

Project Preparation and Appraisal at the World Bank

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This presentation is made in personal capacity and
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- ⌘ Project Cycle
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- ⌘ Aspects of Project Preparation and Analysis
- ⌘ Evaluation of Economic Evaluations
- ⌘ Current Economic Analysis Guidelines

Project Cycle and Documents

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- ☒ Strategic Plan
 - ⌘ Identification
 - ⌘ Country Partnership Strategy
 - ⌘ Concept Note
 - ⌘ Feasibility Study
 - ⌘ Design
 - ⌘ Implementation Plan
 - ⌘ Preparation
 - ⌘ Appraisal Document
 - ⌘ Legal Agreements
 - ⌘ Appraisal
 - ⌘ Implementation
 - ☒ Mid-Term Review
 - ⌘ Progress and Supervision Reports
 - ⌘ Completion
 - ☒ Ex-Post Evaluation
 - ⌘ Completion Report
 - ⌘ Proj. Performance Audit and Evaluation Report

Project Cycle and Responsibilities

	Main	Review/Support
<ul style="list-style-type: none"> ☒ Strategic Plan 	☒ Country Unit	Sector Unit, QAG
☒ Identification	☒ Sector	Country, Peer Review
☒ Preparation	☒ Sector	Safeguard, Fiduciary Units, QAG, Peer
☒ Appraisal	Sector	Country, Safeguard, Fiduciary, Legal, Peer, QAG
☒ Implementation	☒ Same as above exc. Peer Review	
<ul style="list-style-type: none"> ☒ Mid-Term Review 		
☒ Completion	☒ Sector	Country, IEG
<ul style="list-style-type: none"> ☒ Ex-Post Evaluation 	☒ IEG	Sector

Reviewers



- ⌘ Sector Manager, Director
- ⌘ Country Program Manager, Director
- ⌘ Fiduciary: Procurement, Financial Management
- ⌘ Safeguard: Environment and Social
- ⌘ Peer Reviewers
- ⌘ Quality Assurance Group (QAG)
- ⌘ Operational Policy and Country Support
- ⌘ Independent Evaluation Group (IEG)

Project Appraisal Elements I



⌘ Objectives and Contexts

- ☑ Country's Policy and Programs
- ☑ CPS goals
- ☑ Project Development Objectives
- ☑ Hierarchy of Goals – Logframe
- ☑ Monitoring indicators

⌘ Rationale

- ☑ For public and WB investment
- ☑ Alternatives

Project Appraisal Elements II



⌘ Project Description

- ☑ Components
- ☑ Institutions and Policies
- ☑ Benefits
- ☑ Implementation

⌘ Project Analysis

⌘ Sustainability and Risks

Project Analysis Aspects



⌘ Economic

☑ Poverty focus?

⌘ Financial and Fiscal

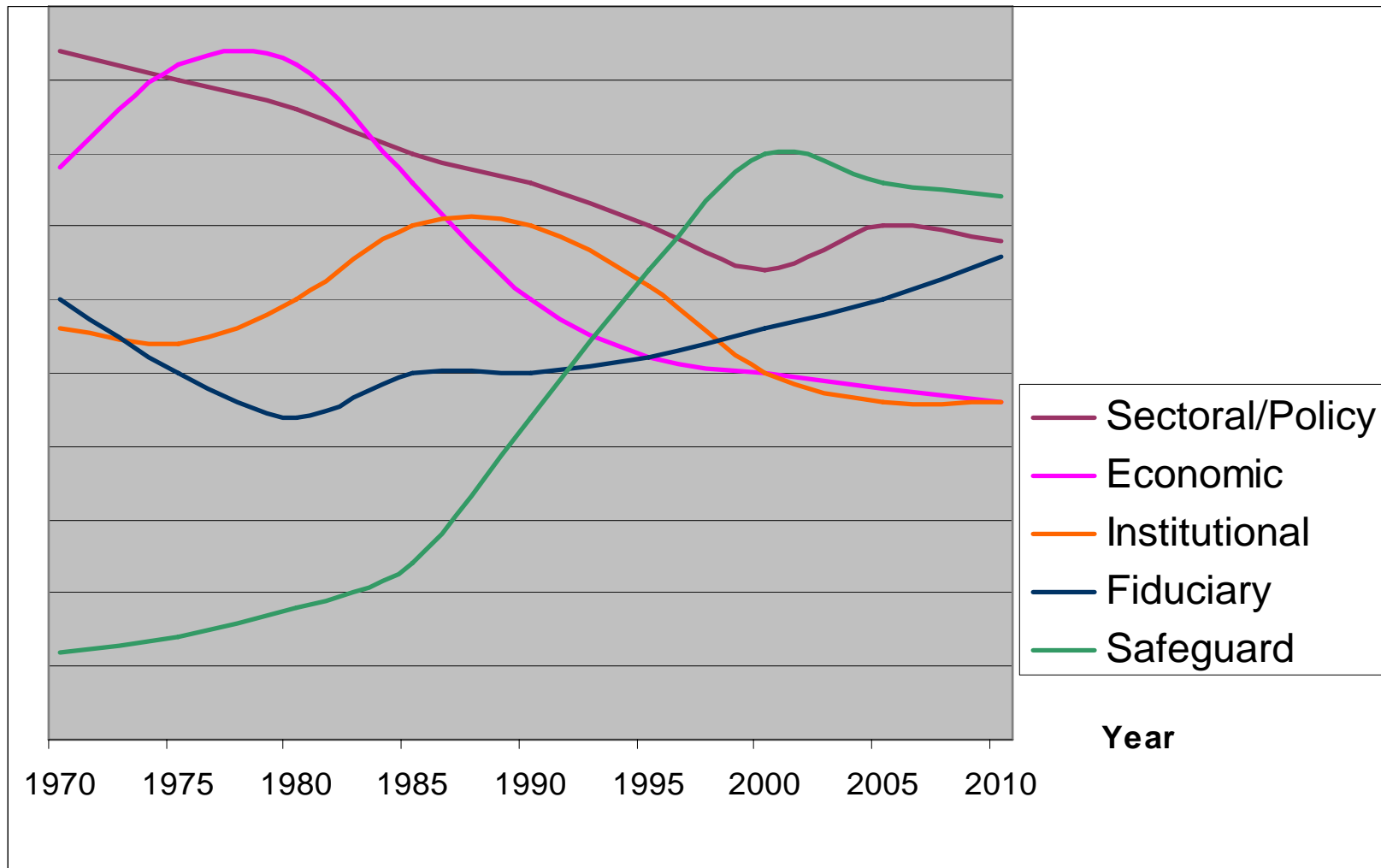
⌘ Sector/Technical

⌘ Institutional

⌘ Environment and Social Safeguards

⌘ Implementation and Fiduciary

Shifting Emphases



Boom in Economic Analysis



- ⌘ Intellectual Advance in early 1970s
 - ☑ Little, Mirrless – Shadow Pricing
 - ☑ Squire, van der Tak – distributional weights
- ⌘ Increase in lending volume and sectors
 - ☑ Need for summary measure, across sectors
- ⌘ Leadership and Staff
 - ☑ McNamara, Clausen, Chenery
 - ☑ Increase in economists, MBAs
- ⌘ Oil Shocks

Wane of Economic Analysis



- ⌘ Soft Sectors
- ⌘ Structural Adjustment Loans
- ⌘ Complexity
- ⌘ Doubts on credibility of economic analysis

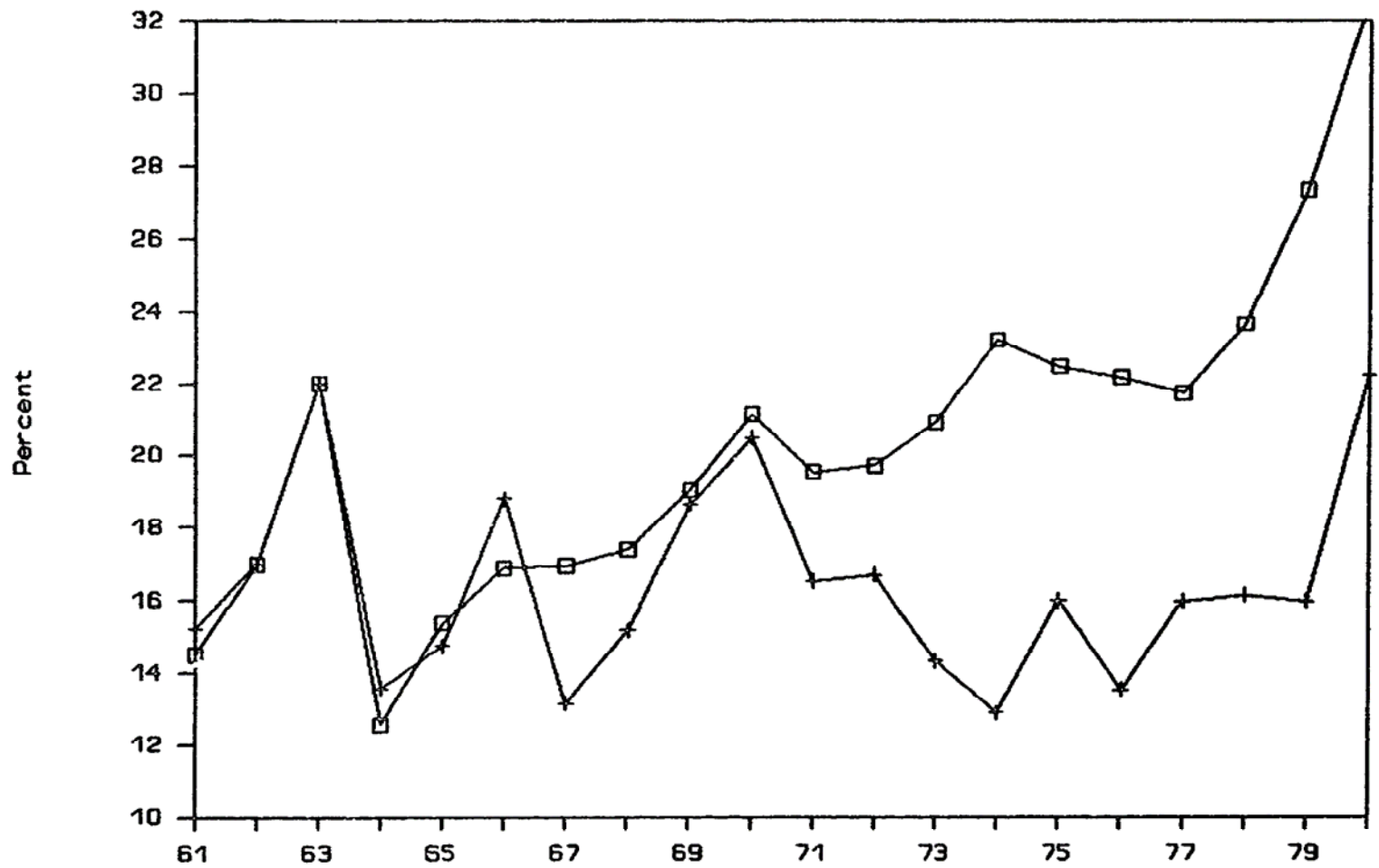
Appraisal of Economic Appraisal

⌘ 1991 comparison of Ex-Ante and Ex-Post Economic Rates of Return of 1,015 Projects appraised 1961-80 and completed by 1989

⌘ ERRS %

	Min	Max	Mean	Median	Standard Dev
Ex Ante	1	158	22	18	13
Ex Post	-20	128	16	14	13

Increasing Euphoria



Sectoral Bias



⌘ Optimistic Sectors

- ☑ Rural Development

- ☑ Tourism

- ☑ Transportation

⌘ Optimistic Regions

- ☑ Africa

- ☑ Asia

Significant Variables Explaining Ex-Post ERR

- ⌘ Ex Ante ERR (Coeff = 0.44)
 - ⌘ Unexpected commodity price change (6.4)
 - ⌘ Transportation (7.6)
 - ⌘ Urban (9.5)
 - ⌘ East Africa (-12.5)
 - ⌘ West Africa (- 9.9)
 - ⌘ Asia (-3.6)
 - ⌘ Latin America (-7.2)
- ⊠ R-square = 0.309

Insignificant Explanatory Variables for Ex Post ERR



⌘ Time Overruns

⌘ Cost Overruns

⌘ Adult literacy

⌘ GNP per capita

Value of Project Analysis?

India Public Sector Projects

	Average Ex Post ERR
⌘ All 1974-84	6%
⌘ 68 WB Projects (internal Review)	23%
⌘ 33 WB projects (outside Review)	23%

Reasons?

- ☐ Selection? Preparation? Attention?
Supervision?

Economic Analysis Topics I



Since 2001

Threshold Issues

- ⌘ Rationale for public sector
- ⌘ Objectives
- ⌘ Counterfactual
- ⌘ Threshold Rate

Design Issues

- ⌘ Alternatives: CBA, CEA
- ⌘ Separability of components

Economic Analysis Topics II



Impacts

- ⌘ Winners and Losers
- ⌘ Fiscal impact
- ⌘ Financial sustainability
- ⌘ Environmental impact