Folder Title:	Operations Evaluation - Operations Evaluation Department (OED)
Folder ID:	30069308
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Dates:	09/01/1970 - 02/28/1976
Fonds:	Records of the Office of Operations Evaluation
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85-0035-05

Operations Evaluation -
OED (6-2)
September 1970 - February 1976

File

International Bank for Reconstruction and Development

International Finance Corporation International Development Association

ADMINISTRATIVE CIRCULAR

September 2, 1970

ESTABLISHMENT OF AN OPERATIONS EVALUATION UNIT

Effective audit and control procedures have always been matters of major concern to the World Bank Group. Two of the most important innovations introduced by the World Bank in its early years were the procedures developed for supervision of loan disbursements and of the execution of the projects (end-use supervision). Over the years these procedures have been continuously strengthened and adjusted in the light of changing circumstances.

This process continues. In addition, in the last two years, budgetary controls have been strengthened by the creation of the Programming and Budgeting Department. Financial controls have been improved by the establishment of the Audit Committee of the Executive Directors and by the strengthening of the Office of the Internal Auditor.

I feel that, with the growth of the Bank Group, the time has come to carry our systematic auditing procedures a stage further - to cover the contribution of our operations to development. Some review of our operations from this point of view has of course always been carried out in the course of Economic and Sector Missions, but these have other overriding responsibilities. As regards projects which we have helped to finance, end-use supervision generally stops with the completion of construction, but the results of many of them have been reviewed by the Projects Departments in the course of appraising further loans or credits to the same entity or sector. Here again, however, the review of past operations is only a subsidiary issue and time seldom suffices to carry it very far. A number of thorough reviews have been carried out by the Sector and Projects Division of the Economics Department in connection with their responsibility for helping to improve the methodology of project appraisal, but the number of projects covered in depth is small and the focus is generally more on methodological improvements than on re-evaluation of costs and benefits as such. Evaluation of the impact on development of our operations is thus at present limited. I believe that the growth in the funds that we are responsible for channelling into development and in the number of countries with which we are actively involved makes it important for us to develop a more systematic approach.

I have therefore decided to establish, in the Programming and Budgeting Department, a unit whose sole responsibility will be to evaluate the contribution of our operations to the development of member countries. The principal task of the unit will be to review past lending operations with the central objective of establishing whether the actual benefits of the completed projects are in accordance with those expected at the time of appraisal and, in case

of divergence, the reasons. Our methods of project appraisal have developed and improved over the years. Our quantification is sounder now than in the past, our view of development more comprehensive and our analyses of projects and sectors deeper. Naturally, our current techniques and methods will be used in evaluation of past operations, but in comparing results achieved with original forecasts due attention will be paid to the cost and benefit concepts prevailing at the time these operations were appraised.

Since this type of work has not been carried out to any extent before in the Bank I envisage the new unit starting with a modest staff complement of three and a workload of some five projects in several different sectors. Especially in the beginning, the staff of the unit will need to draw heavily on the advice and knowledge of those in other Departments of the Bank Group who have been concerned with the projects selected.

I believe that this initiative will have two principal benefits. It will contribute to the formulation of policy and procedures by enabling us to learn more from our past experience. And it will give us a degree of conviction about the impact of what we are doing which we could obtain in no other way.

Robert S. McNamara

Robert S. McNamara
President

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Administrative
Circular

Establishment of an Operations Evaluation Unit

1. Effective audit and control procedures have always been matters of major concern in the World Bank Group. Two of the most important innovatory characteristics of the World Bank in its early years were the procedures developed for close supervision of disbursements out of our loans and of construction under them (end-use supervision). Over the years these procedures have been continously strengthened and adjusted in the light of changing circumstances.

2. This process continues. In addition, in the last two years, budgetary controls have been considerably strengthened by the creation and growth of the Programming and Budgeting Department. Internal financial controls have been improved by the establishment of the Audit Committee of the Board of Directors and of the Office of the Internal Auditor.

3. I feel that, with the growth of the Bank Group, the time has come to carry our systematic auditing procedures a stage further -- to cover the contribution of our operations to development. Some review of our operations from this point of view has of course always been carried out in the course of Economic and Sector Missions, but they have many other overriding responsibilities. As regards projects which we have helped to finance end-use supervision generally stops with the completion of construction, but the success of many of them has been reviewed by the Projects Departments in the course of appraising further loans or credits to the same entity or sector. Here again, however, the review of past operations is only a side issue and time seldom suffices to carry it very far. A number of very thorough reviews have been carried out by the Sector and Projects Division of the Economics

Department in connection with their responsibility for helping to improve the methodology of project appraisal, but the number of projects covered in depth is very few and the focus is generally more on methodological improvements than on re-evaluation of costs and benefits as such. Evaluation of the impact on development of our operations is thus at present rather incidental. I believe that the growth in the funds that we are responsible for channelling into development and in the number of countries with which we are actively involved makes it important for us to develop a more systematic approach.

4. I have therefore decided to establish, in the Programming and Budgeting Department, a small unit whose sole responsibility will be to evaluate the contribution of our operations to the development of member countries. The principal focus of the unit will naturally be on past lending operations and the central objective will be to establish whether the actual benefits of the completed projects are in accordance with those expected at the time of appraisal and, in case of divergence, the reasons. Our methods of project appraisal have of course developed and improved substantially over the years. Our quantification is sounder now than in the past, our view of development more comprehensive and our analyses of projects and sectors deeper. Naturally the latest techniques and approaches will be used in evaluation of past operations, but a special effort will also be made, within this, to see how reality compares with original forecasts using the same concepts of costs and benefits.

5. Since this type of work has not been carried out to any extent before in the Bank I envisage the new unit starting in a pilot phase, with a staff

complement of three and a workload of some five projects in several different sectors. Especially initially the staff of the unit will need to draw heavily on the advice and knowledge of those in other departments of the Bank Group who have been concerned with the projects selected.

6. I believe that this initiative will have two principal benefits. It will contribute to the formulation of policy by enabling us to learn more from our past experience. And it will give us a degree of conviction about the impact of what we are doing which we could obtain in no other way.

International Bank for Reconstruction and Development
International Finance Corporation International Development Association

ADMINISTRATIVE CIRCULAR

July 31, 1975

STAFF ANNOUNCEMENT

I am pleased to announce that the Executive Directors have approved the appointment of Mr. Mervyn L. Weiner as the first Director-General, Operations Evaluation. This appointment, which carries the rank of Vice President, will take effect October 1, 1975. At that date Mr. Shoaib will relinquish the responsibility he has so far held for the Operations Evaluation Department, until his retirement at the end of this year.

I regard the responsibilities which will devolve on Mr. Weiner in this new assignment as of the highest importance. As Director-General he will, through evaluation of our past experience, also be in a position to advise and guide us in the future. He is well qualified by his wide experience in the Bank to do this. A Canadian national, he joined the Bank in 1951 and has worked as an economist, an area department division chief, a chief economist, and as Director, Public Utilities Projects Department; at the 1972 reorganization he became Director, Projects Department, Asia Region, and in July 1974 he was promoted Regional Vice President, South Asia.

Mr. Weiner's successor in South Asia Region will be announced shortly.

Robert S. McNamara

Robert S. McNamara

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: OED Files

DATE: August 19, 1975

FROM: C. R. Willoughby CRW

SUBJECT: Audits and Evaluation of IFC Operations

At the instance of Mr. Shoaib, he and I had a meeting with Messrs. von Hoffmann, Kuczynski, Moeen Qureshi, Dickerson and Eckrich of IFC on Friday, August 15 to make a first contact with them on the subject of Audits and Evaluation of IFC Operations.

The IFC representatives mentioned various internal efforts about evaluation that they have had underway or planned:

1. collecting financial data more systemically, since two years ago, on all projects underway; that had been the place to start with evaluation effort in IFC's conditions;

2. two studies contracted with outside professors -

   a. case studies, among IFC-assisted projects, focussing on the issue of protection, and assessing economic rates of return; book by Mr. Guisinger due for publication imminently;

   b. case studies, among IFC-assisted projects, of Transfer of Technology, by an MIT Professor and due for completion within the next year or two.

3. plans, under Mr. Kuczynski, to carry out within the next 12 to 18 months economic reassessments of 6 to 7 selected projects for which IFC made commitments 3 or 4 years ago.

The IFC representatives made reference to the difficulties of getting accurate data from the private entities to which they lend, the continuous nature of their equity relationship in some cases and the very limited and short nature of their loan relationship in others, and the difficulties of applying anything as simple as the one-year-after-completion-of-disbursements criterion to IFC projects. It appeared to them that constructive work in evaluation of IFC-assisted projects, in which Mr. von Hoffmann expressed the greatest interest (referring especially to the story of Kilombero), should normally be done 3 or 4 years after disbursement.

I pointed out that one emphasis of our work which might be different from what IFC had done or had in mind was on the performance of the Bank Group (effectiveness and efficiency) in connection with the project, as opposed to simply the performance of the project.

Mr. Shoaib indicated that evaluation should in principle be extended to IFC, but it is probably best, for the moment, for OED to learn more about IFC operations and their internal evaluation efforts before making any specific plans.

The IFC representatives said that OED would be tapped for any experience relevant to the economic reassessments that they planned to do, would be kept in touch with their efforts and would, for instance, be invited to attend some committee meetings later on this year reviewing problem projects.

cc: Mr. Shoaib
CRW/aga

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: All OED Staff Members

DATE: February 27, 1976

FROM: C. R. Willoughby CRW

SUBJECT: Draft 1977 Work Program

I am attaching a copy of the Draft Work Program that is to be discussed with Mr. McNamara and with the Executive Directors shortly.

Please bring any reaction, comments, suggestions for improvement that you would have to a 1-hour staff meeting that we will hold on the paper at 11 a.m. Thursday, March 4.

Attachment
CRW/aga

D R A F T

February 25, 1976

OPERATIONS EVALUATION DEPARTMENT

Progress of Work and Future Work Plans

1. The purpose of this paper is to review the progress of the Operations Evaluation Department in execution of the FY 1976 Work Program approved by the Joint Audit Committee on March 19, 1975 (and summarized in the 1975 Annual Report of the Joint Audit Committee[1/]), to present a tentative three-year work plan, and to outline in greater detail a program for FY 1977.

2. Major factors affecting the operation of the Department in FY 1976 have been the appointment of a Director-General, to replace the Vice President formerly in charge, with effect from October 1, 1975, and a number of staffing difficulties - particularly greater than expected delays in recruitment of appropriate new staff and loss early in the year of two of the most experienced members of the Department's staff. Another major change in the course of the year was the Director-General's decision, conveyed to the Joint Audit Committee in December 1975, to drop the planned Population Projects Evaluation Study from the program in light of the Bank Management's action in the interim to appoint an External Review Panel of specialists in the population field to review this part of the Bank's work. Operating policies and procedures of the Department have been comprehensively reviewed by the Director-General and reformulated in the draft statement of Standards and Procedures for Evaluation in the World Bank[2/] presented to the Joint Audit Committee in February 1976. The plans for the forthcoming years have been drawn up in pursuance of the objectives and emphases given in that document.

1/ Board Document R75-195, dated October 3, 1975.

2/ Joint Audit Committee Document JAC 76-4, dated February 20, 1976.

Progress in FY 1976

3. The main achievement of FY 1976 has been the further build-up of the system for performance auditing of all projects completed with Bank and IDA assistance to a more effective stage, consistent in scale with the number of projects currently being completed, and permitting further evolution along the lines referred to later. The Department has been able to prepare, largely for the first time in significant volume, good-quality Project Performance Audit Reports (PPAs) for agricultural projects, one of the major objectives of the FY 1976 program. Second, the system initiated in 1973, whereby the responsible operating departments of the Bank would produce, within six months of completion of loan/credit disbursements, Project Completion Reports (PCRs) to form a basis for the performance auditing, has begun to work much more smoothly, to produce good reports in a timely manner: the substantial backlog which accumulated by the beginning of the fiscal year, though not yet eliminated, has been significantly reduced, and the Department no longer has to work without the aid of any Completion Report as was sometimes the case earlier. Third, a much stronger structure, although necessarily dependent on a few key individuals, has been built within the Department for handling the comparatively large number of reports involved. The target for the fiscal year was to carry out performance audits of about 90 projects, compared with 25 in FY 1974 and 60 in FY 1975, and consistent with the growing number of projects completed each year with IBRD/IDA assistance (65 in CY 1973, 73 in CY1974 and 75 in CY 1975). Present indications are that this target will be closely approximated, with expenditure of slightly more than the originally planned OED manpower but with a field mission having been undertaken in about 85% of the cases, more than originally envisaged and in accord with the recommendations of the Joint Audit Committee during discussion of earlier PPAs.

4. By contrast, the work in Evaluation and Operational Policy Review[1/] has suffered severely from the staffing difficulties referred to above, as well as from difficulties in bringing certain studies to final fruition and occasional difficulties in scheduling the substantial work involved conveniently with borrowers. As a result of these factors, predominantly the staffing problem, and the elimination of the Population study from the FY 1976 program, the major objective of increasing the share of total Departmental effort devoted to work of this sort to 40% will not be achieved - it is likely to be only about 25% - and, in particular, the main study envisaged under the rubric of Operational Policy Review, on Project Supervision, will probably not be able to start before the end of the fiscal year. The difficulties in completing some of the studies that have been underway have generally resulted from conscious decisions to take the time to give them a wider base of cases covered - an improvement in Evaluation and Operational Policy Review studies that the performance auditing system was in part specifically designed to make possible - and from effort, which has always been unstinted in the Evaluation and Operational Policy Review work, to do full justice to any comments on draft reports, whether from borrowers, Bank staff or others, and even if received with delays.

5. Nonetheless, apart from final completion during the year of the first two Operational Policy Reviews and expected issue before the end of FY 1976 of two evaluation studyes (on Diffusion of Innovations and on Agricultural Credit operations) started earlier, there are other achievements to report. The Department has taken its first initiative in the difficult but highly important area of procurement under IBRD/IDA financing, with the study of sizes of contracts for which bid documents have to be pre-approved in Washington, and experience has shown that this study needed to be expanded

1/ This expression has been adopted in place of the earlier 'Management Policy Review', not to signify any change in the scope and nature of the work, which remain unchanged, but to be a more accurate description. Experience has shown that this work should deal, as it has done, with the sort of topics covered in the Bank's Operational Policy Memoranda, or instructions regarding the management of the Bank's resources, and at much the same level.

to cover procurement pre-approvals by the Bank more generally and the way in which they work under a variety of different national administrative systems; principal field-work has so far been done in four countries and is being extended to at least another four. Secondly, the planned experiment in inexpensive evaluation grafted onto performance auditing work, dealing with the distribution of benefits from port investments, has been proceeding satisfactorily and four port cases are expected to have been covered by early next fiscal year. Thirdly, small pilot efforts in the evaluation of consultants and technical assistance, which have been discussed for some time - one, a study with a railway borrower, at his request, of ten years of heavy consultant assistance and the other, an initial case-study of technical assistance in agriculture - have begun to show promise and should soon create a foundation for more extensive work in this important area.

6. Finally, two more general emphases in the FY 1976 program were on strengthening links with those responsible for the evaluation function in borrowing member countries and improving dissemination of Operations Evaluation findings within the Bank. Although we have continued to send our draft reports to the Governmental evaluation units of whose existence we have been aware and have responded actively to a few requests for advice from such units, nonetheless the shortage of senior staff has prevented taking the initiative intended, to visit some of the offices at work in this field - with a view to later undertaking joint studies. As regards dissemination of finding within the Bank, special efforts have been made to make particularly the principal reports concise and compressed, to draw attention better in all reports to the key issues covered and to prepare the first of what is intended to be a periodic index of such issues. These measures do seem to have played a part in stimulating

the demand for copies of OED reports, which is much greater than it used to be, and the operating departments appear also to have organized a considerably larger number of meetings than in the past to discuss evaluation and audit findings among their staff.

A Three-Year Perspective

7. Appointment of the Director-General has brought the Department wider responsibilities for appraising the adequacy and effectiveness of the Bank's evaluation system beyond the portion of it concerned with production of Project Completion Reports, and including project supervision more generally and the various internal mechanisms in the Bank for evaluating other parts of the organization's work such as country economic and sector work, research and training, and policy analysis and development. At the same time, the progress made in the last two years in developing and propagating the concept of the Project Completion Report has made it possible to prepare revised standards of performance auditing which should simplify and accelerate this work and thereby release manpower for the deeper evaluation and Management Policy Review work, without sacrificing effective review of projects as completed.

8. The principal time-saving involved in the new standards is elimination of the responsibility of the Operations Evaluation Department, except in a small minority of cases, to look into the main project files or prepare the first assessment of the Bank's own various decisions in connection with the project, by making these much more clearly the responsbi lity of the operating department responsible for the Project Completion Report. It is envisaged that OED will apply only three limited checks to the large majority of projects - a brief preliminary review of Board documents and the latest

supervision report on the projects to permit review with PCR authors of the issues that should be covered, a review of the completed PCR for comprehensiveness and consistency, and solicitation of comments on the PCR from the borrower. Experience to date suggests that it should be possible to carry out these checks effectively and prepare a brief corresponding audit memorandum in an average of two man-weeks direct expenditure per project. Planning at this stage is therefore based on the assumption that direct OED expenditure will be limited to two man-weeks for 75% of the PCRs to be covered, eight man-weeks for the 15% of PCRs selected for more thorough checking as a control-mechanism and four man-weeks for a further 10% of PCRs, to allow for cases where member countries raise, at the commenting stage, issues which require special attention of the OED. It is also hoped that the continued progress of the Bank's PCR production system will soon enable a further step forward, about a year from now, to reduce the OED checking simply to one reading of the completed PCR for consistency and comprehensiveness, against the background of the President's and appraisal reports, and solicitation of comments from the borrower, with the whole procedure not taking more than an average of half a manweek of OED time per project.

9. To illustrate the overall implications for OED manpower of the different ways of handling the project performance auditing responsibility, the following table shows the recent trend and three alternative approximate projections of total time required for PPA work: I, representing a straight extrapolation of FY 1976 experience; II, showing the implications of the revised standards described; and III, introducing the envisaged further reduction of checks in FY 1978:

Table 1

Time Required for Project Performance Auditing
(professional equivalent manpower)

	FY74	FY75	FY76	FY77	FY78	FY79
	-approximate		actual-	-----projected----		
No. of Projects	25	60	90	110	130	150
Projection I						
Ave. OED manweeks/project	10.7	6.9	5.7	5.7	5.7	5.7
Man-years Required	6.7	10.4	12.8	15.7	18.5	21.4
Projection II						
Ave. OED manweeks/project			5.7	4.2 a/	4.2	4.2
Man-years Required			12.8	11.6	13.7	15.8
Projection III						
Ave. OED manweeks/project			5.7	4.2	3.2 b/	3.2
Man-years Required			12.8	11.6	10.4	12.0

a/ This is an overall average, applying the amounts of time indicated in para. 8 to the 110 projects expected to be covered in FY 1977, with a 30% addition to cover contingencies and work in response to final commenting and an appropriate share of overall departmental management.

b/ This assumes direct OED expenditure of 8 man-weeks for 15% of PCRs, 4 man-weeks for 10%, 2 man-weeks for only 25% and half a man-week for 50%. Allowance is again made for a 30% contingency and commenting factor and for a share of overall departmental management.

10. As regards the total manpower available to OED, factors such as the recruitment and other difficulties previously mentioned have kept the total FY 1976 manpower, budgeted at 21.0 man-years, to little more than the 17.5 manyears available in each of the previous two fiscal years. In the medium run, the principal constraints which bear on budget planning should probably be considered to be (a) the opportunity cost to the Bank of diverting staff

from doing new operational work (and there applying the lessons of evaluation) to overviewing and carrying out evaluation and (b) the size of operation which it is feasible to run without sacrifice in the effective integration and innovative focus of the evaluative effort. What these considerations add up to quantitatively is obviously a matter of judgment, but a figure of somewhere around 25 man-years as a medium-term planning target seems reasonable.

11. Comparison of this figure with the last column of Table 1 illustrates the alternatives open to the OED. Since about 2.5-3.0-man-years can be expected to be pre-empted in each of the coming years by work on recurring obligations such as review of the Bank's evaluation system and writing of the Director-General's Annual Report, production of the Annual Review of PPA Reports, preparation of Closing Reports to earlier studies and related work, a total manpower of 25 man-years would mean that virtually no evaluation or Operational Policy Review work could be carried out in FY 1979 if recent past practice in project performance auditing had to be maintained. Application of the new standards and procedures (Projection II) should release enough manpower to do at least two significant studies of these types (which can be roughly budgeted at 2.0-2.5 man-years in the main year of execution), while introduction of the further simplification of procedures suggested (Projection III) would enable about four such studies, two in each of the two fields.

12. Consideration of the marginal value of further work along each of the different lines that the Operations Evaluation Department has developed, again necessarily a matter of judgment, leads to the tentative conclusion that every effort should be made to develop the Project Completion Report system as rapidly as possible along the lines that, without entirely eliminating OED verification of each such report and consideration of all for purposes

of preparing the Annual Reviews of Project Performance Audit Reports, will nonetheless release as much manpower as possible for the more thorough evaluation and Operational Policy Review work (i.e. Projection III above). The following approximate three-year perspective is therefore proposed:

Table 1

Approximate Three-Year OED Manpower Budget FY 1977-79 a/
(in man-years professional-equivalent manpower) b/

	FY 1976 Est. Actual	FY 1977	FY 1978	FY 1979
		------Projection---------		
Applications				
Project Performance Auditing	12.8	11.6	10.4	12.0
Annual PPA Review	0.3	0.6	0.7	0.8
Director-General's Annual Report	-	1.0	0.5	0.5
Closing Reports	0.1	0.9	1.0	0.9
Advice to Countries	-	-	0.5	1.0
Subtotal	13.2	14.1	13.1	15.2
Evaluation Studies	1.3	3.0	5.0	5.0
Operational Policy Review work	3.3	3.9	4.9	4.8
	17.8	21.0	23.0	25.0
Sources				
Senior Professionals	6.0	11.0	12.0	13.0
Other Professionals	5.8	6.0	7.0	7.0
Research Assistants	2.0	1.0	1.0	1.0
Consultants	4.0	3.0	3.0	4.0
End-of-year professional positions	14	18 c/	20	22

a/ Overall departmental management distributed across functional areas in this table.

b/ i.e. treating two assistant-level man-years as equivalent to one at the professional/consultant level.

c/ While total manpower proposed for FY 1977 is, at 21.0 man-years, the same as was originally budgeted for FY 1976, the number of professional positions is larger by 4 (18 against 14) because the accelerated systems for handling PPA work requires more full-time professional staff and less reliance on consultants and assistant-level staff. However two of the four new professional positions proposed are in replacement of four existing assistant-level positions.

This plan essentially envisages execution of main work on one significant evaluation and one Operational Policy Review in FY 1977 and on two of each for each of the two following years; and it allows a small amount of time in the year preceding and succeeding each study for preliminary planning and for completion of the work.

Proposed Program for FY 1977

13. Against the general framework sketched above, a specific program has been drawn up for FY 1977. Major factors which have been taken into account in preparation of this program are as follows:

- Views from many sources as to topics currently most in need of evaluative effort,
- Plans of other Departments of the Bank regarding work they expect to do with an evaluative component,
- Need to develop a capability to support the Director-General in his responsibility for assessing, and reporting on, the Bank's evaluation system more generally,
- Requirement of continued close attention to the PCR/PPA system as it moves into the further phase of development implied by the new statement of Evaluation Standards and Procedures,
- Desirability of closer integration of the various parts of OED work, so as to get most out of the PPA system, as underlined by Mr. Shoaib in his recent memorandum to the Executive Directors,[1/] and
- Capabilities of the staff and consultants foreseeably available for the period.

The program developed is presented in Table 3 at the end of this paper, with approximate indications of the manpower envisaged for each topic.

1/ "Operation and Impact of the Bank's Evaluation System", dated September 29, 1975, Board Document R75-194.

14. An important task in its own right in FY 1977 will be to prepare the first Annual Report of the Director-General, early in the fiscal year, and to lay the foundation for the preparation of the second. At this time, it is thought likely that the first Report might usefully concentrate on, first, giving a comprehensive view of the evaluation function in the Bank, and the expenditures on it by the numerous Departments involved to greater or lesser extent; and, second, attempting a preliminary assessment of the adequacy of its general scope and coverage, against considerations such as the broad purposes of the Bank, the distribution of resources among the Bank's different activities and programs, and the numerous policy initiatives approved by the Executive Directors (normally on the basis of special Policy Papers) over the last five years. Further work is envisaged over the course of the year to develop a greater familiarity with the various evaluation mechanisms, and to conceive and apply selective means of testing them, so as to enable a fuller assessment in the second Annual Report. Closing reports will also be prepared in FY 1977 on several recent studies, particularly the Highways and DFCs Evaluation Reports issued in 1974 and the Management Policy Review of Loan and Credit Effectiveness Delays issued in 1975.

15. As regards the new studies that might be undertaken in the fields of evaluation and Operational Policy Review - beyond the necessary completion of work on the distribution of benefits from port projects and on Bank approval of bidding documents - a number of alternatives have been considered. Particularly close attention was given to the possibility of a study on Project Execution Delays, to follow the already completed studies on Delays in Project Preparation and in Loan/Credit Effectiveness, and to studies on experience in early appointment of project management and problems in project start-up and commencement of loan/credit disbursements. But it was felt that the first subject

was rather too massive for very useful conclusions to be obtained with the relatively small resources available in FY 1977 (it is moreover covered significantly in the regular Annual PPA Reviews), while, on the other two, important changes in Bank policies and practice have been occurring and it might be preferable to delay a study until it was possible to examine the results of such changes.

16. On the other hand, these subjects would be partially covered in a study plan focussing on Project Supervision as the main topic for Operational Policy Review in FY 1977, and on experience with Built-in Evaluation and Monitoring Systems as the main topic for Evaluation work. Such an integrated study plan, dealing with two quite closely related topics and bringing in also the on-going effort on bid document approvals and technical assistance in agricultural project implementation, would have the additional advantages, at this particular stage, of (a) strengthening the Department's capability to assess the Bank's internal evaluation system, of which project supervision and project monitoring mechanisms are important components, (b) enabling more efficient use of manpower by inclusion within the 15% of projects to be reviewed in greater depth under the PPA system cases where an evaluation/monitoring function was included in project design[1/] or where important supervision issues arose, (c) helping to build up the Department's experience of, and contacts with, evaluation units, at least at the project level, in member countries, and (d) contributing to better understanding of problems in areas to whose importance earlier studies by the Department have already drawn attention.[2/]

1/ Several of the earliest loans/credits where such special provision for monitoring was made are coming up now for performance audit: for instance, Loan 666 (Chile Education) and Loan 620/Credit 156 (Paraguay Livestock) as well as various agricultural credit projects.

2/ The "First Annual Review of Project Performance Audit Results" (Board Document SecM75-692 of September 26, 1975) underlines the importance of adequate project supervision and suggested that it might need sometimes to be more radical. The "Closing Report on Actions Relating to Recommendations of the Evaluation Study of Bank Operations in Colombia" (Board Document SecM75-624 of September 3, 1975) and Mr. Shoaib's covering memorandum urged further action by the Bank to support the development of project monitoring and built-in evaluation.

17. Therefore, the two principal studies envisaged for inclusion in the FY 1977 Program, both partly drawing on on-going Project Performance Auditing work, are:

(a) Operational Policy Review of Project Supervision: designed, against the valuable background of the Project Advisory Staff's recent general paper on Project Supervision,[1/] to help answer the frequently asked question of whether the Bank is spending the right amount on this type of work (some 15-20% of total operational manpower financed out of the Bank/IDA budget) and in the best way, by means of detailed analyses of the actual and potential contribution to development of supervision activities in a sample of actual cases and pursuit of the now rather numerous ideas about project supervision suggested by borrowers and Bank staff to the OED in the course of its other work.

(b) Evaluation Study of Early Experience with Project Monitoring/ Evaluation Units: designed to complement a current Bank effort to improve these systems, and the advice the Bank can give on their establishment, with a systematic review of experience to date, concentrating on the few cases where projects with such built-in and continuous monitoring and evaluation have already been completed (at least in first phase) and selected cases approved since the Bank's efforts in this direction became more widespread (in 1973-74).

18. In FY 1978, when OED should be in position to provide more manpower for the evaluation type of work, the main focus should probably be turned again to the more fundamental questions of project selection and project design which dominated much of the early efforts of the Department and especially

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1/ Board Document R76-34, dated February 19, 1976.

the comprehensive evaluation of Bank efforts in Colombia. This is not to say that a study of quite the scope attempted there could or should be repeated. The important questions to be asked, about whether the Bank has been doing the correct mix of things in light of country's objectives and preferences and the activities of other foreign assistance agencies, can only be answered on any wide scale in the Bank's country economic and sector reports, to the running evaluation of which the Bank's central staff departments are beginning to give attention; one interest in the Director-General's Annual Report will no doubt be the extent to which this type of self-evaluation of Bank country programming is effectively being done. But the OED should be able to contribute usefully with some small focussed studies, and this is why the FY 1977 Program includes provision for initial steps to prepare two Evaluation Studies tentatively envisaged for FY 1978: one a multi-country study of Bank assistance for education; and the other a study of Bank assistance and advice to the rural/agricultural sector in one country where the Bank's interests extended broadly over sector activities, as a preface to a possible subsequent multi-country study in this area. It is also expected that continuation of current pilot work in evaluation of Bank-supported technical assistance and in the use of consultants could lead to a stage where a more ambitious effort to deal with policies in these fields could be undertaken in FY 1978.

19. Finally, the two concernes mentioned earlier in connection with the FY 1976 Program - links with evaluation units in member countries and dissemination of OED findings and results - naturally remain areas of abiding interest. As regards the first, besides maintaining the links already built, and responding to requests for advice, the Department has included a small provision in its FY 1977 budget to enable it to help meet the costs of one or two member country officials on training assignment with it - one such arrangement of this type is

currently under discussion - and it also plans a serious effort to explore with a few interested member countries how cooperation on evaluation might be carried further. As regards the diffusion of its studies and findings, the Department will continue to pay special attention to all opportunities for facilitating and increasing this and currently has under review what improved shape to give to the cumulative index reports on issues covered in its work which it initiated last year.

20. To accomplish this enlarged program, at higher quality standards than attained in the past - particularly as regards understanding of the opportunities and difficulties the Bank faces in its work - and to build the foundation for further advance in the future without excessive increase in manpower, the Director-General has determined to bring into the Department a great deal more maturity and experience of Bank operations than it has had in the past. The process of transformation is still underway. A significant recruitment effort - drawing on staff with operating experience in the Bank wherever possible - is still required to reach the manpower needed to fulfil the program outlined. However, the Department is in a stronger position, in terms of positions satisfactorily filled or firmly committed, at the higher levels than it was one year ago, and it is therefore hoped that the sacrifices to the program during the course of the year will, at the least, not be of anything like the magnitude that they have been in FY 1976.

Table 3

Detailed Proposed OED Work Program FY 1977
(in man-years professional-equivalent manpower)

	Man-Years[a/]
1. Project Performance Auditing (110 projects)	11.0
2. Annual PPA Review	0.6
3. Evaluation	
Finish Ports (Distribution of Benefits) Study	0.5
Closing Reports: DFCs and Highways	0.5
Study Project Monitoring/Built-in Evaluation	1.5
Prepare Multi-country Education Study	0.3
Prepare Rural Dev. Ops. in a Country	0.3
Other Miscellaneous	0.3
	3.4
4. Operational Policy Review	
Finish Bid Documents Approval Study	1.0
Closing Reports: Loan Effectiveness and Project Preparation	0.4
Study Project Supervision	1.9
Continue Work Tech. Assistance and Use of Consultants	0.6
Other Miscellaneous	0.2
	4.1
5. Director-General Annual Report and Systems	0.9
6. OED Overall Management	1.0
	21.0

a/ Note that manpower quantities shown differ slightly from those shown in Table 2 because overall management is here separated out as a specific category whereas it is distributed in Table 2 and Closing Reports are divided between Evaluation and Management Policy Review depending on the class of report to be 'closed'.

Copies (1) Mr. Weiner.

You will be interested in this note of Mr. Barrie's. Mr. Sulaiman has long expressed essentially the same conclusion, but from a different point of view: namely that, due to small size of Mr. Knapp's office, there is no proper mechanism for conveying the case-history decisions accumulated by the Bank and so change in procedures is much slower than it would be if there was a better mechanism for disseminating this part of experience — eg. the decision in Mahaweli Ganga that it was really quite surprisingly to have required prior approval of key staff.

(2) Mr. Barrie

Very interesting paper. My view would rather be that if CPS was doing its job vis-à-vis evaluation this would fill the gap. It is beginning to in some areas, like agriculture & education. I would go to the Transport Dept with the same hopes, but possibly my view would change then.

CRW

Feb 7 1976

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FEB 9 1976

ATTACHMENT

List of political memoranda sent by the European Office
November 27 - December 29, 1975

To William Clark:

12/1	House of Commons debate on overseas development
12/2	International debate on development among socialists
12/3	Bundestag aid debate
12/5	East German view of the Bank
12/10	DAC meeting on public support activities, November 27
12/16	Dutch aid situation
12/24	North-South dialogue; first ministerial meeting of the Conference on International Economic Cooperation (CIEC)

To Michael Hoffman or Shirley Boskey:

11/28	DAC - Aid Review of Austria, November 24
12/3	DAC - Working Party on Financial Aspects, Meetings on Nov. 25-26
12/5	DAC - Working Party on Assistance Requirements, December 5
12/15	DAC - New Zealand Aid Review, December 8
12/15	DAC - Informal Meeting, December 11

To John Merriam:

12/10	Two friendly Swedish press clippings
12/16	Press interview with Carl Lidbom, Swedish Cabinet Member
12/18	Letter on JUNIC Meeting, Geneva, December 10-12

To Peter Cargill:

12/16	Borrowing in Germany

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~~CONFIDENTIAL~~

T.W. Berrie
January 19, 1976

PUTTING INTO PRACTICE THE FINDINGS FROM ORPERATIONS EVALUATION

- APPERTAINING TO THE WORK OF OPERATIONS EVALUATION
- APPERTAINING TO THE JURISDICTIONAL BOUNDARIES

THE PREMISES, MAJOR

1. There is a process by which (a) the findings from operations evaluation are digested in the light of the Bank's operations and (b) the outcome from this digestion is communicated clearly to those who have to carry out any revision of the "bureaucratic" means by which the Bank operates (Operational Memoranda, Central Projects Memoranda, Organisation of Departments, Jurisdictional Boundaries, etc.), in the light of the findings from operations evaluation.

2. The process mentioned in 1. above should be seperate from both the operations evaluation work and the revision of the "bureaucratic" means by which the Bank operates.

THE PREMISES, MINOR

3. There is a quite distinct communications need, of a specialized nature, between those who do operations evaluation and those who guide the means by which the Bank's operations are carried out.

4. Those who fulfill this communications need must ensure that the work of operations evaluation, and the work of those who guide the means by which the Bank's operations are carried out, are neither without relevance to each other nor too much distracted by each other.

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THE DISCUSSION

There is an important function, separate in its own right, which is usually overlooked in the whole organisational functions "tree" of any firm. This function is that of disinterestedly analysing and digesting the messages ("error signals") which are coming from those whose job it is to independently examine the worth of the firm's operations, and passing on their findings to (communicating with) those who are engaged in the details of how the operations of the firm should be changed to meet the dynamic needs of the customer and, to a lesser extent, the perceptions of the shareholders. Yet this important function is usually overlooked (due to mainly historical reasons of how the various functions within the firm have grown up), and parts of it are unconsciously carried out by people whose main job it is to do other things, which may well be in contra-distinction to the part of this function they are carrying out, as well as contradicting its purpose.

Those who carry out this particular type of communications function must be able to act quite independently of those carrying out operations evaluation and those guiding the Bank's details of operation. If they are not reasonably independent of operations evaluation work then they will be influenced too much by the "error" signals". If they are not reasonably independent of the detailed guidance of the Bank's operations then they will be too much influenced by the difficulties of "changing course". In one case, the former, there would be a situation development of over-reacting, reacting too quickly (there must always be a "dead-band" within which no action is taken with respect to error signals, otherwise changes will be erratic and may be made to accommodate error signals

which are not part of a sustained trend), and underestimating the amount of "cost" of change compared with the amount of "benefit" from change. In the other case, the latter, there would be a situation develop of under-reacting (the "dead-band" would become too large") reacting too slowly. It is so easy to want to wait one more year to see if a new "trend" has established itself, and an underestimation of the amount of benefit which is likely to be derived from change, compared to the cost of change.

There is just as great a need for those who carry out the functions of (i) operations evaluation and (ii) guiding the detailed operations of the Bank to be independant from those who carry out this particular type of communications function. If those who carry out the operations evaluation function are not reasonably so independent, then their work will lose some of its independence (this argument is not to be confused with that of the operations evaluation people knowing what the objective function of the Bank currently is, which is paramount and undisputed), in that they will be continually tempted to "look over their shoulders", in both their methodology (means) and their findings (conclusions) to see whether this fits in with the details of operations and making operational changes. If those who carry out the function of guiding the detailed operations (the bureaucracy of the Bank) are not reasonably independent from those who carry out this particular type of communications function, then their work will lose some of its "briskness" (by attempting to ensure that they never issue guidance which may be not quite in line with the current atmosphere on the need for change, which varies frequently), its directness (by "looking behind its back" before finalizing anything and its "sympathy" with those who have to operate within the Bank's objective

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function (by having the twin masters of digestion of error signals and having to apply the results from the digestive process).

THE KIND OF PEOPLE

The kind of people needed to carry out this somewhat special type of communications function should be (a) senior, (b) broad-based across sectors and disciplines and (c) have a first-hand knowledge of the Bank's objective function and its practical detailed method of operation, over some considerable period. They must be "senior" to carry out the function (this does not mean that they would not need a few "chasers") in that they would need to discuss, argue, persuade, cajole with senior people on the operations evaluation side, and on the side of those responsible for guiding the Bank's operational work. For example, they will very much need to find out what the evaluators have really found out, what those who guide the Bank's operational strategy really think they want, and whether what the evaluators have found out can be expected to help fulfill these wants. They will also want to know the quality and the quantity of the "error signals" found by the evaluators (as well as what they are), and this can only be done at senior level where the across-the board picture is known. Thekind of people needed must be multi-disciplinary and multi-sectional as they will have to communicate directly and themselves with people who have been investigating these sectors/disciplines and/or are experts in them; they must have known the Bank well because their diagnosis of what error signals have been found, and how important they are, and how they fit into the perceptions of what those

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responsible for giving guidance on how the Bank's operations should be carried out, depends upon an excellent first-hand knowledge of the Bank.

WHERE THEY SHOULD BE LOCATED

What kind of people these should be cannot be divorced from where in the Bank they are located, so that the latter question is taken as within the same sub-set as the former here. In the present-day Bank, the people responsible for this special communications task between the evaluators and those who guide the operations of the Bank could be located with either the evaluators; with the operational guide-line makers (i.e. with one of those between whom they are trying to carry out a difficult task of communications); or with neither. The disadvantage of locating the communicators with those between whom they try to ensure communication has many disadvantages. The major disadvantages are loss of independence, possible loss of integrity, danger of being "swamped" by a larger group within which they are a part and being mixed up in interdepartmental "politics". The disadvantages probably much outweigh any advantages, and this means that the "communicators" should be located with neither. In the present-day Bank, this means that they can only be located with the President (the diagram below shows that the communicators form also a "bridge" between the Executive Directors and the Management of the Bank), which is impossible because the President is "ex officio" a member of the Board of Executive Directors; or be located with the Executive Vice-President. Upon examination the latter location is to be recommended, partly because of its unique position, partly because of its own location in the Bank and partly because there are already a number

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of senior, well-experienced, multi-disciplinary, multi-sector people in that location. Thus the communications group, slightly expanded, would form a small "Staff of the Executive Vice-President", a sort of "General Staff" of the Senior Vice-President for Operations.

Executive Directors

President

Operations Evaluation

Executive Vice-President

General Staff of Executive Vice President

Central Projects Staff

Regional Vice Presidents

OFFICE MEMORANDUM

TO: OED Files

DATE: October 8, 1975

FROM: C. R. Willoughby CRW

SUBJECT: Recent Discussion with Dr. Sen, Indian Executive Director

In delivering the 'advance copy' of the PPA Report on Indian Industrial Imports Credits to Dr. Sen on Wednesday October 1, I had a wide-ranging discussion with him about various current aspects of Operations Evaluation, particularly follow-up and the effect of the work on Bank operations, which gave rise to the following principal points:

1. The study on Effectiveness Delays and what the Bank was really going to do about the suggestions would, he thought, be one major focus of the October 28 Board discussion on Operations Evaluation.

2. Present discussions of PPA reports between Operations Evaluation and operating staff seemed to be much too largely confined to questions of fact or historical judgment, instead of going on to deal with what the operating departments were now doing about the lessons identified.

3. In illustration of his point at the recent JAC Meeting about the need for Management Policy Review really to cover substantive policy questions, not merely procedural issues, he added to the stress of various JAC members on the need for review of Bank's procedures on consultant appointment: he felt there were real questions to be asked not only about the Bank imposing its procedures on borrowers (the point touched on in the Loan Effectiveness Delays report) but also about the validity of the Bank's preferred procedures themselves, with the small place they give to price competition. He cited a recent case which had particularly concerned him, and led to a management consultant contract of over $8 million, compared with about $5 million originally estimated and $11 million initially asked by preferred firm.

4. He was worried that Board discussion and emphasis on the Loan Effectiveness Delays report without the other parts of the trilogy (Project Preparation and Implementation) might lead to Bank reducing such delays only at the cost of building up delays in the period before loan signature; it was the whole cycle which needed to be compressed.

5. Project Appraisal Reports or President's Reports should include Project Start-up Schedules.

cc: Messrs. Shoaib
Weiner

CRW/aga

OFFICE MEMORANDUM

TO: OED Files

DATE: October 1, 1975

FROM: C. R. Willoughby CRW

SUBJECT: Meeting with Mr. W.A.E. Green, New Zealand ED, September 30, 1975

Following Mr. Green's remarks, at the Joint Audit Committee meeting last week, about his 622 recommendations and effective way of following them up, I went yesterday morning to discuss matters with him and his assistant, Mr. Douglas, to see if I could learn anything of use to ourselves.

The following points of interest emerged from trying to compare his experiences in the New Zealand Government with our situation:

1. Try more to give even a hortatory recommendation a specific reference: e.g. require that it be included in the appraisal check-list for the next one year.

2. Conceive a mechanism with built-in checks and balances for reporting on extent of fulfilment of recommendations, to relieve burden on OED: difficult within Bank, but perhaps possible via committees of Country Programs people, to represent the "countries", plus Projects people to represent "the Bank".

3. Consider preparing periodic follow-up reports, perhaps every three months, in a very simple form, so that Bank management could ride herd on Vice Presidents whose offices were not acting on some particular point.

4. Consider using Joint Audit Committee as an outside Senior Advisory Council to seriously review recommendations and receive periodic follow-up reports. I pointed out this would be a major extension of present terms of reference; they reminded me Director General would be reporting to Board.

5. Send formal Bank management response to some sets of recommendations (e.g. Loan Effectiveness Delays) to Board, so that countries would receive and could raise issues directly with operational staff, if they did not think they were receiving treatment consistent with Bank latest policy.

Mr. Green did add that Mr. Shoaib's memorandum, just received, did answer some of his questions; he had not realized before about the Closing Report system, but he hoped their system of follow-up, relying extensively on joint working parties and Ministry-Agency-Private Sector Councils, could have some bits of relevance.

They also mentioned a couple of other ideas. First, would it not be a good idea to bring staff of country Evaluation Units for employment or on-the-job training assignments with OED. Second, there was a great need for

guidelines and manuals from the Bank; it was extremely difficult to get Bank help even on the simplest of things, like writing of consultant terms of reference, unless the particular projects officer assigned happened to have experience. I pointed out the latter point corresponded closely to a finding of ours in the study of Project Preparation underway.

cc: Messrs. Shoaib
Weiner

CRW/aga

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Operations Evaluation Department Files DATE: August 8,1975

FROM: C. R. Willoughby

SUBJECT: Progress of Operations Evaluation Work

At a meeting attended by Mr. McNamara, Mr. Shoaib, Mr. Kearns and myself this morning in Mr. McNamara's office, it was decided that:

(a) We should prepare an immediate report to Mr. McNamara listing by region (or COPD, where relevant) all projects for which loans and credits became fully disbursed six months or more ago and on which a Project Completion Report is still awaited.

(b) We should prepare a similar report to Mr. McNamara at the end of each month.

(c) PPA Reports should above all continue to be produced on each project completed with IBRD/IDA assistance.

(d) More thought should be given to ways of maximizing the lessons to the Bank that can be drawn from studies already done, particularly the PPAs, and, especially, of increasing Bank absorption of these lessons.

(e) Special emphasis should be given to the item in the OED 1976 Work Program referring to relations with Evaluation Units and Government agencies concerned with evaluation in the member countries and the need to strengthen them. OED should come up with ideas as to what the Bank should do about it.1/

(f) OED schedules for issuance of final reports should be more realistic, particularly in the sense of allowing enough time at the end for the most dilatory of commentators, within reason.

Mr. McNamara said that two points which had struck him, from reading PPA Reports, were the Bank's original deficiency in not assuring that data would be gathered to show whether or not the project was fulfilling its purpose and the need for the Bank to keep its attention on major risks rather than to be sidetracked into minutiae.

I affirmed a target of September 15 for the PPA Review to go to the Board but this, like the targets we have used up till now, is one that does not allow for long delays in commenting; I hope it will not be subject to those.

cc: Mr. McNamara
Mr. Shoaib
Mr. Kearns

CRW/aga

1/ OED has of course been pressing the Bank on the issue of Project Evaluation Units since mid-1972 and most strongly since mid-1974, with less than satisfactory results, as will be covered in the forthcoming Closing Report to the Colombia Evaluation Report.

JOINT AUDIT COMMITTEE

JAC/75-6

FROM: The Acting Secretary,
Joint Audit Committee

March 14, 1975

OPERATIONS EVALUATION DEPARTMENT

Progress of Work and Program for FY 1976

Attached for the Committee's consideration at its meeting on Wednesday, March 19, 1975 is the Progress of Work and Program for FY1976 of the Operations Evaluation Department.

Attachment

Distribution:

Committee	Others
Mr. Choi Siew Hong	President
Mr. Gavidia	Mr. Broches
Mr. Hori	Mr. Cargill
Mr. Isbister	Mr. Shoaib
Mr. Khelif	Mr. Dillard
Mr. Wahl	Mr. Gabriel
	Mr. Rapley
	Mr. Rotberg
	Mr. Scott
	Mr. Willoughby
	Secretary

OPERATIONS EVALUATION DEPARTMENT

Progress of Work and Program for FY 1976

The purpose of this paper is to review the progress of the Operations Evaluation Department in execution of the FY 1975 Work Program approved by the Joint Audit Committee on June 26, 1974 and to outline an expanded program for FY 1976. The principal focus of the FY 1975 program was to get going a comprehensive system of Project Performance Auditing developed over the preceding months as a broad base for all evaluation work; this has gone fairly well, and most of the items envisaged under the other smaller categories of work have also been carried out as planned, but with some delays from target schedules for completion of final reports. It is proposed for FY 1976 to further consolidate and develop the Project Performance Auditing (PPA) system, to expand on the initial experimental work done in the area of Management Policy Reviews (MPR) and to take up again new evaluation studies. Points of particular emphasis within the overall program are to develop stronger performance auditing for agricultural projects and to improve the dissemination of audit/evaluation results within the Bank Group with a view to enhancing their impact. The total amount and broad allocation of Departmental effort (including consultants) envisaged for FY 1976 is summarized below (in terms of professional-equivalent man-years), with recent prior years shown for comparative purposes:

	FY'72	FY'73	FY'74	FY 1975 Plan	FY 1975 Actual	Proposed FY 1976
PPA System	-	3.0	6.7	11.6	10.4	12.2
Evaluations[a/]	9.0	11.0	9.3	2.5	3.4	4.3
MPR work	-	-	1.5	3.4	3.4	4.5
Total	9.0	14.0	17.5	17.5	17.5	21.0

a/ including follow-up to earlier studies.

The remaining paragraphs of this paper discuss the major components of the current and proposed Work Programs individually.

Project Performance Auditing (PPA) System

The base of the Bank Group's emerging audit and evaluation structure is the Project Performance Audit Report, prepared for all projects assisted by the Bank and IDA about a year after completion of loan/credit disbursements, assessing the actual effectiveness and efficiency of the project and of the Bank Group's participation in it in achieving the objectives envisaged at the time the loan/credit was made. FY 1975 saw the start on a large scale of a system for preparing such reports making use of Project Completion Reports produced by the Bank operating departments.

At the outset of FY 1975 it was envisaged that it might be possible to carry out performance audits of some 70-75 projects over the course of the year, compared with about 25 the preceding year, and we still expect to meet this target or come very close to it. Actual delivery of completed reports to the Executive Directors (after full consideration of comments from borrowers and Bank staff and sometimes others involved, such as consultants, on drafts), which amounted to 12 (on 13 projects) in all of FY 1974, reached 12 (on 14 projects) in the first half of FY 1975, 11 (on 13 projects) in the first two-and-a-half months of this calendar year and is expected to amount to a further 30 (on perhaps 33 projects) before June 30. The pace of production has thus been growing well towards the magnitudes implied by the number of projects completed with Bank and IDA assistance in recent years - 65 in calendar year 1973 and 77 in calendar year 1974.

Part of the year's effort was also to be devoted to helping the operating departments to fulfil their responsibility to produce Project Completion Reports for all projects within six months of completion of loan/credit disbursements by discussing schedules with them and advising on terms of reference and coverage, and this has been underway. There have been substantial shortfalls from schedules agreed, and we have occasionally had to step in and carry out the performance audit without the aid of a Bank Group Project Completion Report, but we believe that good progress is being made in understanding of the purpose and nature of Project Completion Reports, and we are hopeful that operating departments will be able to adhere better to schedules and to catch up with the backlog of reports due, as the concept and the work involved have become more familiar.

While all PPA Reports attempt to adhere to a basic standard of objective reporting on the extent of achievement of project objectives (with special emphasis on economic return) and the reasons for shortfalls, the detail and depth of those produced and underway varies considerably. This, we feel, is as it should be, because projects raise problems of very varying seriousness and significance to the Bank.

It was also envisaged that by about the middle of the current fiscal year enough PPA Reports would have been produced to make it worthwhile to carry out the first of what we expect to be an annual Periodic Review of PPA Results. Work on such a Review, covering some 40 PPA reports produced to date, has been underway since February and, though it is proving more dificult than expected to produce a useful composite analysis, due to the great variations of patterns among projects and the long time-span (but rather limited sectoral distribution, with exceptionally heavy concentration in transport) covered, we hope to have the report in final form before the end of FY 1975.

The still imperfect functioning of the system for production of Project Completion Reports, the fact that relatively few projects in some sectors have so far been covered by PPA Reports, the considerable utility that PPA Reports are proving to have in identifying projects that raise

issues relevant to other studies we are doing, as well as the importance of having an independent reassessment of likely economic returns on each project soon after its completion are all factors prompting us to maintain comprehensive PPA coverage of all completed Bank/IDA projects for the present, rather than to adopt a sampling approach yet. Consequently we plan to carry out performance audits of some 90 projects in FY 1976. But within that framework we want to be even more selective than in the past, preparing a basic report on all 90, but concentrating resources, as much as we are able by better preliminary work and foresight, on those projects that raise important problems and issues, particularly of Bank performance. Hence the tendency already visible for some PPA Reports to be more in the nature of small-scale evaluations, while others are very brief, may be expected to become more marked. In particular, in view of the greater difficulty of preparing satisfactory PPA Reports on agricultural projects and the importance of Bank present and planned lending in this area, we need to develop our performance auditing techniques and experience in this sector.

We would also envisage preparation, in the second half of FY 1976, of a second annual Review of PPA Results, covering essentially PPA Reports issued during calendar year 1975. There may come a time when such Reviews, perhaps more frequent or by sector, should be the sole, or almost the sole, final output of the PPA System - the majority of individual reports being held in our files or only narrowly circulated - but we do not think this time has come yet.

Evaluation Studies

Evaluation Studies, in the narrower and more specific sense of the term, are deeper reviews of groups of projects, selected around some common theme - such as Bank/IDA policy with regard to lending and other assistance for a specific sector - in respect of which they generally result in some suggestions or recommendations, unlike the PPA Reports which, being limited to one project or two in a series, can yield only tentative lessons. In the interests of concentrating on launching the comprehensive PPA System, no new Evaluation Studies were to be begun in FY 1975 but work was to continue on completion of the studies initiated in FY 1974 and on follow-up of the recommendations contained in earlier studies.

The first draft of the report on the principal Evaluation Study undertaken in FY 1974 - on Agriculture Credit Lending - was circulated outside the Department in February 1975, some months behind original schedule due to greater than expected difficulties in analyzing and bringing together all the information collected in the five country case studies carried out, each involving a survey of a sample of borrowing farmers. The next months are likely to see valuable discussion of the report within the Bank Group, with some of the countries covered and with other outside specialists, and we hope to have the report in final form in the first half of next fiscal year. Reports on the other smaller Evaluation Study for which field-work was done at the end of FY 1974 - on the Diffusion of Innovations from Bank-supported Projects ('Spread

Effect'), based on three case-studies - have been produced on schedule, and we hope to have a brief, operationally oriented synthesis available and distributed to the Executive Directors within the next two months.

As regards evaluation follow-up work, the main jobs, as expected, have been the completion, discussion and revision of 'Closing Reports' reviewing interim Bank action on the recommendations contained in the original evaluation reports (on Bank operations in Colombia and in Electric Power) issued in 1972, and further pursuit, principally with the relevant CPS Departments, of the recommendations contained in the evaluation studies on Highway Projects and on Development Finance Companies issued in 1974. The Closing Reports have taken much longer than expected to get into final form because it became apparent, after they were first drafted, that their circulation and discussion in the Bank was in itself useful in disseminating again the original reports' emphases and, in the case of one or two outstanding issues, inducing definite decisions one way or the other. The Closing Report for the Power project evaluation should be distributed to the Executive Directors very shortly, while that for the Colombia study should be finalized within the next few months. Discussion of the operating departments' draft responses to the recommendations of the 1974 evaluation reports is still continuing, but we hope to receive them in final form within the next month or two, whereupon they will be filed, ready for the review that we should undertake in a year or two's time in order to prepare the corresponding Closing Reports.

In FY 1976 we intend undertaking two new Evaluation Studies: one on Port Projects, focussing particularly on the complex but important issue of the division of benefits between host country and other parties, which has emerged in some of the port PPAs that we have done; and the other on Population Projects, constituting a mid-term reassessment oriented to trying to draw the lessons of experience in this field more quickly than will be possible under the normal PPA/Evaluation system, since loan/credit disbursements have been somewhat delayed. The Population Projects Evaluation will evidently constitute an independent assignment, of a new type for us, which we intend to accomplish with one Departmental staff-member and a number of specialist consultants, but the Port Projects Evaluation is intended to be done at very low marginal cost by appropriate orientation and focus of the PPA studies of port projects that we plan anyway to execute in FY 1976.

Active evaluation follow-up responsibilities in FY 1976 are likely to be mainly confined to the Agricultural Credit study, although some work may be appropriate in connection with other recently completed evaluation reports. Further Closing Reports are not envisaged before FY 1977.

Management Policy Reviews

Management Policy Reviews, a new approach initiated only early last year, take a particular Bank policy or procedure and study its application in a number of cases, generally relatively recent, with a

view to establishing its effectiveness and the possibility of need for change, in a more expeditious and highly focussed way than is possible with the normal performance audit or evaluation study in which all aspects of a project are examined. Nonetheless, as in those studies, the main criterion of assessment is again contribution to member countries' development.

The two studies begun in parallel early in 1974 are a small one on Loan/Credit Effectiveness and the time required for this, and a larger effort on Project Preparation (with special focus on the period before Bank appraisal). Specifically intended to identify problems, if any, rather than to yield a comprehensive audit-type view of policy performance, these studies have concentrated mainly on detailed examination of a number of believed problem cases - 10 for the first subject and 4 for the second - which have been discussed extensively with the borrowers and the Bank staff concerned. Verification of the broader relevance of the issues and problems identified cannot economically be done by means of further case studies in view of their relatively high cost, but has to be based on techniques such as statistical analysis, opinion survey and selective use of PPA results. Executive Directors responsible for borrowing member countries have kindly cooperated in execution of a questionnaire-survey, now underway, of Bank and IDA borrowers in 1974, in support of the study on Project Preparation problems.

Execution and full discussion of the underlying case studies, and especially this broadening of the base for any tentative conclusions reached, have taken longer than expected. Moreover, once done, in order to be of greatest operational use, the results have to be carefully synthesized into a brief general paper giving only the minimum necessary illustrations from the case-studies. We think we are finding the solutions to these problems and hope to have the first product of the Management Policy Review work - a paper on Loan Effectiveness - ready for the Executive Directors in the next month or two. A corresponding brief paper on Project Preparation should be completed early next fiscal year.

The difficulties of this experimental work have prevented any significant start to date on other possible topics envisaged for this type of treatment. Moreover, of two small supplementary pilot-studies envisaged for FY 1975 in the area of Borrowers' Use of Consultants, one suggested by a particular borrower has not actually been able to start due to his other preoccupations in the meantime, but the other, on the role of consultants in agricultural development and problems of borrower-consultant relations in this field, is just now beginning on a small scale. These pilot efforts are intended to lead to broader work on this important general subject at a later date.

FY 1976 will require some follow-up on the suggestions and recommendations emanating from the two principal studies that have been underway in this field. But the year's main effort would be a thorough assessment, on the basis of statistics and more especially detailed evaluation of individual cases, of the purposes, effectiveness and allocation of Bank

work on Project Supervision, with a view to reaching conclusions as to whether Bank expenditures on it are of the appropriate magnitude, and practical suggestions as to how expenditures could be made more effective. Two other, much smaller studies are envisaged on highly focussed questions: (1) Is the Bank setting too low the size of contract for which it insists on approving bid documents before they are issued? (a doubt that arises from various PPA studies) and (2) What is the feasibility and desirability of appointing Project Managers early so that they can participate in project preparation and appraisal and move straight into execution? A start on the first of these two questions is envisaged within the next few weeks.

Other Issues

A matter of constant concern to us is to strengthen relations with member countries, so as to be able to study any problems that borrowers may possibly encounter in their dealings with the Bank, and so as to try to cooperate with them in any relevant evaluation work where we could possibly be of assistance. Exchange of correspondence on the drafts of our reports is beginning to be most useful in these respects. Additionally we have over the last year, with the help of UNDP and its field offices, carried out a survey to identify Governmental evaluation units, existing or planned, in member countries. We have recently prepared a brief summary of the results of this survey and we have made it Departmental policy to take the opportunity of missions overseas to visit such evaluation units where they exist as specifically so-designated entities and to send the drafts of our reports not only to the borrower and his Government, as hitherto, but also to the official concerned with evaluation work.

Another subject of special importance to us at the present time, when we are beginning to produce large numbers of small reports, is the dissemination of the results of evaluation/audit work among Bank Group staff members, whose attention it is vital for us to attract if the lesson-learning part of our function is to be effective. Brevity of reports, good summaries, active follow-up to recommendations and suggestions, Periodic Reviews of PPA Results are only parts of the answer. Related discussions in the Board of Executive Directors clearly help greatly in this process. But we have to give closer attention, and probably more individual effort, to the distribution of copies of our reports to appropriate staff members. And the time has probably come to take up a Bank staff suggestion of preparing a kind of Concordance of OED Reports, identifying, by report and page-number, discussions of issues of operational importance to the Bank. We intend to give special attention during the coming months to finding and implementing the best solutions to the problem of bringing the results of our work most usefully to the attention of Bank staff.

OED Staffing and Organization

Major changes over the last twelve months have been the replacement of four of our more experienced junior staff members, all former

Young Professionals who left appropriately after about three years' experience in this rather specific type of work, and sharp reduction of the number of Assistant level staff in favor of a modest increase in Professional level staff, a change designed to improve our capability to handle large numbers of small individual project studies. For this same purpose we have also had underway a major effort to strengthen the supervisory structure of the Department, so that the very heavy administrative load involved in the production of so many reports can be effectively decentralized and reports may receive the appropriate amount of internal verification in addition to the crucial verification for which we rely on borrowers and Bank staff. With the changes made, our full-time professional staff has increased from 10 at the outset of the fiscal year to 12 now and should rise to 14 at the beginning of FY 1976, but in order to execute the planned program effectively we need to recruit two staff members combining experience in Bank work with experience in agriculture, a problem causing us great current concern because of the overall shortage of such staff in the Bank but for which we are seeking assistance from Bank Management.

March 12, 1975

Mr. Mohamed Shoaib, Vice President

October 16, 1974

C. R. Willoughby

CONFIDENTIAL

Conversation with Mr. Rex Browning, UK Alternate ED

Following your suggestion, I had a useful conversation with Mr. Browning this morning about Operations Evaluation, referring to the memos from Messrs. McNamara and Sethness recently circulated and some of the operational problems of doing effective evaluation.

Mr. Browning, speaking after discussion with his colleagues, said he was concerned that increased emphasis on independence, particularly constitutional separation of operations evaluation from the Bank management, could mean that the Bank staff and management would take less notice of findings and lessons emerging from such studies. He had sufficient experience of Government relations with the Public Accounts Committee of the Commons (cf. the Executive Directors), to know that the essential thing was to convince staff and management of the validity of suggestions since the Directors could always be fobbed off with explanations and justifications from operational staff. The Bank's Board could not and should not be in the position of deciding about action in response to operations evaluation findings. In these ways as well as others, greater distance of operations evaluation from management would be likely to reduce its effectiveness.

On the other hand the United States was the largest IDA donor and if a sacrifice in the effectiveness of operations evaluation had to be made to suit the US Congress this was a small price to pay.

But were there any cheaper ways of meeting their demands, obviously important to them insofar as the U.S. Government had come back dissatisfied with the solution worked out by management over the last year? Could a committee of Executive Directors or Alternate Executive Directors be a solution?

Here I described the Asian Development Bank approach of having a unit similar to the OED and undertaking periodically to submit to the Executive Directors lists of completed projects from which they could select one or a group for study, which the management would then proceed to organize with an outside, probably academic institution that would present its report simultaneously to Board and management. Mr. Browning thought this was a good idea and wondered whether the US might not feel that this form of independent study would also satisfy Congressional requirements for the IBRD/IDA.

If the U,S. would accept this, then it was, in Mr. Browning's view, worth considering withdrawal of Mr. McNamara's memorandum, keeping the present set-up as it is but adding only the facility for periodic external studies by academic institutions suggested by the Asian Bank. He was obviously concerned by the cost implications of both Messrs. McNamara's and Sethness' proposals, wondering whether there would be enough for the high-level Director-General to do.

In sum, nothing very useful could be expected from independent external evaluation and audit, however conceived, but if the rather ill-informed persons involved in the U.S. Government insisted upon it, then it should be bought as cheaply as possible.

We also had some useful discussion about IBRD personnel policies and the crucial importance of greater inter-departmental rotation; Mr. Browning thought that a necessary step to get the latter would be a promotion system less dependent on the views of individual immediate superiors than he felt to be the case now.

CRWilloughby/aga

Mr. U. K. Ghoshal, Secretary's September 27, 1974

C. R. Willoughby, OED

Paper for Executive Directors about Operations Evaluation Work

As discussed last night I am attaching the final version of the memo about Operations Evaluation work which Mr. McNamara is very anxious to have distributed to the Executive Directors before 5:30 p.m. today.

The paper should be printed on the "Office of the President" stationery and signed with the facsimile of Mr. McNamara's signature. It is not classified confidential.

Your Secretary's covering memo should note Mr. McNamara's paper as being for consideration by the Board on October 15, 1974.

Attachment

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: All OED Staff

DATE: September 27, 1974

FROM: C. R. Willoughby CRW

SUBJECT: Operations Evaluation Work in the Bank Group

This paper will be circulated over Mr. McNamara's signature this afternoon.

Attachment

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Operations Evaluation Work in the Bank Group

Over the past months we have had some discussions with the Executive Director for the United States, relating to legislation enacted by the U.S. Congress in December 1973, about our operations evaluation work and its place in the Bank Group.

The Executive Directors will recall that this activity, to which I have attributed very high priority ever since launching it in September 1970, has undergone a rapid evolution - in formerly uncharted areas of work - to the point that we now have emerging a tested instrument for objective reporting on the results of the Bank Group's activities, especially their impact on development, and for critical analysis of their efficiency and effectiveness to see where improvements can be made. In essence we have expanded the Bank Group's traditional 'project cycle' by addition of three significant steps - preparation of a project performance audit report for each and every project assisted by the Bank and IDA within about a year of completion of loan/credit disbursements, deeper evaluation and review on a more selective basis of particular policies and activities of the Bank Group, and systematic follow-up of Bank Group action in response to recommendations and suggestions emerging from such audit, evaluation and review work. We are attaching top priority at present to completing the establishment of systems for producing thorough project performance audits on all completed projects, so that, with this solid and comprehensive basis, a greater share of effort can again be devoted, starting next fiscal year, to evaluation and review studies.

The unit responsible for this work has always had a high degree of independence from management, and as it has grown in stature and experience its independence has been increasingly formalized, most recently by making it a separate Department in July 1973 under a Vice President without other direct operating responsibilities and by giving it a formal link with the Joint Audit Committee of the Executive Directors in November 1973.[1/] The Committee reviews its annual work program and budget, its procedures and standards, samples of its reports and the progress of its work, and reports to the Executive Directors on the results of its review. Several components

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1/ Report of the Joint Audit Committee for 1973, October 25, 1973, Document R73-243/1; and Terms of Reference of Joint Audit Committee, November 21, 1973, Document SecM73-704.

and emphases in the current work program result directly from the Committee's suggestions. Standards applied in audit and evaluation work, which are basically those generally accepted worldwide for this type of work, have been given special attention by the Committee and their actual use examined in review of sample reports, as discussed in the Committee's forthcoming annual report for 1974.

I think that the time has now come for the growing link between the Executive Directors and the Operations Evaluation unit to be recognized formally by drawing lines on our Organization Chart directly linking the unit, and the Vice President in charge of it, to the Executive Directors as well as to the President. I also propose that, following the retirement in 1975 of the Vice President presently responsible, and in any case not later than December 31, 1975, a title of Director-General, more indicative of independence from the normal operations of the Bank, should be instituted for the manager of this function. Appointees to this post, which would have rank equivalent to that of a Vice President, would be selected by the Executive Directors from one or more names put forward by the President of the Bank, after informal consultations with the Executive Directors, from among persons then working inside or outside the Bank Group, but normally drawn from the senior staff of the Bank Group so as to ensure familiarity with the problems of development and the operations of the Group. Appointees would hold office for renewable terms of five years, be removable only by the Executive Directors and be ineligible for subsequent appointment or reappointment to the Bank Group staff except in unusual circumstances.

The basic work program of the unit would be reviewed and approved periodically by the Executive Directors and all the reports of the Operations Evaluation unit would be sent simultaneously to the Executive Directors and to the President, without any interference by the latter with their content. However, I do believe that the head of the Bank Group should continue to play a role in ensuring the excellence of the staff and shaping the work program, in the light of other on-going work and plans of the institution. It is for this reason that I would make the unit responsible both to the Executive Directors and to the President of the Bank Group. Appointment, termination, promotion and compensation decisions for the staff of the unit, to be drawn from inside or outside the Bank Group, should be at the discretion of the Director-General within the normal policies and procedures governing all Bank Group personnel, and the staff of the unit would be considered as regular employees of the Bank Group.

At present the Internal Auditing Department also reports to the Vice President responsible for Operations Evaluation. This Department, which has also grown significantly since 1970, is carrying out independent, systematic and objective audits and appraisals of the Bank Group's financial, administrative, accounting and other activities, with particular emphasis

on internal controls and related systems and procedures. I believe that the essentially management-oriented functions of this department make it desirable, as a matter of principle in connection with the proposed changes, to separate it by December 31, 1975 from the rather special operations evaluation responsibilities by leaving it under the supervision of one of the Vice Presidents. While the existing relationship between the Joint Audit Committee and the Internal Auditing Department would in any case be maintained, it will then be a question for consideration by the Executive Directors whether a separate standing Committee should be established as liaison between them and the Director-General's unit.

Adoption of the specific changes outlined above will, I believe, help to assure us a fully effective independent review and evaluation system, an objective to which I attach the greatest importance.

[illegible]

DRAFT

September 20 1974

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Constitutional Position of ~~the~~ Operations Evaluation Work in the Bank Group

Over the past months we have had some discussions with the Executive Director for the United States, relating to legislation enacted by the U.S. Congress in December 1973, about our operations evaluation work and its place in the Bank Group.

The Directors will recall that this activity, to which I have attributed very high priority ever since launching it in September 1970, has undergone a rapid evolution — in formerly uncharted areas of work — to the point that we now have emerging a tested instrument for objective reporting on the results of the Bank Group's activities, especially their impact on development, and for critical analysis of their efficiency and effectiveness to see where improvements can be made. In essence we have expanded the Bank Group's traditional 'project cycle' by addition of three significant steps — preparation of a project performance audit report for each and every project assisted by the Bank and IDA within about a year of completion of loan/credit disbursements, deeper evaluation and review on a more selective basis of particular policies and activities of the Bank Group, and systematic follow-up of Bank Group action in response to recommendations and suggestions emerging from such audit, evaluation and review work. We are attaching top priority at present to completing the establishment of systems for producing thorough project performance audits on all completed projects, so that, with this solid and comprehensive basis, a greater share of effort can again be devoted, starting next fiscal year, to evaluation and review studies.

The unit responsible for this work has always had a high degree of independence from management, and as it has grown in stature and experience its independence has been increasingly formalized, most recently by making it a separate Department in July 1973 under a Vice-President without other direct operating responsibilities and by giving it a formal link with the Joint Audit Committee of the Board of Executive Directors in November 1973. The Committee reviews its annual work program and budget, its procedures and standards, samples of its reports and the progress of its work, and reports to the Board of Directors on the results of its review. Several components and emphases in the current work program result directly from the Committee's suggestions. Standards applied in audit and evaluation work, which are basically those generally accepted worldwide for this type of work, are discussed in the Committee and their actual use examined in review of sample reports.

I think that the time has now come for the growing link between the Board of Executive Directors and the Operations Evaluation function to be recognized formally by adding a line on our Organization Chart directly linking the unit, and the Vice-President in charge of it, to the Board of Directors (and to the Board of Governors). I also propose that, following the retirement in October 1975 of the Vice-President presently responsible, a title of Director-General Operations Evaluation, more indicative of independence from the normal operations of the Bank, should be instituted for the manager of this function. Appointees to this post, which would remain of Vice-Presidential rank, would be selected by the Board of Directors from one or more names put forward by the President of the Bank and generally drawn from the senior staff of the Bank Group, so as to ensure necessary familiarity with the problems of development and the

operations of the Bank Group. They would hold office for renewable terms of five years, be removable only by the Board of Directors and be ineligible for subsequent appointment or reappointment to the Bank Group staff except in unusual circumstances.

While all the reports of the Operations Evaluation unit should continue to be sent simultaneously to the Executive Directors and to the President, without any prior interference by the latter with their content, I do believe that the management of the Bank Group should continue to play a role in shaping the work program and determining the budget for each year, in light of other on-going work and plans of the institution; it is for this reason that I would make the unit responsible both to the Board of Executive Directors and to the President of the Bank Group. Moreover, while appointment, termination, promotion and compensation decisions for the staff of the unit should be at the discretion of the Director-General within the normal policies and procedures governing all Bank Group personnel, experience has shown the inestimable value, both to the Bank Group and to the unit itself, of the rotation of high-quality staff between the two; so that, for this important reason too, I would not favor total separation of the unit from the Bank Group.

At present the Internal Auditing Department also reports to the Vice President responsible for Operations Evaluation. This Department is carrying out systematic and objective audits and appraisals of the Bank Group's financial, administrative, accounting and other activities, with particular emphasis on internal controls and related systems and procedures. Whether or not the Director-General Operations Evaluation should remain as simultaneously Vice-

President for Internal Audit is a question that I believe we can decide over the forthcoming year to October 1975. I do think think that, within the structure of the Bank Group, there are considerable advantages to having the two positions held by the same individual: the increased independence that this gives to the Internal Audit function, the possibilities for cooperation between the two departments (each with quite different expertise), the avoidance of undesirable overlap in their efforts, and the support both can give to the External Auditor. On the other hand I also recognize that it may be considered desirable, as a matter of principle, not to confuse the rather special joint responsibilities of the Director-General Operations Evaluation to Board and President by putting him also in charge of a service to management such as internal audit; the Internal Auditing Department would then be placed under the supervision of the Vice-President Finance.

Adoption of the specific constitutional changes outlined above will, I believe, help to assure us a fully effective independent review and evaluation system, an objective to which I attach the greatest importance.

(signed
RS McNamara)

Mr. Dinesh Bahl, Information & Public Affairs March 4, 1974

C. R. Willoughby, Director, OED

Section on Operations Evaluation for Policies and Operations Blue Book

In response to your memo of February 27 I am attaching a draft statement on operations evaluation, somewhat shorter than you had suggested but nonetheless adequate in my view, for insertion at the bottom of page 38 of the old version; I agree that this is the best place although our work is supposed to take in the whole of Bank Group, not only IDA and IBRD, and it is not clearly confined to the late performance audit and evaluation stages of the extended project cycle. No doubt you will yourself be adding a sentence or two in the earlier chapter (about page 13), noting the existence of the Operations Evaluation Department and making the appropriate deletion from the section on P & B Department. I hope you find my draft of some use.

In glancing through the document, which I generally found interesting and informative, I notice what seems to me a most infelicitous construction which I am sure you will have noticed but mention in case you had not. Middle of page 37, left hand column, seems to imply we are not interested in member countries having a fair opportunity to supply consultant services; I would have thought the section in brackets should come after the following phrase ending 'clearly inappropriate', not before it.

Attachment
CRWilloughby/aga

Operations Evaluation

In the course of its supervision work and dialogue on economic matters with member countries the Bank accumulates a good deal of experience which it tries to apply in subsequent operations either directly or after special reviews of the policies or programs affected. But there is also a separate service within the Bank Group whose particular responsibility is to carry out independent evaluations of the efficiency and effectiveness of the Group's operations and of their contribution to development, and to identify and develop possible improvements in policies, practices and procedures.

Within about a year of the completion of loan/credit disbursements projects supported by the Bank and IDA are briefly reassessed in light of history up to that time and current prospects, to see whether the objectives, on the basis of which the financial commitment was made, are being achieved and the reasons for deviations; particular attention is given to any modifications in the project or in its institutional structure that resulted from the Bank's advice. Individual projects or groups of projects are sometimes selected for deeper evaluations, designed to identify more fully their impact, and that of the Bank in its assistance to them, and to reconsider more broadly how far the original objectives were correct and how, with hindsight, they might have been improved. Systematic reviews are also carried out, on a selective basis, by the same independent group, of the application of Bank policies regarding the management and use of its resources, its lending procedures and standards, with a view to assessing their efficiency and effectiveness in the light of experience. Suggestions that emerge from these various

types of studies are discussed with the operating departments involved and follow-up reports produced, reviewing their responses and related actions taken.

One purpose of this operations evaluation work is to help fulfil the responsibility that the Bank Group has, as an intergovernmental organization, to account to its shareholding Governments for efficient, economical and effective use of the resources made available. Secondly, and equally importantly, it is designed to assist in the improvement of performance.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CONFIDENTIAL

SecM72-388

July 20, 1972

FROM: The Secretary

OPERATIONS EVALUATION FOLLOW-UP AND WORK PROGRAM

Attached is a memorandum dated July 20, 1972 from the President on the future work program in Operations Evaluation. It outlines, for your information, (a) the planned FY 1973 Work Program of the Operations Evaluation Division and (b) the procedures we propose to adopt in follow-up of evaluation reports.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

OFFICE OF THE PRESIDENT

CONFIDENTIAL

July 20, 1972

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: Future Work Program in Operations Evaluation

1. The Operations Evaluation Unit was established in the Programming & Budgeting Department late in 1970 and converted into a Division of that Department in the middle of 1971. In view of the novelty of the work to be undertaken, it started with a pilot phase. The main results of this pilot phase were distributed to the Executive Directors earlier this year: "Operations Evaluation Report: Electric Power" (IBRD Report No. Z-17, dated March 10, 1972) and "Bank Operations in Colombia - An Evaluation" (IBRD Report No. Z-18, dated May 25, 1972)*. These reports were discussed at meetings of the Executive Directors on April 4 and July 11, respectively.

2. As could be expected, the pilot phase of the Operations Evaluation Division's work has not produced sound procedures for evaluating the Bank's operations which now need only to be applied on a standardized basis. In some respects the reports have raised more questions than they have been able to answer. Nonetheless experience has been gained in the difficult methodological problems of evaluation, and the time has come to move into a second phase of work, still experimental, but initiating more systematic coverage of Bank projects. The second phase must also include the introduction of procedures for follow-up to the recommendations and suggestions which emerged in the studies undertaken in the first phase.

3. A distinction may usefully be drawn between 'Audit' and 'Evaluation'. In the work of the Operations Evaluation Division 'Audit' has come to mean comparison between the targets and projections contained in the project appraisal reports on the one hand and actual developments on the other, in order to see whether or not appraisal objectives were attained; if not, why not and if so, was it due to the project? 'Evaluation', on the other hand, has come to mean a deeper analysis of the contribution to development made by the project and by the Bank in its support of the project, with a view to seeing not only whether the project met its assigned objectives but also whether these objectives were themselves correct in retrospect and whether they might have been improved

* R72-55 and R72-131 respectively

in any way. Of the studies undertaken to date, the review of past power projects was mainly in the nature of an Audit, although it ran over to some extent into an Evaluation, while the review of Bank operations in Colombia was mainly an Evaluation. It can be argued that all Bank projects should be audited, but since even audit is quite costly it may be preferable to cover a sample in this way, while other projects, selected for the potential lessons they may yield, are subjected to evaluation.

4. The intended work program of the Operations Evaluation Division for FY73, to be carried out by a professional staff of eight professionals together with consultants, includes audits, evaluations and follow-up studies. It is summarized in Annex I. It is envisaged that roughly 65% of total effort will be devoted to evaluations, 25% to audits and 10% to follow-up work.

5. As regards audits, a start is being made toward systematic coverage of all Bank projects. Two trial principles have been established for selecting projects for audit: (a) projects will be audited approximately five years after completion of loan disbursements and (b) where projects so selected belong to series of projects financed by the Bank (e.g. a third loan to a power company, port authority or Government highway department) then the opportunity will be taken at the same time to audit earlier projects in the series and, in some cases, later ones too; hence, the distinction drawn in Annex I between Audits of Individual Projects and Audits of Series of Projects. The further distinction between Summary and Detailed Audits rests on the fact that some projects are simpler and raise less problems than others. Projects have been selected for audit in FY73, from among those for which loans were fully disbursed in 1968, considering feasibility of undertaking brief studies, availability of technically qualified staff in the Operations Evaluation Division, and the need for increased emphasis on transportation projects in view of the large amount of time devoted last year to electric power, the other main traditional field of Bank activity. It has not yet been decided whether it will be worth distributing small (2-5 page) reports summarizing the conclusions and recommendations, if any, emerging from each of these audit studies, estimated to take between two and three professional man-months, or whether it would be preferable to distribute all these brief reports in a package once or twice during the year.

6. In the area of evaluation, two major studies and one minor one are being planned. Completed highway projects in four different countries, located in different continents, have been selected for evaluation in a study which will focus particularly on the developmental impact of highway improvements on the region traversed, the degree to which this impact was affected by the competitive structure of the transport industry in the area, and other factors constraining or increasing positive developmental impact; the purpose is to identify possible ways of maximizing such impact. The second major study would be a review of the Bank's work with Development Finance Companies around the world, based mainly on study of selected companies with which the Bank began working at different periods and designed to identify suggestions for possible improvement in Bank policies, practices and procedures in this important

field of lending. Thirdly, in order to make a start in the field of education lending, a thorough evaluation would be made of one of the three secondary school projects for which loan disbursements were completed before the end of 1971; this study would include a survey of students' education achievements and of graduates' contribution to meeting manpower needs. Reports on these three studies, which would be considerably shorter than the evaluation reports so far distributed and would confine themselves mainly to presentations of conclusions and recommendations with supporting analysis, are targeted for completion during the next 12-14 months.

7. The last part of the program consists of follow-up work on the recommendations and suggestions put forward for examination in evaluation reports. A few of the recommendations emerging from the studies may raise issues of such character as to require the preparation of Policy Papers for consideration by the Executive Directors. Most of the recommendations however will relate to the application of policies already in existence and to the Bank's day-to-day practices and procedures in selection, preparation, appraisal and supervision of projects and in the preparation of reports. These recommendations will be referred to the various operating departments responsible for considering them and the Operations Evaluation Division will monitor the progress being made in their implementation.

Robert S. McNamara

Attachment

OPERATIONS EVALUATION DIVISION: WORK PROGRAM FY73

Loan/Cr. No.[a]	Name of Project	Disbursement Period	Amount[b] ($m)
I. Audits of Individual Projects Against Appraisal Objectives			
(a) Summary			
299/Cr. 4	Costa Rica Highways	1961-69	11.0
293	Trinidad & Tobago Power	1961-68	23.5
(b) Detailed			
306	Venezuela Expressway	1961-68	45.0
Cr. 63	Botswana Highways	1964-68	3.6
II. Audits of Series of Projects Against Appraisal Objectives			
276/346	Costa Rica Power/Telecom.	1961-68	30.8
198/294	India - Calcutta Port	1958-68	50.0
III. Evaluation of the Developmental Contribution of Projects			
(a) Education			
Cr. 93	Kenya - Education I	1966-70	7.0
(b) Selected Highways (Developmental Impact & Transport Industry Structure)			
166	Ethiopia - Highways II	1957-63	15.0
135/195/Cr. 1	Honduras - Highways	1955-67	18.7
341	Thailand - Highways I	1963-69	35.0
344	Yugoslavia - Highways I	1963-66	35.0
(c) Development Finance Companies			
A broad review of Bank activity in support of Development Finance Companies, with special emphasis on:			
240/422/459	Iran - IMDBI	1959-69	40.2
-	Korea - KDFC	1968-	-
449	Tunisia - SNI	1966-71	5.0

a/ Shows only loans and credits already fully disbursed.
b/ Original amount of loans already fully disbursed.

P & B
7/20/72

December 10, 1973

Aide - Memoire

Progress Report on Operations Evaluation

1. The principal evaluation reports on which field work was done in FY 1973 should be distributed to the Executive Directors over the next two months. These are:

a. Highway Projects (in four countries)

b. First Kenya Education Project

c. DFCs Lending (three companies)

Completion has been somewhat delayed by discussion in the Bank, more extensive than expected, and by circulation, for comments before finalization, to borrowers as well. For the DFCs paper specific missions to discuss findings with the companies covered and with Government authorities have already been undertaken for two countries and a short mission to the third country is expected to be undertaken in the near future.

2. Two project audit reports have recently been distributed to the Executive Directors - one on the Calcutta Port Project, which was carried out last fiscal year, and another on two Zambian Highway Projects, the first of the new series of Project Performance Audits. A report on a Venezuela Expressway project, the last of the projects for which audit field work was carried out last fiscal year, should shortly be available for distribution. Work is proceeding close to schedule on the remainder of the 25 projects which were scheduled for audit in the current fiscal year, because loan/audit disbursements were completed in the second half of last calendar year. Discussions with the Regional Offices to try to ensure that Project Completion Reports (PCRs) are prepared by them, on schedule, and to tighten the link

between these Reports and Project Performance Audits have been continuing. These discussions show that Project Completion Reports have been prepared or are scheduled for more than two-thirds of the 29 projects for which loan/credit disbursements were completed in the first half of the current calendar year, a far higher percentage than in the past. Our present expectation is that separate Project Performance Audits will have to be prepared on these projects - benefitting, however, from the work already done by the operating departments in the PCR - but that gradually we should be able to move to (a) more selective checking of PCRs by the Operations Evaluation Department and (b) greater reliance on project entities in borrowing countries for preparation of their completion reports for projects financed by the Bank and IDA.

3. Work has fully begun on the main evaluation study planned for fiscal year 1974 - on past lending for agricultural credit. Surveys of borrowing farmers (plus some non-borrowers as a control group) are underway now in Mexico, Philippines and Uruguay with strong cooperation from the agricultural credit institutions involved, and it is hoped to bring Morocco and Pakistan into the study early next calendar year. The study is intended to focus heavily on the question whether the credit provided was effective in helping to bring about the increases in production and productivity expected at the time of project appraisal and constituting the main justification of the projects.

4. Start of major work on the planned study of Project Spread or Demonstration Effect has been delayed by the extension of work on the DFCs study Our present hope is to initiate the central phase of work on this subject in January. Since the study is particularly experimental and might

be extended by others once some basic lines have been developed, our present plan is also to try to keep to the original schedule for completion of the draft report (about mid-1974) by cutting down the number of cases selected for this preliminary stage or otherwise reducing the scope of the work.

5. As regards follow-up to the Evaluation Reports sent to the Executive Directors in mid-1972 (on Bank Operations in Colombia and in the Electric Power Sector) the Department is continually engaged to some extent in discussion with other departments. As basis for preparation of the Follow-up Reports due towards the middle of next calendar year, the relevant operating departments are being asked to prepare notes on the status of actions relevant to the recommendations contained in the reports.

6. We have also developed plans for a new type of evaluation work, focussing more on Bank efficiency (by contrast with the efficacy of Bank-assisted projects), and we hope to get these plans into execution in January 1974. As a start, two principal studies are planned - one of delays in loan/credit effectiveness and the other of delays in project processing time (from earliest consideration in the Bank) - with the main samples consisting, respectively, of about a dozen projects for which loans/credits became effective in the last two or three years and of about half a dozen projects for which loans/credits were signed a year or so ago, as suggested in the Committee's 1973 report; in both cases projects selected would be those where the relevant delays had been particularly long. The major work of the two studies will be detailed analysis of the delays which occurred, assessment of their costs and benefits, and suggestion of ways in which the delays could have been cut.

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DDM/M/73-5

July 5, 1973

DEPARTMENT DIRECTORS MEETING

Board Room, July 2, 1973, 10:00 a.m.

Present: Mr. McNamara (Chairman), Vice Presidents and Department Heads

PERSPECTIVES AND PROSPECTS

1. Reviewing the Bank's record in the first five years of his Presidency, through June 30, 1973, and the prospects for the next five years, Mr. McNamara said that the extent and quality of the Bank's impact on development had been a tremendous accomplishment of which everyone in the Bank Group should be proud. The impact has been great not only on economic development itself but on the thinking about development.

2. In a wide-ranging review, Mr. McNamara stressed the following.

3. The major change over the past five years has been a qualitative one; quantitative objectives are only a convenient shorthand.

4. Bank-IDA financial commitments in FY69-73 totalled $13.4 billion, compared with $5.6 billion in the preceding five years. This is all in current terms, which is not a fair comparison and which illustrates some deficiencies which remain in the Bank's methods of accounting, but even in real terms it represents a doubling of commitments. For FY74, the program includes some 155 projects totalling about $3.5 billion.

5. The quantitative increase has permitted much greater diversification into new sectors, new countries and more complex projects answering to new concerns. The shift in emphasis has also been from more to less developed countries. The average cost of projects has increased but so has their value to the borrowers.

6. The total number of projects under supervision has more than doubled to 800 compared to five years ago and costs per unit have also been increased; although these constitute a heavy claim on manpower, it is vital that projects already approved be properly and efficiently executed. The Bank is still feeling its way towards optimum supervision costs.

Distribution:

President
Vice Presidents and Department Heads (Bank and IFC)

7. Noting that people could be misled about the prospective net transfer to developing countries as a result of unrealistic disbursement forecasts, Mr. McNamara said the Bank has still some way to go in forecasting disbursements, which should both be realistic and provide incentives for rapid project implementation.

8. The Operations Evaluation Unit has been established and has produced several reports, some of which are controversial. It will continue to be an important means of learning lessons from past experience. He believed that this would be beneficial to the Bank and of interest to many governments.

9. The Bank has probably the most sophisticated programming and budgeting system of any non-commercial institution; efforts will continue to be made to further improve it, particularly as a tool of decentralized decision-making.

10. Mr. McNamara congratulated all concerned that the reorganization, clearly necessary in the long run but also disruptive in the short-term, had been achieved with fewer problems than expected. There are still areas which require further thought and change; he invited suggestions to Messrs. Chadenet, Shoaib or Kearns.

11. Noting that specific FY74-78 lending objectives, by area, have not yet been established, Mr. McNamara expected that the Bank will pay special attention to the poorest countries in Africa, particularly in view of the sub-Saharan drought, to rural development and population in Asia, and to income distribution in Latin America. He was hopeful that some difficult problems of relations there would be solved, and stated that the Bank's policy must be clear, consistent and in keeping with the interests of all member countries, even if it at times stimulates criticism.

12. Mr. McNamara reviewed sector prospects and achievements as follows:

(a) Agriculture: In FY73 Bank agricultural lending approached $1 billion - a tremendous increase over the comparable figure five years previously. The Bank, however, is still not directly reaching the small farmer to any great extent. Out of 150 million small farms in developing countries, 100 million have 5 hectares or less and 50 million 1 hectare or less: the Bank, and other development agencies have done little directly for those 500-600 million people who depended on very low productivity agriculture. It will require a great effort to help them. Emphasis is needed on rainfed agriculture, land and tenancy reform, credit, fertilizer, seed and on institutions to provide these.

(b) Education: Lending for education has quadrupled in the last five years. Yet in many countries the educational system is failing to deliver the technical and vocational training

relevant to the country's needs. The education sector program paper is being revised to direct the Bank's work increasingly to this problem.

(c) Industry: The Bank Group's industrial units, which did not exist in their present form five years ago, have made substantial contributions to the developing countries through projects, advice and sector reports. Present challenges include unemployment in rural areas, maximizing the employment effects of Bank projects and adapting technology to labor-surplus economies.

(d) Public Utilities: The major new challenge for public utilities is to help redress the imbalance of services between urban and rural areas. An important effect could be a reduction in urban migration.

(e) Transportation: Although transportation has been a notable feature of the Bank's work for decades, comprehensive transport planning, particularly for urban areas, remains necessary, including a close examination of the role of public transportation and the private automobile.

(f) Tourism: The Bank has made a good start, but much remains be learned about the complexity of tourism projects which are high cost, long-term and slow in maturing.

(g) Population: An excellent start in this sector has underlined also that much more needs to be discovered about the causes and effects of demographic changes. A prominent expert had concluded recently that "our knowledge of the demographic facts are inadequate and we cannot explain the facts we know". This, in short terms, illustrates the state of knowledge.

(h) Urbanization: Although just getting under way, the Bank's work has included sites and services projects in Managua and Dakar; other urbanization projects are in preparation in many parts of the world.

(i) Environment: The impact of the Bank's environmental concern, both in its own projects and elsewhere, has been significant; it is beginning cautiously to get into questions of disease control. Financing for health and housing will be addressed in policy papers currently in preparation in the Bank.

13. Mr. McNamara said that the Bank's borrowing achievements in the last five years have been outstanding - net borrowings, at $3.7 billion, are about four times the total for the preceding five years. There has been a major shift in source of funds, from the U.S., which in the previous five-year period provided two-thirds of Bank borrowings, to other markets, which now supplies 75-80 percent. The task ahead will be even more

substantial, and the Bank must strengthen its ability to borrow large sums in competition with other borrowers and without guaranteed access to capital markets. This is one important reason for the Bank's firm policy regarding debt rescheduling.

14. Referring to the 125 percent increase in professional staff over the past five years, Mr. McNamara said that this had led to a major shift, in percentage and absolute terms, towards the employment of nationals from developing countries. Their percentage of the total has risen from 19 to 29 percent. This trend should continue. The number in the senior echelons still leaves something to be desired, but this reflects in part the earlier low recruitment from these countries, and the Bank's policy of promotion from within. However, the Bank should continue to put special emphasis on recruitment of LDC nationals for open positions at all levels.

15. Looking to the development prospects of the coming five years Mr. McNamara said he expected a much more difficult period than the last five years. Some of the major issues will be:

(a) Severe food shortages in LDCs despite the earlier progress in agriculture; and continuing problems of low productivity in smallholder subsistence agriculture, where little progress has taken place;

(b) The rising debt-service burden, with debt service rising faster than export receipts;

(c) Rising expectations of progress in developing countries, outstripping the world's capabilities to respond;

(d) Increasingly vociferous disatisfaction over inequitable distribution of the benefits of growth; and

(e) Controversies over energy, natural resources, trade, and monetary systems, which tend to polarize the developed and developing worlds.

16. Some of this will be reflected in criticism of the Bank. It would be important to retain the right sense of proportion when confronted, and respond productively. In this he placed great reliance on the quality and dedication of the Bank's staff.

POPULATION PLANNING CONFERENCE

17. Reporting on a Population Advisory Panel organized jointly by the Central Projects Staff and the Development Policy Staff, Mr. Baum said that the Panel, which comprised six experts with wide experience in administering population programs, demography, and economic studies, had the following terms of reference:

(a) To review recent world population trends;
(b) To identify high priority areas calling for new directions of lending or policy and research initiatives; and

(c) In these high priority areas to define new activities for the Bank in the light of the responsibilities of other agencies.

18. The Panel noted that there was no general theory to explain fertility behaviour and that the data base was inadequate in many countries. For these reasons, it did not recommend regular revision of the global forecasts in the Bank's Population Sector Program Paper, which in any event were illustrative rather than predictive. The Panel recommended, however, that the Bank work on short-term and specific country forecasts, since these were a necessary base for its continuing dialogue with governments on the implications of their population policies.

19. Although no clear picture of world trends was discernible, there was scattered evidence of declines in specific fertility rates in some countries, including some in Latin America. One of the Panel's main conclusions was that population programs should go "beyond family planning" to focus on motivations for reducing fertility. This implied, from the Bank's viewpoint, the need for:

(a) More systematic integration of population control programs with projects in other sectors, such as education and rural development;

(b) Broadening the base of family planning projects, for example to include family welfare, health, and nutrition;

(c) More innovative approaches and a regular system of monitoring, evaluating and communicating the results of Bank assistance.

20. The Panel recommended encouraging operationally-oriented research in less developed countries, more systematic exchanges of views among countries and wider dissemination of information collected by Bank economic missions.

21. Discussing Bank relations with the many other agencies in the population field, the Panel said that the Bank's role was welcome, particularly because of the need for more financial resources. It estimated that $2 billion annually was needed to fund family planning activities world-wide at an adequate level, compared with $250 million annually actually being provided by donor agencies and developing countries. The Bank was in a unique position to influence national planners and government leaders and to adopt a multi-sectoral approach.

22. Mr. Baum added that the Population Projects Department would begin a review of the Five-year Lending Program on the basis of the discussions, and that DPS and CPS were re-examining their policy and research programs.

23. The Chairman said that until the Bank had considered the proposed health policy paper, it would be preferable to go no further into family welfare projects (such as maternity and child health and nutrition) than it had already done. It was important in view of the paucity of demographic knowledge to evaluate every population project to learn as much as possible of the cause and effect relationships.

EQUALIZATION OF STAFF BENEFITS

24. Mr. Clarke reported on measures under study to introduce a single category of Bank staff in place of the current professional, special services and general services categories, and the elimination of present differences in eligibility for staff benefits based on professional and non-professional status. Both measures had been recommended by the McKinsey Study and were subjects of concern to the Staff Association.

25. The rationale for the single staff category (which would be divided into various grades) was largely psychological, although very real. The feeling was further reinforced by two misconceptions:

(a) that non-professional salaries, which were based on Washington salaries, were less competitive than professional salaries determined according to international standards (in fact, U.S. Government salaries, which determined Washington levels, were highly competitive); and

(b) that non-professionals faced artificial barriers to promotion (in fact, non-professionals were always considered for positions for which they had the necessary qualifications or experience, and in 1972 twelve Special Services and one General Services staff were promoted to professional positions).

26. The dichotomy in access to benefits had arisen largely from the concept stemming from the early years of the Bank that professionals, but not, generally, non-professionals, had to be recruited internationally and therefore required expatriate benefits. The staffing situation had changed over the years; currently over 78 percent of the non-professional staff were expatriate. In addition, it had been necessary to recruit for certain categories, notably secretaries, outside the U.S. although this was now confined to French bilinguals. The original sharp differences in benefits had been eroded over the years, culminating in the revision of staff benefits in 1971 which brought the Bank close to the Fund. A few differences remained, largely in the field of shipment of personal effects, installation benefits on initial appointment, home leave and resettlement.

27. Because of the desirability of maintaining parallelism in benefits, the possible elimination of these differences had been discussed with the Fund. The Fund had expressed some major reservations, believing the few remaining differences in benefits to be merited by the different recruitment needs. The Bank estimated that the cost of eliminating the differences would be a maximum of $300,000.

PLANNING FOR EMPLOYMENT AND INCOME DISTRIBUTION

28. Reporting on a workshop organized by the Bank and the Institute of Development Studies at Bellagio, Mr. Duloy said that a monograph was being prepared which would discuss possible strategies for planning for employment and alleviating poverty. This paper would be the basis for further discussion by a panel of experts at IDS in September. The September meeting would evaluate the ideas generated at Bellagio in the light of the objectives, policies and planning procedures in a number of developing countries.

29. The workshop was concerned with the implications of a shift from growth-oriented policies to employment-oriented policies which itself required a shift towards poverty-oriented policies. A diagnosis of poverty had to concentrate on poverty in rural areas and under-employment in the "informal sector" in urban areas where often small-scale, labor-intensive operations were in competition with the modern sector and sometimes complementary with it. The Bellagio workshop had concluded that it was no longer sufficient to rely on the trickling down of benefits from growth to alleviate poverty, and that a frontal attack was needed. This would require a major reorientation of policies in many developing countries. It was not suggested that the objective of growth should be abandoned; rather the strategy proposed was one of redistribution from growth. This implied the creation of income-earning capacity for the poor.

30. The document contained an illustrative calculation of some orders of magnitude of the resources required to double the share of the lowest 40 percent over 10 years. It was estimated that this might require a diversion of 25 percent of net investment into other investment channels aimed at raising income and productivity levels of the poor.

31. The workshop recognized the inadequacies of existing frameworks of analysis to quantify many of the trade-offs associated with a poverty-oriented program, particularly that between growth and distribution objectives.

32. The development of poverty-focussed planning, however, had some clear implications, notably:

(a) The reorientation of development objectives would require new measures of performance, particularly social welfare indicators;

(b) A weighting system which gave more weight to the increase in income of the poorest segments of society would result in different measures of performance than the present weighting system underlying aggregate performance measures and rates of return in project analysis;

(c) More detailed and new types of data on specific target groups would be needed;

(d) A new analytical framework was needed to evaluate strategies for attacking poverty; and

(e) New political commitments would be needed to reorientate policies and reallocate investment priorities in the developing countries.

33. In the subsequent discussion, Mr. Chenery said that one of the objectives of the workshop was to focus on what was needed to make planning more relevant to employment and poverty problems. It was clear that looking at commitment to poverty reduction as a social objective and giving weight to income distribution effects in growth strategies would result in different conclusions about performance from those reached through considerations of GNP growth alone in either aggregate or per capita terms. This recognition could prompt new lines of attack and thinking.

34. During the discussion Mr. van der Tak said that a paper had been prepared on suggested methodologies for incorporating income distribution weights in project analysis. Mr. Duloy said that the derivation of aggregate performance indicators consistent with income distribution weights in project analysis was an important research priority.

ADJOURNMENT

35. The meeting adjourned at 11:30 a.m.

M. P. Shivnan
Secretary
Department Directors Meeting

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara, President

DATE: February 27, 1973

FROM: C. R. Willoughby (through Mr. J. H. Adler), Programming & Budgeting

SUBJECT: Operations Evaluation: Status Report and Proposed FY1974 Work Program

This memorandum briefly reviews the present state of our operations evaluation work, including follow-up to last year's reports, and then discusses various possible studies that might be undertaken in FY1974. It proposes a work program and corresponding budget for FY1974, for both of which your approval is requested, so that we may recruit appropriate staff and consultants and otherwise prepare.

Current Work Program

We have been keeping close to schedule on the FY1973 Work Program which was circulated to the Executive Directors on July 20, 1972, and my present expectation is that we should continue to be able to do so; in line with that program we have so far sent three small 'audit' reports to the Board and we expect to send a further three before the end of the fiscal year; somewhat larger 'evaluation' studies on selected highway projects, DFC projects and an education project should be able to go to the Board at the end of June, July and August, respectively, as planned.

Follow-up work on the recommendations and suggestions contained in our Colombia and Electric Power evaluation reports was somewhat delayed by the reorganization, which also required some change in the procedures originally envisaged. But I have been giving a good deal of attention to this matter over the past months, and I am reasonably satisfied that the points which emerged from those reports are being considered seriously and that they, of course along with a great number of other influences, are having some effect on what is being done in the Bank or planned.

Following the July 11 Board Meeting at which the Colombia report was considered you singled out eight topics, of general relevance to the Bank, for special attention. On four of these subjects -- Land Reform, Small Farmer Credit, Housing and Capital Market Development -- I understand from Mr. Haq that policy papers, covering the main issues and what the Bank should do about them, are under preparation, if on rather long time schedules. On three others -- Small Town and Rural Electrification, Development Impact of Transport Projects and Project Monitoring -- I consider that appropriate work is going ahead, as fast as it can within budget constraints, in the Central Projects Staff. Only on the one remaining subject -- the Spread Effect of Projects -- is there no work underway, and on this I make a proposal below.

Most of the recommendations in the Colombia and Power reports related less to policy than to procedures and practices. Consequently we have been pursuing these directly with the Latin America and Caribbean Regional Office

(for those relating directly to Colombia) and with the Central Projects Staff (for those of broader relevance). On a few issues discussions are still going on but, broadly speaking, by the beginning of this calendar year we had received fairly satisfactory responses from the appropriate departments on each of the 52 points into which we eventually divided the non-policy recommendations of the two reports. Although it is to some degree an oversimplification I have classified these responses into three groups, as follows, to provide a summary picture.

Approximate Classification of Responses to OE Report Recommendations

	Recommendations Clearly Agreed	Recommendations Not Fully Agreed or Not Fully Feasible	Recommendations Disagreed	Total No. of Recommendations
Colombia Report				
LAC	12	4	6	22
CPS	12	1	-	13
Electric Power Report				
PUD	13	3	1	17
TOTAL	37	8	7	52

I should make it clear that 'clear agreement' in the first column does not necessarily mean direct effect on operations; in a few cases, it means rather that appropriate research is planned and in many cases it means only that an intention is there, particularly in the case of the responses from the Central Projects Staff who in turn have to convince the new regional projects departments to take appropriate action. But at least it indicates that there is full agreement in principle. Outstanding points of difference are much greater with the LAC Regional Office than with any other department, but we have had substantial discussion with them to clarify what we meant and to identify the differences and I feel that further pursuit of the matter at this time would not be productive.

You will recall responding favorably, at the two Board meetings at which our reports were principally discussed, to the proposal that these reports should be made available for a DAC-sponsored meeting, among people concerned with aid, on evaluation. The DAC is apparently planning such a meeting for the end of May, for which we are preparing a paper on our experience to date in evaluation and audit work.

Future Directions of Operations Evaluation

In recent weeks we have had a good number of discussions, both within the Division and particularly with persons outside, about whether operations evaluation should be continued and what directions it should take. A number of ideas have materialized, against the background of our own experience to date, the Bank's needs and the planned work program of the Central Projects and Development Policy Staff.

We need to draw a clearer distinction than we have done in the past between our two services for the Bank -- accountability and learning from experience -- in selecting projects for study. Accountability requires that projects either be sampled on a visibly random basis or that they be in some sense comprehensively covered; we should probably make more rigorous use of the 'Five Year Rule' (an accounting is due on a project in the fifth year following completion of loan/credit disbursements), which we developed last year and which has worked fairly well; for FY1974 this means giving special attention to loans and credits for which disbursements ended in 1969. For purposes of 'learning from experience', on the other hand, projects should be selected according to their potential to yield lessons that will be uefuul for the future.

Whether the purpose is appraising the Bank's past performance or learning lessons for the future, we need to cover larger samples of projects in order to have a sounder foundation and to be more convincing. Certain impressions as to the Bank's performance and certain suggestions for improvement do emerge from the project audits we have so far done but, being based in each case on a sample of one (or sometimes two), they carry limited weight -- at least until a larger number of projects has been covered.

Where suggestions for improvement in Bank operations do emerge from the study of past history, we need to do more than we have so far been able to do, prior to report completion, (a) to check whether the lessons have already been learned and (b) to develop with greater specificity those lessons that have not yet been fully incorporated in Bank practices and policies; at best an OED report should include a specific proposal on each of these lessons, setting forth the steps suggested for securing improvement, which could serve immediately

as the basis for discussion with the operating departments. We have moved toward this in some of our discussions and memoranda following up our earlier reports, and it is naturally quite time-consuming so that I do not know how far we will be able to apply this approach in the completion of on-going evaluation reports, but clearly we should try to do so and to move further in this direction in future.

Having in mind these points in addition to many others that you will recall from previous memoranda about the development of our experimental program in operations evaluation for the Bank, we have developed proposals for eight possible studies for inclusion in our FY1974 program. Most of these suggestions depart significantly, in one way or another, from the pattern of the studies we have made in the past. We have prepared separate notes on each proposal, any or all of which I could provide if you desire, but here I list the studies, summarily, with estimates of their resource costs.

1. Project Spread Effect Evaluation: A study, based on about six appropriate cases in the Bank's past lending (see Attachment IV), investigating the spread of administrative, managerial and technical innovations from Bank-assisted projects to other entities and agents in a country and designed to answer the key question of how the Bank could help to make spread effect more forceful, as one means of increasing the impact of its relatively small resources on the very large development problems faced. Study would include, as a necessary intermediate step, evaluations and audits of projects included among the cases chosen but not yet reviewed on an individual basis.

Estimated resource costs: 2.5 man-years professional staff
3.5 man-years research assistant
$60,000 consultant assistance
$14,000 data processing

2. Agricultural Credit Project Evaluation: A comparative evaluative review, based on detailed study of five cases and summary review of all 13 institutions to which loans/credits now fully disbursed have been made in the 1960s (see Attachment V), in a field which is looming increasingly large in Bank lending and where previous studies have revealed certain important problems.

Estimated resource costs: 2.0 man-years professional staff
3.0 man-years research assistant
$55,000 consultant assistance
$25,000 data processing

3. Audit of Lending to Indian Railways: An audit study of all Bank/IDA loans and credits, of which one became fully disbursed in 1969, to its largest borrower, designed to analyze the extent to which major lending objectives have been fulfilled and to prepare terms of reference for a more thorough evaluative study of any particular aspect for which such study would seem worthwhile. The audit would include some coverage of the procurement aspect.
Estimated resources costs: 0.5 man-years professional staff
0.7 research assistant

4. Highway Projects Cost-Benefit Audit: Calculation of actual and expected economic rates of return (mainly on the basis of direct benefits, excluding local development impact) on each road included in all the 12 highway projects for which loan/credit disbursements ended in 1969 (see Attachment VI), with a brief follow-up stage on any road that appears economically dubious on this basis. Construction work accounts for 85% of expected total project costs under these loans, and other loan components and objectives will not be dealt with.
Estimated resource costs: 0.5 man-years professional staff
0.7 man-years research assistant

5. Individual Project Audit Studies: Individual audit studies, similar in scope to some of those already done but slightly more intensive in application of expertise, are proposed for three projects for which loan/credit disbursements were completed in 1969: the Johore bulk water supply scheme for Singapore, since no completed water supply project has yet been reviewed by OED; the Congo (B) Potash project, because of the relatively large size of the loan and the project's bad reputation; the early loans to the Nigerian power sector centering around the Kainji multipurpose scheme, which accounts for the largest single loan on which disbursements terminated in 1969.
Estimated resource costs: 0.7 man-years professional staff
0.7 man-years research assistant
$13,000 consultant assistance

6. Kenya Country Study: A study adopting the comprehensive country approach to evaluation of Bank operations, which experience has shown to be the most useful, but rather more highly focussed than the Colombia study. Non-project portions of Bank activity, such as the Consultative Group and the preinvestment studies program, would be covered but main emphasis would be on 15 projects in 9

sectors (for 10 of which loans/credits are already fully disbursed), which are at a sufficiently advanced stage for evaluation to be worthwhile (see Attachment VII). A particular objective would be to contribute to developing a better Bank approach to project selection and generation.

Estimated resource costs: 4.0-5.0 man-years professional staff
4.0-5.0 man-years research assistant
$120,000 consultant assistance
$30,000 data processing.

7. Telecommunications Project Evaluation: An evaluation study, based on Bank/IDA projects in 4 out of the 6 countries to which fully disbursed loans/credits have been made for telecommunications development, and oriented to contributing to solution of the basic questions about Bank activity in this field -- its socio-economic significance and special procurement characteristics. Project sample would include two loans fully disbursed in 1969.

Estimated resource costs: 1.5 man-years professional staff
1.5 man-years research assistant
$25,000 consultant assistant

8. Education Projects Progress Review: A systematic review of progress and implementation problems on all 30 education projects for which loans and credits were approved up to four years ago, of which only 6 have been fully disbursed. Study would be carried out mainly in Washington. It would be designed to identify any systematic patterns of implementation problems, which the recent Disbursements Study suggested might be quite serious, and to lay the basis for suggestions as to means to overcome them or areas requiring more attention.

Estimated resource costs: 1.0 man-years professional staff
1.0-2.0 man-years research assistant

You will note that two of the studies -- those on Telecommunications and the Indian Railways -- envisage some attention to procurement, an area not covered to date by any of our studies. Inclusion of procurement is in part a response to a suggestion by Mr. Wieczorowski (emanating apparently principally from the U.S. Department of Commerce) that this subject should be covered in at least some of our studies. If you thought it wise, we might try to include it in more of our studies, although I think a very selective approach is preferable in view of the uncertainty as to how much staff-time coverage of this aspect might take.

I have not included in the list of possible studies any substantial work on DFCs, nor any major studies in the Power and Transport sectors as such. Partly, and particularly in the case of Power and Transport, this is because we have already done a great deal of work on all three sectors and will, by later this year, have produced reports on Bank operations in each of them as a result of major past and present work. I feel we should reduce the proportion of evaluation effort going to Power and Transport. DFCs are rather a special case. Of the six countries in which our past DFC lending has been particularly large we will, by the end of this fiscal year, have covered two -- Colombia and Iran -- and the DFCs Department itself will also have covered two -- India and Turkey -- with reports that should have somewhat different focus from ours (not dealing explicitly with the Bank's past performance) but will cover a great deal of the same ground (including economic analysis of a sample of sub-projects financed by the DFCs). The remaining two are Morocco, which I understand the DFCs Department plans to cover next year in response to a strong operational need, and Pakistan which is probably still too unsettled for a DFCs evaluation study to be appropriate. Of the seven countries in which past DFCs lending has been large enough to warrant some evaluation effort, although small compared to that for countries in the first group, Tunisia will have been covered by us by the end of this fiscal year and Korea by one of the DFCs Department studies. China, Finland and Israel seem unsuitable for study, which leaves only Greece and Philippines, the latter of which may be a little difficult in view of the recent break in IBRD lending to PDCP. This is the background to my exclusion of DFCs from further substantial OED work at this time.

Proposed Work Program

Even the studies which I have proposed it will not be possible to accomplish with resources of the same order of magnitude as now devoted to operations evaluation work. But, in view of the budget stringencies faced by the Bank, I have selected from these proposals a work program which I believe could be accomplished without significant increase in staff or in budget in real terms. This program, which is an integrated one (in the sense of there being some interdependence between the studies proposed, enabling economies), is outlined in detail with the corresponding budget in Attachment I. It includes only the first five of the studies listed above, together with an allocation of time for follow-up work on reports now underway and for preparation of follow-up reports to you, in accordance with agreed procedures, on the 1972 Electric Power and Colombia reports.

The FY1974 budget shown in Attachment I is virtually the same as that which we were provided for FY1973.

Comparison of Major Magnitudes in OED Budgets, FYs1973 & 1974

	FY1973	FY1974
Professional staff (nos.)	8	8
Research Assistant staff (nos.)	8	9
Secretarial staff (nos.)	6	6
Travel, Consultants, Data Processing ('73 $'000s)	277	292

In terms of staff, what is proposed for FY1974 is in fact identical with what we have now insofar as a secretarial position was transferred to a research assistant position earlier in the year and we have had a 'temporary' secretary to maintain effective secretarial staff at 6.

The most difficult decision in drawing up a FY1974 work program consistent with the current year's budget has been between the proposed but excluded Kenya country study, on the one hand, and the studies of Project Spread Effect and Agricultural Credit Lending, on the other, the combined budget requirements of which are roughly equal to those for Kenya. They are also to a large extent alternatives to one another in terms of expertise required, particularly agricultural, of which we presently have none. The total number of projects covered thoroughly would be slightly greater in the Kenya study than in the other two combined, reflecting the economies of a country study; the number of loans/credits covered on which disbursements ended in 1969 would be about the same.

The issues which arise in a country study are, in our opinion, more crucial to the success of the Bank than those raised in other studies proposed, and the treatment they can be afforded in country context is more profound. There is no evidence at all that the adverse side-effects we feared the Colombia report might have on relations between the Bank and the Colombian authorities have come to pass. I understand that Mr. Bell is in favor both of the thorough scrutiny to which we would subject past Bank operations in Kenya in the context of a country study and of the special emphasis we would propose to place on the subject of project selection and better procedures in that area. Even from the point of view of follow-up to our earlier efforts there is strong reason for a country study along the lines proposed insofar as it is, in many respects, precisely with regard to our suggestions regarding project selection and selection procedures for Colombia that we have had least success; we need to develop those suggestions further, and to try to do it in quite different context from Colombia would probably improve the results.

On the other hand I do feel that the questions to be covered in the Project Spread Effect and Agricultural Credit Project Studies are important issues at the project level, and a systematic investigation of them could be of broad help to the Bank. It is clearly important that we should do more work in agriculture than the relatively small amount so far done. As regards spread effect, this was a subject raised not only by you but also by some of the Directors at various Board meetings, in connection with the Colombia study. I think that we reached quite interesting, although still rather general, conclusions on the matter in the Colombia report, and I feel some sense of responsibility to carry the matter further, despite the undoubted difficulty of the undertaking, and to try to reach more specific and operational suggestions as to what the Bank should do to promote maximum spread effect in its project lending generally. I also consider that there is something to be said for including in our still experimental program a study of this sort -- dealing with a common theme and taking as cases projects in various sectors and countries -- because there are other subjects which may need similar treatment at a later date, such as joint lending, Loan/Credit Agreement clauses regarding appointments to borrowers' top management, the virtues and vices of the separate project offices often required by the Bank.

There may also be some advantage of timing if we could firmly decide now that a Kenya country study, instead of being included in the FY1974 program, will be the major element in the FY1975 program of operations evaluation. In the first place, senior Kenyan officials will already be devoting a good deal of their time this calendar year to meeting the requests of the World Bank because of the Basic Economic Mission planned for March and April 1973 and the Nairobi location of the Annual Meeting. Secondly, a decision now for FY1975 would give us more adequate time to take necessary preliminary steps and organize initial studies. Thirdly, one year from now, Bank/IDA projects in Kenya, many of which are relatively recent, will be that much more advanced and there are one or two projects in particular -- such as the first education one (of 1966) -- on which we should be able to make a much better assessment of impact then than now.

As proposed, then, in Attachment I, the FY1974 program would involve coverage of some 30 projects not previously studied, compared with 17 in FY1973 and 42 in the 18 months January 1, 1971 to June 30, 1972. By the end of the fiscal year 1974, as shown in Attachments I, II and III, we should have covered more than 60% of loans/credits on which disbursements were completed in 1969, compared with the approximately 25% of loans/credits on which disbursements were completed in 1968 that we should have covered by the end of the current fiscal year; this I believe to have considerable significance from the point of view of effective fulfilment of our accountability responsbilities. The sharp increases that we believe possible between the current

year and next result mainly form carefully integrated design of the program around projects for which disbursements ended in 1969 and from our concept, based on experience, of a simpler highway project audit than we have previously envisaged.

As regards the overall distribution of our effort, the program proposed for FY1974 implies an approximate 65/25/10 percentage breakdown for work on evaluation, audit and follow-up, respectively, exactly as envisaged for FY1973 and reported to the Executive Directors in your memo of July 20, 1972. The actual outcome for the current fiscal year is likely to show a rather lower proportion for follow-up, due to the delays that took place in getting this underway, with the reduction there distributed among the other two categories of work proportionately with their relative size.

The number of reports to the Board to be produced under the proposed program would be identical to the number envisaged for the current fiscal year, at nine, of which two would again be major ones (in scope and coverage, though not in length) and the remainder minor, although hopefully better in a number of respects than the comparable ones planned for this year. In addition, we would, under the proposed program, be providing you, but not the Executive Directors, with the two follow-up reports due.

I request your approval of the work program and budget outlined in Attachment I, and also of the plan for a country study in Kenya in FY1975.

cc: Messrs. Knapp, Senior Vice President
Aldewereld, Vice President, Finance
Chenery, Vice President, Development Policy
Chadenet, Vice President, Organization Planning
Baum, Vice President, Projects
Bell, Vice President, Eastern Africa
Chaufournier, Vice President, Western Africa
Cargill, Vice President, Asia
Benjenk, Vice President, EMENA
Alter, Vice President, Latin America & Caribbean
Adler, Director, Programming & Budgeting
Blaxall, Deputy Director, Programming & Budgeting
Evans, Director,Agriculture
Gustafson, Director, Development Finance Companies
Jaycox, Director, Transportation
Ballantine, Director, Education
Lejeune, Director, Eastern Africa

ATTACHMENT I

OPERATIONS EVALUATION DIVISION: DETAILED BUDGET FOR FY1974 (IN FY1973 DOLLARS)

		Prof. Staff (man-weeks)	R.A. Staff (man-weeks)	Consultants (man-days)	Consultants Day Rate($)	Consultants Total Costs($)	Travel No.of Trips	Travel Total Costs($)	Subsistence No.of Days	Subsistence Day Rate($)	Subsistence Total Costs($)	Travel in Country ($)	Data Processing ($)	REPORTS	Report Completion Date	Total Costs($) Excluding Full-Time Staff
I.	Projects Spread Effect Evaluation															
	General Preparatory	12	12	15	250	3,750	4	400	-	-	-	-	-			
	Iran Highways	14	20	-	-	-	3	5,100	60	40	2,400	500	-	Audit of Highways II	12/31/73	
	Colombia Power	8	8	-	-	-	2	780	40	35	1,400	400	-			
	India Ports	8	8	30	240	7,200	2	4,420	65	30	1,950	1,000	-			
	Peru San Lorenzo Irrig.	10	35	240	180	43,200	7	5,530	210	35	7,350	2,000	10,000	Evaluation San Lorenzo	3/31/74	
	Uruguay Livestock Credit	10	20	-	-	-	2	2,080	50	35	1,750	400	-			
	Mexico Ag. Credit	12	15	30	180	5,400	3	780	75	45	3,375	600	-			
	Turkey TSKB	14	20	-	-	-	3	4,080	75	35	2,625	600	4,000			
	Conclusion & Report	24	24	-	-	-	-	-	-	-	-	-	-	Spread Effect Evln.Rept.	7/31/74	
	Sub-Total	112	162			59,550		23,170			20,850	5,500	14,000			123,150
II.	Agricultural Credit Evaluation															
	Data on 13 Institutions	10	20	-	-	-	1	2,000	30	40	1,200	-	-			
	Pakistan ADB	6	10	30	180	5,400	2	4,420	60	30	1,800	-	-			
	Philippines Central Bank	14	25	n.a.	n.a.	13,000	5	9,800	120	40	4,800	500	7,000			
	Morocco CNCA	16	25	n.a.	n.a.	13,000	5	5,050	120	40	4,800	500	7,000			
	Uruguay BR/Plan Agropec.	16	20	60	180	10,800	4	4,160	100	35	3,500	300	7,000			
	Mexico Fondo	8	15	60	180	10,800	2	520	60	45	2,700	-	5,000			
	Conclusions & Report	20	20	-	-	-	-	-	-	-	-	-	-			
	Sub-Total	90	135			53,000		25,950			18,800	1,300	26,000	Ag.Credit Evln. Rept.	6/31/74	125,050
III.	Indian Railways Audit	22	30	-	-	-	2	4,420	80	30	2,400	-	-	Indian Rlwys. Audit Report	5/31/74	6,820
IV.	Highway Project Cost-Benefit Audit	22	33	-	-	-	3	4,500	60	40	2,400	-	-	Highway Projects C-B Audit	7/31/74	6,900
V.	Individual Project Audits															
	Singapore Water Supply	9	9	-	-	-	1	2,200	15	35	525	-	-	Singapore Water Audit Rept.	12/31/73	2,725
	Congo (B) Potash	12	12	30	220	6,600	2	3,280	50	35	1,750	-	-	Congo (B) Potash Audit	3/31/74	11,630
	Nigeria Power	12	12	30	220	6,600	3	4,440	75	40	3,000	-	-	Nigeria Power Audit Rept.	6/31/74	14,040
VI.	Follow-up Work															
	Closing Report-Power	8	3	-	-	-	-	-	-	-	-	-	-	Report to Mgt. only	2/28/74	-
	Closing Report-Colombia	16	5	-	-	-	1	390	20	35	700	-	-	Report to Mgt. only	4/30/74	1,100
	Follow-up to FY73 Reports	8	-	-	-	-	-	-	-	-	-	-	-			
	TOTAL	310	400			125,750		68,350			50,425	6,800	40,000			291,325

BANK/IDA LOAN AND CREDITS ON WHICH FINAL DISBURSEMENTS IN CY1968

	Ln/Cr. No.	Country and Project	CY of Commitment	Amount ($ million)
**	Ln. 294	India - Port of Calcutta II	1962	21.0
	Cr. 3	India - Highways	1961	60.0
	Ln. 269	India - ICICI III	1960	20.0
	Ln. 312	India - ICICI IV	1962	20.0
	Ln. 340	India - ICICI V	1963	30.0
	Cr. 92	India - Industrial Imports III	1966	150.0
	Cr. 97	India - Industrial Imports IV	1966	65.0
	Ln. 321	Pakistan - Share of Railways V	1963	n.a.
	Ln. 377	Pakistan - Pipeline SNGPL North	1964	15.0
	Cr. 30	Pakistan - Industrial Estates	1962	6.5
	Ln. 330	Pakistan - Share of PICIC IV	1963	n.a.
	Cr. 98	Pakistan - Share of Industrial Imports	1966	20.0
*	Ln. 343	Colombia ; Railway Rehabilitation I	1963	30.0
*	Ln. 282	Colombia - Medellin Power II	1961	22.0
*	Ln. 313	Colombia - Bogota Power II	1962	50.0
*	Ln. 347	Colombia - Cartagena Power (Cospique)	1963	5.0
	Ln. 430	Mexico - Livestock Credit	1965	25.0
**	Ln. 240	Iran - IMDBI I	1959	5.2
*	Ln. 227	Iran - Highways I	1959	72.0
**	Ln. 306	Venezuela - Highways	1961	45.0
	Ln. 327	Thailand - Irrigation Petchburi	1962	3.4
	Ln. 370	Thailand - Industry IFC of Thailand	1964	2.5
	Ln. 277	Yugoslavia - Power (YIB)	1961	30.0
	Ln. 318	Yugoslavia - Power (YIB)	1962	30.0
	Ln. 326	Nigeria - Ports	1962	13.5
	Ln. 373	Peru - Ports	1964	3.1
	Ln. 208	Peru - Port Auth. of Callao	1958	6.6
	Ln. 334	Peru - Railways	1963	13.3
	Ln. 244	Chile - ENDESA (Power)	1959	32.5
	Ln. 402	Chile - ENDESA (Power)	1965	4.4
	Ln. 330	Bangladesh - Share of PICIC IV	1963	n.a.
	Ln. 321	Bangladesh - Share of Railways V	1963	n.a.
	Cr. 98	Bangladesh - Share of Industrial Imports	1966	5.0
	Ln. 297	Philippines - Power (NPC)	1961	34.0
	Ln. 325	Philippines - Power (NPC)	1962	3.7
	Ln. 360	Spain - Highways	1963	33.0
**	Ln. 346	Costa Rica - ICE (Power and Telecom.)	1963	22.0
	Ln. 385	Gabon - Highways	1964	12.0
	Ln. 322	Nicaragua - Irrigation	1963	2.6
	Ln. 274	Burma - Railways	1961	14.0
**	Ln. 293	Trinidad & Tobago - Power	1961	23.5
	Ln. 322	Panama - Power, Inst. Recursos Hid.Elect.	1962	4.0
	Ln. 380	Tunisia - Port	1964	7.0
	Cr. 18	Jordan - Amman Water Supply	1961	2.0
	Ln. 351	Malta - Power	1963	7.5
**	Cr. 63	Botswana - Highways	1964	3.6
*	Ln. 473	Singapore - PUB (Power)	1966	10.0

		Nos. of Projects
	Total on which disbursements completed in year:	47
*	Number of projects audited/evaluated before 7/1/72:	6
	of which: by Operations Evaluation Division	(5)
	by Economics Department	(1)
**	Number of projects covered by OED in year	6
	Total No. of Projects audited/evaluated as % of those completing disbursement in year:	26%

ATTACHMENT III

BANK/IDA LOANS AND CREDITS FULLY DISBURSED IN CY1969

	Ln./Cr. No.	Country and Project	CY of Commitment	Amount ($ million)
	Cr. 19	India - Durgapur Power	1962	18.5
**	Cr. 88	India - Railways IX	1966	68.0
*	Cr. 23	India - Purna Irrigation	1962	13.0
	Cr. 47	India - Kothagudem Power	1963	20.0
	Cr. 57	Pakistan - Western Railway	1964	25.0
*	Cr. 76	Pakistan - ADB I	1965	18.0
	Ln. 382	Pakistan - PICIC V	1964	21.9
*	Ln. 422	Iran - IMDBI II	1965	10.0
*	Ln. 459	Iran - IMDBI III	1966	25.0
**	Ln. 381	Iran - Highways II	1964	18.5
	Ln. 406	Thailand - Yanhee III (Power)	1965	6.0
*	Ln. 341	Thailand - Highways	1963	35.0
**	Ln. 383	Nigeria - NDA (Power)	1964	82.0
**	Ln. 372	Nigeria - ECN (Power)	1964	30.0
**	Cr. 4	Chile - Highways I	1961	19.0
*	Cr. 75	Turkey - TSKB	1965	10.0
**	Cr. 76	Bangladesh - ADB I	1965	9.0
	Ln. 382	Bangladesh - PICIC V	1964	8.1
**	Ln. 432	Philippines - Ag. Credit	1965	5.0
	Ln. 331	Philippines - PNB (Industry)	1963	15.0
	Ln. 397	China - CDC	1964	15.0
	Ln. 387	Spain - Railways (RENFE)	1964	65.0
	Ln. 424	Israel - IDBI	1965	20.0
**	Ln. 433	Morocco - Credit	1965	10.0
	Ln. 358	El Salvador - Telecommunications	1963	9.5
	Ln. 441	Ethiopia - Telecommunications III	1965	4.8
*	Ln.299/Cr.10	Costa Rica - Highways	1961	5.5
**	Ln. 288	Argentina - Highways	1961	48.5
**	Cr. 48	Tanzania - Highways I	1964	14.0
	Ln. 412	Portugal - Power II	1965	15.0
	Ln. 453	Portugal - Power III	1966	10.0
**	Ln. 480	Congo (B) - Potash	1967	30.0
	Ln. 303	Kenya - Land Settlement	1961	8.4
**	Cr. 70	Kenya - Highways	1964	4.5
**	Cr. 12	Paraguay - Highways	1961	6.0
**	Ln. 405	Singapore - Water (PUB)	1965	6.8
**	Ln. 368	Liberia - Highways	1964/65	4.3
**	Cr. 82	Lesotho - Highways	1966	4.1
**	Cr. 55	Niger - Highways	1964	1.5
*	Ln.295/Cr.5	Colombia - Highways	1961	39.0
*	Ln. 350	Malaysia - NEB (Power)	1963	51.9

		Nos. of Projects
	Total on which disbursements completed in year:	41
*	Number of projects audited/evaluated before 7/1/73:	9
	of which: by Operations Evaluation Division	(6)
	by Economics Department	(2)
	by DFCs Department	(1)
**	Number of projects to be covered by OED in year	17
	Total No. of Projects which will have been audited/evaluated as % of those completing disbursement in year:	63%

SPREAD EFFECT EVALUATION STUDY: PROJECT SAMPLE

Country & Project	Period of Lending	Cumulative Commitments ($ mln)	Principal Spread Effect	Previous Studies	Further Study Now Required: Preliminary	Further Study Now Required: Spread Effect
Colombia Power Sector	1950-72	350.1	on other power utilities: - tariff levels - accounting - cash flow forecasting - self-financing principle - commercial department - plg. & inter-coy coopn.	OED Colombia Evaluation Report (1972)	-	XX
Iran Highways	1959-72	173.0	on rest of Ministry: - on maintenance system - feeder road plg. & Dev. - contracting procedures	Economics Dept. Reappraisal of First Project (1968)	Audit	XX
India Ports	1958-70	82.0	on major ports: - accounting & mgt. info. systems - commercial outlook - inventory policy & controls - better cargo-handling techniques	OED Calcutta Port Audit (underway)	-	XX
Peru San Lorenzo Irrigation	1955-72	29.0	on rest of ag. sector: - irrign. & small farmer settlement - cooperatives - rural services/educ'n. - ag. project managers - marketing systems	Hirschman, "Development Projects Observed" (1967)	Evaluation	XX
Uruguay Livestock Credit	1959-72	41.2	on rest of livestock sector: - difusion of new techniques (legumes & phosphates)	Hirschman ditto; and on-going monitoring by Plan Agropecuario	Evaluation	XX
Mexico Agricultural Credit	1965-72	165.0	on rural banking sector & agriculture: - lending w. tech. asstce. - lending on prospects instead of security only	Schmidt, Special Impact Study of first two loans (1972)	Audit	XX
Turkey DFC: TSKB	1950-72	169.0	on private industry & on other banks & capital market: - enterprise accounting - mgt. techniques/info. systems - project plg. & analysis - loan appraisal procedures - financial instruments - capital mkt. structure	DFCD-sponsored evaluation of TSKB performance, incl. ex-post analyses of sample sub-projects (underway)	Audit	XX

ATTACHMENT V

BANK/IDA LOANS/CREDITS FOR AGRICULTURAL CREDIT COMMITTED AFTER 1/1/60 AND FULLY DISBURSED BY 12/31/72

Ln./Cr. No.	Country & Institution	Principal Purpose	Period of Disbursement	Amount (US$ mln)
Cr. 76	Pakistan: Agricultural Dev. Bank	tubewells & ag. machinery	1965-69	18.0
Cr. 117	" " " "	" "	1968-70	7.1
Ln. 432	Philippines: Central Bank/Rural Banks	small irrig. schemes & ag. machinery	1965-69	5.0
Ln. 433	Morocco: CNCA	on-farm dev. & light ag. processing	1965-69	10.0
Cr. 76	Bangladesh: Agricultural Dev. Bank	tubewells & ag. machinery	1965-69	9.0
Cr. 117	" " " "	" "	1968-71	2.9
Ln. 407	Uruguay: B.R./Plan Agropec. II	pasture & livestock facilities	1965-70	12.7
Ln. 773	" " " " "	" "	1971-72	4.0
Cr. 47	Paraguay: Central Bank	livestock facilities	1963-67	3.6
Cr. 86	" " " II	"	1966-71	7.5
Cr. 80	Tanzania: NDCA	sht., med. & long credit for farming, dairy & fishing	1966-71	5.0
Cr. 44	Jordan: Ag. Credit Corpn.	land improvement & water development	1963-66	3.0
Cr. 103	" " " "	" "	1967-72	3.0
Ln. 257	Peru: BFA III	water & land dev., mechanization, livestock, tree crops	1960-63	5.0
Ln. 415	" " IV	" "	1965-67	15.0
Ln. 285	Guyana: Guyana Credit Corpn.	machinery, materials & breed stock for ag., forestry, fishing	1961-63	1.3
Ln. 366	Chile: CORFO	improved pasture & livestock & facilities	1963-72	19.0
Cr. 107	Bolivia: Banco Agricola (Beni)	pastures, livestock & facilities	1967-72	2.0
Ln. 430	Mexico: Fondo/Comm. Banks	livestock & crop agriculture & ag. ind.	1965-68	25.0
Ln. 610	" " " " II	" "	1969-71	65.0
				223.1

HIGHWAY PROJECTS FOR WHICH BANK/IDA LOAN/CREDIT DISBURSEMENTS WERE COMPLETED IN CY1969

Loan/Cr. No.	Country	Year of Commitment	Amt. of Loan (US$ mln)	Expected Total Project (US$ mln)	Approx. Components of Total Project Cost (US$ mln)			Length of roads recommended/ improved (kms.)	Expected Return to the Road Investment
					Mtce. Equipment	Non-related Consultant Studies	Road Constr./ Improvement		
Loan 381	Iran	1964	18.5	44.2	-	4.7	39.5	680	18-33% IRR based on savings in mtce. & road user costs
Loan 341	Thailand	1963	35.0	62.6	6.8	8.9	46.9	628	9-17% IRR based on road user cost savings only
Loan 287/ Cr. 4	Chile	1961	25.0	62.4	6.0	0.2	56.2	3,850	8% first year return by user cost savings only; also development benefit
Loan 299/ Cr. 10	Costa Rica	1961	11.0	17.0	3.3	-	7.7	671	8-92% first year return by user cost & mtce. savings
Loan 288	Argentina	1961	48.5	110.0	15.0	-	95.0	2,565	b-c ratios on basis of user cost savings between 1 and 300
Cr. 48	Tanzania	1964	14.0	18.8	-	-	18.8	1,181	6-13% first year return by user cost & mtce. savings
Cr. 70	Kenya	1964	4.5	6.0	-	-	6.0	312	18% IRR assuming road user savings remain at first-year level
Cr. 12	Paraguay	1961	6.0	8.0	0.5	-	7.5	303	b-c ratio on basis user cost savings above 1 @ 6% r/i plus dev. ben.
Loan 368	Liberia	1964/65	4.3	5.9	0.9	-	5.0	121	20%+IRR on whole scheme for 1 road (lumber); 30% IRR user cost savings for other
Cr. 82	Lesotho	1966	4.1	5.4	-	-	5.4	150	10-12% IRR on mtce. and user cost savings; also development benefit
Cr. 55	Niger	1964	1.5	1.5	-	-	1.5	69	16% IRR on road user cost savings only
Loan 295/ Cr. 5	Colombia	1961	39.0	98.8	7.7	4.0	87.1	1,247	8% or higher first year return by user cost and maintenance savings
			211.4	440.6	40.2	17.8	376.6	11,777	

BANK/IDA LOANS AND CREDITS TO KENYA AND EAST AFRICAN COMMUNITY

Ln./Cr. No.	Project	Commitment Amount ($ million)	% Disbursed 12/31/72	Calendar Year Loan Committed	Calendar Year Fully Disbursed
	KENYA				
Ln. 256	Agriculture and Roads	5.6	100%	1960	1964 *
Ln. 303	Land Settlement	8.4	36%	1961	1969 *
Cr. 64	Tea Development	2.8	80%	1964	1972 *
Cr. 77	Tea Roads	3.0	100%	1965	1970 *
Cr. 104	Agricultural Roads	5.3	100%	1967	1972 *
Cr. 105	Agricultural Credit	3.6	89%	1967	- *
Cr. 129	Livestock Development	3.6	56%	1968	- *
Cr. 119	Tea Development	2.1	5%	1968	-
Ln. 641	Forestry Development	2.6	40%	1969	-
Cr. 344	Agricultural Credit	6.0	-	1972	-
		43.0			
Cr. 93	Education I	7.0	100%	1966	1970 *
Cr. 185	Education II	6.1	15%	1970	- *
		13.1			
Ln. 745	Power - Kamburu Hydro	23.0	30%	1971	-
Cr. 70	Highways	4.5	100%	1964	1969 *
Cr. 120	Highways	11.6	97%	1968	- *
Ln. 639	Highways	23.5	83%	1969	- *
Cr. 224	Highway Maintenance	12.6	18%	1970	-
Cr. 276	Highways	22.0	-	1972	-
Ln. 826	Airport - Nairobi	29.0	5%	1972	-
		103.2			
Ln. 714	Water Supply - Nairobi	8.3	20%	1970	-
	EAST AFRICAN COMMUNITY				
Ln. 483	Telecommunications	13.0	98%	1967	- *
Ln. 675	Telecommunications	10.4	30%	1970	-
		23.4			
Ln. 843	Industry (EADB)	8.0	-	1972	-
Ln. 428	Harbors	5.6	100%	1965	1971 *
Ln. 638	Harbors	35.0	43%	1969	-
Ln. 865	Harbors	26.5	-	1972	-
		67.1			
Ln. 110	Harbors and Railways (EARH)	24.0	100%	1955	1956 *
Ln. 428	Railways	32.4	100%	1965	1971 *
Ln. 674	Railways	42.4	14%	1970	-
		98.8			

* Projects sufficiently far advanced for a reasonable evaluation to be possible.

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: All OED Staff

DATE: September 27, 1974

FROM: C. R. Willoughby CRW

SUBJECT: Operations Evaluation Work in the Bank Group

This paper will be circulated over Mr. McNamara's signature this afternoon.

Attachment

The work of the Operations Evaluation Department has two principal purposes: to provide an independent report as to the extent of accomplishment of the objectives stated in the documents on the basis of which the Bank's Board of Executive Directors approved a lending operation, and to identify, on the basis of past activities and their degree of success, possibilities for improving Bank efficiency and effectiveness by strengthening procedures, policies and practices. It is not part of the purpose of the Department to reach conclusions as to changes that should be made in the actual operation and use of the specific projects studied, although there may incidentally emerge implications of this nature for consideration by the operating departments of the Bank.

Explicit suggestions for future improvement of policies, procedures and practices are only made on the basis of study of a number of projects, since they would otherwise have too weak a basis. Such suggestions have been presented in a number of reports - for instance those on Bank operations in Colombia, in the electric power field and in lending for certain types of highway projects. When a sufficient number of performance audits of individual projects have been done - probably before the end of CY 1974 - they will all be reviewed, with a view to producing an overall picture, including any suggestions that emerge for improvements in policies and procedures. Any explicit suggestions contained in reports are subsequently discussed with the operating departments responsible; and follow-up reports to the Executive Directors are prepared by the Operations Evaluation Department at an appropriate moment, dealing with the extent to which the suggestions have been accepted and implemented (see, for example, "Interm Report on Actions Relating to Recommendations of the Colombia Evaluation Study", dated July 12, 1973).

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