

CARIBBEAN DEVELOPMENT BANK



EXECUTIVE SUMMARY WITH MANAGEMENT RESPONSE

PROJECT COMPLETION VALIDATION REPORT

**SOCIAL INVESTMENT FUND
BELIZE**

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OFFICE OF INDEPENDENT EVALUATION

JULY 2015

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EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

1. BASIC PROJECT DATA

Project Title:	Social Investment Fund, Belize
Country:	Belize
Sector:	Poverty Reduction/Eradication
Loan No.:	15/SFR-OR-BZE
Borrower:	Government of Belize
Implementing/Executing Agency:	Belize Social Investment Fund

CARIBBEAN DEVELOPMENT BANK LOAN

<u>Disbursements (USD mn)</u>	<u>OCR</u>	<u>SFR</u>	<u>Total</u>
Loan Amount:	3.656	3.417	7.073
Disbursed	3.573	3.417	6.960
Cancelled	0.083	-	0.083 ¹

<u>Project Milestones</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Board Approval	2003-12-9	2003-12-9	-
Loan Agreement signed:	2004-03-01	2004-03-01	-
Loan Effectiveness:	2004-04-30	2004-08-25	3.9

<u>CDB Loan</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
First Disbursement Date:	2004-11-30	2004-08-25	(3.2)
Terminal Disbursement Date:	2008-03-31	2011-09-30	42.6
TDD Extensions (number):	-	2	2

<u>Project Cost and Financing (USD mn)</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance</u>
CDB Loan:	7.073	6.960	(0.113)
Counterpart GOBZ:	1.335	1.600	0.265
Beneficiary Contribution	0.331	0.334	0.003
Total	8.739	8.894	0.155

<u>Terms</u>	<u>Interest Rate</u>	<u>Repayment</u>	<u>Grace Period</u>
CDB Loan (SFR)	2.5%	30 years (including grace period)	10 years
CDB Loan (OCR)	5.5% (Variable)	22 years (including grace period)	5 years

<u>Implementation</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance</u>
Start Date ²	2004-04-30	2004-08-25	3.8 months
Completion Date	2008-03-31	2011-09-01	41.6 months
Implementation Period	3.9 years	7.1 years	3.2 years

<u>Economic Rate of Return (%)</u>	<u>At Appraisal</u>	<u>PCR</u>	<u>PCVR</u>
Original Loan:	n.a. ³	n.a.	n.a.
Additional Loan	-	-	-

¹ CDB Loan Portfolio Details by Country as at May 8, 2014

² Implementation begins with satisfaction of conditions precedent

³ n.a. – Not Applicable

2. PROJECT DESCRIPTION

2.01 Between 1995 and 2002⁴, poverty levels in Belize, as indicated in the Country Poverty Assessments (CPAs), remained constant at about 33 per cent (%) of the population. However, the level of indigence had declined slightly by approximately 2.6%. The pattern and distribution of poverty had also changed, aggravated in part by the challenging global economic environment resulting in unemployment, low incomes of a large segment of the labour force categorised as the “working poor”, and the rising influx of refugee populations from Central America.

2.02 At its Two Hundred and Ninth Meeting held on December 11, 2003, the Board of Directors (BOD) of the Caribbean Development Bank (CDB) approved a loan to the Government of Belize (GOBZ) of an amount not exceeding the equivalent of United States dollars seven million and seventy-three thousand (USD7.073 mn) consisting of USD3.656 mn from CDB’s Ordinary Capital Resources (OCR) and USD3.417 mn from its Special Funds Resources (SFR) to assist in poverty reduction in Belize by enhancing the capacity of the Belize Social Investment Fund (BSIF) to finance social and economic infrastructure (EI), social services (SS) and organisational strengthening (OS) sub-projects in poor communities. The project is demand-driven with community involvement throughout the sub-project cycle. The project was expected to contribute to the social and economic development of Belize.

PROJECT OBJECTIVES OR EXPECTED OUTCOMES

2.03 The primary objective of the Project was to contribute to poverty reduction in Belize by providing financial resources and strengthening the capacity of BSIF to improve living conditions in poor communities and build social capital, through investments in EI, SS and OS services.

EVALUATION OF QUALITY AT ENTRY

2.04 The Evaluator rated preparation, design and quality at entry of this project as *Satisfactory*, taking into account GOBZ’s fiscal constraints; commitment to reducing poverty in Belize; specific targeting of communities where the Poverty Index (PI) was highest; strong governance structure, policies, procedures/practices and systems of the Executing Agency (EA) to manage and implement a menu of sub-projects in poor communities; the participatory process involving key stakeholders/beneficiaries; and incorporation of the 10 lessons, listed in the Appraisal Report (AR), learnt from CDB’s experience in financing Social Investment Funds and the Basic Needs Trust Fund (BNTF) programmes⁵. It should be noted that while incorporated in the project design, Monitoring and Evaluation (M&E) systems to track sub-project progress and outcomes was not completed by the end of the project.

⁴ GOBZ received funding from the Department for International Development (DFID), United Kingdom, to update the 1995 CPA. A 2002 Poverty Assessment Report dated June 2004 was released under the auspices of the National Development Advisory Committee.

⁵ The need for experienced and qualified staff, political and institutional autonomy addressed by the use of BSIF as the EA given its experience in implementing BNTF and community infrastructure projects, its experienced and qualified staff and the organisation’s institutional autonomy through legislation.

EVALUATION OF PERFORMANCE AND OVERALL ASSESSMENT

2.05 The Evaluator rates the overall performance of the project as *Satisfactory*. This is in line with the composite (aggregate) score of the Project Completion Report (PCR). However, the Evaluator assigned lower performance ratings for effectiveness and efficiency, highlighting shortcomings in project implementation and achievement of results. Table 1 provides a summary of the performance assessment.

BORROWER AND/EXECUTING AGENCY PERFORMANCE

2.06 The Evaluator rates the Borrower/EA's Performance as *Marginally Unsatisfactory* based on the lack of implementation of the critical M&E system for managing the project; the significant delays in the engagement of the consultants; limited maintenance of the existing facilities; and the lack of evidence to substantiate compliance with reporting requirements under the CDB Loan Agreement - Section 6.01 (g), Article VI: Particular Conditions⁶ and Appendix 4.7 of the AR, which was not reported on in the PCR.

THE CARIBBEAN DEVELOPMENT BANK'S PERFORMANCE

2.07 The Evaluator concurs with the *Satisfactory* rating accorded to CDB's performance and the justification provided for the rating. The Project Supervision Reports (PSRs) provided evidence that during supervision visits CDB staff provided guidance and advice in addressing project implementation problems and bottlenecks encountered. Evidence was found in the Registry project files at CDB to substantiate the justification that 'no-objection' requests were responded to in a timely manner.

⁶ The EA shall facilitate and make all necessary arrangements for an annual review to be carried out by EA and the Bank not later than June 30 in each year of Project implementation to include an assessment of the following: (i) performance indicators; (ii) Sub-Projects by type, location and cost; (iii) completion schedules; cash flow projections; and operational procedures.

TABLE 1: SUMMARY RATINGS OF CORE EVALUATION CRITERIA AND OVERALL PERFORMANCE ASSESSMENT OF THE PROJECT

Criteria	PCR/PSRs ⁷		OIE Review ⁸		Reason if any for Disagreement/Comment
	Score	Rating	Score	Rating	
Relevance	4	<i>Highly Satisfactory</i>	4	<i>Highly Satisfactory</i>	-
Effectiveness	3	<i>Satisfactory</i>	2	<i>Marginally Unsatisfactory</i>	75 sub-projects or 60% of the projected 125 sub-projects were to be implemented in poorest communities which was not achieved. Of the 67 sub-projects completed, 88% or 59 sub-projects were in communities ranked in the poorest quartiles (3 and 4) which represents 47% of the associated planned outcomes being achieved. The PCR stated that approximately 90% of the sub-projects completed or 60 sub-projects were fully operational and used for the intended purposes. The reasons for the non-operational sub-projects and the loss of associated benefits were not stated. In addition, the data on the beneficiaries of the sub-projects implemented were not sufficiently robust due to the lack of an effective M&E system.
Efficiency	3	<i>Satisfactory</i>	2	<i>Marginally Unsatisfactory</i>	The project took seven years until completion instead of the initial planned four years, the Terminal Disbursement Date (TDD) was extended twice. After three years of implementation in 2007, the disbursement stood at approximately USD1 mn instead of the projected USD6 mn (see Chart 1). PSRs indicated that project implementation was delayed during 2005 by budget restraints and a focus on the implementation of the BNTF Project; in 2006 further delays occurred dealing with challenges faced in engaging consultants for design and certification of works and a new procedure for the BSIF; The integrated pilot project (IPP) targets were not fully achieved. 54% of the 125 planned sub-projects or 67 sub-projects were completed at \$12.6 mn compared to \$11.6 mn estimated at appraisal and the average cost/sub-project was double the estimated amount. Evidence was unavailable to indicate that least cost analysis was used to appraise all sub-projects. The significantly lower number of sub-projects was at the disadvantage of the SS and OS sub-project categories where only 28% - or 21 of the planned 75 sub-projects - were realised.
Institutional Development Assessments	Rated Only	<i>Satisfactory</i>	Rated only	<i>Marginally Unsatisfactory</i>	Most of the major consultancies associated with this project had significant delays in implementation. PSRs reported that projected disbursement on community sub-projects was not realised in that year due to the delayed engagement of consultants to design and supervise sub-projects implementation”
Sustainability	3	<i>Satisfactory</i>	3	<i>Satisfactory</i>	Despite agreement on rating of this criteria, the Evaluator highlights the risk of inadequate maintenance which threatens the sustainability of the outcomes over the life of the projects; and financial management capability issues of the Village Water Boards (VWBs) and Village Councils (VCs).
Composite Performance Rating	3.25	<i>Satisfactory</i>	2.75	<i>Satisfactory</i>	Although a shortfall in achieving the outputs and outcomes occurred and shortcomings in efficiency and sustainability were observed, it is expected that components of the intervention will generate benefits.
Borrower & EA Performance	Rated Only	<i>Satisfactory</i>	Rated only	<i>Marginally Unsatisfactory</i>	Lack of implementation of the critical M&E system for managing the project; significant delays in the engagement of the consultants; the limited maintenance on the existing facilities; and the lack of evidence to substantiate compliance with reporting requirements under the CDB Loan Agreement - Section 6.01 (g), Article VI: Particular Conditions.
CDB Performance	Rated Only	<i>Satisfactory</i>	Rated only	<i>Satisfactory</i>	-
Quality of PCR				<i>Satisfactory</i>	

⁷ Based on the Project Performance Evaluation System (PPES) 2001. Refer to Appendix 2 for Performance Assessment System (PAS) Equivalence.

⁸ PAS System applied.

LESSONS

2.08 The lesson of community involvement and participation at all stages of the project cycle was integral to the project although, as indicated in the PCR, involvement at the post implementation stage was below expectation. The PCR identified six lessons learned from implementation of the project as follows:

- (a) Sub-projects should not be implemented in phases unless funding for the entire scope of work is guaranteed. BSIF should pay close attention to the scope and cost of sub-projects in the preliminary assessment stage to ensure that the entire project can be funded.
- (b) Community capacity building should be a critical component of all sub-projects, especially sub-projects in remote locations. This will assist in enabling the communities to better manage their assets and form linkages with governmental and non-governmental partners in community development.
- (c) Given the nature of the communities chosen for the integrated community sub-projects (i.e. poorest of the poor); more time is required to mobilise and build capacity. Efforts should be focused on knowledge transfer and capacity building of persons within the beneficiary communities to enable sustained results.
- (d) Maintenance training and planning should be an integral component of all infrastructure sub-projects. Training should be tailored for the community members and repeated at regular intervals. Toolkits and training manuals should complement the training exercise.
- (e) Capacity-building and skills-training interventions are complex and require lengthy processing and implementation periods. Partnership arrangements between communities and Non-Governmental Organisations (NGOs) involved in providing social services to poor communities must be strengthened in order to achieve greater involvement at the community level.
- (f) Consideration should be given to interventions aimed at addressing the socio-economic challenges of youth such as, improving the employability skills of youth.

2.09 The Evaluator does not agree with all the lessons learnt. Lesson 8 (c) sought more time to mobilise and build capacity for the IPP which has implications for the project implementation period and project cost. The project had approximately seven years, inclusive of the period of extensions (three years plus), to undertake the IPPs. The IPP component should have been properly designed with its own Logical Framework Matrix (LFM). This would have helped with implementation and M&E. Capacity building would have been addressed within the project design.

2.10 Lesson 8 (f) recommends a focus on youth employability. The AR highlighted the issue of the socio-economic challenges of youth but the project design did not significantly address this target population. There is no detailed discussion of this issue in the PCR yet it appears as a lesson learned.

2.11 The Evaluator noted other lessons that are relevant to this type of project:

- (a) PSRs should include data on outputs, outcomes and compliance with loan conditions over the implementation period. Each monitoring site visit should systematically report on all these indicators. The PSR would then be a rigorous instrument for tracking project performance; data collection and analysis; decision making; PCR preparation and validation;

- (b) the design of the project should be more rigorous in ensuring well developed outcomes and impact indicators. There should be outcomes developed for the different categories of sub-projects, such as Education, Health, Water and Sanitation (WatSan) sub-projects, OS, SS and EI. In addition to the project's focus on increasing access to basic needs, attention should be given to assessing the quality of the goods and services delivered;
- (c) a request for an extension of the TDD should be accompanied by a detailed report from the Borrower/EA that provides data on the activities undertaken; outputs achieved; challenges experienced; justification for extension; financial projections; and a revised implementation plan that should indicate what the EA would do differently to meet the revised targets of the project and outcomes;
- (d) to more efficiently utilise CDB's staff time, consideration could be given to empower BOD of BSIF and its executive management team to approve spending within agreed limits which would be ratified and checked by CDB staff during the supervision visits and reported in the PSRs;
- (e) the institutional strengthening component of SIF projects (and other projects where necessary) should include training in gender analysis; project cycle management with emphasis on project design; developing impact indicators; and M&E;
- (f) BSIF should develop a comprehensive community development strategy around its poverty reduction work in collaboration with the Ministry responsible for this work. This approach should include capacity building for both BSIF officers and community leaders/champions/activists in the areas of strategy implementation, conduct of needs assessments and asset-based community development; project management; and M&E;
- (g) successful organisational transformation of an agency with a staff complement that has a predominantly engineering profile to a community development oriented organisation requires a culture change (which may be difficult to achieve in the short to medium-term). Therefore, it is important that the structure and function of the SIF EA be meticulously assessed, and recommendations for appropriate modifications to organisational structure and staffing adopted; and
- (h) inter-agency cooperation is a prerequisite for effective and efficient collaboration for successful execution of SIF interventions. Assessment of the EA and cooperating agencies needs to be conducted and mechanisms established for seamless collaboration in the implementation of SIF interventions.

PROJECT COMPLETION REPORT QUALITY

2.12 The Evaluator rated the quality of the PCR as *Satisfactory* based on the following:

- (a) the Report was clear and concise. Referencing of reports/documents used in its preparation would have contributed towards substantiating the data presented therein;
- (b) quality and completeness of evidence and analysis to substantiate the ratings were acceptable, given the lack of a Management Information System (MIS) and M&E system. Improvements could be made by including externalities other than BSIF's emergence as a preferred vehicle for implementing social infrastructure initiatives such as sustaining behaviour change as a result of sub-projects; maintenance by communities; nature and

value of the changes between planned and actual outputs; and progress of rate of implementation by comparing planned and completed projects per year as outlined in the LFM with explanations for variations;

- (c) exogenous factors that significantly affected project implementation and success were identified such as natural disasters; inflation; sub-project scope/size changes; adequacy of counterpart funding; and high costs associated with implementing road and drainage sub-projects;
- (d) lessons of experience, specifically important design and operational lessons were identified. Follow-up activities to be undertaken by BSIF were advocated in order to support gains achieved by the project. The issues specific to implementation/non-implementation of the IPPs could have been included to strengthen future SIF interventions with IPP components; and
- (e) the evidence in the PCR and data provided by the Operations Department to support the findings and conclusions were adequate for the validation process.

RECOMMENDATIONS

2.13 No follow-up for the Office of Independent Evaluation (OIE) is required. The Evaluator concurs with the recommendations stated in the PCR that BSIF should undertake activities aimed at improving operational efficiency and creating a more effective working environment such as:

- (a) updating the poverty map as a support tool used in targeting the scarce resources to areas of greatest need;
- (b) expanding the technical staff complement to include a social development officer;
- (c) establishing a results-based M&E framework within an enhanced MIS; and
- (d) examining the methods used for packaging goods, works and services contracts in order to reduce processing time and transaction costs.

2.14 The Evaluator also recommends that GOBZ and BSIF conduct a review of the IPP component with a view to strengthening BSIF's capacity to implement project components of this type.

2.15 The Evaluator noted that steps have been taken to address the above issues through the design elements included in a second loan of USD15 mn to GOBZ (BSIF II) which was approved in July 2010. BSIF II provided resources for investment in four broad areas⁹:

- (a) **Community Sub-projects:** Investments in an estimated 110 social and EI, SS and OS community sub-projects. These sub-projects will be selected on a demand-driven basis with active participation by beneficiary communities throughout the project cycle;

⁹ BSIF II Project, July 2010. Paper BD 49/10: Paragraph 2.04 Pages 6-9.

- (b) **Technical Assistance to:**
 - (i) The Ministry of Labour, Local Government and Rural Development to enhance sustainability of rural water supply systems by improving the effectiveness and efficiency of VWBs; and
 - (ii) The Statistical Institute of Belize to update the Poverty Map and Index to facilitate better targeting of poor communities by BSIF.
- (c) **Monitoring and Evaluation:** This component will include the development of a comprehensive results-based M&E System and an Impact Evaluation, including a Beneficiary Assessment; and
- (d) **Project Management:** To provide for project coordination and architectural and engineering services.

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MANAGEMENT RESPONSE

PROJECT COMPLETION VALIDATION REPORT

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MANAGEMENT RESPONSE

1. BACKGROUND

1.01 This loan, approved in December 2003, was the first of two loans to support GOBZ's commitment to social development and poverty reduction measures as reflected in its National Poverty Elimination Strategy Action Plan (NPESAP), which was formulated in 1998. NPESAP recognised the essentially rural nature of poverty and the need for community empowerment as a mechanism for greater inclusion of poor people in the mainstream of development. Within this framework, GOBZ instituted a range of programmes aimed at poverty reduction and the inclusion of the poor in national development. One of the main instruments within GOBZ's poverty elimination programme was the establishment of BSIF in March 1996 to promote, appraise, finance and supervise sub-projects designed to increase physical, human and social capital in poor communities throughout Belize. The resources of BSIF have been used to finance sub-projects sponsored by central and local government agencies, NGOs, CBOs and other private sector organisations.

1.02 At the time of appraisal, BSIF was in its sixth year of operations. The demand for sub-projects was overwhelming and BSIF had utilised all of the resources provided by the various donor and lender agencies. As a result, GOBZ requested seven million United States dollars (USD7 mn) from CDB to continue the operations of BSIF mainly for community sub-projects in social and economic infrastructure, organisational strengthening, and social services. Given the demand driven nature of the programme, the estimated number of sub-projects was more indicative at the outset. Over 80% of the sub-projects were implemented in communities ranked in the poorest quintiles of 3 and 4.

The Evaluator's revised overall assessment of project performance is *Satisfactory*, which concurs with the rating of the PCR team.

2. COMMENTS ON RATINGS

2.01 Management welcomes the findings of the Evaluator's validation of the completion report for the BSIF I Project. Management agrees that there was insufficient data in the PCR and PSRs on consultancies financed under the Project; Borrower/EA non-compliance of some reporting requirements; and the absence of a M&E system for tracking project inputs, outputs and results. While management appreciates the analysis and recommendations for improved design and greater efficiency and effectiveness, it has concerns with respect to aspects of the analysis and the resulting conclusions drawn to arrive at the project performance ratings/scores for Borrower/EA performance and two of the four evaluation criteria used by the Evaluator, namely, (i) Effectiveness; and (ii) Efficiency. A rating of *Marginally Unsatisfactory* was assigned to Borrower/EA performance and the two evaluation criteria while the PCR team rated them as *Satisfactory*. The key issues of divergence are highlighted below.

Borrower/EA Performance Rating: Marginally Unsatisfactory

Management Response:

2.02 Management agrees with the findings of insufficient data on project activities including delays in implementing consultancies and lack of evidence to substantiate compliance with reporting requirements. Management is already working to improve supervision quality at the Bank and country levels, including the development and operationalisation of an Implementation Support Plan. While Management concurs with the above findings, the Evaluator should consider that:

- (a) the issue of inadequate M&E system was raised in the PCR as one of the key factors affecting project success. The report also mentioned efforts made by CDB to improve M&E capabilities within BSIF by allocating loan resources under the BSIF II Project to finance the development of a comprehensive M&E system. The system is expected to facilitate better monitoring of project outputs and outcomes; and
- (b) a participative approach was adopted with active engagement of communities, sponsors and line ministries from the identification to implementation stages. During project implementation, BSIF provided training to communities and NGOs/CBOs in the use and operations of the facilities and basic maintenance procedures. In addition, key line ministries were represented on BSIF's Board of Directors and were involved in monitoring implementation progress. As a result, stakeholders had full knowledge of their roles and responsibilities (outlined in a Tripartite Agreement) after the handover of assets. There were indications that sponsors showed a greater sense of ownership of assets and commitment to post implementation actions including operations and maintenance.

Despite some shortcomings, the Borrower/EA showed ownership and commitment towards achieving the project outputs and outcomes and met most of the reporting requirements and terms and conditions of the Loan Agreement, albeit delayed in some cases. Even under difficult circumstances with two natural disasters (2007 and 2008) and limited fiscal space, GOBZ continued to provide the required support to BSIF.

Effectiveness Rating: *Marginally Unsatisfactory*

Management Response:

2.03 While management notes the lower-than-expected result at the output level, that is, 67 verses 125 sub-projects, the Evaluator should note that a relative measure was used for the objectively verifiable indicator/result at the outcome or purpose level as opposed to an absolute measure. The Logical Framework Matrix (LFM) stated that “60% of sub-projects are invested in the communities ranked as high on the Poverty Index (PI)”. The PCR team focused on the actual number of sub-projects completed/implemented under the Project as opposed to the planned number of sub-projects. In essence, of a total of 67 sub-projects completed, 88% were implemented in communities ranked in the poorest quintiles. This result exceeded the 60% target provided in the LFM.

2.04 Management notes the inadequate explanations for non-operational sub-projects and insufficient data on sub-project beneficiaries. These deficiencies will be addressed in future PCRs.

2.05 While management agrees that there is need for an effective M&E system, the Evaluator should note that BSIF estimated project beneficiaries using various records and reports provided by the Statistical Institute of Belize (SIB), which is the official source of information on Belize's population, economy and social conditions. Notwithstanding the deficiencies in the area of M&E, the PCR team treated the information provided by SIB on project beneficiaries as accurate and reliable.

Efficiency Rating – *Marginally Unsatisfactory*

Management Response:

2.06 Management agrees with the Evaluator's assessment with respect to (i) implementation delays and the resulting extensions of TDD (2) to facilitate project completion; and (ii) the variance between planned and actual disbursements. However, there is divergence with the Evaluator regarding the analysis of the

findings to draw conclusions including the performance rating for the *Efficiency* criterion. The demand-driven nature of the project prevented the appraisal team from identifying the exact number of sub-projects to be implemented under the Project or the number of beneficiaries. However, based on conditions that existed at the time of appraisal, the team estimated that benefits would have accrued to over 50,000 persons from a total of 125 sub-projects¹⁰. Although the PCR team considered the numerical target, this was balanced with other factors such as:

- (a) a greater demand for infrastructure sub-projects: A significant portion of the loan resources was channelled towards priority poverty reduction initiatives, namely (1) 100% potable water coverage by 2014/15; and (2) the urgent need to improve the physical environment for teaching and learning at the basic education level. As a result, there was a greater demand for water and sanitation and education sub-projects. The actual number of sub-projects completed for the two categories exceeded the totals estimated at appraisal. These achievements were not fully taken into account by the Evaluator. There was also less demand for OS and SS sub-projects; and
- (b) an increase in input prices and a fixed amount available under the loan to finance community sub-projects: The increases in unit costs led to an upward movement in infrastructure costs. Within an environment of resource constraints (a fixed amount available to implement community sub-projects), the number of sub-projects had to be reduced to correspond with the loan resources provided under the project.

2.07 Management also disagrees with the Evaluator on the lack of evidence to indicate that least cost analysis was used to appraise sub-projects. BSIF's project cycle process is clearly articulated and based on a least-cost solution involving standard design parameters for common types of social infrastructure. This is acceptable because of the demand-driven nature of the sub-projects and the focus on maximising returns and full benefits as a result of the interventions. In addition, sub-projects are usually designed in accordance with BSIF's Operations Manual. During project implementation, BSIF collaborated with line ministries that have specific guidelines and standards, which incorporated least cost methodologies. The unavailability of data prevented the PCR team from carrying out a comparative analysis of BSIF and various line ministries with respect to unit costs. Nevertheless, there are indications that BSIF operated more efficiently than other government agencies. The quality of BSIF's work was also rated good to excellent by the lending agencies.

2.08 While Management acknowledges that natural disasters and budget constraints affected the project implementation timeframe, these events did not influence the *Satisfactory* rating provided by the PCR team. The two major natural disasters, which occurred in 2007 and 2008, were "acts of God" and outside of BSIF's control. Damage to infrastructure and crops was extensive with the total loss estimated at USD89.5 mn. Between 2008 and 2010, resources had to be diverted towards disaster response and recovery efforts. Project activities were deferred during the period. The high debt levels and limited fiscal space, which resulted in the lower-than-expected funding/budget allocations affected BSIF operations for only one year (2005). Given the high priority placed on addressing the social concerns of the country, efforts were made by GOBZ to provide adequate resources to BSIF for the remaining life of the project. Management does not agree that these events should be major considerations in the Effectiveness rating.

¹⁰ Project Appraisal Report – BSIF I Project: Section 6: Project Impact- Benefits: Paragraph 6.05 (Pg. 36).

3. OTHER COMMENTS

3.01 Management generally concurs with the recommendations. Two of the three recommendations are key elements of the ongoing BSIF II Project. However, the recommendation with respect to the need for GOBZ and BSIF to conduct a review of the Integrated Pilot Project component with a view to strengthening BSIF's capacity to implement project components of this type could be considered in future studies to be carried out by CDB or GOBZ.

3.02 Management welcomes the additional lessons learnt most of which are key components of BSIF II Project and other social investment interventions.

3.03 The comments outlined above should not be taken as diverting from the overall appreciation management has for the quality and extensiveness of the validation exercise.