GUIDELINES FOR Project Supervision

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Guidelines for Project Supervision

Note: These guidelines are intended to provide guidance to staff in carrying out Bank policy and processes on project supervision (OP/BP 13.05, Project Supervision), and apply to loans, credits, Project Preparation Facility advances, guarantees, grants from IBRD net income and IDA resources, activities financed under trust funds that cofinance projects, and Global Environmental Facility (GEF) grants larger than US$ 1 million. They do not apply to GEF projects executed by organizations identified by the GEF Council as eligible to work with the GEF through expanded opportunities for project preparation and implementation (such organizations include, inter alia, regional development banks and UN agencies such as FAO and UNIDO); for such operations and for GEF grants of US$ 1 million or less, see the forthcoming OD 9.01, Investment Operations under the Global Environment Facility, or contact ENV. For supervision of guarantees, see OP/BP 14.25, Guarantees. For supervision of grants, see OP/BP 8.45, Grants, or contact TFC. For trust fund grants, see OP/BP 14.40, Trust Funds, or contact TFC. Project closing dates are covered in OP/BP 13.30, Closing Dates; and issues of supplemental financing and use of project cost savings, which may arise during supervision, are covered in OP/BP 13.20, Supplemental Financing, and OP/BP 13.25, Use of Project Cost Savings, respectively. Questions may be addressed to the OPCPS Advisory Service, ext 88627.

I. INTRODUCTION

1. Bank managers and staff are responsible for supervising borrower implementation of Bank-financed projects. That responsibility arises for two reasons. First, the Bank’s Articles require it to ensure that financing is used only for the purposes intended, with due regard to efficiency and economy. Second, as a development agency, the Bank has a fundamental interest in seeing that the projects it supports achieve their development objectives. Consequently, Bank Management and staff should assign high priority to supervision. Country directors (CDs) and sector managers (SMs) should ensure that sufficient supervision resources are provided for each project, taking into account the nature, complexity, and size of the operation; the problems experienced during implementation; and the borrower’s institutional capabilities and needs.

2. Supervision is not limited to official missions and formal reports, rather it is a continuing and flexible process, specific to the needs of the particular operation and intended to foster a close partnership among the Bank, the borrower, and implementing agencies. Although the

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See IBRD Articles of Agreement, Article III, Section 5 (b). “Bank” includes IDA; “loans” includes credits and, as the context may require, Project Preparation Facility (PPF) advances, guarantees and GEF grants of more than US$ 1 million; “project” includes all lending and guarantee operations of the Bank, and all GEF operations of more than US$1 million; “legal agreement” includes, as applicable, the Loan Agreement, Development Credit Agreement, Guarantee Agreement, Project Agreement, PPF Agreement, and the GEF Grant Agreement for grants of more than US$ 1 million and any other agreement to which the Bank is a party; and “borrower” means a party to a loan or credit legal agreement concluded with the Bank, or a recipient of a GEF Grant of more than US$ 1 million; “project implementation entity” means an entity responsible for implementation of all or part of a project.
borrower and its implementing agencies are responsible for project implementation, resolving implementation problems is the shared concern of all stakeholders including the borrower, the Bank, and project beneficiaries. To develop a collaborative relationship and an environment in which problems and their causes can be identified and addressed promptly, Bank supervision task teams (TTs) should strive to establish and maintain close, frank, and ongoing relationships with staff of the borrower, implementing agencies, and a range of other stakeholders.

3. Good supervision responds flexibly and decisively to the changing environment and needs of a project. Therefore, supervision requirements—for example, the amount of day-to-day interaction, frequency and composition of TT visits to project sites, and staff and other resources—change over the life of the project because project priorities and circumstances change.\(^2\) Regional managers and supervision TTs should therefore be flexible in establishing the Bank’s supervision input for each project, plus the frequency and content of borrowers’ progress reports.

4. These guidelines complement Operational Policy Statement (OP) and Bank Procedure (BP) 13.05, Project Supervision. Together, they update Bank policies and procedures set down in Operational Directive (OD) 13.05, dated August, 1989. As with other OP/BP/guideline packages, the OP and BP are more concise than the original OD. The OP sets down the Bank’s policies governing the conduct of supervision, while the BP spells out procedures and documentation required for staff to carry out those policies. OPs and BPs are approved by the Board of Directors and are widely available to the public. The guidelines, on the other hand, contain much of the process-oriented material in the OD, and are internal staff documents intended to provide a better understanding of good supervision practice. Guidelines are issued in a more informal medium that can be updated frequently.

5. The OP/BP/guidelines package is intended to strengthen ongoing reforms within the Bank, emphasizing devolution of authority to task team leaders (TLs); effective interaction of CDs, SMs, and their staffs; the role of country office staff, whose knowledge of local conditions can be invaluable throughout the project cycle; project quality and the evolving roles of Sector Boards, financial management specialists, procurements specialists, and disbursement officers.

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\(^2\) Supervision coefficients are used by Regions to estimate overall work loads and resource requirements, but the actual level of resources required will vary with individual projects.
6. Four chapters follow. Chapter II discusses supervision planning. Chapter III reviews key supervision issues in the start-up, implementation, and operating phases of the project cycle. Chapters IV discusses the field-level execution of typical supervision activities, and addresses specific issues faced in the monitoring and evaluation of supervision and overall project portfolios. Chapter V deals with supervision issues faced in adjustment operations.\(^3\)

II. SUPERVISION THROUGHOUT THE PROJECT CYCLE

A. Planning

7. Planning for supervision begins during project preparation, often alongside work on the Project Implementation Plan (PIP) and other critical documents to be reviewed at appraisal and agreed upon during negotiations. Important supervision issues likely to be faced during project implementation, including any unusual problems and opportunities, should be identified prior to appraisal, and appropriate supervision plans should be agreed upon by the TL and responsible manager before the appraisal is completed.

8. Supervision tasks should be distributed between country offices and headquarters so as to capitalize on the comparative advantage of each, considering in particular the value of continuous interaction between the TT and the borrower and project agencies. Staff continuity in the supervision of individual projects is a critical element for project success. Therefore, TLs should remain involved with specific projects for at least three years, and the project appraisal team should be responsible for the first two or three years of supervision.

9. Supervision planning must include the design of appropriate monitoring and evaluation systems. Such systems provide much of the information on the progress of project implementation and operation that is required for effective day-to-day communication between the borrower and the TT.

\(^3\) There are also four annexes: Annex A provides a checklist for staff as they deal with the ten dimensions of typical supervision activities. Annex B provides the Project Status Report, including the Systems Application Program (SAP) format. Annex C offers samples of other parts of typical supervision reports. Annex D is a table of related Bankwide and Regional guidelines and instructional materials, with electronic links to each.
10. To strengthen the institutional capabilities of borrowers and increase the cost-effectiveness of Bank supervision, the Bank’s progress reporting requirements should be integrated with the borrowers’ own monitoring and evaluation systems, as far as possible. Also, as appropriate, TTs should collaborate with local agencies and other stakeholders, including cofinanciers and other donors, to help conduct and report on project supervision. Duplication of supervision and reporting efforts should be minimized, while respecting the particular requirements of each stakeholder.

11. The annual Work Program Agreement (WPA) specifies, for each operation, the resources available for supervision, key milestones, and outputs. CDs and SMs are responsible for ensuring that sufficient resources are provided for each project, taking into account the nature, complexity, and size of the operation; the problems likely to arise during implementation; and the borrower’s institutional capabilities and needs. During preparation of the WPA, or while preparing a recent supervision report, the TL designs a supervision plan for the upcoming year that specifies the issues to be addressed, the skill composition of the TT, expected annual staff input requirements related to day-to-day interactions with the borrower and project agencies (to respond to borrower/project agency queries, review procurement documents, comment on progress reports, etc.), the schedule of field visits, and the budgetary resources required. The supervision plan may need to take the following factors into consideration:

(a) Country and sector factors: (i) state of relations between the country and the Bank, and whether the relations are recent or long standing; (ii) country’s overall economic and financial situation; (iii) commitment of the country and relevant agencies to the project’s development objectives throughout the implementation period; (iv) sectoral situation and issues; (v) institutional capability and interagency coordination; and (vi) changes in government policies or regulations that may affect project objectives or implementation.

(b) Project factors: (i) technical, policy, and institutional complexity; (ii) degree of innovation; (iii) strength of project management and other agencies concerned with the project, and the need for related training of their staff; (iv) anticipated difficulties in procurement and disbursement or in meeting the Bank’s safeguard
policies; (v) whether the project is the first or a repeater for a particular agency, sector, or country; (vi) quality of project management reporting; (vii) extent and nature of cofinancing arrangements, including export credit and private cofinancing arranged during project implementation; (viii) quality of project preparation; and (ix) stage of project implementation (start-up, investment, or operating).

(c) Bank-related factors: (i) location of supervision responsibility (headquarters or country office); (ii) availability of qualified staff and consultants; (iii) availability of resources for supervision from the Bank’s administrative budget; and (iv) availability of supplementary resources, such as bilateral consultant trust funds and supervision budgets of cofinancing agencies.

The TT should always review the supervision plan in the course of preparing supervision reports and annual WPAs, and may propose revisions at any time in consultation with the responsible sector manager and/or country director. Quick response to emerging problems and possibilities is important.

B. Supervision Reporting

12. Good supervision reports are critical for the Bank. They provide the Bank’s principal record for monitoring a project during its lifetime, essential information for making decisions during implementation, valuable documentation for evaluation of project experience, and lessons for the future.

13. The supervision report consists of (a) a transmittal memorandum from the TL, (b) the Project Status Report (PSR) listing the mission members and the skill composition for each project visit, and (c) annexes (aide-mémoire, and post-visit correspondence, if any; status of legal covenants; list of key officials met; and for adjustment operations, key performance indicators for macroeconomic assessment). Annex B provides an electronic format and data entry guidance for the Project Summary Report (PSR) at the core of all supervision reports. Annex C provides examples and templates for other parts of typical full supervision reports.

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4 Supervision concern should be devoted to the complexity of actions required for compliance with safeguard policies, for example, those required for implementation of plans for resettlement and indigenous peoples.
14. Reports that record project implementation (for instance, progress reports, consultants’ reports, and other memoranda) are kept in the project file to ensure that a detailed history of the project is available for post evaluation.

III. SUPERVISION PHASES

A. Start-Up Phase

15. The start-up phase of project supervision normally begins when the loan is approved by the Executive Directors and ends when the loan comes into effect. Start-up may overlap with earlier or subsequent phases. Start-up work on a repeater project may begin prior to loan approval, for example, and continue beyond effectiveness if there are delays in physical implementation.

16. Early in the start-up phase, if not before, all TT members should fully inform themselves about the project’s development objectives, commitments entered into, assumptions underlying the project, actions to be taken, and expected project benefits.

17. During the start-up phase, or promptly after the loan becomes effective, it is often useful for the TT and the implementing agency to carry out a launch workshop—which may include representative beneficiaries, nongovernmental organizations, and other stakeholders—if the government agrees. Such a workshop should normally take place as soon as possible after Bank approval of the loan. (In the case of some programmatic and repeater loans, it may be desirable to arrange the workshop prior to loan approval.) As appropriate, the workshop should focus on (a) interagency coordination arrangements; (b) financing arrangements, including the availability and flow of funds; (c) monitoring and evaluation arrangements, including reporting to the Bank; (d) the Bank’s social and environmental safeguard policies, and arrangements for information disclosure, public consultation, and participation during implementation; (e) financial management, including procurement, disbursement, and audit procedures; and (f) the Project Implementation Plan, including the first year’s work program and the immediate implementation actions required.

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B. Implementation Phase

18. Supervision is usually most intensive during a project’s implementation phase, following loan effectiveness, when Bank-financed assistance is under way and there is a critical need for up-to-date information. For all projects, particularly those with institutional development objectives, supervision TTs need information about the performance of the implementing agency in effecting staff assignments, changes in organizational structure, and improvements in efficiency and pricing of services. Information on financial performance is especially necessary for projects implemented by revenue-earning entities, since any substantial deviation from the projected results may affect the financing plan and the achievement of development objectives. For multi-stage projects that begin to generate benefits before the investment stage is completed (such as multipurpose hydroelectric or agricultural projects), supervision TTs need information on the extent to which benefits are materializing and the pattern of their distribution during the early stages of operation, and on projected future benefits and their distribution. For all projects, audit reports\(^6\) help to indicate whether the Bank’s requirements on proper accounting for the use of project funds have been satisfied, and whether financial and management systems and controls are adequate. For projects that involve the application of safeguard policies, the TT assesses implementation of specific measures to address issues included in the project design, such as the environmental management plan, resettlement plan, indigenous peoples development plan, and so forth.

19. Progress reports submitted by the borrower summarize all important aspects of the project. They enable the TT to concentrate on problem solving and technical assistance rather than expend time and resources on fact-finding. Inexperienced borrowers may need technical assistance in developing their reporting system and preparing the first reports. If projects are implemented by several agencies, one agency should be designated to collect and integrate the reports produced by all the others, in order to provide the borrower and the Bank with an overall view of progress toward project objectives.

\(^6\) See OP/BP 10.02, Financial Management.
C. Operating Phase

20. Bank supervision usually ends with the completion of physical implementation and start of preparation of the Implementation Completion Report (ICR), six months prior to loan closing. Any subsequent project supervision, as the project continues to operate into the future, usually occurs during work on repeat or follow-up projects, or in the course of providing analytic and advisory assistance to the borrower. However, the CD and SM may decide to continue supervision beyond project completion in special cases—if, for example, (a) important undertakings of the borrower such as agreed policy and institutional reforms remain in force but are as yet incomplete, (b) there are concerns about the implementation of plans to mitigate environmental, social, or safety impacts, or (c) new circumstances arise that threaten the sustainability of the project or the delivery of its expected benefits. Supervision of guarantees may be required as long as they remain in force.

IV. PROJECT SITE VISITS

21. At least once a year, TTs should visit sites of projects or representative samples of subprojects under implementation. When TLs or other TT members are based in the country office, they may decide, in consultation with the implementing agency, to carry out site visits whenever it is most appropriate; they need not wait for scheduled missions by headquarters staff. (When the Bank’s headquarters is responsible for supervision, the country office should be integrated with the decisionmaking on mission timing and focus.) Provided their CD and SM do not object, country office staff may take a more informal approach to site visits than official missions visiting from headquarters. They may, for example, occasionally make unannounced visits with high government officials to project sites, or may meet with staff of nearby implementation units daily to help resolve particular issues; however, they should still follow appropriate protocol (for instance, reasonable preparation and communication) to insure smooth relations with project partners and participants.

22. To enhance the effective and efficient use of supervision resources, it is often possible to combine project visits on a cluster of related projects, combine supervision missions with visits dealing with other Bank activities, or organize thematic supervision missions.
A. Preparation

23. Preparation for a scheduled mission’s project site visit is an ongoing process, but the immediate run-up of the visit may require several days of special preparation activities. The TT reviews the files, correspondence, and other relevant project documents, and encourages the borrower to suggest issues to be addressed by the visit. Particular attention is devoted to identifying issues on which to seek Bank Management’s guidance before the mission departs. In such cases, the TL often prepares a note for Management setting out the issues and recommending solutions.

24. The TT prepares the Statement of Mission Objectives (SMO) which is essential to the TT’s effectiveness. It should provide a clear understanding of (a) project development objectives—that is, the outcomes and impacts that are expected from the project; and (b) project implementation objectives—that is, inputs for and outputs of project activities. The SMO should list the main issues to be addressed during the mission, plus the expected outcomes of the mission.

25. In planning for the project visit, TLs should be careful to match the special skills and expertise of TT members with the particular problems facing the project, and to make use of local consultants. The project visit should include specialists with adequate background and experience to assess progress toward achieving project objectives and compliance with loan covenants, and to deal with any problems.⁷

26. At least two and preferably three weeks before the visit, the TT should inform the borrower and implementing agencies about the visit (including its schedule, purpose, and the issues to be addressed), so that they will be prepared to receive the TT. It is useful to collaborate with implementing agencies on the agenda for project visits.

B. Activities in the Field

27. The visiting TT should carry out appropriate arrival and introductory formalities (which vary widely among countries and cultures) with the country office, borrower, and implementing

⁷ TLs should give particular attention to selecting specialists with appropriate professional qualifications and experience to deal with safeguard policy issues. When legal consultants are required for project supervision, their selection and appointment require prior approval by the Legal Department.
agency. However, the main purpose of the TT’s visit is to ensure that the project is being implemented with due diligence to achieve its agreed objectives, and in conformity with its legal agreements. Thus the visiting TT and counterpart staff should spend the majority of their time examining issues related to the achievement of development objectives and project benefits; reviewing problems related to physical progress and financial status; assessing implementation quality (particularly the implementation of plans bearing on safeguard policies); and interacting with the staff of implementing agencies, beneficiaries, nongovernmental organizations (NGOs), and other stakeholders to obtain a broad understanding of project implementation and results to date.

28. The TT does more than simply prepare a list of issues to be reported to Management. When problems are identified (such as failure to comply with legal covenants or safeguard policies), the TT (a) helps to develop realistic and workable solutions, and (b) reaches agreement with the borrower and project agencies on who should take what corrective actions and when. This approach helps win the borrower’s confidence and enhances its commitment—essential elements in implementing the project successfully and achieving its goals.

29. TTs prepare a concise aide-mémoire detailing their findings, decisions, and recommendations, and remedies agreed to jointly with the borrower. In particular, the aide-mémoire (a) addresses the issues listed in the SMO plus any others that arose during the visit, and (b) includes a specific and clear program of actions that provides adequate guidance for the borrower and project agencies. As a TT-generated document, the aide-mémoire should be discussed with the borrower and project management and record agreed actions, but its contents should not be “negotiated.” If the borrower agrees, the TT may share the aide-mémoire with partners and stakeholders to enhance their understanding and participation. As the Bank’s main instrument for written communication with the borrower and project management following a site visit, the aide-mémoire is the official view of the Bank unless it is modified by Bank Management in subsequent correspondence.

30. Normally the TT should be able to address all significant issues in the aide-mémoire, taking advantage of opportunities to consult with the field-based CD and staff. Country directors and appropriate staff are not available in all countries, however. There may be cases, moreover, in which the TT encounters delicate or unusual problems for which additional consultation at
headquarters or with the borrower and implementing agencies is necessary before the Bank takes a position—for example, possible suspension or cancellation, procurement decisions requiring approval by procurement advisory staff, or matters of Bank policy that were not anticipated in pre-visit discussions. When the TT and country management are based at headquarters, and there are unresolved matters that should not wait until the TL’s return to Washington, the TL should send a summary of the main conclusions and recommendations (or, if feasible, the aide-mémoire) to Bank headquarters for review and action as each country visit is concluded.

C. Follow-Up Activities

31. TLs and, as appropriate, country office staff should follow up with the borrower on progress made in implementing the project and on the actions agreed in the aide-mémoire (and any subsequent correspondence). The borrower/implementing agency should be encouraged to reply to the Bank’s aide-mémoire, specifically addressing the issues raised and actions required, and to refer to this document in subsequent quarterly/semiannual reports.

32. If implementation problems are severe, or if other projects face similar problems, it may be useful to supplement project supervision with periodic Country Portfolio Performance Reviews (CPPRs) or sector implementation review meetings with the relevant country officials. Such meetings review the loan portfolio, paying particular attention to projects that present problems, and those that are especially successful, and to sectoral and cross-sectoral issues. They provide opportunities to exchange views on insights and potential innovations, including those raised in the course of thematic reviews under way in the Bank and other international institutions.

33. Regional management—especially the CD and SM—are responsible for ensuring the quality of supervision. They carry out a quality review of the supervision findings and recommendations, and provide effective guidance to the TT throughout the year and before and

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9 The effort expended on supervision is measured mainly by staff and consultant contributions. The quality and effectiveness of supervision are more difficult to determine; they are to some extent reflected by early and precise identification of implementation problems, clear definition of actions required to overcome problems, and the ability to get appropriate actions taken. The questionnaire used by the Quality Assurance Group in its supervision quality assessments provides a comprehensive framework for assessing the quality of Bank supervision (insert electronic link to the QAG questionnaire). The Checklist for Effective Supervision in Annex A provides guidance for TTs and managers to help ensure quality supervision.
after each site visit, as appropriate. Good supervision reports/aide-mémoire should be circulated among Regional staff as best practice examples.

34. If, at any time, the TT’s findings are of broad significance beyond the project, and particularly if the lessons learned may influence the design of new lending operations or sector and country strategies, the responsible manager may arrange a debriefing meeting in which country staff participate as appropriate. Such meetings are particularly important for projects with links to major policy issues.

IV. SUPERVISION IN ADJUSTMENT OPERATIONS

35. An adjustment loan normally supports a program consisting of policy measures intended to achieve certain macroeconomic and sector objectives,\(^\text{10}\) and supervision focuses on the timely adoption and effective implementation of the agreed policy measures and other actions, such as specific institutional arrangements and studies. However, supervision is broader than a review of agreed actions; it also covers the intended results of the agreed actions, significant issues affecting the program (for example, governance and capacity problems), and the general macroeconomic framework within which program implementation takes place. Therefore, it is complemented by broad monitoring of a country’s overall economic performance, in terms of both policies and results.\(^\text{11}\) This broad monitoring is particularly important since the Bank does not usually define legally binding macroeconomic performance criteria.

36. In many adjustment operations, loan conditionality “frontloading” requires that certain policy actions be completed before loan effectiveness, and therefore the supervision process also begins before effectiveness, with an initial PSR to be completed later. Given the complexity of the typical programs and, sometimes, of their institutional arrangements, it is often desirable to set up fairly elaborate management and monitoring arrangements in the country, with adequate representation of the monetary and fiscal authorities.

37. Depending on the specific purpose and the expected results of policy action, the timing of supervision visits should be effectively coordinated with the decisionmaking processes in the

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\(^{10}\) See OP/BP 8.60, *Adjustment Lending* (forthcoming). The measures are detailed in the Loan Agreement and the government’s “Letter of Development or Sectoral Policy.” The program and its rationale are further explained in the President’s Report.

\(^{11}\) An example of typical indicators to be monitored is provided in Annex C.
country (for instance, the budget preparation cycle). The Poverty Reduction Strategy Paper process\textsuperscript{12} can be used as a convenient vehicle for policy dialogue and coordination with partners, including the IMF and other donors. Supervision of adjustment loans may also be closely linked with economic and sector work or with the preparation of a follow-up adjustment operation. Close consultation with the IMF is important to ensure agreement on the macroeconomic framework, avoid conflicting policy advice, and, in particular, reconcile the IMF’s shorter-term macroeconomic perspective with the Bank’s longer-term structural objectives.

38. Factors that are important for effective supervision of adjustment operations include involvement of Senior Management,\textsuperscript{13} adequate supervision staff (including technical specialists as necessary), and continuity of staff assigned to the supervision of a given operation.

39. Good planning (covering the specific focus, timing, and staffing) of supervision work is particularly important in complex adjustment operations. Issues meetings may be convened to provide guidance to any country/project visit; they are especially valuable for TTs preparing tranche releases, for which decisions on the Bank’s position are normally taken before the TT’s departure.

40. Many adjustment programs are complex, and therefore progress toward compliance with tranche release conditions can be is sometimes uneven. Thus, the Region may need to provide supervision in stages, before tranche release, possibly carrying out negotiations on policy actions that were agreed to in principle during appraisal but not at that time designed in detail. Adjustment loans that have been fully disbursed but are not yet closed also must be supervised. Also, many adjustment operations may require monitoring after loan closing. However, since the Bank is normally involved with a country for an extended period (for example, through a series of adjustment operations), adequate monitoring and supervision after closing can usually be carried out during the preparation and supervision of subsequent operations. In these circumstances, continuity of the adjustment process should be reflected in adequate supervision of and reporting on all the undertakings covered under previous adjustment operations.

41. ICRs are prepared for adjustment loans, as for investment loans, though qualitative inputs are typically provided prior to loan closing in all but the last in a series of linked adjustment

\textsuperscript{12} See OP/BP 2.20, Policy Framework Papers (forthcoming).
\textsuperscript{13} Management approval procedures of tranche releases will be detailed in OP/BP 8.60, Adjustment Lending (forthcoming).
operations. Those inputs can be critical for appraisal of the subsequent operation. For freestanding adjustment loans and last loans in a series, ICRs are normally prepared within six months of loan closing. If supervision requirements are expected to continue beyond loan closing and ICR completion, as could be the case, for example, if significant long-term environmental impacts are possible, the Bank and borrower should agree on the design and financing of appropriate continuing supervision so that issues can be dealt with as they arise.
CHECKLIST FOR EFFECTIVE SUPERVISION

A number of elements contribute to the quality and effectiveness of supervision. This checklist is intended to serve as a reminder of the major elements.

Supervision Planning

___ Is the project supervised from the country office or from headquarters (HQ)?
___ If supervision responsibility lies with HQ, what is the role and involvement of the country office?
___ What level of day-to-day supervision activities does the project require?
___ When was the latest project site visit?
___ At what monthly intervals are site visits carried out? Does the project warrant more or fewer site visits?
___ Is there continual communication with the borrower/implementing agency?

Project Visit Preparation

___ Has the visit been coordinated with the country office (if supervised from HQ)?
___ Has adequate time been set aside (3-4 working days) to prepare for the project visit?
___ Have all files, correspondence, and other relevant project documents such as SAP-generated procurement plans been reviewed?
___ Has a list of issues to be covered during the visit been prepared, and does it include the issues raised by the borrower, together with the desired outcome for each?
___ Would it be useful to draft and discuss with Management a detailed pre-visit issues paper?
___ Has necessary guidance been sought on any issues requiring Management decision?

Statement of Mission Objectives (SMO)

___ Does the SMO clearly spell out the objectives of the visit?
___ Does the SMO show a clear understanding of (a) project implementation objectives (i.e., inputs for and outputs of project activities), and (b) project development objectives (i.e., outcomes and impacts expected from the project)?
___ Does the SMO list the issues and expected outcomes of the visit, linking this visit with the results and recommendations of any previous visits?
___ Does the SMO take into consideration (a) the critical assumptions made during appraisal, and
(b) what the Bank expects the borrower/implementing agency to do to make sure that the assumptions are still valid and that project risks are well under control?
___ Does the SMO reflect changes, if any, in borrower commitment to the project since its inception?
GUIDELINES FOR PROJECT SUPERVISION—ANNEX A

Task Team (TT) Composition, Departure Procedures, and Performance in the Field

___ Does the task team (TT) have appropriate continuity?
___ Does the TT include subject-matter specialists who have the professional background and experience to deal with the list of issues in the SMO, including safeguard policies?
___ Have the borrower and implementing agencies (and the country office, for HQ-based supervision TTs) been informed in advance of the TT’s travel schedule and the SMO; were the borrower and implementing agencies encouraged to add their own needs and expected outcomes to the SMO; and have they agreed to the timing, schedule, and focus of the visit?
___ To what extent has the TT (a) met with borrower/implementing agency representatives, (b) visited the project site, and (c) interacted with representatives of beneficiaries, NGOs, and other stakeholders?
___ Of the total time used for the visit, how much has been spent in the field?

Aide-Mémoire

___ Does the aide-mémoire clearly address the issues listed in the SMO?
___ Does it address other issues that arose during the visit?
___ Does it spell out specific suggestions to the borrower of actions to be taken, by whom, and by when?
___ Does it outline specific actions and provide adequate guidance for the borrower and project agencies?
___ Does the aide-mémoire demonstrate that the TT spent sufficient time on site evaluating progress toward the project’s development objectives, reviewing physical progress, assessing quality, and interacting with the beneficiaries, NGOs, and other stakeholders?
___ Does the aide-mémoire indicate whether the project objectives remain valid, or whether the project should be restructured?
___ Has the aide-mémoire been prepared in the field?
___ Has the aide mémoire been translated into the local language, where necessary?
___ Has the aide mémémoire been discussed fully with the borrower and project agencies?
___ Has the borrower been given a copy of the final aide-mémoire in the field?
___ Has the borrower agreed to share the aide-mémoire or a summary of it with other partners?
___ Does the aide-mémoire include a summary that can be quickly and accurately understood by senior officials?

Project Status Report (PSR)

___ Is all required information recorded/update in the PSR?
___ Do the ratings correctly reflect the project’s status in terms of (a) implementation progress, (b) financial health and accountability, (c) compliance with legal covenants and the Bank’s safeguard policies, (e) project management performance by the implementing agency, (f) achievement of stated project objectives, (g) key assumptions and risks, and (h) previously agreed actions and recommendations?
___ Are the ratings for implementation progress and development objectives supported by data on key performance indicators?

___ Does the PSR explain why actions agreed to be taken in previous visits are still pending, if they are? Does it establish a new deadline or action plan for carrying out these actions? Are all recommended actions clear as to responsibility and timing?

___ Does the PSR clearly reflect the findings and recommendations of the supervision mission and the agreed actions to be taken by the Bank and the borrower/implementation agency?

___ Is the PSR duly signed by the task team leader and has it been reviewed by the sector manager for comment?

Status of Legal Covenants and Covenant Effectiveness

___ Are the borrower and implementing agency in compliance with the legal covenants?

___ In case of noncompliance, what actions will the borrower take to comply?

___ If there is continued failure to comply with legal covenants that are essential to the project’s development objectives, or affect the project’s sustainability, or relate to the Bank’s safeguard policies, has the TT proposed actions (including legal remedies) that the Bank should take to enforce these obligations?

___ Has the selection of covenants been appropriate? Have any proved to be ineffective in accomplishing the intended purpose? Are any superfluous? What can be done?

___ Does the TT propose amending any covenant? If so, why? Has the recommended text been drafted?

___ Are there general problems or issues related to compliance with covenants under the project?

Bank Follow-up

___ Has the TT followed up with the borrower/implementation agencies on the actions agreed in the aide-mémoire?

___ What supervision responsibility lies with HQ? Are country office staff monitoring the implementation of the agreed actions? How else might country office staff help?

___ Is the TT maintaining regular contact with the borrower/project agencies to monitor project progress?

Borrower Follow-up

___ Has the borrower acknowledged the aide-mémoire, either by responding specifically to it or by referring to the aide-mémoire in its quarterly/semiannual reporting?

___ Has the borrower demonstrated ownership of and involvement in the project during the TT’s visit?

___ Have the visit and Bank follow-up had an impact, have they been effective?

___ Have the borrower/implementation agencies acted on the recommendations/agreed actions listed in the aide-mémoire?
Quality Assurance by Bank Management

___ Has the TT’s documentation been subject to a quality review and checks by the country director and sector manager?
___ Are supervision reports and the aide-mémoire, as appropriate, circulated among Regional staff as examples of best practice to emulate?
___ How promptly and effectively is the TT responding to borrower/project agency queries and requests for assistance?
___ How promptly is the TT reviewing progress and other reports, and does the TT provide effective feedback on these reports to the borrower/project agency?
___ How prompt, intensive, and effective is the TT’s review of matters related to procurement, financial management, disbursement, and environment and social aspects? Is the TT effective in helping ensure compliance with Bank’s safeguard policies?
PROJECT STATUS REPORT

I. Introduction

1. The Project Status Report (PSR) is a concise summary of key project information; assessments by the supervision task team (TT) of various aspects of project performance and risks, including the achievement of project implementation and development objectives; and the issues affecting project implementation and the corresponding remedial actions.\(^1\) It is an internal reporting tool that draws on the aide-mémoire used by supervision TTs for external dialogue with the borrower. It is also a management tool. Project performance assessments in individual PSRs provide the basis for assessing the performance of the Bank’s portfolio of projects under implementation by country, sector, region, and so forth, and for developing portfolio management actions. It is therefore essential that project information in PSRs is current and accurate, and that performance assessments are as candid and as realistic as possible.

2. A PSR is prepared for all active IBRD and IDA operations,\(^2\) and for operations included in Bank-managed special programs (Global Environment Facility grants of more than US$ 1 million, Montreal Protocol grants, Special Fund for Bosnia and West Bank and Gaza grants, and Guarantees). The printed version of a blank PSR used for IBRD, IDA, and Special Fund operations is shown in Attachment 1. A variant of this format has been developed for GEF and Montreal Protocol operations.\(^3\) Another variant is being developed for guarantee operations.\(^4\)

3. The initial PSR is created automatically within two weeks from Board approval. The relevant data from the Project Appraisal Document (PAD) are loaded into the initial PSR with the performance ratings set at “satisfactory.” Consistent with the concept of supervision as a continual process, the PSR is updated not only after site visits or for Bankwide portfolio reviews, but also when significant new information becomes available. For portfolio reporting and post evaluation purposes, it is archived at least once every six months.

4. The PSR is an online form in the SAP system, and is accessed through a standard Bank workstation. It also may be accessed from the World Bank’s Intranet homepage by typing PSR in the url. A Notes-based mobile version (“PSR Lite”) for laptops is also available for TTs who are traveling. The SAP screens for entering data into the PSR are shown in Attachment 2. This annex summarizes the PSR’s main features, underlying conceptual framework, and rating scales and definitions.

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\(^1\) To harmonize the evaluation methodology embodied in the PSR with that used to evaluate projects at completion in the ICR and by the Operations Evaluation Department, the addition of relevance, sustainability, and institutional development impact ratings to the PSR is being considered. The ratings are proposed to be added once guidance on how these assessments should be made for ongoing projects becomes available.

\(^2\) An “active” operation is one supported by a loan or credit, which has not closed and has a positive undisbursed balance.

\(^3\) See OD 9.01, Investment Operations under the Global Environment Facility, or contact ENV.

\(^4\) See OP/BP 14.25, Guarantees.
II. PSR Content

5. The PSR is divided into the following 14 sections and one annex (see Attachment 1 for the PSR template).

- **Project Data**
  Key dates (Bank approval, effectiveness, closing, site visit, midterm review, restructuring), loan amount, and project costs.

- **Project Performance Ratings**
  Summary ratings of likely achievement of the project development objective (DO) and implementation progress (IP); and ratings of various aspects of project performance, including financial management and performance, project management, procurement, safeguard policies, other legal covenants, women in development impact, and monitoring and evaluation.

- **Project Performance Ratings**
  Summary ratings of likely achievement of the project DO and IP with respect to each project component.

- **Critical Risk Ratings**
  Summary risk rating, and ratings of key exogenous factors or risks affecting achievement of the project development objective and outputs.

- **Compliance with Safeguard Policies**
  Ratings of compliance with the Bank’s safeguard policies applicable to the project.

- **Compliance with Legal Covenants**
  Number of covenants not complied with in relation to the total number of covenants.

- **Audited Financial Statements**
  Number of overdue and of qualified audited financial statements; accountability issues.

- **Cumulative Disbursements**
  Actual disbursed amount; disbursement lag; graph comparing actual to projected disbursements.

- **Tranche Releases (for adjustment operations)**
  Expected dates and amounts of individual tranche releases; effective dates of tranche releases.

- **Project Development Objective**
  Statement of the project development objective from the PAD (or if formally revised during project implementation, from the amendment to the legal agreement).

- **DO Rating Explanation**
  Summary of the factors on which the DO rating is based, which should include whenever possible data comparing achievements with targets, using key performance indicators.

- **Current Project Status**
  Concise description of implementation progress to date, listing the main accomplishments and using project output indicators whenever possible. Assessment of prospects for successful completion.

- **Summary of Key Issues and Actions**
  Concise description of the main problems hindering project implementation and achievement of the project DO and the corresponding remedial actions to be carried out by the borrower and/or the Bank.

- **Manager’s Comments**
  Comments and recommendations of the Country Director and Sector Manager on project performance and issues, or on any of the sections of the PSR.

- **Annex on Key Performance Indicators**

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5 Or the Staff Appraisal Report for the older projects which used it.
Comparison of target and actual values of key project DO and IP indicators at selected points during project implementation and at completion; baseline and target figures should be identical to those cited in the PAD.

III. Conceptual Framework

6. The performance rating system used in the PSR is based on the “logical framework” approach to project design and evaluation (see M&E in Supervision). The logical framework is a methodology for conceptualizing project design. It is an analytic tool that has the power to communicate a complex project clearly and succinctly on one or two sheets of paper. Ideally, it is used as a tool for designing a project collaboratively with key stakeholders.

7. The logical framework approach uses the concept of a hierarchy of objectives that are causally connected. These range from broad strategic or programmatic objectives at the country or sector level (CAS objectives) down through the micro-level project development objective, outputs, and components. For each of these levels, quantitative and qualitative indicators to measure progress are clearly identified. Factors beyond the scope or control of the project—critical assumptions and risk factors—that could influence the strength and direction of these causal relationships are also explicitly recognized and monitored. The framework uses “if-and-then” logic: if the components are effectively implemented and ‘x’ assumption holds true, then the intended outputs will be realized ... if the outputs are realized and ‘y’ assumption(s) holds true, then the development objective(s) of the project will be realized. Progress in implementing project component activities and achieving outputs is assessed separately from progress in achieving the project development objective.

8. The logical framework presents schematically on paper the hierarchy of a project’s objectives (the first column of Figure 1 below), the performance indicators for measuring the achievement of each objective (the second column), the means of monitoring and evaluating each indicator (the third column), and the assumptions critical to achieving the next objective level (the fourth column). Effectively, the first column of Figure 1 describes the internal project design; the second column, the performance measurement system; the third column, the monitoring and evaluation arrangements; and the fourth column, the environment within which the project is to operate.

9. The PSR draws on the logical framework in that it uses performance indicators and assesses implementation progress, project risks (defined as the probabilities that the critical assumptions may not hold), and achievement of the development objective separately but as part of an integrated system. The relationship between the logical framework and the PSR is represented in Figure1.

6 The “logical framework” approach to project design and evaluation, either in its original formulation or in a revised form, is in use by a significant part of the development community, including ADB, DANIDA, EC, IDB, ODA, and USAID.
Figure 1. The PSR and the Logical Framework

<table>
<thead>
<tr>
<th>Hierarchy of objectives</th>
<th>Key performance indicators</th>
<th>Monitoring and evaluation</th>
<th>Critical assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector-related CAS goal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Development Objective (PDO) and key outcome/impact indicators</td>
<td></td>
<td></td>
<td>Critical assumptions from outputs to PDO</td>
</tr>
<tr>
<td>Project outputs and components and key implementation progress indicators</td>
<td></td>
<td></td>
<td>Critical assumptions from components to outputs</td>
</tr>
</tbody>
</table>

10. The summary performance measure for project components and outputs used in the PSR is called the “Implementation Progress” (IP) rating; and for the project development objective, the “Development Objective” (DO) rating. This dual rating system recognizes the importance of performance monitoring and assessment in terms of project implementation and development results. Given the cause and effect relationship between these two levels, satisfactory progress in implementing project component activities and achieving project outputs is needed to achieve project development results. At the same time, satisfactory implementation is not sufficient to reach the intended development results. The rating system recognizes that because project results can be influenced by other factors (the critical risks assessed in the PSR), satisfactory implementation progress does not always equate with satisfactory achievement of development results. Therefore, direct measurement and assessment of progress toward the development objective, and analysis of risks outside the project’s control, are emphasized in the PSR.

IV. PSR Rating Scales

11. The Project Status Report requires ratings by supervision TTs of various aspects of project implementation progress, project risks (including compliance with legal covenants and safeguard policies), and the likelihood of achieving the project development objective. The ratings are based on a four-point alphabetic scale. If an item is not applicable, it is rated as “N.A.” (for instance, for “Counterpart Funds” in an adjustment operation). In those rare cases where a judgment has not been formed—such as where it may be more important to review other aspects of the project during the time available—“N.R.” (“not rated”) is used.

A. Implementation Progress Ratings

1. Individual Component Ratings

12. Implementation progress of each project component is rated separately by comparing actual performance to the original implementation plan appraised and found satisfactory by the Bank. The standards against which implementation progress are to be measured differ from those of the original implementation plan only in cases where the project has been restructured following a formal agreement between the borrower and the Bank that has been approved by or reported to the Executive Directors.
13. The following scale is used in rating the performance of each project component, except environmental, resettlement, and institution-building components (training, technical assistance, and studies) for which separate rating definitions apply.

- **Highly Satisfactory (HS)**: Implementation exceeds or is fully in accordance with the original implementation plan or the formally revised plan.
- **Satisfactory (S)**: Implementation is in substantial compliance with the original/formally revised implementation plan.
- **Unsatisfactory (U)**: Implementation is not in substantial compliance with the original/formally revised implementation plan but remedial action has been agreed.
- **Highly Unsatisfactory (HU)**: As in “U,” but remedial action has not been agreed.
- **Highly Unsatisfactory (HU)**: As in “U,” but problems are not being addressed appropriately.

**Special Cases: Gender Component**

14. Projects are rated for integrating gender by (1) conducting gender analysis, (2) ensuring the participation of women as well as men as appropriate throughout the project process, (3) monitoring the project’s differential impact on women and men, and (4) collecting sex-disaggregated data to reflect and monitor the progress in integrating gender. These four areas are reflected in the rating according to the following scale:

- **Highly Satisfactory (HS)**: Gender components (analysis, integration, monitoring, and sex-disaggregated data collection) are being implemented in a timely and satisfactory manner.
- **Satisfactory (S)**: Implementation of the critical aspects of the gender components is proceeding in a timely and satisfactory manner. There are some problems with certain other aspects, but these are not undermining the progress of implementing the components and are being addressed by the borrower/implementing agency.
- **Unsatisfactory (U)**: There are major problems in implementing some or all of the gender components in the project, including aspects critical to the success of the components and the project as a whole. However, appropriate measures are being taken by the borrower/implementing agency to address the problems.
- **Highly Unsatisfactory (HU)**: As in “U,” but problems are not being addressed appropriately.
**Special Cases: Institution-Building Components**

15. *Training Progress.* The project is rated on the progress in implementing project-related training, which would lead to the desired increase in trained manpower. The rating covers both formal training and informal on-the-job training of long or short duration provided under the project (it does not, however, include on-the-job training by technical assistance staff, which is rated under “Technical Assistance Progress,” see below). It is concerned with the amount and quality of the training. The ratings are defined as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory (HS)</td>
<td>All training is proceeding in a timely and satisfactory manner.</td>
</tr>
<tr>
<td>Satisfactory (S)</td>
<td>There are some problems in making timely and/or suitable arrangements for training, or in carrying out training, but final training results are expected to meet appraisal targets.</td>
</tr>
<tr>
<td>Unsatisfactory (U)</td>
<td>Some or all training is experiencing major problems, and there is uncertainty whether the final training results will closely meet appraisal expectations. However, appropriate measures are being taken by the borrower/implementing agency to address the problems.</td>
</tr>
<tr>
<td>Highly Unsatisfactory (HU)</td>
<td>As in “U,” but problems are not being addressed appropriately.</td>
</tr>
</tbody>
</table>

16. *Technical Assistance Progress.* The project is rated on the progress in implementing the project’s technical assistance provisions (except for studies that are rated separately under “Studies Progress,” see below). The rating refers to the engagement of technical assistance, the quality of posted technical assistance staff, and the effectiveness of their work and advice (including on-the-job training of counterpart staff). The ratings are defined as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory (HS)</td>
<td>All technical assistance is being arranged/provided in a timely and satisfactory manner.</td>
</tr>
<tr>
<td>Satisfactory (S)</td>
<td>There are some problems in arranging/providing the desired technical assistance, but the final results of the technical assistance are expected to be well in line with appraisal expectations.</td>
</tr>
<tr>
<td>Unsatisfactory (U)</td>
<td>There are major problems in implementing some or all of the technical assistance provisions of the project, and there is uncertainty whether the technical assistance will reach appraisal expectation, but the borrower/implementing agency is taking appropriate action.</td>
</tr>
<tr>
<td>Highly Unsatisfactory (HU)</td>
<td>As in “U,” but problems are not being addressed appropriately.</td>
</tr>
</tbody>
</table>

17. *Studies Progress.* The project is rated in accordance with progress in preparing project studies, which should lead to output that meets appraisal expectations. The ratings are defined as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory (HS)</td>
<td>All project studies are proceeding in a timely and satisfactory manner.</td>
</tr>
</tbody>
</table>
Satisfactory (S)  Some or all project studies are experiencing some problems (preparation and/or agreement on the Statement of Mission Objectives, staffing, conduct of field work and/or timeliness of other required actions), but the output of all studies is expected to be within appraisal expectations.

Unsatisfactory (U)  Some or all studies are experiencing major problems, and there is uncertainty whether the final output will meet appraisal expectations. The borrower/implementing agency is, however, taking action to address the problems.

Highly Unsatisfactory (HU)  As in “U,” but problems are not being addressed appropriately.

2. Summary Implementation Progress Rating

18. The summary IP rating provides a judgment on the overall implementation of a project, based only on the progress being made in carrying out individual component activities. In making this judgment, the various components of a project are weighted equally irrespective of cost (for instance, in the same way that individual projects comprising a country portfolio are weighted equally in country portfolio assessments for the ARPP). Thus, the overall IP rating would be an unweighted average of individual component IP ratings.

19. As a general rule of thumb, if half or more of the components are rated U or HU, the overall IP rating is normally not rated satisfactory. Thus for a project with two components, both components are rated S for overall IP to be rated S; for a project with three components, at least two components are rated S for overall IP to be rated S; for a project with four to five components, at least three components are rated S for overall IP to be rated S; and so forth.

20. The individual component ratings are aggregated into a summary IP rating using the following scale:

- Highly Satisfactory (HS)  Implementation of all components is in substantial compliance with the original implementation plan or with the formally revised plan.

- Satisfactory (S)  Implementation of most components is in substantial compliance with the original/formally revised plan except for a few that are subject to remedial action.

- Unsatisfactory (U)  Implementation of most components is not in substantial compliance with the original/formally revised plan but remedial action has been agreed.

- Highly Unsatisfactory (HU)  As in “U,” but remedial action has not been agreed.
3. Specific Aspects of Project Implementation

Financial Management

21. The project’s financial management should be rated according to the continuing appropriateness of arrangements in place in terms of financial planning and budgeting, funds flow/disbursement arrangements, internal control, accounting (including staffing levels in the accounting department), financial reporting, and auditing with the aim of contributing to the achievement of country program and project specific objectives. The task team should consult with the Financial Management Specialist assigned to the project before entering the rating.

Highly Satisfactory (HS)  The borrower’s financial management system operates efficiently and is highly reliable. It continues to provide sound and timely financial information required to manage and monitor the implementation of the project. Appropriate internal controls are in place and functioning effectively.

Satisfactory (S)  As in HS, but minor deficiencies have been noted that do not have a material impact on the overall functioning of the financial management system, and are being addressed by the borrower/implementing agency.

Unsatisfactory (U)  Major deficiencies have been noted in the borrower’s financial management system that have a material impact on its overall effectiveness in ensuring the proper management of project funds. However, appropriate measures are being taken by the borrower/implementing agency to address the problems.

Highly Unsatisfactory (HU)  As in “U,” but problems are not being addressed appropriately.

Note: The “NR” rating for “Not Rated” should only be entered in exceptional circumstances in which for some reason it is not appropriate, or not possible, to rate the project’s financial management status.

Financial Performance

22. Financial performance reflects whether implementing entities have sufficient funding available on a timely basis to allow the project to be successfully implemented and whether the entities meet acceptable financial performance targets during the implementation and, where appropriate, operating phases. For projects involving revenue-earning entities, the assessment looks beyond the availability of funding to include compliance by the borrower/implementing agency with the financial covenants of the legal agreements. (Note that financial covenants do not include the Bank’s standard requirements on financial management and auditing, which are covered under “other legal covenants.”). The project is rated on the following scale:

Highly Satisfactory (HS)  At least 90 percent of the counterpart funds required for timely and effective project implementation have been budgeted for the current fiscal year and are being released in a timely fashion, and reliable provision is made for the overall project budget. All financial covenants are complied with.
Satisfactory (S) Although there are some difficulties and delays, provision of counterpart funds is likely to face only moderate problems. Provision for at least 70 percent of the required funds has been made, and funds are being released on time.

For revenue-earning entities, there is not full compliance with all financial covenants, but there is firm expectation of early compliance. This noncompliance does not significantly affect the implementation of the project or the accomplishment of its development objectives.

Unsatisfactory (U) There are major shortcomings in the timeliness and/or amount of counterpart funds (less than 70 percent of needed funds) that will affect implementation and/or jeopardize the viability of the project entity, but acceptable measures are being taken to address these issues. Noncompliance with financial covenants has a major effect on project implementation/achievement of development objectives, but there is firm expectation of compliance in the near future.

Highly Unsatisfactory (HU) As in “U,” but appropriate action to correct the problems has yet to be taken or, in the case of financial covenants, there is no expectation of compliance.

Note: The “NA” rating may be entered for Financial Performance if (i) no counterpart funds were required to be provided as part of the project; and (ii) there are no financial performance covenants in legal agreements. The “NR” rating for “Not Rated” should only be entered in exceptional circumstances in which for some reason the task team was unable to form a judgment as to the financial performance of the project or entity. Ratings of “NA” or “NR” should be entered only after consulting with the Financial Management Specialist or Financial Analyst assigned to the project.

Project Management

23. Project management is rated by how well it does its job. Depending on the nature of the project and the stage of implementation, this may refer to the management of physical construction or the project entity, implementation of broad policy or institutional changes, or the managerial environment. In each case, the focus should be on the availability of qualified management with the necessary authority to perform the functions foreseen (at appraisal) for the stage of implementation being assessed. The ratings are defined as follows:

Highly Satisfactory (HS) Project management is doing its job with minor or no problems.

Satisfactory (S) Despite some shortcomings, project management is doing its job with only moderate problems.

Unsatisfactory (U) There are major deficiencies in project management resulting in significant delays in project implementation and/or achievement of project development objectives, but acceptable measures are being taken to strengthen managerial capacity.

Highly Unsatisfactory (HU) As in “U,” but appropriate corrective action is yet to be taken.
Procurement Progress

24. The project is rated in accordance with the performance of the borrower/implementing agency in carrying out Bank-financed procurement, in terms of the efficiency with which procurement is managed, and how it is affecting the speed of project implementation. (Compliance with the procurement requirements of the loan agreement, which include those of the Procurement Guidelines, is to be rated under "Compliance with Other Legal Covenants," see below.)

Compliance with agreed procurement schedules. This rating measures borrower adherence to the procurement schedules agreed at the PAD stage or to periodic rolling plans, as applicable. The ratings are defined as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory (HS)</td>
<td>No deviations on critical procurement actions, and no material deviations on non-critical actions.</td>
</tr>
<tr>
<td>Satisfactory (S)</td>
<td>No deviations on critical procurement actions but prevalent delays in non-critical actions.</td>
</tr>
<tr>
<td>Unsatisfactory (U)</td>
<td>Delays in critical procurement actions resulting in up to 20 percent delay in project completion.</td>
</tr>
<tr>
<td>Highly Unsatisfactory (HU)</td>
<td>Delays in critical actions resulting in over 20 percent estimated delay in project completion.</td>
</tr>
</tbody>
</table>

Quality and reliability of procurement administration. This rating measures the overall reliability and transparency of procurement administration for the project, the credibility of the process, and the overall performance of the unit responsible for managing procurement. The ratings are defined as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory (HS)</td>
<td>Documentation and decisions are of the highest quality, sound, and transparent, and the procurement unit operates efficiently at high standards. No heavy supervision by the Bank required. No deterioration perceptible. No, or very few, substantiated complaints from bidders.</td>
</tr>
<tr>
<td>Satisfactory (S)</td>
<td>The system operates well and needs only moderate supervision and Bank input, documentation furnished by the borrower requires only moderate revisions, and operation of the procurement unit is good or improving in respect to the initial assessment at PAD stage. Evaluation reports given to the Bank seldom need clarifications. Ex post reviews reveal a consistent pattern of clear, well-documented decisions. Small number of substantiated complaints leading to change in original decisions for contract award.</td>
</tr>
<tr>
<td>Unsatisfactory (U)</td>
<td>Two or more of the following issues are detected: Procurement needs substantial supervision and resources; documentation is of poor quality, requiring major and frequent revisions and clarifications; moderate amount of substantiated complaints, frequently leading to changes in award recommendations; the procurement unit operation is affected by important deficiencies in key areas of operation assessed at the PAD stage, or performance is deteriorating.</td>
</tr>
</tbody>
</table>
Highly Unsatisfactory (HU) One of the following issues is detected: Frequent and persistent major substantiated complaints, leading to changes in award decisions; extremely slow processing of bid evaluations; general lack of transparency in reporting and decision making, taking several rounds of reviews and clarifications to evaluate reports or bidding documents; substantiated accusations of corruption being submitted to the Bank in more than one case in any two-year period. General non-adherence to the action plan to improve the procurement function as agreed as part of the project design. General poor reputation with bidders.

25. **Safeguard Management Performance Rating**

Highly Satisfactory (HS) The agreed safeguards mitigation / development plans are being adequately implemented.

Satisfactory (S) The agreed mitigation / development plans are being adequately implemented. Minor issues have arisen on one or more of the safeguards mitigation / development plans, but remedial action has been taken or is programmed.

Unsatisfactory (U) For one or more of the mitigation / development plans, implementation is not proceeding satisfactorily. Remedial actions have been discussed with the borrower, but their implementation is uncertain.

Highly Unsatisfactory (HU) Same as “U,” but problems are not being addressed appropriately.

**Other Legal Covenants**

26. The project is rated in accordance with the compliance of the borrower/implementing agency with the legal covenants (excluding financial covenants which are rated separately), including supplemental letters, taking into account the understandings with the borrower as set out in the minutes of negotiations. In assigning the ratings, due emphasis should be given to the importance that compliance with various covenants has for achieving project development objectives and for meeting Bank statutory requirements. The ratings are defined as follows:

Highly Satisfactory (HS) All covenants are complied with.

Satisfactory (S) The borrower/implementing agency/guarantor is not in full compliance with all legal covenants, but there is firm expectation of early compliance. This noncompliance does not (a) significantly affect the implementation of the project or the accomplishment of its development objectives, or (b) seriously violate Bank statutory requirements to ensure that the proceeds of its loans are used only for the purposes for which the loans are made (as would, for instance, long delays in
submitting audited project accounts).

Unsatisfactory (U) Noncompliance has a major effect on project implementation/achievement of development objectives, or constitutes a serious violation of Bank statutory requirements (see above), but there is firm expectation of compliance in the near future.

Highly Unsatisfactory (HU) As in “U,” but there is no firm expectation of early compliance.

**Monitoring and Evaluation (M&E)**

27. This rating is a measure of whether an appropriate M&E system is in place, whether the M&E system is being used by the Bank and borrower, and whether the Bank is focusing on the development objective (outcomes) in PSR reporting, where possible.

Highly Satisfactory (HS) Appropriate M&E system in place and being used by the Bank and borrower to focus attention and to report progress toward project outcomes using the agreed key performance indicators.

Satisfactory (S) Appropriate M&E system in place and used by the Bank and borrower to report progress against the agreed key performance indicators.

Unsatisfactory (U) Appropriate M&E system absent, but some of the agreed key performance indicators are being used by the Bank or borrower to report progress.

Highly Unsatisfactory (HU) Appropriate M&E system absent, and none of the agreed key performance indicators are used by the Bank or borrower to report progress.

**Regional Options**

28. Two blank fields are provided to be used at the discretion of each Region for rating additional performance areas, as appropriate, using a four-point rating scale.

**B. Critical Risk Ratings**

29. The risks that individual key assumptions from project components to outputs, and from outputs to development objective, may be invalidated are rated according to the following scale:

---

7 An appropriate M&E system contains at least one outcome-level objective and at least one outcome-level indicator closely linked to the storyline of the project, i.e., the expected benefits on the ground.
GUIDELINES FOR PROJECT SUPERVISION—ANNEX B

30. Based on individual risk ratings of critical assumptions for the project, and the Bank’s experience with other projects in the country, the overall level of project risk is rated according to the following scale:

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (H)</td>
<td>All or most of the key assumptions are likely to fail.</td>
</tr>
<tr>
<td>Substantial (S)</td>
<td>Majority of the key assumptions are likely to fail.</td>
</tr>
<tr>
<td>Modest (M)</td>
<td>Some of the key assumptions are likely to fail.</td>
</tr>
<tr>
<td>Low or Negligible (N)</td>
<td>None of the key assumptions are likely to fail.</td>
</tr>
</tbody>
</table>

C. Compliance with Safeguard Policies

31. Compliance of the project with the applicable safeguard policy(ies) is rated according to the following scale:

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory (HS)</td>
<td>Project implementation fully complies with or exceeds requirements.</td>
</tr>
<tr>
<td>Satisfactory (S)</td>
<td>Project implementation is in substantial compliance with the requirements of the safeguard policy except for a few that are subject to remedial action.</td>
</tr>
<tr>
<td>Unsatisfactory (U)</td>
<td>Project implementation is not in substantial compliance with the requirements of the safeguard policy but remedial action has been agreed.</td>
</tr>
<tr>
<td>Highly Unsatisfactory (HU)</td>
<td>Project implementation is not in substantial compliance with the requirements of the safeguard policy and remedial action has not been agreed.</td>
</tr>
</tbody>
</table>

D. Development Objective Rating

32. The likelihood of achieving the project development objective is rated according to the following scale:
Highly Satisfactory (HS)  Project is expected to achieve or exceed its project development objective and yield substantial development benefits.

Satisfactory (S)  Project is expected to achieve most of its project development objective and yield satisfactory development benefits without major shortcomings.

Unsatisfactory (U)  Project is expected not to achieve most of its project development objective or to yield substantial development results.

Highly Unsatisfactory (HU)  Project is expected not to achieve its project development objectives or to yield worthwhile development results.

33. Unlike the IP rating, which is based on a snapshot of current project performance, the DO rating is forward looking in that it assesses the likelihood of achieving the project development objective. Two approaches may be used to rate DO:

i. Direct Approach. For projects halfway or more into implementation and for which some of the desired development outcomes are already visible and measurable through key performance indicators of project development outcome or impact (e.g., changes in cropping patterns or yields, scores on student achievement tests, etc.), the DO rating is based on a comparison of actual achievements against milestones or targets. DO performance is satisfactory if actual values of the key outcome/impact indicators match or exceed milestones or target values. Where a project cost-benefit or cost-effectiveness analysis has been updated (as may happen in a project midterm review), the DO rating could also be based on the results of the update. The results of the updated analysis would be compared with the appraisal estimates, and where applicable, to the standard minimum economic criteria (non-negative NPV).

ii. Indirect Approach. For relatively new projects where the desired development outcomes are not yet visible, the DO rating takes into account (i) the IP rating, which measures implementation performance; and (ii) the critical risks (CR) rating, which measures the likelihood of failure of the project’s critical assumptions. The latter refers to policy, institutional, environmental, and other factors outside the control of project implementing agencies that could influence significantly the achievement of the desired project development outcomes. As already noted (para. 10), because of these exogenous factors, satisfactory implementation progress does not always mean that the desired development outcomes would be achieved.

34. In general, satisfactory IP combined with low to moderate risk of failure of the critical assumptions leads to a satisfactory DO rating (first row of the table below). Conversely, unsatisfactory IP combined with substantial to high risk of failure of the critical assumptions leads to an unsatisfactory DO rating (second row). Where the combinations of IP and CR ratings are different from the preceding examples, TTs exercise judgment in the weights given to the IP and CR ratings in arriving at the DO rating. The third row illustrates a situation in which more importance is given to the CR rating than to the IP rating (for instance, a project where irrigation facilities have been successfully completed but tariff policy remains unsatisfactory, putting at serious risk the financial viability and sustainability of the project). The fourth row illustrates a situation in which the DO is expected to be achieved eventually,
given the low risks, even though IP is temporarily unsatisfactory (for example, because of a shortage of counterpart funds).

<table>
<thead>
<tr>
<th>IP Rating</th>
<th>CR Rating</th>
<th>DO Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>S, HS</td>
<td>L, M</td>
<td>S, HS</td>
</tr>
<tr>
<td>U, HU</td>
<td>S, H</td>
<td>U, HU</td>
</tr>
<tr>
<td>S</td>
<td>H</td>
<td>U</td>
</tr>
<tr>
<td>U</td>
<td>L</td>
<td>S</td>
</tr>
</tbody>
</table>

HS - highly satisfactory; S - satisfactory; U - unsatisfactory; HU - highly unsatisfactory; L - low risk; M - modest risk; S - substantial risk; H - high risk

35. In rating the likelihood of achieving the project development objective, the likely impact of the project on the environment is taken into account. A project is not rated satisfactory on development objective if (i) its environmental impact is likely to be so adverse as to have major economic and social consequences and undermine the project’s sustainability, and (ii) the borrower/implementing agency is not addressing the problem appropriately.

36. When appropriate, the DO rating should take into account the project’s impact on resettlers. Lack of progress in carrying out an agreed implementation plan and consequent likely failure to re-establish incomes and living standards of the resettlers is a cost that should be taken into account in assessing the net benefits of a project.

37. A project is normally not given a satisfactory DO rating if its performance on one or more of the following areas has been consistently rated “unsatisfactory” in the ratings included in the last two ARPPs: (i) overall implementation progress, (ii) compliance with financial covenants, (iii) compliance with other legal covenants, or (iv) project management. Where a satisfactory DO rating is given despite this condition, an explanation is provided in the PSR section “DO Rating Explanation.”

Attachments

PSR Template
GUIDELINES FOR PROJECT SUPERVISION—ANNEX B

PROJECT STATUS REPORT

Project Name (Project ID -- Ln./Cr.)

<table>
<thead>
<tr>
<th>Project Data</th>
<th>Project Performance Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Approval:</td>
<td>Summary Ratings:</td>
</tr>
<tr>
<td>Effectiveness Date:</td>
<td>Last</td>
</tr>
<tr>
<td>Original Closing Date:</td>
<td>Compliance with Agreed</td>
</tr>
<tr>
<td>Form. Rev. Closing Date:</td>
<td>Proc. Schedules</td>
</tr>
<tr>
<td>No. of Extensions:</td>
<td>Quality and Reliability</td>
</tr>
<tr>
<td>PSR Date:</td>
<td>of Proc. Admin</td>
</tr>
<tr>
<td>Latest Site Visit Date:</td>
<td>Safeguard Mgt</td>
</tr>
<tr>
<td>MTR Date :</td>
<td>Performance</td>
</tr>
<tr>
<td>MTR Scheduled For :</td>
<td>Other Legal Covenants</td>
</tr>
<tr>
<td>Restructuring Date :</td>
<td>WID Impact</td>
</tr>
<tr>
<td>Original Ln./Cr. Amt:</td>
<td>Monitoring &amp; Evaluation</td>
</tr>
<tr>
<td>Revised Ln./Cr. Amt:</td>
<td></td>
</tr>
<tr>
<td>Total Project Costs:</td>
<td></td>
</tr>
<tr>
<td>Expected Project Costs:</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** HS=Highly Satisfactory; S=Satisfactory; U=Unsatisfactory; HU=Highly Unsatisfactory; NA=Not Applicable; NR=Not Rated. Cost in US$M

<table>
<thead>
<tr>
<th>Critical Risks Rating</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary Risk Rating</td>
<td></td>
</tr>
<tr>
<td>From Outputs to Objective</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>From Components to Outputs</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** H=High; S=Substantial; M=Modest; N=Low or Negligible; NA=Not Applicable; NR=Not Rated.

<table>
<thead>
<tr>
<th>Compliance with Safeguard Policies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment Assessment (OP 4.01)</td>
<td>Indigenous Peoples (OD 4.20)</td>
</tr>
<tr>
<td>Natural Habitats (OP 4.04)</td>
<td>Involuntary Resettlement (OP 4.12)</td>
</tr>
<tr>
<td>Forestry (OP 4.36)</td>
<td>Safety of Dams (OP 4.37)</td>
</tr>
<tr>
<td>Pest Management (OP 4.09)</td>
<td>Projects in International Waters (OP 7.50)</td>
</tr>
<tr>
<td>Cultural Property (OP 4.11)</td>
<td>Projects in Disputed Areas (OP 7.60)</td>
</tr>
</tbody>
</table>

**Notes:** HS=Highly Satisfactory; S=Satisfactory; U=Unsatisfactory; HU=Highly Unsatisfactory; NA=Not Applicable; NR=Not Rated

<table>
<thead>
<tr>
<th>Compliance with Legal Covenants</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Covenants Not Complied With</td>
<td>Total Number of Covenants</td>
</tr>
</tbody>
</table>

Updated 03/16/04
### Guidelines for Project Supervision—Annex B

<table>
<thead>
<tr>
<th>Audited Financial Statements</th>
<th>Overdue</th>
<th>Received</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-3 Months</td>
<td>&gt; 3 Months</td>
</tr>
<tr>
<td>Entity/Organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project (Including SOE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Progress Report</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Cumulative Disbursements

<table>
<thead>
<tr>
<th>Tranche Release – Quick-Disb. Components</th>
<th>Expected/SAR Plan</th>
<th>Effective Date</th>
<th>Expected vs. Effective (Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(For SALs, SECALs, RILs, DRLs, and Hybrids only)</td>
<td>Date</td>
<td>Amount ($M)</td>
<td></td>
</tr>
<tr>
<td>First Tranche</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Tranche</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Tranche</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Tranche</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fifth Tranche</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sixth Tranche</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual Disbursements</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Project Development Objective (PDO)

**DO Rating Explanation**

**Current Project Status**

**Safeguard Rating Explanation**

<table>
<thead>
<tr>
<th>Summary of Key Issues and Actions</th>
<th>Date Entered</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes: N=New; P=Pending</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Manager’s Comments

---

---
ANNEX

KEY PERFORMANCE INDICATORS: ACTUAL VERSUS TARGET

<table>
<thead>
<tr>
<th>Objective</th>
<th>Key Performance Indicators</th>
<th>Baseline</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Target</td>
<td>Actual</td>
<td>Target</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Target</td>
<td>Actual</td>
<td>Target</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Target</td>
<td>Actual</td>
<td>Target</td>
</tr>
<tr>
<td>Project Development Objective</td>
<td>Outcome/Impact Indicator</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Outputs</td>
<td>Output Indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Updated 03/16/04
GUIDELINES FOR PROJECT SUPERVISION — ANNEX C

PROJECT IMPLEMENTATION INDEX FILE

SUPERVISION REPORTS

1. Supervision reports serve to inform management and staff in the Region concerned and elsewhere in the Bank of the findings and recommendations of project visits, and they provide an authoritative record of project implementation. They also provide the basis for periodic reviews of the portfolio, such as the Annual Review of Portfolio Performance (ARPP). Although supervision reports necessarily differ considerably in content from project to project, their value as an information medium is enhanced if they use the same overall format.

2. The supervision report consists of the following items:
   (a) A transmittal memorandum from the team leader (TL) or from the task team (TT) members, normally addressed to the country director and/or sector manager, gives the dates of the mission and date of the Statement of Mission Objectives (SMO); lists relevant reports, letters, and other documents received; and highlights the existence of major problems, if any (see Annex C1).

   (b) The Project Status Report (PSR) forms the body of the supervision report. It provides essential project information and performance assessments to meet Regional operational needs for project supervision and country portfolio management, as well as Bankwide accountability and reporting requirements. Annex B contains guidelines for preparing the PSR.
(c) *Annex 1: Aide-Mémoire.* The supervision report includes a copy of the aide-mémoire prepared by the TT and left in the field with the borrower/project agencies and possibly, with agreement of the borrower, other partners and stakeholders.

(d) *Annex 2: Copies of Important Post-Visit Correspondence (if any).* The aide mémoire left in the field is the official Bank position on supervision matters. Sometimes there may be a need to communicate with the borrower/project agencies after the project visit in order to clarify or modify the aide memoir to cover any points left open by the visiting TT for subsequent resolution, or to bring to the attention of higher-level authorities the critical issues that require their consideration. This correspondence, if any, is attached to the supervision report as Annex 2.

(e) *Annex 3: Status of Legal Covenants.* This annex summarizes the status of compliance with the legal covenants set out in the legal documents (and actions proposed in the case of noncompliance), and, where appropriate, recommendations for modifications of the legal documents (see Annex C2).

(f) *Annex 4: List of Key Officials Met.*

(g) *Annex 5: Key Performance Indicators for Macroeconomic Assessment.* In the case of adjustment operations, the visiting TT briefly assesses the country’s overall economic situation and the direction of the adjustment process. The TT reports its findings using a format similar to that in Annex C3.
3. Attachments to the aide-mémoire (consultants’ reports, progress reports, other memoranda, etc.) should not be forwarded as part of the supervision report unless they are essential to the proper understanding of matters raised in the PSR. They are, however, listed in the Project Implementation Index File (see Annex C4) and filed in accordance with Regional filing procedures.
SAMPLE TRANSMITTAL MEMORANDUM FOR SUPERVISION REPORT

THE WORLD BANK/IFC/MIGA
OFFICE MEMORANDUM

DATE: March 16, 2004

TO: Country Director/Sector Manager

FROM: TL/Visiting TT Members

SUBJECT: [Country] - [Loan/Credit/Grant No.], [Name of Project]

1. We (I) carried out a project site visit from [date] through [date] under the terms of reference dated ______________. The visiting TT’s report is attached as follows:

   (a) Project Status Report
   (b) Annex 1 - Aide-mémoire given to borrower/implementing agency
   (c) Annex 2 (optional) - Follow-up correspondence if any to the borrower/implementing agency
   (d) Annex 3 - Status of legal covenants
   (e) Annex 4 - List of key officials met

2. Key problems:  (check one box)

   (a) None
   (b) Refer to the attached Project Status Report

3. Agreed actions:  (check one box)

   (a) None
   (b) Refer to the attached Project Status Report

4. The following reports received by the TT were entered in the Project Implementation Index File and forwarded to the [Regional and possibly other] information center(s), and are available on request.

---

1 At the end of para. 2, the TT may wish to summarize the key problems it wants to bring to Management’s attention or for which it seeks Management’s guidance.

Updated 03/16/04
<table>
<thead>
<tr>
<th>Title of report</th>
<th>Date issued</th>
<th>Project Implementation Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation schedules and changes in cost estimates</td>
<td>II</td>
<td></td>
</tr>
<tr>
<td>Audit report on statement of expenditures</td>
<td>III</td>
<td></td>
</tr>
<tr>
<td>Audit report on financial statements</td>
<td>III</td>
<td></td>
</tr>
<tr>
<td>Audit report on special account</td>
<td>III</td>
<td></td>
</tr>
<tr>
<td>New staffing arrangements-implementing agency</td>
<td>IV</td>
<td></td>
</tr>
<tr>
<td>Technical assistance program report, 1st phase</td>
<td>V</td>
<td></td>
</tr>
<tr>
<td>Draft legislation/resolution</td>
<td>VI</td>
<td></td>
</tr>
</tbody>
</table>

cc: Distribution I: (Full report)
Messrs./Mmes.
cc: Distribution II: (Project Status Report only)
Messrs./Mmes.

Attachments
This document summarizes the status of compliance with the covenants on which the loan was based. It covers all undertakings of the borrower, implementing agencies, and any guarantors. It has two parts. The first part is a matrix; a sample of which follows.

### I. Summary of Covenants and Status

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Section</th>
<th>Covenant type</th>
<th>Status</th>
<th>Original fulfillment date</th>
<th>Revised fulfillment date</th>
<th>Description of covenant</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>3.01 (a)</td>
<td>4</td>
<td>C</td>
<td>3/31/96</td>
<td></td>
<td>Government to make available to the project institution equity funds in the amount of Sh500,000.</td>
<td>Fulfilled.</td>
</tr>
<tr>
<td></td>
<td>3.07 (c)</td>
<td>12</td>
<td>NC</td>
<td></td>
<td></td>
<td>Government to increase producers’ price for wheat annually in line with inflation.</td>
<td>To keep consumer prices low, the producers’ price has not been raised for 18 months, which has resulted in a 15% price reduction in real terms. Project objective of increasing wheat production is not being achieved.</td>
</tr>
</tbody>
</table>

### II. Covenant Effectiveness

*a* Indicate progress being made toward fulfillment. If not fulfilled, provide reason and remedies being pursued; or cross-reference to discussion in the Project Status Report.

*b* “Sh” denotes local currency.

---

Updated 03/16/04
2. The second part, in text format, assesses the effectiveness of the covenants and the appropriateness of amending them.

   a. Is the selection of covenants appropriate? Have any proved to be ineffective or superfluous? Are amendments proposed for any covenants? If so, justify and include recommended text. Would any additional covenants have been useful?
   b. Are there any general problems or issues relating to compliance with covenants under the project?

Key

Covenant types:
1 = Accounts/audit/financial management
2 = Financial performance/revenue generation from beneficiaries
3 = Flow and use of project funds
4 = Counterpart funding
5 = Management aspects of the project or executing agency
6 = Environmental covenants
7 = Involuntary settlement
8 = Indigenous people
9 = Monitoring, review, and reporting
10 = Project implementation not covered by categories 1-9
11 = Sectoral or cross-sectoral budgetary or other resource allocation
12 = Sectoral or cross-sectoral policy/regulatory/institutional action
13 = Other

Covenant Status:
C = complied with
CD = complied with after delay
NC = not complied with
SOON = compliance expected in reasonably short time
CP = complied with partially
NYD = not yet due
SUGGESTED KEY PERFORMANCE INDICATORS FOR MACROECONOMIC ASSESSMENT

/[COUNTRY]/

/[PROJECT]/

I. Time Series (Monthly, Quarterly, or Annual Data)

Production (indices and annualized growth rates)
GDP growth
Sector growth (key production data)

Prices (indices and annualized growth rates)
CPI
WPI
Agricultural products
Manufactured products
Capital goods
Key administered/controlled prices for public goods and services
Terms of trade (external, domestic)

Real Interest Rates (key lending rates, key deposit rates)

Real Effective Exchange Rate
Different nominal exchange rates, where applicable
Weighted average of all nominal rates
Relative prices of tradables to nontradables

International Reserves (US dollars)

Monetary Aggregates (indices and annualized growth rates)
M1 nominal and real
M3 nominal and real
Credit to public and private sector, nominal and real

Public Finance (national currency and percentage of GDP)
Central government revenues and expenditures (current, capital)
Consolidated public sector expenditures (current, capital)
Consolidated public sector deficit and its financing

Balance of payments (US dollars and percentage of GDP)
Exports and imports
Balance of payments (current and capital account flows)
Debt payment arrears

30. Key Economic and Policy Measures
Brief account of key measures, including those outside the agreed adjustment program.
PROJECT IMPLEMENTATION INDEX FILE

The Project Implementation Index File (PIIF) contains a detailed history of the project for future reference and post evaluation. The documents that make up the PIIF should be filed with the related Supervision Report in the “General Supervision” and “Mission Documents” folders in IRIS. Although the entire set of PIIF documents may be difficult to scan due to the bulky nature of many of the documents, at minimum, the PIIF list (Form 2124) should be scanned. Bulky documents should be sent to the archives for storage but should be cross-referenced in the PIIF (Form 2124) for easy retrieval.

The contents of the PIIF are as follows:

Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Contents</th>
</tr>
</thead>
</table>
| I.      | Project Visits  
Supervision reports; supervision plan; historical/planned schedules; key people met. |
| II.     | Execution of the Project  
Reports on the progress of all project components, including physical works, implementation schedules, changes in cost estimates, safeguard policy compliance, studies undertaken as part of the project, technical assistance, and training. |
| III.    | Operating Results and Forecasts  
Reports on the operations of the project organization or entity; financial position of enterprises with latest operating, financial, and cash-flow statements; audit reports; traffic volumes; project output; maintenance operations; key progress indicators for monitoring delivery of project inputs and achievement of project outputs/implementation; key development impact indicators for measuring progress in reaching project development objectives. |
| IV.     | Organization Management and Performance of the Borrower  
Reports on significant developments affecting project management and the accomplishment of the project’s institutional development objectives, structural reorganization, streamlining of administrative procedures, progress in staffing and training, and the borrower’s procurement performance and monitoring arrangements. |
| V.      | Performance of Consultants  
Reports on the quality of the work being carried out by consultants retained by the borrower. |
| VI.     | Policies and Investment Plans  
Reports on the borrower’s macroeconomic, sector, and subsector policies and performance; the borrower’s investment plans; specific problems and issues that have an immediate bearing on identification, preparation; and appraises prospective projects. |
| VII.    | Other  
General correspondence. |
ELECTRONIC LINKS TO RELATED GUIDELINES AND SOURCES OF SUPERVISION ASSISTANCE

Guidelines for Project Monitoring Reports (to be issued)

Guidelines for Project Completion Reports

Information Systems Renewal Online Help

Self-paced PSR Course

Frequently Asked Questions About PSRs

Glossary

Regional Supervision Procedures and Guidelines

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