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Dates: 01/07/1991 - 11/27/1991

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THE WORLD BANK

Washington, D.C.

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China - Evaluation Capability Development Program - Volume 4

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The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: November 27, 1991 12:11pm

TO: JENNY HU (JENNY HU @A1@CHINA)

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: Mr. Luo Qin

Please forward the enclosed information to Mr. Luo Qin, as Mr. van der Lugt is away and we need the documents to the delivered ASAP. Thank you.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: November 27, 1991 11:23am

TO: ROBERT VAN DER LUGT (ROBERT VAN DER LUGT @A1@CHINA)

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: OED Seminar

We have unsuccessfully tried to contact Mr. Luo Qin, MOF, for the past few days, so he could forward the enclosed information to the Chinese participants to our evaluation seminar.

Since time is running short, I would very much appreciate if you could deliver the informatin to him ASAP. Thank you.

PROGRAM
SEMINAR ON OPERATIONS EVALUATION
DECEMBER 2 through 5, 1991*

December 2

1. Registration and Reception: (6:00-8:00 P.M.) in D Building Dining Room.

December 3**

Morning Session: (9:30 A.M. to 1 P.M.)

1. Evaluation in the Bank - Opening Remarks Focussing on the Uses of Evaluation Experience in the Bank and on the Role of the Borrower in Evaluation. Y. Rovani-DGO. (9:30-10:00)

2. Some Initiatives in Using Evaluation Experience in New Operations. - Zincir-AS5DR (10:00-10:15), S. Aiyer-LACVP (10:15-10:30)

Open Discussion. (10:30-11:15)

3. Coffee Break. (11:15-11:30)

4. Recent Events in Evaluation System Development in Borrowing Member Countries. Representatives of Brazil (11:30-11:55) and Colombia (11:55-12:15).

Open Discussion. (12:15-1 P.M.). Lead: UN Development Programme.

Lunch (1 P.M. to 3 P.M.)

Afternoon Session: (3 P.M. to 5:30 P.M.)

1. Natural Resource Use - A Review of Forestry Experience. A. Sfeir-Younis-OEDD1 (3-3:30 P.M.)

Implications for the Bank's Forestry Policy. N. Sharma-AGRPS (3:30-4:00 P.M.)

An EDI Perspective. N. Wallis-EDIAR (4:00-4:15 P.M.)

Coffee Break. (4:15-4:30 P.M.)

Discussion. (4:45-5:30 P.M.). Lead: Canadian International Development Agency.

* December 4 reserved for bilateral consultations, participation in ad-hoc presentations and discussions, or any other business of interest.

** Seminar Sessions will be held in Conference Room F-1244.

December 5

Morning Session: (9:30 A.M. to 1 P.M.)

1. Evaluating Sustainability: The Case of Education. H-C. Chai-OEDD1.
(9:30-10:00)

A Borrower Perspective. Colombia/National Planning Department (10:00-10:30)

Discussion (10:30-11:15). Lead: Inter-American Development Bank.

2. Coffee Break (11:15-11:30)

3. Rural Development Revisited. G. Donaldson, OEDD1 (11:30-12:00)

A Borrower Perspective. Representative, Brazil/ National Planning Secretariat (12:00-12:30)

Discussion (12:30-1 P.M.). Lead: US Agency for International Development.

Lunch (1 P.M. to 3 P.M.)

Afternoon Session: (3 P.M. to 5:30 P.M.)

1. Evaluation of Policy Reforms: The Case of Trade. C. Jayarajah-OEDD2.
(3-3:30 P.M.)

Operational Perspective. V. Thomas-ASIVP. (3:30-4:00 P.M.)

Coffee Break (4:00-4:15)

Discussion (4:15-5:00 P.M.). Lead: African Development Bank

2. Seminar Closing Remarks. Y. Rovani (5:00-5:30)

December 4 (Ad-hoc Presentations and Discussion)

1. The Evaluation Summaries' Retrieval System (ETB). R. Weaving-DGO.
(9:30-10:30)

2. Recent Methodological Issues in Evaluation - Presentation based on a recent review of the Bank guidelines for the Economic Analysis of Projects. P. Guerrero-DGO, J. Salop-CODOP. (11:00-12:30)

Main Reference Documents:

1. The Sustainability of Investment Projects in Education (OED Report #9225, 12/1990)

2. Forestry Development: A Review of Bank Experience (OED Report #9524, 4/1991)

3. World Bank Support for Trade Policy Reform (OED Report #9527, 4/1991)

4. Annual Review of Evaluation Results 1990 (OED Report #9870, 8/1991)

November 25, 1991

THE WORLD BANK

**OFFICE OF THE DIRECTOR-GENERAL, OPERATIONS EVALUATION
(202) 473-1720 *** Fax (202) 676-0625**

**Facsimile Cover Sheet and Message
(No. of pages including this one: 41)**

Date: November 25, 1991
To: Mr. Luo Qing, Director, World Bank Department
Organization: Ministry of Finance
City/Country: Beijing, China
Fax No. 011-86-1-862361
From: Pablo Guerrero, Special Adviser to the
Director-General, Operations Evaluation
Subject: Evaluation Seminar

Dear Mr. Luo Qing:

According to established procedures, I would appreciate very much if you could forward the enclosed information to the Chinese participants to our evaluation seminar.

Sincerely,



THE WORLD BANK

**OFFICE OF THE DIRECTOR-GENERAL, OPERATIONS EVALUATION
(202) 473-1720 *** Fax (202) 676-0625**

**Facsimile Cover Sheet and Message
(No. of pages including this one: 1)**

Date: November 14, 1991
To: Mr. Luo Qing, Director, World Bank Department
Organization: Ministry of Finance
City/Country: Beijing, China
Fax No. 011-86-1-862361
From: Yves Rovani, Director-General
Operations Evaluation
Subject: Invitation to Evaluation Seminar

Dear Mr. Luo Qing:

I have received your cable of November 14 regarding arrangements for ex-post evaluation in China. We should certainly discuss this matter during the December visit.

As you indicate, I am extending an invitation to our December seminar to:

Messrs. Chen Junshuo, Deputy Director, WDD, MOF
Li Jianmin, Director, FFAAD, SAA
Chen Hua, Division Chief, DITTO
Zou Zaihua, Section Chief, Key Projects Dept., SPC

The seminar will begin on December 2 and extend through December 5. I look forward to their participation.

Sincerely yours,



WORLD BANK TWSC

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DGD EDS17
.TOP FOR
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WORLD BANK DEPT

BEIJING NOV. 14, 1991

TO: MR. YVES BOVANI, DIRECTOR GENERAL, OPERATIONS EVALUATION
THE WORLD BANK

FROM: MR. LING DING, DIRECTOR, WORLD BANK DEPT, MOF, P. R. CHINA

COPY: CHINESE TOP FOR MR. LI JIANMIN

RE: POST EVALUATION SEMINAR IN WASHINGTON

THANKS FOR YOUR OCT. 25 LETTER TO ME AND YOUR NOV. 12 FAX TO MR. LI JIANMIN. I AM PLEASED TO INFORM YOU THAT AFTER YOUR RECENT VISIT TO CHINA AND CONSIDERING YOUR SUGGESTION ON POST EVALUATION IN CHINA, A BASIC AGREEMENT HAS NOW BEEN REACHED AMONG THE GOVERNMENT AGENCIES CONCERNED THAT IN UNDERTAKING POST EVALUATION OF WB FINANCED PROJECTS, MOF (WORLD BANK DEPT) WILL TAKE A LEAD AND COORDINATING ROLE WHILE SPC (DEPT OF KEY PROJECTS COORDINATION AND SUPERVISION) AND STATE AUDIT ADMINISTRATION (FOREIGN FUNDS APPLICATION AUDIT DEPT) SHALL BE PRIMARY PARTICIPANTS, AS IS THE CASE OF ALL OTHER COOPERATIVE ACTIVITIES WITH THE WORLD BANK. MOF (WB DEPT) SHALL BE THE COUNTERPART WINDOW WITH WHICH YOU ARE TO COMMUNICATE ON OVERALL EVALUATION POLICY AND PROGRAMS. OF COURSE, ON SPECIFIC TECHNICAL AND OPERATIONAL ISSUES, YOU CAN ALSO DIRECTLY CORRESPOND WITH SPC (THE ABOVE MENTIONED DEPT) AND SAA (THE ABOVE MENTIONED DEPT).

IN LIGHT OF THE ABOVE ARRANGEMENTS, WE WOULD LIKE TO SUGGEST THAT SUBJECT TO YOUR CONCURRENCE, A COUNTRY TEAM WITH STAFF FROM ALL THE THREE AGENCIES BE FORMED TO ATTEND THE POST EVALUATION SEMINAR TO BE HELD IN WASHINGTON. THE PROPOSED TEAM WOULD CONSIST OF:

MR. CHEN JIANGUO, DEPUTY DIRECTOR, WOT, WOF, TEAM LEADER
MR. LI JIANMIN, DIRECTOR, FFAAD, SAA
MR. CHEN HUA, DIVISION CHIEF, DITTO
MR. ZOU ZAIHUA, SECTION CHIEF, KEY PROJECTS DEPT, SPC

FOR VISA PROCESSING PURPOSES, IT WOULD BE HIGHLY APPRECIATED IF YOU
COULD SEND US INVITATION FOR ALL THE ABOVE FOUR AS SOON AS POSSIBLE.

AS A PRACTICAL STEP TO INITIATE THE PROCESS OF WF FINANCED PROJECTS
EVALUATION IN CHINA, I WOULD LIKE TO SUGGEST THAT YOU AVAIL OF THE
TEAM'S PRESENCE IN WASHINGTON AND DISCUSS HOW BEST WE SHOULD PROCEED
TO THAT END.

LOOKING FORWARD TO COOPERATING WITH YOU FOR AN EFFECTIVE AND TIMELY
LAUNCHING OF POST-EVALUATION PROGRAM IN CHINA. REGARDS.

22484 MFPRO CN

240423 WORLD BANK
XXXXX

#11140901
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#11140403

WNNV

WORLD BANK TXSS

2

DISCONNECTED

THE WORLD BANK

**OFFICE OF THE DIRECTOR-GENERAL, OPERATIONS EVALUATION
(202) 473-1720 *** Fax (202) 676-0625**

**Facsimile Cover Sheet and Message
(No. of pages including this one: 1)**

Date: November 12, 1991
To: Mr. Luo Qing, Director, World Bank Department
Organization: Ministry of Finance
City/Country: Beijing, China
Fax No. 011-86-1-862361
From: Yves Rovani, Director-General
Operations Evaluation
Subject: Issuance of U.S. Visas to AAPRC staff

Dear Mr. Luo:

According to established procedure, this is to confirm that we have invited Mr. Li Jianmin, Director of Foreign Funds Application Audit Dept., Audit Administration of the People's Republic of China, (AAPRC) and Mr. Chen Hua, Division Chief in the same department, to participate in our evaluation seminar in Washington, D.C., on December 3 - 5, 1991.

We would be grateful if you could help facilitate the process of requesting the appropriate visas at the U.S. Embassy in Beijing.

Sincerely yours,



Jianmin,
Director of Foreign Funds application audit Department,
Audit Administration of the People's Republic of China,
Beijing 100039, China
Tel: (0086-01)8211873

November 8, 1991

Mr. Yves Rovani,
Director General,
Operation Evaluation,
The World Bank,
1818 H Street, N.W.
Washington, D.C. 20433 U.S.A.

Dear Mr. Rovani,

I'm glad of receiving your letter, dated October 25, on your invitation to attend the Seminar on evaluation holding in Washington on December 3 to 5. I'm pleased to accept your invitation and will arrive Washington on December 2, with Mr. Chen Hua, Division chief in my Department, as my assistant and interpreter, and intend to leave for China on December 7 after the Seminar.

Chen Hua will fly to Canada to attend an international conference on November 14 and then enter into the territory of U.S.A. from Canada after the conference, so please kindly let your assistant send your invitation letters to both of us and inform the American Embassy in China on this matter to facilitate our application to obtain visas before November 13 by fax as soon as possible.

With best regards to you.

Yours sincerely



Jianmin
Director of Foreign Funds Application Audit Dept.

JRC

To: The World Bank
Resident Mission in China

Li Jianmin,
Director of Foreign Funds application audit Department,
Audit Administration of the People's Republic of China,
Beijing 100039, China
Fax: (0086-01)8211873

November 8, 1991

Mr. Yves Rovani,
Director General,
Operation Evaluation,
The World Bank,
1818 H Street, N.W.
Washington, D.C. 20433 U.S.A.

Dear Mr. Rovani.

I'm glad of receiving your letter, dated October 25, on your invitation to attend the Seminar on evaluation holding in Washington on December 3 to 5. I'm pleased to accept your invitation and will arrive Washington on December 2, with Mr. Chen Hua, Division chief in my Department, as my assistant and interpreter, and intend to leave for China on December 7 after the Seminar.

Mr. Chen Hua will fly to Canada to attend an international conference on November 14 and then enter into the territory of U.S.A. from Canada after the conference, so please kindly let your assistant send your invitation letters to both of us and inform the American Embassy in China on this matter to facilitate our application to obtain visas before November 13 by fax as soon as possible.

With best regards to you.

Your sincerely



Li Jianmin
Director of Foreign Funds Application Audit Dept.
AAPRC

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: November 8, 1991 12:38pm

TO: ROBERT VAN DER LUGT (ROBERT VAN DER LUGT @A1@CHINA)

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: AAPRC staff visit to Washington

Robert:

Thanks very much for everything you did to make the China mission succesful.

I am also writing to let you know that you will receive a FAX addressed to AAPRC's Mr. Li Jianmin on their planned visit to Washington. It appears that they need assistance on requesting visas to the US. I trust there is a routine procedure for this and that the Resident Mission can help.

Regards.

A L L - I N - 1 N O T E

DATE: 08-Nov-1991 12:32pm

TO: PABLO GUERRERO@A1@VAX12

FROM: , (MRSENDS@TELEX)

EXT.:

SUBJECT: IMXGATE: your telex was accepted by IMX

ZCZC WBKR1403 OPER1654
QX PABLO GUERRERO@VAX12@A1&DGO
.SYSCOM

WBKS5611 11081236
MESSAGE ACCEPTED

=11081236

NNNN

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: November 8, 1991 12:29pm

TO: Telex & Facsimile System (WDIAL@TELEX)

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: AAPRC staff visit to OED

OINFO

-SUBJECT : AAPRC staff visit to OED

-DRAFTED BY: Pablo Guerrero

EXT: 31717

-AUTHORIZED BY: Pablo Guerrero

F.

-FAX # 90118618211873

-Mr. Li Jianmin and Mr. Chen Hua

-Audit Administration of the PRC

-BEIJING, CHINA

-Mr. Li's Letter of November 8

-Urgent

BT

WASHINGTON, D.C. 08-Nov-1991

Dear Mr. Li:

Thank you for your letter. We are very pleased to know that you will attend our seminar scheduled for December 2 to 5. As had been agreed, you may want to stay a few days afterwards to discuss possible future collaboration.

Having learned that Mr. Chen Hua, Division Chief in FFAAD, will be participating in a conference in Canada in mid-November, Mr. Rovani would like to take the opportunity of extending to him an invitation to attend our December Evaluation Seminar. We believe his attendance will help further our discussions of collaboration.

Regarding the obtention of US visas, please consult with the Bank's resident mission in Beijing about the process.

Best regards,

Pablo Guerrero
DGO Advisor

CC: Yves Rovani

(YVES ROVANI)

CC: ROBERT VAN DER LUGT

(ROBERT VAN DER LUGT @A1@CHINA)

A L L - I N - 1 N O T E

DATE: 08-Nov-1991 12:33pm

TO: 4RGUERRER

FROM: PABLO, GUERRERO@VAX12@A1&DGO, (PABLO, GUERRERO@VAX12@A1&DGO)

EXT.:

SUBJECT: WBKR1404 WBKS5611

ZCZC WBKR1404 WBKS5611
QK WDIAL 4RGUERRER DROP
.PABLO, GUERRERO@VAX12@A1&DGO
OINFO

- SUBJECT : AAPRC staff visit to OED
- DRAFTED BY: Pablo Guerrero
- AUTHORIZED BY: Pablo Guerrero

EXT: 31717

FAX
- FAX # 90118618211873
- Mr. Li Jianmin and Mr. Chen Hua
- Audit Administration of the PRC
- BEIJING, CHINA
- Mr. Li's Letter of November 8
- Urgent

BT

* ALL-IN-1 ORIGINATOR DROPCOPY *

SUBJECT: AAPRC staff visit to OED

WASHINGTON, D.C. 08-Nov-1991

Dear Mr. Li:

Thank you for your letter. We are very pleased to know that you will attend our seminar scheduled for December 2 to 5. As had been agreed, you may want to stay a few days afterwards to discuss possible future collaboration.

Having learned that Mr. Chen Hua, Division Chief in FFAAD, will be participating in a conference in Canada in mid-November, Mr. Rovani would like to take the opportunity of extending to him an invitation to attend our December Evaluation Seminar. We believe his attendance will help further our discussions of collaboration.

Regarding the obtention of US visas, please consult with the

Bank's resident mission in Beijing about the process.

Best regards,

Pablo Guerrero
DGO Advisor

=11081236

NNNN

→ China

A L L - I N - 1 N O T E

DATE: 05-Nov-1991 06:37am

TO: PABLO GUERRERO (PABLO GUERRERO @A1@VAX12)

FROM: Robert van der Lugt, AS3CH (ROBERT VAN DER LUGT AT A1 AT CHINA)

EXT.: 3100

SUBJECT: Ex-post evaluation in China and Washington

Pablo,

Mr. Rovani's letter to Luoqin in Finance was received and delivered today. Any other material that you left with us were pouched and I hope it arrived safely.

I might come to Washington in January and see you then.

Regards,

Robert-Jan

CC: YVES ROVANI (YVES ROVANI @A1@VAX12)

OFFICE MEMORANDUM

File China

DATE: November 6, 1991

TO: Mr. Graham Donaldson, Chief, OEDD1

FROM: Tawhid Nawaz, OEDD1 *Nawaz*

EXTENSION: 31735

SUBJECT: CHINA: Evaluation Capacity Development Seminar
for the State Audit Administration
Back-to-Office Report

1. In accordance with my terms of reference dated October 18, 1991 I visited China and conducted a seminar on performance evaluation for the State Audit Administration (SAA). The seminar was held in Xiangfan city in Hubei province in central China. My lectures were scheduled for Monday, October 21 through Saturday, October 26. It was the first part of a three week program organized by the SAA to familiarize and train staff on performance and financial audit of public investment programs in the various provinces of China. The seminar was attended by about 80 participants from all across China. The participants were mainly financial analysts from the SAA's Foreign Funds Utilization and Capital Construction Bureaus. The Deputy Director of Foreign Funds Utilization Bureau, Mr. Zhong, and the Division Chief of the Foreign Capital Mobilization Bureau, Mr. Xiu, who were responsible for organizing the seminar, attended all the sessions.

2. The seminar went much better than I had anticipated, despite the short notice under which it was conducted. Since this was my first experience of communicating through an interpreter over a six-day period, I had expected greater communication problems to arise as a result of translation and interpretation inaccuracies. Fortunately, the seminar proceeded quite smoothly. The contents and materials covered were quite extensive. Attached is an outline of the program and the topics discussed. The emphasis was on Modules 2, 3 and 4.

3. On reading the earlier correspondence between OED and SAA, it was not clear to me what the educational background of the participants was and thus the level at which the lectures ought to be given. By the end of the first day though, through questions and a simple test, I quickly came to a decision on what I ought to emphasize for the following five days. I had heard from Christian Polti, who was to conduct the seminar originally, that the participants were not very much interested in performance evaluation, but were really keen in learning some of the methods of financial analysis as practiced in the West. To my surprise, I found a much more receptive audience, especially the Foreign Funds Utilization group.

4. There was much discussion during the lectures and during tea-breaks on issues such as differences between economic and financial analyses and on many questions related to the concept and use of "shadow

pricing" in economic evaluation. As I responded to these, it occurred to me, that perhaps, this was the single most important practical difference in analysis and evaluation methodology between a "planned" and a "free market" economy.

5. The location of the seminar in Xiangfan made me wonder why the seminar was being held in a place that was so far from Beijing. It took two days to reach Xiangfan from Shanghai by plane and train and four days from Washington DC without a formal rest stop. Though the journey itself was tiring, in the end it was advantageous to have had the extra time on the road to prepare for the seminar. The SAA told me that it was cheaper for them to provide transportation for participants from all across China to Xiangfan than to Beijing or Shanghai; and room and board in Xiangfan was also less expensive. I discreetly tried to find out the real reason why the seminar was being held in Xiangfan, but I must say I never did fully understand the real reason. I speculate that for political reasons the seminar may have been organized far from the capital; the provinces may be demanding more financial autonomy and oversight.

6. I was met at Shanghai airport by an English speaking SAA staff who subsequently made all the travel arrangements inside China. I appreciated this very much since it was a pleasant change from the usual audit missions where we generally make our own arrangements. The logistical arrangements made by SAA for the seminar were quite adequate, though occasional power failure interrupted slide viewing and microphone operations. Because of the large number of participants, microphone arrangements were essential, especially since the interpreter was soft-spoken.

7. The interpreter, Mrs. Ding, did an excellent job. During the six days I had many occasions to verify her interpretations by asking questions that made the participants repeat what I had said earlier. I was satisfied as her interpretations appeared to be on the mark. Mrs. Ding told me that she was more used to interpreting political exchanges rather than technical communications, such as the jargon used in performance evaluation. Therefore, I attempted to fully explain a concept whenever a difficult word had to be used; it was surprising to me how we take for granted the meaning of so many words in our daily interactions in Washington. For example, I discovered, though not to my surprise, that there is no Chinese word equivalent to "sustainability". However, once the term was explained as best as can be, it became easier to use it more often. All of this took time, but Mrs. Ding was very effective.

8. I was slowly able to establish an effective two-way communication with the participants. I found the participants rather reticent and shy initially, something that I had expected in a culturally hierarchical society such as China. However, with a barrage of questions directed at specific participants, it was slowly possible to draw them out. Without Mrs. Ding's input, which required a continuous high level of concentration, this would not have happened so easily and the seminar would have been less successful. In the end, I was very pleased that the SAA thought that our performance evaluation seminar merited the services of such a highly qualified interpreter. I was told that she had interpreted for the current Prime Minister on three separate occasions.

9. At the end of the seminar I asked for a course evaluation. The participants were surprised, I presume because traditionally in China it is the teacher who evaluates the student at the end of the course. But here I was seeking an evaluation of the course from those whom I had taught for six days. I told them it was a usual practice and an integral part of a two-way exchange. There were 73 responses and they suggest the following:

- a) 64% of the participants found the contents of the seminar to be mostly new; 26% found the contents to be moderately new; and 10% found the contents not to be new.
- b) On a scale of 1 to 7 (with 1 representing very low degree and 7 representing a very high degree, and 4 about average), the participants: a) rated the overall usefulness of the materials and contents in their future work to be 5.1 on average. The Foreign Capital Utilization group found the material to be much more useful in their future work and their average rating was about 6, while the Capital Construction group found the material to be less useful in their future work and their average rating was about 4; b) rated the effectiveness of the conductor (including the interpretation) to be about 6.2 on average.

10. At the end of the seminar the Deputy Director, Mr. Zhong expressed much appreciation to OED for participating in the seminar, and especially thanked Mr. Rovani for his continued support to developing evaluation capacity in China.

11. Notwithstanding the fact that I personally enjoyed this task immensely, I would like to add two comments for OED's future participation in such seminars. First, OED should insist that such seminars be held in the capital or in a major city which is more easily accessible; and second, OED should insist on fewer participants with the implication that we can only train the trainers. Fewer participants would certainly improve a two-way communication between the conductor and the participants.

Attachment

cc: Messrs. Köpp, OEDDR
Guerrero, DGO

CHINA: SAA SEMINAR ON EVALUATION

October 21-26, 1991

Program

- Module 1.** The World Bank
The Project Cycle
Definition and importance of evaluation
Types of evaluation
- Module 2.** Evaluation methodology at the World Bank
- basic methods
 - aspects studied
 - successive phases
 - divergences and disagreements
- Module 3.** Evaluation methodology: techniques
- importance of monitoring and evaluation
 - ex-ante vs ex-post evaluation
 - financial vs economic analysis
 - time value of money, benefit-cost ratios, net present worth, internal rate of return, cost effectiveness analysis: concepts
 - examples
- Module 4.** Evaluation methodology: techniques (continued)
- evaluating technical aspect: examples of irrigation and other agricultural projects
 - evaluating institutional aspects/impact: examples
 - concept of sustainability and its importance
 - examples
- Module 5.** Case Study: North China Plain Agricultural Project
- Appraisal Summary
 - Project Brief
 - Completion Report
 - Evaluation
- Module 6.** Dissemination and Feedback
- Reports: implications and dissemination through discussion of reports
 - Other means of dissemination and feedback

Seminar Conductor:

Tawhid Nawaz
Evaluation Officer
Operations Evaluation Department
World Bank
Washington DC.

Oct. 1991

WORLD BANK RESIDENT MISSION IN CHINA

Robert van der Lugt
Deputy Chief of Mission

Diaoyutai, Building 5
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P.O. Box 802
Beijing 100830, China

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Fax: 831-5902
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Ministry of Finance
People's Republic of China

WANG LIANSHENG
Director

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Tele: 22486 MFPRC CN

SHANGHAI AUDITING BUREAU
Deputy Director

JIN ZENG DE
Senior Accountant

ADD: NO. 2A GAO-LAI LU
SHANGHAI, CHINA
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TEL: 3180087
CABLE: 3431

Oct. 1991

Audit Administration of the
People's Republic of China

LI JIANMIN

Director Senior Auditor
Foreign Funds Application Audit Department

12 Caishi Road
Beijing, 100039 China

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Tlx: 222206 AAPRC CN

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People's Republic of China

Lu Peijian

Auditor General

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Beijing 100039
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Tlx: 222206 AAPRC CN

Audit Administration of the
People's Republic of China

5423

Fang Xiuan

Foreign Affairs Bureau

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Beijing, 100039 China

Tel: 8217531-2269, 8211873
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*Foreign Investment Audit Department
Audit Administration of the
People's Republic of China*

YANG YONG JUN

Deputy Division Chief, Auditor

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Beijing, 100039
China

Tel: 8218129
Fax: 8211873
Telex: 222206 AAPRC CN

Chief of Coordination Division,
Foreign Funds Application Audit Department,
Audit Administration of The People's Republic of China

CHEN HUA

Economist

MSc. In Internal Audit and Management (City, U.K.)

First 18, Taiping Road,
Haidian District,
Beijing 100039, China

Tel. 8218129
8217531 ext. 2529
Cable. 1399
Telex. 222206 AAPRC CN
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Oct. 1991

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Oct. 1991

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Mr. Yves Rovani's Visit in China
(Accompanied by Mrs. Rovani and Mr. Pablo Guerrero)

<u>Date</u>	<u>Activities</u>	<u>Flight No.</u>	<u>Location</u>
<u>Oct. 19 (Sat)</u>			
08:25 p.m.	Arrive in Guilin from Hong Kong	CX375	Ronghu Guest House Tel: (0773) 223811 Fax: (0773) 225390
<u>Oct. 22 (Tue)</u>			
08:05 a.m.	Leave Guilin for Beijing	CA 3103	
10:40 a.m.	Arrive in Beijing		Shangri-La Tel: (01) 8412211 Fax: (01) 8418003
02:50 p.m.	Sightseeing tour to Summer Palace		
07:00 p.m.	Dinner by Mr. van der Lugt		VDL's Residence
<u>Oct. 23 (Wed)</u>			
09:00 a.m.	Meeting with Mr. Luo Qing, Director of WB Dept. of MOF (Accomp. by Messrs. AS, VDL)		At RMC (AS's Conference Room)
10:30 a.m.	Meeting with SPC's China International Engineering Consulting Corporation (Accomp. by VDL)		At CIECC
12:00 p.m.	Working lunch hosted by CIECC (Accomp. by VDL)		At Xiyuan Hotel
02:00 p.m.	Working meeting with Mr. Li		At Shangri-La
04:00 p.m.	Meeting with AAPRC Minister Mr. Lu Peijian (Accomp. by AS, VDL)		At Zhongyuan Hotel
07:00 p.m.	Dinner by Minister of AAPRC Mr. Lu Peijian (Accomp. by VDL)		At Zhongyuan Hotel

Oct. 24 (Thur)

day Sightseeing tour to Great Wall at Mutianyu

05:00 p.m. Meeting with Vice Minister Chi Haibin of MOF and then followed by dinner
(Accomp. by M/M VDL) At Diaoyutai Bldg. No. 3

Oct. 25 (Fri)

a.m. Sightseeing tour Palace Museum

12:30 p.m. Luncheon with M/M van der Lugt At La Fleur China World Hotel

08:20 p.m. Leave Beijing for Xian NW 2106

10:10 p.m. Arrive in Xian Golden Flower
Tel: 029 332981
Fax: 029 335477

Oct. 28 (Mon)

03:35 p.m. Leave Xian for Shanghai CA 5204

05:25 p.m. Arrive in Shanghai Garden Hotel
Tel: 021 4331111
Fax: 021 4338866

Oct. 30 (Wed)

09:10 a.m. Leave Shanghai for Tokyo MU 923

THE WORLD BANK

**OFFICE OF THE DIRECTOR-GENERAL, OPERATIONS EVALUATION
(202) 473-1720 *** Fax (202) 676-0625**

**Facsimile Cover Sheet and Message
(No. of pages including this one: 8)**

Date: October 18, 1991
To: Mr. Pablo Guerrero, Special Adviser, DGO
Organization: WB Field Office
City/Country: Beijing, China
Fax No. 011-86-1-831-5902
From: Alejandra M. Sarmiento
Subject: OED Audits in China

Pablo,

**Enclosed is the information you requested for Mr. Rovani.
The list has been reviewed by Mr. Köpp.**

Sincerely,



OED audits:

China

7561	PAR	Dec 88	University development project	C1167
"	"	"	"	L2021
7736	PAR	Apr 89	North China plain agriculture project	C1261
8085	PCR	Oct 89	Three ports project	L2207
8443	PCR	Mar 90	Heilongjiang land reclamation project	C1347
"	"	"	"	L2261
530	PCR	Apr 90	Agricultural education and research project	C1297
8780	PCR	Jun 90	Industrial credit (China Investment Bank) project	C1313
"	"	"	"	L2226
8825	PCR	Jun 90	Technical cooperation project	C1412
8938	PCR	Jul 90	Liaodong Bay petroleum appraisal and technical assistance project	L2708
9374	PCR	Feb 91	Rural credit project	C1462
9493	PCR	Apr 91	Daqing oilfield-Gaotaizi reservoir development project	L2231

Planned audits from Division I:

L2261/C1347	- Heilongjiang Land Reclamation		3/17/92	(to Board)
C1462	- Rural Credit Project		5/12/92	(to Board)
C1733	- Red Soils Area Development		3/17/92	(to Board)
2207	- Three Ports Project	No. 9695	6/10/91	(to Board)
C1297	- Agricultural Education & Research Project	No. 9708	6/28/91	(to Board)
L2394	- First Railway Project	No. 9735	6/24/91	(to Board)
L2967/C1932	- Rural Sector Adjustment Loan and Credit		6/24/92	(to Board)

Divisions II and III have no planned audits.

PROJECT PERFORMANCE AUDIT REPORTCHINAFIRST RAILWAY PROJECT
(LOAN 2394-CHA)EVALUATION SUMMARY

1. Introduction

The intention is to audit the First Project in the context of the entire line of lending (five projects) and associated transport sector work to date. The First Project was prepared with the idea that it was to be an initial learning experience for the Bank and the Ministry of Railways that would lead to increased cooperation in subsequent lending operations. Subsequent lending and increased cooperation have transpired in the six years following the signing of the First loan agreement. The new analyses and studies that have been carried out in the process of preparing the follow-on projects greatly enrich the retrospective examination of the initial effort in the five loan series.

2. Setting

China Railways has the fifth largest network in the world and carries the second highest level of freight and passenger traffic after the Soviet Union. It has its own ministry with 3.2 million staff. About sixty percent of the staff work at providing transportation. Another twenty percent are organized into the 19 construction bureaus that are continuously providing new track and facilities. Thirteen percent man the "industrial sector" of 66 factories producing locomotives, rolling stock, signalling,

fabricated bridge elements, construction equipment, reinforced concrete sleepers etc. The remaining seven percent operate the 11 universities and colleges, 49 technical schools, 86 skilled worker training schools, a primary and secondary education system for the children of staff, and a health system for staff and families. Assuming four dependents per employee China Railways is a sub-economy of 12.8 million inhabitants with an annual investment budget of about US\$ 2.0 billion per year. If the Bank continues to lend at a rate of US\$ 200 million per year this would account for about ten percent of the annual investment budget.

There is no question that China Rail is a serious and generally efficient physical operation by most standards. However, one question hangs over the Ministry of Rail and that of the entire transport sector: why does the Chinese economy require so much freight transport at all? In 1987, the Chinese economy generated the need for 4.77 ton-km of transport per \$US of GNP. For the USSR it was 3.51. For India it was only 1.4, while for the USA it was only 0.86.

In late 1980, when the Bank first began considering the project under audit, the preparation mission members faced a curious combination of seemingly efficient, very high volume, very

high density, financially profitable rail operations in an economy where price distortions and perverse incentives were so great that the rail system could have been carrying (at a high level of physical efficiency) as much as double the freight traffic a market oriented economy of the same size would require. (PPAR Paras. 3-21)¹

3. Objectives

The best extended definition of the First Rail Project objective is found in a memo in the files dated February 3, 1983:

Our objective in the first project will be to build the basis for a good dialogue with China on the railway subsector for the longer term. This objective and implementation of a more substantive transport policy-oriented dialogue with the Ministry of Railways is likely to take some years and several project to achieve.

Thus, the First Project was conceived as part of a series that would allow the Bank to eventually widen and deepen its participation in support of China's transport sector. Specific subprojects undertaken were:

The 355 km. Datong-Taiyuan line improvement was an extension of the Datong-Beijing-Qinhuangdao project which was to cater almost wholly to unit trains of Shanxi coal moving on a double track to the Port of Qinhuangdao. The Datong-Qinhuangdao project, into which the Bank-supported project was to feed, was to be increased from 42 million tons capacity to 60 million tons per year. This latter investment was to be financed by the Japanese.

The 305 km. Xinxiang-Yanzhou line was also a part of the larger Shanxi Province-Shijiusuo Port project in which Japanese financing was also involved. Single line capacity of 17 million tons per year to the Port of Shijiusuo was the original design objective.

The Zhuzhou Electric Locomotive Factory component evolved from the desire of the Chinese to import electric locomotives to operate with the major new line electrification investments being undertaken. After examining the then existing Zhuzhou electric locomotive works, Bank staff were convinced that, with appropriate investments in the existing manufacturing facility, annual production could be increased from 40 units per year to 120 units, obviating the need for imports.

A technical assistance and training package was also included in the project description. The basic idea was to transfer technology for locomotive design and manufacturing from the developed countries to China.

The need for a costing study, became apparent to the economists and financial analysts. The railway investment plan was (and still is) dominated by simple physical planning measures driven by the objectives of the State Planning Commission and by the presence of obvious bottlenecks. Neither true economic nor financial analysis figured heavily in investment decisions. Thus, while Bank railway engineers were generally impressed with the operational and implementation abilities of China Railways, Bank financial and economic analysts had little to work with. This component was to begin to repair

that deficiency. (PPAR Paras. 22-30)

4. Implementation Experience

The Datong-Taiyuan line was redesigned after loan signing to handle a flow of 60 million tons per year of coal rather than the original 33 million ton objective. A redesigned Datong-Beijing-Qinhuangdao integrated coal export operation (into which the Datong-Taiyuan line was to feed) was increased from 60 million tons per year to 100 million tons per year. When the State Planning Commission issued these new design objectives the scope of the project was approximately doubled over that expected in the SAR. There is no record in the Bank files of a revised engineering or economic analysis to define and justify the expanded scope.

In 1989, about 44.5 million tons of coal were transported over the new line to the Port of Qinghuangdao. The SAR originally anticipated 38.8 million tons to the port by 1989 so actual traffic to date is running about 15 percent above appraisal estimates. Civil works implementation was observed to be good.

The Xinxiang-Yanzhou line subproject went according to schedule in both cost and timing. It was completed in 1987 and carried coal traffic of 13 million tons in 1989 compared to the 9 million tons projected in the SAR. Implementation was observed to be generally good.

The only technical shortcomings the Audit could identify with the two line components were: (i) the use of jointed rail instead of welded rail for the track and (ii) the failure to consider the

possibility of heavier axle loads for the design of major structures and (iii) local control of automated switching investments.²

The Zhuzhou Electric Locomotive Works component was part of a larger planned expansion of the Zhuzhou works. It was to be Phase 1 of the expansion but the Chinese accelerated Phase 2 at their own expense, implementing it concurrently with the Bank-financed Phase 1 which was delayed by about two years because of procurement problems. In 1989 the nearly-completed Zhuzhou facility produced 167 locomotive units that appear to be of acceptable quality - considerably beyond the SAR objective of 120 units from 1987 on.

Generally speaking the technology transfer was successful only in terms of the use of the new machine tools. The real problem for the Chinese that has not been solved is how to keep their electric locomotive designs and manufacturing techniques abreast of the latest technology.

The costing study report was completed by the Chinese in September 1985. By March 1989 the proposed costing procedures were being pilot-tested at sub-administrations in Shanxi and Shanghai. The Chinese have been diligent in pursuing the beginning of an acceptable system. The Audit was unable to determine the extent and usefulness of their accomplishments to date. (PPAR Paras. 31-44)

5. Results

A comparison of the Staff Appraisal Reports for Rail I and Rail V show how far the Bank-Chinese relationship has matured in less than ten years.

Substantial progress has been made in documenting and understanding the operation of this complex system and this is currently being reflected in the most recent lending operation.

The coal transportation investments were subjected to a retrospective economic analysis in a very comprehensive PCR in which the latest conversion factors were used to estimate economic costs and benefits associated with the partly redesigned projects. The best estimate of the ERR for both lines was slightly less than 20 percent, indicating the economic viability of both subprojects.

The electric locomotive manufacturing investment was judged to be a success. The PCR analysis utilizes a locomotive price conversion factor of 2.0 and capital costs 36 percent higher than the SAR to reflect the Phase 2 investment. The ERR for the combined Phase 1 and Phase 2 is then estimated to be 82 percent, confirming the high return on the investment in locomotive manufacturing and the gains to be had from scale economies. This would also appear to establish the Chinese as a major potential competitor for sales in the world market. (PPAR Paras. 45-55)

5. Findings, Lessons and Sustainability

Efficiency gains to be made at the macro economic level are probably more substantial than those at the micro technical level. This is because China Rail is generally a well-run technical operation compared to railroads in other developing countries. The Chinese have already achieved about 80 percent of the operating and manufacturing standards of the best rail operations in the

developed world. Going the other 20 percent is largely a question of adapting for China the latest technologies and methods in management information, communications and industrial engineering.

Possibly the single most serious price distortion at the macro level is underpriced electric power (conversion factor of about 4.0) for the industrial sector. Since the bulk of the coal to be transported over the two project lines was for producing electric power for domestic use, the coal-electric power nexus was critical for analyzing the economic goodness of the associated power and transport investments. Had the pricing of domestic electric power for industry rather than the international price of coal been more of an element in the economic analysis, the right questions concerning the economics of power production would have been asked.

There is merit to asking the right questions concerning the ultimate use to which the transported coal will be put. However, the question is how much of the distortion at the macro economic level can be taken into consideration when preparing a rail investment project. Is it reasonable to expect the railway managers to "...simulate markets within a framework of planning and collective ownership..."? Or is it more reasonable to require railway management to continue making investment, operational and pricing decisions based on current financial incentives and leave the changing of those financial incentives to those managing the economy at large?

The Audit believes that the formal economic analyses of

subprojects in Rail I were little more than pro forma exercises done after the engineering and investment decisions were made. It was an administrative requirement associated with a World Bank loan that was a minor element of the overall operation. This may have been excusable in the early years but it continues to be the case, despite heavy emphasis by the Bank on formal economic analysis using conversion factors to shift from financial figures to economic figures. A careful examination of the ongoing electrification, locomotive and rolling stock and permanent way studies indicate that almost no economic (or financial) thinking or concepts are being explicitly integrated into the exercises.

While formal economic analysis may not be making rapid headway in the MOR, there is no reason why the much easier financial analysis of projects and operations should not be undertaken. Computing the net increases in value of coal for domestic use because of the existence of adequate rail capacity is a difficult task. Computing the additional revenues associated with moving the coal is conceptually much more straightforward. Associating a net revenue stream with the investments required to make it possible is the sort of analysis that rail managers should be encouraged to undertake given the commercial direction in which public entities are expected to move. This was done by Bank staff in the SAR of the Third Railway Project but has since been abandoned in favor of economic analyses employing conversion factors, despite the stated commitment to a railway financial cost accounting system in the Rail I project. The Bank should be

promoting the use of such management tools by using them in their own Staff Appraisal Reports.³

Relevant international experience based on good economic or financial analyses in a competitive environment can be useful as a check on investment and operational decisions in China in the absence of market prices and accurate financial costs. However, there are examples of bad international experience that the Chinese would be well-advised to avoid and there are some areas where the Chinese themselves represent the best international experience.

The question of sustainability rarely becomes a serious concern in China Railways. Unremitting rapid growth in demand, very high density train traffic, and constantly recurring bottlenecks have shaped the thinking of Chinese railway planners in a way that has happened in few railways of the developing world in the late twentieth century. Building, maintaining and operating a physical activity as potentially dangerous as high density train operations requires skilled pragmatic operators and managers and this the Chinese have provided. Without having to worry about marketing services, China Rail has been able to maintain existing capacity by developing a maintenance ethic that is rarely found in the developing world. The commitment to protection and maintenance of capital investments is manifest and laudable. (PPAR Paras. 56-85)

Dealing with the railways of China has required the provision of an extraordinary array of technical skills by the Bank ranging from

those conversant with the macro-micro linkage to those concerned with specific industrial engineering applications. So far, the Bank has managed to stay on top of developments by bringing in a variety of international experts to assist in the task. However, as the number of disbursing lending operations increase and the numerous outstanding studies reach critical junctures the task is becoming more difficult and complex. The achievement of the ambitious Rail I project objective has raised the question of whether or not the Bank can keep up the pace with an institution as formidable as China Rail. The more we succeed with sophisticated clients, the more high quality resources we must allocate to deal with the fruits of success. (PPAR Paras. 86-90)

1. For the Region's comment on this matter see footnote 20 on page 8 of the main text. For the Borrower's comments see paragraph 7 of Annex IV.
2. For the Region's comments on these issues see footnotes 35 and 37 in the main text and Annex III. For the Borrower's view see paragraph 2 of Annex IV.
3. For the Region's position on this issue see footnotes 41 and 62 in the main text.

Tommaso AM

A L L - I N - 1 N O T E

DATE: 16-Oct-1991 00:39am

TO: ALEJANDRA SARMIENTO

(ALEJANDRA SARMIENTO @A1@VAX12)

FROM: Pablo Guerrero, DGO

(PABLO GUERRERO AT A1 AT WBAM)

EXT.:

SUBJECT: List of China Audits

Alejandra:

Thanks for the copy of the letter to A. Toure.

Mr. Rovani would like you to prepare a list (including full names, dates, etc.) of the audits OED has done in China, and of the planned audits in China.

He would also like a copy of the executive summary of the recent China Railways audit.

Please send the above by FAX to the Bank's Mission in China as soon as possible.

Everything is going well. We have had quite a number of useful meetings. I have not seen an iota of Bangkok.

Regards and thanks.

CC: HANS-EBERHARD KOPP

(HANS-EBERHARD KOPP @A1@VAX12)

CHA - L 2261/C1347	- Heilongjiang Land Reclamation	3/17/92	(to Board)
CHA - C 1462	- Rural Credit Project	5/12/92	(to Board)
CHA - C 1733	- Red Soils Area Development	3/17/92	(to Board)
CHA - L 2207	- Three Ports Project	6/10/91 #9695	(to Board)
CHA - C 1297	- Agricultural Education & Research Pr.	6/28/91 #9708	(to Board)
CHA - L 2394	- First Railway Project.	6/24/91 #9735	(to Board)
CHA L 2967/C 1932	Rural Sector Adjustment Loan & Cr.	6/24/92	(to Board)



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Correspondents / Participants To: Mr. Zhong Guangquan, Deputy Director, Foreign Affairs Bureau, State Audit Administration, Beijing, China From: Selina Shum, Senior Financial Analyst				
Subject / Title CHINA: SAA -- Projects Performance Audits Training				
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Guerrero

Chan

THE WORLD BANK
CHINA/MONGOLIA INDUSTRY AND ENERGY DIVISION
TEL. NO. (202) 458-2452 • DIRECT FAX TEL. NO. (202) 477-1273

FACSIMILE

DATE: September 25, 1991 NO. OF PAGES: 5 DIV. LOG NO.:
(including this page)

TO: Mr. Henry Thomas, Safari Tour Guest
ORGANIZATION: c/o Cotter Safari Service
CITY/COUNTRY: Nairobi, Kenya
FAX NO: (254-2) 891-770

FROM: Selina Shum, Sr. Financial Analyst
DEPT./DIV.: AS3IE 255/30
ROOM NO.: A-8077
TEL. NO.: (202) 458-458-2452
FAX. TEL NO.: (202) 477-1273

SUBJECT/
REFERENCE: CHINA: Project Performance Audit

MESSAGE:

Thanks for your fax, which we received on September 24. Attached please find a copy of the invitation letter from the State Audit Administration (SAA) of China. In particular, foreign experts (Mr. Robert Burns (OEDD3) and yourself) are scheduled to lecture from October 21 to November 3. Mr. Burns will take up the first week to lecture on fundamentals of ex-post evaluation. Your lecture will be scheduled for the last week of October, starting from October 28. Please advise urgently if this is ok so that we can confirm your availability with SAA.

For your information, Mr. Edgar Su has already responded to SAA that he will not be available to lecture at the seminar. Mr. Polti, because of sudden illness, will also not be available.

Many thanks. Looking forward to your early response.

TRANSMISSION AUTHORIZED BY: Selina Shum, Sr. Financial Analyst, AS3IE

IF YOU EXPERIENCE ANY PROBLEM IN RECEIVING THIS TRANSMISSION, INFORM THE SENDER AT THE TELEPHONE OR FAX. NO. LISTED ABOVE.

Mr. Henry Thomas

- 2 -

September 25, 1991

cc: Messrs/Mmes. Stern (AS3IE); Guerrero (DGO)

SShum:dps



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File Title China - Evaluation Capability Development Program - Volume 4		Barcode No. 30291371		
Document Date December 9, 1991	Document Type Facsimile			
Correspondents / Participants To: Mr. Henry Thomas From: Zhong Guang Quan, Deputy Director, Foreign Capital Utilization Audit				
Subject / Title Four-week seminar on Performance Audit of Completed Projects in China				
Exception(s) Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date December 18, 2023</td></tr></table>	Withdrawn by Shiri Alon	Date December 18, 2023
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12 03 01 11 00

Implementation Plan for Training Programme on Performance Audit of Completed Projects

June 1, 1991

1. Background

Completed projects financed by foreign financial institutions, and those finished large and medium-sized capital construction projects have been gradually increased in recent years. Performance audit should be of due importance to audits of projects with foreign funds and capital construction projects, for the purpose of: A. strengthening auditing supervision on legality, compliance and effectiveness of completed projects; B. accelerating operation by completed projects; C. ensuring decision-making optimization for future investments; D. and improving management of foreign funds and capital construction projects. However, we lack experience in performance audit of completed projects with foreign investments. Therefore, we plan to hold, in the latter half of this year, a Training Programme on Performance Audit of Completed Projects in order to train key personnel for audits of this type, by using the Special Credit of the World Bank.

2. Purpose

The purpose of the Programme is to qualify the participants for performance audit of completed projects by enabling them to grasp the objectives, contents and methodologies of such audit.

3. Main Contents

3.1. Compliance Audit

The content and methodology of compliance audit on the final accounts statements of completed projects include audits of actual expenditures, property turned over for operation, construction cost and surplus funds.

3.2 Effectiveness Audit

The content and methodology of effectiveness audit of completed projects include audits of construction speed, quality of projects, effectiveness of construction cost and liquidity.

3.3. Discussion of Cases

Discussions are to be held on cases of decisions on and performance of completed projects.

4. Participants

60 Chinese auditors shall participate in the Training

Programme. 2 foreign experts shall be invited. Chinese experts shall be selected from a university of finance and economics, a local audit bureau and a designated audit office of AAPRC (one for each unite, to be determined).

Both internal and external experts should possess profound knowledge of and rich practical experience in audit of projects with foreign funds and capital construction projects and have conducted researches on decision-making matters of projects and performance audit of completed projects. They should be familiar with the present situation of the above type of audits in China.

The participants shall come from the Foreign Capital utilization Audit Bureau and Capital Construction Audit Bureau of AAPRC, local bureaus (in provinces, autonomous regions and municipalities under the central government) and designated audit offices of AAPRC in different parts of China. They should have essential knowledge of and three years of practical experience in audit of projects with foreign capital and capital construction projects.

The Programme shall be carried out in the latter half of October and last four weeks. Both foreign and Chinese experts shall take up two weeks for their lectures.

5. Agenda

Oct. 16 — 18	registration and arrival of foreign experts
Oct. 21 — Nove. 3	lecturs by foreign experts
Nove. 4 — 5	discussions and departure of foreign experts
Nove. 6 — 13	lecturs by Chinese experts and discussions
Nove. 14	making an outline of summary report
Nove. 15 — 16	finishing and submitting summary report

Foreign experts are kindly required to prepare outlines of their lectures and submit them to the Foreign Capital Utilization Audit Bureau of AAPRC before June 10.

The outlines should cover the following aspects:

A. Objectives, methodologies and contents of compliance audit of final accounts statements of completed projects, audit of property turned over for operation, construction cost and surplus funds of completed projects abroad;

B. Audit of investment effectiveness abroad, including construction speed and quality of projects, audit of construction cost of projects in operation, and audit of macro-effectiveness of investments abroad;

C. Indicators and standards of performance audit of investments abroad;

D. Two cases of performance audit of completed projects.

E. Comments and proposals on performance audit of completed projects in China.

Chinese experts are also required to prepare outlines of their lectures in connection with the set topics and cases and submit them to the Foreign Capital Utilization Audit Bureau of AAPRC before June 10. Topics will be assigned to foreign and Chinese experts later. AAPRC shall finish the review and put forward amendments of the outlines by July 10 and send them back to the experts on July 20. Chinese and foreign experts are required to send their written lectures to the Foreign Capital Utilization Bureau of AAPRC before September 20, which shall be translated and distributed to the participants.

6. Sponsors

The Training Programme shall be sponsored by the Bureaus for Audit of Foreign Capital Utilization and Capital Construction and the Training Centre of AAPRC. Two or three experienced staff members shall be responsible for drafting a summary report and present it after the conclusion of the Programme.

Budget for the Training Programme

(for 2 international experts)

Foreign Experts Expenses	US\$	RMB (Yuan)
international travel expenses	6,000	
payments	10,000	
Miscellaneous expense	5,000	
Domestic necessary funds		60,000
<hr/>		
Total:	21,000	60,000

Foreign Capital Utilization
Audit Bureau
AAPRC

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: September 24, 1991 06:49pm

TO: ROBERT VAN DER LUGT (ROBERT VAN DER LUGT @A1@CHINA)

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: Rovani's visit

Robert:

My itinerary is as follows (from Bangkok onwards Rovani's is the same as mine):

- 9 Oct - Air France #2
Lv Washington/NY 10.00am
Ar Paris 9.45pm
Hotel Prince de Galles ✓ *falta hacerla.*
- 12 Oct - Thai Air #931
Lv Paris 11.00am
- 13 Oct - Ar Bangkok 7.00am
Hotel Royal Orchid *ok*
- 18 Oct - Cathay Pac #700
Lv Bangkok 9.15am
Ar Hong Kong 12.50pm
Hotel New World Harbor View (?)
- 19 Oct - Dragonair #375
Lv Hong Kong 7.20pm
Ar Guilin 8.25pm
Hotel ? (need recommendation)
- 22 Oct - Air China Intl #1312
Lv Guilin 10.50am
Ar Beijing 1.20pm
Hotel China World ? ✓✓
- 25 Oct - China Northwest #2106
Lv Beijing 8.20pm
Ar Xi An 10.10pm
Hotel ?
- 28 Oct - Air China Intl #5204
Lv Xi An 3.35pm
Ar Shanghai 5.25pm
Hotel Garden ? ✓✓
- 30 Oct - China Eastern #923

Lv Shanghai 9.10am
Ar Tokyo Narita 12.45pm
Hotel Imperial

2 Nov - Lv Tokyo am
Ar Kyoto am
Hotel Miyako

3 Nov - Lv Kyoto am
Ar Osaka pm
Lv Osaka pm
Ar Washington pm

Robert, for now I would appreciate your confirmation of domestic
airline reservations, and the names of the Hotels we should
reserve. (I have included some information that you probably
don't need). Thanks for your help.

THE WORLD BANK

**OFFICE OF THE DIRECTOR-GENERAL, OPERATIONS EVALUATION
(202) 473-1717 *** Fax (202) 676-0625**

Facsimile Cover Sheet and Message

Date: September 17, 1991
To: Mr. Zhong Guangguan
Organization: Audit Administration of the People's Rep. of China
City/Country: China
Fax No. 861-8211873
From: Pablo Guerrero
Subject: Seminar Presentation to AAPRC

Message:

Thank you for the copy of the letter sent to Mr. Christian Polti dated September 6th.

On the matter of Mr. Polti's payment, I have consulted with Miss Selina Shum of the China Department and she confirms that there is no fixed rate concerning the payment for retired World Bank staff.

You should note that the trip expenses from France to China are higher than those from the United States to China. The rate that Mr. Polti is paid as honorarium is US\$450 daily which conforms to the norms for ex-senior staff of the Bank.

It is important that you resolve this matter urgently.

Sincerely,

Pablo Guerrero

cc: Miss Selina Shum, AS3IE
Mr. Li Jianmin, Director FFAAD/AAPRC



INVOICE / ITINERARY

SALES PERSON: 37
CUSTOMER NBR: 010714

ITINERARY

RAQRAJ

DATE: 30 AUG 91
PAGE: 01

TO: MR PABLO GUERRERO
STAFF NO 20812
DEPT DGO
ROOM T7-017 EXT 31717

FOR: GUERRERO/PABLO MR

REF: M44463

09 OCT 91 - WEDNESDAY

AIR AMERICAN AIRLINES FLT:4991 COACH SNACK
OPERATED BY: NASHVILLE EAGLE INC
LV WASHINGTON NATL 1000A EQP: ATR TPROP
AR NYC KENNEDY 1120A NON-STOP
AIR ATR FRANCE FLT:OPEN FIRST CLASS
LV NYC KENNEDY OPEN
AR PARIS DE GAULLE
AIR AIR FRANCE FLT:2 SUPERSONIC
LV NYC KENNEDY 100P EQP: CONCORDE
AR PARIS DE GAULLE 945P

12 OCT 91 - SATURDAY

AIR THAI AIRWAYS INTL FLT:931 FIRST CLASS DINNER
LV PARIS DE GAULLE TERM:1 1100A EQP: BOEING 747

13 OCT 91 - SUNDAY

AR BANGKOK 700A 1-STOP

18 OCT 91 - FRIDAY

AIR CATHAY PACIFIC FLT:700 FIRST CLASS SNACK
LV BANGKOK 915A EQP: L1011
AR HONG KONG 1250P NON-STOP

SERVICE IMMEDIATELY ABOVE WAITLISTED

AIR CATHAY PACIFIC FLT:700 BUSINESS SNACK
LV BANGKOK 915A EQP: L1011
AR HONG KONG 1250P NON-STOP

HOTEL HONG KONG 1 NIGHT OUT-19OCT
REGENT HOTEL 1 ROOM SINGLE WITH BATH
SALISBURY ROAD RATE-0000 PER NIGHT
KOWLOON, HONG KONG GUARANTEED LATE ARRIVAL
PHONE-7211211 TX-37134
FAX-7394546 HKG-14
ID#21-

SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

19 OCT 91 - SATURDAY

AIR DRAGONAIR-HKG FLT:375 COACH SNACK
LV HONG KONG 720P EQP: 737 STRETCH
AR GUILIN 825P NON-STOP

CONTINUED ON PAGE 2



INVOICE / ITINERARY

SALES PERSON: 37
CUSTOMER NBR: 010714

ITINERARY
RAQRAJ

DATE: 30 AUG 91
PAGE: 02

TO: MR PABLO GUERRERO
STAFF NO 20812
DEPT D60
ROOM T7-017 EXT 31717

FOR: GUERRERO/PABLO MR

REF: M44463

19 OCT 91 - SATURDAY

HOTEL SHERATON HOTELS
SHERATON GUILIN HOTEL
BING JIANG NAN ROAD
GUILIN CHINA
FONE 225588

3 NIGHTS OUT-22OCT
1 ROOM ACCOMMODATIONS
RATE-70.00USD PER NIGHT
CORPORATE RATE
CANCEL 4PM DAY OF ARRIVAL
GUARANTEED LATE ARRIVAL
CONFIRMATION 024460874

22 OCT 91 - TUESDAY

AIR AIR CHINA INTL FLT:1312
LV GUILIN
AR BEIJING

COACH
1050A EQP: BOEING 737
120P NON-STOP

SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

HOTEL BEIJING
GREAT WALL SHERATON
NORTH DONG HAUN RD
BEIJING, CHINA
FONE 5005566 TX-22002
FAX-5001919 PEK-02
ID#03-

3 NIGHTS OUT-25OCT
1 ROOM SINGLE WITH BATH
RATE-0000 PER NIGHT
GUARANTEED LATE ARRIVAL

SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

25 OCT 91 - FRIDAY

AJR CHINA NORTHWEST FLI:2106
LV BEIJING
AR XI AN XIGUAN

COACH
820P EQP: TUPOLEV TU134
1010P NON-STOP

SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

HOTEL XI AN XIGUAN
HYATT REGENCY XIAN
158 DONG DA JIE
XIAN, CHINA
FONE 712020 TX-NONE
FAX-NONE SIA-05
ID#06-CF, JIM, HYATT-NO, Q2QRVS-

3 NIGHTS OUT-28OCT
1 ROOM SINGLE WITH BATH
RATE-80USD PER NIGHT
GUARANTEED LATE ARRIVAL

CONTINUED ON PAGE 3



INVOICE / ITINERARY

SALES PERSON: 37
CUSTOMER NBR: 010714

ITINERARY

RAQRAJ

DATE: 30 AUG 91
PAGE: 03

TO: MR PABLO GUERRERO
STAFF NO 20812
DEPT DGO
ROOM T7-017 EXT 31717

FOR: GUERRERO/PABLO MR

REF: M44463

28 OCT 91 - MONDAY

AIR AIR CHINA INTL FLT:5204 COACH SNACK
LV XI AN XIGUAN 335P EQP: HAWKER JET
AR SHANGHAI 525P NON-STOP

SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

HOTEL SHANGHAI 2 NIGHTS OUT-30OCT
HILTON INTL SHANGHAI 1 ROOM SINGLE WITH BATH
250 HUA SHAN RD RATE-80USD PER NIGHT
SHANGHAI, CHINA GUARANTEED LATE ARRIVAL
FONE 2550000 TX-33612
FAX-2553848 SHA-02
ID#08-CF, LARRY, HILTON-NO, 4871939185-

30 OCT 91 - WEDNESDAY

AIR CHINA EASTERN FLT:923 FIRST CLASS
LV SHANGHAI 910A EQP: AIRBUS A310
AR TOKYO NARITA 1245P NON-STOP

SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

HOTEL TOKYO 2 NIGHTS OUT-01NOV
IMPERIAL HOTEL TOKYO 1 ROOM SINGLE WITH BATH
1-1-1 UCHISAIWAICHO RATE-23000JPY PER NIGHT
TOKYO, JAPAN GUARANTEED LATE ARRIVAL
FONE 5041111 TX-26816
FAX-5041288 TYO-02
ID#09-

SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

01 NOV 91 - FRIDAY

HOTEL KYOTO JAPAN 2 NIGHTS OUT-03NOV
MIYAKO HOTEL 1 ROOM SINGLE WITH BATH
SANJO KEAGE RATE-20000JYE PER NIGHT
KYOTO, JAPAN GUARANTEED LATE ARRIVAL

FONE 7717111 TX-5422132
FAX-7512490 UKY-03
ID#45-

SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

CONTINUED ON PAGE 4



INVOICE / ITINERARY

SALES PERSON: 37
CUSTOMER NBR: 010714

ITINERARY

RAQRAJ

DATE: 30 AUG 91
PAGE: 04

TO: MR PABLO GUERRERO
STAFF NO 20812
DEPT DGO
ROOM T7-017 EXT 31717

FOR: GUERRERO/PABLO MR

REF: M44463

03 NOV 91	-	SUNDAY			
AIR	UNITED AIRLINES	FLT:882	FIRST CLASS	DINNER	
	LV TOKYO	NARITA	655P	EQP: BOEING 747-400	
	AK WASHINGTON DULLES		821P	JT510P	

A - NO ADDITIONAL COST SAVINGS APPLY -LAN-07/10 1616
 STAFF MEMBER-WORLD BANK
 SECRETARY ALEJANDRA SARMIENTO
 TRAVEL COUNSELOR VTP MISSION TRAVEL
 BERNICE VAUGHAN
 EXT 36209 GIC 145

IR-URGENT - RECONFIRM INTL FLIGHTS 72HOURS IN ADVANCE

*** SPECIAL NOTE *** OPERATIONAL TRAVELERS MUST
 A. INFORM COUNTRY DIRECTORS OFFICE OF MISSION.
 B. NOTIFY BANK RESREP/UNDP UPON ARRIVAL.
 PLEASE CHECK WITH VISA OFFICE FOR PROPER DOCUMENTATION
 AMEX HOTLINE 313-271-7887
 AMEX GLOBAL ASSIST 202-554-2639

AUDIT ADMINISTRATION OF THE
PEOPLE'S REPUBLIC OF CHINA
Fax:008601-8211873

Date: Sept. 11, 1991
To: Mr. Pablo Guerrero, Special Advisor to the DGO
Organization: The World Bank, Office of the Director-General
Operations Evaluation
City/Country: Washington, USA
Fax No. (202)676-0625
From: Zhong Guangquan
Subject: Seminar Presentation to AAPRC
=====

Sept. 6, 1991

Dear Mr. Christian Polti,

I have received the fax of Mr. Pablo Gcerrero dated Aug.27 and your programme outline (Model 3). We welcome you to attend the seminar in China. Regarding the programme outline and the payment for your lectures, we have following comments:

1. I agree to the programme outline in principle. However, to enable your lectures to suit our actual needs, you are kindly required to :

a. give more explanation of the contents, methods and index measurement of post evaluation;

b. include content of audit on final accounts in your lectures;

c. select some projects similar to projects of China as cases for studies. As there are no vegetable projects in China at present, projects of industry, agriculture or forestry may be selected instead;

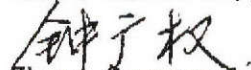
d. provide teaching materials before the conduct of your lectures so that participants may well prepare themselves by reading them, which is raising efficiency of the lectures.

2. As mentioned in my last fax, you will receive a total amount of US\$6000, of which US\$3000 will be paid to you for your lectures & accommodation and the other US\$3000 will cover your international travel fees and miscellaneous. The payment is estimated in accordance with the stipulations concerning the payments for retiring experts of the World Bank, so we could not change it. Considering the 3 days you will spend on your journey and possibly stay in Beijing, we shall pay an extra amount of US\$1000 as your living allowance. The total payment to you will amount to US\$7000.

Please contact me if you need further clarification.

With best regards.

Yours sincerely,



Zhong Guangquan
Deputy director
Foreign Fund Application
Department of AAPRC

THE WORLD BANK / IFC / M.I.G.A.

ROUTING SLIP		DATE: September 3, 1991	
NAME		ROOM NO.	
All AS3IE Staff			
and Concerned TD Staff			
	U R G E N T		PER YOUR REQUEST
	FOR COMMENT		PER OUR CONVERSATION
X	FOR ACTION		NOTE AND FILE
	FOR APPROVAL/CLEARANCE		FOR INFORMATION
	FOR SIGNATURE		PREPARE REPLY
	NOTE AND CIRCULATE		NOTE AND RETURN
RE: Sample Telex for Visa Request for China			
REMARKS: All requests for visas for China must be approved by David Pearce (COD) or whomever is acting. They must all be addressed to Mr. Luo Qing, MOF. I therefore attach (reverse) a sample of the accepted wording, deviation from which will likely cause delays in approval of the telex. Also, the SOD division chief should clear visa telexes for his sectors.			
FROM: Jim Martin		ROOM NO.: A-8099	EXTENSION: 82439

WDIAL
 .AS3CO
 OINFO

 -SUBJECT: SAMPLE TELEX FOR VISA REQUEST TO CHINA
 -DRAFTED BY: MMMM EXT: 80000
 -AUTHORIZED BY: DAVID PEARCE CHIEF, AS3CO
 -CC: MISSION MEMBERS; ----- J. DAVIS (AS3CO)

716 22486 =

-MINISTRY OF FINANCE, BEIJING, CHINA
 -FOR MR. LUO QING, DIRECTOR, WORLD BANK DEPARTMENT

716 22552 =

-STATE PLANNING COMMISSION (FOR ALL PROJECTS UNDER PREPARATION)
 -FOR MR. QU YOUZHANG, DIRECTOR, FOREIGN CAPITAL UTILIZATION
 - DEPARTMENT

716

-OTHER RELEVANT AGENCY(IES) IN CHINA
 FAXIBRDBEI

-INTBAFRAD, BEIJING, CHINA

-FOR MR. ATTILA SONMEZ, CHIEF, RMC (OR ACTING CHIEF), AND
 - MS. FANG YING, OPERATIONS OFFICER, RMC

BT

WASHINGTON D.C. 22-MAY-1991

FOR MR. LUO QING, DIRECTOR, WORLD BANK DEPT., MOF, COPIED TO
 (RELEVANT AGENCY(IES), MR. ATTILA SONMEZ, CHIEF, AND MS. FANG YING,
 OPERATIONS OFFICER, RMC, BEIJING, CHINA.

AAA. WE PROPOSE TO SEND A MISSION FOR THE (NAME OF
 MISSION/PROJECT/SECTOR) FROM (DATE) TO (DATE). THE FOLLOWING PROGRAM
 IS PROPOSED FOR THE MISSION: (LIST AGENCIES/MINISTRIES WITH WHICH
 DISCUSSIONS ARE TO BE HELD, AND DATES).

BBB. THE MISSION WOULD COMPRISE THE FOLLOWING STAFF MEMBERS (AND
 CONSULTANTS, IF ANY): (LIST MISSION MEMBERS' FULL NAMES,
 NATIONALITIES, GENDER, MISSION RESPONSIBILITY, LAISSEZ PASSER
 NOS/CONSULTANTS' PASSPORT NOS. IF VISAS FOR CONSULTANTS ARE TO BE
 ISSUED IN ANOTHER CITY/COUNTRY OTHER THAN WASHINGTON, D.C./USA, OR IF
 SOME MISSION MEMBERS ARE DEPARTING EARLIER THAN OTHERS IN THE TEAM,
 MAKE SPECIFIC REQUEST FOR SUCH ARRANGEMENTS).

CCC. WOULD APPRECIATE RECEIVING BY TELEX YOUR REACTION TO THE
 PROPOSED MISSION AND ITS TIMING AT YOUR EARLIEST CONVENIENCE. IF YOU
 AGREE TO THIS PROPOSAL, PLEASE AUTHORIZE THE CHINESE EMBASSY IN
 WASHINGTON TO ISSUE VISA FOR ALL MISSION MEMBERS LISTED IN PARAGRAPH
 BBB (EXCEPT FOR CONSULTANTS FROM OTHER CITIES/COUNTRIES - LIST THEM
 HERE AGAIN). (IF SENDING A SEPARATE VISA REQUEST TELEX ONLY; REFER
 TO THE INCOMING TELEX AGREEING TO THE MISSION IN PARA. AAA. DO NOT
 LIST MISSION PROGRAM OR AGENCIES/MINISTRIES TO BE MET AGAIN, LIST
 ONLY MISSION MEMBERS, ETC. AS PER PARA. BBB ABOVE, AND USE THE
 FOLLOWING PHRASE: IF THE ABOVE IS AGREEABLE TO YOU, PLEASE AUTHORIZE
 ETC.).

REGARDS, DAVID PEARCE, CHIEF, COUNTRY OPERATIONS DIVISION, CHINA AND
 MONGOLIA DEPARTMENT, ASIA REGION, INTBAFRAD



INVOICE / ITINERARY

SALES PERSON# 37
CUSTOMER NBR# 010714

ITINERARY
SSEPLU

DATE: 30 AUG
PAGE: 03

TO: MR YVES X ROVANT
STAFF NO 07230
DEPT 060
ROOM T-7-025 EXT 31720

FOR: ROVANT/YVES MR

REF: M44336

28 OCT 91 - MONDAY

HOTEL SHANGHAI
HILTON INTL SHANGHAI
250 HUA SHAN RD
SHANGHAI, CHINA
FONE 2550000 TX-33412
FAX-2553848 SHA-02
ID#06-CP, LARRY, HILTON-NO. 7015093833-

2 NIGHTS OUT-300CT
1 ROOM DOUBLE WITH BATH
RATE-85USD PER NIGHT
GUARANTEED LATE ARRIVAL

30 OCT 91 - WEDNESDAY

AIR CHINA EASTERN FLT:923
LV SHANGHAI 910A
AR TOKYO NARITA 1245P
EQP: AIRBUS A310
NON-STOP
SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED
HOTEL TOKYO
IMPERIAL HOTEL TOKYO
1-1-1 UCHISAIWAICHO
TOKYO, JAPAN
FONE 5041111 TX-26816
FAX-5041288 TYO-02
ID#08-
SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

FIRST CLASS
2 NIGHTS OUT-01NOV
1 ROOM DOUBLE WITH BATH
RATE-27000.JPY PER NIGHT
GUARANTEED LATE ARRIVAL

01 NOV 91 - FRIDAY

HOTEL KYOTO JAPAN
MIYAKO HOTEL
SAMJO KEAGE
KYOTO, JAPAN
FONE 7717111 TX-5422132
FAX-7512490 UKY-03
ID#13-
SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

2 NIGHTS OUT-03NOV
1 ROOM DOUBLE WITH BATH
RATE-22000.JPY PER NIGHT
GUARANTEED LATE ARRIVAL

03 NOV 91 - SUNDAY

AIR AMERICAN AIRLINES FLT:60
LV TOKYO NARITA 655P
AR DALLAS FT WORTH 325P
AIR AMERICAN AIRLINES FLT:846
LV DALLAS FT WORTH 513P
AR WASHINGTON NATL 900P

FIRST CLASS DINNER
EQP: MD-11
NON-STOP
FIRST CLASS DINNER
EQP: BOEING 757
NON-STOP

CONTINUED ON PAGE 4



INVOICE / ITINERARY

SALES PERSON: 37
 CUSTOMER NBR: 010714

ITINERARY

SSEPLV

DATE: 30 AUG
 PAGE: 01

TO: MR YVES X ROVANT
 STAFF NO 07230
 DEPT 060
 ROOM T-7-025 EXT 31720

FOR: ROVANT / YVES MR

REF: M44336

12 OCT 91 - SATURDAY
 AIR UNITED AIRLINES FLT:173 FIRST CLASS BREAKFAST
 LV WASHINGTON DULLES 900A EQP: DC-10
 AR SAN FRANCISCO 1129A NON-STOP
 AIR UNITED AIRLINES FLT:845 FIRST CLASS LUNCH
 LV SAN FRANCISCO 135P EQP: BOEING 747-400

13 OCT 91 - SUNDAY
 AR TAIPEI TPE 525P NON-STOP
 AIR UNITED AIRLINES FLT:845 BUSINESS DINNER
 LV TAIPEI TPE 705P EQP: DC-10
 AR BANGKOK 930P NON-STOP

18 OCT 91 - FRIDAY
 AIR CATHAY PACIFIC FLT:706 FIRST CLASS LUNCH
 LV BANGKOK 940A EQP: L1011
 AR HONG KONG 115P NON-STOP
 SERVICE IMMEDIATELY ABOVE WAITLISTED
 AIR CATHAY PACIFIC FLT:706 BUSINESS LUNCH
 LV BANGKOK 940A EQP: L1011
 AR HONG KONG 115P NON-STOP
 HOTEL HONG KONG 1 NIGHT OUT-19OCT
 REGENT HOTEL 1 ROOM
 SALISBURY ROAD RATE-0000 PER NIGHT
 KOWLOON, HONG KONG
 FONE-7211211 TX-37134
 FAX-7394546 HKG-14
 ID#24-
 SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

19 OCT 91 - SATURDAY
 AIR DRAGONAIR-HKG FLT:375 COACH SNACK
 LV HONG KONG 720P EQP: 737 STRETCH
 AR BUILIN 825P NON-STOP

CONTINUED ON PAGE 2



INVOICE / ITINERARY

SALES PERSON: 37
CUSTOMER NBR: 010714

ITINERARY
SSEPLV

DATE: 30 AUG
PAGE: 02

TO: MR YVES X ROVANT
STAFF NO 07230
DEPT 000
ROOM F-7-025 EXT 31720

FOR: ROVANT/YVES MR

REF: M44336

19 OCT 91 - SATURDAY
HOTEL SHERATON HOTELS
SHERATON GUILIN HOTEL
BING JIANG NAN ROAD
GUILIN CHINA
FONE 225588

3 NIGHTS OUT-2200T
1 ROOM ACCOMMODATIONS
RATE-70.00USD PER NIGHT
CORPORATE RATE
CANCEL 4PM DAY OF ARRIVAL
GUARANTEED LATE ARRIVAL
CONFIRMATION 024490994

22 OCT 91 - TUESDAY
AIR AIR CHINA INTL FLT:1312
LV GUILIN
AR BEIJING
SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED
HOTEL BEIJING
GREAT WALL SHERATON
NORTH DONG HAUN RD
BEIJING, CHINA
FONE 5005566 TX-22002
FAX-5001919 PEK-02
ID#01-CF, WB PE-

COACH
1050A EQP: BOEING 737
120P NON-STOP
3 NIGHTS OUT-2500T
1 ROOM DOUBLE WITH BATH
RATE-66USD PER NIGHT
GUARANTEED LATE ARRIVAL

25 OCT 91 - FRIDAY
AIR CHINA NORTHWEST FLT:2106
LV BEIJING
AR XI AN XIGUAN
SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED
HOTEL XI AN XIGUAN
HYATT REGENCY XIAN
158 DONG DA JIE
XI AN, CHINA
FONE 712020 TX-NONE
FAX-NONE SIA-05
ID#04-CF, AMY, HYATT-NO, QVFRRS-

COACH
820P EQP: TUPOLEV TU134
1010P NON-STOP
3 NIGHTS OUT-2800T
1 ROOM DOUBLE WITH BATH
RATE-80USD PER NIGHT
GUARANTEED LATE ARRIVAL

28 OCT 91 - MONDAY
AIR AIR CHINA INTL FLT:5204
LV XI AN XIGUAN
AR SHANGHAI
SERVICE IMMEDIATELY ABOVE NOT YET CONFIRMED

COACH
335P SNACK
525P EQP: HAWKER JET
NON-STOP

CONTINUED ON PAGE 3



INVOICE / ITINERARY

SALES PERSON: 37
CUSTOMER NBR: 010714

ITINERARY

SSEPLV

DATE: 30 APR 91
PAGE: 04

TO: MR YVES X ROVANI
STAFF NO 07230
DEPT DGO
ROOM 1-7-025 EXT 31720

FOR: ROVANI / YVES MR

REF: M44336

DIRECTOR GENERAL WORLD BANK
SECRETARY ROSA WIEMANN
TRAVEL COUNSELOR VIP MISSION TRAVEL
BERNICE VAUGHAN
EXT 36209 GIC 145

IR-URGENT - RECONFIRM INTL FLIGHTS 72HOURS IN ADVANCE

*** SPECIAL NOTE *** OPERATIONAL TRAVELERS MUST
A. INFORM COUNTRY DIRECTORS OFFICE OF MISSION.
B. NOTIFY BANK RESREP/UNDP UPON ARRIVAL.
PLEASE CHECK WITH VISA OFFICE FOR PROPER DOCUMENTATION
AMEX HOTLINE 313-271-7887
AMEX GLOBAL ASSIST 202-554-2639

August 27, 1991

Mr. Christian Polti
La Borde Neuve
82340 Donzac, France

Dear Christian,

Attached is a copy of the fax I sent this morning to Zhang Guang Kuan, and of an EM I sent to China. Selina Shum is still in Hong Kong on leave and should be back next week. Please call her to follow-up.

As agreed, enclosed are the Chinese, English and French versions of the seminar material. Please note that all the transparencies which are numbered #1 to #19 have been made to read simultaneously in English and Chinese. The rest of the material could not be made into transparencies so that you will have to use them as hand-outs (such as the material on M&E).

When I return from Brazil I will send you the set of transparencies themselves for you to carry to China.

On the matter of your participation in the Japan Seminar it looks at this moment like it will not be possible to plan for it. We will talk about this on my return.

Abrazos,



Pablo

P.S.: I have also attached the China Audit.

THE WORLD BANK

**OFFICE OF THE DIRECTOR-GENERAL, OPERATIONS EVALUATION
(202) 473-1717 *** Fax (202) 676-0625**

Facsimile Cover Sheet and Message

Date: August 27, 1991
To: Mr. Zhang Guang Kuan, Deputy Director
Organization: Foreign Funds Application - Audit Department
Audit Administration of the PRC
City/Country: Beijing, China
Fax No. 008601 - 8211873
From: Pablo Guerrero, Special Advisor to the DGO
Subject: Seminar Presentation to AAPRC

Message:

Dear Mr. Zhang,

1. Mr. Christian Polti just received your letter dated July 30, 1991.
2. He has asked me to fax you an outline of his seminar presentation to the AAPRC.
3. The US\$6,000 you mention in your letter to Mr. Polti will only cover the cost of the round trip and expenses. It does not cover Mr. Polti's honorarium which would amount to approximately US\$4,000 at the rate that he is currently paid by the World Bank for audit work. Please confirm how will his honorarium be funded.
4. We look forward to a successful seminar.

Sincerely yours,

Pablo Guerrero

Attachment: Seminar outline (12 pages)

August 26, 1991

Seminar On Evaluation for the AAPRC -October 21/26, 1991

Program Outline

Module 1

The World Bank
The Project Cycle
Definition and Importance of Evaluation

Module 2

Evaluation at the World Bank
Evaluation in Various Countries

Module 3

Methodology for Monitoring and Continuous Assessment
Evaluation Methodology (see attachment)
The Successive Phases
How to Handle Disagreements

Module 4

Case Study: Vegetable Production and Marketing Project.

Module 5

Case Study: North China Plain Agriculture Project

Module 6

Dissemination and Feedback
Conclusions and Discussions

C. Polti

MODULE III

Evaluation methodology

Basic method

Aspects to be studied

Successive phases

Divergences and disagreements

Basic method

- **Compare estimates and results**
- **Measure the effects of the operations**
- **Identify the causes of success or failure**

单元 III

评议方法

基本方法

考察的方面

连续阶段

意见分歧

基本方法

- 将估计与实际成果作对比
- 衡量业务活动的效应
- 找出成功或失败的原因

Aspects to be studied

1. Background

- **Origin**
- **Macroeconomic, social and political contexts which justified the operation**

2. Project description

- **Formulation; identification, preparation, appraisal**
- **Objectives**
- **Physical components (investments)**
- **Costs and financing plan**
- **Executing agencies and resources**
- **Execution timetable**
- **The development strategy**

考察的方面

1. 背景

- 起因
- 说明立项的宏观经济、社会和政治环境，以证明其必要性

2. 项目说明

- 形成过程；确定，准备，评估
- 目标
- 分项目（投资）
- 成本和筹资计划
- 实施单位和资源
- 实施时间表
- 发展战略

MODULE III

Transparency 17

3. Project implementation

- **Physical achievements (quantity and quality); comparison with estimates and reasons for any variances**
- **Actual costs (and reasons for variances)**
- **Implementation timetable (and reasons for variances)**
- **Study of other factors that affected project performance for better or worse (financing delays, lack of equipment, performance of executing agencies, etc.)**

4. Project results

- **Production -- or other result, whether part of the original objectives or not**
- **Economic return**
- **Financial return**

3. 项目实施

- 具体成果（数量与质量）；与原估计对比，如有差异，找出原因
- 实际成本（出现差异的原因）
- 取得成果的时间表（出现差异的原因）
- 考察其他对项目成果产生有利或不利影响的因素（筹资拖延，缺乏设备，实施单位工作不力等）

4. 项目成果

- 生产或其他方面的成果，是否属原定目标
- 经济回收率
- 财务回收率

MODULE III

Transparency 18

- **Macroeconomic impact (balance of payments, etc.)**
 - **Social impact (employment, living standards)**
 - **Environmental impact**
- reasons for variances from initial objectives**

5. Institutional performance

- **Executing agencies**
- **Enterprises**
- **Consultants**
- **Others**

6. Conclusions and lessons to be drawn

- **Selection and more detailed study of issues and factors which affected results**
- **Recommendations for the future**

- 宏观经济效应（国际收支等）
- 社会效应（就业、生活水平）
- 环境效应
与原目标有差异的原因

5. 机构执行情况

- 实施单位
- 企业
- 谘询单位
- 其他

6. 结论和经验教训

- 对影响成果的因素作进一步考察，究其原因
- 提出建议，供将来工作参考

The successive phases of evaluation

Choose appropriate personnel

Review all existing documents

Establish the indicators for the project briefs

Prepare the list of questions for discussion

Visit the project and discuss project execution

Complete the project brief

Prepare the first version of the report

Solicit comments

Incorporate the comments in the report

Deliver the final report

评议的连续阶段

选择合适的人员

审阅所有文件

建立项目汇报概要的各项指标

准备供讨论用的一系列问题

实地观察项目，讨论项目的实施

写出项目汇报概要

写出报告初稿

征求意见

将意见纳入报告

送交报告

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: August 26, 1991 05:59pm

TO: JENNY HU (JENNY HU @A1@CHINA)

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: ATTENTION SELINA SHUM - AAPRC SEMINAR

Jenny:

I understand that Selina is still in China and she should know that the AAPRC has contacted Christian Polti about the October seminar in Beijing. I hope you can reach her.

The amount of US\$ 6000 that they have offered to pay ONLY covers Christian's travel expenses (airline tickets and expenses). His honorarium, according to OED records, would be approximately \$ 4000 additional. The SAA and Selina must look into this matter soon.

Mr. Zhong Guang Kuan, Deputy Director of the Foreign Funds Application Audit Department at the AAPRC, has also requested an outline of the lecture that Christian will deliver. I will be sending this outline by FAX tomorrow to Mr. Zhong. Selina should know that this material, adapted to the extent possible, has been the core approach to this type of seminar and cannot be further expanded to address additional subjects, within the resource and time constraints being faced.

Thanks for your help.

CC: Selina Shum (SELINA SHUM)
CC: ROBERT VAN DER LUGT (ROBERT VAN DER LUGT @A1@CHINA)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: August 15, 1991 09:50am

TO: ROBERT VAN DER LUGT (ROBERT VAN DER LUGT @A1@CHINA)
TO: Selina Shum (SELINA SHUM)

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: China - Planning Mr. Rovani's visit

Dear Robert:

Just a short note to request information on progress with the arrangements for the October visit. I trust that my EM to you and Selina of July 26 was sufficiently clear; if not, please let me know soon.

On our side, preparations are proceeding as planned. Christian Polti will now be reviewing the special material on operations evaluation being prepared for the SAA seminar. However, regarding arrangements for contracting Christian, I need to know from Selina how those will be handled.

This is all for now. Regards.

CC: Yves Rovani (YVES ROVANI)

A L L - I N - 1 N O T E

DATE: 26-Jul-1991 04:25pm

TO: ROBERT VAN DER LUGT (ROBERT VAN DER LUGT @A1@CHINA)

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: China - Mr. Rovani's visit update.

Dear Robert:

Although it is still early time does fly so I would like to update you on the DGO's plans.

1. We have met with Mr. Liqun Jin, Alternate ED, to plan the visit. It has been set beginning on October 19 in Guilin and departing October 30 from Shanghai. During this period, Mr. Rovani plans to arrive in Beijing on October 22 at mid-day and depart on October 25, in the late evening. (Through Mr. Jin we are requesting confirmation for the internal flights, which he mentioned require the involvement of the Overseas Tourism Corporation).

2. While in Beijing he would address senior SAA staff participating in a seminar on evaluation agreed-to with Mr. Li Jianmin during his recent visit to Washington. The seminar would begin on October 21 and Christian Polti will conduct it for the first five days (Key material is being translated into Chinese). In principle, Mr. Rovani's presentation could take place in the afternoon of October 22.

3. As you will recall (see my EM to you of May 23), Messrs. Lou Qing of MOF and Wang Yiping of SPC also invited Mr. Rovani to visit China to discuss the evaluation function, possible cooperation, and institutional arrangements. In principle, October 23 or 24 would be the dates on which to hold such discussions. MOF, as the organizer, should be aware of this information.

4. You should also know that Mr. Liqun Jin has indicated that he will arrange with Mr. Li Jianmin for SAA to host Mr. Rovani's visit, particularly outside of Beijing.

5. Prior to visiting China, Mr. Rovani will attend the Annual Meetings; after the China visit he will be attending meetings with OECF in Tokyo.

6. Selina Shum has been fully involved in the above and I hope you have had, or will have, a chance to talk to her about these matters. Best regards.

CC: Yves Rovani
CC: Selina Shum

(YVES ROVANI)
(SELINA SHUM)

A L L - I N - 1 N O T E

DATE: 26-Jul-1991 11:13am

TO: Eric McMillan

(ERIC MCMILLAN)

TO: S.A.D. Subasinghe

(S.A.D. SUBASINGHE)

FROM: Pablo Guerrero, DGO

(PABLO GUERRERO)

EXT.: 31717

SUBJECT: China - Materials for Seminar

1. This is a brief note to thank you for the excellent work done on both translations and art & design, in preparation for our seminar on evaluation in China. I am told that this material will make a rather difficult task much more manageable and effective.

2. I will now send this work to the seminar leader who is in France to get his final comments. Again, many thanks.

CC: Yves Rovani

(YVES ROVANI)

OFFICE MEMORANDUM

DATE: June 28, 1991

TO: Distribution

FROM: Selina Shum, Senior Financial Analyst (AS3IE)

EXTENSION: 82452

SUBJECT: CHINA: Auditing

Mr. Guerrero
China
ECOP

1. Messrs. Li Jianmin (Director, Foreign Funds Utilization Department, SAA) and Yang Yongjun (Deputy Division Chief, SAA) visited the Bank from June 11 to 18, 1991. The objective of their visit was to obtain a better understanding of the Bank's procedures and requirements with respect to financial and project performance audits. An agenda of their visit is attached (Attachment 1). Mr. Li indicated SAA's commitment to improve both the timeliness and the quality of audit reports furnished to the Bank. A summary of selected discussions and understandings reached is outlined below:

Auditing requirements

2. Scope and duration of audits. Mr. Li, who did not appear to be sufficiently familiar with the Bank's approach and practices, sought to relax our standard requirements for the scope and duration of audits. In response, Mr. Pervaiz Rashid (Financial Advisor, COPOD) indicated that audited financial statements of project entities are generally required for revenue earning, semi-autonomous entities. Further, irrespective of the amount of Bank loan disbursements, annual audit reports are required to be furnished to the Bank throughout the project implementation period. After Mr. Rashid's clarifications of Bank-wide requirements for financial reporting and auditing, Mr. Li showed a keen interest to disseminate the Bank's guidelines to SAA and provincial audit staff. In this connection, Mr. Rashid noted that a new Operational Directive (OD) on this subject is expected to be issued shortly and it was agreed that we will provide Mr. Li with copies of the new OD.

3. SOE and special account audits. The importance of compliance with audit requirements for SOE (Attachment 2) and special account was discussed. It was agreed that SAA would review all the 1990 audit reports to ensure the inclusion of auditor's opinion on SOE and/or special account audits, as appropriate. Further, to facilitate SAA's compliance with SOE audit requirements, I indicated the possibility of staggering SOE audit reporting periods throughout the year (similar to India Department's initiative, Attachment 3, para 7). In addition, per request of Mr. Kennefick (Regional Auditing Advisor), an example of audit report on special account (Attachment 4) was provided to Mr. Li for guidance in preparation of future audit reports.

TA and training

4. Audit subproject. The Foreign Affairs Division (FFD) of SAA is responsible for the coordination of TA and training activities under the Audit Subproject of the Special Credit. Until recently, FFD was under the Foreign Funds Utilization Department which is responsible for auditing

Bank-financed projects. The foreign affairs function at SAA was recently expanded to become a new department. The director of this department, Mr. Wu Tie now oversees the audit subproject under the Special Credit. Thus, Mr. Li suggested that discussions regarding the audit subproject be followed up with Mr. Wu and his staff in the Foreign Affairs Department. I plan to do so during my upcoming mission to Beijing in mid-July.

5. Coordination with ADB-financed TA. ADB recently committed to the financing of an auditing manual for the Foreign Funds Utilization Department of SAA. In view of the impact of this manual on the auditing of Bank-financed projects in China, as well as the need for coordination with our accounting/auditing reform efforts under the proposed Financial Sector TA Project, it was discussed and agreed with Mr. Li that the Bank should be kept informed of the progress of this auditing manual, and be provided with drafts of the manual for review and comments. In addition, it is recommended that we communicate directly with ADB regarding the aforementioned coordination.

Contacts with Bank missions

6. Mr. Li reiterated SAA's keen interest to meet with Bank missions, particularly appraisal missions, in order to gain a better understanding of the financial reporting and auditing requirements of specific projects. Mr. Kimura agreed that all appraisal missions should contact SAA for discussions relating to auditing requirements (Mr. Kimura's June 14, 1991 memorandum).

Project performance audits

7. Mr. Li noted that he has reached preliminary understandings with Mr. Luo Qing (Director, World Bank Department, MOF) that MOF would be the overall coordination agency in charge of project performance audits, while SPC and SAA would be responsible for the technical and economic/financial aspects, respectively. However, the proposed institutional arrangements have not yet been discussed with SPC.

8. Mr. Rovani (Director General, OED) indicated that he would accept the invitation of Mr. Wang Liansheng (Chinese Executive Director) to visit China in late October to discuss with the Chinese authorities the ex-post evaluation function and possible cooperation with OED.

9. I responded positively to SAA's proposal for a seminar (to be financed under the Audit Subproject) to introduce its staff to project performance audits. This seminar is scheduled for late October/November and the lecturers would include, inter alia, retired Bank staff from OED. In addition, SAA expressed its wish to join PCR and project audit missions as part of its staff training efforts. In this connection, it is recommended that our telexes announcing the schedules of PCR and project audit missions be copied to SAA along with other relevant Chinese agencies.

Polk.

Distribution

- 3 -

June 28, 1991

Distribution

Messrs./Mmes. Burki, Kimura, Pearce, Yusuf, Cadario, Ahmad, Rasheed, Yen, Ecevit, Miller, Cheng, Goldberg, Stern, Kafka, Song, Sun, Chan, Stephenson, Rashid, Hwang, Kennefick, Lichtenstein, Salman, Rovani, Guerrero, Sonmez, Van der Lugt

SShum:ss

Agenda for Visit of Mr. Li (Director, SAA)

June 11 (Tuesday)

- 10:00 am Start-up meeting; general auditing issues;
Audit Subproject (Special Credit)
M/M Kimura, Cadario, Shum (Rm. A-8009)
- 11:30 am Coordination of TA efforts (Financial Sector TA Project,
ADB-financed TA for preparation of audit manual)
Ms. Kafka (Rm. A-8009)
- 12:30 pm Lunch -- Mr. Kimura (host)
- 2:30 pm Mr. Stern (Chief, AS3IE, Rm A-8099)
- 3:00 pm Mr. Burki (Director, AS3DR, Rm A-8015)
- 3:30 pm Comments on audit reports -- energy and industry projects
M/M Sun, Chan, Shum (AS3IE, Rm A-8009)

June 12 (Wednesday)

- 10:00 am Bank-wide auditing requirements
Mr. Pervaiz Rashid (Auditing Advisor, CODOP, Rm A-11-101)
- 2:00 pm Comments on audit reports -- human resources/urban projects
M/M Ecevit (Chief), Miller, Cheng (AS3EH)
- 3:30 pm Comments on audit reports -- transport projects
M/M Rasheed, Yen (AS3TP)

June 13 (Thursday)

- 9:30 am Loan Department
Mr. Hans Schneider (Acting Director, LOA),
Ms. Hwang (Senior disbursement officer, Rm A-3071)
- 2:00 pm Internal Auditing Department
Ms. Sjamsubahri, Audit Chief & Assistant to
the Director (Rm H-3005);
Ms. Lamond, Audit Chief (Rm H-3031)

June 14 (Friday)

10:00 am Operations Evaluation Department
Mr. Rovani (Director General, Rm T-7025)
Mr. Guerrero and OED chiefs

2:30 pm Management letters and audit reports
Mr. Gonzalez-Malaxechevarria (Principal Financial
Management Specialist, Rm I-4156)

June 17 (Monday)

10:00 am Comments on Rural Credit audit reports
Mr. Deshpande (Rm A-5065)

11:00 am Comments on audit reports -- agriculture projects
Mr. Goldberg (Chief) and AS3AG staff (Rm A-7065)

2:00 pm Wrap-up meeting -- Ms. Shum

June 18 (Tuesday)

10:00 am Mr. Ahmad, Chief, AS3TP

11:00 am Mr. Pearce, Chief, AS3CO

OFFICE MEMORANDUM

ATTACHMENT 2

DATE: January 10, 1991

TO: Messrs. Jaycox (AFRVP), Karaosmanoglu (ASIVP), Wapenhans (EMNVP),
Husain (LACVP)
FROM: Moeen A. Qureshi (OPNSV) *MA*

EXTENSION: 82006

SUBJECT: Audit Reporting and Control Over Statements of Expenditure

1. Thank you for your reports on the above subject. I appreciate the efforts you and your staff are making to improve compliance with audit covenants, and support the actions being taken such as giving attention to accountability matters earlier in the project cycle, improving borrower institutional capacity, increased use of private sector accounting firms where the government audit function is weak, and the training of borrower and Bank staff. I have noted that while improvement has taken place in certain countries, however, the overall Bankwide audit compliance situation has not shown much change against the situation in 1989 when we all concluded that improvements in this situation were essential. Clearly more needs to be done to achieve a noticeable betterment.

2. Taking into account the actions being introduced in some Regions, I am asking that in cases of audit noncompliance the Regions should, subject to certain exceptions outlined below:

- (a) not extend closing date on a loan to a borrower with outstanding audit reports;
- (b) in case of adjustment operations, not release the next tranche to a borrower with outstanding audit reports;
- (c) systematize the suspension of the use of SOE procedures in case of non-receipt of SOE audits. Where the SOE audit report is not received by the due date, remedial measures should be agreed and notified to the borrower by the Division Chief within thirty days from the due date of the audit report. If compliance is not achieved within a maximum of five months from the date of notifying the borrower, the use of SOE procedure should be suspended;¹

^{1/} This supersedes earlier instructions (Memorandum from Mr. S. Shahid Husain "Compliance with Audit Covenants Involving Statements of Expenditure," dated March 11, 1986) which require the suspension of SOE procedures after three months from the due date of the audit report. The new instructions will be described in the OD 10.60 on Accounting, Financial Reporting and Auditing.

- (d) for new operations, in cases of noncompliance with audit covenants under an existing loan to the same borrower, indicate the remedial measures to be taken in the Financial Executive Project Summary for Investment Loans and the Initiating Memorandum for Adjustment Operations with a view to focusing attention on auditing and accountability during appraisal and their specific follow-up during negotiations; and
- (e) condition negotiations or Board presentation of a follow-on loan to receipt of an overdue audit report under the existing loan.

Exceptions to the procedures in (a), (b) and (e) should be made only where a time bound action plan has been agreed with the borrower.

3. Proper and full accountability over the use of Bank funds is important and I would urge you to continue to follow up actively on actions to redress the situation. In view of this, I would appreciate brief semi-annual reports (due end March and end September) to me on the status of audit compliance until the situation improves.

4. In response to your earlier suggestions and to improve guidance to staff, the relevant operational directives on Accounting, Financial Reporting and Auditing, Borrower compliance with Audit Covenants, and Statements of Expenditure are expected to be issued by end March 1991. Further, I understand that staff training courses are being scheduled and the design improvements to make ARCS a more user friendly system are expected to be completed during January 1991.

5. I am also attaching for your information a memorandum on the current status of audit compliance prepared for me by COD.

Attachment

cc: Messrs./Mmes. Bock, Robless, Okonjo-Iweala (OPNSV); Rovani (OED); Goldberg, Abbott (LEG); Grilli (EASDR); Jennings (LOADR); Legg (IADDR); Martinez (AFRVP), Abe (ASIVP), Blanche (EMNVP); Aiyer (LACVP); Gillette (AF1); Madavo (AF2); Aguirre-Sacasa (AF3); Lim (AF4); Marshall (AF5); Denning (AF6); Serageldin (AFT); Asanuma (AS1); Kaji (AS2); Burki (AS3); Vergin (AS4); Cheetham (AS5); Ritchie (AST); Wiehen (EM1); Dervis (EM2); Chopra (EM3); Lari (EM4); Bouhaouala (EMT); Choksi (LA1); Steckhan (LA2); Loh (LA3); Bottelier (LA4); Segura (LAT); Moore (OPNIS); Wyss, Harris, Srinivasan, Lallement (COD)

PRashid:gms

PRashid:gms
PC95/Rashid/AC7

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE: October 16, 1990

TO: AS4 Staff

FROM: Heinz Vergin, Director, AS4

EXTN: 80332

SUBJECT: INDIA - Accounting and Auditing Standards and Compliance

1. With Mr. Kennefick's departure, I have asked Mr. George Russell (AS4AG) to assume the chairmanship of the Departmental Audit Working Group. This Group coordinates the ongoing review of the accounting and auditing issues associated with borrowers' compliance with related covenants, and with respect to our own monitoring of their compliance. The Group will continue to include a representative to be nominated from each of the divisions in the department. As you will remember, a regional task force reviewed the control over statements of expenditures (SOEs) and their audit reporting and issued their recommendations in January 1990. In June this year, the Bank's internal auditors (IAD) also issued their report and recommendations arising on their audit in the Asia region, of borrowers' accountability for the use of Bank funds through the receipt of audit and progress reports. Since mid-1989, when problems with SOEs and audit reports came to fore, the India department has made systematic efforts to come to grips with the issues, both internally and in communication with borrowers.

2. The focus of these efforts has been primarily on reducing the long delays in the receipt of audit reports, achieved through remedies such as no further disbursements against SOEs until delayed audit reports have been received, and refusal to reformulate projects including the extension of closing dates until audit reports are brought up to date. As a reminder, the Bank's guidelines require us to notify borrowers within 15 days of SOE audit due dates, advising them that disbursements against SOEs will be suspended if we do not receive overdue audit reports within 90 days of the notification. With the majority of these audits falling due on December 31 each year, I suggest that each Division submit a list of their outstanding SOE audits by end-January 1991 to Mr. Russell who would then prepare a consolidated letter to GOI, for my signature, giving them the 90 days notification. While there is no such firm guideline with respect to the receipt of audit reports for project and entity financial statements, the IAD report recommends that we should not permit grace periods in excess of seven months after audit dates, unless plans are in process of being implemented to improve accounting and auditing capability of the implementing agency. I have asked the Group to recommend what subsequent action could be taken, bearing in mind that some Bank wide coordination of related policy will be necessary,

3. While it is necessary to continue our efforts to eliminate delays in receiving audited SOEs and financial statements, there are other equally important issues, highlighted by the above reports, which we must address. These are discussed below along with actions which we need to pursue.

4. The IAD in their report noted that while the contents of many of the audited statements received, raised questions concerning the quality of the underlying financial systems, in many instances these questions had not been identified or addressed by Bank staff. Also, with respect to SOEs, field review of supporting documentation are not regularly carried out. Task Managers (TMs) are therefore reminded to review and follow-up on qualifications and other negative comments, where necessary, on all audited financial statements. Also, SOE documentation should be reviewed on a test basis either by Operations or Loan department staff. I understand that the Regional Advisor on Accounting and Auditing is preparing some guidelines for the use of project staff.

5. In future, during loan preparation, the format of project accounts required should be clearly defined. The capabilities of both the auditors and the implementing agencies should be ascertained and documented in the SAR, with necessary remedial action noted, before submission for approval to negotiate. In defining audit covenants, to the extent possible, we should avoid requiring audited financial statements from numerous implementing agencies which are not important to the project. Also, TMs should provide implementing agencies and their auditors with the necessary terms of reference, outlining what is expected of them. It is expected that model TORs will be annexed to the new OD on accounting and auditing, soon to be released.

6. Attention is also drawn to the recently distributed OD 12.20 on Special Accounts (SA), and in particular para. 20 which discusses the audit of special accounts. TMs are also reminded to follow up for the receipt of audited SAs in accordance with the loan agreements, with the auditor's opinion covering the operation and use of the SA transactions and fund balances at the close of the financial reporting period.

7. With the view of supporting the work of individual TMs, in late 1989 the Working Group proposed that:

- a) the Department retain an Indian firm of Chartered Accountants to design and document a model project accounting system, as well as standard procedures, linked to the accounting system, for auditing SOEs.
- b) the Department discuss with the Auditor General:
 - i) adopting such standard procedures for auditing SOEs, and
 - ii) staggering SOE audit reporting periods throughout the year. *

I have instructed the Working Group to pursue the above proposals, and in this respect Mr. Russell has agreed to initiate the discussions with the DEA and the Auditor General. In addition, on the macro level, the Group should proceed to arrange as necessary a review of India's accounting policies, both as it affects the public sector and private business, including the status of its accounting profession.

8. It is proposed that the Working Group will provide the guidance necessary to the

department on accounting and auditing issues, in consultation with the newly appointed Regional Accounting and Auditing Advisor. It is further suggested that all TMs, who are not financial officers, be encouraged to attend the basic financial reporting course. This is a 2 day course which is available about 12 times each year.

cc: Messrs. Y. Abe (ASIVP), A. Kennefick (AS4PW)

GRussell/

EXAMPLE OF AUDIT REPORT ON SPECIAL ACCOUNT

Independent Auditor's Report to:

[Addressee]

We have audited the statement of Special Account [number if applicable], of [name of borrower] established with [name of bank] under provisions of IDA Credit (or 'IBRD Loan'), for the year (or specify period) ending Our audit was conducted in accordance with International Auditing Guidelines (or refer to relevant national standards or practices). Accordingly, our audit included such reviews of systems of internal control, tests of account balances and records supporting account withdrawals, and other procedures as we deemed necessary under the circumstances.

The accompanying Special Account statement was prepared on the basis of cash deposits and withdrawals for the purpose of complying with provisions of the above credit (or 'loan') agreement.

In our opinion, withdrawals from the Special Account were in accordance with provisions of the above credit (or 'loan') agreement, and the Special Account statement referred to above gives a true and fair view of (or 'presents fairly') the beginning and ending balances, and account activity for the year ending, on the basis of cash deposits and withdrawals.

[Auditor's signature]

[Date]

EXAMPLE OF SPECIAL ACCOUNT STATEMENT

SPECIAL ACCOUNT STATEMENT

For Year Ending (mm/dd/yy) _____
Account No. _____
Depository Bank _____
Address _____
Related loan/credit agreement _____
Currency _____

Part A - Account Activity

Beginning balance (mm/dd/yy)	<u>xxxxx</u>
Add:	
Total amount deposited by World Bank	xxxxx
Total interest earnings if deposited in account	xxxxx
Total amount refunded to cover ineligible expenditures	xxxxx
Deduct:	
Total amount withdrawn	xxxxx
Total service charges if not included above in amount withdrawn	<u>xxxxx</u>
Ending Balance (mm/dd/yy)	<u>xxxxx</u>

Part B - Account Reconciliation

1. Amount advanced by World Bank	xxxxx
2. Less total amount recovered by World Bank	xxxxx
3. Equals present outstanding amount advanced to the Special Account at fiscal year end (mm/dd/yy)	<u>xxxxx</u>
4. Ending balance of Special Account at fiscal year end (mm/dd/yy)	xxxxx
5. Plus amounts claimed and not yet credited at fiscal year end (mm/dd/yy)	xxxxx
<u>Application No.</u>	<u>Amount</u>
-----	xxxx
-----	xxxx
6. Plus Amounts withdrawn and not yet claimed	xxxxx
7. Less interest earnings (if included in Special Account)	xxxxx
8. Plus service charges (if not included in lines 5 and 6 above)	xxxxx
9. Equals total advance to Special Account accounted for at fiscal year end (mm/dd/yy)	<u>xxxxx</u>

Notes:

1. Explain any discrepancy between totals appearing on lines 3 and 9 above (e.g., amount due to be refunded to cover ineligible expenditures paid from the Special Account).
2. Indicate if amounts appearing on Line 6 are eligible for financing by the World Bank, and provide reasons for not claiming the expenditures.

Donzac, June 19/1991

Dear Tablo,

following your phone call about the seminar in China, I send, attached, a few pages for translation into Chinese and reproduction in transparencies -

Other documents to be translated and reproduced in transparencies include:

- Transparencies 1-19
- Doukkala case study as presented in the Rabat Seminar.

Documents to be translated, but not reproduced in transparencies are those, including Project forms, of the Morocco Vegetables Case study.

All these documents are available in a folder that I left to K. Mc Phail.

If you have problems, please call me.

Sincerely

Christian

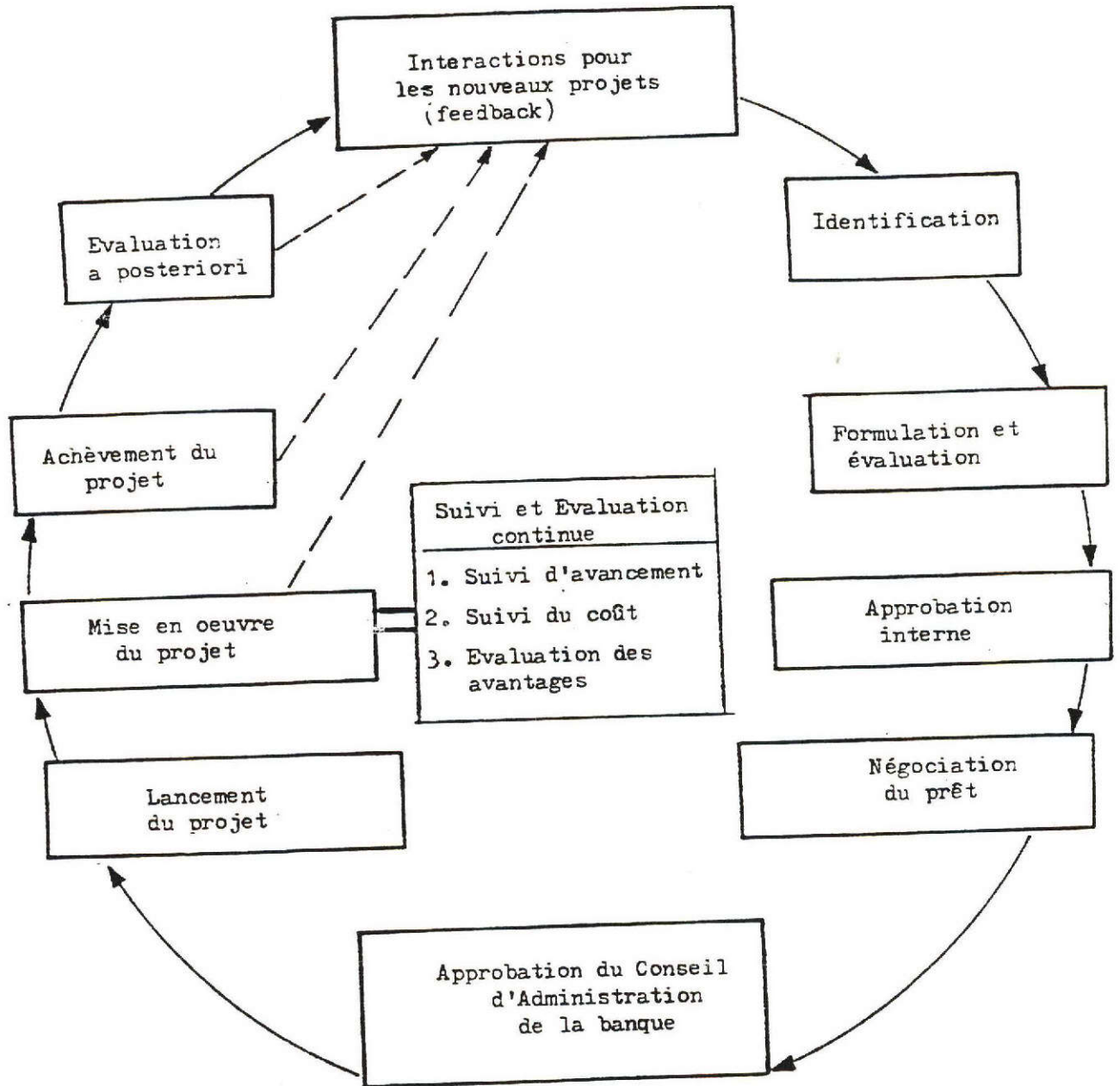
La Borde Neuve

82340. Donzac. FRANCE

Phone 63899142

P.S. I suggest that all documents be also translated into English and reproduced in transparencies for future courses -

Cycle de gestion d'un projet pour une banque de développement



Par Avion



M: Pablo Guerrero
World Bank
OEDDG
1818 H Street

T 7017



Etats Unis d'Amérique

Washington D.C.

183

1714

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

File

DATE:

TO: See Distribution Below

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: China - ECDP

Thanks for your EM of May 13. On March 12 a meeting was held with Mr. Rovani and was attended by Messrs. Wang Yiping and Zhang Xiaoqiang of SPC and Luo Qing, Zhao Hong and Zhang Yuebin of MOF. In addition, Mr. Kimura and MS. Shum were also present.

The discussion can be summarized as follows:

1. The Chinese authorities are committed to expanding their ex-post evaluation capabilities at all levels. They realize that they have a long way to go in terms of depth and growth in these activities. Regarding the issue of independence of the function, they believe it is premature to raise the point.

2. They see evaluation developing in a decentralized system. They also recognize that a capacity at the center is necessary to do what needs to be done centrally, i.e. policy, planning, etc. However, they are not yet in a position to establish a unified agency responsible for evaluation.

3. So far, not much thought has been paid to the need to coordinate evaluation responsibilities among the SPC, CIECC, MOF and the SAA. They assure us, however, that they need to discuss the evaluation function and be aware of the experiences of other countries.

4. The visitors affirmed the importance that they attach to starting a process of cooperation with OED, and extended an invitation to Mr. Rovani to lead a discussion of the evaluation function in China, possibly after his trip to the Bank's Annual Meeting this October. They agreed that the MOF would coordinate this visit, and that all actors in the process should play a role i.e. MOF, SPC, CIECC, SAA and Line Ministries.

5. In closing, Mr. Rovani accepted the invitation and indicated his desire to use the opportunity of visiting China to meet users of evaluation and those responsible for dissemination of experience. He indicated that he would be glad to meet with SAA and reiterated that the involvement of SPC, and possibly CIECC, was crucial given their role in the decision making process

As you can discern from the above, this meeting was constructive. We have yet to define the final dates but, if the visit takes place after the Annual Meetings in Thailand, the dates would be October 20 to 26, and possibly a bit longer if some field visits could be organized. We would expect that the MOF, as the point of contact, would begin the preparation of a draft agenda which we could discuss with the necessary anticipation (by the end of August at the latest).

As always, I will appreciate your advice and support.

DISTRIBUTION:

TO: ROBERT VAN DER LUGT	(ROBERT VAN DER LUGT @A1@CH
CC: Yves Rovani	(YVES ROVANI)
CC: Yo Kimura	(YO KIMURA)
CC: Selina Shum	(SELINA SHUM)
CC: Paul M. Cadario	(PAUL M. CADARIO)
CC: Hans-Eberhard Kopp	(HANS-EBERHARD KOPP)

OFFICE MEMORANDUM

DATE: June 10, 1991

TO: Distribution

FROM: Selina Shum,  Senior Financial Analyst (AS3IE)

EXTENSION: 82452

SUBJECT: CHINA: Auditing -- Visit of Mr. Li Jianmin

1. Mr. Li Jianmin (Director, Foreign Funds Utilization Department, SAA) will be visiting the Bank from June 11 to 18, 1991. Per his request, arrangements have been made for him to meet with representatives of the China Department, Loan Department, Internal Auditing Department and Operations Evaluation Department. Attached please find the following:

- (i) the agenda for Mr. Li's visit (Attachment 1);
- (ii) Mr. Li's proposed subjects for discussions (Attachment 2); and
- (iii) notes on the Bank's efforts to strengthen SAA and to enhance audit reports (Attachment 3).

Background

2. The State Audit Administration (SAA) was established in 1983. Its Foreign Funds Utilization Department (FFUD) is responsible for auditing externally financed projects, the majority of which are Bank-financed operations. Audit reports for Bank-financed projects in China have been largely satisfactory and received on time. Nevertheless, there is considerable scope for improvements of the audit reports. The ongoing Audit Subproject (Special Credit) is designed to strengthen SAA through technical assistance and training.

Major Issues

(a) Understaffing of FFUD

3. Under SAA's overall supervision, auditing is mainly conducted by the provincial audit bureaus. In order to ensure that the auditing of Bank projects is carried out by independent and competent auditors, we have secured agreement from the FFUD that it would sign off on selected audit reports, including projects with the provincial governments being the beneficiaries and/or the staffing of the concerned provincial audit bureaus is weak (Attachment 5). However, FFUD apparently has difficulties in recruitment and retention of qualified staff. Thus, both the quantity and quality of its staff appear to be inadequate for FFUD to perform effectively its function of providing intellectual leadership and quality control of auditing and related reports. This issue will become increasingly serious as externally financed projects continue to increase. It is therefore recommended that a dialogue be initiated with the Chinese authorities to seek resolution of this issue.

JUN 10 1991

(b) Auditing requirements

4. The Bank's guidelines on financial reporting and auditing requirements were translated by MOF into Chinese and widely disseminated to the concerned agencies in China. Further, these requirements were formally explained to SAA in at least three training seminars during its initial years of operations (1984 - 88). However, our efforts to build up SAA's knowledge of the Bank's auditing requirements have been hampered by the high turnover of SAA's senior staff.^{1/} In particular, Mr. Yu Hua, a competent division chief and a good contact for the Bank (Mr. Goldberg's 11/29/88 memorandum -- Attachment 4) left SAA soon after the last seminar on the Bank's auditing requirements and an agreement was reached with SAA to enhance audit reports during the 1988 Country Implementation Review.

5. Since last year, SAA has continued to initiate discussions with the China Department to relax certain auditing requirements which are fundamental and uniformly applied to all Bank-financed projects. This is exemplified by Mr. Li's proposed topic of discussions (Attachment 2) to limit the scope of auditing to project-related activities only. However, a standard financial covenant for Bank-financed projects which are commercial or revenue-earning calls for the borrowers to provide the Bank with audited annual financial statements of autonomous (or semi-autonomous) project entities. Separately, Mr. Li also proposed to revisit some of the topics previously discussed, including reduction of audit duration. As indicated in our earlier response (Mr. Ahmand's 6/28/90 letter to Mr. Li, Attachment 5), in order not to compromise the objective of our auditing requirements, SAA's proposal to reduce audit duration is generally not acceptable. During Mr. Li's upcoming visit to the Bank, Mr. Pervaiz Rashid (Auditing Advisor, COPOD) has kindly agreed to meet with him to clarify the Bank's auditing requirements.

6. In sum, SAA's initiatives to seek relaxation of the Bank's basic auditing requirements do not appear justified, nor are they solutions to address SAA's understaffing problems. Indeed, SAA's proposal to limit the scope of auditing would impede our development efforts to promote prudent financial management and financial reforms in China. Furthermore, in line with the Bank's internal auditors' (IAD) recommendations, Bank-wide efforts have recently been increased to foster borrowers' compliance with auditing requirements. Thus, SAA's management should focus their efforts on strengthening the institutional capabilities of SAA and to enhance the quality of auditing and related reports. As an example, the pace of implementing the TA and training program provided under the Audit Subproject should be accelerated. Moreover, it is recommended that we seek commitment from Mr. Li to increase the ongoing efforts in improvements of audit reports furnished to the Bank (Attachment 3).

^{1/} The director of Foreign Investment Audit Department was changed twice over the past three years. Mr. Li Jianmin's predecessor held this position for less than one year.

(c) Project performance audits

7. SAA is only equipped to perform financial audits at this juncture and, as noted above, it has sought to reduce the scope of auditing for Bank-financed projects. On the other hand, over the past few years, SAA has sought Bank support to train its staff in project performance audits (Attachment 6). However, the institutional arrangements for ex-post evaluation remains unclear; it is the intention of Mr. Rovani (Director General, OED) to visit China later this year to discuss with the Chinese authorities the ex-post evaluation function and possible cooperation with OED. Thus, it appears premature for us to support SAA in extended training for ex-post evaluation audits prior to the clarification of the institutional arrangements. Having said that, we could consider responding positively to SAA's proposal for a short seminar (to be financed under the Audit Subproject) to introduce its staff to project performance audits; this could enhance SAA's effectiveness in auditing our project accounts.

Distribution

Messrs./Mmes. Burki, Kimura, Pearce, Yusuf, Cadario, Ahmad, Rasheed, Yen, Ecevit, Miller, Cheng, Goldberg, Deshpande, Stern, Kafka, Song, Sun, Chan, Stephenson, Rashid, Schneider, Hwang, Lichtenstein, Salman, Sjamsubahri, **Rovani**, Guerrero, Kennefick

SShum:ss

Agenda for Visit of Mr. Li (Director, SAA)

June 11 (Tuesday)

- 10:00 am Start-up meeting; general auditing issues;
Audit Subproject (Special Credit)

M/M Kimura, Cadario, Shum (Rm. A-8009)
- 11:30 am Coordination of TA efforts (Financial Sector TA Project,
ADB-financed TA for preparation of audit manual)

Ms. Kafka (Rm. A-8009)
- 12:30 pm Lunch -- Mr. Kimura (host)
- 2:30 pm Mr. Stern (Chief, AS3IE, Rm A-8099)
- 3:00 pm Mr. Burki (Director, AS3DR, Rm A-8015)
- 3:30 pm Comments on audit reports -- energy and industry projects

M/M Song, Stephenson, Sun, Chan, Shum (AS3IE, Rm A-8009)

June 12 (Wednesday)

- 10:00 am Bank-wide auditing requirements

Mr. Pervaiz Rashid (Auditing Advisor, CODOP, Rm A-11-101)
- 2:00 pm Comments on audit reports -- human resources/urban projects

M/M Ecevit (Chief), Miller, Cheng (AS3EH)
- 3:30 pm Comments on audit reports -- transport projects

M/M Rasheed, Yen (AS3TP)

June 13 (Thursday)

- 9:30 am Loan Department

Mr. Hans Schneider (Acting Director, LOA),
Ms. Hwang (Senior disbursement officer, Rm A-3071)
- 2:00 pm Internal Auditing Department

Ms. Sjamsubahri (Rm H-3007) and audit managers (IAD)

Attachment 2

Mr. Shahid Javed Burki
Director
China and Mongolia Department, the World Bank (WB)

Dear Mr. Burki:

Thank you very much for your letter dated April 15, 1991. I would intend to visit the WB from (June 10 to 19) 1991.

I am looking forward to holding a discussion with you and your colleagues on improving the audit assignment in order to strengthen the existing bilateral cooperation and mutual understanding in audit realm between us. I would like to send you a proposed subjects for our discussion (attachment). It will be grateful if you are kindly to make an arrangement for our visit. I would like to meet officials from the World Bank as following:

- Director of the China Department.
- Officials from various division under the China Department.
- Director of the Loan Department.
- Management officials in charge of Asian area.
- Director of Operational Evaluation Department.
- Officials from various divisions under Operational Evaluation Department.
- Group on reviewing and commenting the auditor's reports.

Additionally, it will be helpful if you can make an arrangement for me to meet officials who are responsible for audit work and Asian area affairs.

With best regards

Sincerely Yours

Li Jianmin

Director, Foreign Investment
Audit Department, Audit Administration
of P.R.C.

Proposed Subjects for Discussion
during Visiting to the World Bank

I. Auditing basis and responsibilities.

1. Financial and auditing provisions stated in Loan (credit) Agreement, supply of the project documents.

2. Responsibilities undertaken by loan borrowers and audit institutions towards financial and auditor's reports.

II. Scope of audit

2 1. Scope of audit should be limited to financial activities incurred to the project only.

2. Beyond the scope of audit, only other financial documents which the World Bank requires to verify and report to.

3. In the first year of implementation, the projects occurred little amount disbursement, figures should be merged into next year financial statements and auditor's reports. Something may be happen in the last year of implementation, it isn't necessary to deliver the auditor's reports in such case. 2

III. Content, time and from of the auditor's reports.

1. Simple auditor's reports should be allowed. ← ?

2. Significant issues should be reported in the auditor's reports.

3. Proposals made by the World Bank about modifying the financial reports, such as addition of the cash flow statement, statement on income and expenditure of loan and statement of construction in progress.

4. Audit work and its expression on special account and statement of expenditure in the auditor's reports, and relation between auditor's reports and special auditor's reports.

IV. To learn the requirements,standars,methods,experiences and example adopted by the World Bank on reviewing and commenting the auditor's reports.

V As for requirements,standards,contents and forms related to the management letters, what demands the World Bank has. Could the examples be provided? ← Fed

VI Standards, responsibilities,procedures,contents,methods,experiences and examples concerned the post-evaluation of the projects applied by the World Bank,and the staff training on this field.

← call OED

China

Financial Reporting and Auditing

Enhancements in Audit Reports

1. Audit reports for Bank-financed projects in China have been largely satisfactory and received on time. Nevertheless, there is considerable scope for improvements of the audit reports. In particular, in view of certain differences between Chinese and internationally accepted accounting principles, improvements in the disclosure of accounting policies and supplementary financial information are required in order to provide an adequate illustration of the financial condition and performance of the project/entities.

2. According to the Bank's "Guidelines for Financial Reporting and Auditing of Projects", the auditor's opinion should indicate "the extent to which the financial statements and supporting information reports provide a true and fair view of the financial condition and the financial performance of the project. To the extent possible, the Bank prefers that the project accounts are maintained in accordance with generally accepted international standards. A borrower may be requested by the Bank to prepare and attach to the annual financial statements supplementary items of information that differ from those generally required by local accounting practices. These variations from local practice may be necessary to provide an adequate illustration of the financial performance and status of the project."

3. Since it is unrealistic to expect Chinese accounting to conform fully with GAAP in the short term, we would continue to accept audit reports with financial statements prepared in accordance with Chinese regulations, in which case the following is required: (a) the auditor's opinion should indicate clearly that Chinese accounting standards rather than generally accepted accounting principles (GAAP) were applied in the preparation of financial statements; and (b) as noted above, we should request for supplementary information in order to obtain a full and fair view of project/entity finances. Further, we should continue to promote reforms in the Chinese accounting practices to bring them increasingly closer to GAAP. In this connection, the proposed Financial Sector Technical Assistance Project would seek to pursue this objective.

4. China Department and the State Audit Administration (SAA) have been engaged in an ongoing dialogue aimed at continual improvements of audit reports. An initiative resulting from this dialogue was the undertaking of a pilot study in FY89, in which five audit reports were selected for review by Bank staff; review comments on these five pilot projects were forwarded to SAA and most of these comments were substantially incorporated in subsequent audit reports.

5. In FY90, in addition to Bank staff review, a consultant was engaged to review 19 audit reports for operations covering a diversity of

sectors in the country. Most of these reports were found to be satisfactory. The reports for four of the five pilot projects were found to be better than average, suggesting that the continual dialogue between the Bank and SAA is beginning to pay off.

6. The consultant's recommendations for improvements in audit reports were forwarded to SAA and the relevant project entities for action. We should seek the support of SAA for similar improvements for all the projects in the sectors germane to the 19 projects reviewed. Indeed, many of our requirements and suggestions for auditing and financial reporting are not sector specific but are relevant for a large number of operations/sectors in China. In this connection, effective implementation in enhancements of audit reports would require cooperation from the project entities as well as adequate follow-up efforts by Bank supervision missions.

Technical assistance and training

7. Under the auditing subproject under the Special Credit, a TA and training program would cover the following aspects: (i) audit legislation (ii) international accounting/auditing standards seminars (iii) field work consultancy in auditing (iv) EDP auditing (v) selected training equipment. In FY90, field work consultancy was provided by Peat Marwick for the Second and Third Rural Credit Project. Such on-the-job training was well received by SAA as an effective vehicle for TA and training. In addition, several auditing seminars and overseas study tours were carried out.

8. However, the pace of implementation of the TA and training program has remained slow. This is in part attributable to the following: (a) SAA's proposals for the training program tend to place too much emphasis on short overseas study tours; considerable time has been spent on reaching agreement with SAA in redesigning the program to include adequate training seminars in China and, in the case of EDP auditing, to mobilize international consultants to carry out a diagnostic study for strengthening computer auditing; and (b) we have not yet reached agreement with SAA on their proposal for training in project performance audit.

OFFICE MEMORANDUM

Attachment 4

DATE: November 29, 1988

TO: Those Listed Below

FROM: J. Goldberg, Chief, AS3AG

JG

EXTENSION: 72445

SUBJECT: CHINA - State Audit Administration

1. On November 3 representatives of the State Audit Administration (SAA) made a presentation to the China Department managers at the RMC. A summary of the salient points I derived from the meeting follows.
2. The SAA reports directly to the State Council (cabinet). It consists of 600 professional staff in Beijing, and 60,000 total staff in audit bureaux at province and county levels throughout China. It is in process of expanding to 100,000 staff.
3. As far as Bank projects are concerned, the Beijing office will handle projects in the capital region. Audit of all other Bank projects will be delegated to provincial audit bureaux. The basic procedure is to transmit audit reports to the line ministries responsible for various projects, which they in turn are responsible to transmit to the Bank. At this point, the SAA system is only equipped to perform financial audits, according to Ministry of Finance regulations. Accounting and auditing standards are issued by the Accounting Department of MOF.
4. The SAA wishes to meet with appraisal and occasional supervision missions. They wish to receive SARs and legal documents for all Bank projects; they still have only an incomplete set of documentation on projects they are supposed to audit. The purpose of meeting with Bank missions would be to learn the components or aspects of projects on which special attention is needed: this kind of understanding could be most valuable for us, for example, in the matter of actual payments to casual or construction labor. They would also like to receive special letters outlining audit requirements, and to occasionally join supervision missions to get a concrete picture of project objectives and activities.
5. The chief spokesman for SAA at the meeting, a young, intelligent, English-speaking, and obviously well-trained accountant, was:

Mr. Yu Hua
Division Chief
Foreign Investment Audit Department
12, Cai-shi Road
Beijing, China
Telex: 222206 AAPRC CN
Phone: 81-5631

Until we know otherwise, he seems like the right contact.

6. The SAA also reviews Statements of Expenditures and Special Accounts; bank statements on the latter are checked monthly.

7. After a long general discussion on the possibilities for recasting project accounts to conform to Generally Accepted Accounting Principles (which Mr. Yu said his division could do, with some T.A.), we discussed a few specific innovations which could be started immediately. One was the aging analysis of receivables, particularly for credit-type institutions, which would obviously be useful in the medium-term to get a grip on the possible evolution of the bad-debt issue and on threats to solvency of such institutions. The SAA team agreed to begin such work immediately on the CIB and ABC (rural credit) loans/credits, and to start including such analysis for ADC (agriculture development corporations) type institutions in our provincial agriculture projects if they are pointed in specific directions by our missions. This could be an important part of financial supervision of probably most of our projects (e.g. Xinjiang, Shandong-PREDIC, Coastal Development, Red Soils, Jiangxi, etc.) in the near future. If we want those audit reports which we are starting to receive now on a regular basis, to contain material of interest and relevance to improving project implementation, we should start thinking how this serious, honest, and rational group of people can help us, and give them the small amount of documentation, time, and guidance they require. They should become one of our Beijing tour of core agencies, at least once before loan signing of each project and once a year thereafter. I also think we can slowly enlarge their scope to performance auditing, perhaps even without their realizing it.

Distribution:

AS3AG Staff

Messrs. Wagner, Mudahar, Price, Berg, Frederiksen, Chobanian,
Grimshaw.

Messrs. Burki, Ahmad, Pearce, Cadario, Ody, Stern, Ecevit,
~~Mansfort.~~

JGoldberg:lp

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W. (202) 477-1234
Washington, D.C. 20433 Cable Address: INTBAFRAD
U.S.A. Cable Address: INDEVAS

June 28, 1990

Attachment 5

Mr. Li Jianmin
Director
Foreign Investment Audit Department
State Audit Administration
12 Cai-Shi Road
Beijing, China

Dear Mr. Li,

On behalf of Ms. Selina Shum and myself, I would like to thank you for the hospitality and cooperation extended to us during our separate visits to Beijing. We appreciate the useful discussions held with you and your staff regarding audit report requirements/improvements as well as technical assistance and training for SAA. I would also like to thank you for the letter dated April 11, 1990 and I regret the delay in writing back to you.

Audit Report Requirements

Auditors' criteria. The auditing requirements of the Bank call for the appointment of auditors who are independent of the control of the entity to be audited, and the auditors must employ adequate staff with appropriate professional qualifications and experience. We understand that in the case of China, under SAA's overall supervision, auditing is mainly conducted by the provincial audit bureaus. For most of the Bank-financed projects in China, we believe that the aforementioned criteria for auditors have been met. However, we are concerned that the auditors for some projects may not comply with the above criteria, particularly for projects with the provincial governments being the beneficiaries and/or the staffing of the concerned provincial audit bureau is weak.

This issue has been discussed with SAA during various Bank missions. We are pleased to learn that, starting from the 1989 reports, the Foreign Investment Audit Bureau (FIAB) of SAA will review and sign off on selected audit reports, including but not limited to provincial lending, to ensure compliance with the aforementioned criteria for auditors. However, we share your concern that the staffing of FIAB is inadequate and SAA's staff recruitment efforts must be further strengthened.

Audit report language and scope. We regret to inform you that the proposal to furnish the Bank with audit reports in Chinese would not be acceptable. We would also like to emphasize that the scope of auditing is not confined to project units only but normally covers the overall operations of an autonomous project entities.

Audit duration. The usual Bank requirement is that by the time of project appraisal, the project entity would furnish the Bank with an auditor's opinion and financial reports for the most recent three years of its operations. In the case of China, it is recognized that auditing is still at an early stage of development. Taking into account SAA's staff constraints, we have agreed with SAA that, as an interim measure, the Bank's auditing requirements for projects in China would generally commence after loan signing. As such, this is a reduction in the normal duration of auditing requirements for Bank-financed project. In order not to compromise the objective of our auditing requirements, including an independent review of the accounts and project/entity's accounting and control systems, it is not acceptable to reduce the duration of auditing even further. Thus, irrespective of the amounts of Bank loan disbursed during the first and last year of project implementation, auditing should be carried out and annual audit reports are required to be furnished to the Bank during the entire project implementation period. However, if there is a particular project you feel strong justification in combining the first two years of audit, we would be prepared to consider your proposal on an exceptional, case-by-case basis.

Audit Report Improvements

We have reviewed in detail the 1988 audit reports for nineteen projects in China and found them largely satisfactory. In particular, we are pleased to note that most of our earlier suggestions for audit report improvements have been substantially incorporated. Nevertheless, we believe that there is scope for further improvements. Our general recommendations for all audit reports as well as specific suggestions for the nineteen audit reports reviewed are enclosed for your reference. We are sending copies of these recommendations to the relevant project entities. Moreover, our supervision missions will follow-up with you and the project entities on this matter.

We look forward to the continued collaboration between SAA and the Bank. In view of their interest in these matters, we are forwarding copies of this letter to Messrs. Wang Liansheng (MOF, World Bank Department), Long Yungan (Accounting Division, MOF) and Wang Yiping (SPC).

With best regards.

Sincerely yours,



Daud Ahmad
Project Advisor
China Department

Attachments

DATE: 09-Oct-1990 10:12am

TO: See Distribution Below

FROM: Selina Shum, AS3IE (SELINA SHUM)

EXT.: 72192

SUBJECT: China -- Ex-post evaluation -- SAA training

As you are aware, subject matter has been discussed on and off between SAA and the Bank over the past few years. This subject was revisited recently when SAA sent us a proposal for 2 candidates to be trained with our OED in Washington (a copy of which will be faxed to you).

During Ertan Project negotiations in June, we arranged for Mr. Chen Junshou (MOF) to meet with Mr. Rovani in order to initiate a dialogue with our borrower on the need for setting up a systematic and effective institutional mechanism for ex-post evaluation rather than merely providing piece-meal training to SAA. It was noted that it is unclear to us whether SAA has the mandate to be in charge of ex-post evaluation of Bank projects. Indeed, it is not clear as to whether SAA should be solely in charge of project performance audits in view of the fact that the core agencies (MOF/SPC) are in charge of project approval and may well benefit from the lessons learned from ex-post evaluation. Further, the Foreign Investments Audit Department of SAA is currently understaffed and it has been difficult just to cope with the work load associated with financial audits of foreign funded projects. Mr. Rovani suggested that the institutional arrangements be reviewed by the Chinese authorities and a task manager be appointed for the ex-post evaluation function.

Prior to the Annual Meeting in September, Messrs. Ahmad and Kimura and I met with Mr. Rovani and, in consultation with Mr. Burki, it was agreed that subject matter be raised to the attention of the Chinese delegation. As expected, the Chinese delegation did not appear to have been briefed about the subject but agreed to study the matter further and inform the Bank of the outcome in due course. In this connection, grateful if you could assist in following up on this matter. Mr. Daud Ahmad also intends to follow up with MOF during his October mission for CIR.

DISTRIBUTION:

TO: ROBERT VAN DER LUGT	(ROBERT VAN DER LUGT @A1@CH
CC: Daud Ahmad	(DAUD AHMAD)
CC: Yo Kimura	(YO KIMURA)
CC: Shahid Javed Burki	(SHAHID JAVED BURKI)
CC: Yves Rovani	(YVES ROVANI)
CC: Pablo Guerrero	(PABLO GUERRERO)
CC: ATTILA SONMEZ	(ATTILA SONMEZ @A1@CHINA)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 23-May-1991 06:52pm

TO: See Distribution Below

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: China - ECDP

Robert:

Thanks for your recent EMs. On March 12 a meeting was held with Mr. Rovani and was attended by Messrs. Wang Yiping and Zhang Xiaoqiang of SPC and Luo Qing, Zhao Hong and Zhang Yuebin of MOF. In addition, Mr. Kimura and MS. Shum were also present.

The discussion can be summarized as follows:

1. The Chinese authorities are committed to expanding their ex-post evaluation capabilities at all levels. They realize that they have a long way to go in terms of depth and growth in these activities. Regarding the issue of independence of the function, they believe it is premature to raise the point.

2. They see evaluation developing in a decentralized system. They also recognize that a capacity at the center is necessary to do what needs to be done centrally, i.e. policy, planning, etc. However, they are not yet in a position to establish a unified agency responsible for evaluation.

3. So far, not much thought has been paid to the need to coordinate evaluation responsibilities among the SPC, CIECC, MOF and the SAA. They assure us, however, that they need to discuss the evaluation function and be aware of the experiences of other countries.

4. The visitors affirmed the importance that they attach to starting a process of cooperation with OED, and extended an invitation to Mr. Rovani to lead a discussion of the evaluation function in China, possibly after his trip to the Bank's Annual Meeting this October. They agreed that the MOF would coordinate this visit, and that all actors in the process should play a role i.e. MOF, SPC, CIECC, SAA and Line Ministries.

5. In closing, Mr. Rovani accepted the invitation and indicated his desire to use the opportunity of visiting China to meet users of evaluation and those responsible for dissemination of experience. He indicated that he would be glad to meet with SAA and reiterated that the involvement of SPC, and possibly CIECC, was crucial given their role in the decision making

process.

As you can discern from the above, this meeting was constructive. We have yet to define the final dates but, if the visit takes place after the Annual Meetings in Thailand, it would have to be sometime between October 20th. and the 31st., depending on whether some field visits are organized. We would expect that the MOF, as the point of contact, would coordinate the preparation of a draft agenda (detailing participating institutions, subjects of particular interest, logistical arrangements, etc.), which we could discuss with the necessary anticipation (by the end of August at the latest).

As always, I will appreciate your advice and support. Best regards.

DISTRIBUTION:

TO: ROBERT VAN DER LUGT	(ROBERT VAN DER LUGT @A1@CH
CC: Yves Rovani	(YVES ROVANI)
CC: Yo Kimura	(YO KIMURA)
CC: Selina Shum	(SELINA SHUM)
CC: Paul M. Cadario	(PAUL M. CADARIO)
CC: Hans-Eberhard Kopp	(HANS-EBERHARD KOPP)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 10-Jun-1991 12:52pm

TO: See Distribution Below

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: China: Visit of State Audit Administration Director-June 14

1. On June 14 at 10.00 A.M. Mr. Li Jianmin, Director Foreign Investment Audit Department, is coming to see the DGO to discuss the state of evaluation in the SAA. By way of background, it may interest you to know that SAA has been requesting that OED provide in-house training evaluation to members of their staff. The subject of evaluation in China is complex and will be taken up during a forthcoming mission to China by the DGO probably after the Annual Meetings.

2. Although Mr. Jianmin has come primarily to discuss the SAA's financial audit responsibilities with the Country Department, he has also indicated his interest in meeting with OED staff to talk about "standards, responsibilities, procedures, contents, methods, experiences and examples concerning the post-evaluation of projects as applied by the Bank". The most effective way of doing this is by arranging a meeting with OED staff that have had recent evaluation experience in China.

3. Such a meeting is therefore planned as a follow-up to Mr. Jianmin's meeting with the DGO and will take place at 10:45 A.M. in conference room T-7027. I hope you can attend.

4. Please call to confirm.

DISTRIBUTION:

TO: Robert Burns	(ROBERT BURNS)
TO: Julian Blackwood	(JULIAN BLACKWOOD)
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CC: George Maniatis	(GEORGE MANIATIS)
CC: Yves Rovani	(YVES ROVANI)
CC: Hans-Eberhard Kopp	(HANS-EBERHARD KOPP)

THE WORLD BANK
INDUSTRY AND ENERGY DIVISION, CHINA AND MONGOLIA DEPARTMENT
TEL. NO. (202) 477-2452 • DIRECT FAX TEL. NO. (202) 477-1273

FACSIMILE

DATE: June 6, 1991 **NO. OF PAGES:** {4} **DIV. LOG NO.:** {No.}
(including this page)

TO: Mr. Pablo Guerrero, c/o Rosa
ORGANIZATION: Operations Evaluation Department
CITY/COUNTRY: Washington D.C.
FAX NO: 676 - 0625

FROM: Selina Shum, Senior Financial Analyst
DEPT./DIV.: AS3IE 255/30
ROOM NO.: A-8-077
TEL. NO.: (202) 458-2452
FAX. TEL NO.: (202) 477-1273

SUBJECT/REFERENCE: CHINA: Visit of SAA director

**MESSAGE:**

Please find attached the proposed agenda for Mr. Li's visit to the Bank. As indicated in the attached, he would like to meet with Mr. Rovani and OED staff. I have made an appointment for him to see Mr. Rovani at 10:00am on Thursday, June 14. Could you please help with arrangements for him to see OED staff? Please call me. Many thanks, Selina



TRANSMISSION AUTHORIZED BY: Selina Shum, Senior Financial Analyst, AS3IE

IF YOU EXPERIENCE ANY PROBLEM IN RECEIVING THIS TRANSMISSION, INFORM THE SENDER AT THE TELEPHONE OR FAX. NO. LISTED ABOVE.

Mr. Shahid Javed Burki
Director
China and Mongolia Department, the World Bank (WB)

Dear Mr. Burki:

Thank you very much for your letter dated April 15, 1991. I would intend to visit the WB from June 10 to 19, 1991.

I am looking forward to holding a discussion with you and your colleagues on improving the audit assignment in order to strengthen the existing bilateral cooperation and mutual understanding in audit realm between us. I would like to send you a proposed subjects for our discussion (attachment). It will be grateful if you are kindly to make an arrangement for our visit. I would like to meet officials from the World Bank as following:

Director of the China Department.

Officials from various division under the China Department.

Director of the Loan Department

Disbursement officials in charge of Asian area

Director of Operational Evaluation Department ✓

Officials from various divisions under Operational Evaluation Department

Group on reviewing and commenting the auditor's reports.

Additionally, it will be helpful if you can make an arrangement for me to meet officials who are responsible for audit work and Asian area affairs.

With best regards

Sincerely Yours

Li Jianmin

Director, Foreign Investment
Audit Department, Audit Administration
of P.R.C.

Proposed Subjects for Discussion
during Visiting to the World Bank

I. Auditing basis and responsibilities.

1. Financial and auditing provisions stated in Loan (credit) Agreement, supply of the project documents.

2. Responsibilities undertaken by loan borrowers and audit institutions towards financial and auditor's reports.

II. Scope of audit

1. Scope of audit should be limited to financial activities incurred to the project only.

2. Beyond the scope of audit, only other financial documents which the World Bank requires to verify and report to.

3. In the first year of implementation, the projects occurred little amount disbursement, figures should be merged into next year financial statements and auditor's reports. Something may be happen in the last year of im- 2

III. Content, time and form of the auditor's reports.

1. Simple auditor's reports should be allowed. ← ?

2. Significant issues should be reported in the auditor's reports.

3. Proposals made by the World Bank about modifying the financial reports, such as addition of the cash flow statement, statement on income and expenditure of loan and statement of construction in progress.

4. Audit work and its expression on special account and statement of expenditure in the auditor's reports. and relation between auditor's reports and special auditor's reports.

IV. To learn the requirements, standars, methods, experiences and example adopted by the World Bank on reviewing and commenting the auditor's reports.

V As for requirements, standards, contents and forms related to the management letters, what demands the World Bank has. Could the examples be provided? ←

VI Standards, responsibilities, procedures, contents, methods, experiences and examples concerned the post-evaluation of the projects applied by the World Bank, and the staff training on this field.

Follow up

← call OED

International Bank for Reconstruction and Development

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SecM91-650

FROM: Vice President and Secretary

May 28, 1991

Executive Directors' Travel to Developing Countries

Attached for information is a copy of the report on the Executive Directors' Group Travel to Korea and China from March 19 to April 6, 1991.

Attachment

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
Executive Vice President, IFC
Senior Management Council
Vice Presidents, IFC

OFFICE MEMORANDUM

DATE: May 15, 1991

TO: Mr. Alberto Camarasa, Chairman, CODAM

FROM: Messrs. Frank Potter, Alberto Camarasa, Masaki Shiratori,
Mrs. Jorunn Maehlum, Messrs. Philippe de Fontaine Vive and
Ali Bourhane

EXTENSION: 81153

SUBJECT: Group Travel to Korea and China

Attached, for appropriate action, please find a report on our travel to Korea and China from March 19, to April 6, 1991.

EXECUTIVE DIRECTORS' GROUP TRAVEL TO KOREA

1. The Executive Directors' Group consisting of Mrs. Maehlum, Messrs. Potter, Camarassa, Shiratori, de Fontaine Vive and Bourhane visited Korea from March 21 to 24, 1991. The Group was accompanied by Mr. Chang-Yuel Lim, Executive Director for the Republic of Korea.
2. The Group had the honor of meeting with H.E. Yung-Euy Chung, Minister of Finance, and Mr. Kun Kim, Governor of the Bank of Korea. The Group had also a meeting with the principal officials of the Economic Planning Board (EPB) on the country's past economic performance, current policies and future prospects. The Group met also with the Vice Mayor of Seoul, the President of the Korea Advanced Institute of Science and Technology (KAIST), and the Vice president of the Korea Standard Research Institute, and visited the Chungju multi-purpose Dam Project in Taejeon. A visit was also organized in Seoul in a poor area (Hukseok Dong) to be rehabilitated. The Group is deeply grateful to the Korean Executive Director for a very well-organized program and to the Government of Korea for its priceless hospitality.
3. The Group was impressed by Korea's overall economic performance in recent years. Following a period of rapid export-led expansion, the Korean economy began facing a decline in external competitiveness in 1989. The process of political democratization with the related expansion of the labor movement rights, coupled with the sustained economic growth, resulted in a sharp increase in wages; moreover the introduction of a new market-average exchange rate system (replacing a multi-currency basket regime) accelerated the depreciation of the won against the dollar and triggered an upward pressure on prices. Thus Korea has recently reported its highest quaterly inflation rate in 11 years, as consumer prices rose 4.9 percent in the first three months of the year, which is more than half the Government annual inflation target for 1991. During the discussions, the authorities stressed that in order to achieve lasting progress in external competitiveness, they would place emphasis on wage monitoring, technological improvement and productivity increases. However, the key issue, in the context of a large labor shortage (particularly in low-wage, labor intensive industries), would be to control the demand (luxury imports and construction) and curb inflation without jeopardizing the economic recovery. The Group discussed also with the authorities the market liberalization policy, and understood that the Government is committed to take further steps to open up the capital market and broaden access for foreign investment in Korea, but will proceed cautiously in the lifting of restrictions on imports of agriculture products.

4. As regards the relationship with the World Bank, the authorities expressed their satisfaction with the projects financed so far, the execution of which are of a very high quality. They indicated, mainly through the recipients of previous projects and the officials of the EPB, that Korea, now facing a shortage of domestic capital (despite a high domestic savings ratio) still needed the continued assistance of the World Bank, particularly in the areas of technology transfers, housing and vocational education. The Group of the Executive Directors left Korea with mixed feelings, about a relationship with the World Bank which is now mature. Most of the Executive Directors got the impression that the World Bank could draw a number of lessons from the Korean experience, especially in the gradual and carefully monitored opening towards a full market-oriented economy; finally they felt that future intervention of the World Bank, if a reasonable level of involvement were to be maintained, could perhaps concentrate particularly on the education system, and on domains with regional spill-over.

EXECUTIVE DIRECTORS' GROUP TRAVEL TO CHINA

1. A Group of Executive Directors consisting of Mrs. Maehlum, Messrs. Potter, Camarassa, Shiratori, Lim, de Fontaine Vive and Bourhane visited China from March 25, to April 2, 1991. The Group was accompanied by Mr. Wang Liansheng, Executive Director for China.

2. The Group had the immense honor of meeting in Beijing with Premier Li Peng; Mr. Wang Binglan, State Councilor and Minister of Finance; Mr. Li Guixian, State Councilor and President of the People's Bank of China; Mr. Chi Haibin, Vice Minister of Finance; Mr. Chen Yinhua, Chairman of the State Reform Commission (SRC); Mr. Gan Ziyu, Vice Chairman of the State Planning Commission (SPC); Mr. Liu Zhongyi, Minister of Agriculture; Mr. Shi Dazhen, Vice Minister of Energy; and Mr. Tu Yourui, Vice Minister of Railway. In the provinces, the Group met the Vice-Governor of the Ningxia Hui Autonomous Region in Yinchuan, the Vice-Governor of the Shaanxi Province in Xian, and the Vice-Governor of the Guangdong Province in Guangzhou. The Group had also the opportunity to visit the Ningxia Resettlement component of the northern irrigation project in Zhongning County and Tongxin; the Northwest University and the Institute of Education in Xian, and a Highway project in Sanyuan County. Finally, in Guangdong province, the Group had a lengthy exchange of views with the Provincial economic leaders and visited a number of Township and Village enterprises in the region.

3. The Group is deeply grateful to Mr. Wang for the excellent choice of the projects that were visited and to the Chinese authorities for their warm hospitality and their sincere openness to fruitful discussions.

4. The Group discussed with officials of the Ministry of Finance, the SRC and SPC, on the economic and financial situation in China, at a time when the session of the Seventh National People's Congress (NPC) was being held in Beijing, in the context of the introduction by the authorities of the 10-year Development Program and the eight five-year plan for National Economic and Social Development Plan. Following a period of rapid economic growth which resulted in a large fiscal deficit and inflationary pressures, the Chinese Government undertook an adjustment program in 1988, with a view to controlling aggregate demand. The program was based on a curtailment of investment expenditure and a tight monetary policy, and on the whole on an increased reliance on administrative measures to enhance foreign trade monitoring, to direct bank credit to specific areas and to control prices. Thus inflation was reduced from 18.5% in 1988 to around 2% in 1990, with a substantial strengthening in the external position. The 1991 budget is the core element for the first year of the new plan and is designed to continue the strengthening of the public finances, with a decreasing budget deficit amounting to about US\$2.6 billion, before taking into account budgetary provision for domestic and foreign debt service. In order to cover increasing military expenditure, to maintain a high State grain reserve and to service fully public debt, a number of measures were proposed during the session of the NPC, including an increase in the business tax rate, a readjustment of some prices, the maintenance of the cancellation of the foreign trade subsidy system (in the context of three devaluations of the

administered official exchange rate), the issuance of treasury bonds, and a tighter control over the allocation of funds to the provinces. In particular, a new income tax law would aim at keeping China competitive in attracting foreign investment, especially for those enterprises that set up in Special Economic Zones and which develop high technology products. In all, the new direction taken by the authorities to shift from focusing on individual projects to implementing a multi-objective system, appears to be a sound path towards a full macroeconomic management of the economy.

5. The Group, however, was very much impressed by the political message from the highest level, including the Premier Li Peng. In brief, China is committed to economic reform, will continue the pattern for opening the country to the outside world and will maintain a sustained, stable and coordinated development of the national economy. However, the Government, while putting the stress on enhancing quality and economic returns, will shift the emphasis from the speed of economic growth to economic efficiency. The reform program, namely the introduction of market regulations into a planned economy, will be continued as long as it safeguards the political and social stability in the Country.

6. The major areas of policy actions discussed with the authorities relate to ownership, regional balance, price reforms, decentralization, public enterprises, housing, social insurance system (including medicare), and financial sector. The authorities would continue to favor a socialist planned economy with market intervention, based mainly on public ownership, not only because of constitutional requirement, but also because the Government is keen on protecting the individual, in a country where the annual increase in population absorbs about one-fourth of GNP growth. Concerning the rapid development of the coastal regions, somehow detrimental to the western provinces, the authorities indicated that this issue is of adamant importance, all the more as they want to pay close attention to minorities. In this regard, measures undertaken are to increase the number of projects in those western provinces, to provide them with additional funds for poverty alleviation, and to push different regions to enhance regional cooperation. The price reform which combines adjustment by the government and market regulations is bound to gain momentum with increased influence of market forces, but further steps for price liberalization will be taken gradually, as inflation, now partly repressed, could be revived in the wake of an economic revival. The decentralization policy has given more autonomy to the provinces which can now decide on their investment program below a certain level of expenditure. Moreover, state-owned enterprises are given more authority on their daily management, with a view to invigorating them in the context of a competitive market, and in order for them to aim at achieving international standard. The reform of the financial system is also on the agenda, and together with the housing and social insurance systems (including medicare), belong to areas where technical assistance would be urgently welcome in China.

7. Concerning the relationship with the World Bank, the authorities are satisfied with the choice of on-going projects, and the group of Executive Directors noticed the quality with which Bank resources are deployed and the skill with which projects are executed. In particular, the resettlement project in the Hui region could be cited as the perfect example of a project

which successfully alleviates poverty, and shows tangible results. However, recent events led the authorities to express some irritation about the attitude of the Bank Board towards China, and the Premier Li Peng indicated that his country would wish to see the World Bank not be used as a political tool. In that regard, he referred explicitly to delays in the negotiations of the Ertan Project. As regards future intervention in China, here is clearly a place where good use is put to the Bank's money, the major problem being to find ways to set priorities on numerous competing demands. Finally, in order to accompany the market reform policies, there is undoubtedly an array of prospective interventions for IFC which should be given quick consideration.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 23-May-1991 06:52pm

TO: See Distribution Below

FROM: Pablo Guerrero, DGO (PABLO GUERRERO)

EXT.: 31717

SUBJECT: China - ECDP

Robert:

Thanks for your recent EMS. On March 12 a meeting was held with Mr. Rovani and was attended by Messrs. Wang Yiping and Zhang Xiaoqiang of SPC and Luo Qing, Zhao Hong and Zhang Yuebin of MOF. In addition, Mr. Kimura and MS. Shum were also present.

The discussion can be summarized as follows:

1. The Chinese authorities are committed to expanding their ex-post evaluation capabilities at all levels. They realize that they have a long way to go in terms of depth and growth in these activities. Regarding the issue of independence of the function, they believe it is premature to raise the point.

2. They see evaluation developing in a decentralized system. They also recognize that a capacity at the center is necessary to do what needs to be done centrally, i.e. policy, planning, etc. However, they are not yet in a position to establish a unified agency responsible for evaluation.

3. So far, not much thought has been paid to the need to coordinate evaluation responsibilities among the SPC, CIECC, MOF and the SAA. They assure us, however, that they need to discuss the evaluation function and be aware of the experiences of other countries.

4. The visitors affirmed the importance that they attach to starting a process of cooperation with OED, and extended an invitation to Mr. Rovani to lead a discussion of the evaluation function in China, possibly after his trip to the Bank's Annual Meeting this October. They agreed that the MOF would coordinate this visit, and that all actors in the process should play a role i.e. MOF, SPC, CIECC, SAA and Line Ministries.

5. In closing, Mr. Rovani accepted the invitation and indicated his desire to use the opportunity of visiting China to meet users of evaluation and those responsible for dissemination of experience. He indicated that he would be glad to meet with SAA and reiterated that the involvement of SPC, and possibly CIECC, was crucial given their role in the decision making

process.

As you can discern from the above, this meeting was constructive. We have yet to define the final dates but, if the visit takes place after the Annual Meetings in Thailand, it would have to be sometime between October 20th. and the 31st., depending on whether some field visits are organized. We would expect that the MOF, as the point of contact, would coordinate the preparation of a draft agenda (detailing participating institutions, subjects of particular interest, logistical arrangements, etc.), which we could discuss with the necessary anticipation (by the end of August at the latest).

As always, I will appreciate your advice and support. Best regards.

DISTRIBUTION:

TO: ROBERT VAN DER LUGT	(ROBERT VAN DER LUGT @A1@CH
CC: Yves Rovani	(YVES ROVANI)
CC: Yo Kimura	(YO KIMURA)
CC: Selina Shum	(SELINA SHUM)
CC: Paul M. Cadario	(PAUL M. CADARIO)
CC: Hans-Eberhard Kopp	(HANS-EBERHARD KOPP)

**DEPARTMENT OF MANAGEMENT****HONG KONG POLYTECHNIC**Tel: 766 7394
Fax: (852) 362 5773

Hung Hom, Kowloon, Hong Kong

20 May 1991

R. Pablo Guerrero O.
Special Adviser and Assistant to the Director General
Operations Evaluation
The World Bank
1818 H St Washington DC 20433 USA

Fax No. (202) 676-0625

Dear Pablo

Thankyou for being available last Friday and for the very useful information you provided.

As a result I have faxed a letter to Robert Van Der Lugt and requested a meeting with him during my time in Beijing.

I have had a few preliminary thoughts about your views on the potential for evaluation training initiatives in China and other developing countries. It occurs to me that I already have - in my recent publications and in university teaching resources - the raw materials for designing targetted training programs which could be trialled and implemented without too much difficulty.

Specifically, there seem to be a number of important variables such the individual country's political and administrative context, its cultural norms, long term planning commitments *vis a vis* programs, its Management Development Needs - specifically under the rubrics of 'Managers as Evaluators' and 'Train the Trainers (of evaluators)'; and finally the existing levels of conceptual and practical sophistication in the area of public program review;

An appropriate training program would take account of these variables and be an amalgam of:

- (i) A conceptual framework outlining the key competencies required of evaluation staff - and also those responsible for developing their own 'home grown' evaluators - i.e. 'the trainers'
- (ii) An orientation to Managerial Training as an overall context, as formal programs in management development - including project management - is vital in many developing countries, and particularly China and Russia.

(iii) An integrated human resource development agenda for recruitment, development and assessment of staff involved in evaluation

(iv) A detailed study of standards for evaluation as the basis of 'focussed' training - this would be preceded by an appraisal of the applicability of a range of standards and quality indicators in the particular country

(v) An implementation strategy at the system level which provides guidance on policy directions as well as a means for coordinating the overall effort.

I thought I might try out these ideas in seminar situations while at The People's University and the China Institute of Public Administration, as well as during a liaison and conference visit to the Universities of Manchester and London in June/July. If you have any immediate reactions, I would of course be delighted to hear from you.

In the meantime, thankyou again for your assistance. I look forward to hearing from you in the not too distant future. Best Wishes.

Yours sincerely

Barry Bannister

班禮達博士

Dr. Barry Bannister

Co-ordinator, Post Graduate Programs
Department of Management



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602-6534 (Home)
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The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 05-Apr-1991 11:00am

TO: Yves Rovani (YVES ROVANI)

FROM: Shahid Javed Burki, AS3DR (SHAHID JAVED BURKI)

EXT.: 82332

SUBJECT: Visit of Chinese Delegation

A delegation from Chinese core agencies is visiting the Bank next week to brief us on the 8th Five-Year Plan and to discuss the lending program for FY92-94. This is to confirm the appointment for the delegation leader, Mr. Wang Yiping (Deputy Secretary General, State Planning Commission) and deputy leader, Mr. Luo Qing (Director, World Bank Department, Ministry of Finance) to visit you at 9:30 on Friday, April 12, for a courtesy call.

CC: Hans-Eberhard Kopp (HANS-EBERHARD KOPP)

CC: Pablo Guerrero (PABLO GUERRERO)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 12-Mar-1991 11:31am

TO: See Distribution Below

FROM: Selina Shum, AS3IE (SELINA SHUM)

EXT.: 82452

SUBJECT: China -- Ex-post evaluation

Robert,

As discussed and agreed, please inform Mr. Luo Qing (MOF) that during his upcoming visit to Washington in early April, the China Department would like to take this opportunity to discuss with him the institutional arrangements for ex-post evaluation of Bank-financed projects. I have consulted with Yo and Pablo on the subject and they both feel that it is appropriate for Mr. Burki to invite Mr. Rovani to visit China to hold further discussions on subject matter.

Thanks and regards, Selina

DISTRIBUTION:

TO: ROBERT VAN DER LUGT	(ROBERT VAN DER LUGT @A1@CH
CC: Yves Rovani	(YVES ROVANI)
CC: Pablo Guerrero	(PABLO GUERRERO)
CC: Shahid Javed Burki	(SHAHID JAVED BURKI)
CC: Yo Kimura	(YO KIMURA)
CC: David Pearce	(DAVID PEARCE)
CC: Paul M. Cadario	(PAUL M. CADARIO)
CC: Richard Stern	(RICHARD STERN)
CC: ATTILA SONMEZ	(ATTILA SONMEZ @A1@CHINA)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 24-Jan-1991 06:52pm

TO: See Distribution Below

FROM: Selina Shum, AS3IE (SELINA SHUM)

EXT.: 82452

SUBJECT: CHINA -- ex-post evaluation and SAA training

Robert,

1. Thanks for your EM on subject. I consulted with Pablo upon his return from mission and OED's major concern is that SAA may not be the priority agency to be trained in ex-post evaluation.

2. An MOF/SPC delegation is here in Washington to discuss, inter alia, T.A. and utilization of Special Credit. A meeting was arranged for the Chinese delegation to meet with Pablo. The outcome of the meeting was that (a) SAA certainly has an interest to be trained but their role in ex-post evaluation is neither significant nor direct; (b) appraisal and ex-post evaluation of key central government's projects are carried out by CIECC, who reports to the State Council through SPC. It appears from the discussions that the ex-post evaluation of many (but not all) of Bank-financed projects will be carried out by CIECC. Thus, it was agreed that CIECC should send background information to OED for training considerations, this could be financed under a subproject for CIECC under the Special Credit; and (c) I have to break the bad news to SAA that they will not be trained by OED in ex-post evaluation, instead, additional T.A. and training in financial audit will be provided under the audit subproject of the Special Credit.

3. Please apprise CMG, particularly Mr. Kimura of the above. Many thanks.

DISTRIBUTION:

TO: ROBERT VAN DER LUGT	(ROBERT VAN DER LUGT @A1@CH
CC: Richard Stern	(RICHARD STERN)
CC: Yo Kimura	(YO KIMURA)
CC: David Pearce	(DAVID PEARCE)
CC: Paul M. Cadario	(PAUL M. CADARIO)
CC: Pablo Guerrero	(PABLO GUERRERO)
CC: Yves Rovani	(YVES ROVANI)

THE WORLD BANK / IFC / M.I.G.A.

ROUTING SLIP - AS3IE		DATE: January 18, 1991	
NAME		ROOM NO.	
Messrs. Rovani and Guerrero		T-7025	
<input type="checkbox"/>	U R G E N T	<input type="checkbox"/>	PER YOUR REQUEST
<input type="checkbox"/>	FOR COMMENT	<input type="checkbox"/>	PER OUR CONVERSATION
<input type="checkbox"/>	FOR ACTION	<input type="checkbox"/>	NOTE AND FILE
<input type="checkbox"/>	FOR APPROVAL/CLEARANCE	<input checked="" type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FOR SIGNATURE	<input type="checkbox"/>	PREPARE REPLY
<input type="checkbox"/>	NOTE AND CIRCULATE	<input type="checkbox"/>	NOTE AND RETURN
<input type="checkbox"/>		<input type="checkbox"/>	
RE: CHINA: Ex-post evaluation and SAA Training			
REMARKS:			
<p>Attached please find the name cards of the Chinese delegation members who will be meeting with you on Thursday, January 24, at 3:00 p.m. in your office.</p>			
FROM: Selina Shum		ROOM NO.: A-8-077	EXTENSION: 82452

ZHU JING ZHAN
PROJECT & DISBURSEMENT OFFICIAL
WORLD BANK DEPARTMENT

MINISTRY OF FINANCE
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Sun Yuhua
Deputy Division Chief

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OFFICE MEMORANDUM

File Anna

DATE: January 14, 1991

TO: Mr. Yves Rovani

FROM: Henry B. Thomas *HBT*

EXTENSION: 31665

SUBJECT: ECDP - Ex Post Evaluation in DFIs

My apologies for misinterpreting your January 7 memo. Few DFIs in my experience attempt any ex post evaluation, CIB being the exception. The Development Bank of Zambia, when I visited it in 1987, was establishing a unit for this work, but I am not aware of its current situation. I am not very familiar with BOAD in Lome. Many, if not most, DFIs have weaknesses in basic project supervision, let alone ex post evaluation. Their priority, as with us, is project appraisal.

To establish this capability in a few DFIs would be a formidable, albeit worthwhile, exercise. The critical question, of course, would be their interest and willingness to add this function, given their typical shortage of skilled staff and tight budget constraints. A place to start sounding out possible interest might be with regional DFIs such as BOAD or the African Development Bank; they presumably have close contacts with national DFIs in their region. There are also regional associations of DFIs which could be approached.

Another starting point might be to ask each division in Operations which handles DFIs for information on what each DFI is doing in this area now, and whether it might be interested in adding ex post evaluation to its functions.

On balance, though, given OED's budget constraints, I cannot be too optimistic that much can be accomplished at this time.

cc: Messrs. Köpp, Buky, Donaldson, Guerrero

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 10-Jan-1991 11:29am

TO: See Distribution Below

FROM: Robert van der Lugt, AS3CH (ROBERT VAN DER LUGT AT A1 AT CHINA)

EXT.: 86-1-831-2227

SUBJECT: RE: Ex-post evaluation in China and SAA training

Selina,

With reference to ex-post evaluation and SAA training and your note, we might be out of luck as I will be away on leave from mid February to early March, returning from Australia somewhere around March 5/6.

Obviously I would be quite prepared to see MOF and SAA together with you, but there might be a question of protocol involved. Much as I think I know OED, I don't think that SAA and the China department should arrange something that would be largely between OED and SAA. Maybe it would be better if somebody from OED would make the final proposals. I have not had any reaction from Pablo on my note, so I don't know their latest thinking, but I am sure it would be a good idea to consult him when he returns and I would suggest David as well.

Regards,

Robert van der Lugt .

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The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 09-Jan-1991 05:32pm

TO: See Distribution Below

FROM: Selina Shum, AS3IE (SELINA SHUM)

EXT.: 82452

SUBJECT: Ex-post evaluation in China and SAA training

Many thanks for your EM on the subject. I apologize for not responding to you earlier. I was on mission in Sichuan until early December and, after I returned to HQ, there were various urgent project matters which required attention.

I was unable to consult with Pablo on the subject since he is away on mission until next week. In the event OED agrees to organize a study tour on ex-post evaluation for SAA staff, the trip could be financed under the Special Credit. I consulted with Mr. Kimura on this matter and he has no problem with your suggestions. My next mission is tentatively scheduled for late February/early March. Perhaps you and I should see SAA and MOF together and hopefully resolve this issue efficiently. Please advise.

DISTRIBUTION:

TO: ROBERT VAN DER LUGT	(ROBERT VAN DER LUGT @A1@CH
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CC: David Pearce	(DAVID PEARCE)
CC: Paul M. Cadario	(PAUL M. CADARIO)

OFFICE MEMORANDUM

DATE: January 9, 1991

TO: Mr. Yves Rovani

FROM: Henry B. Thomas

EXTENSION: 31665

SUBJECT: CHINA: CIB - Ex Post Evaluation

Henry: I have questions about CIB's role in China (where CIB seems to be able to help a regional DFI, mainly BOAD in Lomo. Would be useful people to serve in your experience, see post e. in support of other regional DFIs.

Your memo of January 7 asked whether there would be scope for an "ECDP" for DFIs in China. I am not familiar with what other DFIs are currently doing regarding ex post evaluation. Some have been in business for many years, others are fairly new. It is possible that a few have copied CIB's activities in this area, at least for a few of their projects (especially if partially financed by the Bank). Robert van der Lugt (or Ms. Wang Shenhua, on secondment from CIB to RMC) should be able to find out fairly easily.

With regard to CIB itself, there is scope for improvement, both in the preparation of PCRs and especially in their subsequent use within the CIB organization. Here there may be a useful role for the ECDP to play, and the necessary intervention would not have to be very labor intensive, given the already existing solid foundation. I suspect that CIB would be responsive to an approach as it is very interested in remaining in close touch with the Bank (i.e., in receiving further Bank funding).


Whether such an exercise could (or should) involve other financial institutions would depend on their level of development in this area, as well as their interest.

cc: Messrs. Köpp, Buky, Donaldson, Guerrero

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE: January 7, 1991

TO: Mr. Henry Thomas

FROM: Yves Rovani 

EXTENSION: 31720

SUBJECT: China: CIB Ex-post Evaluation

Thank you for your most informative note of December 28 and the attached post appraisal report. This would be most valuable for any follow up re evaluation in China.

I would like to elaborate on the question which you raise in your para. 7. Do you believe that there would be scope for an "ECDP" for DFIs? If so, where should we begin? As you know, our only experience, which is promising, is, at this stage, with BOAD in Lome.

cc: Messrs. Köpp, Buky, Donaldson, Guerrero

OFFICE MEMORANDUM

DATE: January 7, 1991

TO: Mr. Henry Thomas

FROM: Yves Rovani 

EXTENSION: 31720

SUBJECT: China: CIB Ex-post Evaluation

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cc: Messrs. Köpp, Buky, Donaldson, Guerrero