IEG-MIGA Guidelines for

Preparing a *Project Evaluation Report*

For Non-Financial Sector Projects

NOTE: These *"IEG-MIGA Guidelines"* were prepared to guide IEG-MIGA evaluators in conducting *independent* evaluation of MIGA guarantee projects, and they form part of IEG-MIGA's overall *"Handbook for Evaluators".*

For MIGA's Self-Evaluation program, a joint MIGA & IEG working group undertook some refinements to these "Guidelines" to make them more user-friendly for MIGA's *self*-evaluators, and to have an easy-to-use guide for *self*-evaluation of guarantee projects by MIGA.

These "IEG-MIGA Guidelines" for independent evaluation and "MIGA's Self-Evaluation Guidelines" (currently being piloted by MIGA) *have the same coverage and substantive content and are methodologically fully consistent.* The difference is only in presentation, format and the level of explanatory detail (which is more extensive in the "IEG-MIGA Guidelines").

These project evaluation guidelines apply to all MIGA guarantee projects except for financial sector and Small Investment Program (SIP) projects, for which separate guidelines will be forthcoming.

Version: 12b version – March 1, 2010 (WGPSE GPS 3rd Benchmarking Exercise version)

Table of Contents

Annexes:

IEG MIGA
INDEPENDENT EVALUATION GROUP

World Bank Group
Multilateral Investment Guarantee Agency

1. Project Evaluation Reports – An Overview

INTRODUCTION

A *PER (Project Evaluation Report)* is an ex-post assessment of MIGA project underwriting outcomes, undertaken by the underwriting teams themselves using a methodology that is standard for evaluating private sector operations, and that has been endorsed by CODE for MIGA[1] (Box 1). The PER identifies and documents evaluation findings and rates the guarantee project in three dimensions: (i) the guarantee project's overall development outcomes, (ii) MIGA's effectiveness (i.e., its work quality and contribution), and (iii) the guarantee project's contribution to MIGA's profitability.

PURPOSES OF THE PER

There are three main purposes of PERs and of evaluation systems more generally: *Accountability, Learning* and *Management information*.

Accountability

An important purpose of PERs and the Evaluation system is to meet the requirement that MIGA account to its Board and shareholders for achieving its corporate purpose and core strategic objectives – the dual objective of developmental and financial results -- in its guarantee operations:

(a) MIGA's purpose is in Article 2 of its Convention: *"The objective of the Agency shall be to encourage the flow of **investment for productive purposes**…to developing member countries..."* and,

*"In guaranteeing an investment, the Agency shall satisfy itself as to: (i) the **economic soundness** of the investment and its **contribution to the development of the host country** (Article 12 (d)).*

(b) MIGA's Mission Statement (adopted in May 2004) holds that *"As a member of the World Bank Group, MIGA's mission is to promote foreign direct investment (FDI) into developing countries to **help support economic growth, reduce poverty and improve people's lives"*** and states MIGA's aim of promoting *"projects with the **greatest development impact** that are economically, environmentally and socially sustainable."*

(c) MIGA's 2005 Strategic Directions are explicit about MIGA's guarantees needing to have a *"greater focus on project development impact both at the appraisal and implementation stages, and more selectivity in the types of projects the agency*

[1] CODE2002-30. *A Multi-year Evaluation Framework for MIGA- FY03-07.* Common methodological standards (Box 1) for evaluating private sector operations have been agreed by the Working Party on Private Sector Evaluation (WGPSE) of the Evaluation Cooperation Group (ECG), whose members include OPIC, MIGA, IFC, EBRD, IADB, AsDB, AfDB and other multi- and bilateral organizations whose mandate is supporting private sector investment.

supports." (MIGA 2005 Review for FY00-04 and Strategic Directions for FY05-08, para. 4.11)

High-quality evaluation of guarantee operations is key for continued shareholder support for MIGA in the current political climate for foreign aid and IFIs and increased demands for transparency and accountability by public agencies such as MIGA. A credible evaluation system allows MIGA to show it is delivering the *"double bottom line*" of development and financial outcomes mandated by shareholders and its Convention, enhancing its credibility and constituents' support.

Learning

An even more important purpose is *learning:* Experience in many organizations confirms the important personal and institutional learning experience from doing self-evaluation. Preparing a PER can help teams assess what really happened with an operation, whether the expected development and financial results were achieved, and why, or why not, and identify lessons to for future operations. A PER database allows lessons to be synthesized by sector, country and thematic area for teams to apply in their analysis and decision-making across the underwriting cycle from the early review stage. PERs are valuable training tools for new staff. PERs also contribute to institutional learning, with lessons and findings from evaluation reports feeding into *IEG-MIGA Annual Reports* to CODE and the Board, as well as IEG's thematic evaluation studies.

Management Information

PERs and the evaluation database provide valuable portfolio information and analysis for MIGA management, for example, for monitoring operational developments against internal expectations, targets or benchmarks, improving selection of projects and priorities, or for managing priority strategic operational commitments. PERs and evaluation findings can also be important inputs to MIGA's business plan and accounting for the accomplishment of its purpose and mission.

PERS AND THE ROLES OF MIGA AND IEG

Every year a random sample of some 12-16 guarantee operations is selected for evaluation IEG-MIGA, covering guarantees underwritten at least three years (FY) earlier. The sampling frame aims to capture both *ongoing* projects with active guarantees as well as projects with *cancelled* guarantees.

Starting in FY09, MIGA will be piloting self-evaluation and in the current FY09 cycle, MIGA will *self-evaluate* a subset of the sampled projects and prepare *Project Evaluation Reports (PERs)* for them. IEG will *independently* evaluate the rest of the sampled projects, and also support MIGA's self-evaluation process, including validation of the self-evaluation findings and ratings.[2]

IEG is also responsible for preparing and updating the *MIGA PER Guidelines* and *TEMPLATE,* for any updates to the evaluation methodology and for establishing the benchmarks for assigning performance ratings in each category. IEG is planning to provide a "help-desk" to support underwriting teams preparing PERs with hands on support and guidance whenever needed.

The management of MIGA's Operations Group (MIGOP) is responsible for identifying Team Task Leaders (TTLs) for the PERs and coordinating with other MIGA departments to staff the PER teams. MIGOP also guides the teams work delivery and provides quality control.

[2] MIGA plans to mainstream self-evaluation of projects over time. At that point all PERs would be prepared by MIGA, and IEG's focus would be on validating the findings and ratings of project self-evaluations. In mainstreaming self-evaluation, MIGA's approach would mirror that of the WB, IFC, and other MBDs.

PER CONTENT

The PER assesses project development impacts, MIGA's effectiveness in underwriting, and the guarantee project's contribution to MIGA's financial results. Performance is assessed over the life of the project since the MIGA guarantee was issued, i.e., what has happened until now, and what might happen in the future. The evaluation of project outcomes should go *beyond description* to (i) analyze what *caused* the changes -- the 'why' question; (ii) what process or sequence led to the outcomes -- the 'how' question; and in some cases (iii) whether the activities promised actually took place as planned – the compliance/accountability question. Future prospects should be realistically assessed, taking into account past performance, external factors and other changes that may affect the project over its life.

In preparing the PER, sufficient and credible data and information should be provided to document evaluation findings and ratings.

PERs should not normally exceed five to six pages in length, excluding such attachments as FRR and ERR calculations, or other relevant financial calculations. Preparing a PER is intended to be a robust, but not "heavy" or lengthy exercise. A field visit is highly recommended.

The PER self-evaluation write-up covers:

(a) ***Description and rationale*** for the project;

(b) ***Evaluation findings*** in three areas: (i) ***project development outcomes*** (i.e. the project's business performance, its economic sustainability, its environmental and social effects, and its impact on private sector development); (ii) ***MIGA's effectiveness*** (i.e., the project's strategic relevance, MIGA's role and contribution, its overall work quality, and the adequacy of MIGA's risk assessment); and (iii) ***the project's contribution to MIGA's profitability*.**

(c) ***Ratings*** of the project's development impact, MIGA's effectiveness, and its contribution to MIGA's profitability;

(d) ***Explanation*** and rationale for each performance rating; and

(e) ***Lessons learned*** from the guarantee project and/or underwriting experience to-date that are relevant for future guarantee projects.

Each of these is described in more detail in the next sections of the *PER Guidelines*.

FINALIZING THE PER

Before finalizing the PER, the PER team usually meets with IEG, and IEG provides comments and suggestions to the team on the draft PER. The PER is then finalized, cleared internally within MIGA, and MIGOP sends the final PER to IEG, copied as per MIGA's internal distribution policy, and files the PER in IRIS.

VALIDATION OF THE PER

IEG reviews all PERs self-evaluated by MIGA and prepares an *Evaluation Validation Note (EV-Note)* for each PER that independently assesses and validates the self-evaluation findings and ratings. Validation is designed to ensure consistency of the self-evaluation process and how the methodology and rating benchmarks are applied across PERs.

IEG meets with the PER team to discuss the draft EV-Note and ratings, which may be revised if there is new information. The EV-Note is then finalized and posted on the MIGA intranet, together with the PER. The final EV-Note is also sent to MIGOP for information, copied as per MIGA's internal distribution policy. IEG also files the EV-Note in IRIS as an attachment to the PER. PERs and EV-Notes are not shared with the Board or CODE, and there is *no external disclosure* of PERs or EV-Notes.

Box 1: Basic Elements of the Evaluation Methodology for Private Sector Projects

IEG MIGA
INDEPENDENT EVALUATION GROUP

World Bank Group
Multilateral Investment Guarantee Agency

The harmonized evaluation methodology used to evaluate MIGA guarantees considers projects from three perspectives, and includes eleven indicators and summary indicators in total. This methodology is common across other IFIs that support private sector projects, such as EBRD, IFC, ADB, AfDB and others and has been tailored to the specifics of MIGA's PRI product and business. The Guidance note discusses each of the indicators below in detail, together with their rating benchmarks.

1. DEVELOPMENT OUTCOME RATING: - Rates the actual project outcomes – not the performance of the project team.

i. Project Business Performance
ii. Economic Sustainability
iii. Environmental and Social Effects
iv. Contribution to Private Sector Development

2. MIGA'S EFFECTIVENESS RATING – Assesses MIGA's underwriting quality and additionality – not the project's outcomes.

v. Strategic Relevance
vi. MIGA's Role and Contribution
vii. MIGA's Assessment, Underwriting and Monitoring

3. CONTRIBUTION TO MIGA'S FINANCIAL RESULTS – Rates the project's contribution to MIGA's bottom line.

❊❊❊❊❊❊

- **QUANTITATIVE AND/OR QUALITATIVE INDICATORS** are used in evaluating each aspect.
- **A FOUR-POINT RATING SCALE** is used to rate each aspect:
  Excellent, Satisfactory, Partly **U**nsatisfactory, Unsatisfactory.

2. Preparing a PER: Getting there in ten steps

Before starting to write up the Evaluation Findings, the PER team researches the relevant files, interviews MIGA staff involved in the operation over its life, obtains inputs from other WBG units, conducts field research as necessary and carries out the analysis needed to complete the PER Template according to the *PER Guidelines*. Leaving sufficient time to write up the Evaluation Findings is key. Summarized below are the key steps in preparing the Evaluation Findings. Annex 4 provides a list of basic documents and information sources for teams to consult in preparing their PER.

Step 1: Identify TTL and put PER team together.

Step 2: Review PER methodology and guidelines with team, and meet with IEG for kick-off meeting.

Step 3: Review all project documentation.

Step 4: Talk to MIGA, WB, and IFC staff to get project, country and sector background.

Step 5: Prepare early draft of PER Template and identify outstanding information and documentation gaps.

Step 6: Plan field visit and send data requirements to client to fill in any information gaps.

Step 7: Conduct field visit to fill in remaining information gaps (recommended) and to obtain feedback from stakeholders.

Step 8: Complete draft PER Template.

Step 9: Meet with IEG to discuss pre-final draft.

Step 10: Finalize PER and get internal MIGA clearances; Send final PER to IEG for validation.

IEG MIGA
INDEPENDENT EVALUATION GROUP

World Bank Group
Multilateral Investment Guarantee Agency

3. Guidelines for Evaluating Guarantee Projects[3]

This part of the Guidelines is designed to help teams complete the PER template. Each of the five Sections I - V that follow relates to the corresponding section in the PER Template (attached as Annex 1).

I. PROJECT DESCRIPTION AND RATIONALE

Guarantee Project Description: The write-up of the evaluation findings should starts with a brief description of the nature and purpose of the project, its location, the country and sector context, salient information about the investors, the project's financing structure, and the project's intended results and beneficiaries.

For projects involving *concession agreements or public-private partnerships*, please describe briefly the main features of the concession agreement, such as its duration, the tariff paid to government or any resources received from government (e.g., a power purchase agreement), the tariff paid by end-users, whether the project is greenfield, and other key features. Explain whether the concession was competitively bid and awarded, whether it was a solicited or unsolicited project, etc. (The PER should confirm whether the concession agreement is in MIGA's project files.)

Project Rationale: The ***project rationale*** should include a brief explanation of why the project makes sense for the host country, describing the situation before the project and comparing it with the difference or improvement the project will make. In the case of a power generation project, for example, the project rationale can be linked to the need in the host country for a reliable power supply. In a manufacturing project, the project rationale may be linked to the desire to offer a better product compared to what is available in the domestic market; it could also be linked to the need for the host country to diversify its export base or to support import substitution.

MIGA's rationale for supporting the project should also be explained. For example, MIGA's decision to support the project may have been based on considerations such as the project's expected development contribution to the host country or to a local area, MIGA's aim to pioneer a new transaction or to support an existing client, for the transaction's expected contribution to MIGA's profitability, to mention just a few examples.

The above information is available in the first section of the President's Memorandum for the guarantee. In most cases, a summary of that information is all that is required for this section.

[3] These project evaluation guidelines apply to all MIGA guarantee projects except for financial sector projects, for which separate guidelines will be forthcoming.

II. DEVELOPMENT OUTCOME

'***Development outcome'*** aims to capture the project's overall impact on a country's economic and social development, and is thus important as an implicit proxy for how well the project has contributed to fulfilling MIGA's *purpose* and *mission*. Development outcome (DO) is evaluated across four different dimensions, and the DO rating is a *synthesis* of four other ratings: (a) project business performance; (b) its economic sustainability; (c) its environmental and social effects; and (d) its private sector development impact. Each of these measures rates a distinct aspect of the guarantee project's performance, and must be assessed before the synthesis can be made.

Measuring and evaluating development impact follows from MIGA's strategic advantage as a catalyst or purveyor of 'high quality' FDI flows -- FDI that sees value in MIGA's environmental and social safeguards and the quality assurance and supervision processes, emphasizing development impact of the proposed FDI, that are embedded in the MIGA insurance product.

MIGA's emphasis on development impact positions it as a "high quality brand," distinguished by its association with the World Bank Group, its drive for win-win development outcomes, and its stringent environmental and social safeguards. MIGA's dual emphasis on projects' developmental aspects and financial sustainability should add value for new and existing clients alike.

- ***It is important to remember that 'Development Outcome' rates the actual project outcome, not the performance of the underwriting team.*** An unsatisfactory development outcome can be caused by external factors, even though MIGA did an excellent job assessing and monitoring the project, had a significant role and made a major contribution.

The next sections II.A – II.D describe the four Development Outcome sub-ratings. The Development Outcome synthesis rating is described in section II.E.

II. A. Project Business Performance

Concept

Project business performance measures the guarantee project's actual and projected financial impact on the project financiers -- its lenders and equity investors. Financial returns are needed to reward project investors and to maintain or grow a business. They are also basic to MIGA's aim to promote *"high quality foreign direct investment into developing countries and thereby support economic growth, reduce poverty and improve people's lives"* -- projects with poor business performance can't deliver these. Demonstrating adequate financial performance goes hand in hand with supporting high quality foreign direct investment.

Indicators

FRR is the standard indicator of a guarantee project's business performance – measured as the real after-tax, financial rate of return (FRR). The FRR should be estimated *as of the time of the evaluation* and should be based on real after-tax cash flows. FRR assumptions should be clearly set out in a logical and easy-to-follow spreadsheet showing how the FRR was estimated, including key assumptions such as future prices, sales volume, margins, terminal value, etc. Teams should feel free to consult IEG staff on FRR calculations before submission of the final PER.

In some exceptional cases it may not be possible to calculate an FRR; then the PER should provide a set of ***other credible and relevant quantitative indicators,*** which together create a composite picture from which business performance can be assessed, based on *triangulation* (the guiding principle remains the project's incremental financial impact on its financiers). While a *single* indicator would not be robust, triangulating *multiple* indicators such as ROE, ROA, ROIC, net income growth, dividend payments, growth in employment, increased domestic market share or exports, etc, could be the basis for a credible assessment of the guarantee project's business performance. The PER team should feel free to consult IEG to discuss alternative measures to assess financial performance.

In those cases where no relevant quantitative information at all is available, the PER should assess performance ***relative to the project's business or profit objectives***, supplemented by any relevant ***qualitative information.***

Finally, if the project is a clear failure, there is no need to calculate an FRR; it is sufficient to rate the project unsatisfactory, and explain the causes for project failure.

Evaluation standard

Project business performance ratings are based on comparing the after-tax FRR to an estimated "hurdle rate." Where the FRR falls near a rating benchmark, the PER should evaluate the sensitivity of the performance rating to key assumptions before deciding the rating.

Development impacts are evaluated *on an incremental basis*, based on a "with and without the project" comparison: this considers what happened *with* the project, and what would have happened *without* it (the "counterfactual"). The PER assesses *only the impact (FRR) of the guaranteed project*, *not* the impacts (FRR) of the overall project entity, the company as a whole, or any prior associated investment. The project-attributed impacts should relate to the project alone and *not* to the larger corporate entity of which the project is a part.

Ratings	***Quantitative Benchmark***	***Qualitative Benchmark***
• ***Excellent:***	FRR >= hurdle rate* + 2.5%	Business objectives largely surpassed
• ***Satisfactory:***	FRR >= hurdle rate*	Business objectives broadly achieved
• ***Partly unsatisfactory:***	FRR >= hurdle rate* - 2%	One or more core objectives not met
• ***Unsatisfactory:***	FRR < hurdle rate* - 2%	Most business objectives not met

* A hurdle rate of 10% should be used as a benchmark, unless there is information on the project's weighted average cost of capital (WACC) in which case the project's WACC should be used as the benchmark, instead.

Generally speaking, a project's business performance would *not* be rated "Excellent" in the absence of an FRR that met the *quantitative* benchmark above (hurdle rate+2.5%).

For projects rated higher or lower than *satisfactory* on business performance, the PER should explain why, briefly summarizing the main drivers of the FRR (e.g. external or internal market issues; prices and margins; sales volume, capacity utilization; project costs, execution schedule, contractual arrangements, technology, force majeure events, qualitative factors such as management quality labor, product quality).

II. B. Economic Sustainability

Concept

Economic sustainability relates to the *"economic soundness of the investment*" that MIGA must satisfy itself of in supporting a project. Projects with high economic returns contribute to a country's economic growth and development, whereas those with low or negative economic returns detract from it. The economic sustainability measure thus reflects whether a MIGA-supported project has contributed to the development of society.

Indicator

The preferred indicator to assess a project's economic sustainability is its real ***ERR*** (economic rate of return) which measures its *quantifiable* net economic benefits to society. In this regard, the PER methodology follows MIGA's guidelines for assessing economic impact:[4] Thus, for purposes of the PER, the project's economic costs and benefits should be quantified where possible. For guarantee *projects affected by externalities*, subsidies, or trade protection, a full ERR, in real terms, should be calculated to establish whether the project is socially beneficial.

An ERR should also be calculated for all projects involving concessions*, public- private partnerships, or build-operate-and transfer (BOT) arrangements*. The PER should also explain whether the concession was competitively bid and awarded, whether it was a solicited or unsolicited project, and should confirm whether the concession agreement is in MIGA's project files.

In all other cases, a tax-adjusted FRR -- adjusting the FRR by the net impact on tax revenues -- will suffice, as specified in MIGA's guidelines.

Whether calculating a tax-adjusted FRR or a full ERR, the FRR's financial cash flows are adjusted for the economic costs and benefits accruing to stakeholders. For the PER, the ERR should be estimated in real terms, at the time of evaluation, and the economic assumptions and estimation of benefits and costs should be provided in an attachment or spreadsheet. If there are significant economic effects that cannot be quantified, the *qualitative* benefits and costs affecting various stakeholders can be described to complement the ERR.

In cases where an ERR (or tax-adjusted FRR) cannot be calculated, the PER should provide a set of ***other suitable quantitative and qualitative indicators*** as the basis for making a credible assessment of whether the project is socially beneficial or not. Such indicators could include, e.g., growth in employment, salaries, taxes paid, the nature of any trade protection, tax preferences, subsidies received, negative externalities occasioned.

Where no quantitative information is available, the write-up should describe any significant non-quantified benefits and provide ***qualitative indicators*** of gains or losses, e.g., impacts on the poor or on living standards in the local community, on taxpayers, government, consumers, workers, suppliers, competitors, the local environment, etc, or alternatively make an assessment of project performance relative to the project's ex-ante economic development objectives. Where the non-quantified benefits are the basis for the overall assessment and rating it is important to provide a cogent rationale.

Evaluation standard

In determining the rating, the PER should consider both quantified and non-quantified benefits and costs. Where non-quantified benefits or costs are material, explain why you believe a higher or lower rating than indicated by the ERR appears justified. As outlined below, any project rated *Excellent* should have a demonstrably positive effect on society in the host country. If the project's economic sustainability rating is other than *Satisfactory*, the write-up should provide a clear rationale. Generally speaking, a project would not be rated *Excellent* in the absence of an ERR.

[4] See MIGA *"Guidelines on Assessing the Development Impact of Operations Supported by Guarantees".* December 30, 2004, MIGEP.

Ratings	***Quantitative Benchmark***	***Qualitative Benchmark***
• ***Excellent:***	Real ERR* >= 20%	Demonstrable positive economic effects for society in host country
• ***Satisfactory:***	Real ERR* >= 10%	Some positive economic effects, and no material negative impacts
• ***Partly Unsatisfactory:***	Real ERR* >= 5%	Some positive economic effects, but a material negative impact in some area.
• ***Unsatisfactory:***	Real ERR < 5%	No positive economic effects, or some positive economic effects offset by material negative impacts in more than one area.

*Alternatively, use the tax-adjusted FRR.

Note: This section of the PER should be cleared by a MIGEP economist.

II. C. Environmental and Social Effects

Concept

Social and environmental sustainability is a key element of projects that MIGA guarantees, as laid out in *MIGA's Policy and Performance Standards on Social & Environmental Sustainability* (2007). Projects that are carried out in an environmentally and socially responsible manner are not only sound business practice, but also necessary for development to be sustainable.

Indicators

Environmental and Social Effects is measured by a project enterprise's performance (compliance) in meeting *MIGA's environmental requirements*[5] as well as the project's *actual environmental impacts* (e.g., actual pollution loads, conservation of biodiversity and natural resources), and beyond these, by the project enterprise's *social, cultural and community health aspects, working conditions, and worker health and safety*. Only the ***project enterprise's*** environment, social, health and safety effects are considered in the rating. (MIGA's influence on environmental performance is evaluated separately in Section III, under *MIGA's Effectiveness.)* The indicator also considers the project enterprise's compliance with any additional requirements in the Contract of Guarantee (such as reporting requirements, remediation action plans, environmental management plans).

Evaluation standards

The project enterprise's environmental, social, health and safety effects are rated based on their compliance with applicable MIGA requirements and guidelines and local standards at *two different stages in the project cycle*: *at the time of underwriting* and *at the time of evaluation:*

- ***Compliance at the time of Underwriting:*** This examines to what extent the project enterprise, *at the time of Board approval,* complied with the requirements of MIGA safeguard policies and guidelines applicable at that time.

- ***Compliance with the applicable safeguard policies and guidelines at the time of Evaluation:*** This assesses to what extent the project enterprise, *during its implementation (up to the time of evaluation),* fulfilled the requirements of the applicable safeguard policies and guidelines and adequately implemented the environmental and social management/action plans agreed at contract issuance.

The attached Worksheets (see pp 17-18) should be completed to support the PER rating for the project's Environmental and Social Effects. The rating should be based on analysis of the key project environmental, social, health and safety performance indicators shown in the Worksheet on pp 18-19.

Evaluation Benchmarks

The project's Environmental and Social Effects should be rated based on the criteria below. For any rating of Satisfactory or better, MIGA should be able to explain convincingly (and without embarrassment) to a public audience why it rates this project a "success".

[5] "MIGA's requirements" in this context include MIGA's policies, performance standards, Environmental & Social Review Procedures and guidelines, host country requirements, and (to the extent they are applicable in the given case) World Bank Group policies and guidelines.

Project Compliance Rating

Ratings	***Benchmark***
• ***Excellent:***	The project enterprise (a) ***fully met*** MIGA's applicable at approval requirements and applicable at evaluation requirements, with no material shortcomings and (b) has either (i) gone beyond expectations of the Environmental Action Plan or (ii) materially improved its overall environmental performance (through addressing pre-existing environmental issues).
• ***Satisfactory:***	The project enterprise ***materially met*** MIGA's applicable at approval requirements (at underwriting *and* at evaluation), with only minor shortcomings.
• ***Partly unsatisfactory:***	The project enterprise is ***not in material compliance*** with MIGA's applicable at approval requirements (at underwriting or at evaluation), but the shortcomings are being addressed through ongoing and/or planned actions. Or, the project's earlier non-compliance (even though corrected) resulted in some environmental damage that has not been corrected.
• ***Unsatisfactory:***	The project enterprise is ***not in material compliance*** with MIGA's applicable at approval requirements (at underwriting or at evaluation)***,*** i.e., there are major shortcomings, and mitigation prospects are uncertain or unlikely. Or, earlier non-compliance (even though corrected) resulted in substantial and permanent environmental damage.

Project Actual Impacts Rating

Ratings	***Benchmark***
• ***Excellent:***	Project Affected People (PAP)'s living conditions, access, etc. improved. Positive impacts on the environment (for example, legacy contamination was addressed and cleaned).
• ***Satisfactory:***	No actual significant adverse impacts on people and the environment.
• ***Partly unsatisfactory:***	Actual adverse impacts on some aspects but with improvements on others.
• ***Unsatisfactory:***	Actual impacts both on PAP and the environment are negative.

Overall Ratings of Project Compliance and Actual Impacts is a composite of both summary ratings taken together and provides the basis for the overall PER Environment and Social Effects rating. Depending on the type of key impacts, different weightings need to be assigned to different effects and should be decided by social and environmental specialists.

Other Categories: Non-rated Projects

There are two circumstances where the above ratings cannot be applied. In those cases, the project can be classified as ***"NOP",*** or ***"NA"***, as follows:

- ***No opinion possible (NOP):*** Where, after best efforts, the relevant information to establish material compliance (or lack thereof) cannot be obtained, e.g. because of insufficient or missing project reports, a rating of "no opinion possible" (NOP) may be assigned. Use of ***the NOP rating should be a last resort***, after reasonable effort has been made to obtain the necessary information. Where the rating is NOP, the PER should describe the steps MIGA is taking to obtain the necessary information, including a timetable. A NOP rating may point to a shortcoming in MIGA's work quality (if so, the shortcoming should also be reflected in Section III ("MIGA Effectiveness".)
- ***Not applicable (NA):*** If the project was classified as ***Category C (no impact***) at underwriting and that categorization has remained valid over the life of the project thus far, and is likely to remain so going forward, then the appropriate project rating is ***Not applicable***.

The ***Worksheet*** should be completed to support the project's rating for Environmental and Social Effects. *(over)*

Note: This section of the PER should be cleared by the environmental specialist. For projects with significant social concerns (e.g., resettlement), the social sector specialist should also clear this section.

Worksheet for Environmental and Social Effects

The following Worksheet should be completed and attached as an Annex to support the project's overall rating for Environmental and Social Effects. The project should be rated on each of the aspects applicable to the project below using the scale: **Excellent**, **Satisfactory**, **Partly Unsatisfactory**, or **Unsatisfactory** (definitions are on the next page). The requirements for each aspect of safeguard policy compliance below are provided in Annexes 5 and 6 for reference.

The first summary rating, ***"Rating of Project Compliance at Underwriting*** (#1) is a synthesis of the individual "*at underwriting"* ratings. Similarly, the summary ***"Rating of Project Compliance at Evaluation*** (#2) is a synthesis of the individual "at Evaluation" ratings.

The ***"Composite Rating of Project Compliance at Underwriting and at Evaluation"*** (#3) is a composite of both summary ratings taken together and provides the basis for the overall PER Environmental and Social Effects rating. The PER rating and the worksheet composite rating can diverge, for example in cases where one project aspect is particularly important that it overshadows all the others, or where the project has gone markedly beyond ensuring compliance with safeguard policies in initiating "doing good" initiatives. If there is a divergence, a coherent explanation for the PER rating should be provided in the PER.

1. Project Compliance with Environmental and Social Safeguards At Underwriting		
Project's EA Category (A, B, C**):		Rating: E, S, PU, U*
Comprehensive Environmental Assessment		
Adequate analysis of feasible alternatives		
Environment, Health & Safety Guidelines or host country regulations comprehensively addressed		
Comprehensive Environmental and social baseline survey		
Adequate Environmental Action Plan proposed		
Project enterprise and investor's Environmental Management System adequate		
Public disclosure / consultation addressed		
Comprehensive and implementable Resettlement Plan/Community Development Plan prepared		
Comprehensive and implementable Indigenous Peoples Plan prepared		
Natural Habitats protected or offsets provided		
Comprehensive Dam Safety measures proposed		
Cultural Property protection proposed		
Pest Management provisions proposed		
1. Rating of Project Compliance At Underwriting (synthesis of individual ratings)		

*** (E) Excellent**, (S) **Satisfactory**, (PU) **Partly Unsatisfactory**, (U) **Unsatisfactory**

****** As applicable to Category C projects

2. Project Compliance with Environmental and Social Safeguards At Evaluation*		
Project's EA Category A, B, C**) :		Rating: E, S, PU, U*
Environmental Action Plan/Environmental Management Plan fully implemented by investor		
Environment, Health, and Safety Guidelines or host country regulations fully met		
Environmental & Social monitoring fully implemented by investor		
Project enterprise and investor's implementation of Environmental Management System effective		
Continuing public disclosure and consultation		
Full compensation of Project-Affected Peoples		
Resettlement Plan/Community Development Plan fully implemented		
Indigenous Peoples Plan fully implemented		
Natural Habitats protected or offsets provided		
Dam Safety measures implemented		
Cultural Property protected		
2. Rating of Project Compliance at Evaluation (synthesis of individual ratings)		

*** (E) Excellent**, (S) **Satisfactory**, (PU) **Partly Unsatisfactory**, (U) **Unsatisfactory**
****** As applicable to Category C projects

3. Overall Rating of Project Compliance at Underwriting and at Evaluation	

Ratings:	***Benchmark***
• ***Excellent:***	Requirements were ***fully met*** or expected to be fully met, with ***no material shortcomings.***
• ***Satisfactory:***	Requirements were ***generally met*** or expected to be met, with only ***minor shortcomings.***
• ***Partly unsatisfactory:***	Requirements were ***generally met*** or expected to be met, but ***with material shortcomings.***
• ***Unsatisfactory:***	Requirements were not met, or expected not to be met, due to ***major shortcomings.***

II. D. Contribution to Private Sector Development

Concept

Contribution to Private Sector Development aims to capture the effects (positive or negative) of the guarantee project on the development of productive private enterprise *beyond the project* and/or the development of efficient capital markets in the host country. Development of the host country's private sector is linked directly to MIGA's mandate of enhancing the flow of private foreign investment to developing countries.

Indicators

In the PER, ***PSD contribution*** is measured mostly by ***qualitative indicators*** of project-induced PSD effects, some examples of which are given below. The relevant indicator(s) in any given case will depend on the nature and context of the guarantee project. Projects may also have PSD knock-on effects besides these - the examples below are *only illustrative* and by no means comprehensive.

In deciding which indicator(s) to use to assess PSD contribution, the focus should be on *incremental* PSD effects – *effects that can be attributed directly to the project,* not to the company as a whole or other factor external to the project that may have been partly or wholly responsible for the change. Whether quantitative or qualitative indicators are used in the evaluation, the PER write-up should have credible evidence or documentation of the identified effects.

Some Examples of PSD Indicators

Demonstration effects: more firms entering the same line of business or using the same technology, more banks willing to finance the project or to finance similar firms since the project started; increased private sector investment in the same sector or country. Demonstration effects also include transactions that are first of its kind in the country or sector -- the first private-public partnership, first privatization, a transaction that leads to the development of the country's capital markets, the successful transformation of an SOE into a viable private firm; a project that set high business standards/practices in the host country, disseminated new technology, standards, processes or business expertise; a project seen as standard-setting in the sector or country.

Fostering competition: The project contributes to greater efficiency, quality, innovation or customer orientation of other suppliers through competitive pressures.

Market expansion: Expansion of markets through the project enterprise's interaction with suppliers (backward linkages) and customers (forward linkages) and through contributions to the integration of economic activities with the domestic, regional, or international economy.

Skills development: for example, project staff trained under the project, or local staff replacing expatriate managers, training that increases staff productivity, increased staff training hours or courses offered by the project; numbers of local staff getting management training; higher skills development expenditures or higher share of training in total operating expenditures. More qualitative indicators would be worker training programs providing broad-based skills beyond the specific tasks; project links with a local or foreign educational institution to update employee skills; worker benefits for completing secondary or higher education or meeting a licensing requirement; project workers moving from unskilled into skilled labor force.

Technology transfer, for example: other domestic firms adopting similar technology or processes; the introduction of new IT systems, communications technology, IT-based billing systems or consumer interfaces; adaptation of a 'foreign' technology to local conditions; introducing updated technology to replace an obsolete technology, etc.

Development of financial institutions and financial/capital markets: pioneering listing on stock exchange or significant broadening of listed value; first-of-a-kind financial or capital market instrument in local market.

Corporate governance: a project's PSD contribution could also be demonstrated using qualitative indicators such as improved corporate governance policies in the project or more consistent implementation of existing policies; improvements in the structure or functioning of the project's board and management; strengthened internal control processes; better transparency and disclosure policies in the project or more consistent implementation of existing policies, or eliciting certain business ethics/standards through sourcing or supply chain requirements.

Strengthening local entrepreneurs: for example, sourcing project inputs from local firms instead of imports. Project PSD indicators could also relate to or purchases from a growing number of local firms; service or supply contracts with local suppliers, contract farming arrangements, local supplier or dealer programs introduced by the project, or joint venture or partnership arrangements with a local firm. Projects could also strengthen local entrepreneurship via employee or management turnover that upgrades managerial, strategic or operational skills in the sector or industry, or by creating *competitive pressures* that lead local entrepreneurs to improve their efficiency or services.

Improving the Investment climate effects: for example a project that catalyzes a change in the concession law or in competition policy, or catalyzes a change in restrictive labor practices, labor laws or restrictions on FDI. A project may also drive needed changes in sector policy because of its scale and importance, lead to the liberalization of government marketing or supply monopolies, stimulate improvements in government service standards, e.g., in ports, customs, licensing or regulatory practices.

Negative PSD Impacts: Finally, project PSD contributions can also be ***negative***, for example: a project whose poor performance creates a *negative* demonstration effect; poor reputation of the project with adverse effects on private enterprise in general; a failed concession which prejudices the environment for PPP more generally; project-induced restrictions on competition such as creation of cartels or monopolistic practices; a privatization that causes governments to rethink, or delays the entry of other private enterprises, a project that succeeds in "regulatory capture" that worsens the investment climate for other potential entrants.

Evaluation standard

PSD contribution is rated using ***qualitative*** benchmarks rather than the *quantitative* triggers or benchmarks used for some of the earlier indicators. The PER should rate PSD contribution using the criteria below. The text section should briefly describe: (i) which indicators were most important in determining the overall PSD rating and why and (ii) how the project achieved the identified PSD contribution. If the project's PSD contribution was ***negative***, this should also be explained in the PER.

Rating:	***Benchmarks:***
• ***Excellent:***	The project had *significant and meaningful impact* beyond the project enterprise.
• ***Satisfactory:***	The project had *positive but not significant* impact beyond the project enterprise.
• ***Partly unsatisfactory:***	The project had *no noticeable impact* beyond the project enterprise.
• ***Unsatisfactory:***	The project had *negative impact* beyond the project enterprise.

II. E. Development Outcome Rating

Concept

'Development outcome' is a synthesis of the overall impact of the project on a country's development, and thus implicitly measures how well the project has contributed to fulfilling MIGA's *purpose* and *mission*. A project's development outcome encompasses all its effects (positive and negative) on a country's economic and social development.

Indicators

In the PER, the project's development outcome is measured by synthesizing the four previous indicators: **project business performance**; **economic sustainability**; **environmental and social effects**; and contribution to **private sector development**.

It is important to assess *only* the impact of the guaranteed project, *not* the impact of the overall project entity, the company as a whole, or other prior associated investments: Development impacts are evaluated on *an incremental basis*, by making a "with and without the project" comparison which considers what happened *with* the project, and what would have happened *without* it (known as the "counterfactual"). In the PER, project-attributed development impacts should derive from the project alone and *not* mix impacts attributable to other sources or factors.

The development outcome rating is the team's overall assessment of the project's results on-the-ground, and not a simple "average" of these four indicators. However, the overall Development outcome rating can be *no higher* than the best of the four sub-indicators, and *no lower than the lowest* of the four sub-indicators***.***

Evaluation standard

Considering the four indicators, the PER should rate the project's overall impact on the development of its host country on the four-point scale below.

Ratings	***Benchmarks***
• ***Excellent:***	A project that has ***major and significant positive impacts***, meets key requirements and standards, represents sector/industry best practice, with no material shortcomings. Is the type of project MIGA would use publicly to illustrate the development impact of private sector projects?
• ***Satisfactory:***	A project ***with no material shortcomings***, or ***some very strong positive aspects that more than compensate for shortfalls.*** Meets most base/low case expectations and key requirements and sector/industry standards. It has some measurable positive impacts.
• ***Partially unsatisfactory:***	A project with ***several minor shortcomings***, or a major shortcoming which outweighs other generally positive aspects. Fails to meet some base/low case expectations, some inconsistencies with key requirements, performance below sector/industry standards, and limited measurable impacts but no lasting or significant negative impact.
• ***Unsatisfactory:***	A project with ***material negative development aspects*** and insufficiently material redeeming positive aspects to make up for them. A project that fails to meet most base or low case expectations, that violates agreed requirements and sector/industry standards, is inconsistent with some WBG and country objectives and priorities. An intervention with no measurable positive impact or possibly some negative impact.

For any rating of *Satisfactory* or better, MIGA should be able to explain convincingly (and without embarrassment) to a public audience why it rates this project a "success".

III. MIGA'S EFFECTIVENESS

Concept

MIGA's effectiveness assesses MIGA's work quality in selecting, assessing and due diligence its guarantee projects and its additionality to the project or client. MIGA's effectiveness is evaluated across four dimensions of MIGA's operational performance and the rating is a synthesis of these four dimensions: (i) strategic relevance; (ii) MIGA's role and contribution; (iii) MIGA's assessment, underwriting and monitoring/contract management, and (iv) adequacy of MIGA's risk assessment.

This PER rating cluster enables teams to draw operational lessons from the identified strengths and weaknesses of MIGA's operational performance.

There is no necessary link between a project's *Development Outcome* and *MIGA's Effectiveness:* An unsatisfactory *Development Outcome* can occur as the result of external factors (e.g., force majeure, market risk) even though MIGA did an excellent job in assessing the project and had a major role and contribution. Similarly, a satisfactory development outcome can be achieved even though MIGA did a poor job assessing and monitoring the project, had insufficient role and no contribution.

However, development outcomes and MIGA's effectiveness *may* be linked in the case of specific projects: for example, the team might judge that better MIGA workmanship and selection *could* have improved development outcomes. For projects where the PER team believes this to be the case, special efforts should be made to identify the "lessons learned" so that these could be applied to future projects and improve development outcomes.

The next sections III.A – III. D covers the four ***MIGA Effectiveness*** sub-ratings. The overall ***MIGA Effectiveness*** rating concludes Section III.

III. A. Strategic Relevance

Concept

Strategic relevance is the degree of consistency of a guaranteed project with the development priorities of the host country, the country and sector strategies and policies of the World Bank Group and MIGA's strategic priorities.

Indicators

In the PER, ***strategic relevance*** is measured by ***qualitative indicators*** of the project's links with country and sector strategies and policies and MIGA priorities. The relevant indicator(s) will vary according to the nature and context of the guarantee project -- some illustrative examples are given below:

- Relevant WBG documents and MIGA's underwriting documents indicate the project's links or ***alignment with WBG country assistance (partnership) strategy (CAS***) and/ or confirm project alignment with CAS as a rationale provided for supporting the project.
- Relevant WBG or host country sources and the underwriting documents indicate that the project is linked to and ***supports the host country's development strategies*** and priorities.
- Relevant WBG papers and the underwriting documents indicate that the overall ***project design conforms to WBG policy advice*** and good practice guidance for the sector (as outlined in relevant WBG sector policies/guidance notes.)
- IEG-MIGA/MIGA ***consultations with WBG country or sector staff*** during evaluation/self-evaluation confirm, with hindsight, the project supported WBG strategies and policies.
- Relevant MIGA papers and Underwriting documents indicate that the project supported one or more of ***MIGA's operational priority areas***.

Evaluation standard

The qualitative benchmarks for rating ***Strategic Relevance*** are as follows:

Ratings	***Benchmarks***
• ***Excellent:***	The project ***clearly demonstrates its links and was fully consistent*** with host country and World Bank Group country strategies and sector priorities, conformed to WBG policies and good practice, and also supported one or more of MIGA's operational priorities.
• ***Satisfactory:***	The project is ***materially consistent*** with host country and WBG strategies and priorities.
• ***Partly unsatisfactory***	The project is ***partially consistent*** with strategies and priorities if the host country and the WBG or does not directly support (but not contradict) a particular strategy and priority area.
• ***Unsatisfactory***	The project ***did not conform or even contradicted strategies*** and priorities of the host country or World Bank Group, or there were material shortfalls in following WBG policies and good practices in an important area.

III. B. MIGA's Role and Contribution

Concept

MIGA's role and contribution relates to the unique benefits, contribution, and "additionality" (value-added) that MIGA as a development institution brings, *over and above those delivered by private sector* political risk insurers. MIGA's unique value-added may be to the client, to the project, or to the political risk industry as a whole. Client perspectives and feedback is an important dimension of MIGA's role and contribution.

The mere provision or extension of guarantee coverage by MIGA to the client and project *does not in and of itself constitute MIGA's value-added*. The main question that needs to be answered in this section is *"What special or <u>unique</u> benefit did MIGA bring to the client or project that private political risk insurers did not offer?"*

Indicators

In the PER, ***MIGA's role and contribution*** is measured by a combination of ***quantitative*** and ***qualitative indicators*** of its value-added to the client, project, or industry. MIGA's "contribution" can take many forms depending on the client and project – the necessary element being that the benefit could only have been provided by MIGA, and *not by another private insurer*. If MIGA's contribution could equally well have been provided by another private insurer, there would be no 'unique value added' and MIGA would be "crowding-out" other insurers, rather than providing additionality. Some examples of ***quantitative*** and ***qualitative indicators*** of MIGA value-added follow below - the relevant indicator(s) for any given case will depend on the nature and context of the guarantee project. MIGA may also have value-added to the client or project of a kind not mentioned below - the examples are illustrative, not comprehensive. The PER write-up should provide credible evidence of the identified additionality.

Some Examples of Indicators of MIGA's Role and Contribution

Quantitative indicators of MIGA's value-added <u>to the client</u> include: a decrease in the guarantee holder's cost of funds; lower premiums that reflect MIGA's perspective as a multilateral institution in assessing/managing risk; the ability of MIGA to provide coverage in markets not served by other insurers; additional funds raised after securing MIGA's support.

Qualitative indicators for MIGA's value-added <u>to the client</u> include: improved client capacity in environmental and social management, offering the client in-depth understanding of country risk environments or policy and technical advice, based on MIGA's links with the World Bank Group; offering dispute resolution services or assisting the client in resolving dispute with the host government; "repeat business" indicating the client considers MIGA support important for its business, and values MIGA's deterrence effect, etc..

Quantitative indicators of MIGA's value-added <u>to the project</u> include: lower debt servicing cost or average cost of capital; longer tenor on loans; additional funds or capital raised after issuance of MIGA guarantee; increase in the number of investors or financiers funding the project, improvement in labor and working conditions; implementation of land acquisition and resettlement under MIGA safeguard policies or standards,

Qualitative indicators of MIGA's value-added <u>to the project</u> include: demonstrable assistance given by MIGA to the project enterprise to comply with MIGA's safeguard policies and/or to improve the project's environmental, health and safety and social performance; MIGA's timely and effective response to client problems with the guarantee contract or project after guarantee contract issuance; MIGA's successful dispute resolution in case of pre-claims or claim event, resulted in a mutually agreeable solution, or the project continues operating after the dispute is resolved, demonstrably better relations with local community, civil society organizations, media or the government on the project's environment and social issues.

Indicators of MIGA's value-added to the political risk industry include: the introduction of potentially replicable, pioneering or innovative risk-mitigating approaches offered by MIGA that could be taken forward by other insurers.

MIGA's role and contribution could possibly be negative for the client or project, for example: If MIGA's response to client concerns was not timely or adequate, causing problems or losses to the client or project. If MIGA's failure to monitor key elements in the contract of guarantee, leading to harm done by the project to the environment or a negative social effect; If MIGA's inadequate economic analysis overlooked the impact of e.g., high tariffs, monopoly or anti-competitive practices, or fiscally untenable subsidies to higher income groups, leading MIGA to support projects that are economically unsustainable or "subtract economic value", doing harm to society. MIGA's role and contribution may also be considered negative if feedback from the client and the host government indicates dissatisfaction, i.e. MIGA was deemed unwilling to perform its role as a mediator of a dispute.

Evaluation Standard

MIGA's role and contribution are rated on the basis of ***qualitative*** and ***quantitative*** benchmarks. The PER should rate MIGA's value-added by the criteria below and describe briefly which indicators (those above or others) were most important in determining the overall MIGA additionality rating and why. If MIGA's role and contribution fell short of expectations, or had a negative effect on the client, the project or the industry, the PER should provide a short explanation.

Ratings:	***Benchmarks:***
• ***Excellent:***	MIGA's role and contribution provided ***major and significant additionality*** to the client, the project, or to the industry.
• ***Satisfactory:***	MIGA made a ***positive but not significant***, contribution to the client or the project.
• ***Partly unsatisfactory:***	MIGA's role and contribution to the client or the project was ***on a net basis, negative.***
• ***Unsatisfactory:***	MIGA role and contribution to the client and the project ***was negative,*** or the client feedback on its experience with MIGA was negative.

III. C. MIGA's Assessment, Underwriting, and Monitoring[6]

Concept

MIGA's assessment, underwriting and due diligence refers to (i) how well MIGA has followed the requirements and standards of its *Operational Regulations*, the *Underwriting Paper*, and MIGA's *Environmental and Social Review Procedures and related due diligence guidance such that key material risks were identified at underwriting and were appropriately mitigated; and (2)* subsequent to the issuance of the contract of guarantee*, did MIGA take appropriate remedial action, where applicable?.*

Indicators

MIGA's assessment, underwriting and monitoring is measured by **qualitative indicators** of MIGA's work quality in meeting the requirements and standards of its *Operational Regulations,* the *Underwriting Paper*, and *MIGA's Environmental and Social Review Procedures*, and Guidelines for Assessing Development Impact of Projects both in processing the guarantee at entry and over the life of the guarantee. Feedback on MIGA's work quality from clients and stakeholders should also be obtained and reflected in the evaluation. The aim is to identify particularly commendable (or materially deficient) areas in MIGA's assessment, underwriting, and monitoring, based on an evaluation of <u>each</u> of the indicators below:

- The quality and adequacy of MIGA's assessment of project investor(s), experience and reputation.
- The appropriateness of MIGA's of host country, sector, and project risks with respect to specific PRI coverages under the guarantee (Tr/Exp/BoC/WCD).
- The quality and adequacy of MIGA's assessment of the project, and financing structures, financial viability and risks, and development outcomes
- The adequacy of risk mitigation measures incorporated in the contract of guarantee with respect to specific coverages provided.
- The quality and appropriateness of environmental and social reviews and clearances[7] with respect to compliance with MIGA's EHS and social standards and requirements.[8]
- The adequacy of MIGA's attention to ***governance and transparency*** issues at entry, e.g., checks of involved parties against databases, assessment of client safeguards to deal with fraud and corruption, review of underlying contractual arrangements, and due diligence investigations to rule out, among others, Fraudulent Practices, Corrupt Practices, Collusive Practices, Coercive Practices and Obstructive Practices as may be required under the new *Sanctions Policy and Procedures* which took effect on October 15, 2006.
- The ***completeness of key underwriting documents needed for sound project assessment***, in particular of relevant analysis and Annexes to the Underwriting Paper, and ***availability*** of the key project documents on file (e.g., business plans, concession agreements, etc)[9].

---

[6] Relevant documents to review before completing this section of the PSR include: *Contract of Guarantee* and *Amendments*, *Underwriting Paper*, and *President's Report, including the following* supporting documents: *PRC paper* and *PRC meeting minutes*, *business plan*, *project appraisal reports*, environment reports, information requests from the guarantee holder/applicant, *BTO reports*, *Definitive Application*, *correspondence* with the client, *CMPS and other post-contract issuance reports*, *legal files* related to underwriting, disputes, claims, etc.

[7] E&S due diligence at underwriting includes whether MIGA reviewed the necessary documents e.g., ESIA, RAP, ESMP, CDP and carried out site visits, if required.

[8] MIGA's former ***Environmental Assessment Policy***, ***Environmental and Social Review Procedures,*** and interim ***Issue-specific Safeguard Policies*** apply to projects for which Definitive Applications were received priori to September 30, 2007. For guarantee projects for which Definitive Applications were received after October 1, 2007, MIGA ***Performance Standards on Social and Environmental Sustainability*** apply.

Beyond conformance with MIGA's guidelines existing at the time of underwriting, the evaluation of MIGA's work quality should address the adequacy of MIGA's monitoring after the issuance of the guarantee. This would include:

- The adequacy and timeliness of follow-up actions, reports and documentation required under the Contract of Guarantee to be submitted by the guarantee holder and other stakeholders (e.g., financial, legal, environmental/social)
- Timely information on changing conditions with respect to financial conditions and prospects of the project enterprise
- The quality and appropriateness of MIGA's monitoring of environmental and social performance through desk reviews and site visits, and where applicable of corrective actions to address deficiencies or emerging issues.
- Where relevant, timeliness and effectiveness of MIGA's response to disputes and pre-claim situations.

Evaluation standard

The PER should rate MIGA's assessment, underwriting and due diligence based on the following benchmarks.

Ratings:	***Benchmarks:***
• ***Excellent:***	MIGA's assessment, underwriting and monitoring ***fully satisfied all applicable MIGA requirements*** and could serve as a best practice example, <u>and</u> MIGA kept itself promptly and fully informed about the guarantee project's performance in all areas where this was required by the Contract of Guarantee and took timely action where needed.
• ***Satisfactory:***	The quality of MIGA's assessment and underwriting ***materially met all applicable MIGA requirement***s with only minor shortcomings <u>and</u> through monitoring, MIGA has kept itself sufficiently informed in all areas where this was required by the Contract of Guarantee and took timely action where needed.
• ***Partly unsatisfactory:***	MIGA's assessment and underwriting had a ***material shortcoming in at least one important area*** of MIGA's requirements. MIGA did not include the necessary remedial requirements in the Contract of Guarantee and/or no follow-up was made with the guarantee holder or the project enterprise to address the material shortcoming.
• ***Unsatisfactory:***	There were ***material shortcomings in several areas*** or a glaring omission in at least one important area of MIGA's requirements. MIGA did not include the necessary remedial requirements in the Contract of Guarantee and/or no follow-up was made with the guarantee holder or the project enterprise to address the material shortcomings.

[9] Key project/ underwriting documents include: financial statements, business plans, concession agreements and amendments, market studies and sectoral analyses,

III. D. MIGA's Effectiveness Rating

Concept

MIGA's effectiveness assesses MIGA's work quality in selecting, assessing and monitoring/contract management its guarantee projects and its value added to the project or client. The aim is to assess the overall quality of MIGA's work and value added.

Indicator

In the PER, MIGA's effectiveness is measured by synthesizing the four previous qualitative indicators of MIGA's operational performance: ***strategic relevance***; ***MIGA's role and contribution***; ***MIGA's assessment***, underwriting and monitoring/contract management, and adequacy of ***MIGA's risk assessment***.

Evaluation standard

The PER should rate MIGA's *overall* effectiveness considering MIGA's performance in each of the four areas: (i) strategic relevance; (ii) MIGA's role and contribution; (iii) MIGA's assessment, underwriting and monitoring/contract management, and (iv) adequacy of MIGA's risk assessment, on the four-point scale below.

The rating should be the team's *overall assessment* of MIGA's work quality and value-added, not a simple "average" of these four indicators.

Also, ***the overall MIGA effectiveness rating can be no higher than the best of the four sub-indicators,*** and ***no lower that the worst of the four sub-indicators.***

Ratings	***Qualitative Benchmark***
• ***Excellent:***	MIGA's effectiveness was ***high standard*** and "best practice".
• ***Satisfactory:***	MIGA's effectiveness was ***materially up to a high standard***.
• ***Partly unsatisfactory:***	MIGA's effectiveness had ***a material shortcoming*** in at least one area.
• ***Unsatisfactory:***	MIGA's effectiveness had ***material shortcomings*** in several areas or a major shortcoming in one area.

IV. PROJECT'S CONTRIBUTION TO MIGA'S FINANCIAL RESULTS

(TO BE FINALIZED)

Concept

MIGA is concerned with the financial contribution of guarantee projects it underwrites, as the Agency can only fulfill its mandate of facilitating FDI if it remains financially sustainable in the long term. Profitability here is defined as the excess of revenue over costs generated by particular projects. At a minimum, this involves ensuring that the Agency can recover from its premium income, the initial and ongoing project costs, e.g., underwriting, monitoring, provisioning reserves and the cost of any mediation, etc. In other words, MIGA projects should have high development outcomes *and* contribute to its bottom line. This requires being aware that certain types of project may *not* contribute to MIGA's profitability, and that support is warranted only if expected development outcomes are high as to outweigh cost recovery considerations. MIGA would also want to limit the type of projects associated with both low profitability and low expected development outcomes.

Indicator

An individual project's contribution to MIGA's profitability can be captured quantitatively by considering the project's premium revenue stream in relation to the costs associated with the project. More specifically, project ***revenues*** can be estimated taking the present value of net premiums and the present value of ceding commissions of guarantee contracts associated with the project.[10] On the ***costs*** side, for projects underwritten before 2007, project costs can be estimated (basing the allocation of costs on that of MIGFR's pricing model) as a function of MIGA's total administrative cost for the year the project was underwritten, allocated: (a) 50% on the basis of the project's share in the total *volume* of guarantees underwritten that year, and (b) 50 % on a per project basis, i.e., equally among the number of projects underwritten that year. Project cost in this methodology would be the sum of administrative costs allocated on a volume and per project basis.[11]

Estimating the revenue / cost ratio - MIGFR

For purposes of the PER, the PER team is not expected to do these calculations themselves. The pricing model.[12] run by MIGFR, drawing on its financial data, time recording, and risk modeling systems, is the basis for assessing project profitability, and the relevant data also lies with MIGFR. For this section of the PER, the PER team should send a request to MIGFR to calculate the project's individual contribution to MIGA's profitability (attention: Mikael Sundberg (ext. 8-5671) at msundberg1@worldbank.org, and Faisal Quraishi (ext 3-9971) at fquraishi@worldbank.org. MIGFR will send the results to the PER team.

Based on information received from MIGFR, the PER team should (i) analyze the results, focusing on the factors that contributed to profitability or lack of profitability, (ii) rate the project based on the benchmarks below, and (iii) write up the "lessons learned." (see below)

Evaluation standard

A project's contribution to MIGA's profitability is rated based on the ratio of ***Revenues*** received for the project (defined as NPV of premiums and ceding commissions) / **C*osts*** allocated to the project. Based on this the PER team should conclude the extent to which revenues generated by the project exceeded costs (so that the project contributed to MIGA's profitability). The benchmarks define a

---

[10] Revenue estimates would include the *actual* premiums and fees accrued up to the time of evaluation as well as the projected *future* revenue stream, which takes into account the probability of early cancellation of contracts.

[11] Arithmetically, Project Cost = (0.5 x AC) x (PE / GV) **+** (0.5 x AC) x (1/Number of new projects), where
AC = MIGA's total administrative cost in year of underwriting
PE = Project exposure (project guarantee amount in $)
GV = Total guarantee volume in year of underwriting

[12] IEG-MIGA evaluated MIGFR's pricing model in its 2008 Annual Report on MIGA.

Revenue / Cost ratio of anything greater than 1 as *Satisfactory*, a ratio equal to 1 as *Partly* Satisfactory, and Revenue / Cost ratio less than 1 as *Unsatisfactory.* A Revenue/Cost ratio greater or equal to 10 is rated as an *Excellent* contribution to MIGA's profitability.

Ratings	***Benchmark***
• ***Excellent:***	Project Revenue / Cost >= 10
• ***Satisfactory:***	Project Revenue / Cost >= 1 <10
• ***Partly Unsatisfactory:***	Project Revenue / Cost = 1
• ***Unsatisfactory:***	Project Revenue / Cost < 1

Note: This section of the PER and the project's rating on Contribution to profitability should be cleared by MIGFR.

INTERIM INDICATOR

The methodology and metrics for determining the project's contribution to MIGA's financial results had not been finalized. In the meantime, please fill in the following information:

- Project Pricing or Premium Rate from MIGA's Pricing Model: _____ % or bps
- Actual Pricing or Premium Rate: ____% or bps
- Total Expected Premium Income (over life of the guarantee contracts, in US$): ______
- Actual Premium Income Earned (since guarantee contract was issued, in US$): ________
- Total amount of Loss Provisions (if applicable, in US$): _____________
- Total amount of Losses (if applicable, in US$): ____________________

V. EMERGING LESSONS – KNOWLEDGE FOR SUCCESS

Concept

'Emerging Lessons' relates to systematically identifying lessons from MIGA's project and underwriting experience that will help MIGA improve its performance with regard to project development outcomes, MIGA's underwriting quality, and projects' contribution to MIGA's bottom line.

Lessons and Knowledge for Improved Performance

Based on experience with the guarantee project to date, the PER should identify the most important lessons in each of the three dimensions of MIGA performance evaluated in the PER: (a) project development outcome; (b) MIGA's effectiveness and operational work quality, and (c) contribution to profitability.

- The lessons identified may be ***positive lessons,*** i.e., things that worked well and should be repeated or systematized, or they may be ***negative lessons****,* i.e. misjudgments or mistakes that should be avoided and not repeated.

Good, well-written lessons are ***specific, but widely applicable.*** They should be derived directly and specifically from the experience of the operation, rather than general principles.

Guidelines for identifying lessons

A concise "headline" should reflect the lesson's gist and be written in a way to help MIGA staff zero in on relevant lessons quickly. For each lesson, the write-up should discuss (a) what MIGA expected at approval; (b) what actually happened; and (c) what, with hind-sight, MIGA should have done to improve its own or the project's performance (see examples in next section). Teams should be concise and specific in elaborating the underlying issues, and should focus on suggestions to improve quality. For example:

- ***If the project's financial performance turned out to be weak*** (which reduced its development outcome and increased the likelihood of the contract's cancellation), the write-up should consider how MIGA could have (i) better predicted the likelihood of poor financial performance and factored it into the assessment and underwriting decision, (ii) mitigated the financial performance risk in any way. *It is not a helpful lesson to write "ensure that financial performance is strong" or "assess financial performance realistically*."
- ***If the project experienced negative social or environmental effects***, the write-up should consider (i) whether and how these effects could have been better identified during assessment and underwriting, or (ii) mitigated during monitoring/supervision. *It is not helpful to write "make sure that adequate account is taken of environmental effects."*
- ***If MIGA's risk assessment proved materially optimistic*** and the project experienced an unanticipated pre-claims situation within 24 months of issuing the guarantee, the write-up should consider (i) how project and risk assessment could have been sharpened to make the prospect of pre-claims more evident, (ii) whether and how MIGA could have prevented the pre-claim; or (iii) whether and how MIGA might have structured its contract of guarantee differently to mitigate the risks. *It is not a helpful lesson to write "make sure that risk assessment is adequate."*
- ***If MIGA's anticipated revenue stream from premium income did not materialize*** because the guarantee was cancelled early (e.g., within 3 years from the date of issuance), the write up should consider (i) how MIGA's underwriting assessment could have been sharpened to make the prospect of cancellation more evident; or (ii) whether the likelihood of cancellation could have been better factored into the project approval decision. *It is not enough to write that "MIGA should ensure a realistic revenue stream from guarantee contracts. "*
- If MIGA underwriting costs were exceptionally high in relation to premium income, so that the project contributed negatively to MIGA profitability, the write up should try to identify the reasons

for the high underwriting cost, and whether MIGA could have reduced underwriting costs in any way. *It is not enough to write "MIGA should ensure it recovers its underwriting cost."*

LESSONS LEARNED - Examples

Lessons should explain (a) what MIGA expected at approval; (b) what actually happened; and (c) what, with hind-sight, MIGA should have done to improve its own or the project's performance, in the format of the examples below.

Headline - Lesson # 1: Traffic projections did not materialize, reducing the concession's FRR and ERR (and therefore its development impact), and leading to early cancellation of the guarantee.

- ***WHAT MIGA EXPECTATED AT APPROVAL:*** The toll way project would be financially profitable and increase the rapid movement of goods and people between Metro Manila and the Subic and Clark economic zones, the international airports and the international port of Manila.
- ***WHAT ACTUALLY HAPPENED:*** Actual traffic volume was substantially (30%) below the expected break-even traffic count (160,000 vehicles per day) and even below the traffic volume before the project when the road was in a dilapidated state. This meant financial performance that was problematic (limiting the project's development impact) and led to the restructuring of the project financing and early cancellation of the guarantee (reducing MIGA's expected income).
- ***REASON FOR DEVIATION:*** Traffic volumes, and therefore financial revenues, were much lower than expected because of traffic using an alternate non-toll route, increased gasoline prices and strict enforcement of load limits on the toll way, but not on alternate routes.
- ***LESSONS FOR FUTURE OPERATIONS:*** Carefully review and verify project performance and impact assumptions and projections provided by the investor during underwriting to ensure that financing obligations can be sustained.

Headline - Lesson #2: Concession provisions were inconsistent with WB's sector policy reforms, diminishing the project's strategic relevance and MIGA's effectiveness as a mediator.

- ***EXPECTATION AT APPROVAL:*** The power IPP project would alleviate the peak power shortages, benefiting industrial plants and service industries such as hospitals, hotels and supermarkets. In return, the investors were guaranteed a minimum annual return on a take-or-pay basis during the 15-year concession period.
- ***WHAT ACTUALLY HAPPENED:*** Sector policy and regulatory reforms, agreed between the World Bank and the host government at the time of underwriting, and were implemented after the contract of guarantee was signed. Existing peaking power plants were required by the new regulators to enter into new power purchase contracts that differed significantly from the existing contracts. The guarantee holder requested MIGA's assistance to resolve the dispute, which lasted for several years. MIGA's effectiveness in mediation was diminished by its lack of access to government counterparts and undermined by World Bank and the central, provincial and local governments after learning that MIGA was pushing against policies and reforms already agreed between the Bank and the host country.
- ***LESSONS FOR FUTURE OPERATIONS*** – (1) Review carefully and consult the World Bank country staff on the sustainability implications of concession agreements, subsidies, or trade regime governing the project vis-à-vis its consistency with World Bank policies in the host country or sector. (2) MIGA should inform the World Bank country office of the guarantee project once the contracts of guarantees are effective and request country office assistance to alert MIGA of any policy changes that has potentially adverse effect on the project. (3) When resolving disputes with projects involving sub-sovereigns, MIGA should also clarify with the government from the outset what role government is prepared to play, to prevent misunderstanding of motives.

Headline - Lesson # 3: MIGA's assessment of project financial viability was inadequate, and unanticipated poor business performance led to termination of MIGA contract and pre-claim/claims.

EXPECTATION AT APPROVAL: The air cargo complex and air catering facility project would be financially profitable, and establish Mamas International Airport as a regional transport hub in Central Asia, thanks to a quasi-monopoly over all commercial flights, making the country a "way station on the new silk road" for airlines (passenger and cargo), businesses, and tourists.

- ***WHAT ACTUALLY HAPPENED:*** Financial viability was not established at underwriting and debt-servicing capacity was not reviewed, although the project was 100% debt-financed; and a key project agreement guaranteed that project revenues were sufficient to cover costs and debt-service. Actual revenues fell short of fixed obligations, due to lower-than expected passenger and air cargo volumes. The assumptions about monopoly rents and the Airport's quasi-monopoly did not hold. The management contractor defaulted on debt service and on payment of MIGA's premium, resulting to MIGA's termination of the guarantee. The guarantee was re-issued to following a restructuring of project ownership. However, the project was not financially viable, had limited development impact, and led to disputes and eventually pre-claim filing with MIGA.
- ***REASON FOR DEVIATION:*** MIGA's analysis of the project's financial viability was inadequate and revenue assumptions and projections seem not to have been verified. The estimated number of passenger arrivals was based on one month peak season data, the projected revenues from air cargo were based on a one-time importation of construction equipment for a large gold mining project, and MIGA did not assess the project's debt carrying capacity although the project was highly leveraged. The project was not competitively bid. In the Action Memorandum and the President's Report, the project's expected economic sustainability was attributed to the import duty waiver granted by the Government.
- ***LESSONS FOR FUTURE OPERATIONS:*** (i) Pay close attention to the debt-servicing ability if the project is highly leveraged. ii) Do not rely solely on investor representation if the project is not competitively bid. Carefully review and verify the business performance and economic sustainability assumptions and projections submitted by the investor. (iii) If MIGA has terminated the guarantee contract due to project financial difficulties and non-payment of premium, MIGA should not provide another guarantee unless the business model and financial structure has substantially changed.

Headline - Lesson # 4: MIGA's environmental monitoring was not conducted methodically resulting in prolonged non-compliance with MIGA's environmental guidelines and negative environmental effects.

- ***EXPECTATION AT APPROVAL:*** The project would bring an old, state-owned geothermal power plant in compliance with modern environmental standards.
- ***WHAT ACTUALLY HAPPENED***: The project exceeded MIGA's guidelines for emission and ambient air quality limits, as well as the stack emissions limit allowed under MIGA's Geothermal Projects' Guideline. Levels of arsenic in evaporation ponds were above MIGA's effluent limit, presenting a high risk of leakage into Lake Managua, an important fishery source for local people. Development of a sanitary landfill on site for waste, mentioned in the EIS reports submitted by the investor, didn't take place. These negative environmental effects also exposed the project concession to risk of government cancellation.
- ***REASON FOR DEVIATION:*** A MIGA environmental specialist visited the project in 2003 but did not conduct a thorough monitoring of the project's compliance with MIGA's guidelines. The shortcomings were only identified when the project was evaluated three years later.

- ***LESSONS FOR FUTURE OPERATIONS*** – (i) Carefully check project progress during monitoring visit and if there are issues of concern, MIGA can assist the client in rectifying the problems thereby, increasing MIGA's value-added to the client. (ii) Verify EHS results especially if the in-country staff may not have the appropriate technical skills. (iii) Ensure that the relevant MIGA environmental, health and safety, and social standards and guidelines and/or reporting requirements are well understood by the client and the project enterprise, especially if such requirements are reflected in the contract of guarantee. A simple step-by-step "how-to" guide may facilitate compliance to the applicable MIGA environmental and social guidelines and tracking of contract of guarantee requirements.

Annexes:

Annex 1: Project Evaluation Report Template (to be updated)

World Bank Group
Multilateral Investment Guarantee Agency

PROJECT EVALUATION REPORT 2009

Project Details:
Project Enterprise: **Please type name of project enterprise**
Project ID #: Please type ID#
Host Country: **Please type host country name**
Host Country Characteristics: *Select from these options*
Region: *Select from these options*
Sector: *Select from these options*
MIGA Priority Area: *Select from these priority areas*
Partners: *Select from these options*
Total Project Cost: $0.00

Guarantee Details Per Guarantee Holder *(if with more than 1 guarantee contract, please fill-in information on next page)***:**
MIGA Guarantee Holder: **Please type name here**
MIGA Guarantee Contract #: Please type contract# here
Investor Country: **Please type country here**
Repeat Client: *Select from these options*
Guarantee Contract Status: *Select from these options*
Investment Amount: $0.00
Type of Investment: *Select from these options*
Guarantee Coverage: *Select from these options*
Maximum Aggregate Liability: $0.00
Contract Effectiveness Date: 07/8/2009

Underwriting Dates:
Definitive Application Date: 07/8/2009
Risk Management Committee or Project Review Committee Date: 07/8/2009
MIGA Board Approval Date: 07/8/2009
Project Underwriting Team: *Team Leader: ____; Underwriter: ______; Risk Management Officer: ____; Lawyer:_____; Environment/Social Specialist: ______; Syndication:_______*

Evaluation Dates:
Start Date of Evaluation: 07/8/2009
Date of Evaluation Visit: 07/8/2009
Peer Review Date: 07/8/2009
Date Cleared: 07/8/2009
Date Sent to MIGA for Comments: 07/8/2009
Comments Due from MIGA (+10 days): 07/8/2009
Meeting Requested: ☐ Yes ☐ No
Meeting Date: 07/8/2009
MIGA Evaluation Team: *Please type names of evaluation team here*

SUMMARY OF RATINGS	Unsatisfactory	Partly Unsatisfactory	Satisfactory	Excellent
A. Development Outcome	☐	☐	☐	☐
1. Business Performance	☐	☐	☐	☐
2. Economic Sustainability	☐	☐	☐	☐
3. Environment and Social Effects	☐	☐	☐	☐
4. Contribution to Private Sector Development	☐	☐	☐	☐
B. MIGA's Effectiveness	☐	☐	☐	☐
5. Strategic Relevance	☐	☐	☐	☐
6. MIGA's Role and Contribution	☐	☐	☐	☐
7. MIGA's Assessment, Underwriting and Monitoring	☐	☐	☐	☐
C. Project's Contribution to MIGA's Financial Results	☐	☐	☐	☐

Guarantee Details Per Guarantee Holder *(please type the Guarantee Details for each Guarantee Holders)***:**

MIGA Guarantee Holder:	**Please type name here**
MIGA Guarantee Contract #:	Please type contract# here
Investor Country:	**Please type country here**
Repeat Client:	*Select from these options*
Guarantee Contract Status:	*Select from these options*
Investment Amount:	$0.00
Type of Investment:	*Select from these options*
Guarantee Coverage:	*Select from these options*
Maximum Aggregate Liability:	$0.00
Contract Effectiveness Date:	07/8/2009

MIGA Guarantee Holder:	**Please type name here**
MIGA Guarantee Contract #:	Please type contract# here
Investor Country:	**Please type country here**
Repeat Client:	*Select from these options*
Guarantee Contract Status:	*Select from these options*
Investment Amount:	$0.00
Type of Investment:	*Select from these options*
Guarantee Coverage:	*Select from these options*
Maximum Aggregate Liability:	$0.00
Contract Effectiveness Date:	07/8/2009

MIGA Guarantee Holder:	**Please type name here**
MIGA Guarantee Contract #:	Please type contract# here
Investor Country:	**Please type country here**
Repeat Client:	*Select from these options*
Guarantee Contract Status:	*Select from these options*
Investment Amount:	$0.00
Type of Investment:	*Select from these options*
Guarantee Coverage:	*Select from these options*
Maximum Aggregate Liability:	$0.00
Contract Effectiveness Date:	07/8/2009

MIGA Guarantee Holder:	**Please type name here**
MIGA Guarantee Contract #:	Please type contract# here
Investor Country:	**Please type country here**
Repeat Client:	*Select from these options*
Guarantee Contract Status:	*Select from these options*
Investment Amount:	$0.00
Type of Investment:	*Select from these options*
Guarantee Coverage:	*Select from these options*
Maximum Aggregate Liability:	$0.00
Contract Effectiveness Date:	07/8/2009

I.A. Guarantee Project Description

Please describe briefly the nature and purpose of the project, its location, country, and sector context, salient information about the investors, the project's financing structure, intended results and beneficiaries. Please refer to page 9 of the Evaluation Guidelines to assist you in writing this section.

I.B. Project Rationale

Please describe briefly why the project makes sense for the country, the situation before the project and what it is expected to accomplish. Please refer to page 9 of the Evaluation Guidelines to assist you in writing this section.

II. DEVELOPMENT OUTCOME

II.A. Project's Business Performance

Please assess the project's projected and actual financial impact on the project's financiers, indicating factors which drive results. Please see page 11 of the Evaluation Guidelines and provide the rationale for the rating. Attach the FRR calculation as an Annex.

Rating: Please select from the following ratings *(See page 11 of the Evaluation Guidelines for the rating benchmark.)*

II.B. Economic Sustainability

Please explain the project's projected and actual economic benefits and costs. Please see page 13 of the Evaluation Guidelines and provide the rationale for the rating. Attach the ERR or other relevant calculation as an Annex.

Rating: Please select from the following ratings *(See page 13 of the Evaluation Guide for the rating benchmark.)*

II.C. Environment and Social Effects

Please assess the project's compliance in meeting MIGA's environmental requirements, the project's actual environmental impacts and beyond these, the project's social, cultural and community health aspects, working conditions, and worker health and safety. Please ensure that relevant issues on pages 15-19 of the Evaluation Guidelines are covered and provide the rationale for the rating.

Rating:
Please select from the following ratings *(See page 16 of the Evaluation Guide for the rating benchmark.)*

II.D. Contribution to Private Sector Development

Please explain the actual effects of the project on the development of productive private enterprise beyond the project itself. Please see pages 19 to 20 of the Evaluation Guidelines and provide the rationale for the rating.

Rating:
Please select from the following ratings *(See page 20 of the Evaluation Guide for the rating benchmark.)*

II.E. Overall Development Outcome

Please indicate the team's overall assessment of the project's development results.

Rating:
Please select from the following ratings *(See page 21 of the Evaluation Guide for the rating benchmark)*

III. MIGA'S EFFECTIVENESS

III.A. Strategic Relevance

Please explain the degree of consistency of the project with the development priorities of the host country, the country and sector strategies and policies of the World Bank Group and MIGA's strategic priorities. Please see page 23 of the Evaluation Guidelines and provide the rationale for the rating.

Rating: Please select from the following ratings *(See page 23 of the Evaluation Guide for the rating benchmark)*

III.B. MIGA's Role and Contribution

Please explain the benefits, contribution, and "additionality" (value-added) that MIGA as a development institution brings, over and above those delivered by private sector political risk insurers. Please ensure see pages 24 to 25 of the Evaluation Guidelines and provide the rationale for the rating.

Rating: Please select from the following ratings *(See page 25 of the Evaluation Guide for the rating benchmark.)*

III.C. MIGA's Assessment, Underwriting and Monitoring

Please assess whether MIGA has met the requirements of its Operational Regulations, Underwriting Guidelines, and Environmental and Social Review Procedures in identifying and where applicable, mitigating material risks. Please see pages 26-27 of the Evaluation Guidelines and provide the rationale for the rating.

Rating: Please select from the following ratings *(See page 27 of the Evaluation Guide for the rating benchmark.)*

III.D. Overall MIGA's Effectiveness

Please indicate the team's overall assessment of MIGA's work quality and value-added. Please see that page 28 of the Evaluation Guidelines is covered and provide the rationale for the rating.

Rating:
Please select from the following ratings *(See page 28 of the Evaluation Guide for the rating benchmark)*

IV. PROJECT'S CONTRIBUTION TO MIGA'S FINANCIAL RESULTS

The methodology and metrics for determining the project's contribution to MIGA's financial results (*see pages 29 to 30 of the Evaluation Guidelines)* had not been finalized. In the meantime, please fill in the following:

- Project Pricing or Premium Rate from MIGA's Pricing Model: _____ % or bps
- Actual Pricing or Premium Rate: ____% or bps
- Total Expected Premium Income (over life of the guarantee contracts, in US$): ______
- Actual Premium Income Earned (as of evaluation date, in US$): ______
- Total amount of Loss Provision (if applicable, in $): _______
- Total amount of Losses (if applicable, in US$)_____

Rating: Please select *(See page __ of the Evaluation Guide for the rating benchmark)*

V. EMERGING LESSONS

Note: Please refer to pages 31 to 34 of the Evaluation Guidelines for suggestions on identifying lessons learned and examples of *lessons identified from MIGA's project and underwriting experience.*

①

***Lesson 1**:* **Please type lesson learned here**

What MIGA expected at approval: Please type here

What actually happened and why: Please type here

Lessons for future operations: Please type here

②

***Lesson 2**:* **Please type lesson learned here**

What MIGA expected at approval: Please type here

What actually happened and why: Please type here

Lessons for future operations: Please type here

③

***Lesson 3**:* **Please type lesson learned here**

What MIGA expected at approval: Please type here

What actually happened and why: Please type here

Lessons for future operations: Please type here

Annex 2: MIGA-IEG: Process Steps and Communications Protocols for PERs

Background

To date, IEG been evaluating MIGA guarantee operations using the CODE-endorsed methodology for development impact evaluation, with project ratings reported in *Project Evaluation Reports (PERs).* Under the self-evaluation pilot, IEG will continue to rate and evaluate a sample of MIGA operations, while also supporting MIGA's self-evaluation process and validating the self-evaluation ratings.

For FY09 MIGA and IEG agreed that IEG would prepare ratings and *PERs* for five of the ten project evaluations planned this year, and that five *Project Self-evaluation Reports (PSERs)* would be prepared by MIGA, with the findings and ratings validated by IEG.

Project ratings form the basis of IEG's analysis and reporting to CODE and the Board, but PERs and specific project ratings are <u>not</u> disclosed and remain internal documents on MIGA's intranet.

MIGA-IEG Process Steps and Communications Protocol for PERs

Project Evaluation and Rating Steps	MIGA / IEG Roles
1. Selection of Projects for Evaluation (Sampling)	
IEG selects projects to be evaluated according to CODE-approved sampling methodology.	--
IEG shares list of projects selected for ex-post evaluation with **MIGOP** Director, cc'ing COO and Directors.	--
IEG meets with **MIGOP** Director to agree which PERs will be prepared by IEG (independent evaluation) and which will be prepared by MIGA (self-evaluation) and validated by IEG.	--
IEG finalizes list of projects for self-evaluation and independent evaluation and transmits list to **MIGOP** Director, cc'ing COO and Directors.	--
2. Starting the PER	
MIGOP assigns a TTL for each PER and coordinates identification of **PER team** contributors from **other MIGA depts**.	**MIGOP** sends list of TTLs to **IEG**.
IEG meets with the **MIGA PER TTL and task team** at the start of each evaluation to discuss methodology, process and project-level information needs.	**IEG** identifies an "IEG anchor" / partner for each PER.
MIGA PER team initiates information and data-collection efforts, prepares first draft of PER, decides scope and timing of field mission to fill information gaps, communicates w/guarantee holder, undertakes field visit to complete information base for PER.	**IEG** provides "help-desk" support to **MIGA PER team** over the course of PER preparation on a demand-driven basis.
3. Preparing PER and Ratings	
MIGA PER team undertakes relevant analysis and drafts project evaluation report (PER) using the PER Template and	**IEG** participates in working level meetings with PER team and provides technical support to PER

IEG methodology; including the self-evaluation project ratings based on IEG benchmarks; and lessons for future operations	team as needed/requested. **Other MIGA units** provide data and information to **PER team** on request. **MIGOP** provides management support.
4. Consultation and Feedback on draft PER	
At invitation of **PER team, IEG** meets with **PER team** before the PER is finalized and provides comments and guidance on the draft PER Template and findings, proposed project ratings, and lessons.	
5. Finalizing Self-Evaluation PER	
MIGA PER team finalizes PER template, proposed project ratings, and lessons, incorporating any relevant inputs from **IEG**, above, and ensures supporting documentation is complete.	**MIGOP** quality assurance and internal clearance, if any.
MIGOP sends finalized Self-Evaluation PER, proposed project ratings and all supporting documentation to **IEG** for validation.	
6. Validation	
IEG reviews PER and validates the proposed ratings against IEG benchmarks and against the supporting documentation provided.	**IEG** may request clarifications, information or supporting documentation from **MIGA PER team**, as needed for validation.
IEG prepares a *PER Validation Note* with validated project ratings. In finalizing the validated ratings, **IEG** takes account of any new information or supporting data provided by the **MIGA PER team**. In case of differences, **IEG's** determination on ratings will prevail.	**.**
IEG sends the *Validation Note,* validated ratings and lessons learned with **MIGOP.**	**IEG** convenes meeting to share validated ratings and lessons learned with **MIGOP** within 10 days of transmitting V-Note.
7. Completed Ratings and PER	
IEG circulates the Validation Note with final project ratings, and the PER to **MIGOP mgt,** cc'd to MIGA COO and Directors for information.	--
IEG posts final project ratings, lessons and PER on MIGA intranet.	--

Annex 3: Useful Documents and Information Sources for the PER

Documents:

- Definitive application
- PRC paper
- PRC minutes
- Underwriting Paper and all annexes
- Risk Assessment
- Project business plan
- President's Report
- Board minutes
- Legal documentation?
- Environmental monitoring reports
- Correspondence
- Pre-claims and claims documentation

Sources for project documentation:

- Project files
- Iris
- Legal files
- Contract management files

Other information sources to tap:

- **MIGA operations:** Consult with *Underwriters, Team Leaders*, at least one member of the *original project team*, ideally the original underwriter.

- **Other MIGA Departments:** Consult with *Risk Management officers*, *Environmental/Social staff*, *Legal,* and *contract management.*

- **World Bank:** Consult with *country economist*, *country coordinator* in CMU and/or *lead sector specialists* on issues relating to the CAS as well as on the project's consistency with Bank policies/strategies, sector current developments and market distortions, private sector development issues

- **IFC:** Consult with IFC *IOs* and *regional representatives* on sector environment for the private sector, investment climate issues, and more specific project/sector information.

- **IEG:** Consult with IEG on evaluation methodologies, or if you have any questions at any stage of the process. Each PER has a *MIGIE counterpart* to provide Helpdesk support.

Annex 4: MIGA Safeguard Policies Worksheet - Criteria for Project Consistency at Approval

Criterion	Requirements
Comprehensive Environmental Assessment	Comprehensive EA includes (i) natural environment, social aspects, human health and safety, major hazards, transboundary/global and cumulative/induced impacts; (ii) prevent, minimize, mitigate or compensate for adverse environmental and social impacts and enhance positive impacts; (iii) potential for independent environmental advisory panel in case of highly risky or contentious project;(iv) properly defined area(s) of project impact; (v) for expansion or modernization projects the entire plant is subject to an EA (usually including an environmental audit); (vi) privatization projects require environmental audits; (vii) EAs (including environmental audits) to be carried out or reviewed by independent consultants; and (viii) compliance with more stringent of host country or MIGA environmental and health and safety standards or guidelines
Adequate analysis of feasible alternatives	Proper analysis of project alternatives including: (i) without project alternative; (ii) where appropriate other sector alternatives; (iii) alternative sitings for facilities and routings of infrastructure corridors; (iv) alternative technologies and mitigation arrangements; and (v) analysis of feasible alternatives
Comprehensive Environmental and Social (E&S) baseline survey	Full description (with adequate support data) of the climatic, geological, topographical, physical, chemical, biological and socio-cultural-economic environment of the area of project impact as a basis for an adequate analysis of project impacts and future monitoring of the efficacy of the mitigation measures incorporated into the project
Adequate Environmental Action Plan (EAP) or Environmental Management Plan (EMP) proposed	A detailed plan of the set of mitigation, monitoring and reporting measures proposed to be taken during project implementation to eliminate adverse environmental or social impacts, offset them, or reduce them to acceptable levels – required for all 'As' and 'Bs'.
Project Sponsor's Environmental Management System (EMS) adequate	Comprehensiveness of environmental, social and safety management system proposed by the sponsor (including contractors) to fully implement the EAP or EMP, as well as appropriateness of proposed measures to strengthen these arrangements
Public disclosure/consultation addressed	(i) consultation with local affected parties and local interest groups during EA process; (ii) disclosure of information in a timely manner and in a language and form understandable and accessible to local groups; (iii) for "A" projects final EA reports disclosed locally and through the World Bank Info-shop at least 60 days before MIGA Board approval.
Comprehensive and implementable Resettlement Plan (RP)/Community	(i) Avoid or minimize involuntary physical resettlement or economic displacement; (ii) directly affected and displaced persons should be: (a) informed of their options and rights

Development Plan (CDP) prepared	regarding land acquisition and resettlement as well as alternatives that are available; (b) compensated for their losses at full replacement cost prior to the actual move; (c) assisted with the move and supported during the transition period in the resettlement site; and (d) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, *or at least to restore them*. Particular attention should be paid to the needs of the poorest groups to be resettled; (iii) Land, housing, infrastructure, and other compensation should be provided to the adversely affected population, indigenous groups, ethnic minorities, and pastoralists who may have usufruct or customary rights to the land or other resources taken for the project. The absence of legal title to land by such groups should not be a bar to compensation; (iv) alternative or similar resources provided to compensate for the loss of access to community resources; (v) in new resettlement sites or host communities improve, restore or maintain accessibility and levels of service for the displaced persons and host communities (vi) minimize impacts on host communities including consultation with these communities; (vii) consult and involve affected people in planning, and implementation; (viii) community level impacts require preparation of community development programs to improve the economic and social well-being of the affected communities as well as the affected households; (ix) preparation of a resettlement plan (RP), or other resettlement instrument (e.g., resettlement framework) as agreed with MIGA; and (x) disclosure of RPs involving more than 50 households or 250 people.
Comprehensive and implementable Indigenous Peoples Plan (IPP) prepared	Appropriate identification of indigenous groups in project area, namely those having: (a) close attachment to ancestral territories and the natural resources in them; (b) self-identification and identification by others as members of a distinct cultural group; (c) presence of customary social and political institutions; (d) economic systems primarily orientated to subsistence production; and (e) and indigenous language. Ensure: (i) avoidance and mitigation of adverse impacts; (ii) informed participation of the indigenous peoples themselves; (iii) culturally appropriate compensatory measures or social and economic benefits; and (iv) in consultation with indigenous peoples preparation of an Indigenous Peoples Plan (IPP).
Natural habitats protected or offsets provided	(i) Project does not significantly convert/degrade a critical habitat; (ii) natural habitats are correctly identified; (iii) alternative analysis examines alternatives to significant conversion; (iv) if conversion cannot be avoided, impact are minimized, mitigated and offset requirements are examined.
Comprehensive Dam Safety measures proposed	***New Dams:*** Safety measures from design to operation for dam and associated works, including for: (i) dams >15 meters in final height; (ii) for special case (flood prone, seismic area, difficult foundations, toxic materials, etc) dams between 10 and 15 m; and (iii) for dams initially under 10 m if expected to become large dams during construction, require the following: (a) reviews by independent expertise throughout design and construction of dam and for start of operations;

	(b) plan for construction, supervision and quality assurance, plan for instrumentation, an O&M plan, and an emergency preparedness plan; (c) construction by fully qualified companies under proper supervision; (d) periodic safety inspections after completion of construction; ***Existing Dams:*** (i) independent dam specialist(s) to evaluate safety status, performance history and owner's operation/maintenance procedures; and (ii) specify remedial works or safety-related measures to upgrade dam to an acceptable standard of safety. ***Tailings Dams and Ash Lagoons:*** (i) this policy applies to such dams in excess of 10 m if: (a) the impoundment is cross-valley structure; or (b) after construction of a starter dam, the impoundment structure is made of whole tailings; or (c) standard testing methods indicate net acid generating potential of tailings or ash. However generic safety measures designed by qualified engineers are adequate for such dams less than 10 m in height, if tailings or ash have no net acid generating potential and impoundment is: (a) located in relatively flat terrain, highly arid areas or in permafrost zones; and (b) not subject to inflow from streams or rivers: (ii) stream diversions and spillways to be designed for 100 year flood; and (iii) preparation of closure and abandonment plans.
Cultural Property protection proposed	(i) avoid harm to significant, non-replicable cultural property or with the help of qualified experts mitigate such impacts if loss is judged to be minor or otherwise acceptable; (ii) sponsor addresses protection/management of cultural property in project area including "chance finds"; (iii) sponsor meets host country regulations/laws (or adheres to best practice in the absence of host country laws); and (iv) sponsor consults with relevant stakeholders in documenting presence and significance of physical cultural resources.

The set of requirements for each criterion of safeguard policy compliance should be rated according to the following scale:

- **Excellent:** the set of requirements were fully met, or expected to be fully met, with no shortcomings
- **Satisfactory:** the set of requirements generally were met, or expected to be met, with only minor shortcomings
- **Partly Unsatisfactory:** the set of requirements were met, or expected to be met, but with significant shortcomings
- **Unsatisfactory:** the set of requirements were not met, or expected not to be met, due to major shortcomings

Annex 5: MIGA Safeguard Policies Worksheet- Criteria for Project Consistency at Evaluation

Criterion	Requirements
Environmental Action Plan (EAP) or Environmental Management Plan (EMP) fully implemented	Assess how effectively the EAP or EMP has been implemented by the sponsor and note any gaps and deficiencies. Note how well EAP or EMP implementation progress has been documented and reported in a timely manner. Note any deviations from the original plan and if these were appropriate considering the circumstances.
Environmental and Social (E&S) monitoring implemented	Assess if the EAP's or EMP's E&S monitoring plan has been implemented according to the timing proposed. Assess if the monitoring results are substantiating the effectiveness of the E&S mitigation measures or not. Note if the results are being used to take corrective measures if needed.
Sponsor's project implementation Environmental Management System (EMS) effective	Determine if the sponsor has implemented the environmental, social and safety management system proposed in the EAP or EMP. Assess the effectiveness of the proposed institutional strengthening measures to improve this system and whether the system has active sponsor management support. Assess its sustainability in the longer term.
Continuing public disclosure and consultation	Determine the extent to which project affected groups and other stakeholders continue to be consulted and involved during the implementation phase of the project. Assess if there have been any complaints by project affected people and how these complaints were dealt with by the Borrower.
Full compensation of Project-Affected Peoples (PAPs)	Assess if displaced persons have been: (a) compensated for their losses at full replacement cost prior to the actual move; (b) assisted with the move and supported during the transition period in the resettlement site; and (c) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them.
Resettlement Plan (RP) /Community Development Plan (CDP) fully implemented	Determine if the RP/CDP has been fully implemented by the sponsor. Assess if the sponsor has adequately monitored and evaluated the activities set forth in the RP/CDP. If upon termination of the contract of guarantee the RP/CDP has not been fully implemented assess what follow up actions the sponsor proposes to meet the objectives of the plan and if these are adequate.
Indigenous Peoples Plan (IPP) fully implemented	Determine if the IPP has been fully implemented by the sponsor. Assess if the sponsor has adequately monitored and evaluated the activities set forth in the IPAP. If upon termination of the contract of guarantee the IPAP has not been fully implemented, assess what follow-up actions the sponsor proposes to meet the objectives of the plan and if these are adequate.
Natural Habitats protected or offsets provided	Assess if sponsor has taken all necessary measures to limit any significantly conversion/degradation of critical natural habitat and/or provide offset requirements as proposed in the EA. Assess the sustainability of these measures once the project has been implemented.
Dam Safety measures implemented	For new dams covered by the policy, assess if the safety measures recommended by the independent dam expert(s) throughout investigation, design and construction of dam and start-up of operations were implemented. Evaluate effectiveness of plans for construction, supervision

Criterion	Requirements
	and quality assurance, as well as for instrumentation, O&M and emergency preparedness. Assess the results of periodic safety inspections after completion of construction. For existing dams, assess if the safety measures proposed by the independent dam specialist(s) have been implemented as proposed and note any deviations.
Cultural Property protected	Assess if appropriate measures were taken by the sponsor to avoid harm to significant, non-replicable cultural property and provide protection/management of cultural property in project area including "chance finds" according to best practice or host country regulations/laws.

The set of requirements for each criterion of safeguard policy compliance should be rated according to the following scale:

- **Excellent:** the set of requirements were fully met, or expected to be fully met, with no shortcomings
- **Satisfactory:** the set of requirements generally were met, or expected to be met, with only minor shortcomings
- **Partly Unsatisfactory:** the set of requirements were met, or expected to be met, but with significant shortcomings
- **Unsatisfactory:** the set of requirements were not met, or expected not to be met, due to major shortcomings.

Annex 6: Eligibility of MIGA Guarantee Projects for Ex-Post Evaluation (Sampling Methodology)

Purpose

This note describes eligibility criteria for sampling MIGA guarantee projects for ex-post evaluation. Its purpose is to specify eligibility criteria to achieve the objectives of IEG-MIGA's ex-post evaluation program, that is, to ensure accountability for results and facilitate learning from past operations. This note incorporates IEG's experience in implementing project-level evaluations in MIGA since FY03 and reflects best practice standards established by the Evaluation Cooperation Group.[13]

Context and Background

IEG-MIGA was established in FY03 as an independent evaluation unit. Its objectives and work program directions for the first five years of operation were defined in the Multi-Year Evaluation Framework in MIGA: FY03-07 (MYEF). This framework was endorsed by CODE in May 2002, together with a Methodological Note, which described the eligibility criteria to be used by IEG-MIGA for defining the universe of guarantees ready for ex-post evaluation, from which samples could be selected. Since 2003, IEG-MIGA has implemented and further developed the evaluation approach provided by the Methodological Note.[14]

IEG-MIGA is a member of the Working Group on Private Sector Evaluation (WGPSE), a body fostering harmonization of evaluation methods and dissemination of findings and has actively participated in the formulation and application of best practice standards, and which has established good practice standards with respect to sampling for project evaluations.

Eligibility Criteria and Approach for Project Selection

IEG-MIGA's sampling approach is consistent with the following principles:

- Consistency with good practices established by the Working Group on Private Sector Evaluation (WGPSE)
- Inclusion of projects with cancelled guarantees
- Sufficient maturity of projects to assess meaningful results
- A random sampling approach in order to assess results at a sufficient confidence level
- Ensure equal probability of selection of projects.

a. Maturity: IEG-MIGA selects projects for ex-post evaluation from the cohort of projects for which contracts of guarantee were issued by MIGA three years prior plus projects from earlier cohorts that had not previously reached early operating maturity. Prior to drawing the sample, IEG will obtain information from MIGOP regarding the status of each project in the cohort and will assess whether each of the projects has reached early operating maturity. IEG will select projects for evaluation only from those that have reached early operating maturity. All operations other than financial markets operations covered by the subsequent sentence are deemed to have reached early operating maturity when (a) the project has substantially been completed, (b) the project will have generated at least 18 months of operating revenues, and (c) the project would have available at least one set of audited financial statements covering at least 12 months of operating revenues. Financial intermediary projects whose main objective is to assist identifiable sub-projects (rather than for general banking) are deemed to have reached early operating maturity after the elapse of

[13] IEG participates in the Working Group on Private Sector Evaluation (WGPSE) of the Evaluation Cooperation Group. See *CODE2005-0003. Second Benchmarking Review of ECG Members' Evaluation Practices for their Private Sector Investment Operations Against Their Agreed Good Practice Standards* (February 28, 2005) on the harmonization of IEG's standards with the good practice standards of the WGPSE.

[14] CODE2002-0030: *Multi-Year Evaluation Framework in MIGA: FY03-07*.

at least 30 months following the final material disbursement for sub-loans or sub-investments under the facility insured by MIGA. These maturity criteria, which are consistent with good practice standards, are intended to ensure that projects have produced sufficient results to assess their outcomes and also to ensure that projects are recent enough to provide relevant lessons. Projects that do not meet one or more of these criteria will be rolled forward for evaluation in a future fiscal year once they have reached early operating maturity.

b. Coverage: Subject to the provisions of paragraph (a), the population from which IEG's evaluation sample is drawn includes all projects for which a guarantee was issued in a given fiscal year, including those with cancelled guarantees. Thus, the evaluation universe is composed of all guarantee projects (with active or cancelled guarantees) underwritten three years earlier that reached early operating maturity during the evaluation year plus guarantee projects (with active or cancelled guarantees) underwritten earlier that were previously rolled forward and then reached early operating maturity during the evaluation year. Guarantee projects are included only once in the population from which the sample for evaluation is drawn, i.e., in the year in which they are deemed to have reached early operating maturity. For the evaluation of projects that no longer have active guarantees, availability of information and access to former MIGA clients may be limited. In these cases, IEG may use a more streamlined approach, relying on information available in MIGA files, guarantee closing notes done at the time of cancellation, and publicly available information; instead of a detailed evaluation involving field assessments used for regular IEG ex-post evaluations.

c. Sampling method: IEG draws a random sample for its regular ex-post guarantee evaluation program, consistent with WGPSE good practice standards. This will allow IEG to make inferences on the performance of the cohort from which projects have been sampled as the basis of IEG's Annual Reports on MIGA's development effectiveness. The sample also includes projects insured in previous years that had not yet reached early operating maturity at the time of the previous PER program years and will reach early operating maturity in the current evaluation year. In addition to random sampling, IEG may use purposeful sampling approaches to complement existing evaluations for its contributions to joint IEG thematic, sector and country evaluations.[15]

d. Sample size: IEG's target sample size for evaluation is 50 percent of new guarantee projects that have reached early operating maturity in a fiscal year.

[15] Results and ratings from purposeful samples may be included in IEG's Annual Report together with results from random samples by dividing them in two strata and calculating weighted averages for ratings. The report would detail the size and weights of each stratum. See also Good Practice Standard 2.3.2 *(Third edition of Good Practice Standards, Working Group of Private Sector Evaluation)*.