligned with government priorities (as reflected in the sector strategy, medium-term government strategy for development or poverty reduction, etc.)?
- What is the ratio of the sum of annual budget allocations for sectors or programs and the resource allocation defined in the multi-year program?
- Is there considerable difference between Program expenditure composition out-turn and the expenditure composition in the budget?
- What is the relationship between budgetary allocations and intended results?
- Does international experience in the sector provide information to assess whether expenditure levels devoted to the Program are adequate for the achievement of intended results?

**Allocation of budget across activities**
- What is the budget allocation across the various types of Program activities?
- Does the budget received by each type of activities correspond to the technical need for such activities?

**Efficiency of Program expenditures**
- Is the Program delivered efficiently, taking into account available resources?
- Are production costs reasonable (for example, compatible with national or international standards)?

**Budget execution**
- What is the quality of the Program budget execution process?
- What is the degree of autonomy in budget execution and the institutional capacity of the Program’s implementing agency? Is there central input control through line-item budgeting or commitment and cash control with a degree of ministerial autonomy in actual resource allocations at the Program level? Is there a mix?
- Is the Program protected by revenue earmarking mechanisms? What is the impact of such earmarking on fund predictability and expenditure efficiency?
- What is the “protected” share of the Program—defined as the ratio of earmarked revenues (that finances the Program) to the budgeted expenditure dedicated to the Program?
V. RESULTS FRAMEWORK AND MONITORING AND EVALUATION

52. The assessment of the results framework for a government program is carried out in partnership between the borrower and the Bank during preparation of a PforR operation. This should address (a) the definition of the Program’s results framework; (b) definition of the disbursement-linked indicators; and (c) the assessment of M&E capacity building needed to achieve results. Box 1.5 provides a list of terms frequently used in the results vocabulary in reference to PforR operations.

Box 1.5. A Results Vocabulary for PforR Operations

**Results** are the output, outcome, or impact of a development intervention. In general, the Bank seeks to encourage results that support sustainable improvements in country outcomes—that is, evident changes in peoples’ lives, and/or the behaviors of targeted organizations, households, or firms.

A program’s **results chain** is a plausible causal relationship that describes how the program’s activities and interventions will lead to its expected outcomes.

A program’s **results framework** explains how its development objectives will be achieved, linking its outcomes, outputs and actions and the indicators to be used to verify their achievement, as presented in the Results Framework Matrix.

**Disbursement-linked indicators** are a limited set of key indicators that are considered critical toward achievement of the Program development objectives (PDOs) and would be the basis for disbursement of World Bank funding. They may also include key performance actions deemed necessary to strengthen the performance of the government’s financial management and procurement processes, environmental and social aspects, oversight and controls (including integrity systems), monitoring and evaluation for the program.

**Outputs** are the supply-side deliverables, including events, products, capital goods, or services that result from a development intervention (e.g., construction of a school, road, or health clinic). Outputs are within the control of Program management and represent the results that Program management should be able to guarantee. Output indicators are measures to verify to what extent the outputs are produced. They generally describe the number or type of outputs produced. Examples include number of teachers provided training, number of children vaccinated, and kilometers of roads rehabilitated. The key distinction between an output (a specific good or service) and an outcome is that an output typically is a change in the supply of goods and services (supply side), while an outcome reflects changes in the utilization of goods and services (demand side).

**Intermediate Outcomes or Intermediate Results** describe how outputs are used—the results of a program’s outputs. For example, teachers use new teaching methods (intermediate outcome) to improve learning among students (final outcome). Intermediate outcome or intermediate results indicators typically measure the number or type of intermediate outcomes or results, such as number of teachers using the new teaching methods.

**Outcomes** describe the uptake, adoption, or use of program outputs by the program beneficiaries. Outcomes can be medium-term or longer-term outcomes. Outcome indicators are generally at the PDO level and measure one or more of a program’s typical results over the medium term. They indicate, by the end of the program, expected achievements. Examples include improved learning outcomes, reduced child malnutrition, and reduced transportation costs.

**Action, process, or performance indicators** typically measure decisions, performance, enactment of program guidelines, or the general adoption of key measures needed to ensure the functioning of a government program. Process indicators would typically include measures to strengthen the performance of the government financial management, procurements processes, environmental and social aspects, oversight and controls, or monitoring and evaluation.
A. Definition of a Program’s Results Framework

53. Programs supported by PforR operations require a well-defined results framework, with clearly defined objectives and indicators that the government can monitor, measure, and report on routinely. While all Bank operations have a results orientation, the strengthened results focus under the PforR instrument requires a sound and comprehensive Program results framework and that adequate systems for the measurement of its results be in place.

54. Throughout preparation and appraisal, the task team works closely with the borrower to define the Program’s results framework, which is then summarized in a results framework that presents the PDOs and relevant indicators in the Program’s results chain (i.e., process indicators, financing indicators, intermediate outcomes, outputs or outcomes) and their relation to achieving the PDOs. When a PforR operation supports part of a government’s program (certain components, for example) or when the assessment of a Program’s results framework reveals a highly detailed set of results, including results that would be difficult to measure and monitor realistically, task teams can adopt a subset of the Program’s results. The results framework should present reference, realistic targets during implementation; and frequency, data source, and monitoring responsibility for each of the selected results. Table 1.1 provides illustrative examples of results indicators for select sectors.

Table 1.1: Illustrative Examples of Results Indicators for Select Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Output-level indicators</th>
<th>Intermediate outcome-level indicators</th>
<th>PDO- or outcome-level indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Number of teachers trained in new curriculum</td>
<td>Number of teachers using improved curriculum in classrooms</td>
<td>Improved student achievement scores on tests at primary level</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Number tons of fertilizer and of new seed varieties distributed to target farmer groups</td>
<td>Number of farmers using fertilizer and new seed varieties</td>
<td>Number of farmers who increase rice yields by 50%</td>
</tr>
<tr>
<td>Transport</td>
<td>Kilometers of roads rehabilitated</td>
<td>Number of persons using rehabilitated roads</td>
<td>Percentage of overall average annual increase in passenger and goods traffic on rehabilitated roads</td>
</tr>
</tbody>
</table>

B. Assessment of the Results Framework and the Program’s M&E Capacity

55. During identification, the task team should gain a general understanding of the government’s program and carry out an initial assessment of its corresponding results framework and the implementing agency’s M&E systems, including arrangements and capacity. The team should also learn about existing reporting arrangements that are in place for the government program, including both the responsibility for and use of reporting information.

9 Where Program results indicators are similar to or the same as Core Sector Indicators approved by Bank Sector Boards and are relevant to the Program, the data supporting these indicators should be captured in a manner consistent with the PforR approach.
56. The task team should review the government program’s results framework to understand the basic design of the program and the expected results. At this stage, the government program’s results framework may not be available or may not have been made explicit or referred to as such. In many cases, the results framework may be implicit in a government strategy or other documents either about the program or one that mentions the program and sets out its objectives and planned activities, and possible targets. At this stage, an initial understanding and engagement with the client to understand the program and the expected results will be important. Teams may want to address the following broad questions:

- Does the government program have a results framework? If so, what is it?
- Does the framework address only those results that can be attributable to the government program?
- Is the government fully aware of the risks and how clearly are they linked to the results to achieve? If not, how can it be improved and better defined?
- How can Bank assistance help strengthen the results framework? How can this assistance best be provided?

57. As necessary, the task team starts adapting the government program results framework to the boundaries of the Program, tentatively defining PDOs and a set of key Program results. The initial assessment of the Program’s M&E system can be brief during the identification stage. It could consist mainly of seeing what systems the Program has in place to monitor, evaluate, and report. A preliminary look at Program progress reports, if available, would give some sense of M&E capacity and the type of information already being collected for the Program. This would also provide an understanding of institutional responsibilities for reporting, how reported information is utilized among various institutions, and what decisions or actions it informs. It is also important at this stage to determine if the government has already identified the need for strengthening M&E systems with specific results indicators that are or will become integral to the Program’s results framework. As an example, cash transfer programs typically involve not only financing of transfers but also objectives related to institutional strengthening for better targeting to monitor conditions and improve the program’s management. It is not unusual for these programs to include strengthening of beneficiary registries and improved monitoring as an integral aspect of the program and the results.

58. The PCN would include a general description of the government program; an assessment of its expected results and whether a framework is in place or is being developed; an initial description of the Program; the tentative PDOs, key results and scope of activities; a brief description of existing M&E systems, including reporting arrangements and responsibilities; and a description of any areas for strengthening that have already been identified with the borrower.

59. During assessment and appraisal. Throughout assessment and appraisal, the task team should continue to work closely with the client to consolidate (a) the Program’s results framework; and (b) M&E systems (arrangements and capacity), including relevant reporting arrangements.

60. During the assessment phase of preparation, task teams should continue to work with the borrower to refine (or define) the Program’s results framework. A borrower may already have a
well-defined Program supported by a concise, well-framed results framework. In this case, the
task team’s input may be one of assessing and appraising the framework and providing advice on
possible areas for improvement. At the other extreme, a Program may still require definition and
framing, its expected results may be optimistic goals that may not be achievable within the
Program’s timeframe. More thought may need to be given to the actions, processes, and outputs
that will be required to make the PDOs achievable. Most Programs will probably fall somewhere
between these extremes. In any event, task teams should use this phase of preparation as an
opportunity to engage with clients in capacity building, either by providing technical assistance
through the preparation process, or through workshops, seminars, or other means. The process of
defining a results framework may be a continuous process of working with the client to frame
and refine the Program. When task teams need to provide continuous hands-on assistance, it is
important to remember that the borrower must have ownership of the Program and its results
framework.

61. Below are indicative questions a task team may ask in conducting the assessment of the
Program’s results framework:

- Does the framework identify all of the actions, outputs, and outcomes needed to
  achieve the Program’s development objectives? Are the objectives realistic? Is the
  results chain implicit in the results framework realistic?
- Are the expected results achievable within the Program’s expected implementation
  period? Is the data needed to confirm achievement available in a timely manner? Are
  the results (outputs, intermediate outcomes, and outcomes) clear?
- Are there expected results not within the borrower’s sphere of influence, or are they
  dependent only on agencies implementing the Program? Are there results that could
  be impacted by factors exogenous to the Program, for example climate variability?
  Are the expected results realistic? Are the indicators in the results framework well
  defined and unambiguous? Are the indicators to measure results at each level clear?
  Are they SMART (specific, measurable, attainable, relevant, and timely)? Can the
  indicators be monitored routinely? How will the Program collect data to measure the
  results (means of verification)? Are those procedures clearly identified and realistic?
  Is M&E capacity in place to monitor expected results? If not, what actions can be
  taken to strengthen M&E capacity?
- Does the results framework address issues identified in the systems assessment and
  potential risks identified in the Program’s integrated risk assessments?
- Are all of the results an integral part of the government’s program and seen as
  necessary toward achievement of the Program’s development objectives?

62. Evaluation. The task team should also begin to identify the specific areas for which
evaluation would be relevant, the possible type of evaluations, and their timing. For example,
process evaluations may be required to improve performance during Program implementation,
while results impact evaluation may be required to measure the efficiency and effectiveness of
Program interventions. Impact evaluations are particularly important to measure results
rigorously, although not all programs require or can actually implement rigorous impact
evaluations. Impact evaluations using experimental or quasi-experimental methods are
recommended if (a) the Program is considered highly strategic for the country’s overall goals; (b) the Program is testing innovative and new ways of reaching objectives; and (c) a rigorous impact evaluation is feasible (e.g., one can identify and maintain comparison/control groups). The task team should begin to explore whether an impact evaluation is needed or possible, as this may affect the Program’s design and the selection of Program locations, in addition to having cost implications.

63. **Risks.** Throughout preparation, the task team should consider risks related to the Program’s results framework. Specifically, the team should identify and assess key risks to the government’s program related to the following:

- Achievement of the Program’s key milestones on its results chain;
- Factors that could alter or affect the timing and calibration of achievement of Program results, including governance and integrity risks; and
- Factors associated with capacity and institutional arrangements for monitoring, verifying, and evaluating the Program’s results chain and key indicators.

64. For each identified key risk, the task team should assign relevant risk ratings, and identify and incorporate measures that will serve to mitigate those risks in the operation’s design. In deciding on whether to proceed with a PforR operation, the Bank should weigh the acceptability or adequacy of government systems with respect to the scope of the Program, the benchmarks used to assess technical and institutional quality, and the associated risks.

**C. Capacity Building for Monitoring and Evaluation**

65. The government’s capacity to monitor, evaluate, validate programs, and report results is an important aspect of a PforR operation. When that capacity does not exist, the operation provides an opportunity to help clients in strengthening systems for monitoring and evaluation. Functional M&E systems (including arrangements and capacity) that are responsive to the Program’s requirements, taking into consideration its complexity and scope, are needed to demonstrate the extent to which its results are achieved and to generate important lessons for learning and improvement over time. The M&E systems also provide useful information for accountability purposes and for reporting upon the use of public resources. In addition, carefully designed evaluations can provide useful inputs into budget and resource allocation decisions, as well as assess the effectiveness and efficiency of a Program’s interventions to achieve results.

66. While the assessment of systems for M&E of some government programs may indicate that both existing arrangements and adequate capacity for a PforR operation may be in place, the Program’s M&E systems may still require strengthening, including its arrangements and institutional capacity to enhance development impact and sustainability. If M&E capacity strengthening is deemed necessary, DLIs related to the M&E system could be defined. Alternatively, key actions and/or results needed to improve M&E systems in order to proceed with a PforR operation could be included in the Program Action Plan. Capacity building could also be supported through complementary analytical work and technical assistance by the Bank or through partnership arrangements with development partners (see Box 1.6 for options and approaches to M&E capacity development).
Box 1.6. Options and approaches to M&E capacity development

There are several ways to support capacity building for M&E. As examples, the Bank could:

- Support government efforts to conduct M&E activities and learn from these experiences.
- Support defining a clear governance structure for results monitoring and reporting.
- Provide technical assistance for activities such as MIS development, household surveys, and impact evaluations.
- Encourage dissemination of evaluation findings and reports widely to the public.
- Support professional development and training of government program staff, universities, and research institutions.
- Organize cross-learning events and study tours to countries with strong M&E systems.
- Support the organization of a community of evaluation practitioners.
- Support public expenditure management reforms and/or performance-based budgeting initiatives.
- Support civil society efforts to independently monitor and evaluate programs (e.g., citizen’s report cards, community scorecards, surveys, media reports).

67. Starting early in the preparation phase, the task team should assess the Program’s M&E systems. Below are indicative questions a task team may ask in conducting the assessment of the Program’s M&E capacity:

1. Overall institutional set-up

   - What is the implementing agency’s information infrastructure, including the availability and use of periodic surveys, and routine information systems at the national and local levels (as relevant depending upon the program)?
   - How do rules, systems, and incentives shape the behavior and decision-making processes within the implementing agency?
   - What are the budget-making process and the criteria used for how funds are allocated for programs? How does the implementing agency work with the ministries of finance and/or planning?
   - What is the demand within the implementing agency, and from outside the implementing agency, for relevant information and measuring agency performance?
   - Is the M&E function adequately staffed, both in terms of number and appropriate and qualified skills-mix?
   - What additional capacity development needs are there within the implementing agency or with other partners to strengthen the M&E systems?

2. Monitoring/Reporting

   - Monitoring. In assessing the monitoring capacity of the implementing agency and its ability to monitor its programs and investments, what type of monitoring and supervision do they normally perform? What role do decentralized units or departments of the implementing agency play in monitoring and reporting? How is monitoring information used? How is the quality of the monitoring information?
   - Is there any type of systematic third party or independent monitoring in place?
• **Reporting.** What are the current reporting arrangements from local to national levels and vice-versa? What is the frequency of reporting? How is the quality of the reports? What manuals and reports are currently in place? What are the mechanisms for flow of information among the various Program entities? Which agency or agencies are responsible for producing reports? Which agencies receive Program reports? How do they use the information received? What decisions are triggered on the basis of Program reports?

• What types of information systems are currently in place to capture and aggregate data (e.g., web-based, spreadsheets or manual)? How can they be improved?

• Is the information publicized and made available to the beneficiaries?

3. Evaluation

• When assessing the evaluation capacity of the implementing agency and its ability to evaluate its programs and investments, what types of baselines or evaluations are already in place or planned? What has been the quality of past evaluations? Which department is responsible for evaluations?

• Is an impact evaluation planned or needed?

• Is there any relationship with the national statistics office or the regular national survey data collection in the country?

4. Supply-side issues

• In determining the in-country M&E capacities and supply, what are the quality and/or reliability of monitoring and evaluation that have been conducted? What are the strengths and weaknesses of the local supply and knowledge? Are there opportunities for engagement with civil society, universities, survey or research firms in relation to M&E and/or third party monitoring or verification?

68. A key driver for assessing the capacity of the Program’s M&E system is to ensure that a credible mechanism is in place for monitoring and verifying the achievement of individual DLIs. The DLI protocols that verify the achievement of results associated to DLIs should be an integral part of the monitoring and reporting arrangements for the PforR operation. During appraisal, the task team should review the government’s experience with internal and external verification and reporting, and agree upon appropriate arrangements. Verification could be carried out by a government agency that has the capacity to provide independent verification or through an external third party (an independent entity, centers of excellence, NGOs, or private sector entities) in the event that capacity is not in place.

69. Taking into consideration the complexity and characteristics of the Program and the borrower’s institutional capacity, the assessment should specify whether the following issues have been well considered:

• Systems are in place for accurately monitoring and evaluating progress in the Program’s results framework and the achievement of the DLIs;
Strengthening of M&E systems is an integral part of the Program and therefore should be included in the Program’s results framework; and

Strengthening of M&E systems would be required for proceeding with a PforR operation. In the event that strengthening of M&E systems is necessary for moving ahead with the operation, the specific activities and results should be described in the PAP.

70. Table 1.2 presents a general framework for classifying M&E strengthening results or actions as either DLIs or actions. At a minimum, all operations require—either up-front or through identified activities to be carried out during the operation’s preparation and/or implementation—the capacity to monitor and evaluate both the Program’s results (in accordance with its results framework, as defined) and the progress toward and achievement of DLIs.

<table>
<thead>
<tr>
<th>What requires monitoring?</th>
<th>Why is M&amp;E strengthening needed?</th>
<th>Where is this reflected?</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results framework</td>
<td>To achieve PDO</td>
<td>A result for the Program in the results framework</td>
<td>Updated beneficiary registry</td>
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<td></td>
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<td>Program systems integrated with other agencies</td>
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<tr>
<td>DLI Matrix and Verification Protocol</td>
<td>To monitor DLI Matrix and Verification Protocol</td>
<td>PAP; Measures to strengthen M&amp;E should only be selected as DLIs if the PforR operation could not move forward without them</td>
<td>Hiring additional staff for M&amp;E</td>
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<td>Developing new databases and reports</td>
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VI. PROGRAM ECONOMIC EVALUATION

71. The initial decision for the Bank to support a government program through a PforR operation emerges from prior discussions with the client as part of the country dialogue and from management decisions already embedded in the CAS/CPS and related documents. Considerable background information and material may also be available from sector work, from country sources, or from past experience with similar types of programs and projects. This context will provide an important input into the depth and focus of economic analysis required for any individual program.

72. The economic evaluation of a PforR operation aims at answering the following key questions:

- Is public provision and/or financing appropriate for the Program?
- What is the economic impact of the Program, as being currently implemented or planned?
- What is the expected economic impact of the improved Program with PforR support?
What is the value added of the World Bank?

73. The economic evaluation for each operation would answer these questions, but should allow flexibility with respect to their analysis. While the fundamental questions must be addressed under each operation, the method of doing so will, to a considerable extent, be program specific.

A. Rationale for Public Provision and/or Financing

74. Assessing the rationale for public provision and/or financing of goods and services is an integral part of the economic evaluation of any government development program. The main rationales warranting public action include market failures, spillovers, redistribution, and social and political concerns. This assessment should be based on the causal chain underlying the Program, from Program design to outcomes (including the elimination of the bottleneck warranting public action in the first place). It should also build upon inputs provided under the strategic relevance and expenditure framework analysis of the technical assessment.

75. Many programs in the public sector do not introduce new programs but strengthen or improve ongoing ones by eliminating binding constraints on performance. In this case, the justification for including the original program in the public sector will most likely have been previously established and reflected in the assessment of the program’s strategic relevance. The causal chain from program design to elimination of the bottleneck, however, should still be laid out as fully as possible. For programs that involve various forms of partnership with the private sector, it will be important to explain and justify the chosen mode of delivery with reference to the government’s regulatory and administrative capacities, the private sector’s level of development and competitiveness, and the specific design features that make the project suitable for a public–private partnerships.

76. The assessment of the Program’s expenditure framework should help determine if the existing program is being delivered efficiently and taking account of available resources, and if the production costs are reasonable. In many cases it will be sufficient to undertake comparisons between international unitary costs or costs observed in similar programs in the same country; while in some cases some basic cost-benefit analysis should be possible.

B. Economic Impact of the Program

77. Assessing the Program’s economic impact rests on three ideas: (a) a Program contributes to development if expected benefits exceed expected costs; (b) benefits and costs attributable to a Program are measured by comparing the situation with the Program to the situation without the Program; and (c) where plausible alternatives exist, the selected Program should be the preferred design (least-cost option).

78. For many Programs, such evaluation may take the form of a narrative comparison of the “with” and “without” scenario, supported wherever possible by evidence from similar programs in the country or elsewhere to help establish what the Program contributes relative to the counterfactual. If benefits are quantifiable but not in monetary terms, it may be possible to measure benefits with and without the Program in terms of a possible reduction in the incidence...
of malaria, for example, without being able to express them in monetary terms. In such instances, several techniques are available to the analyst — break-even calculations, contingent evaluation, and least-cost analysis. In cases where task teams can assign monetary measure of costs and benefits with and without the Program (e.g., transport operations), staff can calculate a preliminary economic rate of return (or net present value) or at least indicate how this is to be done before appraisal.

79. When it comes to assessing the impact of the Program, including improvements determined during the preparation of the PforR operation, the basic approach is to describe what the improved Program is expected to achieve relative to a counterfactual, which is likely to be the continuation of an existing program or no program if the proposed Program is an entirely new one. It is important to provide a clear description of the problems, weaknesses, and constraints identified with the current government program and what exactly the improved Program is expected to do to address those problems and constraints. This description should outline the causal chain from design to impact with the factors justifying the various interventions and improvements. This exercise should parallel and build on the various Program assessments and related PAP and capacity building.

C. World Bank Value Added

80. The Bank’s input is intended to complement and contribute to the client’s efforts under the Program or those of its other development partners by providing new knowledge based on international experience; and by improving Program design, performance, processes, and capacity of the implementing agency during preparation of a PforR operation, and/or during its implementation, through technical assistance.

81. Bank input usually includes the definition and support to the implementation of Program-level improvement measures and of risk management measures, as well as the dissemination and adaptation of good practice. If a Program is highly innovative or requires special attention to verify the achievement of selected results, the Bank may propose and help organize an impact evaluation in addition to the basic economic analysis. If the goal is to complement local expertise in the short run, for example, training and capacity building may be required for the long run. If the Program is unusually large or risky, there may be need for a more thorough economic analysis. And, when the process from identification to approval requires continuous adjustment and modification of Program design as more information becomes available and more context-specific experience is generated, additional staff time may be required both to adapt Program design and to record any significant implications for the economic analysis.

D. Undertaking the Economic Evaluation

82. Depth and scope. The type of program bears on the nature and depth of the economic evaluation. Thus, an innovative program may warrant more rigorous analysis than a more traditional program, or a large program (relative to the country’s public investment program) than a small one, or a risky program relative to a straightforward one. An emergency program, on the other hand, may require an abbreviated economic analysis relative to programs implemented in more normal circumstances.
83. The depth of the economic analysis will also depend on the availability of quantitative information and the time and effort required to collect additional information. Even with abundant information early in the project cycle, projecting costs and benefits over 10, 20, or even 30 years inevitably results in highly uncertain estimates. Moreover, the appropriate measure of development impact, the difference between the situation with and without the project, is often difficult to gauge because the “without” project scenario is not observed, adding another layer of imprecision. And for many programs, especially those with a strong rationale for public provision, it may not be possible to express benefits in monetary terms. While generating new information from baseline surveys, control groups, contingent valuations, and so on can help to fill some of the gaps, all such efforts place considerable demands on staff time and that of local counterparts.

84. **Reporting.** An initial economic evaluation undertaken for the PCN should enable Bank Management to:
   - Check that the proposed operation is consistent with any prior decisions made in CASs and through the country dialogue regarding country strategy, sectoral focus, rationale for public provision and/or financing, and World Bank value added;
   - Understand to what extent and how the Program is expected to contribute to the country’s development; and
   - Determine what further actions are necessary to substantiate Program justification, if required, or to shepherd the Program through appraisal and prepare for implementation.

85. At a minimum, the PCN should provide Management with a clear description of the public rationale for the Program. In addition, the PCN should explain how the proposed operation either addresses the identified concern or compensates for it by outlining the causal chain from Program design to impact on the factor(s) justifying public intervention. Also, the PCN should provide a clear description of the Program’s expected contribution to development relative to the most reasonable counterfactual. Finally, the PCN should specify the Bank’s contribution and value added to the Program.

86. During the operation’s preparation, the economic analysis can be deepened. The operation’s appraisal should revisit the key questions, drawing on the additional information and analysis resulting from actions at the concept note stage. The operation’s appraisal should analyze the economic evaluation for the Program. Actions to be undertaken during implementation should also be described. Moreover, this analysis should also be closely coordinated with the risk assessment of the operation (see Chapter Five, Program Integrated Risk Assessment Guidance Note).

**VII. IMPLEMENTATION SUPPORT**

87. The borrower is responsible for the Program’s overall implementation, including its technical aspects. Implementation support by task teams includes (a) reviewing implementation progress and achievement of Program results and DLIs; (b) providing support for implementation issues as well as institutional capacity building; (c) monitoring systems’
performance to ensure their continuing adequacy through Program monitoring reports, audit reports, as well as field visits; and (d) monitoring changes in risks to the Program and compliance with legal agreements and, as needed, the Program Action Plan.

88. In the technical areas, task team should provide timely implementation support and internal reporting on the capacity of the borrower to (a) maintain satisfactory technical and institutional arrangements under the Program; (b) make available adequate budgets for the Program and to use such budgets appropriately, including through timely commitments and payments, and minimization of arrears; and (c) ensure that activities financed under the Program remain economically justified. Task teams also monitor progress in the implementation of the related improvement measures agreed on during the PforR operation’s preparation.

89. Task teams should monitor progress toward the achievement of the Program’s results (including the DLIs and associated disbursements) and identify bottlenecks or emerging issues and potential risks to the Program’s results, including the achievement of DLIs. The task team should routinely work with the borrower to ensure that the Program is on track toward the results outlined in its results framework. Progress should be monitored on the basis of Program progress reports submitted by the borrower as agreed during preparation and described in the PAD. In reviewing progress, the task team should assess progress against expected results (as well as possible unintended effects) as presented in the Program’s results framework: Are expected results on track? If not, why? They should compare overall Program expenditures with results achieved: Has the client incurred overall Program expenditures that support the achievement of its results? And they should identify possible factors that may affect the expected results: Are there any factors such as lack of Program funding, changed priorities, etc. that can impact the Program’s expected results? Timely attention in reviewing progress should allow the task team to give advice on, as well as the borrower to implement, any corrective actions needed to achieve the expected results in the face of changing circumstances.

90. Task teams should also routinely monitor progress toward the achievement of DLIs on the basis of agreed on reporting arrangements, including the Program’s progress reports and the DLI protocols. When compliance with a DLI is achieved and verified as agreed at appraisal, a clear statement should be reflected in the task team’s aide memoire and in the Implementation Status and Results Report.

91. Task teams should also provide technical support to the borrower in (a) the undertaking of the PAP and the institutional capacity building activities as defined during preparation, and (b) the identification and resolution of Program implementation issues. Support may come from the expertise of task team members, development partners, and contracted experts. As appropriate, the support to the borrower may include:

- Direct support by Bank staff in defining how to address a policy or regulatory matter that may affect the Program’s performance or resolve a specific Program issue;
- Assistance in drafting terms of reference for consultant services in carrying out specific improvement activities;
- Assistance in reviewing consultants’ reports;
• Organization or support of training activities; and
• Establishing appropriate oversight mechanisms.

92. Based on the list of institutional strengthening actions agreed to during the preparation of a PforR operation, the task team and the borrower confirm regularly (annually, for instance) through the implementation period of the operation those specific activities to be carried out. This joint effort allows both the borrower and the task team to structure a joint timetable of concrete actions to be undertaken. As needed, the initial list of technical support activities (reflected in the PAP) can be modified to accommodate unforeseen high-priority needs for Bank technical support.

93. **Restructuring and additional PforR financing.** PforR operations may occasionally be affected by changing priorities, circumstances, or external realities surrounding the original government program supported by such operations. In its implementation support, the task team should discuss proposed changes to the operation with the borrower in a timely fashion, and identify the need for a Program restructuring. Depending on the impact of changing priorities, circumstances, or external realities, it may be appropriate to introduce changes in the Program’s results framework, its design, the DLIs (including amounts assigned to each), implementation arrangements, or timing. A Program may be restructured to strengthen its development impact, modify its development objectives or DLIs, improve Program performance, address risks and problems that have arisen during implementation, make appropriate use of undisbursed financing, extend the financing closing date, or otherwise respond to changed circumstances.

94. The task team may also identify the need for additional financing that may be necessary for the government to meet (a) unanticipated significant changes to expenditures parameters required to achieve the original Program results or DLIs, or (b) new or modified results, to be reflected in new or modified DLIs, that aim to scale up the impact or development effectiveness of the original Program. In preparing a proposal for additional financing for a government program financed by a PforR operation, the documentation should present:

- The Program’s progress toward the achievement of its PDOs and associated results, measuring in particular its progress against the Program’s results framework and DLI Matrix, as set out in the PAD; and
- Any additional results expected from the government program, including a revised and expanded results framework for the Program, and DLI Matrix for the additional financing, together with summary protocols for all DLIs.

95. The Bank provides additional PforR financing if it is satisfied with the overall implementation of the original (or restructured) Program. The Bank considers the proposed additional PforR financing on the basis of, as necessary, updated or additional technical, fiduciary, environmental and social impacts, and integrated risk assessments.
## Technical Assessment
### Roles and Responsibilities of the Bank and Borrowers

<table>
<thead>
<tr>
<th>PforR operation stage</th>
<th>Borrower</th>
<th>World Bank</th>
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<tbody>
<tr>
<td>Identification and Concept</td>
<td>Provide necessary information for and inputs to the technical assessment</td>
<td>Conduct a preliminary review of the government program, reflect initial findings in the PCN and flag key areas for improvement</td>
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<td></td>
<td>Work with the Bank on the consolidation of the Program’s results framework</td>
<td>As needed, identify and organize the carrying out of studies/analysis necessary to underpin the technical assessment (e.g., economic evaluation)</td>
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<td></td>
<td>Agree with the Bank on the eventual studies/analysis necessary to underpin the technical assessment</td>
<td>Describe in the PCN the scope of the Program</td>
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<tr>
<td></td>
<td>Agree with the Bank on the key areas for improvements over the implementation period of the operation</td>
<td>As necessary, justify the differences between the scope of the government program and the Program (e.g., existence of excluded high-risk activities)</td>
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<td></td>
<td>Provide necessary information for and inputs to the technical assessment</td>
<td>Include in the PCN the initial results framework</td>
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<tr>
<td></td>
<td>Carry out required studies/analysis as inputs to the technical assessment</td>
<td>Carry out technical assessment</td>
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<tr>
<td></td>
<td>Work with the Bank on consolidating the results framework, developing the DLIs and the PAP, if one is required</td>
<td>Consolidate the results framework</td>
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<tr>
<td></td>
<td>Review and agree with the Bank on the results framework, DLI Matrix, PAP and Bank implementation support scope</td>
<td>In partnership with the borrower, develop DLI and Verification Protocol (see Chapter 2)</td>
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<tr>
<td></td>
<td>Implement the operation, with Bank support</td>
<td>Identify key areas for improvements, and agree with borrower on improvements to be carried out with Bank support, as part of the PAP</td>
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<tr>
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<td>Inform the Bank of issues and changes likely to affect the capacity of the operation to achieve its expected results</td>
<td>Define implementation support arrangements</td>
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<td></td>
<td>Provide support to the borrower in the implementation of the PAP and in the resolution of unexpected issues arising during the Program’s implementation</td>
<td>Present a summary and initial conclusions of the technical assessment, the consolidated results framework and DLI Matrix in the draft PAD for the Decision Review</td>
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<tr>
<td></td>
<td>Monitor Program systems’ performance, and compliance with the legal agreements</td>
<td>Reach final agreement with Bank Management and borrower on the results framework, DLI Matrix, PAP and Bank implementation support scope</td>
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<tr>
<td></td>
<td>Review implementation progress and achievement of Program results and DLIs</td>
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Technical Assessment Indicative Outline

A. Introduction

1. The Technical Assessment Interim Guidance Note has been prepared to provide Bank staff, development partners, and borrowers a framework to conduct the technical assessment for a Program proposed for support by a PforR operation, in accordance with Operational Policy/Bank Procedures (OP/BP 9.00), Program-for-Results Financing. It also serves as a reference guide for Bank staff in providing technical advice to the borrower during the preparation, appraisal, and implementation of a PforR operation.

2. In order to provide task teams with an overview of the scope for the key areas of the technical assessment, this outline provides a brief summary of the main issues discussed in Chapter One of the Guidance Note. The technical assessment is carried out at the Program level, builds on the Bank’s, development partners’ and borrower’s existing knowledge, as well as on specific analysis carried out during the preparation of a PforR operation. As the case may be, such analysis can be carried out in partnership with other development partners and/or the borrower.

3. While the length of a technical assessment will depend on Program characteristics, its average length is expected to be about 20 pages (excluding possible annexes). In addition, the technical assessment section of the PAD is expected to be a few paragraphs, and the PAD annex providing the assessment’s summary is expected to be about 3 to 5 pages in length. The final technical assessment is disclosed at the same time as the PAD.

B. Technical Assessment Indicative Outline

1. Program Description

4. This section should provide a summary description of the government program, as well as the definition of the Program boundaries and the rationale for it. The definition should also include the Program expenditure framework, typology of activities and time frame for Bank support. The definition of the Program should be clearly anchored in the development objectives and main results of the government program.

2. Description and Assessment of Program Strategic Relevance and Technical Soundness

a. Strategic Relevance

5. Task teams present and evaluate the borrower’s developmental issue(s) the Program aims to address with regard to its relevance and priority for economic development and poverty reduction in the borrower’s country. Task teams also evaluate the Program’s suitability for public, private of mixed provisions, as well as the adequacy of the Program’s structure to efficiently address the developmental issue(s) at hand.

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10 For more details, see the Overview to these Interim Guidance Notes.
11 For more details, please see the Technical Assessment Interim Guidance Note.
b. **Technical Soundness**

6. The technical design of the Program should contribute to the overall goal of efficiently producing results and reaching the Program’s objectives. In this context, technical soundness is assessed against relevant international experience and good practices in terms of technical standards and typology of Program activities. Task teams also evaluate the incentives in place for Program stakeholders to effectively contribute to the Program’s success.

c. **Institutional Arrangements**

7. Task teams assess the adequacy of borrower capacity and commitment to implement the Program and the proposed PAP, including the ability to manage fraud and corruption risks. Both aspects are central to ensure that the Program can meet its expected results in a timely and efficient fashion.

3. **Description and Assessment of Program Expenditure Framework**

8. Task teams evaluate whether the Program expenditure framework fosters efficient Program implementation, including a timely and cost-effective achievement of expected results. The evaluation usually includes a medium-term projection of the Program’s expenditures and budget envelope to ensure the Program’s results framework is robustly backed by a realistic expenditure plan. As necessary, task teams and the borrower examine various expenditure scenarios to identify the most realistic one, and adapt as necessary the Program’s results framework. In particular, task teams evaluate the ability of the Program to achieve the results under such expenditure framework and its level of efficiency and effectiveness. In doing that, teams will examine certain dimension of the Program expenditures including:

(a) Program budget structure and classification;
(b) Program financial sustainability and funding predictability;
(c) Adherence of the budgeted program expenditure and execution to government priorities; and
(d) Efficiency of Program expenditures.

4. **Description and Assessment of Program Results Framework and M&E**

9. Task teams work with the borrower to structure a well-defined Program results framework, with clearly defined Program development objectives (PDOs), results, and disbursement-linked indicators (DLIs) that the borrower can monitor, measure, and report on routinely. In particular:

(a) Based on the government program’s expected objectives and key results, task teams work closely with the borrower to consolidate the Program’s results framework (including PDOs,

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12 For more details, see the Technical Assessment Interim Guidance Note.
13 For more details, see the Technical Assessment Interim Guidance Note.
14 For more details on selection of DLIs, see Chapter Two, Disbursement-linked Indicators and Disbursement Arrangements Interim Guidance Note.
indicators, and relevant values to be achieved). The Program results framework is included as an annex to the PAD.

(b) Task teams also assess the Program’s implementing agency’s M&E systems, including arrangements and capacity and existing reporting provisions for the Program. Functional M&E systems that are responsive to the Program’s requirements are key to demonstrate, measure and where applicable to verify the achievement of results (especially DLIs) and to generate important lessons for learning and improvement. When that capacity is weak, task teams design, in partnership with the borrower, measures to strengthen it.

5. **Program Economic Evaluation**

10. With support from the borrower and relevant development partners, task teams undertake an economic evaluation of the Program, and include a summary of the evaluation and findings in the PAD. Task teams have the flexibility to choose the adequate economic evaluation methodology, depending on Program characteristics and data availability. Task teams should justify their chosen methodologies. While there is flexibility on evaluation methodologies, all Program economic evaluations should address the four following key aspects:
    • Rationale for Public Provision and Financing;
    • Program’s Economic Impact;
    • World Bank Added Value; and
    • Results of Economic Evaluation.

6. **Inputs to the Program Action Plan**

11. Task teams discuss and agree with the borrower on actions to be undertaken by the borrower to address key areas for improvement identified under the technical assessment. Such actions serve as inputs to the PAP, and are of at least four types:
    • Changes to the technical dimensions of the Program and to the formal rules and procedures governing the organization and management of the systems used to implement the Program;
    • Actions to enhance the capacity and performance of the agencies involved;
    • Risk-mitigating measures to increase the potential for the Program to achieve its results and to address fiduciary, social, and environmental concerns; and
    • An initial draft of the PAP will be developed as part of the preparation/assessment process and further refined during appraisal.

7. **Technical Risk Rating**

12. Based on the technical assessment findings, and agreed-upon risk mitigation and improvement measures, task teams provide a technical risk rating, the justification for it, and relevant risk mitigation measures as input to the PforR operation’s integrated risk assessment.16

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15 For more details, see the Technical Assessment Interim Guidance Note.
16 For more details, see the Program Integrated Risk Assessment Interim Guidance Note.
8. **Inputs to the Program Implementation Support Plan**

13. Task teams work with borrowers to structure the support the Bank will be providing in the Program’s technical areas during the implementation of a PforR operation. Support usually includes:

- Reviewing implementation progress and achievement of Program results and DLIs;
- Helping the client to resolve implementation issues and to carry out institutional capacity building;
- Monitoring the performance of Program systems, including the implementation of the PAP; and
- Monitoring changes in Program risks as well as compliance with the provisions of legal covenants.

\[\text{For more details, see the Technical Assessment Interim Guidance Note.}\]