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Portfolio Management Task Force – Annual  
Report on Portfolio Performance 1993-02-16



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FOR  
EXECUTIVE  
DIRECTORS'  
MEETING

For consideration on  
Tuesday, March 9, 1993

R93-20  
IDA/R93-23

FROM: Vice President and Secretary

February 16, 1993

ANNUAL REPORT ON PORTFOLIO PERFORMANCE - FISCAL YEAR 1992

Attached is a copy of a paper entitled "Annual Report on Portfolio Performance - Fiscal Year 1992" prepared by the Operations Policy Department.

Questions on this document may be addressed to Messrs. James W. Adams (ext. 36691), Jan Wijnand (ext. 81490) or Rene Ruivivar (ext. 82853).

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THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

LEWIS T. PRESTON  
President

February 11, 1993

To: All Executive Directors

The FY92 Annual Report on Portfolio Performance (ARPP) is attached for your consideration. It is the first review of the status of the Bank's portfolio of operations under implementation since the Portfolio Management Task Force (PMTF) issued its report in September 1992. It replaces the Annual Report on Implementation and Supervision (ARIS).

The report finds that overall portfolio performance in FY92 was somewhat better than in FY91, largely because of active efforts of the Regions to restructure, cancel or close poorly performing projects. However, it emphasizes that the Bank continues to face serious portfolio performance problems. The recent discussions of the Executive Directors on the PMTF report have focused on how these problems should be addressed in order to improve implementation and development effectiveness of Bank-financed operations. I expect that these discussions will continue when the Executive Directors consider the follow-up to the PMTF Report in March.

*Lewis T. Preston*

**ANNUAL REPORT  
ON  
PORTFOLIO PERFORMANCE**

**FISCAL YEAR 1992**

**February 11, 1993**



## LIST OF ACRONYMS

AFDB	-	African Development Bank
AFR	-	Africa Region
AGETIP	-	Agence d'Exécution de Travaux d'Intérêt Public
ARCS	-	Audit Reports Compliance System
ARPP	-	Annual Review of Project Performance
ASAL	-	Agricultural Sector Adjustment Loan
CAM	-	Country Assistance Management
CD	-	Country Department
CESAG	-	Centre d'Etudes Supérieures d'Administration et de Gestion
CIR	-	Country Implementation Review
COD	-	Central Operations Department
CPPR	-	Country Portfolio Performance Review
CSIR	-	Country Strategy and Implementation Review
CSP	-	Country Strategy Paper
DMT	-	Department Management Team
EA	-	Environmental Assessment
EAP	-	East Asia and Pacific Region
ECA	-	Europe and Central Asia Region
EDI	-	Economic Development Institute
ERL	-	Economic Recovery Loan
ERR	-	Economic Rate of Return
ESAL	-	Energy Sector Adjustment Loan
ESW	-	Economic and Sector Work
FSAL	-	Financial Sector Adjustment Loan
GCC	-	Gulf Cooperative Council
GEF	-	Global Environment Facility
ICB	-	International Competitive Bidding
IDA	-	International Development Association
IDB	-	Inter-American Development Bank
IDF	-	Institutional Development Fund
IEPS	-	Initial Executive Project Summary
ITF	-	Industry, Trade, and Finance Lending
LAC	-	Latin America and Caribbean Region
LOC	-	Lending Operations Database
MIGA	-	Multilateral Investment Guarantee Agency
MIS	-	Management Information System
MNA	-	Middle East and North Africa Region
NAFTA	-	North American Free Trade Agreement
NGO	-	Non-governmental Organization
NRDP	-	Northeast Rural Development Program (Brazil)
OD	-	Operational Directive
OECD	-	Organization for Economic Cooperation and Development
OED	-	Operations Evaluation Department
OSP	-	Sector and Operations Policy Vice Presidency

PCR	-	Project Completion Report
PHN	-	Population, Health, and Nutrition
PIR	-	Project Implementation Review
PIS	-	Pacific Island Countries
PSA	-	Private Sector Assessment
PSD	-	Private Sector Development
PSE	-	Program of Special Emphasis
PSM	-	Public Sector Management
RMT	-	Regional Management Teams
R&R	-	Resettlement and Rehabilitation
SADCC	-	Southern African Development Coordination Conference
SAL	-	Structural Adjustment Loan
SAP	-	Structural Adjustment Program
SAR	-	Staff Appraisal Report
SAS	-	South Asia Region
SDR	-	Special Drawing Rights
SECAL	-	Sector Adjustment Loan
SOA	-	Senior Operations Adviser
SOD	-	Sector Operations Division
SPA	-	Special Program of Assistance
SPAAR	-	Special Program for African Agricultural Research
SW	-	Staff week
TA	-	Technical Assistance
TD	-	Technical Department
UNDP	-	United Nations Development Program
UNEP	-	United Nations Environment Program
UNICEF	-	United Nations Children's Fund

# ANNUAL REPORT ON PORTFOLIO PERFORMANCE

FISCAL YEAR 1992

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# I. GLOBAL OVERVIEW

## Introduction

1. This first Annual Report on Portfolio Performance (ARPP) assesses the performance of the Bank's<sup>1</sup> operations portfolio in FY92, and summarizes the various measures taken by the Bank in that year to improve the quality and effectiveness of its portfolio performance management. It replaces the Annual Report on Implementation and Supervision (ARIS),<sup>2</sup> as agreed during the Board discussions in December 1992 and January 1993 on the Portfolio Management Task Force (PMTF) report.<sup>3</sup>

2. **Report Format.** The assessment of the FY92 operations portfolio was carried out in parallel with both the PMTF review of the Bank's basic portfolio management and evaluation process, and the subsequent Board discussions mentioned above. While this first ARPP retains the portfolio assessment methodology used in past ARISs (paras. 11-12), it provides a transition to the format recommended by the PMTF for future portfolio performance reports. Its format is based on the PMTF recommendation that the country portfolio be made the principal unit of account in portfolio performance assessment and managerial accountability.<sup>4</sup> Thus, following an overview of the state of the Bank's portfolio in this chapter (Chapter I), individual country portfolios are reviewed in Chapters II-VII prepared by the Regional Offices. Performance of the portfolio by sector is discussed in Annex I. Statistical data on portfolio composition, performance indicators and supervision resource inputs are provided in Annex II.<sup>5</sup>

3. **Review Process.** As in past ARISs, the process leading to the preparation of the ARPP was Bankwide. Within the Regions, the key initial step was the assessment and rating by Task Managers of the performance of individual projects comprising the country portfolios. The resulting assessments and ratings were summarized in Form 590s, and reviewed by Divisional Managers and Country Departmental Management Teams in all countries to ensure consistency.<sup>6</sup> Country portfolio performance reports, which identified generic implementation issues and proposed action plans, were then prepared by Country Departmental Management Teams for Regional Management review. As indicated above, summaries of these country reports are included in Chapters II-VII of this report.

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<sup>1</sup> In this report, "Bank" refers to IBRD and IDA.

<sup>2</sup> The last ARIS was the *Seventeenth Annual Report on Implementation and Supervision*, R92-14, February 5, 1991.

<sup>3</sup> *Effective Implementation: Key to Development Impact* (R92-195), November 3, 1992.

<sup>4</sup> *Ibid.*, p. 25.

<sup>5</sup> The PMTF also recommended that portfolio performance in the various programs of special emphasis (PSEs) be reviewed in a separate annex to the ARPP. In fact, the PSEs have been reviewed recently in the following more specialized Bank reports: *Implementing the Bank's Poverty Reduction Strategy: Progress and Challenges* (R92-233, December 30, 1992); *The World Bank and the Environment, FY92*, September 1991; and *Private Sector Development*, Progress Report to the Development Committee (SecM91-1035, August 1991). A new progress report on private sector development is also scheduled to be completed before the end of FY93. In light of this and the creation of the new Central Vice Presidencies (CVPs), which will make it appropriate to reorganize the Bank's work under the three major themes of the CVPs, a decision was made to limit the annexes of the first ARPP to the sectoral and statistical annexes.

<sup>6</sup> In some Regions, Country Teams, Technical Departments and sectoral Group Teams also reviewed project implementation issues in the various sectors. Additional inputs were also provided by the Bank's central sector departments as part of their annual sector reviews.



### Portfolio Size and Composition

4. **Portfolio Size.** The Bank's portfolio of operations under implementation in FY92 comprised 1,852 operations with total lending commitments<sup>7</sup> of \$142.1 billion (Table 1.1) and an undisbursed balance of \$73.3 billion (52 percent of commitments). The commitments represented 38 percent of the total investment cost at appraisal of the 1,852 operations (\$373.7 billion). The active portfolio, which excludes countries in nonaccrual status on June 30, 1992, consisted of 1815 operations with total commitments of \$140.3 billion. Since FY90, the U.S. dollar value of the portfolio (in terms of lending commitments) has increased slowly in nominal terms, but remained stable in real terms.

**Table 1.1: Bank Portfolio in Nominal and Real Terms, FY90-FY92**

	<i>Number of Projects</i>			<i>Lending Commitments (US\$bn)</i>			<i>Average Loan Size (US\$m)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
<i>Nominal Terms</i>									
Adjustment <sup>a</sup>	138	146	143	22.5	23.0	23.7	163	158	166
Investment	1,752	1,699	1,709	110.4	115.0	118.4	63	68	69
<b>Total</b>	<b>1,890</b>	<b>1,845</b>	<b>1,852</b>	<b>132.9</b>	<b>138.0</b>	<b>142.1</b>	<b>70</b>	<b>75</b>	<b>77</b>
<i>Real Terms<sup>b</sup></i>									
Adjustment				22.5	22.3	22.2	163	153	156
Investment				110.4	111.3	111.0	63	66	65
<b>Total<sup>b</sup></b>				<b>132.9</b>	<b>133.6</b>	<b>133.3</b>	<b>70</b>	<b>73</b>	<b>72</b>

a. Adjustment includes both structural and sectoral adjustment and debt reduction loans. Half of hybrid operations is included in adjustment operations and half in investment operations. Investment includes technical assistance and emergency loans.

b. Deflated to FY90 prices using the following commitment deflator: FY90, 100; FY91, 103.3; FY92, 106.6.

5. **Portfolio Composition.** The regional shares in the total number of projects were fairly stable during FY90-92 (Table 1.2). The portfolio continued to be concentrated in a few countries. The five largest country portfolios—India, China, Mexico, Indonesia and Brazil—accounted for 22 percent of the total number of projects and over 44 percent of total commitments in FY92. These countries had 62 percent of the population of Bank borrowing countries. Thirty nine out of 113 borrowing countries had each more than \$1 billion in lending commitments and/or at least 20 projects ("large country portfolios"), and together accounted for almost 70 percent of the number of projects and 88 percent of outstanding lending commitments in FY92 (Annex II, Table 3). These countries accounted for 90 percent of the population of Bank borrowing countries.

<sup>7</sup> "Lending commitments" includes IBRD loans and IDA credits.

**Table 1.2: Bank Portfolio Distribution by Region, FY90-FY92**

Region	FY90				FY91				FY92			
	No. of		Lend		No. of		Lend		No. of		Lend	
	Proj.	% of Total	Comm US\$bn	% of Total	Proj.	% of Total	Comm US\$bn	% of Total	Proj.	% of Total	Comm US\$bn	% of Total
AFR	646	34	21.1	16	641	35	22.1	16	644	35	23.2	16
EAP	320	17	26.5	20	309	17	27.3	20	319	17	29.8	21
SAS	276	15	29.9	22	277	15	31.0	22	275	15	30.9	22
ECA	99	5	11.3	8	100	5	13.9	10	101	5	14.3	10
MNA	192	10	9.6	7	179	10	10.0	7	181	10	10.7	8
LAC	357	19	34.6	26	339	18	33.7	24	332	18	33.2	23
<b>Total</b>	<b>1,890</b>	<b>100</b>	<b>132.9</b>	<b>100</b>	<b>1,845</b>	<b>100</b>	<b>138.0</b>	<b>100</b>	<b>1,852</b>	<b>100</b>	<b>142.1</b>	<b>100</b>

*Note:* Columns may not add up to totals because of rounding.

6. Agriculture remained the dominant sector in the FY92 portfolio (27 percent of the total number of projects and 21 percent of lending commitments) but its portfolio share continued to decline. Meanwhile, the share of the human resources sector increased from less than 13 percent in FY90 to about 16 percent in FY92 in the total number of projects, and from 9 percent to 10 percent in total commitments (Annex II, Table 7).

7. Investment loans accounted for a stable 83 percent of total lending commitments during FY90-92; the balance (17 percent) was in adjustment loans. The share in total lending commitments of financial intermediation and sector investment/maintenance loans decreased from over 30 percent in FY90 to 25 percent in FY92, while that of specific investment loans increased from 51 to 56 percent (Annex II, Table 8).

### The Implementation Environment<sup>7</sup>

8. The importance of an enabling economic environment for successful portfolio performance was reiterated recently in the PMTF report. Statistical analyses carried out specifically for this report confirm the significance of the economic environment in explaining changes in portfolio performance. Specifically, the analyses showed that portfolios in relatively fast growing, open, and low inflation economies tended to do better, in statistically significant terms, than those in low growth, closed economies with high inflation. Portfolios in countries carrying out adjustment programs also performed better than those in non-adjusting countries (see also Annex II, Table 10l).

9. **The International Economy.** Global economic conditions continued to be unfavorable for growth in developing countries in 1991 and during the first half of 1992. The slowdown in growth of the major industrial countries resulted in a lower growth in world trade and dampened demand for exports of both primary commodities and manufactures from developing countries. As a result, the volume of developing country exports declined by 2 percent in 1991. Prices of non-oil commodities in nominal

<sup>7</sup> This discussion is based mainly on the *World Bank Annual Report 1992*.



dollars also declined for the third consecutive year, resulting in an all-time low for the index of non-oil primary commodity prices in real terms. These trends were compounded by a worsening in economic conditions in the ECA region.

10. **Domestic Conditions.** Within the context of a deteriorating international economy, many countries continued to pursue sound stabilization and adjustment policies. As a group, East Asian economies continued their rapid growth. In the LAC region, improvements in country performance were also widespread (with Brazil a major exception). While a number of adjusting countries in the Africa region also achieved satisfactory growth, countries in the region that pursued inappropriate policies, or were affected by drought or security problems, suffered stagnating or declining GDP. In the MNA region, output expanded only marginally given the lingering shocks from the Gulf crisis. In the ECA region, stabilization and reform programs in several countries had not yet resulted in a bottoming-out in their economies. GDP growth of the South Asia region declined in 1991, reflecting mainly the short-term impact of India's stabilization measures.

### Portfolio Performance

11. The methodology used in the review of the FY92 operations portfolio continued the practice in previous years of assessing performance based on project ratings recorded in Form 590s (para. 3).<sup>9</sup> Under the current Form 590 system, the overall implementation status of projects is rated on the following ordinal scale: 1, no significant problems; 2, moderate problems; 3, major problems, but appropriate actions are being taken to address these problems; and 4, major problems which are not being addressed satisfactorily, or are beyond the capacity of the borrower to address (because of country conditions, declining commodity prices, etc.).

12. The two principal measures of portfolio performance used in this report — the portfolio overall status rating and the percentage of problem projects — were derived from the overall status ratings of projects recorded in Form 590s. To maintain comparability with portfolio assessments in previous ARISs, the portfolio overall status rating was calculated as an unweighted average of the overall status ratings of individual projects comprising the portfolio.<sup>10 11</sup> The percentage of problem projects in a portfolio was computed as the ratio of projects rated 3 or 4 to the total number of projects in a portfolio.

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<sup>9</sup> This methodology is described in *Technical Note 1* of the FY91 ARIS.

<sup>10</sup> Because the portfolio overall status rating is an average of the overall status ratings of projects comprising the portfolio, a portfolio rating of 2, for example, does not carry the same meaning as a project rating of 2 (moderate problems). A portfolio rating of about 2 normally indicates that the large majority of projects in the portfolio are rated 1 (no significant problems) or 2, while the rest (about 16 percent) are rated mostly 3 (problem projects). For country portfolios with average overall status ratings numerically higher than 2.0 in FY92, the average percentage of problem projects was over 33 percent. Therefore, the portfolio overall status rating is highly correlated with the percentage of problem projects in the portfolio. A numerically low portfolio rating indicates a low percentage of problem projects; a numerically high portfolio rating is associated with a high percentage of problem projects. For the FY92 Bank operations portfolio as a whole, the statistical correlation coefficient between these two measures is more than 0.9.

<sup>11</sup> This means that projects were equally weighted in calculating the overall status rating for a country portfolio. Special caution should therefore be taken in comparing portfolios of different sizes (in terms of number of projects) because ratings for small country portfolios are highly sensitive to changes in the rating of one or a few projects than larger country portfolios. For the portfolio overall status ratings, weighted by lending commitments, see Annex II, Table 3.



13. Both the overall status rating and the percentage of problem projects basically indicate the implementation status at a point in time of a portfolio of ongoing projects. Unlike the eventual OED assessments which focus on the development impact or effectiveness of projects at completion, the focus of these measures is more on the timeliness and adequacy of the provision of project inputs (management, funds, etc.) and achievement of immediate outputs (e.g., roads built, hectares irrigated, schoolhouses constructed)<sup>12</sup> Also, given the imperfections of the current project rating system, as noted in the FY91 ARIS and the PMTF report, conclusions based on these measures need to be drawn with caution, especially as regards comparative portfolio performance between countries, regions and other country groupings.

14. Bearing these reservations in mind, analysis of the project ratings for the FY92 operations portfolio shows that:

- At the Bankwide level, the overall status rating was basically stable between FY91 and FY92. Although the percentage of problem projects declined somewhat, the total number of problem projects — 339 projects accounting for \$21.3 billion in lending commitments — remains a serious cause for concern.
- At the regional level, performance varied with four regional portfolios showing improvement or no change (AFR, SAS, EAP and LAC), and two showing deterioration (ECA and MNA). The AFR Region continued to account for a disproportionately large share of problem projects.
- At the country level, a larger number of portfolios (36) improved than deteriorated (30); the remaining 40 country portfolios were basically unchanged. However, of the 106 country portfolios,<sup>13</sup> 38 portfolios experienced difficult implementation problems as indicated by an overall status rating higher than 2.0.
- Two thirds of the total number of problem projects in FY92 were in 24 country portfolios; over 35 percent of the total number of problem projects was concentrated in only eight country portfolios. Country conditions in a handful of borrowers (including Haiti, Peru, Somalia, Zaire) contributed to the continued high incidence of problem projects in the Bank's portfolio as a whole in FY92.

15. **Bankwide Trends.** The performance of the Bank's total portfolio was as follows (Table 1.3).

- The overall status rating of 1.96 in FY92 was basically unchanged from the FY91 level.
- The total number of problem projects fell from 374 (20 percent of the portfolio) in FY91 to 339 (18 percent of the portfolio) in FY92. Of the 374 problem projects in FY91, 44 were canceled or closed in FY92; 103 improved their rating; and 227 were carried over as problem projects to FY92. Thus,

---

<sup>12</sup> Positive assessments of performance during implementation do not necessarily lead to positive assessments of development effectiveness or impact at completion. The 1991 cohort of projects reviewed by OED included 212 projects that were rated 1 or 2 during their fifth year of implementation; of these, about 29 percent were rated "unsatisfactory" at completion. Conversely, negative assessments during implementation do not always lead to negative assessments at completion. Of the 57 projects in the OED 1991 cohort that were rated 3 or 4 during their fifth year of implementation, about 37 percent were subsequently rated "satisfactory" at completion.

<sup>13</sup> Excludes six new or newly reactivated country portfolios not rated in FY91 (Bulgaria, Czechoslovakia, Mongolia, Nicaragua, Romania and St. Kitts and Nevis) and one portfolio not rated in FY92 (Albania).

two thirds of problem projects in FY92 were already classified as problem projects for at least a year (see last item below). In addition to this carryover, 112 new problem projects were added to the portfolio in FY92.

- The percentage of problem projects markedly improved for the group of projects in the fourth and fifth year of implementation. Problem projects in this group dropped from 30 to 24 percent, reflecting the more intensive Bank efforts in FY92 to restructure, cancel or close poorly performing projects (Annex II, Table 10i).
- The percentage of problem projects in the group of oldest projects (past the eighth year of implementation) also declined sharply, from 34 percent in FY91 to 21 percent in FY92, (Annex II, Table 10i), primarily as a result of more vigorous efforts to clean up the portfolio through stricter enforcement of the Bank policy on extension of loan closing dates.
- These improvements were not accompanied by an increase in disbursements; in fact, disbursements from investment operations declined between FY91 and FY92 (see para. 27).
- Continued, intensive efforts to restructure, cancel or close poorly performing projects are warranted. Of the 339 problem projects in FY92, 123 projects, or 36 percent, had consistently been rated problem projects since the FY90 ARIS; and an additional 104 projects, or 31 percent, had been rated problem projects since the FY91 ARIS.

16. In contrast to the above decline in the percentage of problem projects between FY91 and FY92, the percentage of unsatisfactory projects at completion increased slightly from 36 percent of the 1990 cohort reviewed by OED (228 projects)<sup>13</sup> to 37 percent of the 1991 cohort (278 projects).<sup>14</sup> Comparisons by sector between the results for the 1991 cohort and the ratings for the FY92 portfolio are shown in Annex I. However, these comparisons need to be interpreted cautiously given the differences in the samples of projects and in the methodologies for measuring performance.

Table 1.3: Portfolio Status Ratings by Region, FY90-FY92

Region	FY90			FY91			FY92		
	No. of Projects	Over-all Rating	Prob Proj as % of Operations	No. of Projects	Over-all Rating	Prob Proj as % of Operations	No. of Projects	Over-all Rating	Prob Proj as % of Operations
AFR	646	1.99	19	641	2.19	30	644	2.15	26
EAP	320	1.53	5	309	1.53	4	319	1.55	3
SAS	276	2.02	20	277	2.03	20	275	1.95	17
ECA	99	1.72	16	100	1.81	17	101	1.90	18
MNA	192	1.88	16	179	1.89	16	181	1.99	18
LAC	357	2.01	23	339	1.98	23	332	1.97	20
<b>Total</b>	<b>1,890</b>	<b>1.90</b>	<b>17</b>	<b>1,845</b>	<b>1.97</b>	<b>20</b>	<b>1,852</b>	<b>1.96</b>	<b>18</b>

<sup>13</sup> In the FY91 ARIS (Table 11, page 23), the percentage of unsatisfactory projects at completion was shown as 31 percent of the 1990 cohort. This lower percentage excluded unsatisfactory projects that were uncharacteristic of the 1990 cohort.

<sup>14</sup> OED Annual Review of Evaluation Results 1991 (Report No. 11062), August 21, 1992.



17. **Regional Trends.** The stability of the overall status rating for the Bankwide portfolio masked divergent trends among the Regions in FY92 (Table 1.3).

- The overall ratings for the AFR and SAS regional portfolios improved by about two and four percent, respectively, between FY91 and FY92, while those for the EAP and LAC Regions were relatively stable. The overall status ratings of the ECA and MNA Regional portfolios deteriorated in FY92.
- The percentage of problem projects declined between FY91 and FY92 in the AFR, SAS, EAP and LAC Regions, and increased in the ECA and MNA Regions.
- The AFR, LAC and SAS Regions accounted for more than 82 percent of the total number of problem projects in FY92. The AFR Region continued to account for a disproportionately high percentage of problem projects (about 49 percent, compared to its share of about 35 percent in the total portfolio). The percentage of problem projects in the LAC Region (about 20 percent) also exceeded the Region's share in the total portfolio (about 18 percent).

18. **Country Trends.** The number of country portfolios rated 2.0 or lower on overall status increased somewhat between FY91-92, in contrast to the large decline between FY90-91. The aggregate share of these portfolios in the total number of projects and in total lending commitments increased correspondingly in FY92, but remained below the levels in FY90 (Table 1.4).

Table 1.4: Country Portfolios Classified by Overall Status Rating

Rating Category	FY90			FY91			FY92		
	No. of Country Portfolios	Share in Total No. of Projects (%)	Share in Total Commitments (%)	No. of Country Portfolios	Share in Total No. of Projects (%)	Share in Total Commitments (%)	No. of Country Portfolios	Share in Total No. of Projects (%)	Share in Total Commitments (%)
1.0 - 1.5	20	12.2	13.4	17	11.2	13.2	18	11.0	13.9
1.6 - 2.0	57	57.3	63.6	48	45.8	52.9	56	53.0	58.8
<b>Subtotal</b>	<b>77</b>	<b>69.5</b>	<b>77.0</b>	<b>65</b>	<b>57.1</b>	<b>66.1</b>	<b>74</b>	<b>64.0</b>	<b>72.7</b>
2.1 - 2.5	22	27.6	22.0	35	39.0	32.5	28	31.5	25.3
2.6 - 3.0	4	1.3	0.5	3	2.3	0.9	7	3.5	1.1
3.1 - 3.5	2	1.2	0.5	1	0.4	0.3	2	0.3	0.8
3.6 - 4.0	2	0.4	0.0	4	1.1	0.2	1	0.7	0.1
<b>Subtotal</b>	<b>30</b>	<b>30.5</b>	<b>23.0</b>	<b>43</b>	<b>42.8</b>	<b>33.9</b>	<b>38</b>	<b>36.0</b>	<b>27.3</b>
<b>Total<sup>a</sup></b>	<b>107</b>	<b>100.0</b>	<b>100.0</b>	<b>108</b>	<b>100.0</b>	<b>100.0</b>	<b>112</b>	<b>100.0</b>	<b>100.0</b>

a. Excludes regional projects and Albania.

19. The increase in the number of country portfolios rated 2.0 or lower was the net result of the following mixed trends in country portfolio performance in FY92 (Table 1.5 and Annex II, Table 4c):

- 36 country portfolios improved (i.e., decreased their overall status ratings by at least five percent); however, 13 portfolios of these continued to face serious implementation problems as indicated by an overall status rating higher than 2.0.
- 30 country portfolios deteriorated (i.e., increased their overall status ratings by at least five percent); of this group, 13 portfolios received an overall status rating higher than 2.0.
- 40 country portfolios were relatively stable (i.e., neither improved nor deteriorated according to the above definitions) between FY91-92; however, 12 of these portfolios had an overall status rating higher than 2.0.

Table 1.5: Country Portfolios Classified by Portfolio Size, FY92<sup>a</sup>

<i>Portfolio Size</i>	<i>Improved</i>	<i>Deteriorated</i>	<i>Stable</i>	<i>Total</i>
Small Country Portfolios	26	18	23	67
Large Country Portfolios	10	12	17	39
<b>Total</b>	<b>36</b>	<b>30</b>	<b>40</b>	<b>106</b>

*Large portfolio:* at least \$1.0 billion in outstanding loan commitments in FY92 or, if less than \$1.0 billion, at least 20 projects; small, other than large, principally in the AFR and LAC Regions;

*Improved or Deteriorated:* a decrease or increase, respectively, between FY91 and FY92 of at least 5 percent in the rating on overall status;

*Stable:* a portfolio which neither improved nor deteriorated according to the above definitions.

a. Excludes six new or newly reactivated portfolios that were not rated in FY91 (Bulgaria, Czechoslovakia, Mongolia, Nicaragua, Romania and St. Kitts and Nevis) and one that was not rated in FY92 (Albania).

20. **Problem Projects.** In the FY92 portfolio, 19 country portfolios that were rated higher than 2.0, and 5 country portfolios that were rated 2.0 or lower, had five problem projects or more. These 24 country portfolios accounted for two thirds of the total number of problem projects in FY92. Eight of the 24 portfolios (Nigeria, India, Zaire, Brazil, Republic of Yemen, Pakistan, Somalia and Turkey) had at least 10 problem projects each, and together accounted for over 35 percent of the total number of problem projects. In addition, except for India, these portfolios had disproportionately high shares in the total number of problem projects (in relation to their shares in the total portfolio).

21. At least a quarter of the total number of problem projects in FY92 were in countries where overall conditions seriously limited project performance. In some countries, conditions were so adverse as to impair the implementation of most if not all of the projects in the FY92 portfolios (e.g., Haiti, Peru, Somalia, Zaire).

22. **Performance of Large Portfolios.** The country specific factors which affected the performance of the large country portfolios (para. 5) are summarized below and discussed further in Chapters II-VII. The following summary is organized in accordance with the groupings suggested in para. 19 above: improved, deteriorated or stable portfolios.

23. **Improved Country Portfolios.** Improvement in portfolio performance during FY92 occurred over a wide variety of country portfolios (Table 1.6). Relatively problem-free portfolios (Korea, Malaysia) and portfolios with serious implementation difficulties (Côte d'Ivoire, Brazil, Rwanda,



Argentina, Turkey) showed improvement. As discussed in the regional summaries, this was a result of continued sound economic management and relatively good institutional capacity in some countries (Korea, Malaysia); positive changes in the economic environment as country adjustment efforts began to show results (Argentina, Bangladesh, Malawi, Côte d'Ivoire); and active portfolio management, involving redesign, cancellation or closing of poorly performing projects in countries that continued to face serious economic difficulties (Turkey, Brazil). *Despite the improvement, seven of the 10 large portfolios in this group either continued to be rated higher than 2.0 in FY92, or had a relatively high percentage of problem projects,<sup>16</sup> or experienced serious disbursement difficulties* (Côte d'Ivoire, Brazil, Rwanda, Argentina, Malawi, Turkey, Bangladesh). These portfolios will continue to be managed actively with a view to restructuring, closing or cancelling problem projects.

#### 24. Deteriorated Country Portfolios.

The deterioration in portfolio performance during FY92 also covered a broad range of country portfolios, including portfolios with an already high incidence of problem projects as well as relatively problem-free portfolios (Table 1.7). The deterioration occurred in many countries with weak economic management and in some countries pursuing sound economic policies. This trend reflected unsettled conditions in some countries (Guinea, Yugoslavia, Madagascar, Republic of Yemen); serious institutional weaknesses that have limited performance in many countries, including some with good macroeconomic management, and caused difficult implementation problems for countries undergoing a portfolio shift from predominantly adjustment loans to investment loans (Hungary, Tunisia, Venezuela, Bolivia); and, inadequate macroeconomic and sector policies, resulting in, among others, counterpart funding problems and

Table 1.6: Large Country Portfolios which Improved in FY92<sup>a</sup>

Country	No. of Proj.	Overall Status			Percentage of Problem Projects (%)		
		FY90	FY91	FY92	FY90	FY91	FY92
Korea	20	1.17	1.27	1.17	0	0	0
Malaysia	20	1.46	1.65	1.56	0	5	0
Sri Lanka	28	2.25	2.00	1.75	20	11	7
Bangladesh	42	2.16	2.21	1.91	27	28	17
Turkey	35	2.00	2.25	2.03	27	36	29
Malawi	23	1.95	2.25	2.04	19	23	13
Argentina	21	2.30	2.15	2.05	40	29	24
Rwanda	20	2.06	2.41	2.05	17	40	20
Brazil	66	2.05	2.21	2.11	30	39	24
Côte d'Ivoire	20	1.85	2.22	2.11	10	28	30

a. "Improved" means a decrease of at least 5 percent in the rating on overall status between FY91 and FY92.

Table 1.7: Large Country Portfolios which Deteriorated in FY92<sup>a</sup>

Country	No. of Proj.	Overall Status			Percentage of Problem Projects (%)		
		FY90	FY91	FY92	FY90	FY91	FY92
Hungary	19	1.25	1.40	1.53	0	0	0
Indonesia	81	1.56	1.55	1.69	5	4	4
Tunisia	30	1.72	1.63	1.72	5	3	7
Venezuela	9	1.60	1.29	1.75	0	0	11
Bolivia	20	1.82	1.38	1.83	12	0	10
Poland	15	1.00	1.63	1.85	0	0	7
Ghana	38	1.59	1.71	1.95	3	8	18
Algeria	25	1.82	1.86	2.13	11	19	28
Madagascar	23	1.88	2.16	2.30	7	23	30
Yugoslavia	12	1.84	1.71	2.33	4	13	33
Yemen	42	2.09	2.17	2.36	24	33	36
Guinea	22	1.83	2.25	2.38	16	38	32

a. "Deteriorated" means an increase of at least 5 percent in the rating on overall status between FY91 and FY92.

<sup>16</sup> The phrase "relatively high" is in relation to the percentage of problem projects in the Bank's operations portfolio prior to the deterioration in portfolio performance in recent years. During the three-year period FY87-89, the percentage of problem projects in the Bank's portfolio ranged from 12-14 percent. It increased to 17 percent in FY90 and 20 percent in FY91.



among others, counterpart funding problems and inadequate cost recovery. For many of these country portfolios under stress, the Bank has initiated restructuring discussions involving redesign, cancellation or closing of poorly performing projects, and has limited or, in some cases, conditioned new lending on improved performance. The results of these more active portfolio management efforts are expected to become more visible in future years. *Nevertheless, special attention needs to be given to country portfolios rated higher than 2.0 in FY92 and/or with a relatively high percentage of problem projects (Guinea, Republic of Yemen, Yugoslavia, Madagascar, Algeria, Ghana), and to portfolios that deteriorated substantially in FY92 and/or are likely to remain vulnerable to further deterioration in the short term (Poland, Bolivia, Venezuela).*

25. **Stable Country Portfolios.** This category includes some of the best performers in the overall portfolio (Thailand, China, Chile). It also includes the largest country portfolio (India), which underwent a major restructuring in FY92. As discussed in the regional summaries, the stable portfolios that performed poorly in FY92 (portfolios with an overall rating of more than 2.0 and/or with a high proportion of problem projects, see Table 1.8) were plagued by various implementation problems including institutional weaknesses, counterpart funding problems, and the effects of poor macroeconomic and sectoral policies. However, their ratings do not, as yet, fully reflect recent efforts to improve portfolio performance. For many of the stable portfolios, both good and poor performers, the Bank and the countries concerned have taken an active approach to portfolio improvement, by restructuring, cancelling or closing poorly performing projects. *Despite the stability in ratings in FY92, special attention will continue to be focused on portfolios rated higher than 2.0 and/or with a relatively high percentage of problem projects (Peru, Zaire, Nigeria, Tanzania, Nepal, Pakistan, Kenya, Colombia, India). Most of these country portfolios, and that of Egypt, also experienced serious disbursement difficulties in FY92.*

Table 1.8: Large Country Portfolios which were Stable in FY92<sup>a</sup>

Country	No. of Proj.	Overall Status			Percentage of Problem Projects (%)		
		FY90	FY91	FY92	FY90	FY91	FY92
Thailand	18	1.35	1.18	1.17	0	0	0
China	93	1.44	1.38	1.43	4	4	3
Chile	17	1.33	1.47	1.50	0	7	6
Philippines	36	1.59	1.66	1.64	3	3	0
Morocco	31	1.76	1.88	1.84	8	9	10
Mexico	46	1.71	1.74	1.71	6	9	11
India	117	1.89	1.90	1.89	15	12	15
Uganda	28	1.95	1.96	1.96	18	16	14
Egypt	27	2.08	2.04	1.96	23	12	11
Colombia	27	2.00	2.00	2.04	23	28	30
Kenya	32	1.96	2.14	2.06	21	26	16
Pakistan	57	1.98	2.05	2.07	19	20	23
Nepal	27	2.23	2.27	2.23	35	40	30
Tanzania	26	2.04	2.36	2.35	15	33	35
Nigeria	43	2.14	2.42	2.47	19	39	44
Zaire	26	2.41	2.78	2.85	44	70	65
Peru	8	3.21	3.43	3.50	79	71	63

a. "Stable" means a change of less than 5 percent in the rating on overall status between FY91 and FY92.

26. Peru's country portfolio rating of 3.5 is one of the lowest in the Bank's portfolio. The FY92 portfolio included five problem projects that were closed or cancelled during FY92. It also included three new adjustment operations, all of which are on track in terms of satisfying Bank conditions. Provided that this good policy performance continues, the portfolio rating for Peru should show a substantial improvement in FY93.

27. **Disbursement Performance.** Total disbursements for both investment and adjustment operations in FY92 amounted to more than \$16.4 billion, an increase of about \$0.5 billion over the FY91 level (Table 1.9). However, disbursements for investment operations alone declined by more than \$0.2

billion. As a result, the disbursement ratio for the Bank's portfolio of investment operations declined from 19 percent in FY91 to 17 percent in FY92.<sup>17</sup> All Regions, except the EAP Region, experienced a decline in the disbursement ratio. In addition, actual disbursements in FY92 continued to lag disbursement forecasts made at appraisal (Annex II, Table 11d). Reasons for the decline in the disbursement ratio in FY92 include:

- A shift from relatively faster disbursing loans (e.g., financial intermediation operations) toward more slowly disbursing loans for the social sectors (paras. 5 and 6). For example in Brazil, the decline in disbursements reflected inter alia the Bank's decision not to consider follow-up credit line operations until a satisfactory macroeconomic program was in place. Disbursements from existing credit lines to Brazil which were about \$409 million and \$213 million in FY90 and FY91, respectively, fell to about \$99 million in FY92.
- Recession or economic stabilization problems which caused credit demand in countries where the portfolios included substantial credit lines to contract. For example, in Hungary and Turkey, disbursements from financial intermediation operations fell from about \$180 million in FY91 to \$89 million in FY92.

28. It should be noted that there is no strong statistical correlation between disbursement ratios and country portfolio performance. Disbursement ratios declined for large country portfolios whose overall status rating deteriorated in FY92 (Ghana, Indonesia, Hungary), as well as for portfolios that improved in FY92 (Argentina, Brazil, Turkey, Rwanda). Country portfolios that were stable in FY92 also experienced a decline in disbursement ratios (Tanzania, India, Colombia, Egypt) (Annex II, Table 11c).

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<sup>17</sup> The disbursement ratio is the ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year.



Table 1.9: Selected Disbursement Performance Indicators

<i>Indicator</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
<i>Investment and Adjustment Lending</i>			
Lending Commitments (US\$bn)	<u>132.9</u>	<u>138.0</u>	<u>142.1</u>
Disbursements (US\$bn)	<u>17.8</u>	<u>16.0</u>	<u>16.4</u>
Disbursements as a % of Lending Commitments	14	12	12
Disbursement Ratio (%)	27	23	22
<i>Investment Lending</i>			
Undisbursed Balances (US\$bn)	58.1	61.0	65.5
% Increase (Decrease)	3	5	7
Disbursements (US\$bn)	<u>11.0</u>	<u>11.4</u>	<u>11.2</u>
% Increase (Decrease)	(3)	4	(2)
Disbursement Ratio (%)	19	19	17
<i>Adjustment Lending</i>			
Commitments (US\$bn)	5.5	5.9	5.8
% Increase (Decrease)	(15)	7	(2)
Disbursements (US\$bn)	<u>6.8</u>	<u>4.6</u>	<u>5.3</u>
% Increase (Decrease)	84	(32)	15

### Portfolio Performance Management

29. The FY91 ARIS reported a substantial deterioration in the condition of the Bank's operations portfolio from FY89-FY91, and recommended various actions to improve performance, including portfolio restructuring, greater use of disbursement suspensions, country implementation reviews (CIRs) and increases in resources for portfolio management. This section summarizes the main steps taken by the Regions in FY92 to address portfolio management issues actively; strengthen internal processes and mechanisms for portfolio management, including the feedback of lessons learned into existing and new operations; enhance the efficiency in the use of available portfolio management resources; and improve the quality of new operations. These efforts are consistent with many of the portfolio management practices that were later recommended in the PMTF report.

30. **Active Portfolio Management.** As reported in the regional chapters, all Regions dealt with country portfolio problems actively in FY92.

- CIRs for twenty of the 39 large country portfolios were conducted to discuss implementation issues, especially of a generic nature, and to reach agreement on remedial action programs. The effectiveness of many CIRs was enhanced by the participation of high-level country officials in the discussions.

- In a growing number of cases, discussions of the existing portfolios were integrated with discussions of future lending and economic and sector work (e.g., Bolivia, Colombia, Indonesia, Zimbabwe, Turkey). This was particularly helpful in linking portfolio performance with country assistance strategies.
- Restructuring of country portfolios in all regions was intensified in FY92, especially in those with a high incidence of problem projects (e.g., India, Nigeria, Tanzania, Brazil, Turkey). In addition to cleansing the portfolios of perennially non-performing projects, restructuring efforts in adjusting countries sought to realign portfolios with the new country priorities.<sup>17</sup> The major restructuring of the Brazil portfolio in FY91 and the India portfolio in FY92 is illustrative of this type of approach. The India restructuring also illustrates the PMTF recommendation that, under conditions of adjustment, undisbursed loan balances of sub-marginal projects that are cancelled could — subject to Board approval — be reallocated to high priority projects that remain in the portfolio.
- To reinforce portfolio restructuring efforts, increased use was made of Bank remedies in cases of non-compliance with loan covenants. The number of suspensions of disbursements due to project-related defaults increased from 16 in FY91 to 21 in FY92.
- All Regions strengthened their efforts to deal with some of the most common implementation problems, particularly procurement and audits. Concerning procurement, all Regions began to use standard bidding documents. Procurement specialists conducted country procurement assessments in a number of countries and helped governments reconcile national laws and regulations with Bank guidelines. Workshops and seminars continued to be held to train staff of implementing agencies. With regard to audits, Regions continued to place considerable emphasis on compliance with audit covenants.<sup>18</sup> The measures taken to improve compliance included periodic reviews by departmental management teams of compliance, technical assistance aimed at building local accounting and auditing capacity and the designation of accounting and audit coordinators in a number of sector operations divisions.

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<sup>17</sup> Of the 339 projects rated 3 or 4 in FY92, 36 were closed and/or canceled in FY92. The intensified portfolio restructuring efforts are shown in an increase in loan cancellations in FY92 from \$2.1 billion (involving 210 projects in FY91) to \$3.2 billion (involving 231 projects) (Annex II, Table 12). The total amount canceled in FY92 included \$1.5 billion (involving 53 projects) in India, where an intense effort was made to restructure the portfolio. In other countries, cancellation involved mainly the cancellation of undisbursed loan balances after the normal closing of project accounts. In a few cases, large cancellations (of over \$1.0 million) during project implementation were due to misprocurement. In other cases of cancellations of over \$1 million, the main reasons were (a) cancellation of a major component of the project because of loan restructuring; (b) non-compliance with loan covenants (not misprocurement); and (c) cancellation in response to borrower's request. In Yugoslavia the total amount canceled (\$398.7 million) included cancellation of the Second Structural Adjustment Loan (\$250 million) because of non-compliance with loan covenants, and the cancellation of the Seventh Railways (\$121.2 million) because the conditions of effectiveness were not met. Other examples of projects in which components were canceled because of non-compliance with loan covenants are Zaire (Eighth Development Finance, \$22 million), Bangladesh (Industrial Energy Efficiency, \$11 million) and Brazil (Chesf-Furnas Power Transmission Project, \$93 million). In Egypt, \$37 million of the Export and Development Project was canceled at the borrower's request.

<sup>18</sup> Timely compliance with audit covenants improved significantly in FY92 in the AFR and SAS regions. Timely compliance in the EAP region, where this is only a minor issue, was the same as in FY91, but in the ECA, MNA and LAC regions, performance deteriorated in FY92 (Annex II, Table 14).



31. **Improved Internal Environment for Better Portfolio Management.** In his memorandum of February 7, 1992, creating the PMTF, Mr. Preston underlined the importance of successful implementation of existing operations over promoting new lending. This signal to Bank staff reinforced the emphasis that all Regional Management Teams placed on good portfolio management in FY92. Various efforts were made to improve internal processes and mechanisms.

- Managerial involvement in implementation was increased. RVPs met periodically with Country Directors to discuss implementation issues; in some Regions, the RVPs also met with returning supervision missions on a selective basis. Country Directors conducted periodic discussions of problem projects, and held mid-year reviews to discuss portfolio management issues.
- Letters summarizing the main findings of the country portfolio reviews were sent to borrowers.
- Monitoring systems were improved to alert Regional managers to portfolio status and problems, including lack of compliance with legal covenants.
- Memoranda of President (MOPs) prepared by the AFR Region included a special annex discussing the status of country portfolio implementation and the main issues involved.
- Increasingly, PPRs included an assessment of the staff member's performance with respect to project implementation.

32. **Improved Efficiency in the Use of Portfolio Management Resources.** The efficiency measures included the following.

- In all Regions, resident missions were strengthened with the posting of additional Bank staff and/or recruitment of local staff and consultants. As a result, the share of resident missions in total Bank portfolio management resources increased from over 11 percent in FY90 to about 14 percent in FY92. In some country departments, the terms of reference of resident representatives also emphasized project implementation over other functions.
- Increased efforts were made to focus attention of co-financiers and consultative groups on implementation issues. In some Regions, portfolio management work was increasingly shared with co-financiers.
- Specialized staff were recruited to assist Task Managers (TMs) in procurement work.
- Periodic training seminars were held to familiarize Bank and counterpart project staff with Bank procedures.
- In the AFR Region, implementation task forces continued to assist TMs on project management aspects as procurement, disbursements, accounting, audits, and supervision reporting. In addition, Country Teams became more closely integrated into the implementation effort, and networks were also established to link TMs dealing with similar projects in different countries.

33. **Improved Project Quality at Entry.** Initiatives to improve the quality and implementation of new projects included:



- Expanded efforts to disseminate lessons learned through development of on-line databases for easy retrieval of lessons learned, staff training, surveys of best practices, etc.
- In the AFR Region, a more systematic effort in FY92 to disseminate (a) innovative implementation approaches and techniques through eight implementation workshops that were widely attended by regional staff, and (b) "common themes" emerging from regional management review of proposed investment operations. Group Teams (sectoral division chiefs in the Country and Technical Departments) were also actively involved in the ARPP process to identify sectoral lessons and follow up on their implementation.
- Early agreement with borrowers on important sector policies and frontloading of conditionality.
- Greater emphasis on participation by borrowers and beneficiaries in the discussion of design alternatives.
- More systematic efforts to simplify institutional arrangements and tailor project design to the implementation capacity of the institutions involved.
- Private sector participation in individual aspects of project execution.
- Feeding back into new projects the lessons from past experience. In the LAC Region, all Initial Executive Project Summaries (IEPSs) have to be accompanied by an annex reviewing the experience of past projects in the sector in the country and worldwide. The lessons learned are explicitly identified and incorporated into the design of new projects.
- Advanced implementation planning, including (a) training of borrower staff in procurement and disbursement during project preparation phase, (b) significant advanced actions on procurement of goods/works and contracting of consultancy services prior to Board approval, (c) agreement on project management, responsibilities, staffing of key positions and their funding by negotiations, (d) preparation of supervision plans at appraisal, and (e) preparation of implementation manuals as part of appraisal, with particular emphasis on procurement, accounting, auditing and disbursement procedures.
- Increased use of project launch workshops.
- Introduction of mid-term reviews as a required forum for discussing actual progress and changes in project scope that may be required.

34. **Deployment of Portfolio Management Resources.** The increased attention to portfolio management was reflected in a steady increase in resources allocated to portfolio in recent years. For FY92, average supervision inputs per project were 14.1 staff weeks, an increase of about 27 percent over the average of 11.1 staff weeks in FY90 (Annex II, Table 13a).

35. A statistical analysis of the relationship between the amount of supervision and project performance (as measured by the overall status rating) showed that, as expected, increases in Bank

supervision resources in one year have a positive impact on project performance in the following year.<sup>20</sup> The impact that the 27 percent increase in Bank supervision in recent years has begun to have on portfolio performance provides further evidence that the amount of Bank supervision matters.

36. Increases in project supervision during the period FY90-92 occurred in all Regions, with the ECA Region registering the highest increase (Annex II, Table 13a). ECA's supervision inputs, at about \$103,000 (17.3 staff weeks) per project, were the highest in the Bank in FY92. This intensive effort was aimed at supporting an institutionally demanding reform program in a politically and economically unstable environment, and at setting the stage right in new or reactivated countries in terms of procurement, disbursement, accounting and auditing procedures. The AFR Region continued to intensify its portfolio management effort in FY92. Average supervision staff weeks in the AFR Region were the second highest in FY92. In comparison, increases in supervision in the EAP region were minimal, reflecting the generally satisfactory performance of country portfolios in that region. However, resources allocated to portfolio management in EAP countries are expected to increase in the future because of borrower requests for multi-province multi-component projects, the increased complexity and variety of environmental and reform issues to be addressed, and the expected evolution of the portfolio from strong performers to new or reactivating weaker performers.

### Conclusions

37. Based on the FY92 portfolio performance review, a somewhat larger proportion of the portfolio was performing satisfactorily in FY92 (82 percent), as compared to FY91 (80 percent). The main reason for this improvement was the increased intensity and effectiveness of Regional efforts to restructure, cancel or close problem projects. Contributing to this improvement was the more conducive environment for project implementation in many countries because of better economic management and policies.

38. However, the balance of the Bank's portfolio which performed poorly in FY92 (18 percent of the total number of projects, or \$21.3 billion in lending commitments) remains a serious cause for concern. In FY92, a third of the total number of country portfolios, and almost half of the 39 large portfolios, experienced serious implementation problems. In addition, for seven of the large portfolios rated better than 2.0 on overall status, the trends in overall status ratings and disbursement performance indicated a high probability of worsening problems in the short term.

39. Improving these portfolios will require continued efforts from borrowers and the Bank. At the country level, this means the continuation and maturation of adjustment policies and programs that many countries have adopted. As this report makes clear, the countries that have the best performing portfolios are those that have been able to adjust successfully and achieve satisfactory, if not rapid, economic growth.

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<sup>20</sup> An ordered probit model was estimated to quantify the relationship between supervision resource inputs in a given year and project performance in the succeeding year. The results showed that an increase in supervision staff weeks of 27 percent in a given year increases the probability that a project would improve its performance in the succeeding year by about 23 percent. They also showed that early supervision (i.e., during the first half of the project implementation period) was more effective than later supervision in improving project performance.



40. The Bank's efforts to improve and intensify its portfolio performance management are also critical to further portfolio improvement. In the immediate term, priority needs to be given to restructuring, canceling or closing poorly performing projects, given the substantial scope for improvement in this area (para. 15). However, as important as this portfolio cleaning is, it will not be sufficient to bring about sustained improvement in portfolio performance and on-the-ground benefits for beneficiaries of Bank-financed operations. As emphasized in the PMTF report, a comprehensive program of portfolio performance management, involving inter alia measures to improve the quality of projects entering the portfolio, is required. The various actions that have been initiated by the Regions to implement elements of this program with regard to their respective country portfolios, which have been outlined earlier, are discussed in greater detail in Chapters II-VII. A Bankwide effort to follow-up upon the PMTF recommendations is currently being prepared for Board discussion in March 1993.



## II. AFRICA REGIONAL SUMMARY

### I. Introduction

1. The fragility and volatility of the external environment poses special challenges to the implementation of the Bank's portfolio in Africa. Among them is the need to build flexibility into the design of new projects and to formulate effective supervision strategies for ongoing projects—to keep them attuned to fast-changing circumstances. Two years ago, and with this in mind, the Region adopted a comprehensive Action Program (Annex 1) to further improve its implementation effort. This Action Program focuses on achieving sustainable results on the ground, learning from experience, and feeding these lessons back into the design of new operations.

2. The FY92 Regional Annual Report on Portfolio Performance (ARPP) takes stock of these ongoing efforts and sets goals for further progress over the next twelve months. Preparation of the report was coordinated by the Office of the Regional Vice President (Senior Operations Adviser) and involved Task Managers, Country Teams, Departmental Management Teams, Sectoral Group Teams, and the Regional Management Team. Country Teams reviewed the country portfolios—both project ratings and implementation issues—and prepared Country Portfolio Reports. Sectoral Group Teams brainstormed on the main issues affecting implementation of the sectoral portfolios and identified lessons to improve project design in their sectors. The Regional Vice President met with each Country Department and Sectoral Group Team twice (22 meetings altogether in March/April and November 1992) to discuss implementation issues, and chaired a special half-day meeting of the Regional Management Team to discuss the findings and recommendations of the Draft Regional ARPP.

3. The complete FY92 Regional ARPP comprises two volumes. Volume I deals with portfolio issues and efforts to further strengthen the implementation focus of our work; and, Volume II reviews the implementation situation and the priority areas for the next twelve months in each of the 45 countries in the Region. This Summary opens with a brief discussion of the difficult economic and political environment in FY92. An overview of the portfolio and trends then sets the stage for a discussion of issues and lessons, both generic and sectoral, which is followed by a brief discussion of the main country portfolios. This Summary closes with an overview of major ongoing efforts to strengthen implementation and a discussion of the goals for the next twelve months.

### II. The Economic and Political Environment

4. The year 1991 was a difficult one for Sub-Saharan Africa (SSA). Excluding South Africa, the region's GDP grew by 1.7%. If Nigeria is also excluded (Nigeria grew by 5.2%) growth falls to a meager 0.8%. Growth in 1992 is estimated at a still weak 2.7%, making it the sixth year of declining per capita consumption. The terms of trade deteriorated for the third year by about 9%. Export volume increased marginally by 2.8%, but export value declined by nearly 4%. While import growth was positive, it was insufficient to make up for the losses registered in the previous five years.

5. Over the last two years, the SSA was hurt by three sets of factors: the sluggish growth of industrial economies, which dampened demand for African exports and depressed world commodity prices; a drought that struck some 10 countries in Eastern and Southern Africa; and, the political transition underway in the majority of the countries of the region.

6. There were, of course, variations by subregion, economic structure, and performance. Botswana and Mauritius were the best all-around performers. Other best performers in the Region included countries like Burundi and Ghana that had implemented successful adjustment programs early on, with or without external assistance, and relatively recent reformers like Mali and Uganda. The worst performers—those whose GDP stagnated or declined— included not only countries affected by drought, security problems or



political instability (Congo, Madagascar, Somalia, Rwanda and Zaire) but also some suffering from a marked deterioration in economic management (Cameroon and Central African Republic). Countries receiving aid under the Special Program of Assistance (SPA) for Sub-Saharan Africa did better than the rest, averaging GDP growth of 3.3%, which permitted a slight improvement in their per capita incomes. The strong adjusters among them grew by 4.3%.

7. The drought was the worst in memory in several countries. Cereals production dropped by half, and other crops (sugar) and activities (livestock) were hurt as well. Hit hard by the drought were Kenya, Lesotho, Malawi, Mozambique, South Africa, Zambia, and Zimbabwe. GDP fell by varying degrees, ranging from 1.4% in Mozambique to 9% in Zimbabwe. Fiscal and external current account deficits worsened. The biggest hardship, however, was felt by the people.

8. Internally, the most influential changes in the Region in 1991-92 were political, some violent, some peaceful. Major armed conflicts of long duration came to an end in some countries (Angola, Chad, and Ethiopia) but localized or lower-level conflicts and disturbances within and across borders—or the threat of disturbances—continued there and in several other countries as well (Djibouti, Liberia, Rwanda, Somalia, and Sudan). This meant that efforts to implement painfully reached decisions to reduce military expenditures were arrested or reversed in some cases and, regrettably, that security did not fully return. Nor, in the absence of a secure environment, did private sector confidence increase. The flow of displaced persons added to the financial burden of governments already staggering under heavy security-related expenditures and a shrinking or stagnating revenue base.

9. At upwards of 20, the number of countries engaged in peaceful political transition is without precedent. But some transitions have been longer and more complex than anticipated, and they have not been entirely peaceful or free of social unrest. Elections are yet to be held in a number of countries (Guinea, Kenya, Lesotho). They will not be the last but rather the first real step toward better governance. There have been economic and financial costs to political transitions, and these have diverted attention from economic issues. Understandably, transition governments have not felt secure enough to introduce or implement tough economic reforms (even if agreed to by past governments), especially reforms going against powerful interests, such as tax increases or tax collection reforms, or against the vocal, urban poor, such as spending cuts. The result has often been delayed budget approvals (Burkina Faso, Comoros, Mali), increased off-budget expenditures, or unjustified civil service wage increases.

10. Many countries, moreover, were undergoing economic transition as well, most of them moving toward market economies and a reduced role of government. While political changes are welcome indeed, they have sometimes resulted in a temporary weakening of institutions, increased uncertainty, and an absence of leadership in economic decision-making and implementation.

11. The quality of economic management in the Region was mixed and had a significant effect on outcomes. The policy slippage was far from generalized, however. Some countries adhered to their reform programs and even reinforced them, despite external difficulties. And, in several areas, policy reforms were sustained remarkably well and consistently, as in trade policy, price liberalization, and even exchange rate and interest rate policies. One of several positive and enduring results was an improvement in the agricultural sector's terms of trade in some countries.

12. Overall, though, these developments and slippages took their toll in mounting deficits and high rates of inflation in several countries in the Region. With inflation rising, it was difficult to maintain positive real interest rates, which discouraged saving. A notable exception to this pattern were the adjusting countries which, by and large, experienced lower fiscal deficits and, to a lesser extent, lower inflation rates. External and internal arrears accumulated as well. The internal arrears made life even more difficult for the private sector, especially for government contractors and suppliers of services, who were already suffering from a credit squeeze. A number of governments accumulated wage arrears as well (Central African Republic, Comoros, Congo, Niger), which led to civil service strikes in many instances and exacerbated inefficiencies in still more.



13. Nor was that all. The list of undesirable outcomes goes on: further neglect of infrastructure maintenance and rehabilitation; underfunding of social programs; slow progress in financial sector and state enterprise reforms, putting more pressure on the budget (due to slow recovery of debts and continued subsidies); weak private sector development and employment creation; neglect of key issues such as labor market regulations and land tenure; and, difficulty addressing equity issues in an environment that made cost-recovery efforts and subsidy programs for the truly poor and vulnerable increasingly unfeasible.

14. Countries belonging to the CFA franc zone were also affected by other pressures, as they suffered loss of competitiveness, declining international trade, and recession. Serious problems have surfaced in agricultural projects, lines of credit for industrial sector projects, bank restructurings, privatization of public enterprises, and energy sector rehabilitation projects. Shortfalls in fiscal revenues and deflationary policies have reduced public investment and project counterpart funding. Some countries have had difficulty meeting their service obligations, and the resulting suspensions of disbursements have interrupted project implementation.

15. In short, the Region is on the threshold of a new and still uncertain chapter in its history. The projects and programs supported by the Bank and the policy dialogue with Borrowers have not remained untouched by this uncertainty. That reality must be taken into account when contemplating the difficulty of working in this Region and assessing the performance and prospects of the Bank's portfolio there. In this respect, conditions in Africa are unique.

### **III. Overview of the Portfolio**

16. The Region's portfolio at the end of FY92 comprised 644 operations in 45 countries, marking only a slight increase in the total number of projects over the last few years (3% since FY89). Most of these operations (89%) were investment projects (Table 2.1). The portfolio is highly concentrated in a relatively small number of countries: about half the countries account for 75% of the projects, with the 10 most important countries alone accounting for 44% of the portfolio (Table 2.2). Nigeria has the largest portfolio at 43 operations (7%), followed by Ghana at 38, Kenya at 32, Uganda at 28, and Zaire at 26. Agriculture, the most important sector, accounts for 28% of operations (Table 2.3), followed by Infrastructure with 23%, and Human Resources with 17%. Agriculture's share has declined somewhat since FY89 (from 30% to 28%), Infrastructure's has remained roughly constant (23%), and that of Human Resources has increased considerably (from 12% to 17%).

#### **A. Performance**

17. In FY92, the health of the portfolio improved for the first time since FY87: the overall rating went from 2.19 in FY91 to 2.15 in FY92, and the percentage of problem projects declined from 30% to 26% (Tables 2 and 4). The performance of each operation was discussed by Country Teams and Departmental Management Teams: the effects of the external environment were taken into account and, as a result, individual project ratings (and the overall portfolio ratings constructed from them) are significantly more reliable than they used to be. The largest shares of problem projects are in Agriculture (33%), SALs (28%), Industry and Finance (25%), and Public Sector Management (25%) (Table 2.4). The share of problem projects fell from FY91 to FY92 in all sectors except Energy and SALs.

18. The portfolio improved despite major macroeconomic and political difficulties. While many of the 45 countries in the Region have suffered a measure of instability, eight have endured major volatility (including popular unrest or outright war) or have been in suspension for extended periods in FY92. The average rating of 2.51 for the 124 projects in these eight countries (19% of the Regional portfolio) is much worse than the Regional average of 2.15. Excluding these countries would raise the Regional average to 2.07 (Table 2.5). An adequate macroeconomic framework also makes a clear difference to project



performance (Table 2.6). The average rating was 2.06 for countries that have already adjusted or are in the process of adjusting; it was 2.42 for countries in need of adjustment but not adjusting enough.

19. Performance ratings of both adjustment and investment portfolios improved from FY91 to FY92 (Table 2.7). The average rating for the adjustment portfolio improved from 2.07 to 2.04; that of the investment portfolio from 2.21 to 2.17. Differences in the performance of the two portfolios are small, though the adjustment portfolio performed slightly better than the investment portfolio. Both experienced a smaller share of problem projects in FY92 than in FY91: the percentage fell from 30% to 23% for the adjustment portfolio, and from 30% to 26% for the investment portfolio.

20. The performance of all types of operations improved during FY92, except for Energy projects and SALs (Table 2.8). Industry and Finance projects improved most. At the end of FY92, performance was below average in Agriculture (2.33), Energy (2.16), and SALs (2.16). Public Sector Management displayed the best performance (1.96), followed by Industry and Finance (1.98), and Infrastructure (2.03).

21. Disbursements during FY92 totaled US\$2.55 billion, 10% lower than in FY91 (Table 2.9). The reduction came almost exclusively from adjustment operations whose disbursements dropped from US\$ 1.35 billion in FY91 to US\$1.06 billion in FY92. At the end of FY92, the Region's undisbursed balance stood at US\$ 13.7 billion (Table 2.1).

#### **B. Supervision Effort**

22. The supervision effort, measured in staff-weeks per project, has increased consistently since FY89. It rose from 14.4 staff-weeks per project in FY91 to 16.8 staff-weeks per project in FY92, a 17% increase (Table 2.10). More revealing of the trend over the last few years is the fact that the average supervision effort jumped 42% between FY89 and FY92. Supervision effort varies considerably, from less than 5 staff-weeks per project (Liberia, Somalia) to a high of 31.7 staff-weeks per project (Nigeria). In nine countries (Angola, Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Guinea-Bissau, Mali, and Nigeria) the effort was greater than 20 staff-weeks per project. In roughly half the countries, the supervision effort averaged between 10 and 15 staff-weeks per project in FY92.

23. Departmental managers continue to emphasize supervision and are experimenting with various approaches to improve the efficiency of the supervision effort. Resident Missions are playing an increasingly important role in day-to-day project supervision, and some of them are being strengthened with specialist staff. Country Teams serve as a forum for discussing generic, countrywide supervision issues. Efforts are being made to improve the skills mix of supervision missions, including the assignment of senior staff members to missions. Some divisions have established implementation task forces or have appointed special portfolio managers. Increasingly, thematic supervision is taking place in certain sectors. And telecommunications technology is being used more often in day-to-day dialogue with Borrowers and implementing agencies. Many of these approaches, which were discussed during the semi-annual ARPP meetings with the Regional Vice President (March/April 1992), are summarized in a memorandum dated June 3, 1992 circulated to all staff in the Region. Section VII of this Summary discusses further efforts in this area and goals for next year.

#### **IV. Generic Issues in Project Implementation and Ongoing Actions**

24. The review of the implementation experience of the Country Departments suggests five generic issues in the implementation of the Regional portfolio: insufficient counterpart funding, lack of transparency and delays in procurement, compliance with audit covenants, weak project management, and design of technical assistance and training components.



### **A. Insufficient Counterpart Funding**

25. Insufficient counterpart funding continues to be a major implementation issue throughout the Region for several reasons. One is inefficient government planning for capital and recurrent expenditures so that budgetary allocations for project implementation are inadequate or the release of allocated funds is delayed. Devaluations and inflation can cause counterpart funding requirements to rise unexpectedly. Revenue-earning public entities are sometimes constrained by governments to keep tariffs down and are, therefore, unable to generate the required counterpart funds. As would be expected, the impact of insufficient counterpart funds is particularly visible among projects delivering services, projects with large maintenance components, and projects intended to strengthen the capacity of local construction firms. In Ghana, for instance, recent delays in payments to local contractors have slowed road works.

26. Only improved macroeconomic management and stronger public finance controls can resolve the counterpart funding problem. The Region has made a significant effort to discuss the issue in the course of policy dialogue with Borrowers. Among the vehicles for such a dialogue are Public Expenditure Reviews (particularly useful to review non-development-related recurrent expenditures and to emphasize social sector spending), Country Implementation Reviews, and the preparation phase of new adjustment operations. It must be acknowledged, however, that despite strong efforts by the Region to protect priority expenditures, governments have sometimes had to use scarce resources to secure their own survival, and shortages of counterpart funds continue to trouble project implementation.

27. Wherever possible, the Region has tried to lessen the impact of the lack of counterpart funding at the project level. In Nigeria, new state-level projects include a formal agreement that counterpart funding requirements will be deducted directly from federal allocations to the states. In some countries, "competition" has been built into a multi-agency project, making agencies that fall behind in their counterpart funding obligations automatically ineligible for Bank support. In Rwanda, the Bank has persuaded other donors to permit government to pool into the general budget the counterpart resources obtained through nonproject assistance. In the absence of efficient mechanisms for budgetary allocation, Chad has established a form of earmarking, at least for temporary use, with IMF endorsement. Similarly, Sierra Leone has established a road fund to set aside some fuel tax revenues for road rehabilitation and maintenance. In some countries, projects have been restructured to reallocate undisbursed amounts to components with higher disbursement percentages or to selectively increase disbursement percentages. Some new projects have been scaled down right from the start once their fiscal implications became clear. In many countries, an initial deposit in the Project Account has become a standard condition of Credit Effectiveness. Revenue-earning projects in Ghana, Nigeria and Zimbabwe, included tariff increases as a condition of Board Presentation or Credit Effectiveness. A revenue-earning project in Ghana calls for automatic, periodic tariff increases linked to well-defined formulas spelled out in a Supplemental Letter. And, in some cases, an extension of the Closing Date has been successfully linked to adequate allocation of counterpart funding.

### **B. Lack of Transparency and Delays in Procurement**

28. Procurement problems continue to interfere with project implementation. Despite numerous controls and required signatures, procurement continues to suffer from a lack of transparency that makes it vulnerable to rent-seeking behavior on the part of decision makers in the civil service. Lengthy and cumbersome procurement procedures at central tender boards or ministries result from a generalized reluctance to delegate decision-making authority; and, many countries, even some with a long history of association with the Bank, continue to display a somewhat surprising lack of familiarity with Bank procurement procedures. The upshot is delays in the preparation of satisfactory bidding documents, bid evaluations that fail to meet bid instructions and Bank guidelines, and other shortcomings that have had a direct impact on project implementation.

29. To deal with procurement problems, a Regional Action Plan on Procurement is being implemented, which stresses the need for seminars and workshops to build capacity among Borrowers and Regional staff and to carry out Country Procurement Assessments with a view to reforming local procure-



ment systems. Consistent with this initiative, the Country Departments have taken several steps to increase Borrowers' familiarity with Bank procedures and to improve the quality and timeliness of our own review. One Country Department is conducting a study to identify the nature, length, and causes of delays associated with procurement in its portfolio, on a project-by-project basis. Another is establishing a tracking system for continuously monitoring procurement delays. Procurement specialists have been asked to give seminars for government officials or to come along on supervision and training missions. The participation of government officials in subregional procurement-related courses (e.g., at the *Centre d'Etudes Supérieures d'Administration et de Gestion*, or CESAG, in Dakar) is being financed under ongoing projects. Many Departments have sent hard copies and computer files of Standard Bidding Documents to project implementing agencies. A procurement specialist has been posted to the Resident Mission in Nigeria, and local staff from Resident Missions in Nigeria and Ghana have come to Headquarters to receive training on procurement matters. Many staff members in the Region have received training under a special training program organized by the Region —so far, 12 courses have been offered.

30. Several measures are also being taken in the design of new projects to include components aimed at reforming the legal procurement framework and associated procedures (Burkina Faso, Mali). More generally, the Region's ongoing effort to improve projects' "Quality of Entry" includes: using Standard Bidding Documents as often as possible, carrying out as much preparatory work for procurement as possible before Board Presentation and Credit Effectiveness, and engaging in detailed discussion of Bank procurement procedures during project launch workshops. Under one ongoing project (Mauritania Health Project), procurement was entrusted to UNICEF as an interim solution pending completion of ICB documents.

### C. Compliance with Audit Covenants

31. The Region has placed considerable emphasis in FY92 on compliance with audit covenants. Some Country Departments have instituted quarterly reviews by the Departmental Management Team of the status of compliance with audit covenants. Warning telexes are automatically issued in cases of noncompliance. Technical assistance aimed at building local accounting and auditing capacity (e.g., assistance to the board of accountants) is being financed under some projects. The help of the Operations Services Unit of the Technical Department (AFTOS) has been sought to review a sample of audit reports or to join audit-oriented supervision missions. Some Sector Operations Divisions have appointed accounting and audit coordinators. For projects with multiple components, an effort is being made to consolidate audit reports into a single report. Multi-year contracts with auditors are being introduced to avoid the reporting delays that follow from delays in the signing of auditors' contracts. Finally, Regional Managers have stepped up the frequency of reporting and monitoring under the Audit Reports Compliance System (ARCS).

32. Compliance with audit covenants rose from 19% at the end of FY92 to 66% by December 1992, demonstrating a willingness on the part of Borrowers to meet compliance and accountability requirements, albeit with some delay. The Region has taken steps to improve timeliness by insisting that Task Managers follow up more rigorously on outstanding reports, by discussing the status of outstanding audit reports in the documentation for new projects, and by making accounting and auditing one of the special topics discussed with Country Departments by the Regional Vice President during the semi-annual ARPP-related meetings.

33. About two-thirds of audited financial statements submitted to the Bank contain a clean opinion by the auditors; the others raise doubts about Borrower accountability. The Region is analyzing the common characteristics of qualified accounts, country by country, to identify generic issues. The Region plans to hold in-country reviews, which will also examine auditors' Terms of Reference, local accounting and auditing capacity, auditor independence and standards. To improve the quality of accounting and auditing among our Borrowers and the quality of our own review, the Region is also emphasizing capacity building in this area. Many recent projects incorporate features designed to strengthen the capacity of auditor-general's offices, to improve local accounting skills, or to beef up the accounting framework of project-executing agencies (e.g., Côte d'Ivoire, Ghana, Lesotho, Madagascar, Malawi, Mozambique, Nigeria, Sierra Leone, Tanzania, and Uganda). In addition, several seminars on accounting and auditing



have been organized by the Region to help Task Managers improve their review of accounts and audit reports.

34. In some countries, project implementation suffers from the poor functioning of special accounts. Some special accounts are located in the government entity in charge of external debt management instead of in commercial banks. Eager to use the deposits made into these accounts for external debt service payments, these entities have sometimes restricted the access of project implementing agencies to the accounts, defeating the purpose of the accounts and violating Loan/Credit Agreements. The Region is dealing with this problem on a case-by-case basis and by insisting, for new projects, that special accounts be located in commercial banks.

#### D. Weak Project Management

35. Comprehensive civil service reform trails other institutional changes taking place in most countries in the Region. For projects, this means that implementation suffers from weaknesses in government departments or implementing agencies. In many countries, civil servants are demoralized by low salaries, wages unrelated to performance, inefficient management systems, and inadequate material resources (some lack even basic office supplies). Civil servants often take on other jobs to make ends meet and, as a result, neglect the tasks required for effective project implementation. In many countries, top-level positions in the civil service turn over frequently, usually for political reasons, with undesirable consequences for continuity. Increasingly, project implementation depends on the presence of Bank supervision missions. Efforts to insulate project implementation from the vagaries of civil service performance have had mixed results. Project Implementation Units, for example, have benefitted some projects but do not seem to have had a lasting impact on civil service capacity.

36. Some of the most promising steps to strengthen project management have been taken in the design of new projects. While waiting for major countrywide improvements to procurement legislation and procedures, as well as meaningful civil service reform, some Departments are designing projects to insulate them from existing inefficiencies and to help bring about much needed reform. The first such projects have been in Infrastructure. Under these projects (also known as AGETIP<sup>1</sup> after the first example of its type, in Senegal), a high-powered, autonomous, nongovernmental project executing agency is responsible for project engineering, tendering, and contract administration. The agency is managed according to private business principles; its day-to-day operations are free of government interference and guided solely by a detailed procedures manual spelling out procurement, accounting, disbursement, and auditing procedures and requirements agreed with the Bank. Much of the preparation of these projects has focused on careful definition of the legal framework for their operation and on the design and testing of procurement and contract administration procedures to achieve efficiency and accountability. Improvements in terms of transparency, timeliness, and unit costs have been remarkable. These projects have also successfully mobilized large numbers of small local contractors to carry out a wide variety of small-scale infrastructure work, usually with labor-intensive technologies. By demonstrating clearly the crippling impact of existing procurement arrangements and procedures, these projects are likely to help bring about reform of procurement systems. The AGETIP concept is now being extended to other sectors, such as Human Resources, where projects would otherwise be executed by government departments with very little experience in project implementation.

37. Task Managers are also seeking other ways to improve or bypass government agencies and public enterprises with poor project implementation records. These efforts are particularly evident in the search for private sector participation for executing individual aspects of a project (project accounting, training, or

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<sup>1</sup> *Agence d'Exécution de Travaux d'Intérêt Public*, a private not-for-profit company created in Senegal in 1990 in the context of the Public Works and Employment Project (Cr. 2070-SEN).



commercial services) or entire projects, through performance-based contracts or private leasing agreements for revenue-earning projects or through AGETIP-type arrangements for non-revenue-earning projects.

### **E. Design of Technical Assistance and Training Components**

38. Though technical assistance is included in most projects, both the Bank and Borrowers are increasingly skeptical about its cost and effectiveness. Expatriate technical assistance is regarded by Borrowers as too expensive, yet many of them do not appear to have taken advantage of the technical assistance they have received or to have taken steps to secure a real transfer of skills that would render further technical assistance unnecessary.

39. The Region has given considerable attention to improving the design and implementation of technical assistance components and stand-alone Technical Assistance projects. A Regional Technical Assistance Action Plan has been launched, whose main objective is to implement the recommendations of the report "Managing Technical Assistance in the 1990s." Under this Action Plan, the Region has improved the design of technical assistance, including early discussion with Borrowers and agreed Terms of Reference. The Region has also given more attention to the implementation of technical assistance, and there are already some indications of improvement in the performance of the technical assistance portfolio; the average rating improved from 2.32 in FY91 to 2.11 in FY92, and the percentage of problem projects dropped from 37% to 23%. Wherever feasible, efforts are made to use local consultants, to reduce the cost and increase the relevance of technical assistance. The Region is also taking advantage of the recently created Institutional Development Fund to finance nonproject institutional development actions. Much more needs to be done and next year, the Region will continue to give particular emphasis to the design and implementation of technical assistance projects.

40. Training components have not generally improved local capacity as much as expected. Training abroad has been particularly disappointing. The Region is making a major effort to sensitize Task Managers to the need for adequate design, preparation and implementation of project-related training. Guidelines for improving the design of project-related training have been issued, and a recent Regional Implementation Workshop was devoted to this topic.

## **V. Sector-Specific Issues in Project Implementation and Ongoing Actions**

41. As in last year's ARIS, the review and analysis of sectoral performance and sector-specific issues have relied heavily on Sectoral Group Teams. Instead of focusing on the statistical analyses or generic findings discussed in the previous chapter, their review took the form of a brainstorming process among Division Chiefs in each sector aimed at formulating sector-specific lessons from their experience to improve the implementation and design of future operations. Only the Agriculture sector is included in this summary (discussions of the Infrastructure, Population and Human Resources, Energy, Industry and Finance, and Technical Assistance sectors are included in the full FY92 Regional ARPP).

### **A. Agriculture**

42. Agriculture makes up the largest share of the regional portfolio, with 182 projects or 28% the portfolio in FY92. A deteriorating trend in the health of the Agriculture portfolio has been stopped: the average rating improved from 2.36 in FY91 to 2.33 in FY92, and the share of problem projects fell from 36% to 33%. The highest percentages of problem projects are in fisheries, tree crops, forestry and environment, livestock, irrigation and drainage, and agricultural research. Some reasons:

- The performance of tree crop projects has been affected by the weakness of government-managed enterprises and extraordinarily low world prices for tree crops. In the CFA franc zone countries, a serious loss of competitiveness has compromised the financial viability of many tree crops.
- Continued poor performance of fisheries, irrigation and drainage, forestry, and livestock projects is cause



for concern. Most of the problems stem from ineffective management by public sector institutions; low cost recovery for services (water, veterinary, logging concessions, fishing rights), which encourages wasteful use of resource; cost over-runs (especially for irrigation); and little user participation in management of the resource.

- For agricultural research and extension projects the problems are mainly on the research side and are due to the institutional weakness of the public sector agricultural research establishments responsible for their implementation.

43. Some countries have achieved important gains in agricultural performance. These results derive mostly from an improved economic and agricultural policy environment and greater political and social stability. Countries with well-performing agricultural sectors and Bank-financed agricultural projects also tend to have good rural infrastructure, better agricultural research and extension, and better rural health and education services than others. Although more difficult to identify, better natural resource management, more secure land tenure, better food security, and considerable farmer participation are likely to contribute to good agricultural growth.

44. The review of the Agriculture portfolio conducted for last year's ARIS resulted in a substantial number of recommendations for action. The following paragraphs summarize the measures taken so far and the agenda for further action.

**Generic Lessons.** Several of the lessons were common to much of the Agriculture portfolio:

- **Policy Framework.** The intensified staff emphasis on agricultural policy is reflected in the improved performance rating for agricultural SECALs in FY92. New SECALs have not yet expanded the policy agenda into the new areas recommended in the FY91 ARIS —land tenure, rural infrastructure, rural education, and agroindustry— but this will be done now that the Africa Agriculture Strategy Paper issued in September 1992 is available. In addition, a number of agricultural surveys have been published by the Bank, which have assisted governments to develop good agricultural strategies.
- **Public Expenditure Programs.** A good start has been made, but much remains to be done. There is only one self-standing agricultural Public Expenditure Review under way (Zambia), although agricultural sector analysis and agricultural SALs in several other countries contain analysis of public expenditure programs. Staff constraints may limit progress in this area. There are not enough senior staff able to do this work while attending to other priorities, especially lending. The Africa Region Agriculture Strategy Paper recommends a shift in existing staff resources at the margin, from lending to Public Expenditure Reviews. This will be undertaken next year.
- **Counterpart Funds and Borrower Commitment.** The Region has increased its selectivity in investment lending among countries in response to the recommendation that greater weight be given to Borrower commitment, as an essential component of project success. Countries demonstrating little commitment in the past obtained no new agricultural projects from the Bank in late FY92 and in FY93. In addition, efforts have been made in new projects to reduce the government's role in project execution and to increase that of the private sector, non-governmental organizations (NGOs), and cooperatives. This is one of the most important thrusts of the new agricultural strategy.
- **Management.** Several novel approaches are under way to address project management deficiencies: in-country project launch workshops for new projects; "thematic" supervision, with a specialist supervising similar components of a number of projects on the same mission and providing comparative analysis and advice; more sharing of professional experience in sector and subgroups within the Region, to improve information transfers among divisions; use of cofinancing as a mechanism for obtaining more supervisory assistance from other donors; expanded use of field staff to provide better and more frequent supervision; and more training for project management staff. Areas of continuing concern are the inadequate professional contact between Regional staff and Borrower staff, the continued complexity of many new agricultural projects, and inadequate training of borrower staff in management, procurement, and accounting.
- **Portfolio Management.** The Region is actively pursuing more vigorous enforcement of conditionality,



including suspension of disbursements.

- **Organization of the Supervision Effort.** Several novel approaches are under way: appointment of portfolio managers to monitor the quality of supervision, solve implementation problems, and devise work programs for staff in Resident Missions; appointment of procurement specialists and the organization of training courses in-country; up-front work in designing accounting and auditing systems as part of project preparation; use of "thematic supervision" and organization of Country and Sector Implementation Reviews (Nigeria); and experiments to streamline supervision documentation.

**Sectoral Lessons.** In addition, the following actions are being taken with respect to the sector-specific lessons identified in the FY91 Regional ARIS:

- **Agricultural Research.** The innovations in design proposed by the Special Program for African Agricultural Research (SPAAR) Task Force studying the countries of the Sahel and the Southern African Development Coordination Conference (SADCC) are being incorporated in new operations. Although there has been some effort to redesign ongoing projects, much more will be done to incorporate SPAAR's recommendations in ongoing operations.
- **Agricultural Extension.** Extension messages are being broadened to offer farmers help not only in crop husbandry and input use, but also in livestock raising, storage, simple processing, and new crops. A greater effort is also being made to reach women. Groups and cooperatives are nearly always the vehicles through which extension works. Mass media is frequently used. Less progress has been achieved in involving the private sector and NGOs; this needs to be pursued more vigorously.
- **Livestock.** All new livestock projects incorporate greater control over project services and pasture management by both livestock associations and the private sector. Other major themes include removal of restrictive marketing and pricing regulations for milk and an expanded emphasis on smallholder dairy development, small ruminants, and backyard poultry.
- **Forestry and Natural Resources.** New forestry and natural resource management projects are incorporating the broadened agricultural sector strategy. The design of several ongoing projects has been modified to accommodate this recommendation. This subsector is among the most innovative and responsive to the change in agricultural strategy.
- **Irrigation and Drainage.** Only one new irrigation project has been sent to the Board since last year's ARIS (Nigeria Fadama). The project focuses on low-cost small-scale irrigation that is easily managed by farmers. It is exactly in line with the new strategic direction recommended for the Bank in African irrigation.
- **Rural Finance.** New credit projects in several countries work with cooperative banks. Other new projects will use private banks as intermediaries. Good results are being obtained with group liability based on farmers clubs—a credit recovery rate of more than 90% is reported.

## VI. Main Country Portfolios

45. Country portfolios have been discussed by Country Teams. The results of their analyses concerning each of the 45 countries are contained in Volume II of the complete FY92 Regional ARPP. What follows is a summary which discusses the portfolios of countries with total commitments over US\$ 1 billion or more than 20 projects: Nigeria, Ghana, Kenya, Uganda, Zaire, Tanzania, Madagascar, Malawi, Guinea, Côte d'Ivoire, and Rwanda. Together they account for 301 projects, or 47% of the Regional portfolio.

### Nigeria

46. The Nigeria portfolio, the largest in the Africa Region, consists of 43 projects. The overall performance rating was 2.47 in FY92 compared to 2.42 in FY91, and the percentage of problem projects increased from 37% in FY91 to 44% in FY92. Project implementation has been negatively affected by procedural delays prior to Credit Effectiveness and project start-up, late and inadequate provision of



counterpart funds, procurement difficulties, and slow decision-making. The ongoing transition to civilian rule has also slowed and further complicated implementation. New state governors and commissioners took office in early 1992 and are familiarizing themselves with the portfolio. In addition, the increase in the number of states from 21 to 30 in August 1991 has contributed to a virtual standstill in some projects as the splitting of assets and management issues have yet to be fully resolved. With the relocation of the federal government to Abuja, and the short supply of staff housing, interagency coordination and decision-making have been subjected to even greater delays than before.

47. Improved implementation is the top priority of the Region's work program in Nigeria. Actions taken to improve implementation and reduce the undisbursed balance include the following:

- A thorough joint review with government of slow-moving projects to restructure the portfolio, including cancelling, closing, and redesigning poorly performing operations. A comprehensive action plan for portfolio restructuring was discussed with government in April 1992. As a result, \$128 million was cancelled in September 1992 (SME II project), and about \$60 million is expected to be cancelled by December 1992 for four projects. At the time of the Annual Meetings, a further assessment of portfolio restructuring was carried out, and specific proposals were made, including cancellations of funds unlikely to be used in the next three years. Government is currently reviewing these proposals.
- Portfolio Managers have been appointed in all sector divisions to monitor supervision activities, meet with returning missions, and follow up on agreed action plans.
- Supervision resources were sharply increased from an average of 20 staff-weeks in FY91 to 32 staff-weeks in FY92 (in part, as a result of the expanded role of the Resident Mission).
- A Country Team Task Force on Implementation was set up to examine cross-sectoral implementation issues, to plan for effective Sector and Country Implementation Reviews, and to monitor follow-up actions.
- Three Sector Implementation Reviews (Infrastructure, Agriculture, and Population and Human Resources) were held in 1992 to discuss generic issues and action programs to improve the implementation of specific projects.
- A more proactive role in implementation was assigned to the Resident Mission, which will work more closely with state-level officials. Several projects are now supervised by the Resident Mission. Local staff has been increased to follow up on supervision issues.
- Procurement capacity in the Resident Mission has been strengthened with the addition of one Headquarters staff. A local accountant has also been added to follow-up on audit reports and to provide assistance in project preparation.
- To improve the availability of counterpart funds in new state projects, states now agree to regular payments into a project account through deductions at the source from the Federation Account.
- A new supervision strategy has been adopted for agriculture—task management for supervision has been assigned by state rather than by project, as the Bank supports operations in all 30 states.

48. Existing strategies and actions will continue to be implemented during the next twelve months. In particular: (a) until a significant improvement in implementation is evident, new lending will be kept at a modest level, and the design and preparation of new operations will emphasize implementation requirements and Nigerian ownership; (b) medium-term reviews will be held for three projects; (c) project launch workshops will be held for five projects; (d) a Country Implementation Review is planned to take place after the new civilian government is in place and, meanwhile, action programs are being prepared for submission to the new administration; (e) in the agriculture sector, state-centered supervision will continue, and efforts will be made to field multi-disciplinary supervision missions with greater involvement of Resident Mission staff; (f) the Population and Human Resources division will consolidate its supervision strategy centered on a project implementation team and sub-sectoral teams to provide support and back-up; (g) new revenue-earning projects will incorporate a more gradual and pragmatic approach to financial covenants; (h) two new approaches to overcome counterpart funding difficulties—direct deductions from the Federation Account for some state project accounts, and monthly contributions by state governments to an account held



by a merchant bank— will be monitored and, if effective, incorporated into new projects; (i) procurement-related training for project staff will be continued, drawing on the expanded capacity at the Resident Mission and on procurement supervision missions; (j) supervision of projects in newly created states will be intensified; (k) the design of new projects —particularly complexity and size— will continue to take into account institutional capacity constraints; and (l) Sector Policy Briefs will be submitted to the new administration as a vehicle for discussion of relevant issues and options.

49. In addition, the following new initiatives will also be undertaken: (a) the Task Force on Implementation will follow up on the recent proposal to restructure the portfolio, which includes cancelling, closing and redesigning slow-disbursing projects; (b) in the Agriculture Division, similar projects will be supervised by Task Managers working as a team with a view to transfer experience across projects and improve project design and implementation; (c) where feasible, progress on procurement and appointment of key staff would become conditions of Board presentation and Credit Effectiveness; (d) the Nigeria Task Force on Implementation will review options for Project Management Units; and (e) additional local staff will be hired to assist the Procurement Specialist in the Resident Mission.

## Ghana

50. The Ghana portfolio consists of 38 projects. Its performance has deteriorated somewhat in spite of enhanced Bank supervision efforts. Overall portfolio rating went from 1.71 in FY91 to 1.95 in FY92 (partly reflecting the Country Team's more realistic approach to ratings) and the percentage of problem projects increased from 8% to 18%.

51. The April 1991 Country Implementation Review identified 10 slow-moving investment projects, agreed on actions to address generic issues, and was followed by an infrastructure sector implementation review in FY92. In spite of streamlined procurement procedures issued by government in October 1991, procurement delays continued to be a major issue in all sectors because of delays in the approval of specific guidelines and inadequate administrative arrangements to handle the new system (procurement through the Ghana Supply Commission is often affected by delays, lack of familiarity with Bank procedures, and inadequate contract administration). Weakness in project management and institutional capacity was another leading cause of poor project implementation. Lack of managerial staff in water supply, health, telecommunications, rural finance, forestry and agricultural diversification projects has had a negative impact on implementation; and, in the education sector, the rapid increase in donor assistance is partly responsible for institutional overload. Counterpart funding shortages resulting from insufficient budgetary allocation processes, delays in the release of allocated funds, and poor revenue generation in the water and power utilities affected not only procurement of goods and works but operating and maintenance expenditures as well. Recent delays in payments to local contractors have slowed road works. It is likely that as procurement improves, the shortage of funds will become even more of a constraint. Moreover, the fiscal problems which are to be expected in the medium-term are likely to put further pressure on the availability of counterpart funds.

52. Project implementation was also adversely affected by the changing political environment. With approaching elections, and an anticipated change in accountability procedures, some decisions affecting project implementation (contract awards and consultant appointments) were postponed. Labor unrest and strikes contributed to a slowdown in implementation. Demands for higher pay by civil servants and the subsequent large pay award complicated macroeconomic management and contributed to the delay in releasing the second tranche for SAC III and other adjustment credits.

53. In FY92, the Region stepped-up efforts to improve portfolio implementation problems. The Resident Mission has been further strengthened with one Headquarters staff (infrastructure) and local staff to carry out and provide support to supervision activities. Mid-term reviews, now regularly built into new operations, enabled the preparation of action plans and led to restructuring of slow-moving projects in agriculture and industry. IDA disbursement percentages in some agriculture projects were raised to help mitigate counterpart funding shortages and speed up completion of older projects. An in-country



procurement seminar by senior Regional staff was organized for project staff in all sectors, and two supervision-cum-training missions were conducted. Higher-level local staff have been recruited to be trained in, and assist with, procurement and disbursement matters. In the area of accounting and auditing, the Region has continued its assistance to the Institute of Chartered Accountants and the Accountant General's office. Significant progress was made in strengthening the Highway Authority, and some success was achieved in local government development. The Government further streamlined procurement procedures. A circular describing the new procedures was issued by the Secretary of Finance and Economic Planning on September 18, 1992.

54. A Country Implementation Review is planned for 1993. Sector Implementation Reviews will also be carried out in 1993. Prior to the CSIR, specific action plans and, as necessary, restructurings, will be developed for projects which are rated "3" or which are slow-disbursing. More mid-term reviews of projects are planned and a disbursement mission will shortly be in Accra to train staff working on new projects. Lastly, the Department will continue to build on our recent experience of delegating some of the supervision responsibilities to the Resident Mission.

### Kenya

55. The Kenya portfolio consists of 32 projects. Its quality has improved during FY92, as reflected in the overall portfolio rating (2.06 in FY92, compared to 2.14 in FY91) and the percentage of problem projects (15% in FY92, compared to 25% in FY91). With four of last year's eight problem projects closed down and one performing satisfactorily, the number of problem projects has decreased to three: the Rural Services Design project whose implementation arrangements are complex; the Railways project where lack of managerial will prevent reaching efficiency targets; and the Third Nairobi Water Supply project where failure to meet financial covenants has resulted in suspension of disbursements. Second tranche releases are delayed on two adjustment operations (Export Development and Education Sector Adjustment) because of hesitant implementation of sectoral conditions and poor macroeconomic performance. The second tranche of the Second Agricultural Sector Adjustment Operation has been cancelled as a result of a reversal in maize marketing reforms.

56. Enhanced supervision by the Bank, including a major role of the Resident Mission and the systematic carrying out of mid-term reviews (such as for the Animal Health and the Geothermal projects), has been an important factor in improved portfolio performance. However, a continued vigilant attitude will be needed to maintain such performance, as is the case of the successful First Agricultural Extension project, which is now threatened by lack of adequate budgetary provisions for recurrent operating costs. The Resident Mission will therefore continue to work with government to ensure adequate budgeting of counterpart funding requirements for the agriculture portfolio, and intensify the dialogue on implementation of the macroeconomic and sector policy improvements that are a pre-condition to further disbursements under the ongoing adjustment operations. Other measures planned for FY93 include: (a) further mid-term reviews of projects in the portfolio; (b) further emphasis on improving auditing performance (overdue audits were reduced by 50% over the last 6 months); (c) conducting specially targeted procurement and disbursement seminars; (d) holding of a Country Implementation Review; and (e) identification of the causes of slow-disbursement as a basis for remedial measures at project, sector, and national levels.

57. Project preparation has been improved to make projects more implementable. Drawing on lessons learned from experience, a detailed implementation manual was prepared for the Kenya Parastatals Project. Performance milestones have been introduced in the design of the Kenya Rural Services project so as to penalize non-performing agencies and make credit proceeds available to better performing ones under the same project. The success of the Second Coffee project, which is the highest rated agricultural project in the Kenya portfolio, is the result of detailed pre-implementation preparation which involved designing and agreeing on a system of coffee payments to farmers. The principles that will be used in future project preparation and supervision are: (a) greater reliance on the private sector for project implementation or, if this is not possible, at least private sector participation in project design so as to increase public sector accountability; (b) more vigilant monitoring of compliance with financial covenants; (c) introduction of



policy reform elements in investment operations; and, (d) improved sequencing and enforceability of conditionality. Finally, the Kenya portfolio will be reviewed with the objective of accelerating implementation and disbursements as part of the Departmental portfolio review planned for the second half of FY93.

## **Uganda**

58. The Country Portfolio includes 28 projects. The overall rating has remained stable at 1.96 which is better than the Regional average of 2.15. The main implementation issues are a weak institutional capacity and insufficient counterpart funds.

59. A Country Implementation Review was jointly organized by government's own Project Monitoring Unit and the Bank in May 1992. Besides the issue of counterpart funds, the Country Implementation Review addressed several institutional issues: (a) delays in procurement of goods and services, and weak contract administration; (b) use of Special Account Funds and delays in disbursement processing; (c) financial management and budgetary controls, and compliance with audit covenants; (d) utilization of technical assistance; (e) salary and incentive payments to government employees involved in project implementation; and, (f) project management and coordination. A major conclusion of the Country Implementation Review was that these difficulties were caused largely by a lack of understanding of what was required under Bank-assisted projects, and by a lack of trained Ugandan staff responsible for carrying out the required functions, i.e., inadequate absorptive capacity. In the case of counterpart funding, an important issue was the current budget deficit and the need to constrain expenditures. It was clear from the discussions with the Ministry of Finance that the resources available for Bank-assisted projects (and projects in general) were likely to be limited for the next couple of years, at least. Consequently, a careful review of each project was carried out to look for ways to reduce counterpart funding requirements, including project restructuring if necessary. The Country Implementation Review was well attended and there was considerable discussion of issues, especially on the Ugandan side by those responsible for project implementation (project managers, project coordinators, and Permanent Secretaries of line Ministries). Based on these discussions, the Country Implementation Review successfully produced an agreed detailed action plan to address these generic constraints on project implementation.

60. The factor most responsible for the success of the Country Implementation Review was the careful preparation that went into it. Some three months prior to the meetings, government formed a task force, with support and participation from the Resident Mission, to prepare for the discussions. The issues to be addressed by the Country Implementation Review were agreed by the task force and there were preliminary discussions among staff from the line and central ministries, project implementation units, and other agencies (e.g., Bank of Uganda, Auditor General's Office) on these issues. In addition, the task force drafted a background paper outlining the issues for discussion at the technical sessions and providing the basis for the report to be submitted to the management level meeting.

61. The Resident Mission is responsible for monitoring the implementation of the agreed action plan. A number of improvements have already been introduced in procurement administration and the use of special accounts. Close attention will be required during FY93. Finally, the Uganda portfolio will be reviewed with the objective of accelerating implementation and disbursements as part of the Departmental portfolio review planned for the second half of FY93.

## **Zaire**

62. The Zaire Portfolio comprised 26 operations at the end of FY92. Despite the chaotic situation prevailing in Zaire, the overall health of the portfolio remained fairly stable in FY92 (but at a very low level) mainly as a result of active portfolio management by the Region. The overall portfolio rating was 2.85 in FY92 (compared to 2.78 in FY91) and the percentage of problem projects dropped from 70% to 65%.



63. The general country environment and implementation climate worsened in FY92. In addition to prevailing generic issues (counterpart funding, institutional and managerial weakness, procurement), other major factors that constrained project implementation were: a decaying infrastructure, the unsettled political situation and associated administrative paralysis, and the September 1991 riots which resulted in damaged physical assets and led to the departure of key expatriate personnel. The supportive economic and financial framework for project implementation was further weakened by severe fiscal and budgetary constraints, high inflation, and shortages of foreign exchange. Despite chaotic country circumstances, some projects performed remarkably well (for example, Highways VI which after being suspended for about two years for lack of counterpart funds is now a success story).

64. Through closings and cancellations, the Zaire portfolio has been trimmed down to 16 projects by January 1993. The number of problem projects has been also considerably reduced. This is the result of an action plan designed in FY92 aimed at terminating projects for which there was no expectation of improved performance and re-orienting the remaining ones to maintenance of existing capacity and facilities.

65. In FY93, AF3 will continue to implement the action plan designed in FY92. Non performing projects will be closed, while project managers who show their determination to carry out vital programs in the field will be supported. Projects such as AIDS, Social Sectors, and Water Supply have been or are being restructured to better respond to changing circumstances. The Bank will continue to insist that counterpart funding be paid on a monthly basis to successful project entities. The government as well as the opposition leaders are fully aware that failure to provide counterpart funding or to service the debt to the Bank would result in the interruption of essential public services, which are being supported by the Bank in Zaire.

#### **Tanzania**

66. The Tanzania portfolio consists of 26 projects. Its quality has remained roughly constant as reflected in the overall portfolio rating (2.35 in FY92 compared to 2.36 in FY91). It remains, however, that past project implementation performance (and sometimes design, as in the case of the Mufindi Pulp and Paper project, just closed) has been weak. Primarily a result of the closing of several projects during FY92, the Tanzania portfolio now includes only five problem projects as against 11 in FY91. During FY93 we are planning (a) more intensive but selective HQ and Resident Mission supervision; (b) assistance to improving the enabling environment to result, inter alia, from implementation of the Financial Sector Adjustment Program; and, (c) closing of the remaining projects that do not show promise.

67. The implementation of (particularly investment) projects continues to be highly constrained by limited domestic capacity: inadequate stock of skilled and experienced manpower, and inefficient public sector use of available manpower. Government's response by entrusting the overall responsibility for implementation to the Prime Minister has resulted in some improvement. Manpower development is one of the key objectives of the Bank's assistance strategy for Tanzania. The proposed Public Sector Management operation to be appraised in FY93 is expected to address the issues of civil service reform, redefinition of the role of government, and reduction in scope of the parastatal sector. The Agriculture Sector Management project, also to be appraised in FY93, is aiming towards the same objectives in the agriculture sector.

68. A number of projects have been affected by lack of counterpart funds, mainly the result of severe budget constraints. Better prioritization of public expenses in the context of a rolling budget process and better revenue generation through tax reform are needed. Noncompliance with audit covenants has also been a problem, largely because the Tanzania Audit corporation is ill-equipped to deliver on its monopolistic responsibility of auditing all public accounts. Implementation of the Financial and Legal Management Upgrading project, approved in early FY93 is expected to address this problem comprehensively. In the short term, close monitoring of ongoing overdue audits and use of remedies, where needed, should improve performance of specific projects.



69. Several actions are under way or planned to enhance implementation during FY93: (a) future projects will be designed with greater attention to capacity constraints, inclusion of implementation manuals, and by relating more closely the pace of disbursements to achievement of specific policy, institutional, or financial objectives; (b) project launch workshops will be used extensively; (c) a larger share of resources will be allocated to supervision-intensive projects; (d) more local staff will be used for supervision (there are now three local staff in the Resident Mission for that purpose); (e) a Country Implementation Review will be held in early 1993 to build on past efforts (including mid-term project reviews) to reinforce Bank-Government collaboration and strengthen government ownership; and (f) finally the Tanzania portfolio will be reviewed with the objective of accelerating implementation and disbursements as part of AF2's portfolio review planned for the second half of FY93.

## Madagascar

70. The Madagascar portfolio has 23 operations. Widespread civil unrest and a deteriorating economic situation have had a major negative impact on project implementation. The overall portfolio rating worsened from 2.16 in FY91 to 2.30 in FY92, and the percentage of problem projects increased from 23% to 30%. However, active portfolio management by the Region prevented an even greater deterioration.

71. Starting in July 1991, extensive demonstrations and strikes paralyzed government and severely disrupted economic activity. A new coalition government was put in place in January 1992 and, following a national referendum, a new constitution was approved in August 1992. Presidential and parliamentary elections were scheduled for late 1992 and early 1993, and a new government is expected to be in place by Spring 1993. These events had a serious impact on the portfolio. Operational travel to Madagascar by Bank staff was suspended during the first half of FY92 and, in many cases, political infighting and slow decision making delayed project implementation. The situation improved somewhat during the second half of FY92, but implementation is still slow.

72. The Region managed to maintain an active dialogue with government on project implementation issues despite the difficult environment. Government agreed in March 1992 that Bank standard bidding documents would be used in Bank-financed projects. These sample documents are already being used in some projects. A decree giving project entities direct access to special accounts denominated in foreign exchange in local commercial banks has been enacted. A Country Implementation Review was undertaken in March/April 1992, and it helped further the dialogue on generic issues. Its recommendations included limitations on the number of reviews and signatures required for contract approval, annual reviews of counterpart fund requirements, and improvements in accounting and auditing. A special mission was undertaken in May/June 1992 to discuss accounting/auditing issues and a follow up mission is planned for May 1993.

73. Last year's ARIS reported six problem projects; four of them are now performing well. Unfortunately, because of the difficult economic and political environment, four new projects have been added to the list of problem projects. Detailed action plans have been prepared for each one of them including, in some cases, mid-term reviews. Finally, the only new project approved for Madagascar in FY92, Manpower Training, illustrates the efforts made to incorporate lessons learned from previous projects into new project design. Among its features are: involvement of the private sector in the allocation of resources and implementation of programs; and the deposit of funds into special account, by which the project executing agencies can draw funds without prior approval by views. the Ministry of Finance; a sector public expenditure program to be prepared and reviewed annually with the Bank; and a joint mid-term review of project execution.

74. Improved implementation of the portfolio continues to be a major objective of our country strategy for Madagascar in FY93 and beyond: (i) the December 1992 mission to review the public expenditure program included a special focus on the Bank's portfolio. It helped identify, inter alia, resource constraints which are affecting Bank projects. Projects in priority sectors were highlighted for special attention and intensified follow-up by the authorities. Target objectives for improved disbursement



performance, to be monitored in March and June 1993, were set; (ii) as part of the CSP process, the Country Team will identify a comprehensive program for dealing with the portfolio including, as necessary, restructuring and cancellation. Improvements in the rate of disbursement of Bank-financed projects would be a benchmark to be tracked in monitoring progress in implementing the Bank's strategy for new lending; (iii) without prejudice to continued follow-up of implementation issues during the political transition, we intend to quickly move to agree with the new government on project priorities, including possible restructuring and cancellation. Another CIR would be planned soon after the new government is in place; (iv) we will continue efforts already underway to regularly incorporate the lessons learned from previous projects into new project design. Project launch workshops and mid-term reviews would be undertaken; (v) a new urban works project is being prepared to test, on a pilot basis, an "AGETIP"-type arrangement to improve the execution of civil works. The success of this project in improving efficiency in the construction sector could have important, positive spill-over effects on the execution of projects in other sectors.

## **Malawi**

75. The Malawi portfolio consists of 23 projects. After a few years of gradual deterioration, portfolio quality improved in FY92. This is reflected in the overall portfolio rating (2.04 in FY92 compared to 2.25 in FY91) and in the reduction in percentage of problem projects (13% in FY92 compared to 23% in FY91).

76. The improved performance of Malawi's portfolio was partly due to increased Bank resources spent on project supervision and new supervision techniques. Supervision missions dealing with the entire agriculture sector portfolio were fielded. Project launch workshops in the human resources sector have been highly effective to build government commitment and ownership, and to encourage joint Government-Bank analysis and problem-solving. The Region has also conducted in-country procurement and disbursement workshops for government and parastatal enterprise officials. The Resident Mission was strengthened with additional staff hired locally and was given a more active role in monitoring the Bank-funded portfolio.

77. Improved portfolio performance was also partly due to the successful FY92 Country Implementation Review, which was the first one in Malawi. It helped reach consensus on the main impediment to project implementation: limited government capacity in terms of trained personnel in project management, accounting, auditing and procurement. It also flagged additional constraints originating in shortage of local funds and weak budgetary process. It caused government awareness on pending issues and triggered action in various fronts. Government has agreed to a major restructuring of procurement laws. To keep the momentum going, another Country Implementation Review is planned for the current fiscal year; it will be more focussed on in-depth review of one or two outstanding issues.

78. To continue with increasing efforts for improving the project implementation, the Bank resources for supervision are further increased in FY93 and are to exceed 40% of the total country resources. The integrated review of the agricultural sector will continue in FY93. To improve procurement capacity in the country, the Government has agreed to major restructuring of procurement laws; furthermore, procurement seminars will be organized in Malawi for local procurement officers.

79. In response to the drought, the operations in Agriculture and Human Resources sectors have been restructured to include funding of agriculture inputs for 1992/93 season and procurement of urgently needed medicines and drugs. The adjustment operation (approved in FY92) was designed to provide direct assistance to the drought relief effort; it has also helped to set more realistic expectations of growth prospects. About eight operations are planned to be closed during FY93; thus, the portfolio is expected to be reduced by one-third. To address the issues of availability of counterpart funds, the remaining operations will be adjusted or scaled down as appropriate. In addition, some projects will have mid-term reviews. Lastly, a number of new initiatives are being undertaken: (a) Task Managers for every problem project will prepare action plan to be subsequently reviewed by the Country Team; also, frequency of supervision missions for the problem projects will be increased; (b) Task Managers will give increasing attention in quantifying and monitoring project beneficiaries; and, (c) The Resident Mission is being strengthened further



to provide more implementation assistance and to follow-up on project specific action plans agreed with the Government.

## Guinea

80. The Guinea portfolio consists of 22 projects. Performance is worse than the Regional average and has deteriorated somewhat in FY92 (overall portfolio rating worsened from 2.25 in FY91 to 2.38 in FY92). Project implementation has been negatively affected by the uncertainty associated with the political transition (Government introduced a new Constitution in 1992, created a Supreme Court of Justice, allowed political parties, and organized general elections) and civil war in neighboring Sierra Leone and Liberia (more than 500,000 refugees —7% of the Guinean population— have crossed the border).

81. The FY92 Country Implementation Review identified several causes of poor project implementation. Inadequate counterpart and recurrent funding, reflecting a significant drop in government bauxite-related revenues, coupled with an increase in the civil service wage bill; lack of counterpart funding has caused considerable arrears to contractors. Weak project management has also contributed to slow implementation; in response, government is increasingly avoiding the inefficiencies of the civil service and entrusting project execution functions to the private sector. The move towards private sector participation in the power sector offers opportunities to increase managerial efficiency. Slow project implementation is also caused by inadequate procurement legislation and practices, and by lack of familiarity with Bank procedures; a procurement review and an in-country procurement seminar will be carried out in FY93. Long delays in payment of executed contracts also reduce the speed in project execution; in response, government has improved interministerial coordination and agreed that budget contributions to future large contracts will be paid in advance. To keep the momentum of the FY92 going, the Region has planned another Country Implementation Review and an Agricultural Sector Implementation Review for FY93 with the objective of restructuring poorly performing operations.

## Côte d'Ivoire

82. The Côte d'Ivoire portfolio consists of 20 projects. Overall average portfolio rating has improved slightly from 2.22 in FY91 to 2.11 in FY92 in spite of the serious economic and financial difficulties confronting the country. These difficulties have been triggered by a substantial decline in the prices of Côte d'Ivoire's major commodities —cocoa and coffee— and the eroding international competitiveness of the economy at large. As a result, government revenues are barely adequate to finance the wage bill, leaving only limited funds for rehabilitation and maintenance of critical infrastructure and social services, and almost no funds for new investment —public investment as a percentage of GDP has fallen to about 2.5%.

83. The overall economic and financial difficulties described above are reflected in the lack of counterpart funds which is slowing down project implementation and disbursements in a number of projects. A number of loans with small remaining balances have been closed down. Overall compliance with audit reporting has improved, though some long overdue audit reports are yet to be submitted. There are no major procurement issues.

84. In FY92, the Region stepped up its efforts to improve portfolio implementation in Côte d'Ivoire. The Resident Mission involvement in the follow-up of project execution was strengthened. Mid-term reviews were regularly prepared, and actions to deal with lack of compliance in audit requirements were implemented through warnings given to executing agencies of project suspension in case that no action followed.

85. Despite the Region's efforts, project implementation continues to be affected by the government's inability to provide the necessary counterpart funds as the macroeconomic condition continues to deteriorate. Thus, to further reduce the possibility of delays in project implementation, for FY93 the Region has defined the following program of actions: (a) Realization of a CIR to review jointly with the government the current portfolio performance. In particular, issues of slow implementation will be examined; (b) Appointment of



a task force within the Country Team to review the portfolio and recommend the necessary corrective actions; (c) Further strengthening of the Auditing and Procurement capacity at the Resident Mission; and, (d) Joint review with other donors and the Government of the budget priorities to improve allocation of counterpart funds to reduce delays in project execution.

## **Rwanda**

86. The Rwanda portfolio consists of 20 projects. Its performance improved for the first time since FY89, despite the difficult economic and security situation (overall portfolio rating went from 2.41 in FY91 to 2.05 in FY92 and the percentage of problem projects declined from 40% to 20%), as a result of the active portfolio management strategy implemented by the Region.

87. The overriding issue in project implementation is the lack of qualified project management staff, and a slowdown in the decision process as a result of the changing political environment. Perennial problems such as cumbersome procurement procedures and a systematic reluctance to use technical assistance not financed by grants have also been responsible for poor project implementation and slow disbursement rates. In addition, guerilla activity had a major disruptive effect on project execution in FY92 (implementation of a number of projects located in the war zone virtually came to a halt).

88. The Region took several initiatives to improve portfolio performance, including an increase in the supervision effort. Government was informed that the size of the future lending program and the continuation of adjustment lending will depend on a substantial improvement in portfolio performance. Several operations were closed and action plans were prepared to deal with each problem project. The urban project in northern Rwanda has been reduced in size and is now limited to areas not affected by guerilla activity. Agreement was reached with multilateral and bilateral donors to pool counterpart funds from balance of payments support and commodity assistance to provide adequate funding for projects included in the agreed Public Investment Program.

89. Regarding FY93 to improve project implementation will be the Region top priority in Rwanda. In addition to the actions already taken last year, the following actions will be implemented during the next twelve months: (a) Supervision resources will be further increased; (b) A thorough review of all projects in the portfolio will be conducted with the Rwandese authorities to discuss implementation performance of each individual project; (c) Continue project restructuring starting with the Public Sector Management Credit; (d) The terms of reference of the Resident Mission will be modified to reflect a more important role in project supervision, and one local staff will be assigned full time to monitor project implementation issues; (e) A review of Government procurement procedures will be conducted, and emphasis will be placed on the dissemination of Bank procurement practices; (f) With respect to project design, and in response to government's concerns, emphasis will be placed on short-term foreign technical assistance and local consultants rather than long-term foreign technical assistance; (g) Project preparation and design will emphasize Rwandese ownership; and, (h) Launch workshops with all interested parties will be systematically conducted to new projects.

## **VII. Efforts to Improve Implementation in FY92 and Planned Actions**

90. During preparation of last year's ARIS, the Regional Management Team adopted an Action Program designed to strengthen the implementation effort by continuing and strengthening the managerial emphasis on implementation; disseminating good practices and integrating lessons in the design of new operations; giving more emphasis to the likely development impact of projects, through Mid-Term Project Reviews and Country Implementation Reviews and greater involvement of Country Teams and Resident Missions in implementation; and, improving auditing and procurement. Some of the main accomplishments under the Action Program (Annex 1) and the goals for the next twelve months are described below.



### **A. Enhanced Managerial Attention to Implementation**

91. In FY92, Regional and Departmental Management Teams paid special attention to improving the performance of ongoing projects. The ARPP exercise itself, which has benefitted from the strong involvement of managers and staff at all levels in the Region, has provided an opportunity to raise awareness that improving the existing portfolio may yield quick and large payoffs, increase annual disbursements, and reduce the overall undisbursed balance.
92. Several practices at the Regional level demonstrate heightened managerial attention to the existing portfolio. The Regional implementation effort is coordinated from the Office of the Regional Vice President (Senior Operations Adviser). The Regional Vice President met twice during the last twelve months with each Country Department and the Sectoral Group Teams to discuss implementation issues—a total of 22 meetings. "CAM contracts" between the Regional Vice President and Country Departments explicitly include targets for project supervision. The Board version of MOPs includes an annex describing the status of project implementation and the main issues involved. The Regional Vice President has met with some returning supervision missions on a selective basis. The Regional Vice President has also instructed that excellence in implementation be recognized and rewarded during the Personnel Performance Review process.
93. Activities within Country Departments also reflect intensive concern with the existing portfolio. Various initiatives in some Country Departments are discussed below. Problem projects are discussed with the Director. Mid-Year Reviews are also held to discuss country portfolio issues. Letters summarizing the main findings of the ARPP exercise have been sent to Borrowers. The annual retreat of the Departmental Management Team devoted time to implementation issues. And, in all Departments, increasingly, Personnel Performance Reviews include an assessment of the staff member's performance with respect to project implementation—which is taken into account for promotions and merit increases. Several Country Departments report that they have become "tougher" during project supervision, demonstrating greater firmness about compliance with covenants and Closing Dates and greater consistency across sectors. The increased attention to project implementation is reflected in higher supervision intensity as well.
94. Regional Managers will continue the practices mentioned in the preceding paragraphs. In particular, they will send unmistakable signals to Task Managers about the importance of getting results on the ground. They will continue to recognize excellence in implementation in annual Personnel Performance Reviews and reward such accomplishments with merit increases and promotions. Country Strategy Papers will discuss portfolio implementation issues, and the proposed country strategy will fully reflect portfolio implementation performance.

### **B. Improved Project Quality at Entry (Project Design)**

95. Many initiatives were introduced in the Region in FY92 to improve the quality of new projects by improving project design and preparation. They are reflected in the memorandum on Common Themes in the Senior Operations Adviser's (SOA) Review of Investment Operations—Improving the "Quality of Entry" which has been widely circulated in the Region and are summarized below:
- Early agreement with Borrowers on important sector policies, and preparation by Borrowers of a formal Letter of Sector Policy.
  - Greater emphasis on participation by Borrowers and beneficiaries, including NGOs and other private sector entities such as professional and trade groups. In some cases, public debate of design alternatives may be warranted, to encourage the support of advocacy groups with a stake in project design and to ensure that project implementation takes place smoothly.
  - A search for private sector participation in individual aspects of project execution (contracting out project accounting or the commercial services of utilities) or as an alternative to government executing agencies for the project as a whole (through performance-based contracts or lease agreements in the case of utilities, or other types of arrangements with autonomous agencies in the case of non-revenue earning projects).
  - Concerted efforts to feed back into new projects the lessons from previous experience.



- Preparation of implementation manuals as part of appraisal, with particular emphasis on procurement, accounting, auditing, and disbursement procedures.
- Conscious efforts to simplify the design of new projects as a key factor contributing to future success.
- Front loading of conditionality as early as possible to reduce the number of conditions during project implementation.
- Definition of key monitoring indicators reflecting project objectives to be used subsequently to gauge progress during project implementation.
- Implementation of project launch workshops as the first step in project supervision.
- Introduction of Mid-Term Project Reviews as a required forum for discussing progress and any necessary changes in project scope.
- Use of standard bidding documents and more attention to procurement issues during project preparation.
- Guidelines for the preparation of Technical Assistance and Project Related Training.
- Involvement of the Chief and Lead Economist in the economic evaluation of projects.

96. Over the next twelve months, to ensure continuing improvement in the quality of new projects, Country Departments will:

- Disseminate, discuss, and follow up on the findings of this Regional ARPP.
- Ensure that the "Common Themes" memorandum (preceding paragraph) is fully taken into account in project design and preparation, as early as possible. In particular, project design will reflect "implementability" as a major guiding principle.

### **C. Improved Management of the Existing Portfolio**

97. During FY92 the Region started a major project restructuring effort, particularly for projects that proved to be too large or too complex. AF2 is planning to conduct an in-depth analysis of the causes of declining disbursements in its portfolio. AF4 has begun a significant effort to clean up the project portfolio in Nigeria and, pending significant improvement in implementation and disbursement performance, new lending will be kept at a modest level. In some cases, project restructuring led to a partial cancellation of undisbursed balances.

98. Several actions will be taken to further improve the management of the existing portfolio:

- Country Departments will continue to restructure and clean up their portfolios. The principal focus will be those countries with a higher percentage of problem projects than the Regional average.
- Country Departments will continue to prepare detailed and concrete action plans for all problem projects. These action plans will be discussed at the mid-term ARPP meetings with the Regional Vice President. Country Teams and Resident Missions will have a major role in this exercise. These action plans will indicate, for each project, the events that will trigger an improved rating of 2, as well as other critical actions, such as partial cancellation, restructuring, or suspension of disbursements.
- Country Departments will share the findings of the ARPP with each Borrower. One Country Department sends summaries to Borrowers in the form of "ARPP letters," another discusses the findings with delegations at the Annual Meetings. Country Departments will share with Borrowers the ratings of projects in their own country and, sometimes, those of projects in other countries in their Department; and, will explain to Borrowers that the performance of the existing portfolio may affect the level of future lending.
- Country Implementation Reviews will be organized for each country at least once every two years, and Country Departments will continue to carry out semi-annual portfolio reviews as part of the ARPP process.
- Country Departments will apply more often than in the past the remedies provided by project legal documents, including those dealing with the Borrower's obligation to "due diligence," suspension of disbursements, and subsequent cancellation. This will send clear signals to Borrowers about the importance of effective implementation of the existing portfolio.
- Country Teams will further deepen their involvement in project implementation issues. Where feasible, Country Operations Divisions will build into Structural Adjustment Loans actions aimed at overcoming



generic implementation problems. They will also provide guidance to Sector Operations Divisions to determine the likely fiscal impact of projects under preparation.

- Country Departments will implement the recommendations of the Senior Operations Adviser's memorandum on "best practices" in supervision issued on June 3, 1992.

#### **D. Dissemination of Good Practices and Lessons Learned**

99. The Region has conducted a major effort to identify and disseminate good practices in project implementation, to learn from experience, and to incorporate such lessons into the design of new operations. To ensure the continuous dissemination of good practices and lessons learned, the Region will continue to rely on several important vehicles for this ongoing process.

- The continuous exchanges of information within Sectoral Group Teams to ensure that all Country Departments are familiar with the sectoral lessons reflected in their sector-specific contributions to the ARPP.
- The Africa Region Implementation Workshops, which have provided opportunities for broad dissemination of innovative implementation approaches and techniques (13 workshops have been organized so far).
- The on-line Lending Operations Database (LOD), accessible to all Regional staff through All-in-1. The database contains key information on all regional projects approved by the Board since FY88.
- Several regional courses aimed at familiarizing staff members with issues and options for project supervision, and orientation seminars for staff members who have recently joined the Region.
- The updating, in summary form, of the "Common Themes" that will have emerged in the SOA review of investment packages, and the SOA's memorandum on "best practices" in supervision.

#### **E. Continued Attention to Generic Implementation Concerns**

100. The Region has tried hard to deal at the country level with generic issues that cut across sectors and have a profound impact on project implementation. On-going actions on counterpart funds and project management will be continued (paras. 26-27 and 36-37), and the following additional steps will be taken on procurement and auditing.

101. **Procurement.** In addition to the ongoing initiatives and efforts earlier described (para. 29-30), the Region will take several other steps to improve procurement performance:

- As countries progress toward a more open political environment, Country Departments will seize the opportunity to discuss needed reforms of procurement legislation and procedures. Major objectives of this reform will be transparency, efficiency, and timeliness of all (not just Bank-financed) public procurement. Country Departments will explore the possibility of financing Country Procurement Assessments and the technical assistance required for such reforms under existing or proposed operations.
- Country Departments will explore the advantages and disadvantages of transferring some procurement responsibilities to Resident Missions. Care will be taken to avoid potential conflicts of interest when splitting responsibilities between Headquarters and local or Headquarters staff in Resident Missions.
- Country Departments, particularly those dealing with French-speaking countries, will take definite steps to introduce Standard Bidding Documents for works, goods, and equipment. Already-approved contracts (or model contracts) will be made widely available within Departments. The Operational Services Unit of the Technical Department (AFTOS) will disseminate good examples and provide assistance to Task Managers on adapting them to specific situations.
- The Region will continue to organize training courses on procurement for Regional staff and for staff in project executing agencies.

102. **Audit and Financial Performance Covenants.** To strengthen compliance with audit covenants, the Region will continue and strengthen the implementation of the ongoing initiatives (para. 31-34). In addition:



- Country Departments will pay as much attention to the quality of audit reports as to their timeliness. Country Departments should have full confidence in the reliability of the auditors and their independence from government and project executing agencies. This is particularly important in countries with a history of mismanagement of public funds. It is also crucial in countries where the law requires use of a government auditor—the Country Department will decide if an external audit is required in addition to the government audit. The use of external auditors will be the rule for new projects; exceptions should be clearly justified.
- Country Departments will use audit reports as managerial tools, assessing the findings of the audit report, feeding them back into the project executing agency, and establishing a plan of action for over-coming deficiencies.
- Wherever applicable, Country Departments will extend the narrow definition of a financial audit to include a "combined technical and financial audit" in project design. The Terms of Reference for such an audit will require that the auditor certify not only that the project accounts are in order but also, and more important, that the civil works, physical goods, and services have in fact been procured and are consistent with the project description. Sample Terms of Reference for such a combined technical and financial audit will be prepared. This type of exercise would make an excellent contribution to a mid-term review.
- Country Departments that have not already done so will consider the merits of appointing a Departmental Focal Point for accounting and auditing to provide relevant assistance to Task Managers in all divisions.
- Country Departments preparing revenue-earning projects will review the actual experience with various types of financial covenants in similar situations. For "repeater" projects, experience with financial covenants under the previous project will be taken explicitly into account when designing the new projects. If financial covenants under the previous project were not adequately complied with, Country Departments will identify appropriate up-front conditionality.
- Country Departments will continue to work to build accounting and auditing capacity among their staff members and within Borrower countries through training programs and suitable other components built into new projects.

103. **Country Implementation Reviews** have been very useful in some countries as a vehicle for discussing generic issues. In many cases, Resident Missions and government officials jointly prepared the reviews. In some cases, "strategic" discussions with government officials were arranged to discuss medium- and long-term issues, with the explicit intention of avoiding the usual preoccupation with the short term. In other cases, full reviews of project portfolios took place within the framework of a Country Implementation Review. In addition, a number of Sector Implementation Reviews have been conducted, particularly in the Agriculture sector. In some countries, these reviews are becoming a regular feature of project portfolio management.

104. Experience thus far with Country and Sector Implementation Reviews suggests that among the crucial ingredients for success are joint preparation with the Borrower, strong participation of the Resident Mission, and follow-up with a time-bound action plan. Country Departments will ensure that this experience is incorporated in the design of future Country Implementation Reviews and will organize a Country Implementation Review at least every two years in every country. In addition, Sector Implementation Reviews will be organized in countries where there is a "critical mass."

#### **F. Improving the Organization of the Supervision Effort**

105. The Region has taken several steps to optimize the use of available resources and improve supervision of the existing portfolio:

- Country Teams have become more closely integrated into the implementation effort. The discussion of project implementation issues within Country Teams has sensitized Task Managers to the countrywide dimensions of generic implementation issues and has made Country Officers and Country Economists more aware of the importance of featuring these issues prominently in the macroeconomic dialogue.
- Country Teams continue to have a direct input in project ratings which has improved their reliability.
- In some Divisions, Implementation Task Forces have been created to assist Task Managers on such project management aspects as procurement, disbursements, accounting, audits, and supervision reporting. This will continue in FY93.

- Thematic supervision has been tried in some Departments, as has work-sharing with cofinanciers, and its use will be further extended in FY93.
- Networks have been established to link Task Managers dealing with similar projects in different countries or autonomous project executing agencies modeled on a similar pattern (e.g., AGETIP). The main accomplishment has been to share the experience of various projects and avoid making similar mistakes.
- Some Sector Operations Divisions have appointed Portfolio Managers. Others have appointed a full-time Implementation Specialist.
- One Country Department has transferred a Senior Task Manager to the front office with responsibility for carrying out an in-depth review of the causes of poor disbursement performance in the departmental portfolio.
- Many Resident Missions have been strengthened to follow up on implementation issues. In some Departments, the Terms of Reference of Resident Representatives emphasize project implementation over other functions. Additional higher-level staff from Headquarters (or locally recruited) have been assigned to some Resident Missions to assist with implementation issues. In one Department, a major effort is underway to transfer Task Management responsibilities to Resident Mission staff.

106. To get the most out of supervision resources, the Region will continue and strengthen the implementation of the initiatives and efforts described above, which are summarized in the Senior Operations Adviser's memo on "best practices" issued on June 3, 1992.

**Table 2.1 Portfolio Under Supervision**  
(US\$ million)

<i>Item</i>	<i>FY91</i>	<i>FY92</i>
Number of Projects	641	644
Adjustment Projects (%)	10.9	10.9
<b>Undisbursed balance (US\$ million)</b>	<b>11,637</b>	<b>13,735</b>
of which Adjustment	1,662	2,690
of which Investment	9,975	11,045



**Table 2.2 Project Portfolio Ratings by Country**

Country	Number of Projects in FY92	Portfolio Ratings		Percentage of Problem Projects	
		FY91	FY92	FY91	FY92
Angola	5	2.00	1.75	-	-
Benin	16	1.75	1.81	13	13
Botswana	6	1.83	1.83	17	17
Burundi	19	2.11	2.00	22	5
Burkina Faso	14	1.78	1.71	9	-
Cameroon	14	2.47	2.29	47	36
Cape Verde	4	1.57	1.75	-	25
Central African Republic	10	2.20	2.56	30	40
Chad	9	2.30	2.22	40	22
Congo	3	2.33	2.67	33	67
Comoros	5	2.60	2.80	60	80
Côte d'Ivoire	20	2.22	2.11	28	30
Djibouti	5	2.00	1.80	33	20
Equatorial Guinea	4	2.33	2.25	33	25
Ethiopia	19	2.00	2.00	25	21
Gabon	2	1.67	2.00	-	-
Gambia	9	2.40	2.00	50	11
Ghana	38	1.71	1.95	8	18
Guinea Bissau	9	1.90	1.89	9	22
Guinea	22	2.25	2.38	38	32
Kenya	32	2.14	2.06	25	15
Lesotho	10	2.33	2.10	29	20
Liberia	1	4.00	4.00	100	100
Madagascar	23	2.16	2.30	23	30
Malawi	23	2.25	2.04	23	13
Mali	19	1.88	1.84	28	21
Mozambique	17	2.00	2.00	14	12
Mauritania	12	2.18	2.08	27	25
Mauritius	7	1.00	1.33	-	-
Niger	13	2.29	2.23	34	31
Nigeria	43	2.42	2.47	38	44
Rwanda	20	2.41	2.05	40	20
Sao Tome & Principe	8	1.80	1.63	-	-
Senegal	19	1.89	1.89	10	11
Seychelles	-	1.00	-	-	-
Sierra Leone	6	4.00	2.50	100	50
Somalia	12	3.75	4.00	92	100
Sudan	18	2.17	2.06	22	11
Swaziland	-	2.00	-	-	-
Tanzania	26	2.36	2.35	33	35
Togo	16	2.24	2.31	35	44
Uganda	28	1.96	1.96	16	14
Zaire	26	2.78	2.85	70	65
Zambia	14	2.19	2.07	35	21
Zimbabwe	13	1.86	1.77	7	8
<b>Regional Average</b>	<b>644</b>	<b>2.19</b>	<b>2.15</b>	<b>30</b>	<b>26</b>

**Table 2.3 Sectoral Composition of the Portfolio**

<i>Sector</i>	<i>FY89</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Agriculture	30.4	30.0	28.8	28.4
Infrastructure	23.4	24.1	22.9	22.8
Human Resources	11.8	13.0	15.4	16.7
Industry and Finance	10.6	9.6	8.9	8.8
Energy	8.3	8.0	8.3	7.3
Public Sector Management	0.8	1.1	1.1	1.2
Technical Assistance	9.6	9.1	9.1	9.8
Structural Adjustment Lending	5.1	5.1	5.5	5.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Table 2.4 Problem Projects (Projects Rated 3 or 4) by Sector**  
(as a percentage of the sectoral portfolio)

<i>Sector</i>	<i>FY91</i>	<i>FY92</i>
Agriculture	36	33
Infrastructure	25	21
Human Resources	25	22
Industry and Finance	37	25
Energy	13	19
Public Sector Management	28	25
Technical Assistance	37	23
Structural Adjustment Lending	20	28
<b>Regional Average</b>	<b>30</b>	<b>26</b>

**Table 2.5 Project Portfolio Performance and Country Context**

	<i>FY92</i>	
	<i>Number of Projects</i>	<i>Portfolio Rating</i>
Countries with Major Volatility *	124	2.51
Other Countries **	520	2.07

\* Chad, Congo, Madagascar, Mozambique, Somalia, Sudan, Togo and Zaire.

\*\* No rating reported for two countries: no projects in their portfolio



**Table 2.6 Project Portfolio Performance for Adjusting and Non-Adjusting Countries**

<i>Country</i>	<i>FY92</i>	
	<i>Number of Projects</i>	<i>Portfolio Rating</i>
Already adjusted or under adjustment *	482	2.06
In need of adjustment but not adjusting enough **	162	2.42

\* Benin, Botswana, Burkina Faso, Burundi, Cape Verde, Côte d'Ivoire, Equatorial Guinea, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Nigeria, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

\*\* Angola, Cameroon, Central African Republic, Chad, Congo, Comoros, Djibouti, Ethiopia, Gabon, Liberia, Niger, Rwanda, Somalia, Sudan and Zaire.

**Table 2.7 Performance of Adjustment and Investment Portfolios**

	<i>Ratings</i>		<i>Share of Projects Rated 3 or 4 (%)</i>	
	<i>FY91</i>	<i>FY92</i>	<i>1991</i>	<i>1992</i>
	Investment	2.21	2.17	30
Adjustment	2.07	2.04	30	23

**Table 2.8 Average Project Ratings by Sector**

<i>Sector</i>	<i>FY91</i>	<i>FY92</i>
Agriculture	2.37	2.33
Infrastructure	2.04	2.03
Human Resources	2.19	2.15
Industry & Finance	2.19	1.98
Energy	1.98	2.16
Public Sector Management	2.00	1.96
Technical Assistance	2.32	2.11
Structural Adjustment Lending	1.97	2.16
<b>Regional Average</b>	<b>2.19</b>	<b>2.15</b>

**Table 2.9 Annual Disbursements by Lending Instrument**  
(US\$ million)

<i>Item</i>	<i>FY91</i>	<i>FY92</i>
IDA	2,191	1,892
IBRD	656	658
<b>Total</b>	<b>2,847</b>	<b>2,550</b>
Adjustment	1,351	1,064
Investment	1,497	1,486

**Table 2.10 Supervision Coefficients by Country (Staff Weeks Per Project)**

Country	FY88		FY89		FY90		FY91		FY92		88-92
	No.	Avg.	No.	Avg.	No.	Avg.	No.	Avg.	No.	Avg.	No.
Africa Region	0		0		1	6.0	1	5.1	2	6.5	6.1
Angola	0		0		0		1		5	20.6	17.2
Republic of Benin	14	9.1	15	7.6	15	10.7	16	9.4	16	20.5	11.6
Botswana	8	7.0	5	7.4	5	8.1	6	7.8	6	7.8	7.6
Burundi	19	5.5	16	12.1	17	12.0	18	11.3	19	13.2	10.7
Burkina Faso	13	9.9	13	8.6	14	9.3	11	14.2	14	24.6	13.4
Cameroon	16	9.5	17	7.9	15	20.8	15	24.6	14	21.7	16.5
Cape Verde	3	6.0	4	5.5	4	6.9	3	2.1	4	7.9	5.9
CAR	9	9.0	10	14.9	11	13.0	10	23.6	10	22.9	16.8
Chad	6	12.7	10	12.0	11	15.5	10	17.4	9	24.5	16.5
Congo	6	19.8	5	14.2	3	12.5	3	15.0	3	9.4	15.0
Comoros	7	7.9	6	3.8	3	8.6	5	9.5	5	13.3	8.4
Djibouti	5	9.9	5	4.5	5	8.2	6	6.3	5	8.5	7.4
Eastern Africa Region	1	5.3	1	13.4	1	14.5	1	4.5	0	—	9.4
Equatorial Guinea	5	19.0	5	12.3	5	10.3	3	17.2	4	16.8	14.9
Ethiopia	17	11.0	18	10.1	20	12.1	20	12.8	19	11.7	11.6
Gabon	1	9.1	2	15.7	3	14.6	3	6.8	2	10.6	11.4
Gambia	7	9.8	8	8.2	10	9.6	10	12.1	9	10.1	10.0
Ghana	25	14.3	33	11.6	35	12.9	38	11.9	38	15.8	13.3
Guinea-Bissau	10	12.2	12	9.2	12	14.2	11	13.7	9	23.5	14.2
Guinea	18	13.5	22	10.5	25	10.2	24	13.8	22	14.2	12.4
Côte d'Ivoire	20	10.1	16	8.4	20	8.9	18	13.0	20	12.5	10.6
Kenya	27	12.7	26	13.6	28	14.9	31	12.5	32	15.8	13.9
Lesotho	8	9.9	6	12.8	7	11.4	7	9.4	10	14.5	11.7
Liberia	12	1.5	9	0.3	6	0.0	1	—	1	—	0.7
Madagascar	24	12.8	25	13.8	29	11.1	26	14.5	23	14.7	13.3
Malawi	25	7.2	22	7.5	21	12.7	22	13.3	23	15.2	11.1
Mali	14	11.1	18	10.3	16	13.1	18	15.2	19	21.8	14.6
Mozambique	3	16.4	8	7.7	12	12.3	14	14.1	17	10.2	11.7
Mauritania	13	15.1	13	7.4	13	6.1	11	14.7	12	10.1	10.5
Mauritius	9	3.5	6	4.7	6	4.1	5	14.3	7	11.9	7.2
Niger	16	14.4	17	17.8	17	13.4	18	9.0	13	13.1	13.5
Nigeria	29	18.3	36	18.5	42	21.0	44	19.9	43	31.7	22.3
Rwanda	19	9.8	19	10.1	18	10.2	20	4.9	20	10.9	9.2
Senegal	24	12.2	23	8.5	25	11.2	20	14.2	19	15.9	12.2
Seychelles	1	3.1	1	1.5	1	2.4	1	2.0	0	—	2.3
Sierra Leone	7	4.2	7	1.5	7	3.8	6	6.7	6	6.0	4.3
Somalia	16	10.0	16	6.8	17	8.0	12	6.3	12	0.8	6.7
Sao Tome & Principe	3	21.2	4	20.8	5	10.4	6	12.8	8	10.0	13.7
Sudan	19	11.6	23	8.7	21	14.4	18	11.1	18	10.5	11.2
Swaziland	2	3.3	1	7.8	1	3.3	1	2.2	0	—	4.0
Tanzania	27	10.6	24	11.4	26	11.4	24	15.4	260	14.6	12.6
Togo	15	6.8	15	12.2	14	11.9	17	11.2	16	11.5	10.7
Uganda	15	11.7	20	9.7	22	17.2	25	15.3	28	16.8	14.5
Western Africa Region	4	5.8	4	5.1	3	4.6	3	4.7	3	1.8	4.5
Zaire	32	11.8	28	15.5	27	13.2	27	12.2	26	8.6	12.3
Zambia	24	5.9	18	2.3	14	3.5	17	2.9	14	14.1	5.5
Zimbabwe	11	11.0	13	7.9	13	8.2	14	9.3	13	13.2	9.9
<b>Total</b>	<b>609</b>	<b>12.4</b>	<b>625</b>	<b>11.8</b>	<b>646</b>	<b>13.5</b>	<b>641</b>	<b>14.4</b>	<b>644</b>	<b>16.8</b>	<b>13.8</b>



## AFRICA REGION

## Regional Action Program for Further Improvements in the Implementation Effort

OBJECTIVE	ACTION PROGRAM	FY92 IMPLEMENTATION STATUS	FY93 ACTION PROGRAM
<p><b>Further Enhancement of Managerial Attention to Implementation</b></p>	<p><i>Signals and incentives.</i> Excellence in implementation to become a more significant factor in performance evaluations (PPRs), promotions, and merit increases.</p> <p><i>Meetings of the Regional Vice President (RVP) twice a year with each Department and Group Team (GT) to discuss implementation issues.</i></p> <p><i>Departmental Implementation Reviews.</i></p> <p><i>Monitoring of the implementation effort and linkage with country strategy.</i></p>	<p>Several actions were taken:</p> <ul style="list-style-type: none"> <li>• More systematic discussions on implementation performance in the context of the Personnel Performance Review process (at divisional and departmental levels).</li> <li>• Consistency in management signals year round on the importance of implementation (finding ways to discuss lending targets and budgets that do not undermine implementation efforts).</li> </ul> <p>The RVP met with each Department and GT in March/April and in November (22 meetings in all) to discuss progress in implementation of the Regional Action Program and other implementation issues. In addition, the RVP met selectively with returning supervision missions.</p> <p>Country Departments (CDs) organized semi-annual implementation reviews (e.g., in March and at the time of ARIS). Some CDs transmitted to governments the findings and recommendations of the country ARIS reports.</p> <p>The following actions were taken:</p> <ul style="list-style-type: none"> <li>• Indicators of implementation performance (disbursements, mid-term reviews, staff input, etc.) were included in CAM contracts with each CD.</li> <li>• Action programs to improve disbursement performance of the investment portfolio were prepared by some Country Teams (CTs).</li> <li>• Project preparation documentation includes discussion of country implementation issues, and all MOPs submitted to the Board include an attachment to schedule D discussing country implementation issues.</li> <li>• Country portfolio reports were prepared and included in the Regional FY92 ARIS Report (Vol. II).</li> </ul>	<p><i>Continue same actions.</i></p> <p><i>Continue same actions.</i></p> <p><i>Continue same actions.</i> All CDs should share the ARIS findings with governments and follow up on recommendations.</p> <p><i>Continue same actions.</i> CDs should prepare and monitor action programs for all countries to improve disbursement performance. Country Strategy Papers (CSPs) should include a discussion of implementation issues and the proposed country strategy should fully reflect portfolio implementation performance.</p>

OBJECTIVE	ACTION PROGRAM	FY92 IMPLEMENTATION STATUS	FY93 ACTION PROGRAM
<p><b>Dissemination of Good Practices and Incorporation of Lessons Learned in Future Projects</b></p>	<p><i>Discussion of sectoral implementation issues by GTs.</i></p> <p><i>Dissemination of lessons from experience.</i></p> <p><i>Dissemination of good practices in supervision.</i></p> <p><i>Regional implementation workshops to provide a forum for the discussion of generic implementation issues and innovative practices.</i></p>	<p>GTs have:</p> <ul style="list-style-type: none"> <li>● Organized meetings of sectoral staff to discuss their ARIS papers and disseminate the lessons from this review.</li> <li>● Met with the RVP in April and November 1992 to discuss issues and progress in implementing the sectoral ARIS recommendations.</li> <li>● Prepared sectoral papers for this year's ARIS (Vol. I of Regional ARIS Report). GT chairpersons participated in the RVP's ARIS meetings.</li> </ul> <p>The following actions were taken:</p> <ul style="list-style-type: none"> <li>● GTs formulated sectoral lessons, which were incorporated in the on-line directives.</li> <li>● Meetings of sectoral staff were organized to discuss the lessons (the agricultural GT organized sub-groups for particular topics to discuss and disseminate pertinent lessons).</li> <li>● SOA's office disseminated information about good practice, and prepared a note with detailed guidelines to improve on the "Quality of Entry" of projects (October 1992) in light of the findings from the implementation experience.</li> </ul> <p>SOA's office:</p> <ul style="list-style-type: none"> <li>● Prepared a note on "best practices" in supervision (June 1992).</li> <li>● Organized regional meetings to share experience with implementation of mid-term reviews and project launch workshops.</li> <li>● Organized courses for Regional staff on project supervision, accounting and auditing practices, and procurement; and meetings with new regional staff to brief them on the implementation process in the Region.</li> </ul> <p>The SOA has organized thirteen workshops so far. Attendance has been very good.</p>	<p><i>Continue same actions.</i></p> <p><i>Continue same actions.</i> CDs should ensure that the memo on Improving "Quality of Entry" (October 14, 1992) is fully taken into account in project preparation and design (e.g., identification of key monitoring indicators, preparation of implementation manuals, up-front conditionality, potential for private sector participation in project implementation). Also, Division Chiefs will assign new staff to participate with more senior staff in supervision work.</p> <p><i>Continue same actions.</i> CDs will disseminate the memo on "best practices" in supervision (June 3, 1992) and implement the recommendations.</p> <p><i>Continue same actions.</i></p>



OBJECTIVE	ACTION PROGRAM	FY92 IMPLEMENTATION STATUS	FY93 ACTION PROGRAM
<p><b>Broadening the Implementation Effort</b> Better follow up of project implementation on the ground; adjustment of project design, if necessary, in light of the implementation experience so far and the rapidly changing external environment</p>	<p><i>More attention to the likely development impact of the project and less on progress in physical implementation.</i></p> <p><i>More involvement of CTs in the implementation process.</i></p> <p><i>More involvement of Resident Missions in the implementation process.</i></p> <p><i>Mid-Term Project Reviews.</i></p> <p><i>Country Implementation Reviews (CIRs).</i></p>	<p>We have made good progress. The following actions were taken to further strengthen this process:</p> <ul style="list-style-type: none"> <li>● Division Chiefs are ensuring that missions systematically focus on development impact issues.</li> <li>● Division management is making more active use of project restructuring, cancellations, suspension of disbursements, and other ways of strengthening the development impact of projects.</li> </ul> <p>CTs carried out semi-annual reviews of portfolios (in preparation for the April meetings with the RVP, and at the time of the ARIS), reviewed and adjusted project ratings, prepared country implementation reports, and continued to play a major role in CIRs and project mid-term reviews.</p> <p>The participation of Resident Missions in CIRs was further strengthened, and CDs strengthened the implementation role of Resident Missions by transferring higher-level staff to the field and hiring local staff for follow-up on supervision issues (e.g., Nigeria).</p> <p>Mid-Term Project Reviews continued to be included in all new operations. CDs began a major effort to clean up the portfolio by preparing and implementing action programs for projects rated 3 or 4. The SOA organized a Regional workshop to discuss experience so far with the Mid-Term Project Reviews.</p> <p>CDs continue to carry out selective Sector and CIRs.</p>	<p><i>Continue same actions</i>, with emphasis on project restructuring and more active portfolio management in general. The principal focus will be on countries with average rating or percentage of problem projects higher than regional average.</p> <p><i>Continue same actions.</i></p> <p><i>Continue same process</i> and further strengthen the involvement of Resident Missions and local staff in project implementation. A workshop on Implementation for Resident Mission staff will be organized.</p> <p><i>Continue same actions.</i> CDs should prepare action programs for all projects rated 3 or 4. These programs should include specific activities/events that will result in an improved rating of 2 and other actions to be taken (partial or total cancellation, restructuring, suspension of disbursement).</p> <p><i>Continue same actions.</i> A CIR should be organized for each country at least once every two years. Semi-annual portfolio reviews should be continued in the context of the ARIS process. CDs will try to include in the agenda discussions of medium- and long-term development issues and the Bank assistance strategy. Sectoral Implementation Reviews should be organized in countries with a critical mass of projects in a given sector.</p>

OBJECTIVE	ACTION PROGRAM	FY92 IMPLEMENTATION STATUS	FY93 ACTION PROGRAM
<p><b>Improvements in Auditing and Procurement</b></p>	<p><i>Regional Action Programs</i> for improving auditing and procurement.</p>	<p>Good progress was made in implementing the action program. The SOA and TD established a training program in accounting/auditing and procurement for Regional staff. Guidelines on procurement and Terms of Reference on auditing were issued. Compliance with audit requirements increased substantially because of the rigorous follow-up that was introduced. Technical assistance for building local capacity in auditing and procurement is being financed under some projects. Some Departments have appointed auditing-procurement coordinators, and special efforts are under way to improve on the readiness of the accounting-auditing and procurement aspects in project preparation. Finally, the TD provided intellectual and operational support to the CDs in audits and procurement, and a financial covenant database was designed and implemented.</p>	<p><i>Continue implementation of the Action Programs.</i></p> <p><i>In audit</i>, the CDs will:</p> <ul style="list-style-type: none"> <li>● Pay as much attention to the quality of audit reports as to their timeliness.</li> <li>● Use audit reports as managerial tools, follow up with the Borrowers on the recommendations and incorporate major funding in future project design.</li> <li>● Experiment with combined "technical and financial audits." (AFTOS will prepare sample Terms of Reference for such combined audits.)</li> <li>● Consider appointing Departmental Focal Points for audits. In addition, we will continue with the ongoing training courses in accounting and auditing for regional staff.</li> </ul> <p><i>In procurement</i>, in addition to the ongoing activities in the Regional Action Program, CDs will:</p> <ul style="list-style-type: none"> <li>● Continue to discuss procurement reform in the context of the policy dialogue.</li> <li>● Continue to seek ways of improving local capacity, such as in-country seminars and other training courses.</li> <li>● Design self-standing projects or components aimed at local capacity building and policy reform in procurement.</li> <li>● Explore the possibility of transferring some procurement responsibilities to Resident Missions.</li> <li>● Use standard bidding documents.</li> <li>● Actively follow up the government's processing of procurement actions, including suspension of disbursements in cases of a lack of "due diligence" by the Borrower.</li> <li>● Explore private sector participation in project execution (AGETIP-type).</li> </ul> <p>Finally, we will continue with the ongoing training on procurement for regional staff.</p>



### III. EAST ASIA AND PACIFIC REGIONAL SUMMARY

#### I. Overall Status of the Regional Portfolio

1. The overall performance of the East Asia and Pacific portfolio in FY92 was very satisfactory. The average overall rating for projects in the Region, 1.55, compares favorably with the overall rating for each of the past two years (1.53) and with the FY92 Bankwide average of 1.96. The expectation with respect to achievement of project development objectives was also very favorable with an average rating of 1.31. In fact, Regional averages were significantly better than Bankwide averages for every rating category, as was disbursement performance, with the Regional disbursement ratio of 26 percent substantially exceeding the Bankwide average of 17 percent.

Table 3.1 Status of Portfolio Operations

<i>Region</i>	<i>Operations</i>		<i>Status of Portfolio</i>	
	<i>Number</i>	<i>% of Total</i>	<i>Overall Rating</i>	<i>% Problem Projects (Rated 3 or 4)</i>
East Asia and Pacific	319	17	1.55	3
All Other Regions	1533	83	2.04	22
<b>Total Bank</b>	<b>1852</b>	<b>100</b>	<b>1.96</b>	<b>18</b>

2. The supervision coefficients for EAP reinforce the conclusion that not only must borrowers take responsibility for project implementation, but that Bank supervision cannot substitute for essential borrower involvement. Our borrowers clearly deserve much of the credit for the healthy status of the Regional portfolio. Effective use of resident missions to support all aspects of operations, including supervision, is also important. The fact that the role and staffing of resident missions in the Region have been adapted to meet changing requirements has likely contributed, at least in a small way, to successful project implementation. The strong economic performance of the countries in the Region has also undoubtedly had a salutary effect on project implementation.

Table 3.2 Supervision Staff weeks

<i>Region</i>	<i>Excluding Local Staff</i>	<i>Including Local Staff</i>
East Asia and Pacific	9.7	10.8
All Other Regions	12.7	14.8
<b>Total Bank</b>	<b>12.2</b>	<b>14.1</b>

3. Despite overall strong performance, the Regional portfolio is quite diverse. Not surprisingly, the best overall performance was reported for Korea and Thailand. The Region's three largest borrowers straddle the Regional average, with China's overall performance somewhat better than average and Indonesia's and the Philippines' slightly worse. Two country portfolios, Myanmar and Papua New Guinea, evidenced serious implementation problems and the Region intends to take concerted action to deal with these cases. A summary of the Regional portfolio is presented in Table 3.3.

Table 3.3 EAP Portfolio Performance by Country

<i>Region</i>	<i>Number of Projects</i>	<i>Total Lending (US\$M)</i>	<i>Disbursement Ratio</i>	<i>Average Rating</i>	
				<i>Overall</i>	<i>Development Objectives</i>
China	93	11,419	28	1.43	1.16
Fiji	4	63	20	1.33	1.33
Indonesia	81	10,005	22	1.69	1.48
Korea	20	1,364	25	1.17	1.11
Lao PDR	10	227	13	1.60	1.20
Malaysia	20	1,231	37	1.56	1.22
Maldives	3	26	40	1.33	1.33
Mongolia	2	35		1.00	1.00
Myanmar	11	404	18	2.00	1.91
Papua New Guinea	11	304	21	2.10	1.60
Philippines	36	3,698	21	1.64	1.31
Solomon Islands	2	7	52	1.50	1.50
Thailand	18	1,021	58	1.17	1.17
Tonga	1	3	28	2.00	2.00
Vanuatu	3	13	53	1.33	1.33
Western Samoa	4	24	48	2.00	1.25
<b>Total Region</b>	<b>319</b>	<b>29,845</b>	<b>26</b>	<b>1.55</b>	<b>1.31</b>
<b>Total Bank</b>	<b>1852</b>	<b>142,145</b>	<b>17</b>	<b>1.96</b>	<b>1.68</b>

4. The somewhat surprising degree of diversity in what is an overall well-performing portfolio leads to two basic conclusions. First, while continuing efforts to improve implementation performance are warranted, improvements are likely to be marginal, because in most instances the starting point is fully satisfactory performance. Second, because the borrowers exhibit considerable diversity, tailored approaches need to be developed on an individual basis. For example, China's institutional framework makes it possible to implement geographically dispersed and complex projects effectively, while project complexity and geographic dispersion have been identified as major causes of implementation difficulties in Indonesia.

5. As in establishing the lending program, to be effective, the Region's program of supervision must be borrower-specific. Any attempts to apply generic solutions to disparate country conditions will only result in inefficient use of resources. For certain exemplary performers, no action other than conscientious routine supervision is warranted. For certain others, country implementation reviews (CIRs) are indicated either as a starting point for developing remedial action programs or as a vehicle for continuing a meaningful dialogue on implementation issues. However, the cost of conducting CIRs can be substantial and must be considered in determining the optimal frequency of CIRs on a country-by-country basis. In the Philippines and China, for example, CIRs have been carried out about every two years. With this frequency, they have provided a useful forum for airing problems and keeping core government agencies apprised of critical issues affecting the portfolio. Generally, though, they have not been a driving force in spurring broad-based changes, although when corrective actions have been



mutually agreed and responsibilities for implementation assigned to specific Bank staff and country officials, CIRs have resulted in improvements in country implementation performance.

6. Project implementation performance by sector is summarized in Table 3.4. The sectoral aggregations correspond roughly to the divisional structure within the Region's three Country Departments. The best-performing projects were those dealing with human resources development, followed by energy and industry, infrastructure, and agriculture. The apparent good performance of the energy and industry portfolio is, however, somewhat misleading. In general, power and energy projects perform very well (average overall rating 1.20), while the performance of industry, telecommunications and industrial finance projects tends to be lackluster (average overall rating 1.76) and, in fact, is not as good as that of the agriculture sector. However, a detailed review of the portfolio failed to identify generic sectoral issues which should be targeted for intervention. This suggests that problems tend to be country- or project-specific.

Table 3.4 EAP Portfolio Performance by Sector

	<i>Lending Volume</i>		<i>No. of Projects</i>	<i>% of Portfolio</i>	<i>Rating</i>
	<i>(US\$M)</i>	<i>%</i>			
Human Resources Development	3,701	13	54	17	1.36
Energy and Industry	10,556	35	80	25	1.46
Infrastructure	8,211	28	91	28	1.57
Technical Assistance and Public Sector Management	120	0	6	2	1.67
Agriculture	5,996	20	79	25	1.74
Project Lending	28,584	96	310	97	1.55
Adjustment Lending	1,261	4	9	3	1.44
	<b>29,845</b>	<b>100</b>	<b>319</b>	<b>100</b>	<b>1.55</b>

## II. Country Portfolio Performance Overview and Major Planned Actions

### China

7. The performance of the China portfolio, the largest in the Region, was highly satisfactory in FY92, with an average overall rating of 1.43. This compares favorably with the Regional average of 1.55 and the Bankwide average of 1.96, and is particularly impressive in view of the size and complexity of projects in the portfolio. The China portfolio comprised 93 projects with loan and credit commitments aggregating more than \$11 billion. Distribution by sector was: agriculture, 23 projects,

\$2.8 billion; energy and industry, 27 projects, \$4.1 billion; infrastructure, 28 projects, \$3.4 billion; human resources development, 13 projects, \$1.2 billion; and technical assistance, 2 projects, \$40 million. Projects in China tend to be both large (average cost in excess of \$300 million) and complex, and it is likely that the increasing complexity of the projects in the portfolio accounts for the slight decline in project performance from the previous year (1.38 overall). The disbursement ratio was 28 percent.

8. The appropriate amount and use of technical assistance in furthering development objectives has been a longstanding issue in China. The Government's preference for funding training, technical assistance and institutional development through grant funds has constrained Bank/IDA lending for these purposes. Despite increasing willingness to use foreign experts for project preparation and implementation, the Government is reluctant to use them to assist in institutional development on the grounds that foreign expertise is too expensive. To date, foreign technical assistance has been used much more to facilitate implementation of specific investments, than to strengthen implementing agencies. Likewise, there has been reluctance to utilize borrowed funds to support medium- and long-term training programs abroad for local staff. However, the Government has been willing to fund brief study tours. To ensure that external training or study tours bring about the desired results, an increasingly transparent candidate selection process is being built into project design. To increase the numbers of local staff benefitting from training, in-country seminars are being used more extensively to bring training to line managers and technical staff.

9. Another recurring implementation issue, procurement delays, seems, however, to have been substantially resolved. The increased use of standard procurement documents combined with offering a number of procurement seminars contributed to this result. The remaining procurement issues, including reluctance to use consultant services, perceived demand for excessively complicated equipment and declining local competition for civil works contracts, will be addressed at the upcoming CIR scheduled for February 1993.

10. Projects in China are becoming increasingly complex, with more ambitious reform objectives and greater technical challenges. The size of the country, the decentralization of responsibility for most public programs and investments, and the desire of the Chinese authorities to achieve a reasonable geographical spread of external support mean that there are few, if any, routine or repeater projects in our program. Maintaining the quality of the portfolio will continue to depend on allocating adequate resources to supervising project implementation.

11. The Region intends to support several discrete monitorable interventions in addition to the forthcoming CIR to maintain and improve project implementation performance in China. First, we will increase our efforts to encourage the Government to disseminate more widely the experience gained and good practices identified under ongoing operations. This is already being done to some extent, but with greater reliance on Bank effort than local initiative. Second, we will pursue approaches to project preparation and supervision consistent with an environment of increasing governmental decentralization. Commonly experienced problems arising from the delegation of investment decisions from the central authorities to provincial and municipal entities will be identified and addressed, with a view to accelerating project preparation, improving implementation performance and, over time, hopefully lowering the staff inputs required for these activities.

12. We will also intensify our dialogue with the Ministry of Finance on more imaginative approaches it might adopt to intermediate donor funds both to revenue-earning and non-revenue earning entities. In this instance, the objective is to ensure that mechanisms are in place whereby a significant



proportion of our lending is made available on appropriate financial terms to continue to support social sectors and development in areas with a high incidence of poverty. In parallel, we are rapidly approaching our goal of ensuring that our funds are passed on to commercial revenue-earning entities at full cost.

## Indonesia

13. During FY92, the Indonesia portfolio comprised 81 projects, accounting for aggregate net loan commitments of \$10 billion. Sectoral distribution of the portfolio was as follows: agriculture, 24 projects, \$1.9 billion; energy and industry, 20 projects, \$4.3 billion; infrastructure, 17 projects, \$2.2 billion; human resources development, 19 projects, \$1.5 billion; and environment, 1 project, \$12 million. The average overall rating of all projects in the portfolio was 1.69, slightly above the Regional average. The disbursement ratio was 22 percent. The main factors contributing to the overall satisfactory performance of the Indonesia portfolio include the sound fiscal and economic policies adopted by the Government, the steady progress made in institutional capacity-building through substantial investments in education and technical assistance, the openness of policy-makers to advice, and the magnitude of the budget resources available and the external aid Indonesia has been receiving.

14. The CIR held in Oct./Nov. 1992 provided a useful opportunity for Departmental Management and GOI to focus on how to improve the implementation of on-going projects and to better design future lending operations. Two important issues emerged:

- (a) The complexity of project designs—in terms of policy changes, institutional and training objectives, broad geographical coverage, innovative technical solutions, and local involvement—are overtaxing the supervision capacities both of the Bank and of Government agencies. Consequently, the results often fall short of the institution-building and other objectives that should be achieved.
- (b) In a few cases, less than satisfactory components of otherwise economically viable projects have not been restructured or canceled expeditiously. At present, the restructuring or cancellation of two components is being discussed: one under the otherwise successful Industrial Energy Conservation Project (Loan 2879-IND) because KONEBA (Energy Conservation Center) has proven to be ineffective; and the other under the Fisheries Support Services Project (Loan 2773-IND), as inadequate technical design, land acquisition problems, and managerial difficulties require a downsizing of pond areas.

15. The most difficult challenges of the portfolio relate to recent projects in the urban, health and education sectors which assume major institutional changes and participation on the local level. Flexible and adaptable supervision and implementation focusing on problem-solving and long-run effectiveness will be crucial in dealing with these more experimental projects.

16. Appropriate use of technical assistance (TA) is also an issue in Indonesia. However, in contrast to China, and, in fact, to all other borrowers in the Region, the Government of Indonesia has borrowed significant sums for TA for all purposes. About 20 percent of the current net loan commitments are for TA. In this regard, three major issues have developed: (i) the availability of TA financing from multiple sources may well have inflated and distorted the need for, and use of, consultants; (ii) the quality of TA is not consistent either because of lack of supervision or distorted



pricing practices; and (iii) the cost of consulting services is distorted by the Government's artificial billing rate ceiling and protracted contracting practices.

17. Given large and competing demands for TA by project entities, important programs, substantial training and implementation needs, an Action Plan was developed in May 1992 to address the above issues by: limiting Bank financing of TA to high-priority activities; increasing supervision of TA in the portfolio with a focus on quality; and, insofar as possible, utilizing standard consultant procurement documents.

### Philippines

18. The portfolio under implementation during FY92 comprised 36 operations involving loan/credit commitments of \$3.7 billion. The disbursement ratio was 21 percent (25 percent including adjustment lending). The average overall rating was 1.64, slightly above the Regional average. Sectoral distribution was: agriculture, 7 projects, \$0.6 billion; energy and industry, 9 projects, \$1.3 billion; infrastructure, 13 projects, \$1.0 billion; human resources development, 5 projects, \$0.4 billion; and 2 SECALs, \$0.4 billion.

19. The major issues affecting the Philippine portfolio are: (i) budgetary constraints--headroom, allocations and releases; (ii) institutional weaknesses; and (iii) Commission on Audit (COA) interference in project management. In order to respond to the implementation issues emerging in the portfolio, the Region has reorganized the functions of our Resident Mission in Manila. Upon the country economist's return to Headquarters, the position was filled with an experienced project officer. We expect his in-country presence to enhance our capability to follow up on implementation issues more closely. We expect that this intervention, in conjunction with regular supervision missions, will stimulate the local authorities to take more timely remedial actions, when necessary, than had been possible in the past.

20. Recognizing the Government's severe budgetary constraints and their potential adverse impact on projects under implementation, not only those which are Bank-assisted but also those assisted by other donors, as well as Government's ability to finance high-priority projects to address critical power and transport bottlenecks, we have carried out an in-depth review of our Philippine portfolio. The results of the review have indicated that the principal cause of delayed implementation is inadequate cash release authority by the Philippine Government's Department of Budget and Management for donor-assisted projects. In the Country Implementation Review meeting held in Manila in late January, 1993, the Government agreed that this has been a problem caused primarily by revenue shortfalls requiring cutbacks in budgeted outlays to remain within the expenditure ceilings agreed with the IMF. The Government recognizes that the solution over the longer term is to increase the level of revenue. However, in the meantime, to safeguard against similar difficulties in the coming year, we have agreed with the Government on the tentative levels of cash required in 1993 for each of the projects funded from the budget. We have also identified some projects which might be downsized and agreed to work out the details over the coming months. Other important measures that we have jointly agreed upon are: regular follow-up by the Government's Investment Coordinating Committee and the Bank's Resident office on cash release progress, similar annual joint Government-Bank portfolio reviews and preparation of a report on the outcome of the Government's review of the entire foreign-assisted portfolio for presentation at the next Consultative Group meeting.

21. By taking this early lead in portfolio review, the Bank brought about an increased awareness in the Government with respect to the implementation status of all foreign-assisted projects and has



encouraged the authorities to carry out similar exercises for other large donor portfolios. A collective approach such as now underway could assist in a consolidation of the Government's investment program and ensure more effective utilization of already-committed aid. As noted above, the next Consultative Group meeting in June 1993 will focus on the issue of effective implementation.

22. Weak institutional capacity has adversely affected project implementation in the past. However, the recent appointment of new managers and heads of departments provides a fresh opportunity to revisit institutional issues and for Government to take action to streamline the civil service and government corporations.

23. For the time being, we feel that there is little the Bank can do to reduce the negative interventions of the COA. The role of the COA, which is constitutionally defined, extends well beyond the normal audit function. Many COA auditors are actually posted to line agencies, some of which are responsible for implementing Bank-assisted projects. Not infrequently, COA staff override legitimate decisions taken by agency management and staff on the grounds that they are inconsistent with COA's audit guidelines, or constitute, in COA's view, unwarranted expenditures.

#### A. Newly Industrialized Countries (NICs)

##### Korea

24. The Korea portfolio under review comprised 20 projects, representing loan commitments of \$1.4 billion. The average overall rating of 1.17 indicates the extremely good performance of the portfolio. Because of the aging of the portfolio, the disbursement ratio declined from 31 percent in FY90 to 25 percent in FY92. This is somewhat slower than the appraisal estimates and the ratio is expected to increase to 29 percent in FY93. There are no generic issues of importance which require follow-up.

##### Malaysia

25. The FY92 portfolio in Malaysia also included 20 projects, involving loan commitments of \$1.2 billion. The disbursement ratio was an impressive 37 percent, but the average overall performance rating of 1.56 was considerably higher than the 1.17 reported for the other two NICs in the Region. While overall portfolio performance has been good, specific areas which continue to be of concern relate to implementation of training and technical assistance components of projects. Although these had been identified as problem areas in the 1990 CIR, there has been little progress in improving performance. We intend to follow up on them during regular operational discussions with the Treasury and in the context of specific supervision missions rather than hold another full CIR, which is not warranted, given the generally satisfactory performance of the Malaysia portfolio overall.

##### Thailand

26. For the year ended June 30, 1992, the portfolio for Thailand comprised 18 projects, representing loan commitments of \$1 billion. The disbursement ratio of 58 percent was the highest in the Region. The average overall performance rating of projects in the portfolio was 1.17. There are no significant issues which require follow-up.

## B. Centrally-Planned Economies

### Lao PDR

27. During FY92, the portfolio under supervision in Lao PDR comprised 10 projects and aggregate credit commitments of about \$200 million. The disbursement ratio was only 13 percent (however, 35 percent with adjustment operations). The average overall performance rating of 1.60 was just slightly above the Regional average and much better than the Bankwide average. This reflects the serious implementation efforts made by the Laotians in spite of the country's constraints in terms of qualified human resources and its limited physical and financial absorptive capacity. Overall, there were delays in project implementation and procurement due to the inexperience and/or the institutional weaknesses of the implementing agencies. However, most procurement problems have now been resolved. The lack of counterpart funding is another factor affecting project implementation. The macroeconomic environment is being improved with major policy reforms and is being supported by a Structural Adjustment Credit and TA in macroeconomic management. The portfolio will continue to require close supervision. Planned actions include a mini-CIR to increase awareness by core Government agencies of generic issues affecting project implementation and to use these discussions as a vehicle for developing a monitorable medium-term action plan.

### Mongolia

28. Bank Group lending to Mongolia began in FY92, when two projects, involving total credit commitments of \$35 million, were approved —an Economic Rehabilitation Project and a Technical Assistance Project. Reasonable progress is being made in implementing the former, although further assessment is needed on how efficiently imported materials are being used. Progress under the Technical Assistance Project has been slow due to difficulty in identifying qualified advisors willing to accept long-term assignments in Mongolia, but suitable personnel have recently been identified and are now being fielded. The Mongolia program, though small, demands large amounts of staff time for development and supervision owing to the country's recent and sudden emergence from the Soviet system and the consequent problems and issues.

### Myanmar

29. The Bank's current activities in Myanmar are limited to periodic updates on the economy and supervision of the existing portfolio which, during FY92, involved 11 projects and aggregate loan/credit commitments of about \$400 million. Project implementation has clearly been adversely affected by the existing political and macroeconomic conditions. In the absence of comprehensive policy reform, prospects for renewed lending activity are slim. The disbursement ratio of 18 percent and the average overall rating of 2.00 are indicative of the relatively unsatisfactory performance of the portfolio. The record of project completion delays is particularly poor, with nearly two-thirds of the projects (compared with 23 percent Bankwide) experiencing over 30 percent closing delays. However, despite implementation difficulties, compliance with covenants has generally been good. Our experience has been that attempts to improve performance by providing more intensive supervision are ineffectual. Therefore, we intend to vigorously pursue opportunities to close credits which have reached their closing dates and will keep supervision input to the minimum necessary to discharge the Bank's fiduciary responsibility. By the end of FY93, there should be only one actively-disbursing project in the portfolio.



### **C. Papua New Guinea, Fiji, Maldives and Pacific Island Countries**

#### **Papua New Guinea (PNG)**

30. Our lending role in PNG has been limited. During FY92, the PNG portfolio comprised 11 operations and aggregate loan commitments of about \$300 million. The overall average portfolio rating is 2.10, and the disbursement ratio is 21 percent. The portfolio includes basic hardware projects in agriculture, telecommunications, infrastructure and energy, all of which are nearing completion. They have encountered some delays, but are basically meeting their development objectives. The more recent projects which focus on institutional change and training (Land Management, Public Service Training, Housing Development) face major delays, reflecting "ownership" issues, widespread institutional weaknesses, shortages of skilled personnel and probably unrealistic project design. Management has agreed with the newly elected Government to conduct a CIR during the first half of 1993 with a view to either restructure or cancel these projects.

#### **Fiji**

31. Comprising four projects and representing loan commitments of \$62 million, the Fiji portfolio has performed rather well during FY92 (average overall rating of 1.33). The relatively strong institutional capacity and the availability of skilled personnel and sufficient fiscal resources are important factors contributing to this performance. The most important factor, however, seems to be Fiji's prudent borrowing policy which is tailored to the country's institutional and financial capacity.

#### **Maldives**

32. The current Maldives portfolio includes three projects involving aggregate loan commitments of \$25 million. The average overall rating is also 1.33. All three projects are likely to achieve their development objectives. The success of these operations is attributable to the strong sense of commitment and ownership demonstrated by government agencies throughout project processing and implementation.

### **D. Pacific Island Countries (PIS)**

33. The portfolio under supervision in the PIS during FY92 comprised ten projects (two in the Solomon Islands, one in Tonga, three in Vanuatu and four in Western Samoa), representing credit commitments of \$48 million. Six of the ten projects are co-financed with and supervised by the Asian Development Bank. The average overall performance rating of the portfolio stands at 1.40. Despite the rather unsatisfactory track record of project implementation in the PIS in the past (a special report commissioned by OED has questioned the development effectiveness of Bank-assisted projects in the PIS), the present portfolio is performing satisfactorily. In particular, excellent results are being achieved in education, due in large part to consistent supervision and assistance from the Australian International Development Aid Bureau's (AIDAB) South Pacific Facility.

### III. Region-wide Issues

#### A. Technical Assistance and Training

34. A common theme that affects virtually all countries in the Region is the general reluctance to borrow for technical assistance, with the notable exception of Indonesia. However, there is great disparity among our borrowers in terms of in-country technical and managerial capacity. In the NICs, where there is a critical mass of highly-skilled managerial and technical personnel, expertise for project preparation and implementation is usually available locally. In other countries, where the shortage of qualified personnel is one of the main constraints to development, technical assistance may be an essential input to Bank operations. Quite often, however, in these situations, Governments are reluctant to borrow, even on IDA terms, to import expertise. Precious time is often wasted while sources of grant funding are explored. Ultimately, the lack of qualified counterparts hampers successful implementation of TA components and jeopardizes project sustainability. A Regional Task Force reviewed this issue in depth in the spring of 1992 and identified a number of actions which are currently under implementation in the Region. In particular, we will try to ensure that the minimum TA and training needed to facilitate successful project implementation and sustainability are agreed early on with the borrower and incorporated into the project design. We will also carefully monitor the status of preparation to ensure that TA and training components can be implemented promptly.

#### B. Environment

35. Of the 200 projects in the Region rated for environmental aspects, only one, the Second East Java Water Supply Project, has major problems. Another 21 are considered to have moderate problems. While this level of performance is quite respectable, it is important to recognize that the number of Category "A" projects in the portfolio under supervision is growing very rapidly. In the future, there will be a substantially increased need both within the Bank and in our client countries for the skills to ensure adequate technical content, institutional support and specialist supervision. Weak country capacity to prepare, review and implement Environmental Assessments (EAs) increases the need for intensive supervision, because poor-quality EAs increase the likelihood that unanticipated environmental impacts will require Bank intervention during project implementation or, worse, that adverse environmental impacts will be recognized only after project completion. In order to avoid future crises, initiatives to improve EA quality and to strengthen our borrowers' EA capacity are needed now. The Region has carried out and will continue to conduct training programs for both staff and borrowers on managing the EA process.

#### C. Resettlement

36. In the Region, resettlement issues have arisen predominantly in four countries —China, Indonesia, the Philippines and Thailand. The *China* portfolio currently contains 29 projects involving involuntary resettlement and a further five with voluntary resettlement. Of the 29 projects, ten were signed during FY92. Involuntary resettlement related to Bank-assisted projects affects an estimated 337,200 people. The scale of project-related resettlement is shown below:



Table 3.5 China Projects Entailing Resettlement

<i>Number of People</i>	<i>Number of Projects</i>	<i>Total Moved</i>
1-99	5	174
100-999	4	1,048
1,000-4,999	5	18,670
5,000-9,999	4	26,926
10,000-24,999	6	101,555
25,000-49,999	4	122,804
50,000 or more	1	67,000
<b>Total</b>	<b>29</b>	<b>337,177</b>

37. An ongoing Departmental review of resettlement in China shows that experience under Bank-assisted projects has generally been good. In China, local governments implement resettlement. While they rely on project funding for the bulk of their resettlement activities, many find the need to supplement that funding with additional grants, loans or tax holidays to ensure satisfactory resettlement. Differences in local government finance and leadership are reflected in resettlement implementation, occasionally resulting in locally unsatisfactory performance in a project otherwise well handled. Our response to this has been insistence on more careful monitoring of resettlement by project agencies. To facilitate this, the Region is funding a training course, to be held in early 1993, to strengthen the monitoring capacity of the entities involved in six of the largest projects in the portfolio. This effort complements EDI's program to build resettlement training capacity in China. The Departmental review of resettlement, to be completed by June 1993, will serve as the basis for a dialogue with Government on ways to further improve resettlement under both Bank and domestically funded projects.

38. In *Indonesia*, there are no national guidelines for making resettlement decisions, and compensation guidelines are imprecise, requiring only that replacement dwellings and assistance in re-establishing the livelihood of those resettled be provided. Accordingly, compensation has been a major source of resettlement problems. Another major resettlement issue is the failure to recognize the land rights of people who have lived on their land for generations, but do not have documentary evidence of title. Because of these shortcomings, moderate problems have been experienced in several Bank-assisted projects, primarily in the agriculture and urban sectors. These have been largely overcome by intensive supervision, but there is a crucial need to formulate and issue a national policy on resettlement. We have examined these issues in the context of a recent report on land management and will begin to address the key issues under a proposed Land Administration Project.

39. In the *Philippines*, a series of natural calamities has generated virtually annual demand for largely voluntary resettlement on a scale exceeding the capacity of any individual agency, requiring collaborative cross-institutional efforts. These have been guided by ad hoc policy decisions taken by various temporary coordinating bodies. While the Housing Sector Loan approved in 1988 resulted in a formal resettlement policy by the National Housing Authority, the scope of this policy is limited to one

agency. No national policy exists outlining standing principles and procedures for inter-agency resettlement administration, land acquisition, building standards, pricing, or cost recovery. We are exploring various lending instruments as possible vehicles to assist Government in developing such a policy.

40. In *Thailand*, only two on-going projects have resettlement aspects. Perhaps because the Government failed to fulfill commitments in the past, a disproportionate amount of attention has been paid to the Third Power System Development Project. Grassroots opposition to involuntary resettlement is attributed to the growing shortages of good agricultural and building land in many areas. Nonetheless, Government's resettlement policies and institutional capacity to handle these issues have greatly improved in recent years. In conjunction with future operations, efforts will focus on mechanisms to improve consultation with affected parties.

41. A critical issue facing the Region in the future will be not only how to manage these tasks, but also how to integrate environmental and social objectives into traditional project design. While we have encountered relatively few major environmental or resettlement problems in our operations to date, to a significant extent owing to the borrowers' commitment, we see the need for far greater follow-up, monitoring, and supervision of environment and resettlement components as well as monitoring of environmental impacts and mitigation programs.

#### **D. Adequacy of Supervision Resources**

42. Despite the highly acceptable implementation performance of the current portfolio, we anticipate constraints in terms of the adequacy of supervision resources. While Departments already use aggregate resources selectively—some projects absorb as much as 60 staff-weeks with others as few as two staff weeks—overall costs are going up, even with increased use of local staff in the larger countries. Indications are that project complexity will continue to grow in China, Indonesia and other countries, as the frequency of multi-province, multi-component projects is likely to increase. Future operations are also more likely to involve policy content and to address major reform issues. The complexity and variety of environmental issues being addressed under Bank-assisted projects will also expand. All of these factors highlight the very likely need for a greater allocation of resources to portfolio management in the future. The evolution of our portfolio will also weigh in the same direction, as some of the stronger performers move toward graduation while weaker borrowers reactivate and grow as a proportion of the portfolio.

### **IV. Major Planned Regional Actions**

#### **A. Closer Link between Implementation Performance and Lending**

43. As the country portfolio reviews indicate, the consistent good performance of the Region's portfolio is attributable to the borrowers' strong sense of ownership and acceptance of primary responsibility for project implementation. The Region will continue to take implementation performance into account as a major factor in establishing individual countries' lending programs. This approach has been consistently followed in the past and will continue to be employed in the future. Most recently, in the Philippines, for example, the lending volume in both FY90 and FY91 was \$940-\$950 million, whereas in FY92 it was reduced to \$430 million in recognition of the country's limited capacity to absorb



new lending owing to budgetary constraints. Similarly, as mentioned above, there has been no new lending to Myanmar since FY88.

### **B. Project Design**

44. In a number of cases where moderate implementation problems are being experienced, unrealistic project design has been identified as a major contributing factor. To decrease the incidence of these kinds of problems in the future, the Region is implementing an intensified review process for selected projects early in the project cycle. This will involve a half-day informal technical discussion of project design alternatives and related issues. It would supplement the normal peer review process and accord Task Managers an opportunity to solicit technical advice on alternative approaches at an early stage of project design. In order to test the feasibility and assess the value added of this mechanism, the Region will identify four to six projects over the next six to 12 months to pilot the approach. For other projects, we will use the normal review process to focus more intensively on the realism of project design in relation to the institutional and financial capacity of the borrowers concerned.

### **C. Project Monitoring**

45. The Region recognizes the need to improve project performance management. In that regard, the Asia Technical Department, in conjunction with PMDTR and EDI, intends to develop an explicit training program on project management tools. The initial objective will be to expose staff and managers to computerized project management software, including examples of current applications by borrowers. The training program will also include, on a selective basis, training in Geographic Information Systems and project analysis tools using *Windows* (*COSTAB*, *COMPASS*, etc.). A training proposal will be ready in early 1993. In addition, staff throughout the Region are being encouraged to develop and agree with borrowers more systematically on specific and monitorable performance indicators for all projects against which progress can be measured.

### **D. Mid-Year Portfolio Review**

46. In order to ensure early warning of portfolio problems which may develop, the Regional Vice President intends to hold informal semi-annual portfolio reviews with each of the Departments. These reviews, which will be held near the end of the fiscal year, will be used to assess current portfolio status as well as to review the status of actions being implemented to address problems and issues identified during the annual CPPRs.

## IV. SOUTH ASIA REGIONAL SUMMARY

### I. Portfolio Overview

1. **Overall Status.** The Region's portfolio at the end of FY92 comprised 275 projects, with total loan/credit commitments of \$30.8 billion. The size of the portfolio has remained steady over the last few years and consists primarily of investment projects (97%). The performance of the South Asia portfolio improved somewhat in FY92 with an overall rating of 1.95 as compared with 2.03 in FY91. This was due to progress in dealing with systemic implementation issues in several countries and to major portfolio restructuring exercises to deal with problem projects in two countries. Problem projects comprised 17 percent of the Region's portfolio in FY92, compared to 20 percent in FY91.

Table 4.1 Status of Portfolio in FY92

<i>Region</i>	<i>Number</i>	<i>Overall Rating</i>	<i>% of Problem Projects</i>
South Asia	275	1.95	17
All Other Regions	1577	1.98	19
<b>Bankwide</b>	<b>1852</b>	<b>1.96</b>	<b>18</b>

2. **Supervision Effort.** The aggregate supervision effort increased in FY92, reflecting the staff intensive nature of the portfolio restructuring exercise in Pakistan and India as well as the strengthened role of resident missions in portfolio management. This increase in the level (and quality) of supervision resources has produced some notable improvements in country portfolio performance (e.g., India and Bangladesh) and has laid the groundwork for realizing future gains during FY93. Conversely, where the supervision effort was limited such as the smaller Nepal and Bhutan portfolios, project implementation progressed more slowly (Table 4.3). Country specific portfolio performance is discussed in part II below.

Table 4.2 Supervision Staff Weeks (Per Project)

<i>Region</i>	<i>Excluding Local Staff</i>	<i>Including Local Staff</i>
South Asia	11.2	16.9
All Other Regions	12.5	13.8
<b>Bankwide</b>	<b>12.2</b>	<b>14.1</b>

3. **Sectoral Performance.** Project performance in agriculture (one of the largest in sectoral commitments) has steadily improved in recent years with overall ratings in FY92 at 1.86 versus 2.18 in FY90. Implementation of projects in telecommunications and PHN also has been good and continues to improve with overall ratings in FY92 of 1.67 and 1.53 respectively. Implementation problems are concentrated in industrial development/finance (overall rating of 2.17), power (2.18) and urban (2.31) as well as technical assistance (2.50), the latter comprising only 3 projects (Table 4.4). IDF projects which involve non-subsidized Bank financing have slowed in countries which are pursuing financial and exchange rate liberalization such as India and Bangladesh, as borrowers have improved access to alternative sources of funds. For other projects in this sector, delayed action in carrying out agreed reforms and non compliance with key financial conditionalities have undermined effective implementation.



Power and urban sector projects have suffered from weak project management, which reflects insufficient autonomy, unsupportive and/or non commercial pricing and regulatory policies, and poor procurement practices.

## II. Country Portfolio Performance Overview and Planned Actions

### Bangladesh

4. During FY92, the Bangladesh portfolio contained 42 operations with commitments of \$2.6 billion. Performance improved in FY92 with an overall rating of 1.85 versus 2.21 in FY91 and 1.95 for the Region this year. The performance rating for the PHR sector has been most satisfactory (1.17), reflecting the significant levels of supervision provided to these sectoral operations. The agriculture portfolio improved markedly, with problem projects declining from 31 to 12 percent of the sectoral portfolio. The disbursement ratio was 15%, as against 14% for the Region and 17% in FY91. The declining rate of disbursement largely reflects delayed start up of two agricultural projects and prolonged suspension of a power project.

5. The principal constraints to effective project implementation performance are weak institutional capacity and cumbersome procurement approval processes. The main areas for strengthening include procurement policies and practices, budgetary procedures, as well as enterprise autonomy and pricing of services of revenue earning entities. The Public Resources Management Adjustment Credit (PRMAC) has supported actions to revise procurement guidelines, prioritize investment spending, rationalize allocation of current expenditures and improve aid utilization. Revised procedures for improving the utilization of technical assistance were also agreed and are being implemented under the recently approved TA VI Project. Insufficient commercial autonomy as well as regulatory and related pricing/tariff policies continue to be major impediments in the power, gas, and water supply sectors. Several projects in these sectors have been restructured, suspended, or closed, depending on the degree of concrete action taken to transform the entities into more commercial institutions.

6. During FY93, we will continue efforts to improve budgetary allocation procedures, strengthen procurement management, and adopt commercial pricing of public services. Careful supervision of the PRMAC is expected to result in more timely project funding and implementation. More timely and efficient procurement will be pursued by broadening the use of standard bidding documents (SBDs) and in-country procurement training. Increased autonomy and commercial orientation of water and power entities will be pursued along with necessary steps for introducing durable pricing (tariff) reforms.

### Bhutan

7. The Bank's activities in Bhutan are limited to four operations with aggregate loan commitments of \$16 million. Performance, as measured by the average overall rating, has remained at 2.00. The low disbursement ratio of 3.9 percent in FY92 was due primarily to slow initial implementation of the General Education Project which comprises 30 percent of the portfolio. Standardized design and bidding documents for school construction have recently been finalized and this should speed up implementation. In forestry, efforts are being made to address administrative



inefficiencies which have delayed acquisition of essential spare parts for the Second Forestry Project. In addition, problems associated with the shortage of counterpart funding should be eased by the substantially increased Rupee aid commitments agreed at the 1992 Round Table meeting.

## India

8. The India portfolio is the largest in the Region, comprising 117 operations, valued at \$21.2 billion. The performance of the portfolio has remained steady for the past three years with an average overall rating of 1.91 in FY92 as compared to the Region wide average of 1.96. Performance in agriculture continued to improve (1.75) while power and industrial development/finance experienced significant difficulties (2.14 and 2.40). The disbursement ratio declined slightly in FY92 to 13 percent, due in large part to poor performance of state electricity boards in the power sector, shortages of counterpart funding, and exchange rate related cost savings. In addition, the rapid build up of new commitments in the human resources sector has more than offset increases in gross disbursements stemming from the Gulf Initiative.

9. Projects in India tend to be large and complex. Many projects have been negotiated primarily with state governments with very little administrative or policy direction from the center. The main reasons for the poor pace of implementation have been chronic start up delays due to slow and cumbersome procurement processes, together with complex processes for channeling funds from the center through state budgets for state managed projects. Budgets have also become tighter as a consequence of the government's stabilization program, leading to shortages of counterpart funds. These problems have been compounded by the widening sectoral scope of the Bank's operations which have embraced more states.

10. The Bank and Government completed a major portfolio review in mid FY92 which focused on non-performing projects and projects with large depreciation-related savings. Options for restructuring and/or closure of problem projects or individual components and more stringent criteria for closing date extensions were agreed and undertaken. As a result of this restructuring exercise, \$1.5 billion was cancelled and undisbursed balances of older projects were reduced from \$1.2 billion to \$0.4 billion.

11. As noted above (para. 8) the performance of the power sector portfolio has been poor due to continuing construction delays, and the poor financial policies of weak State Electricity Boards. However, a number of steps have been taken to strengthen the portfolio in this sector. *First*, the Bank has deferred new lending to central and state power entities which lack the requisite financial autonomy, commercial policies, and regulatory framework. Moreover, several ongoing loans to non-performing SEBs were suspended, one of which, for UPSEB, was subsequently cancelled. In other cases, closing dates have not been extended. *Second*, agreements have been reached with several entities on the use of standard bidding documents which should result in both more timely implementation and improved construction quality. *Third*, new investment and commercial policies and electricity tariffs have been recently put in place for the GOI's main generating utility, the National Thermal Power Corporation (NTPC) which allow it to limit supply to match the level of payments from each client (e.g., SEBs) and to direct its future investments to regions and states meeting their obligations to NTPC. These policies will support improved performance of both ongoing and new Bank-financed projects with NTPC and with selected SEBs.



12. In addition to its focus on the Power Sector, the Department held an implementation review with Central Government officials and selected sectoral ministries in February 1992 to discuss systemic implementation issues. Through these discussions, a number of key actions were identified: up front actions in procurement, land acquisition, and clearances; advances in central funding to state operated projects to accelerate project start up; utilization of private engineering consultants for supervision of construction works; and, measures to expedite procurement processing. The Bank and the GOI agreed on a set of recommended actions for implementing those measures and to improve project implementation more generally. Some progress has occurred, although further efforts are clearly needed.

13. To support this process and project supervision more generally, the New Delhi Office (NDO) has been strengthened to more effectively respond to portfolio management needs. Steps taken include: the creation of a dedicated unit for procurement, disbursement, and audit to serve all sectors; posting of a Resettlement and Rehabilitation (R&R) specialist to deal solely with R&R issues; posting of a WID specialist; and, the use of more local professional staff for supervision.

14. The Department intends to further sharpen supervision by focusing on remaining problem projects and providing appropriate skills commensurate with project specific needs. We will also seek to build on progress made this past year in addressing systemic implementation problems by: intensifying the dialogue with the Ministry of Finance on improved procedures for the flow of funds and foreign exchange clearance; broadening implementation of more efficient procurement and construction quality practices; and, further integrating the Resident Mission into the supervision process across all sectors.

## **Nepal**

15. The overall rating for the Nepal portfolio during FY92 was 2.23, similar to the previous year, but poorer than the Region and Bank averages. This reflects slow implementation, particularly in agriculture, industry, and water supply. The disruptions associated with the process of political change this past year compounded already weak implementation performance, leading to protracted delays in decision making relating to procurement and release of funds. This, in turn resulted in continuing low rates of disbursements (11 percent) as against the country portfolio profile of 17.5 percent. Moreover, sensitivities of the newly elected government to political opposition have tempered the pace of reforms in pricing/subsidies, restructuring public enterprises, and prioritizing investments. This has affected the performance of power, industry, and water projects.

16. In addition to the upcoming Portfolio Implementation Review, several discrete interventions will be initiated to strengthen project implementation in Nepal. Based on the recommendations of the public expenditure review which is now underway, the investment program will be prioritized to discard wasteful projects and to provide adequate funds for those retained. A recently approved Institutional Development Fund (IDF) grant will be utilized to strengthen the capacity of the Auditor General's Office (and to reduce the backlog of overdue audits). The Region will also undertake a concerted portfolio cleanup exercise to restructure and/or terminate problem projects. In the area of procurement planning, preparation of standard bidding documents will be completed and training of HMG officials in procurement related matters will be increased. Finally, new lending in water supply and power is being conditioned on increased commercial autonomy and implementation of sound cost recovery policies.



## **Pakistan**

17. The Pakistan portfolio contains 56 projects representing credit/loan commitments of \$5.0 billion. The average overall rating was 2.07 in FY92, similar to the previous year and above the Region and Bankwide averages of 1.95 and 1.96 respectively. The disbursement ratio was 17 percent, the highest in the Region, and higher than the previous year's, reflecting the favorable results from restructuring the agriculture sector portfolio and related improvements in O&M financing for irrigation which stemmed from the most recent CIR discussions. Several other systemic implementation issues were addressed under the CIR, including simplifying procedures for operating special accounts, strengthening the Auditor General's office, and expediting assignment of project staff to facilitate start-up activities.

18. Special efforts were made during FY92 to deal with the growing number of problem projects, particularly in the power and urban sectors where weak project management and arrears on payments for services have limited implementation performance. To improve management of the Rural Electrification Project, the project management unit has been strengthened to ensure adequate coordination of geographically dispersed activities. With 30 percent of the loan amount recently committed, disbursements are expected to improve. No disbursement has yet been made for the Private Sector Energy Development Project (PSEDP) due to delays in processing and reaching financial closure, both of which have been beyond the direct control of the Government. Significant progress has been made in recent months which should result in the initiation of disbursements in the near future. It has been agreed with the GOP that future lending to the power sector will be predicated on sustained reductions in arrears to the power utility, WAPDA. Considerable progress has already been achieved, with receivables falling to less than three months.

19. For urban/water supply projects, tariffs have been and will continue to be raised to ensure adequate cost recovery. In addition, under the Karachi Special Development Project, the Bank and provincial and municipal governments have agreed on an action plan to accelerate slum upgrading and the transfer of land titles which should expedite project execution. This project and other urban and water supply projects are increasingly managed out of the resident mission.

20. Project specific supervision planning and execution continue to be high priorities, with mid-term reviews being used more extensively to restructure problem projects. A significant number of older projects have been closed rather than repeatedly extended as in the past. Progress in implementing agreed actions on the remaining problem projects will be closely monitored and consideration will be given to early cancellation or closure for those which experience little improvement.

## **Sri Lanka**

21. The performance of the Sri Lanka portfolio was satisfactory, with an average overall rating of 1.75, improved from the previous two years (2.00 and 2.23) and below the Region-wide average of 1.95. However, disbursement performance declined in FY92 (13 percent-investment, 20 percent adjustment) largely due to delayed release of the second tranche of the Public Manufacturing Enterprises Adjustment Credit (to be released mid FY93), shortfalls in counterpart funding and the unusually large volume of new commitments in FY91. Insufficient project funding as well as delays in procurement and in meeting effectiveness conditions were exacerbated by uncertainties following the attempted impeachment of the President.



22. Concerted attention has focused on the urban sector, where the Municipal Management Project was redesigned in line with the new structure of local government, and on the lack of progress under the Emergency Reconstruction Credit which has been awaiting the cessation of hostilities in the northern part of the country. Both projects will be considered for cancellation this year unless measurable progress is achieved. Procurement planning and execution as well as more timely release of project funds will receive special attention. Standard bidding documents will be used for all major procurement actions and better planning of financing requirements will be pursued in the context of the upcoming public expenditure review.

### **III. Common Strategies, Actions and Results in FY92**

23. The RMT, at the time of last year's ARIS, reaffirmed that the primary focus of portfolio implementation management is to enhance the development effectiveness of ongoing projects and those entering the portfolio. This was to be achieved by strengthening three processes: (1) linking implementation performance more closely with ESW and other non-lending activities, (2) strengthening country departments' portfolio management processes and procedures, and (3) more systematically incorporating lessons of implementation experience into the design of new operations.

#### **A. Linkage with ESW and New Lending**

24. Recent ESW has focused on deficiencies in resource mobilization, public administration and budgeting procedures which have undermined the development effectiveness of the portfolio. Reviews of public expenditure and investment programs and resource mobilization policies in Pakistan and Bangladesh, together with subsequent adjustment lending in Bangladesh and country implementation reviews with all our major borrowers have served as effective vehicles for dialogue to achieve more timely and adequate budgetary allocations, reduced procurement delays, and improved effectiveness of technical assistance. With respect to procurement policies and management practices among all our clients, a sustained effort is required to realize changes in the way government agencies do business (Annex I). The recently established Institutional Development Fund is being utilized to tackle several public administration problems which underlie generic implementation issues. These include procurement policies in Pakistan and tax administration in Sri Lanka.

25. Country implementation reviews and ESW were also utilized to address sectoral constraints to improved portfolio implementation, particularly in the energy, power, water supply and irrigation sectors. These concerned increasing commercial autonomy of service entities and economic pricing of their services in Bangladesh and India and O&M cost recovery in irrigation in Pakistan. In the past, these issues had been pursued within the narrow context of individual projects, with very limited success.

#### **B. Strengthening Portfolio Management Processes**

26. During FY92, the SAS Region prepared a review of factors which prolong project gestation. The review's findings have been incorporated into our portfolio management strategy in accelerating project start up, mid-term restructuring, and closing date management. The Region also undertook a critical assessment of technical assistance and construction quality management. The



recommendations of both reviews are also reflected in country specific and Region wide supervision strategies.

27. **Project Specific Supervision.** Improved procedures in supervision mission planning, mid-term reviews and project closure have begun to be implemented during the past year. Pre-mission supervision planning meetings are regularly held for problem projects for the purpose of defining mission objectives and strategy. Mid-term reviews are conducted for a growing proportion of the portfolio to determine, well in advance of the closing date, whether and how projects are to be restructured to meet their development objectives. Early, proactive restructuring, combined with more stringent criteria for extending project closing dates which are linked to significant and concerted action on the part of the borrower, have proven to be important tools for fostering more effective implementation, particularly in India and Pakistan.

28. **Increased Managerial Involvement in Implementation.** Improving portfolio quality has required increased leadership and participation of Departmental (and Regional) management. In-country meetings between the Department Management teams and borrower officials have identified key actions in: procurement policies, budgetary procedures, foreign exchange/import clearance, project staffing and enterprise autonomy. Management has also played a more active role in mid-term reviews and project closing date extension management. While progress in implementing agreed actions to address systemic issues has been mixed, a significant proportion of older and problem projects, or problem components in each country department's portfolio have been restructured, closed or cancelled.

29. **Enhanced Implementation Support.** Improved support to borrowers in addressing project specific and systemic implementation problems has come increasingly from the resident missions. Improvements in the agriculture portfolios in India and Bangladesh are, in large part, attributable to enhanced resident mission supervision. Likewise, in Bangladesh, the placement of bilaterally funded PHN specialists to support execution of the Fourth Population and Health project has contributed to its superior implementation performance.

### C. Incorporating Lessons of Implementation Experience into the Design of New Operations

30. **Project Scope/Complexity.** Recently approved projects, particularly in the social, infrastructure, and agriculture sectors, contain less complex institutional arrangements and are designed to achieve a more focused set of objectives than their predecessors. Increased simplicity in project design has been emphasized to bring project scope in line with institutional capacities. Most notable here is the AIDS project, the first in a "family" of disease focused health projects in India, and the Second Agricultural Extension Project in Pakistan.

31. **Up Front Conditionality.** More focused projects also contain fewer conditionalities. Those few that are included address key sectoral policy and institutional issues up front, rather than as dated covenants or further policy studies. These include the Second National Highways Project in India in terms of procurement and construction management policy, and the Domestic Energy Resources and Eastern Sadiqia Irrigation Projects in Pakistan regarding regulatory reform, divestiture, and cost recovery. This practice has contributed to reducing the proliferation of policy studies and dated covenants.

32. **Programmatic Lending.** The Region has been shifting a small but growing proportion of its new lending to programmatic or sectoral investment operations which finance time slices of a carefully appraised sectoral investment program (e.g., Fourth Population and Health Project in



Bangladesh and Rajasthan Agricultural Development Project in India). These operations and others under preparation (e.g., Pakistan: Family Health Project) offer scope for influencing sectoral policies and investment programs. They also facilitate more timely implementation given their flexibility in adjusting to availability of counterpart funds, variations in implementation capacity, and the degree/timing of required policy and institutional changes.

33. **Advanced Implementation Planning.** The Region is more consistent in requiring actions prior to implementation to reduce start-up delays and curtail excessive extensions of project closing dates. These include significant advanced actions on procurement of goods/works and contracting of consultancy services prior to Board approval, agreement on project management responsibilities, staffing of key positions, and their funding by negotiations. Supervision plans are prepared at appraisal to ensure that the required level and mix of resources for each project are provided for.

#### IV. Objectives For The Next 12 Months

34. The Region's action program for the next 12 months is aimed at deepening our efforts in the three areas of concentration pursued in FY92: sharpening the linkages between portfolio implementation performance and country assistance strategies; strengthening portfolio management processes; and, improving the quality of new projects entering the portfolio. Specific actions include the following:

35. **ESW and Country Implementation Reviews.** A significant part of non-project assistance will deal with generic and sector wide issues which limit the development effectiveness of ongoing lending operations. Public expenditure and investment reviews will have been completed for all major borrowers by end FY93. They deal explicitly with prioritizing public expenditures to reduce shortages of counterpart funds and with streamlining planning and budgeting processes to increase the adequacy and timeliness of releases of project funds to implementing agencies. Where ESW has been followed by adjustment or technical assistance lending as the PRMAC and TA VI Projects in Bangladesh, such operations will focus on expediting timely execution of identified measures.

36. **Implications for New Lending.** The size and composition of new lending operations will be strongly conditioned by implementation experience at the sectoral and state/provincial levels. In those sectors where progress in enterprise autonomy, pricing/trade policy, and the regulatory framework have not been sufficient, future lending will be deferred. A case in point is the power sectors in India and Bangladesh. Likewise, where institutional capacity is chronically weak, smaller, more limited operations will be developed which focus on strengthening capacity (e.g., Colombo Urban Transport in Sri Lanka).

37. **Use of Sectoral Supervision Strategies.** Annual sector specific supervision strategies will be prepared for each country program. Such strategies identify and implement concerted actions to deal with common sectoral problems or problem institutions. Progress in pursuing sectoral supervision issues will be monitored by Departmental and Regional management. This sectoral approach to supervision will shape overall sectoral assistance strategies in terms of future sector work and new lending in focusing on major policy and institutional issues which limit the development effectiveness of the sectoral portfolio.



38. **Redefining Task Manager-Specialist Roles.** More effective use will be made of technical specialists in the supervision process. Within the Technical Department, the Procurement Unit is being strengthened with their functions shifting from advice to support and management. The Environment Division is similarly shifting its role from review to direct support and management in environment, resettlement, and participatory development. The recently established Institutional Development Unit in the TD will provide increased support to task managers and country programs in strengthening institutional capacities of central and line agencies. These changes, together with Departmental/Divisional consolidation of procurement/audit and environmental expertise, will promote more efficient execution of these functions and more effective use of task managers' time and skills.

39. **Enhancing the Role of Resident Missions.** Building on the positive impact that the New Delhi Office's Agriculture Unit has had on performance of the agricultural portfolio, the Region established a dedicated procurement/disbursement/audit unit with the expectation that other sectoral divisions in India will shift a growing share of such work to this unit. In addition to subject matter specialists in agriculture, PHN, WID, and energy, a full time R&R specialist has been added to NDO to oversee implementation of the Action Program for Narmada and advise on R&R planning and implementation across the portfolio. The cost effectiveness of further strengthening NDO to provide services to other resident missions (e.g., Pakistan and Sri Lanka) on environmental issues as well as procurement and audit will be carefully examined this year. The resident mission in Dhaka will take an increasingly active role in procurement management across sectors, building on past accomplishments in introducing model contracts in the energy sector. Greater responsibility will also be delegated to RMB to manage ongoing efforts to improve aid utilization.

40. **Proactive Restructuring, Cancellation and Closure.** A few problem projects and older projects which no longer fit sectoral strategies remain in the portfolio. The Country Departments will, in collaboration with the borrowers, restructure those whose objectives and design can be made compatible with the current policy environment and sectoral strategy, and will cancel those which cannot. Mid-term reviews and more transparent and consistent management of closing date extensions will be pursued to ensure timely completion of projects. Each Country Department will review the status of problem projects, including all those with R&R problems as well as those scheduled for closure within the next 18 months to determine the extent of progress against agreed actions. Those which demonstrate little prospect for meeting implementation objectives will be considered for early cancellation and approval of requests for closing date extensions will be linked to the degree of timeliness of corrective action.

41. **Undertaking Meaningful Risk Assessment.** Standard project risk analysis will be expanded to encompass a wider range of variables which critically influence project performance. These include risks of adverse changes in macroeconomic and sectoral policies, weak implementation capacity and uncertain borrower commitment to changes in key policies and institutions. All major borrowers are at various stages of implementing reform programs which impact differently on diverse interest groups and the degree of support/opposition of these groups will be assessed. While much of the analysis of risk factors will be qualitative, spelling out underlying assumptions will be useful in both weeding out unjustifiably risky components at the design stage and in monitoring project performance during implementation. For those factors which can be quantified, greater use will be made of switching values.

42. **Advanced Action on Implementation.** Country Departments will systematically review each EPS to ensure that sufficient advanced actions on land acquisition, procurement, T.A. contracting, and project staffing are undertaken prior to Board approval. During FY93, more careful, detailed



planning for the entire implementation period will be required for all projects. To support this, the TD will provide assistance to staff and borrowers in applications of computer-based project management techniques which have been developed and tested in the TD's Information Technology Lab.

## **Selected Region Wide Issues and Actions**

### **A. Resettlement and Rehabilitation (R&R)**

1. In the Region, project related resettlement has been most pronounced in India, where 670,000 people are currently affected under 19 ongoing projects. In Nepal and Bangladesh, while only 1,100 people are likely to be resettled under two ongoing projects, it is estimated that up to 90,000 people may be affected by 10 projects in the pipeline. Pakistan and Sri Lanka do not have any projects which involve resettlement.

2. In India, 6 the Bank's 19 projects involving resettlement are rated as "problem projects." The Bank and relevant GOI and state agencies have carried out ongoing reviews of key policies, plans, land acquisition procedures, and monitoring arrangements for resettlement. The general conclusion is that R&R implementation capacity continues to be weak. Steps have been taken in certain cases to bring about improvement, including the suspension of disbursement on the Upper Krishna Irrigation Project. Progress has also occurred in a number of projects (in Gujarat under the Narmada SSP and in the Hyderabad Water Supply). Undoubtedly, R&R is being handled more carefully by the GOI than it was in the past and state governments are increasingly accepting R&R as an essential aspect of project design and implementation.

3. Drawing on the detailed analysis and dialogue carried out in the context of the Independent Review of the Narmada Projects, the GOI has established improved standards for R&R. Sector specific R&R guidelines have been drafted by the Ministry of Water Resources. These guidelines have been reviewed by the Bank and are consistent with our operational directive on resettlement. The GOI is preparing similar guidelines for the power sector which are to be finalized during the first half of FY93. Ensuring effective implementation of even the best prepared plans requires provision of adequate staff and physical resources, government commitment, and more timely and frequent community consultation and participation. The Region is therefore placing increased emphasis on capacity building and monitoring and evaluation programming within implementing agencies. This process will be facilitated by strengthening resident mission support to implementing agencies and state governments through existing staff of the agriculture unit and the posting of a long term R&R specialist. This consultant will monitor progress of the agreed Action Program for Narmada, and will support implementation of R&R related activities across the portfolio.

4. In both Nepal and Bangladesh, the governments' resettlement policy is one of cash (rather than land) compensation. The Region is currently reviewing the adequacy of this policy and the organizational capacity of executing agencies to plan, implement, and monitor resettlement programs. For all projects, we require (and will facilitate provision of support for) fully prepared resettlement plans and appropriately staffed and funded project resettlement units for each project. The Region will also provide support to the GOB and HMG to evaluate alternative modalities for establishing a resettlement authority to oversee and assist sectoral agencies in planning and implementing resettlement activities.



## **B. Procurement**

5. Although there has been some improvement since FY91, procurement delays continue to be one of the major constraints to timely and effective implementation and disbursement. To improve procurement processing, the Region has begun requiring that bidding documents and detailed procurement plans be agreed prior to negotiation. This requirement will reduce delays in the future. The Region, with the assistance of CODPR, has organized training seminars for the Bank and Borrower staff on the use of standard bidding documents (SBD). In Bangladesh, where institutional capacity is weakest, agreement was reached on procurement guidelines and maximum processing time for bid evaluation and award.

6. During FY93, the Region expects to carry out a number of procurement seminars which will market the use of SBDs, reach agreement with major implementing agencies like the National Thermal Power Corporation (NTPC) and the Director General of Supplies and Disposals (DGS&D) in India on bidding documents based on SBDs, delegate more responsibility to the resident missions in India and Pakistan and continue to train Bank and Borrower staff. In addition, the Region will review outdated procurement rules, regulations and practices with the Government of Pakistan and the private sector with a view to identifying and implementing a procurement reform program in conjunction with the local construction industry.

## **C. Financial Reporting and Audit**

7. The volume of delinquent audits declined from 48 percent in FY91 to 28 percent in FY92. The improved timeliness of audit submissions has been largely due to increased attention to financial reporting at the project level and to the inclusion of audit policy issues in country wide portfolio management reviews. However, the content and quality of financial reports, including project and executing agency financial statements, as well as audits have remained quite uneven. This is due to: (1) lack of clear objectives and scope of various audits required in credit/loan agreements, (2) weaknesses in procedures and capacities of Government auditing agencies and in local accounting standards more generally, and (3) unfamiliarity of Bank and executing agency staff with Bank audit requirements. During this past year, the Region prepared new guidelines on objectives and scopes for various kinds of audits which are required in our loan/credit agreements. These guidelines have been distributed to key executing agencies as well as to private and government auditing entities. Several training seminars on audit and financial reporting were held by the Region this past year to familiarize staff with the guidelines.

8. In the coming year, the Region will strive to better match the scope and frequency of financial reporting requirements with the objectives such reports are ostensibly to serve. More meaningful, project specific (rather than agency-wide) reporting will provide a firmer basis for ensuring that loan proceeds are used for the purposes intended. Increased use will be made of qualified, private accounting firms in reviewing financial statements of revenue earning entities and in developing simple but meaningful project accounting systems. The Region will also continue to disseminate audit guidelines among our borrowers, together with increased training of executing agency staff. We also plan to initiate work with the auditor generals in the Region (particularly in Bangladesh and Nepal) to improve their planning and supervision of field work related to Bank audit requirements.

Table 4.3 Portfolio Performance in FY92 by Country

<u>Country</u>	<u>No. of Projects</u>	<u>Total Lending (US\$M)</u>	<u>Disbursement Ratio</u>	<u>% w/Major Problems</u>	<u>Overall Rating</u>
Bangladesh	42	2,647	15	17	1.85
Bhutan	4	17	4	0	2.00
India	117	21,204	13	16	1.89
Nepal	27	853	12	30	2.23
Pakistan	57	5,002	17	23	2.07
Sri Lanka	28	1,141	13	7	1.75
<b>Total Region</b>	<b>275</b>	<b>30,863</b>	<b>14</b>	<b>17</b>	<b>1.95</b>
<b>Bank Total</b>	<b>1,852</b>	<b>142,145</b>	<b>17</b>	<b>18</b>	<b>1.96</b>

Table 4.4 Portfolio Performance in FY92 by Sector

<u>Sector</u>	<u>No. of Projects</u>	<u>Total Lending (US\$M)</u>	<u>Disbursement Ratio</u>	<u>% w/Major Problems</u>	<u>Overall Rating</u>
Agri/Rural Devt	95	6,734	16	15	1.86
Telecomm.	6	448	16	0	1.67
Ind. Devt. Fin.	18	1,942	29	28	2.17
Education	20	1,622	9	30	1.89
Energy	11	2,042	17	18	2.10
Industry	13	2,301	15	23	2.08
Population	15	1,306	13	7	1.53
Power	40	7,994	9	30	2.18
Transportation	19	2,713	16	11	1.94
Urbanization	13	1,002	12	31	2.31
Water	13	1,007	11	15	2.00
Tech. Assist.	3	57	18	33	2.50



## V. EUROPE AND CENTRAL ASIA REGIONAL SUMMARY

### I. Introduction

1. This year's report focusses on the status of the portfolio, country by country, as per the recommendations of the Wapenhans Report. The report is organized in three sections: Introduction; Status of the Country Portfolios; and Regional Findings and Future Actions.
2. During September 1992, ECA's portfolio was systematically reviewed to ensure that projects are rated across Departments and Sectors as consistently and accurately as possible. Virtually all Regional managers participated in this process. Meetings, where the portfolio was viewed from country perspectives took place at SOD, then Country Department levels, during which TD representatives also participated. Sector Operating Divisions prepared reports, which were critically analyzed by each sector division in the Technical Department. Country Departments held management meetings with TD representatives in attendance, and prepared their reports to the RVP accordingly.
3. In terms of overall project implementation experience, the review finds many commonalities among ECA's Borrowers in Central and Eastern Europe. Because of these similarities, the project experience in Hungary and Poland is likely to be a harbinger of events to come in Romania, Bulgaria, Albania, and later on in the Baltics and in the CIS countries. In its recommendations, the review has attempted to draw lessons from these commonalities where appropriate. Despite a similar history, Czechoslovakia and Yugoslavia do not fit into that mold.
4. At the heart of this year's recommendations is the development of explicit and enforceable measures to strengthen Borrowers' capacities to analyze their own sectoral weaknesses (supported by lending operations, EDI, IDF grants, and staff from the Resident Missions as appropriate), leading to an ability to design, develop and implement their own projects. Such an agenda will become a central part of our country dialogue during planned CPPRs in Poland, Turkey, Romania and Bulgaria in FY93.
5. The Region's portfolio consisted of 101 projects in EC1 and EC2, including seven SAL and SECAL operations. There were no loans outstanding for EC3 (the former Soviet Union). The overall lending commitments, at the end of FY92, stood at \$14.3 billion compared to \$13.8 billion at the end of FY91. Disbursements during the year were \$1.6 billion, short of profile (\$2.0 billion), mostly because of disbursement shortfalls in Turkey and Yugoslavia. Adjustment operations accounted for about 50 percent of the total amount disbursed. A summary status of the Regional portfolios for FY91 and FY92 is given in the following table.

Table 5.1 Portfolio Performance, FY91-FY92

Portfolio	FY92 Number of Projects <sup>a</sup>	Total Lending (US\$M) <sup>b</sup>	Annual Lending (US\$M) <sup>c</sup>	Disb. Lag (%) <sup>b</sup>	Average Age of Portfolio (years) <sup>b</sup>		Overall Rating <sup>a</sup>		Board to Effective- ness (avg. months) <sup>d</sup>	
					FY91	FY92	FY91	FY92	FY91	FY92
<b>Eastern Europe</b>										
Bulgaria	2	267	250	43.6	0.0	1.0	1.2	2.0	—	4
Cyprus	7	196	32	46.4	2.6	3.2	1.9	1.7	6	9
Portugal	4	158	—	72.0	4.4	5.4		2.5	—	—
Romania	4	830	650	72.3	0.0	0.5	2.3	1.3	—	4
Turkey	35	6,062	334	28.6	3.7	4.3	2.0	2.0	11	7
Subtotal	52	7,513	1,266	32.3	3.4	3.8		2.0	8.5	6
<b>Southern and Central Europe</b>										
Albania	1	41	41	100.0	0.0	0.0			—	—
Czechoslovakia	2	696	246	-15.6	0.0	0.6		1.0	—	1
Hungary	19	2,045	200	18.9	2.6	3.4	1.4	1.5	2	1
Poland	15	2,608	390	71.6	0.7	1.7	1.6	1.9	4	6
Yugoslavia	12	1,373	—	56.7	4.0	5.0	1.7	2.3	3	16
Subtotal	49	6,763	877	39.7	2.3	3.1	1.5	1.7	3	6
<b>Total</b>	<b>101</b>	<b>14,276</b>	<b>2,143</b>	<b>35.1</b>	<b>2.9</b>	<b>3.4</b>	<b>1.8</b>	<b>1.9</b>	<b>5.2</b>	<b>—</b>

**Note:**

- a. Aris Table 1
- b. MIS report no. PFDBR22 (shortfall as a proportion of appraisal estimates)
- c. MIS report no. LEN12
- d. ARIS Table 20

## II. Status of the Country Portfolios

### A. Eastern Europe (ECA 1)

#### Romania

6. Romania resumed its association with the Bank following the upheavals of late 1989, and the policy dialogue has been close and effective. The country has embarked upon a stabilization program, supported by an IMF Standby and by quick-disbursing assistance from the Bank. The portfolio at the end of FY92 comprised four projects (three of which approved in FY92). After an extensive supervision effort, the *Technical Assistance/Critical Imports Loan* is —with the notable exception of studies on national economic management— proceeding satisfactorily. The "2" rated *Health Rehabilitation Project* is encountering serious startup problems because of rapid staff turnovers in the implementing agency. The issue will be discussed during a forthcoming CPPR. Implementation of the two other projects has barely started and they were not rated at the end of FY92.

7. Romania, like all ECA countries in transition, has embarked upon a comprehensive reform that requires extensive external support for the development of new policies and institutions. The initial



lending operations necessarily required a major Bank involvement in project preparation and initial supervision, especially in procurement. This is like an initial investment on our part to help develop systems and mechanisms in the Government, and we expect that this will pay off. For future operations, the Region will continue to look for simplified project designs and will discuss with the Government how implementation and institution building costs can be covered by our loans, and possibly through the use of IDF funds. In addition the Region will continue to focus on developing local capacity, institution building, and building a consensus of objectives through country dialogue. The role of the Resident Mission in this process (especially for local higher level staff) will also be expanded to help increase local capacity.

8. The FY91 ARIS in EMENA recommended the promotion of operations designed to address weaknesses of Borrowers' procurement systems through interventions, such as sector work, technical assistance and training. Experience to date in Romania suggests that it is desirable and necessary to devote large Bank and Government resources to establish an appropriate procurement environment. Unfortunately, the Government of Romania is not yet prepared to share the cost of such efforts.

### **Bulgaria**

9. Bulgaria, like Romania has embarked upon a stabilization program supported by a SAL. The portfolio includes only two projects: Technical Assistance and a SAL, both approved in FY92. Despite initial implementation delays, caused by staffing difficulties and institutional weaknesses, the projects are performing satisfactorily. Major efforts have been devoted to getting the procurement environment into shape through an intensive Bank supervision effort, averaging 53 staff weeks per project during FY92. We expect this effort to pay off for future projects. Early implementation experience in Bulgaria is similar to that in Romania.

### **Turkey**

10. The portfolio performance in Turkey continues to suffer from a variety of political, economic, institutional and project specific difficulties. Critical macro-economic problems continued as the new Government failed to address endemic imbalances, particularly the large public sector deficit and the related high rate of inflation. These weaknesses resulted in shortfalls in counterpart funds and the erosion of the financial viability of several public sector entities, as price and tariff adjustment were insufficient to keep pace with inflation.

11. Macro-economic policy issues have been at the forefront of the country dialogue. Modest progress was made in implementing the policy conditionalities of the ESAL, but the management performance of the entire energy sector leaves much to be desired and the question of our continued participation therein will have to be decided during the next CPPR scheduled for early CY93. Dialogue on energy policy issues, which had been neglected under ESAL, has recommenced in conjunction with preparation of the Coal Pollution Abatement Project. FSAL II will be allowed to expire by December 1992 without release of the third tranche, because restructuring plans for the agricultural bank were not fulfilled. There was no new adjustment lending to Turkey in FY92, and there are no plans for further adjustment lending until the country is ready to act on its macroeconomic imbalance and commitment to an adjustment program is demonstrated.

12. During the annual CPPR held in February 1992, agreements were reached regarding resolution of general implementation problems. They included: (a) actions to strengthen the authority



of all Project Management Units; (b) streamlining local budget processes; (c) improving project procurement procedures, including the development of standard bid documents (translated into Turkish), their dissemination to project agencies including training; and (d) actions to improve audit compliance through reviews of audit standards and performance, increased audit scopes, and the use of external private auditors where warranted. On specific projects, the following was done: (a) restructuring the Cukurova Urban project and closing the Agriculture Sector Adjustment Loan (ASAL) of FY91, both of which were 4-rated; (b) canceling the credit component of the Agriculture Credit III; (c) closing or substantially restructuring four other loans: Financial Sector Adjustment Loan (FSAL) II, Railways II, Ports III and the Energy Sector Adjustment Loan (ESAL); and (d) changes in key project personnel and intensified supervision for the National Education Development Project and resolution of a major procurement issue in the Industrial Training II Project. As a result, the number of major covenants in default has sharply declined, and the number of problem projects is expected to be reduced by one half during FY93 compared with FY91. Thus the CPPR resulted in major restructuring or closing of marginal projects or project components in seven operations and an improvement of the Turkey portfolio from an average of 2.3 in FY91 to 2.0 in FY92.

13. During FY92, the Resident Mission in Turkey also began to play an increasingly important role in project implementation. It trained local staff of the mission (especially H/L staff), increased their participation in a variety of procurement activities/decisions, and strengthened government counterpart staff abilities in procurement.

14. Despite the above action and results, systemic issues continue to plague portfolio implementation. They include: (a) weak institutional capacity at all levels; (b) poor compliance with operational and financial covenants; (c) weak financial discipline leading to insufficient or delayed tariff/price increases, inadequate cost recovery, and difficult, delayed and poor quality audit reporting. As a result of the overall lagging implementation performance, disbursement performance (\$372 million in FY92 compared with an average of \$544 million during the previous three years) was poor. Decisive steps have already been taken to deal with some of the implementation issues (such as improvements of audits). Many of the systemic impediments to project implementation are deeply rooted and their resolution will require a long and sustained effort through further country dialogue. These issues will be pursued at the next Country Implementation Review, scheduled for February 16-18, 1993. In continuation of a process initiated in 1991, particular attention will be paid to ensuring that adequate local budgetary funds are available. The Region will begin preliminary discussion of a report on auditing recently completed by a consultant. Generic procurement issues will be discussed and there will be a project-by-project review of all problem projects. The Department will continue its efforts to maintain a healthy, and if necessary, lean portfolio in Turkey. For FY93, the lending will be as in the "low case" lending scenario.

### **Cyprus and Portugal**

15. Both are graduating countries with small portfolios. The Cyprus portfolio of seven projects is doing well despite a 46 percent disbursement lag. Portugal has four projects under implementation, three of which are problem projects. Since the projects in Portugal were designed, the Government's priorities have changed, mainly as a result of Portugal's accession to the EC and its comfortable external position. In this context, we intend to closely review with the Government all the projects in the portfolio, and look into the desirability of closing those projects which no longer reflect the Government's current priorities. During this cooperative exercise, we would devote minimal resources for portfolio supervision.



## **B. Southern and Central Europe (ECA 2)**

### **Albania**

16. After forty years of almost complete isolation, Albania, at first tentatively in 1991, and then decisively in 1992 became part of the great systemic transformation sweeping the region. The Bank has participate in an accelerated broad assistance program, and launched its first IDA credit in late FY92. The Critical Imports Project is already off to a good start due to PPF financed technical assistance to accelerate start-up of procurement arrangements.

### **Czechoslovakia**

17. The Czechoslovakia portfolio is limited to only two operations (SAL I and Power/Environment), both of which are proceeding well. However, with the forthcoming breakup of the country, they are encountering procedural/legal difficulties in clarifying successor borrowers and guarantors. Although not yet effective, the Power/Environment Project (which deals with only the Czech Lands), was already cleared by the Czech Republic, and remains a top priority of the Borrower and the Czech authorities. The SAL design has held up well, notwithstanding the political unraveling. The second tranche was released and we do not anticipate major substantive difficulties in meeting the conditions for the third tranche (due by end 1992), as the key macroeconomic issues in the purview of the Federal authorities are being adhered to and many of the structural measures were already negotiated and being implemented by the responsible Republican authorities.

### **Hungary**

18. The Hungary portfolio increasingly includes reform-oriented and inherently complex projects. Given the growing portfolio in the social sectors in Central and Eastern Europe, we established a social sector hub in Budapest to increase our capacity to supervise these operations, at first in Hungary, but later in other countries of the Region. On balance, performance of the portfolio was less successful than desired, but still adequate to meet most original objectives. Current problem areas of the portfolio are lines of credit and state enterprise borrowers (see below). The two large adjustment operations, SAL II and Enterprise Reform have started well and major restructuring conditionalities appear on track. However, the deteriorating fiscal situation has cast some doubts about the Government's capacity to fulfill the overall macroeconomic conditionality for release of the third tranche of SAL II (due by end 1992). Overall disbursements were slightly above profile. Adjustment lending accounted for the vast majority of disbursements over the past several years. With the tapering off of such lending, disbursement levels can be expected to decline, leading to negative disbursements and transfers within the next few years.

19. Commitment and disbursement rates for lines of credit are slower than in the past, because of the poor investment climate, economic recession, and an apparent preference for short term credit by both banks and investors. A notable exception is the Integrated Agriculture project, which is directed at small and medium-scale borrowers using more commercially-oriented procurement and loan processing procedures, and is disbursing much faster than anticipated. We launched a cross-sectoral review during the fall of 1992 to review the differences in experience in the various (segmented) lines of credit to take a more careful look at the impact of different project design and administrative arrangements, which may result in restructuring in FY93.



20. Our loans to the large state enterprise borrowers (Energy Development, Transport II, Telecommunications II) pose special problems. These projects support the transformation of State Enterprises into commercially-oriented companies; however, given the scale of these enterprises and the need for regulatory reform, corporate restructuring/privatization and large investment, the transition is complicated, time-consuming, and subject to much debate and political influence. Without restructuring, and with a Government reluctant to raise tariffs in line with inflation, they are not meeting financial conditionalities. The Railways and the Budapest Transport Company are not meeting operating ratio targets, while financially the Telecommunications company is rapidly deteriorating (though still in compliance). There are plausible reasons why each case has encountered difficulties, and recognizing the long-term nature of the problem, our present supervision approach is to live with the problems since the projects are still fully justified, and work is in progress on the underlying restructuring issues to obtain a long-term solution. We do not believe that exercising remedies would help the solution. A Strategic Review to review the portfolio is scheduled for February 1992, to be followed by a CPPR in FY94.

### Poland

21. After the political uncertainties of last year, a new Government was formed in July 1992. As most projects are intimately linked with key reform programs, implementation of the portfolio mirrored the unsettled political environment, and key reforms (in particular mass privatization) were stalled. The new Government is putting key reforms back on track, and is negotiating an enterprise/social contract with labor which will affect the pace and means, but not the objectives, of the reforms.

22. Given the necessary complexity of projects in economies in transition, difficulties are to be expected, and "2" rated projects are becoming our norm.<sup>1</sup> This experience is likely to continue in the foreseeable future, and to be repeated in the Region's other economies in transition, which face comparable political problems and institutional weaknesses. In the social sectors and in regulatory matters, we are attempting to link social and sectoral transformation to macroeconomic dynamics and the sobering fiscal/financial realities. Projects that support state enterprise reforms also include major institutional objectives and are costly in supervision terms. Unit coefficients for supervision and new operations will therefore remain high and we must accept this.

23. Despite a major disbursements lag of 72 percent, overall disbursements tripled from last year's tally, and are slightly ahead of profile. The amount of adjustment lending disbursements was less than that available in the various tranches of the hybrid operations. This reflects the continuing difficulties in assembling justifying documentation from importers, as in the new foreign exchange regime, there is no need for, or benefit from, cooperation with the central authorities. We have opened discussions with the Polish authorities about the possibility of using customs data instead.

24. After the conditions were met for release of the second tranche of the SAL in August 1991, the macroeconomic program went way off track; nonetheless, the structural measures have started to bear fruit as evidenced in the emerging signs of supply side recovery. Despite the slow disbursements, there

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<sup>1/</sup> The present ratings system, whereby a new project is rated "1" (problem-free) as it enters the portfolio, introduces systematic bias in ECA where the portfolio is young. Since there is no better rating than "1," the portfolio quality can only decrease over the years until a steady rating is achieved. This will be particularly visible with the forthcoming sudden influx of projects in the Former Soviet Union Countries until the portfolio reaches a steady state.



has been good progress in meeting the sectoral objectives of the FIDL and Energy Sector Restructuring hybrids. The other hybrid, Privatization and Restructuring, continues to face difficulties, as its focus is the mass privatization program which is stalled in Parliament; however, technical assistance activities under the project are proving helpful. The set-asides (\$150M in FIDL and P&R) were not drawn, as the DDSR was deferred; these funds reverted to normal adjustment lending disbursement procedures.

25. Covenanted price adjustments in energy and telecommunications sectors have proceeded roughly as planned. The reorganization of the Polish Railways is well underway, with many operations spun off into the private sector and successful efforts to reduce operating costs through line closures and labor layoffs. However, like the Hungarian railway, the precipitous drop in traffic and growing arrears from clients, plus the peculiarities of excess wage tax, have undermined plans to reduce the operating ratio, and the overall financial condition of the Polish railways is poor. The Oil and Gas Company has encountered major difficulties, with a weak management reluctant to make decisions pending government decisions on restructuring the energy sector. This has resulted in lower production than planned (due to delayed works) and financial losses and accumulating arrears of payables and receivables. As in Hungary, we accept the presence of these problems and continue to focus our supervision work on the larger restructuring questions, which are the underlying causes of these implementation problems.

26. The macroeconomic conditions and uncertain political developments with the consequent poor investment climate is the most important factor affecting the use of lines of credit (representing about 30 percent of the portfolio). Lack of experience by intermediary banks and their weak promotion of these projects have also hampered their use. Although considerable flexibility is available under the lines of credit for commercially-oriented procurement and loan processing procedures, mis-perceptions cloud the real picture and apex lending institutions and commercial banks are not confident of their own practices and how to apply Bank procedures. In the near term, we are accepting these difficulties as an unavoidable consequence of the currently weak banking system. Follow-up procurement seminars are underway for intermediaries and some potential borrowers, and supervision responsibilities for several credit lines have been assigned to staff in the Resident Mission to facilitate the hands-on support needed. The Resident Mission staff are also participating in a special task force, named by the Prime Minister, to review lines of credit financed from all external sources (which all suffer the implementation problems noted above); the recommendations of this task force are expected shortly.

27. Projects and components being implemented through the government are subject to problems inherent in the unsettled political environment. The Health Project is off to a rocky start (rated 3), given the weakness at the central Ministry (4 ministers in 12 months), although at the consortia (Regional) level, prospects remain good. Early attempts to address such problems through a PPF to install the TA were unsuccessful as little of the funding was utilized. We are making major efforts to complete the TA arrangements (a condition for effectiveness), after which a new implementation schedule can be agreed.

28. Lack of counterpart funds is not yet a major issue, but there are growing instances where agreed activities are stretched out or deferred for lack of local funding, a situation we expect to see increase given Poland's weak fiscal situation. Even more problematic is the growing difficulty to retain good staff in project activities, due to the poor salary structure and level for public servants. For example, the project management unit for the Environment TA project shifted over to work for an off-budget institution not subject to government salaries, compromising some of the institution-building objectives of the project. As our strategy calls for a growing support for public sector reforms, we have initiated work on public sector management issues in our ESW, and will use a grant from the IDF to further probe what can be done.



29. The above lessons highlight the strong linkages between individual operations, the overall macro-economic and reform efforts, and cross-cutting issues of local government and public administration. A CPPR is planned for January 1993 to establish a work program to systematically address these interlinked issues. The Resident Mission takes a lead role in the dialogue with Polish authorities about our strategy in these matters and staff located in Warsaw are being assigned specific responsibilities from the HQ managers to facilitate a closer and more continuous relationship.

### **Yugoslavia**

30. FY92 began with many questions and doubts about the Yugoslav portfolio. There were 12 projects, involving 37 loans to borrowers in six republics and two provinces of the former Yugoslavia. Seven projects were under active supervision; two had closed before the start of the fiscal year but had small undisbursed balances; and three were not yet effective. When it became apparent that the Federation could not implement appropriate macroeconomic management, the second tranche of SAL II was canceled and the loan closed in September 1991. The two closed operations were fully disbursed in the course of the year. Earlier appraised new operations are being allowed to lapse before the operations become effective.

31. Given the political situation, we have suggested to the Borrowers of the "4" rated Power Transmission III that the project be closed after disbursing for ongoing contracts. That leaves only nine projects—one each in Bosnia and Montenegro, two each in Croatia and Slovenia, none in Macedonia, and three in Serbia. In February, the Slovene, Croatian and Federal authorities completed arrangements to offer Slovene and Croatian national guarantees of World Bank loans to entities in their respective territories, while leaving the umbrella Federal guarantee intact. On June 9, 1992, the Bank suspended disbursements on operations to Serbia, Montenegro, Macedonia, and Bosnia, because of non-servicing of debt obligations. The suspension is still in effect and loans in arrears have been put in non-accrual status. Slovenia and Croatia are current in servicing their debts.

## **III. Regional Findings and Future Actions**

### **A. Thematic findings**

32. **Staff Skills.** The number of Regional staff with procurement specialization was increased by four in FY92. Recruitment of local higher level staff in the Resident Mission in Turkey and Romania, coupled with their training in procurement has also significantly helped improve project implementation in those countries. The Region will continue its efforts to improve staffing skills and to strengthen its Resident Missions' ability to assist Borrowers in their project implementation.

33. **Audits.** During the CPPR in Turkey, the Region made some headway in improving borrower compliance with financial covenants through reviews of audit standards and performance, and increased use of external auditors. Follow-up will be done at annual CPPRs in Turkey. Elsewhere in the Region, audit compliance has been less problematic, although the lack of qualified accountants and auditors in the ex-socialist countries will increasingly become an issue as the portfolio matures and covenants fall due. Lending programs and project components will be reviewed and amended and modified where necessary to include specific operations and measures to assist borrowers to strengthen their accounting and auditing capabilities.



34. In *Procurement*, the Region's efforts in FY92 focussed on training of local staff (Turkey and Romania) and introducing Standard Bidding Documents in Hungary, Poland, Romania and Turkey. The efforts have paid off, but further work is needed to expand the use of standard bidding documents. The Region will continue its efforts to organize workshops and training activities particularly in those borrowing countries which are new to the Bank's procurement procedures to convince local officials of the benefits of appropriate procurement laws and methods. The Region is making resolute efforts to improve the procurement environment through technical assistance, lending and sector work.

35. **Technical Assistance.** The ECA portfolio backs an ambitious reform agenda, but given the frequent availability of grant assistance for institutional reform, some clients are reluctant to borrow World Bank funds to finance critical reform activities when free technical assistance funds do not materialize (para. 8). We will continue during CPPRs to persuade Borrowers on this issue.

36. Integrating technical assistance activities of other donors into project design and supervision is difficult and time-consuming, and has contributed to the high lending and supervision coefficients, especially in new or re-activated countries. The Region recognizes that cofinancing in ECA has a high administrative cost, but given the magnitude of the reform agenda, does not consider that there is an alternative to continued cofinancing.

## B. Cross-country Findings

37. Most countries in the Region are going through unprecedented reforms in transforming the management of their economics from a centrally controlled system to a market oriented one. This process necessarily involves tackling comprehensive institutional development problems at all levels. Most ECA clients are new to the procedures of the Bank, and their learning curve, especially in procurement, accounts and audits has been steep. This had a major impact on the expenditures and deployment of our portfolio resources.

38. To address these problems, the Region launched a multi-dimensional effort to address specific portfolio issues. *First*, the Region increased the original CAM resources allocated to supervision from 11.6 sw per project in FY91 to a planned 13.6 sw in FY92. During the year, this amount became clearly insufficient, and the final expenditure averaged 17.3 sw/project in FY92, an increase of about 50 percent over FY91. This has meant that the Region made some trade-offs in other parts of its program. However, because of the relatively small size of the portfolio, these expenditures could be absorbed during FY92 without much of an effect on other parts of the Region's activities. The ongoing rapid growth of the portfolio will, however, mean increasing difficulties with absorbing the expanding portfolio management expenditures in the future. These difficulties will be further compounded because of the known institutional weaknesses and political difficulties that our operations are already facing in the emerging countries of the Former Soviet Union. Based on the current experience, we estimate that in the foreseeable future the Region will require an annual resource allocation of at least 16 sw per project.

39. The establishment of Resident Missions in Romania, Bulgaria, Albania, Hungary, Russia, Uzbekistan and Ukraine (in addition to the existing ones in Turkey and Poland) was a *second* prong of the Regional approach to address country and portfolio issues. These missions are getting increasingly involved in resolving portfolio issues. The role of local higher level staff in all the Regional missions continues to evolve, especially in terms of procurement responsibilities, where special efficiency gains have been experienced (e.g., Turkey).



40. CPPRs that were held in Turkey, Romania and Bulgaria increased Regional management's understanding of existing and emerging portfolio issues, facilitated the formulation of timely corrective actions, and were thus the *third* successful prong in the Region's portfolio strategy. Setbacks have included the widening political problems in Yugoslavia, which all but paralyzed the implementation of many projects in that country and led to a major deterioration in the Region's portfolio ratings. In addition, Portugal's diminishing dependency on the Bank resulted in slow disbursements in that country, causing still further deterioration in the overall rating of the portfolio.

41. The above strategies have been effective, and we believe that our portfolio is fundamentally sound. The overall portfolio status declined slightly in comparison with last year's performance (1.8 in FY91 compared to 1.9 in FY92), but if we exclude Yugoslavia (which has problems far beyond the scope of this review), the average regional portfolio performance remains identical to last year's 1.8. Turkey is the only country in the Region facing major portfolio problems, but those are being systematically addressed. Some of the Region's newer borrowers are, however, entering the critical third and fourth years of portfolio implementation, when project ratings tend to decline as was demonstrated in last year's Bankwide ARIS report. In particular, our portfolio in Poland is now affected by considerable disbursement lags; our experience in Romania and Bulgaria indicates that we have to face a heavy supervision load at entry in the countries in transition, and this will repeat itself, but on a larger scale, in the former Soviet Union. Technical Assistance and Capacity Building operations are indispensable for most of our newer borrowers, and we will thus continue to make them; however they are inherently complex and costly to manage, and they present special risks of poor performance. Particularly costly is the effort at building ownership in the country. Given the complexity of ongoing reforms, and the unique difficulties facing the ECA Region, it is certain that portfolio performance is unlikely to improve noticeably in the foreseeable future.

42. Keeping the portfolio healthy in spite of the special risks we have to accept in view of our borrowers circumstances will require a concerted and relentless effort from the Region's management. To that effect:

- (i) The Vice President will conduct twice *yearly portfolio reviews* with the Country Directors. In addition to their substantive aspects, those meetings will reinforce the ongoing evolution towards an implementation culture in the Region.
- (ii) *Implementation successes will be duly recorded in staff Performance Evaluation Reviews*. The skills mix needed to address implementation problems will be kept under review, and the Region will ensure that TD and Central Units are associated and contribute to implementation improvement.
- (iii) *Quality at entry* regarding particularly issues of complexity, excessive duration of projects, and existence of traceable implementation plans will be one of the foci of the Regional Loan Committee. To ensure flexibility, mid-term reviews will be strongly recommended.
- (iv) We will continue to hold *Country Portfolio Performance reviews*, and one of their goals will be to deal with the overage part of our portfolio, with a view to restructuring when needed and to close the loans in all other cases.
- (v) Finally, we will continue to bring *implementation performance* to bear on our country strategies and lending programs, as we have done most recently in the case of Turkey. One should note that since our lending program still has a relatively large proportion of adjustment operations, this creates a *self regulation effect* because adjustment operations can only be made if action from the borrower on macro and sectoral policies is enough, which is generally the root cause of most of our implementation issues, as most recently demonstrated in the case of Poland.



## VI. MIDDLE EAST AND NORTH AFRICA REGIONAL SUMMARY

### I. Regional Overview of the Portfolio

#### A. Background

1. This year's report focusses on the status of the portfolio, country by country, as per the recommendations of the Wapenhans Report. The report is organized in three sections: A Regional Overview of the Portfolio; Status of the Country Portfolios; and Findings and Future Actions.
2. In FY92, many countries in the Region (especially in the Middle East) continued to be affected by the aftermath of the Gulf war and implementation issues were temporarily overshadowed. The disruption in transport and communications lasted longer than expected, and these services are still below pre-war levels in certain parts of the Middle East. The withdrawal of cofinancing from the Gulf Cooperative Council (GCC) for some countries required the restructuring of a few projects with adverse effect on implementation.
3. Following last year's ARIS, Regional management issued a strategic statement on portfolio management, giving it a higher priority in the work program. This statement was reinforced by the development and adoption of action oriented, Department specific portfolio action plans. The common objectives of these plans were to: (a) regularly monitor portfolio performance, including disbursement performance; (b) provide adequate resources to portfolio management as well as greater targeting of their use; (c) improve staff capacity in procurement and auditing; (d) increase monitoring and control of Closing Date extensions; and (e) restructure and/or cancel projects and project components where changed circumstances warrant. Regional management has also adopted procedures to rigorously assess the quality of projects at entry: during FY92, appraisal of inadequately prepared projects has been delayed, and complex projects, which would have been difficult to implement, have been simplified.
4. Progress in implementing the action plans, and last year's ARIS recommendations, has been slow but steady. It is also fundamentally a reflection of the overall macro-economic instability and pervasive institutional weaknesses in most countries of the Region. Progress is already evident in reducing effectiveness delays from an average of eleven to seven months (and an objective to further reduce delays during FY93). Disbursements are up in the aggregate compared with FY91, though in the case of investment loans they remain short of investment profiles. Aggregate portfolio management resources were increased by about 9% from FY91, and the average per project from 9.6 staff weeks in FY91 to 11.5 sw in FY92. Ongoing efforts to reduce the number of over-age projects have been successful, and the opening FY93 portfolio had 159 projects compared with 181 projects in the FY92 ARIS portfolio. Despite increased attention, and mainly because of country problems, the overall portfolio performance ratings declined from 1.9 in FY91 to 2.0 in FY92 as shown in the graph. Planned initiatives to improve portfolio management include providing incentives to task managers to carry out quality supervision through increased visibility of portfolio work, and measures such as retaining the appraisal task managers on the job for at least one year after Board Presentation. Regional action plans to ameliorate the situation are outlined in Section III of this Chapter.

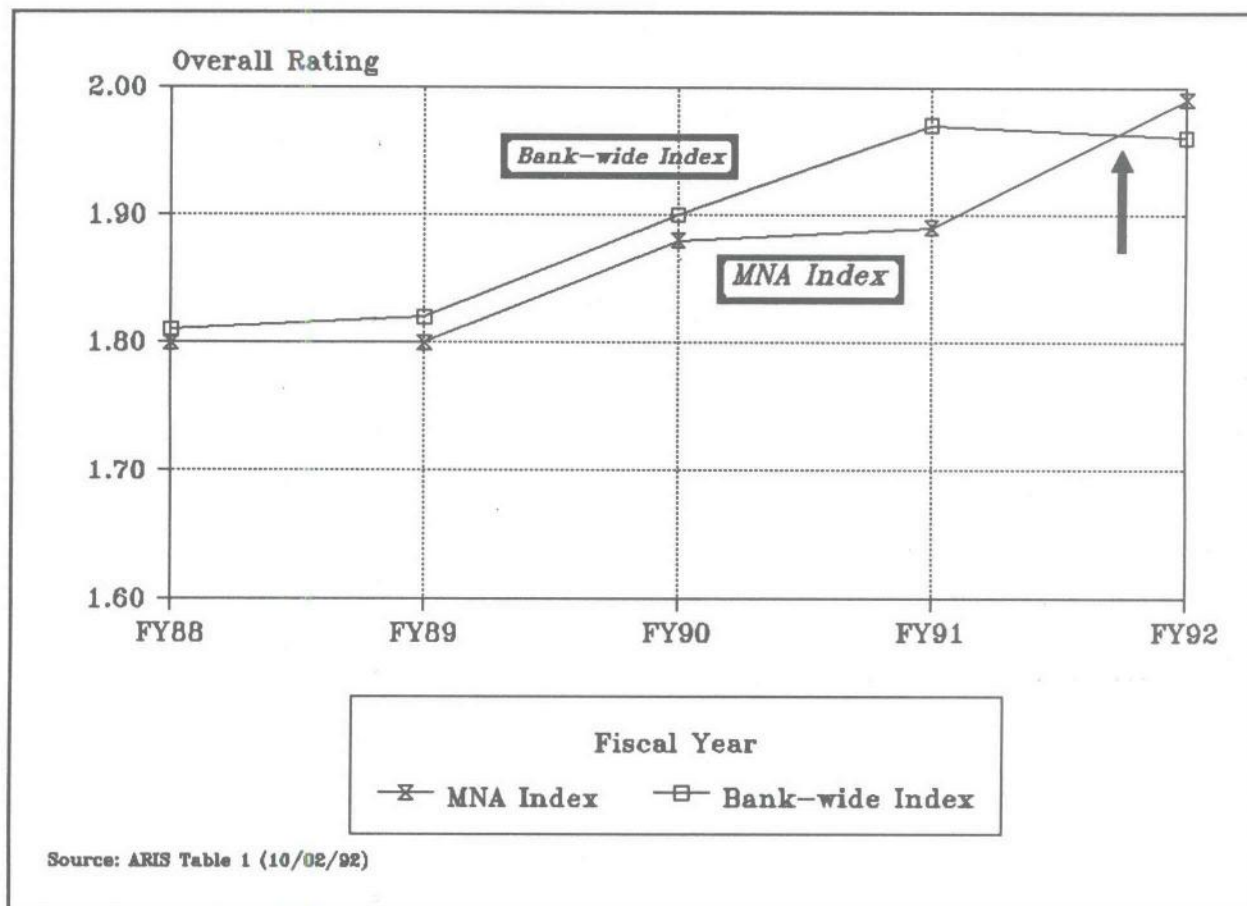


Figure 6.1: Middle East and North Africa Region Project Trends, FY88-FY92

5. During September 1992, MNA's portfolio was systematically reviewed to ensure that projects are rated across Departments and Sectors as consistently and accurately as possible. Virtually all Regional managers and staff participated in this process. Meetings where the portfolio was viewed from country perspectives took place in sector operating divisions (SOD), then country departments (CD), during which technical department (TD) representatives also participated. SODs prepared reports, which were critically analyzed by each sector division in the TD. CDs held management meetings with TD representatives in attendance, and prepared their reports to the RVP accordingly.

### B. Portfolio Composition

6. There are 181 projects in MNA's FY92 ARPP portfolio, of which nine are SALs and SECALs. The definition of the ARPP portfolio in MNA includes 22 projects, which had an undisbursed balance in excess of \$100,000 at the beginning of FY92 even though they were closed during FY92. Therefore, in statistical terms, the targeted actions taken during FY92, and continuing efforts to reduce the portfolio size (through special review of any project over eight years old) will only show results in FY93. Progress is well underway to reduce the portfolio size by about ten projects by the end of FY93, through closures of 14 projects in MN1, 15 projects in MN2, and an estimated addition of 19 new projects in the Region in FY93. The Regional portfolio's status is summarized in the Table below.



Table 6.1 Portfolio Performance, FY91-FY92

Portfolio	FY92 Number of Projects	Total Lending (\$M)	Annual Lending (\$M)	Disburse- ment Lag	Average Age of Portfolio (years)		Overall Rating		Board to Effectiveness (avg. months)	
					FY91	FY92	FY91	FY92	FY91	FY92
<b>Maghreb</b>										
Algeria	25	2,704	215	35%	3.0	3.4	1.9	2.1	12	11
Morocco	31	2,690	325	24%	3.3	4.0	1.9	1.8	6	7
Tunisia	30	1,122	385	26%	3.7	4.5	1.6	1.7	11	5
Subtotal	86	6,516	925	30%	3.4	4.0	1.8	1.9	10	8
<b>Middle East</b>										
Egypt	27	1,933	376	59%	5.1	5.1	2.0	2.0	18	11
Iran	3	250	134	100%	0.3	0.5	1.0	1.0	--	3
Jordan	18	659	0	27%	4.2	5.2	1.7	1.8	8	4
Oman	5	95	--	47%	4.7	5.7	1.8	1.6	--	--
Yemen	42	522	47	38%	4.0	4.8	2.2	2.4	10	12
Subtotal	95	3,459	557	42%	4.3	4.8	2.0	2.1	12	6
<b>Total</b>	<b>181</b>	<b>9,975</b>	<b>1,482</b>	<b>38%</b>	<b>3.9</b>	<b>4.4</b>	<b>1.9</b>	<b>2.0</b>	<b>11</b>	<b>7</b>

## II. Status of The Country Portfolios

### A. The Maghreb Department (MN1)

#### Algeria

7. The changes in the country's leadership and continued economic difficulties faced by Algeria in the recent past have affected Bank operations and made it more difficult to address long-standing, systemic issues. A country implementation review was held in May 1992, to address generic issues in disbursements, audit compliance and tariff increases, in addition to solving project specific problems, and assess the extent to which the existing situation might impact on sector work and the lending pipeline. The Government has acted on some of the mission's recommendations by agreeing to restructure the TA and the National Water Supply projects and improve the capacity of its disbursements Agency (the Algerian Development Bank). Progress has also been made in updating an audit action plan and establishing an ad-hoc committee on audit compliance. Further efforts will be made during FY93 to follow up on the recommendations of the 1992 CIR.

8. The *investment portfolio* in Algeria is generally young (3.4 years average). The performance of its infrastructure projects, and especially its mature (6.8 years old) Water Supply and Sewerage portfolio, requires close attention and follow-up. To address country and project specific concerns, a mission is planned in early March, 1993, to agree on restructuring and closing of a number of difficult projects, and to assess progress made in the strengthening of the Government's disbursement procedures. The restructuring of the *Technical Assistance Project* has now been completed. Specific further actions include: (a) the *Second Railways Project* will be closed by December 31, 1992, if the Railway Company has not prepared a satisfactory restructuring Action Plan; (b) one Water Supply Project may be

restructured and part of the loan canceled if water tariffs are not increased as agreed and sufficient budgetary allocations made; (c) the First Highways Project is expected to be restructured if the procurement of essential materials and equipment does not progress as anticipated during the follow-up to the CIR; and (d) the two irrigation projects would be restructured in case satisfactory progress is not made in raising tariffs and budgetary allocations.

9. The ongoing *Enterprise and Financial Sector Adjustment Loan* is designed to help restructure large public enterprises and commercial banks, including the reorganization of two specialized financial institutions, the issue of prudential and capital ratios by the Central Bank, and the reorganization of the insurance market. The second tranche release is conditioned upon satisfactory progress being made in the implementation of the macro-economic reform, the enactment of the legal and regulatory framework for several key elements of private sector development and public sector management programs. While progress has been made in preparing action plans for restructuring public enterprises and the hiring of consultants for the restructuring of commercial banks, this "3" rated project is making less than desired headway. During the forthcoming macro-economic missions and the CIR follow-up mission, an agreement will be sought with the Government on specific measures to improve project performance. The second tranche will be released upon satisfactory progress in implementing agreed measures.

#### Morocco

10. The Government's ongoing structural adjustment policy has been successful on the macro-economic front. At the same time, the associated austerity measures have led to budgetary constraints which were exacerbated in 1992 by a serious drought. As a result, overall public investment and maintenance expenditures, the financial situation of local governments, as well as many public enterprises and social development projects have suffered. The FY92 portfolio is performing reasonably satisfactorily despite these adverse economic developments and the project specific problems discussed below.

11. Serious counterpart fund constraints continue to affect operations in the social sectors and agriculture, and a rapid surge of arrears to public enterprises has frustrated operations in Power, Water Supply, Agriculture and some bank credit line operations. In addition, tariff constraints undermine the financial performance of public enterprises.

12. The \$125 million adjustment segment of the \$235 million hybrid *Financial Sector Development Project* of FY92 is the earlier of the two *adjustment operations* under implementation. The second tranche review is currently under consideration and is contingent upon a reduction in mandatory placements by commercial banks in Treasury bonds and the issuance of a new banking law and prudential guidelines by the Central Bank.

13. The structural adjustment operation, *SAL II*, (\$275 million of FY92) is expected to be the last adjustment loan to Morocco. It was designed to support further trade reform and reallocate public expenditures toward the social sectors and activities complementary to private sector development. The first tranche of SAL II disbursed in record time; the trade measures it supports are on track; but across-the-board budget cuts in 1992 and for 1993, imposed because of the above mentioned economic difficulties, have raised serious concerns about the Government's ability to meet the agreed public investment targets.

14. Supervision efforts in FY92 were in line with expectations. The key portfolio events that took place in FY92 included the mounting of a mission to address procurement issues, including several seminars on procurement. The large number of attendees attests the interest of technicians to become



knowledgeable of Bank procurement guidelines and procedures. The seminars were followed up by a high level and successful discussions with the Moroccan authorities to resolve outstanding procurement issues. During the year, the *Rural Electrification Project* was also restructured to meet changing priorities. Because of elections, a CPPR mission, originally scheduled for FY92, has been rescheduled for late March/early April 1993. Issues paper for this mission are being prepared, empowering the mission to address generic, sectoral and project issues in the field in line with the recommendations of the Wapenhans Task Force proposals.

## Tunisia

15. The Tunisia portfolio is one of the largest and healthiest in the MNA region. In 1992 good progress was made in the implementation of existing investment loans, and higher supervision efforts showed satisfactory results. Two over-age projects will close by December 1992, and further four will close by June 1993. A CPPR mission is scheduled for Tunisia in late FY93 or early FY94. The objectives of this review will be to: (a) pursue the use of standard bidding documents in all projects; (b) resolve outstanding procurement issues; and (c) further reduce the portfolio size by closing the then only remaining over-age project.

16. Three *adjustment lending operations* were under implementation in 1992. The second and last tranche of the \$84 million *Second Agricultural Sector Adjustment Loan* of FY89 is expected to be released soon. Under the \$130 million *Public Enterprise Restructuring Loan* of FY90, progress has been slow in preparing performance contracts for participating Public Enterprises, but second tranche is expected to be released by December 31, 1992, upon receipt of the last contract. Follow-up of the privatization program is being pursued in the context of a Japanese-funded privatization assistance program. The \$250 million *Economic & Financial Reform Support Loan* of FY92 is the final stage of the reform program that began in the mid-1980s. The operation was approved and became effective in December 1991, when its first tranche was released. The policy and institutional reform measures it supports are largely on target.

## B. The Middle East Department (MN2)

### Egypt

17. The Egypt portfolio is over-age, averaging 5.1 years, and is performing poorly. Since FY88 the trend in disbursements on investment lending deteriorated from \$148 million to \$81 million in FY92. The slow disbursement is a reflection of slow project implementation, which in turn can be ascribed to the Government's failure to initiate the actions agreed in the July 1990 CIR, and to the effects of the Gulf War. The problems include delays in making loans effective, slow processing of procurement, weak project management, poor compliance with covenants (especially cost recovery in public utilities), Government's reluctance to use TA, and inadequate provision of counterpart funds. A high level CPPR meeting in December 1992, produced monitorable, time-bound action plans to address these recurrent implementation problems. The plan is designed to result in closures or restructuring of poorly performing projects. Initial results from the review are encouraging, but if needed, the Bank will impose sanctions to help ensure that the Government honors agreements reached in the CPPR. A decision was also reached during the December 1992 meeting to restructure the "4" rated FY91 *Social Fund Project*, which will be supervised from the Cairo mission.

18. Egypt's inability to service its debts persuaded the Government to begin a reform program in early 1990. A \$300 million *Structural Adjustment Loan* was approved in June 1991, following an IMF standby in May 1991. Due to the Government's intensive participation in its preparation, and well-targeted supervision, implementation of the SAL has been good with respect to petroleum prices, non-tariff trade barriers, tariff preferences and adjustments, private sector development, and industrial and agricultural prices. However, Egypt has fallen behind in: (a) reductions in import tariff dispersion; (b) the reorganization of holding companies' portfolios; and (c) the privatization program. Discussions are ongoing at top levels between the Bank and the Government to resolve outstanding differences in these areas in order to ensure the success of the next supervision mission, which will determine if conditions have been met for the second tranche release.

#### Iran

19. The problem-free portfolio in Iran consists of three infrastructure projects (one approved in March 1991 and two in May 1992). Efforts that were made to familiarize the Government with the Bank's procurement and disbursement procedures through seminars that took place in June 1991 and August, 1992, are now paying off: disbursements on the *Earthquake Recovery Project* (less than \$1.0 million in FY92), had reached \$102 million by the end of 1992.

#### Jordan

20. After a serious decline in the aftermath of the Gulf crisis, Jordan's economic situation is improving, and this is reflected in an absence of country or project issues. Jordan's portfolio includes 18 projects with a loan amount net of cancellations of \$627 million. The average age of the projects is 5.2 years, with three over eight years old, which the Region plans to close by the end of FY93.

21. The *Jordan Industry and Trade Policy Adjustment Loan* became effective in February 1990, and the second tranche release was approved in March 1992, after a delay of one year due to the Gulf crisis. Virtually all the \$150 million of the funds have been disbursed. One reason for the good performance is that there was major Government participation in determining the specific trade and industry conditionalities. This lesson will be applied to future operations in Jordan and other countries in the Region.

#### Oman

22. The portfolio consists of five projects with a loan commitment of \$95 million of which \$20 million remained undisbursed by December 1992. Implementation is satisfactory and the last project is expected to be closed by the end of 1994.

#### Yemen

23. Yemen continued to face earlier problems related to unification. The elections, originally scheduled for November 1992 are now postponed to April 1993, and the administration's ability to deal with social and economic issues has therefore been side-tracked. These now constitute a heavy post-election agenda, which may overwhelm the new government. This political environment is likely to affect project implementation adversely through mid-1993.



24. A CIR was conducted in Yemen in July 1991. This included a detailed review of overall implementation performance based on objective criteria, and a review of individual projects. The review led to an agreed work program to improve performance and an agreement in principle to reduce the very large portfolio. Task managers were assigned to monitor the agreed work program and monthly disbursements. The Government was informed that future lending would be linked to performance in implementation and disbursements, and this has been formalized in a recent CSP.

25. Despite these efforts, with an overall rating of 2.4 the performance of the FY92 portfolio is the worst in the Region. The average age of the portfolio is 4.8 years, eleven of the projects are over eight years old, and 15 projects are rated 3 or 4. The financial performance of public sector power and water utilities is of particular concern: all are 3 or 4 rated. Progress on CIR agreements was modest because of the Gulf crisis and the Government's preoccupation with unification; disbursements, however, were up by 33 percent in FY92. The weak implementation in Yemen has been acknowledged by limiting the number of new operations in the lending program to two per year, and an avoidance of sectors with a record of poor covenant compliance. A need to further restructure the portfolio was confirmed with the Government during the 1992 Annual Meetings. Two over-age projects are currently being closed. Including these two, eleven project (one third of the portfolio) will be closed by December 1993. Of these, seven will be closed in FY93. After elections scheduled for April 1993, the Bank will agree with the new Government on an approach that builds on the existing CIR but expands the agenda to cover longer term issues of administrative reform. As in the case for Egypt, this new-style CPPR should result in work plans or schedules to: (a) reduce the effectiveness delays of projects; (b) prepare estimates of required counterpart funds during the budget process; (c) use standard bidding documents and acceptable bidding procedures in all sectors; (d) improve the financial viability of public utilities; and (e) close or restructure specific projects. Acceptable progress on this score will determine the future viability of our lending operations in Yemen. The principal output of the CPPR will be an agreed Country Portfolio Action Program, which will constitute the basis for future CPPRs, and will become the instrument to gauge future portfolio viability.

### III. Findings and Future Actions

26. **Issues in Sector Operations.** In terms of sectoral performance, our existing portfolio in water supply and sewerage (2.6), industry (2.3) and power (2.4) is the weakest, and performing significantly worse than the Bankwide performance in these sectors (which ranges from 1.9-2.1). Much of this poor performance is related to a lack of financial viability, technical competence and managerial independence of public utilities. Progress in remedying this situation through the development of acceptable institutional and business plans for these entities, will determine the future size and composition of our lending operations in these sectors. Credit line operations have also continued to encounter difficulties because of weaknesses in the financial sectors and the overall macro-economic situation, resulting in low demand. Because of the weak performance of the public utilities, the Region will, during the remainder of FY93, review the performance of public utilities in the Region; prepare an issues paper outlining Regional options for future support; and act on the recommendations of the paper. An agenda for improving the performance of such projects will also feature in planned CPPRs.

27. **Issues in Thematic Areas.** Appropriate *Regional staff skills* are central to improved portfolio management, and the Region will systematically continue its ongoing efforts to strengthen staff skills.



Staff turnovers were high in FY92, because many staff who came on board during the 1987 reorganization, rotated during FY92. The need for French speakers in MN1 compounded difficulties in finding suitable replacements. The Region therefore carried out skills gaps analyses during FY92, partly in the context of its ARPP reviews, and partly in the context of Departmental reviews. The results indicated shortages in technical, audit and task-management skills. During FY93 the Region plans to: (a) continue skills gaps analyses as a part of the PPR process and sector panel activities; (b) recruit staff accordingly; and (c) enhance ongoing in-house staff training, particularly in procurement, audit reporting and overall portfolio management. Particular emphasis will be placed on auditing and procurement skills, and on task management skills in the social sectors. As a part of its emerging plans to implement the recommendations of the Wapenhans Report, the Region is also committed to increasing the authority and accountability of portfolio task managers by: (d) holding pre-departure supervision mission issues meetings (based on Forms 590 and TORs) at a management level to be determined on a case-by-case basis by the division chiefs; (e) during such meetings, empowering the task managers with a clear, Regionally backed mandate to deal with identified issues on the spot; (f) informing Regional management selectively about portfolio issues on an exception basis; and (g) fostering a climate of rewarding results rather than reports.

28. **Audits.** They continue to be unsatisfactory throughout the Region, in terms of numbers received, their timeliness, but more significantly in terms of quality, which often falls far short of internationally accepted standards, especially in the more complex audits of financial intermediaries. The Region has adopted a three-pronged strategy to deal with the issue. *First*, in an effort to better identify and deal with audit issues, each Department appointed an audit coordinator during FY92 to review the quantity and quality of received audits and report on the results each quarter. Audit plans were prepared, and Regional staff audit skills are also being strengthened. *Second*, the Region has implemented both long and short term programs to strengthen Borrowers' auditing capabilities. During a May 1992, mission to Algeria, MN1 introduced a short term plan to improve audits, where earlier agreed improvement measures were confirmed. An audit review was also held in Yemen in FY92. Training and TA in several projects in MN1, and a TA project in Yemen, now under preparation, are designed to improve Borrowers' accounting and auditing competencies in the longer term. *Third*, the Region would apply the Bank's legal remedies for non-compliance rigorously. Persistent violations will be systematically brought to senior management attention, and projects or components suspended or canceled where so warranted (e.g., *Algeria Railways Project*). During the December 1992 CPPR in Egypt, agreements were reached, that loans for twelve projects would be suspended if overdue audit reports were not received by March 31, 1993.

29. **Procurement.** Training Seminars were conducted in Algeria and Yemen. Following a similar seminar in Morocco, significant procurement issues have recently been solved. Standard bidding documents were introduced with Bank assistance in Yemen, and have been adopted by at least one implementing agency (MOE). The Region also strengthened its internal procurement capacity by increasing the number of staff specialized in procurement. Each Department now has a procurement adviser. The Region plans to conduct further country procurement missions in FY93 to address generic procurement issues. Because of its potential for significantly improving country-wide implementation environments, renewed efforts will be made to incorporate the earlier recommendation on generating better procurement environment at national and sectoral levels (including reviews of and changes to applicable laws and regulations) through future lending and sector work, coupled with in-country training seminars, country procurement missions to address generic procurement issues, and country procurement assessments as appropriate.



30. **Disbursements** amounted to \$1.4 Billion (\$1.1 billion in MN1 and 0.3 Billion in MN2), or 40% over profile estimate. About 50% of all disbursements were in adjustment lending and investment lending fell over 20% short of profile estimates. The Region is addressing this situation primarily through improved procurement practices of its borrowers and additionally is: (a) applying stricter adherence to the use of standard disbursement profiles in SARs; (b) documenting the status of preparation in SARs; (c) adopting disbursements monitoring indicators as their portfolio monitoring instruments; (d) successfully implementing disbursements action plans; (e) increasing the participation of LOAEL in country disbursement missions (e.g., Morocco in January 1993); and (f) has decided to include disbursement targets in its future business plans as a measurable variable of progress.

31. **Environmental Issues.** They feature prominently in the Region as manifested by: (a) greater integration of the Environmental Assessment process into the Regional lending program and the results into project designs; (b) increased inclusion of environmental components in projects; (c) increased attention to environmental staffing and reviews; and (d) the conduct of a regional review of technical capacity for environmental and resettlement reviews. With respect to environmental and resettlement issues, the Region plans to: (e) prepare and maintain a watch-list of projects needing special attention (mainly in power, energy, sewerage and solid waste disposal operations); and (f) give special attention to resettlement issues during supervision in FY93, through an already prepared, detailed work program.

32. The Region carried out a *Country Portfolio Performance Review (CPPR)* in Algeria during FY92. Lessons of that experience, which were applied during the December 1992, review in Egypt include: (a) that for successful CPPRs, a thorough preparation and follow-up on both sides is essential; and (b) these reviews are particularly effective as tools to deal with thematic issues, such as WID, audits, procurement and disbursements. During ongoing preparations for CPPRs in Yemen, Morocco and Tunisia, the earlier lessons of experience are being taken into account. As discussed under the country headings, several CPPRs are being conducted in FY93. During these reviews, the Bank and Governments will review constraints to implementation, and prepare a remedial action plan. Measurable progress will determine the future of lending operations.

33. The Effectiveness of *Project Specific Supervision*, especially for problem projects, was increased in FY92. Explicit steps were taken to further strengthen supervision through staff empowerment and periodic management reviews. Supervision was targeted to known problems through the use of pre-departure issues meetings, and further efforts will be made to strengthen this mechanism. Quarterly sector reviews were piloted in one sector division. Lessons of project specific experience (such as strengthening the participation of regional agencies in irrigation and water supply projects in Morocco) will also be incorporated in periodic Regional portfolio reviews. The role of the Resident mission in Cairo in supervision is also evolving: its task managed the December 1992, CPPR and supervision responsibilities for the *Egypt Social Fund Project* are being handed over to the Mission.

34. During FY92, the *Implementability* of projects was more explicitly and rigorously addressed by restructuring overly complex projects, and by reducing the complexity of newcomers to the portfolio. All projects in the Region now include supervision plans.

35. In view of positive experience elsewhere (e.g., Poland, Indonesia), the Region will investigate the potential of existing electronic links to Morocco and the new link to Egypt as a support tool for supervision. A results oriented action plan will be prepared in FY93.



36. **Conclusions and General Findings.** At 2.0, the average performance rating of MNA's FY92 portfolio continues the deteriorating trend that started in FY88, when the average was 1.8. This deterioration is a cause for concern, and the current MNA-wide performance of 2.0 has fallen below the Bank average. Clearly this trend must be reversed and the solution cannot simply be a greater amount of supervision. Rather it requires a qualitative difference in portfolio management, along the lines embodied in the recommendations of the Wapenhans Task Force. As evidenced in earlier discussions in this report, MNA has adopted the key recommendations of the Wapenhans report, including greater emphasis on quality at entry, project ownership and portfolio performance linkages.

37. The undertakings of this report are a part of and complement comprehensive programs initiated by the MNA region to implement the recommendations of the Wapenhans Report. In support of this program, the Region has already taken decisive steps by preparing a phased, longer term action plan to implement the recommendations of the Wapenhans Report (para. 3). In addition to the country-specific actions, illustrated above under the country headings, the Region has committed itself to further near term improvements in the *sectoral* and *thematic areas* as further discussed above. To avoid future problems with an over-age portfolio, the Region will conduct special reviews of projects during their fourth or fifth year, to determine the necessity and desirability of entering into long-term contracts at that stage of the project cycle. To improve the use of available portfolio statistics, the projects advisers in each country department will, in 1993, conduct a review and prepare recommendations for Regional Management.

38. At the heart of MNA's Regional recommendations is the development of an ambitious but implementable agenda to strengthen Borrowers' capacities to analyze their own sectoral issues (assisted by lending operations, EDI, long term development grants, and the Cairo Resident Mission as appropriate), leading to an increased ability to design, develop and implement projects on their own. Such an agenda will become an important part of our country dialogue during CPPRs as was done in Algeria in FY92. In the absence of credible progress in creating an administrative and regulatory environment, conducive to implementing an agreed agenda in a given country, the Region will critically review the merits of continuing with a more selective and modest lending program until reasonable progress is restored. Monitorable actions agreed in CPPRs will become a key benchmark in this determination.

39. To summarize Regional strategies, and earlier made key points, keeping the portfolio healthy will require a concerted and relentless effort from the Region's management. To that effect:

- (a) The Vice President will conduct twice yearly *portfolio reviews* with the Country Directors. The first such meeting is planned for March, 1993. In addition to their substantive aspects, those meetings will reinforce the ongoing evolution towards an implementation culture in the Region.
- (b) *Implementation successes will be duly recorded in staff Performance Evaluation Reviews.* The skill mix needed to address implementation problems will be kept under review, and the Region will ensure that TD and Central Units are associated and contribute to implementation improvement.
- (c) *Quality* at entry regarding complexity, excessive duration of projects, and existence of traceable implementation plans will be one of the foci of the Regional Loan Committee. To ensure flexibility, mid-term reviews are being mandated in all new operations.



- (d) We will continue to hold *Country Portfolio Performance Reviews*, wherein one of the goals is portfolio responsiveness to current development issues, through restructuring and closing when needed. We will continue to bring implementation performance to bear on our sector and country strategies and lending programs. Among the sectors, the difficulties facing the water supply and sewerage, the industry and power sectors will be the subject of a special review. The special difficulties faced by Algeria and Yemen will primarily be addressed in the context of upcoming CPPRs.

## VII. LATIN AMERICA AND THE CARIBBEAN REGIONAL SUMMARY

### Introduction

This report is the end product of a process which has spanned several months and involved almost the entire operational staff of the LAC Region. It started with Task Managers and Division Chiefs reviewing Form 590s for all projects in their portfolios, followed by a review by the Departmental Project Adviser to ensure, inter alia, consistency in ratings, and submission by SOD and COD Chiefs of their portfolio analyses to their Department Directors. These formed the basis for Country Department Annual Review of Portfolio Performance (ARPP) reports. The four CD reports present a comprehensive view of the status of LAC's portfolio and supervision strategies by country and sector. Each CD report was discussed with the Regional Vice President (RVP), together with projects selected as examples of either serious problems or exemplary implementation experience. The four CD ARPP reports, together with the RVP reviews and a statistical analysis of the regional portfolio, were used to prepare this summary report. The discussion of best practices supervision also benefitted from a special study: *Enhancing Quality and Efficiency*, a joint product of the LAC Region and the Organization and Planning Staff (ORG) issued in April 1992, which was discussed by all LAC Divisions, and the *Portfolio Management Task Force Report* (the "Wapenhans report") of September 1992.

### I. Review of Country Portfolios

#### Argentina

1. Macroeconomic conditions were favorable in Argentina in FY92. GDP growth in 1992 is estimated at 5.7 percent. The fiscal package and Convertibility Law passed in early 1991 produced a sharp economic turnaround from a protracted recession and stabilized and strengthened an economy which had suffered from repeated bouts of inflation and monetary volatility. Bank-financed improvements in tax administration raised federal tax revenues by nearly 10 percent of GDP and contributed to a *surplus* in the public sector's operational accounts. Structural adjustment is well underway. The telephone company, much of the power sector, a significant number of oil and gas fields, rail lines, grain elevators, and provincial ports have all been privatized, and federal government employment is less than half of what it was in 1990. The process has not been entirely smooth, however, and several adjustment operations have seen major conditions met (and tranches released) only after several months' delay.
2. The portfolio in Argentina consists of 21 projects with aggregate loan amounts of \$2.5 billion. The average portfolio rating is 2.05 (improved from 2.15 last year), and five projects or 24 percent are classified as problems compared with six in FY91. The five problem projects are all in the major sectors of the portfolio: three in infrastructure and two in trade and finance. Disbursements, excluding FY92 projects, were only 8.8 percent of the opening balance. The average supervision coefficient was considerably above the regional average at 18.8 staff-weeks per project compared to 13.0.
3. The improved macroeconomic situation unblocked a number of infrastructure projects that had been effectively paralyzed in recent years. In some cases, borrowers were able to accelerate the pace of their investments while in others privatization eliminated some of the most difficult projects from our portfolio. In other cases, however, privatization has had negative short-term effects as uncertainties associated with the transition has led to delays in project implementation.



Table 7.1

<b>Project Implementation Indicators for Major Country Portfolios</b>						
<b>(Countries with 10 or more projects in the FY92 portfolio or at least \$500 million in opening or closing undisbursed balances)</b>						
	<i>Number of Operations</i>	<i>Disb' ment Rate</i>  <i>(%)</i>	<i>Problem Projects Percentage</i>		<i>Average Rating</i>	
			<i>FY91</i>	<i>FY92</i>	<i>FY91</i>	<i>FY92</i>
Argentina	21	9	29	24	2.2	2.1
Bolivia	20	19	0	10	1.4	1.8
Brazil	66	12	39	24	2.2	2.1
Chile	17	42	7	6	1.5	1.5
Colombia	27	21	28	30	2.0	2.0
Ecuador	15	11	19	20	2.1	1.9
Haiti	11	3	27	82	2.2	3.0
Jamaica	13	19	6	8	1.6	1.9
Mexico	46	38	9	11	1.7	1.7
Peru	8	0	71	62	3.4	3.5
Uruguay	10	19	0	0	1.9	1.7
Venezuela	9	50	0	11	1.3	1.8
18 others	69	20	24	14	2.1	2.1
Totals	332	23	20	21	2.0	2.0

Notes: Disbursement rate calculation excludes disbursements on projects not included in opening pipeline. Average ratings exclude unrated projects.

4. The relatively large number of problem projects and the low disbursement rate can be largely attributed to the **weak implementation capacity** of many agencies. Salaries are adequate to attract and hold qualified staff for only a restricted list of "critical" jobs. Turnover in high-level positions resulting from frequent political and administrative reshuffles has been much too high. Some federal agencies have also suffered morale problems in the face of the uncertainties of the post-privatization transition. Civil service reform and strengthening of federal institutions will take time. Supervision costs could go even higher in the future as the shift to investment lending increases. Solutions being explored include federal-level units and **strengthening in the resident mission**. Future projects are therefore likely to be small, focussing on selected provinces, and with a heavy emphasis on **institution building**.

5. A second reason for the high proportion of poorly performing projects is that some were designed before the country began to reform its economy and became inconsistent with the Government's new priorities. At a **Country Strategy and Implementation Review (CSIR)** held in Spring 1992,

possible adjustments in the portfolio, steps to improve the Ministry of the Economy's grasp of the managerial and technical deficiencies of sectoral agencies, and ways to improve Argentina's use of technical assistance were discussed. New T.A. guidelines call for greater use of firms as opposed to numerous individual consultants and stronger government responsibility and oversight. The objectives are to maintain quality and accountability for work products. Earlier, as part of a "cleaning up", five projects representing almost a quarter of the entire portfolio (in number of projects) were cancelled or restructured over the course of the year; the dollar value of cancellations exceeded that of disbursements. The BANADE (industrial finance), Bahía Blanca (port) and Housing projects were all cancelled, while SEGBA V (electric power) and Social Sector Management Technical Assistance Loan (SSMTAL) were reoriented.

6. SSMTAL succeeded in achieving some very ambitious policy goals and is making a more modest contribution to institutional reform. In retrospect, it was clearly excessively complex in its original design (with subprojects in nine subsecretariates and six ministries), but a mid-term evaluation refocused it on a smaller number of objectives. It might also have easily been ruled out at the outset as too risky, as it had been prepared at the request of a new government anxious to get a social agenda off the ground and was clearly vulnerable to shifting political forces. Approved in mid-1988, it was in fact dragging for several years due to political changes in the country coupled with weak capacity and high management turnover in social sector institutions. In FY92, however, the situation was reversed with the emergence of an administration firmly committed to making major reforms and to strong leadership from the Ministry of the Economy and creation of a powerful project coordinating unit.

7. The FY92 record demonstrated the utility of a **resident mission** well equipped to help oversee T.A. in the fast-paced, successful Argentine privatization process. It also reflected the importance of **concentrating government attention** on portfolio performance and showing that this is central in IBRD concerns. The success of the Tax Administration project illustrated the benefits of **tightly focussed technical assistance**. **Strong, sustained country direction** distinguished other successful projects as well and **project launch seminars** paid dividends in orienting executing agency staff to Bank procedures. The delays in tranche releases under adjustment lending were related to **conditionality related to legislative action**; in future we expect to restrict any such requirement to instances where it is unavoidable and, in such cases, consider requiring passage of needed legislation as a condition of negotiations. As Argentina makes the transition from adjustment to investment lending over the next several years, emphasis will be placed on **institutional development** in order to help consolidate the reform program.

## **Bolivia**

8. Several years of **sound macroeconomic management** in Bolivia paid off in 1991 with the first increase in real per capita GDP in nearly a decade. Substantial progress was also made in reforming banking and capital markets. The portfolio includes 20 projects financed by IDA credits totalling \$660 million. The largest sector is infrastructure, with seven projects and 41 percent of the dollar total. The agriculture, country operations, human resources, and trade, finance, industry and energy divisions also each have at least two projects with combined values of \$50 million or more. Most projects are doing reasonably well, but less so than in FY91. The average rating is 1.8, a sharp deterioration from last year's 1.4. There are two problem projects (compared to zero in FY91) which illustrate two of the **major challenges that remains on the reform agenda** in Bolivia. One is privatization of major productive enterprises—including the state-owned mining company, COMIBOL—the flagship of the economy. Slow progress in restructuring COMIBOL has forced



suspension of disbursements on the Mining Sector Rehabilitation Project. **Institutional weaknesses** show up in long lags between project approval and effectiveness, persistent difficulties with procurement, and the difficulty in staffing project agencies. Civil service salaries are too low to hold competent high-level staff, so consultants are hired into line positions with donor funds, and staff tend to follow donors' salary offers. Recruitment is often based on factors other than technical competence. The other problem project suffers from precisely this type of difficulty: the Integrated Health Project was doing well all through FY92, but was disrupted in July by the removal of the Director and more recently by the resignation of the Financial Director. The average supervision coefficient is high: 17 staff weeks.

9. Remedying *institutional weaknesses* will take time. It has begun with Bank support for civil service reform and financial accountability through the strengthening of the Controlaria. The Resident Mission has been reinforced. A CSIR is planned in late calendar 1992.

### Brazil

10. **Macroeconomic instability** and the generally weak institutional capacity of project agencies in Brazil created a difficult environment for project implementation during FY92. Inflation rose from less than 10 percent per month in June 1991 to over 21 percent in June 1992. Efforts to reduce public expenditures resulted in delayed and inadequate provision of counterpart funds for many projects, particularly those that depend heavily on the federal budget. The financial performance of the electric power companies was severely undermined by the failure of tariff increases to keep pace with inflation which, along with devaluation, also complicated procurement and contract administration.

11. Brazil accounts for about 20 percent of the Region's portfolio by number of projects (66 out of 332) and 28 percent by loan amount (\$9.5 billion out of \$34.5b). While it is smaller than it was two years ago (when it included 81 projects), it is still the Region's largest. All sectors are represented, with agriculture and environment first (31 projects and \$3.8b), followed by infrastructure (14, \$2.2b), human resources (10, \$1.2b), energy and industry (9, \$2.0b), and country operations (2, \$0.3b).

12. In spite of difficult country conditions, portfolio performance ratings improved considerably, reflecting the major portfolio restructuring of the past two years. The percentage of problem projects declined in FY92, from 39 to 24. The only project rated "4" was cancelled during the year. The drop in the percentage of problem projects was mostly due to the restructuring of the Northeast Rural Development Program (NRDP), comprising 10 projects. Largely unworkable credit schemes and top-heavy administrative arrangements were substantially reducing the number of beneficiaries of the program and limiting community-based activities. Agreement was reached on a new implementation strategy aimed at decreasing the role of the public sector, concentrating on the kinds of community-based development activities that have worked well in the past in Northeast Brazil and in other countries, and strengthening the capacity of municipalities to manage the development, operation and maintenance of infrastructure and social services in a participatory, community-managed and sustainable way. Project designs are being simplified and more accountability built in. The ten Northeast Governors and Federal authorities will shortly be visiting Mexico and El Salvador to review rural development strategies and programs in those countries before finalizing the detailed reformulation of the ongoing NRDP projects. The prospects for implementation have thus considerably improved and 10 NRDP projects were upgraded from "3" to "2". Four other agriculture projects were also upgraded from problem ratings, and only one deteriorated. There were also improvements in other sectors. The average portfolio rating was 2.1. The average supervision coefficient rose to 15.5 staff weeks, compared to 13.6 staff weeks in FY90.

13. **Counterpart funding and implementation capacity** were generally much stronger at the state and local levels. This was certainly the case among public utility projects, where the federally regulated electric companies were not allowed to even maintain real tariff levels while state water utilities and some urban development projects were in satisfactory financial condition. The Northeast Endemic Disease Control Project was downgraded to "3" primarily because field workers could not be hired due to a freeze on hiring civil servants, and the solution worked out to this problem involves contracting with the State of Bahia to recruit the necessary field staff.

14. Increases in railway tariffs, together with passenger service rationalization and increase traffic, helped to improve the financial position of the railways. Because of the failure to adjust power tariffs, one loan, which was approved but not signed, was withdrawn, a large portion of another loan cancelled, and the closing dates of other loans in the sector not extended. As of January 1993 there will be no active Bank loans for power in Brazil for the first time in 30 years.

15. Implementation responsibility for a number of projects was decentralized to local jurisdictions during FY92 and while this is generally a positive step, it is not without transitional costs. Procurement delays have become more frequent as local suppliers find it easier to challenge procurement actions taken in local jurisdictions than those of federal authorities who had implicitly accepted the precedence of Bank procurement guidelines over domestic legislation. Many projects have also been affected by delays in hiring consultants. When these difficulties became apparent, we carried out a Country Procurement Assessment and worked with Brazilian officials on possible solutions. Amendments to the relevant legislation are now under review by the Brazilian Congress and will resolve many of the current difficulties if passed as expected.

16. A close interplay between sector work and project work characterizes our management of the Brazil portfolio. For example, in the case of the Second Agricultural Extension Project, whose mid-term review is coming up in FY93, we expect to use recently completed sector work as the basis for discussions of the best use of public finance for extension. Similarly, the urban sector portfolio has been restructured following mid-term reviews and taking into account the lessons and recommendations of sector work. The reshaping of projects in the light of sector work can also cut across sectoral boundaries; it was found that upgrading science instruction in basic education may be a cost-efficient vehicle for delivery of agricultural extension advice to subsistence farmers because children are such effective change agents.



### Caribbean Countries

17. **Macroeconomic stabilization** and the fight against inflation in particular dominated economic policy making in **Jamaica** through FY92. Prices more than doubled in the twelve months to March 1992 (it has declined dramatically since then) and the government responded with strong fiscal measures that included restricting counterpart fund availability for Bank-financed projects. Project implementation in Jamaica has also suffered from **institutional deficiencies** resulting from years of poor compensation and working conditions in the public sector and shortages of technical and managerial skills. Public service salaries were cut by more than half in real terms during the FY92 stabilization program. Even where individual projects have strong management, deficiencies elsewhere in public administration often impede progress. These problems are being addressed under the Financial and Program Management Improvement Project. In light of this, in future, while the dialogue on sector policies will be broad, project design should be kept simple. The Jamaican cabinet is now considering a series of actions related to project implementation and external aid utilization in response to issues raised at the last CSIR held in November 1990.

18. A full CSIR is being planned for early 1993 in cooperation with the Planning Institute of Jamaica, the Ministry of Finance and key line ministries to ensure that (i) priority investment projects, including those financed by the Bank, receive adequate counterpart funds on a timely basis and (ii) specific implementation issues are resolved and monitorable action plans agreed. Project descriptions and cost-sharing arrangements will be altered as appropriate, and loans cancelled where necessary. Early consideration will be given to establishment of a resident office in Jamaica.

19. No missions visited **Haiti** since the *coup d'etat* of September 1991—although some supervision work has been done by telephone and through the mail. All disbursements remain suspended since November 1991.

20. Economic management in the **Dominican Republic** is limited by a fiscal system overly reliant on import and petroleum taxes. Public investment in infrastructure and the social sectors is low and most institutional structures are weak. Of the six projects in the portfolio, two are rated as problems. The rating of Power I was raised from "4" to "3" reflecting improvements due mainly to technical assistance financed by the IDB, but the power company's failure to comply with financial covenants has kept the project in problem status. The other problem project, Sugar Rehabilitation, was closed in June 1991.

21. **Guyana** is turning around economically with growth rates of 5-6 percent in 1991 and 1992 following three years of decline. Sustaining this growth will, however, require overcoming the constraints imposed by **dilapidated infrastructure and a severe shortage of professional, technical and managerial personnel**. Counterpart funds constraints have been avoided for the most part by financing a high proportion of project costs with IDA funds. To address the shortage of management personnel, there is greater reliance on technical assistance in the short term, while a variety of institutional improvements are being pursued to provide a more effective long-term solution.

22. A wide-ranging **structural adjustment program** in **Trinidad and Tobago** includes restructuring and divestiture of major state enterprises, efficiency improvements in public utilities, strengthening the management of public sector investments, liberalizing trade and improving investment incentives, and strengthening social sector policies. This program is well underway with the support of both a SAL and a Public Sector Management Technical Assistance Loan.



23. **Projects in Belize and other Caribbean countries—Barbados and OECS—**are generally implemented smoothly: exceptions are a power project in Dominica which has had cost overruns due to unforeseen soil engineering problems, and a structural adjustment credit in the same country whose third tranche was cancelled (in FY93) after government decided not to comply with conditions that would have limited increases in minimum wages and civil service pay.

### Central America

24. In FY90, all six Central American countries were in non-accrual status for at least part of the year. By now, lending has resumed in all countries. Despite the recent improvements, however, **weak institutions and fragile economies** still pose major challenges in Central America. The six countries' portfolios include 27 projects financed by \$1.25 billion in loans/credits.

25. **The reform process in Honduras** has progressed from the macroeconomic to the sectoral level. Performance has been strong and in some instances exceeds Bank/IMF targets. The common theme in sectoral reform programs is the scaling back of direct state intervention and creation of more room for private sector initiatives. In the energy sector, the electricity company is being restructured, tariff policies are being reformed, and the petroleum market deregulated. Land tenure, forest management, credit, and parastatal enterprises are being reformed in the agricultural sector. Intensive dialogue in the transport sector led to agreement on significant policy reforms, institutional action plans and a multi-year sector investment plan. Discussion of social sectors has focussed on restructuring public expenditures and increasing institutional efficiency so that primary education, basic health, and nutritional assistance programs are adequately funded.

26. **Sound economic management** has had a directly salutary effect on the portfolio: electricity, water, and telecommunications tariffs were all raised and user fees increased. At the 1991 CSIR, it was agreed to restructure two projects (Third Industrial Credit and Rural Primary Education) to bring the projects in line with current Government priorities and respond to changed circumstances following reactivation of the Honduran portfolio.

27. **Guatemala** cleared its arrears in December 1992. The main challenges are now: (i) timely implementation of a comprehensive **structural adjustment program**; (ii) defining the scope of and designing an intensified **poverty alleviation effort** and the appropriate role of the Bank in it; and (iii) reactivation and **restructuring of the loan portfolio** which went into suspension when the country fell into non-accrual status in July 1990. Three projects were closed in FY92 and several others are expected to be cancelled partially or fully.

28. **Structural adjustment** dominated the dialogue with **Costa Rica** during FY92. Government was able to stabilize the economy and reduce the country's fiscal and external imbalances which in turn permitted full disbursement of SAL II. None of the five projects in the portfolio are classified as problems, but we plan to intensify supervision in FY93 to jump start the two new projects and to conduct a CSIR. The most important implementation problems were the inadequate availability of **counterpart funds**—related to fiscal austerity—and lengthy procedures for legislative ratification of loan agreements and for procurement. A **country procurement assessment** was completed and its recommendations discussed with Government. Persistent efforts on audit requirements and late payments paid off with sustained good performance in these areas. Two projects were **restructured** to provide urgently needed assistance following a severe earthquake.



29. **Macroeconomic management** and performance of **El Salvador** continue to be generally sound. Standardized bidding documents and use of UNDP as procurement agent led to good **procurement** performance in the Social Sector Rehabilitation Project. Frequent supervision and electronic communication have also aided in implementation of the other projects in the small Bank portfolio in El Salvador.

30. Lending to **Panama** resumed in FY92 after a five year hiatus with an Economic Recovery Loan (ERL). A volatile political situation is now jeopardizing consensus on further reform and the implementation dialogue is focussed on compliance with second tranche conditions of the ERL.

31. Assistance to **Nicaragua** focusses on restarting sustained economic growth and a few signs of an economic recovery have emerged. This will require broader and deeper reforms than Government has as yet been prepared and able to implement; the **institutional capacity** for policy formulation and implementation is a severe constraint. A **Resident Mission** has been established to help address this issue.

32. A number of bilateral and other multilateral donors are active in Central America, and **aid coordination** is an important part of our work there. Active consultative Groups have been established for all Central American countries.

33. **Consensus-building** is another important dimension of our portfolio management in Central America. At the request of Government, we have maintained close contacts with representatives of the main opposition parties in two countries. In Guatemala, we presented a seminar to the Guatemalan Congress on the role of the Bank in development with a view to improving their understanding of Bank-supported adjustment programs. The Resident Mission in Nicaragua helps Government build a consensus and strengthen capacity for much-needed economic reforms.

## Chile

34. Chile has essentially completed its **macroeconomic adjustment**. We have maintained a productive dialogue on macroeconomic and sectoral issues as they arise. Recent ESW has, for example, contributed to the definition of decentralization policy and helped Government obtain an investment grade rating for its bonds. As one result, the second tranche of the Financial Markets loans was cancelled *by Government* after it found that the \$40 million was no longer needed. Project objectives are still expected to be met.

35. Only one of 17 projects is rated as a problem: Housing II, primarily because of the poor collection performance of the public housing credit agencies. The two Industrial Finance loans, on the other hand, are considered model performance as a result of sound second-tier institutions with exceptionally good management and well-selected, competent retail banks. Execution of infrastructure projects is also good.

36. The Chilean **civil service** is staffed with generally well-qualified people and most **public institutions** are well managed. One result is that the average **supervision coefficient** was only 8.5 staff weeks. In the future, however, supervision costs are likely to rise as lending moves into new areas such as Environmental Institutions and Municipal Development that involve newly created agencies and more complex institutional structures.

## Colombia

37. Colombia's **structural adjustment program** continued in FY92 with a sweeping trade reform implemented two-and-a-half years ahead of schedule and measures designed to promote private involvement in ports, railways, and utilities. Supply response to these reforms has, however, been hesitant. Severe shortages and rationing of electricity, and an increase in guerilla violence have created a climate of uncertainty and inhibited investment. We may in fact be forced to stop field supervision of projects in some areas of the country if the security situation continues to deteriorate.

38. The **disbursement rate** fell to a new low—21 percent of opening undisbursed balances—in FY92, and macroeconomic conditions are among the reasons. Tight fiscal policies imposed to help reduce inflation affected **counterpart funding** and implementation of several projects. The balance of payments, on the other hand, was strong; Colombia prepaid \$230 million of its debt to the Bank in June 1992. Private capital inflows and low demand from investors slowed disbursements on two industrial bank loans.

39. With 27 projects and a total loan amount of \$2.7 billion, the Colombia portfolio is the Region's third largest. Eight projects (30 percent) are rated as problems, the same number as in FY91. The Region has moved aggressively to restructure the portfolio. Two of these projects were closed in FY92, and most of the undisbursed balance of a third (Bogota Power Distribution) was cancelled, leaving only amounts earmarked for technical assistance and a loss reduction program aimed at improving the borrower's financial performance. **Disbursements** were suspended under two problem irrigation projects to water districts which were out of compliance with cost recovery covenants.

40. **Institutional weaknesses** constrain implementation of projects in Colombia. It has taken an average of 294 days to get the last ten loans effective from the date of Board approval. Staff turnover in project agencies is high, particularly in the municipalities. With some exceptions, **financial management is weak** and this is reflected in a pattern of poor cost recovery and unsatisfactory audits. The most serious cases are with central government ministries and investment funds for the health, education and highways sectors; exceptions include the central bank and some revenue-earning agencies. High priority is being given to preparation of a T.A. loan to help introduce modern financial management systems and practices in key sectoral ministries and agencies and in local governments, while internally we have readjusted staffing patterns to increase the attention paid to financial analysis in appraisal and supervision missions. We declined to extend the closing date of the Ports Rehabilitation Project when serious financial accountability issues remained unaddressed.

41. Major institutional remapping is underway in Colombia as government redefines its role in the economy and begins to implement changes mandated by the new constitution. Decentralization has affected projects in the irrigation and health sectors, where responsibilities are being transferred from central to regional agencies. The Health Services Integration Project—not designed for a decentralized sector—was partially cancelled in FY92 with remaining funds used to prepare a municipal health project. HIMAT, the (central) implementing agency for the Small-Scale Irrigation Project, is still committed to carrying out the project, but has not been able to translate this commitment into action.

42. A **CSIR** provided an opportunity to discuss major project and systemic issues with Government and to stress the link between new lending and implementation of existing projects. A study to identify underlying sources of these problems has been agreed. We postponed consideration of an irrigation project requested by Government, making clear that future lending in the sector will depend



on resolution of the existing cost recovery and institutional problems. A proposed agricultural credit project has been reformulated in light of problems with the *Caja Agraria* Loan (rated "3"). The existing loan finances only T.A. and cannot by itself tackle the issue of restructuring the agency. Under an agreement which includes a corporate plan with performance targets and indicators, changes in management, cost reduction through closure of branches and staff reduction, and improved loan collection, the new loan will finance restructuring of the *Caja* and the T.A. loan will provide useful support. Work on two proposed projects—one of them past appraisal—has been suspended pending fulfillment of key conditions. New lending in power awaits improved financial management. New commitments to the country are expected to be relatively low because of implementation problems.

## Ecuador

43. FY92 was the last year of a four-year Presidential term in Ecuador, and **economic management** was marked by the deterioration of fiscal and external account balances that are all too typical of pre-electoral periods in some countries.

44. The Ecuador portfolio includes 15 projects, with four or five each in three sectors: agriculture, infrastructure, and trade and finance. Their average rating improved in FY92 to 1.9 from last year's 2.1. Three (20 percent) are rated as **problems**, and disbursements were suspended on two of them during FY92 after all other avenues to bring about compliance with agreements had failed. Suspension of the Housing and Telecommunications loans gave both projects prominent places on the agenda of the incoming Government. The new housing minister agreed to gradually restructure the national housing bank and moved quickly to comply with all other covenants. Government is now also considering privatizing the telephone company.

45. **Counterpart funds** availability and/or project management were cited as problem areas for six projects. The generally weak **administrative capacity of public sector institutions** in Ecuador continues to be a serious problem. To help keep projects moving, we have hired a local consultant for implementation follow-up from the **Facilitating Office** in Quito.

46. Because of the electoral cycle, no CSIRs were held in FY92, but one was held in May 1991 and substantive policy, programming, and project implementation issues were discussed at high levels on several occasions in the Fall of 1992. On the project level, a special effort is being devoted to Project Launch Workshops for new operations.

## Mexico

47. Mexico's **deep and comprehensive adjustment program** has been very successful and has been largely responsible for the good project performance of the last few years. Real GDP growth has been restored—although there are indications that it has slowed in the second half of 1992—and inflation is down. Confidence in the permanence of Mexico's reforms and its continued economic strength has allowed it to borrow internationally in US dollars at fixed rates as low as 8.5 percent for periods as long as ten years. Public utility cost recovery targets have been met. Interest rates for subloans under the Export Sector Loan are now market-determined.

48. With 46 projects, Mexico has the region's second largest portfolio. Eight are structural or sectoral adjustment operations, 13 infrastructure, 10 are agricultural investment loans, 8 industry and industrial development finance, 6 human resources, and 1 technical assistance. Thirty-nine percent of



opening balances was disbursed and for the third straight year, the average project rating stood at 1.7, while no project was rated worse than "3".

49. The Mexico portfolio is not problem-free, however. The number of problem projects has risen from three to five. Three of them are agriculture projects. Poor **project management** is the major problem for two projects and a shortage of **counterpart funds** affects a third, while agricultural pricing issues and the financial difficulties of the national railways remain to be resolved in the others. While these problems are being addressed and in some cases marked improvements have already been seen, there are reasons to continue following the portfolio closely:

- The same tight fiscal policy which has been an important part of the fight against inflation has also made it difficult for Government to provide **counterpart funds** for Bank-supported projects. To help resolve this dilemma, **Government is currently reviewing the portfolio** with a view to full or partial cancellation of selected lower priority projects. Reductions in the existing portfolio and lower levels of new lending will tend to bring down the Bank's exposure in Mexico (currently 11.9 percent).
- Mexico's borrowing priorities have shifted as privatization of infrastructure services and renewed access to international capital markets have reduced the need for Bank financing of infrastructure development. Support for agricultural adjustment related to the North American Free Trade Agreement (NAFTA) is expected to become a priority area for Bank borrowing, and social sector and environmental projects are taking an increasing share of the portfolio. **Institutional capacity** is often weak and supervision requirements correspondingly high, especially in these sectors.

50. Supervision of the portfolio is intensive and aimed at helping to develop institutions that will be able to minimize future problems and do well at dealing with problems that arise. The average **supervision coefficient** was 16.3 staff-weeks in FY92, up sharply from FY91's 13.3. **CSIRs are held twice per year**. By integrating discussion of policy issues, economic and sector work, institutional issues and lending strategy and implementation problems, the CSIRs have supported a productive dialog across the spectrum with results that have been beneficial not only for the design and implementation of Bank-financed projects but also for exchanging views on macroeconomic and sector management in Mexico more generally. Highlighting the FY92 meetings were special discussions of (i) a program to adjust to changes in the agriculture sector which would be brought about by NAFTA, (ii) the findings of a major joint Bank/Government supervision mission that had visited the four poor southern states which are the beneficiaries of three new projects (Basic Health, Primary Education, and Regional Decentralization and Development) and, (iii) a Bank agricultural sector strategy paper. We continued to stress **institutional development** in FY92 projects, particularly in the social sectors. Project initiation workshops, special procurement and disbursement missions, and a heavy investment of supervision resources have been used to assist in developing the institutional framework for the three new projects. An effort has been initiated to build up the capacity of the principal Mexican borrowing and executing agencies, focussing particularly on the ability of NAFIN and BANOBRAS to apply Bank procurement procedures. The Resident Mission is also being strengthened to assume broader supervision responsibilities.

## Peru

51. Substantial progress has been achieved under the economic **stabilization and structural reform program** launched in mid-1990. Monthly inflation, running at 63 percent in July 1990, has averaged around 3 percent thus far in 1992. Peru's trade regime is now one of the most open in Latin America and foreign investment policies have been liberalized. Many publicly-owned enterprises have



lost monopoly privileges and Government has laid the legal and institutional base for a sweeping program of privatization. Flexibility has been built into previously very rigid labor laws, land markets have been liberalized, and major reforms have been made in the financial sector. Real GDP growth in 1992 is estimated at about 2.4 percent.

52. In spite of these gains, economic management remains severely constrained and GDP is projected to decline about 3.0 percent in 1993. Rehabilitation of **physical infrastructure**, rebuilding **institutional capacity**, and targeted social programs aimed at poverty alleviation will be limited by tight **fiscal constraints**.

53. The portfolio includes five projects from the early- and mid-1980s, all of them closed before or during FY92. Three adjustment operations were approved in FY92 (Trade Reform, SAL, and Financial Sector Reform). Disbursements will follow arrears clearance likely to occur towards December 1992/January 1993. The conditions of the adjustment programs are being adhered to.

### Uruguay

54. The short-term macroeconomic agenda in Uruguay in FY92 was dominated by efforts to contain inflation, and to reduce the public sector deficit. Over the medium term, the goals are to further open the economy, raise investment and productivity, and reduce the role of the state. Tight fiscal and monetary policies trimmed the public sector deficit to nearly zero. Progress was also made as tariffs were reduced and steps were taken toward privatization of some major state enterprises and financial sector reform. In view of these developments, the second and third macropolicy tranches of SAL II were released in October and November 1991. No political consensus could be reached on social security reform, however, and by the end of the fiscal year the opposition had forced a referendum on some aspects of the privatization program.

55. The Uruguay portfolio includes 17 projects, of which five are in infrastructure and four are linked to the macroeconomic agenda (two T.A. projects, SAL II, and a Debt Relief Loan). The average rating is 1.7 (improved from 1.9 last year). There were no problem projects.

56. Investment projects were adversely affected by cuts in Government spending and, in several cases, by organizational changes and a shift in the priorities of a public-sector borrower as a result of privatization of some of its prior functions. Several projects were **restructured** as a result. Nonetheless, basic problems persist. Low civil service salaries and **institutional weakness** in the state enterprises continue to cause difficulties. Qualified staff are frequently available only on a part-time basis. A comprehensive **CSIR** carried out in the Spring of 1992 established a regular reporting process that enables the Office of Planning and Budget to monitor progress on development projects.

### Venezuela

57. The pace of Venezuela's economic reform program, begun in 1989, slowed significantly in FY92. Considerable progress had already been made with reforms in virtually every sector of the economy and the program had begun to pay off with GDP growth of 5.3 percent in 1990, 10.4 percent in 1991 and 8.8 percent in the first half of 1992. This progress has not yet been enough, however, to reverse the decline in living standards that much of the population had experienced since the early 1980s. Resistance to any further austerity measures whose immediate effects would be widely felt has become quick and effective. Prices of gasoline, electricity, and fertilizer were frozen in the wake of the attempted

coup of February 1992, although the structural components of the reform program were left largely intact. (Electricity and fertilizer prices were increased later in calendar 1992, but gasoline prices remain frozen.)

58. The Venezuela portfolio consists of nine projects with aggregate loan amounts of \$1.9 billion. Of this, \$1.4b is in four adjustment loans (SAL, Trade Policy, Financial Sector Adjustment, and Public Enterprise Reform).

59. *Disbursements* reflected the slowing of the economic reform program noted above. The Trade Policy Loan, approved in June 1989, was essentially completely disbursed by end FY92 while release of the third tranches of the Public Enterprise Reform and Financial Sector Adjustment Loans (approved in June 1990) was delayed in both cases. The Public Enterprise Reform project is the only project rated as a problem; it is stalled primarily over energy pricing issues. These issues have also held up development of a proposed new lending operation in the power sector.

## II. Sector Portfolio Review: Human Resources

60. This year the CDs were asked to include a review of the Region's Human Resources portfolios as it includes 50 projects in 23 countries and is both growing rapidly and innovative in nature. The HR portfolio is marginally younger and healthier than the portfolio as a whole, but supervision effort was significantly higher: 15.0 staff weeks per project on average versus 12.6. The report reviews experience in education, health and nutrition, and social investment fund projects. There are many noteworthy projects with innovative components targeted to women, children and the poor.

61. *Procurement* issues seem to take a disproportionate amount of task managers' time in the HR sectors and to delay the implementation of many projects. Part of the problem is the general weakness of the institutions involved and their lack of familiarity with the Bank and its requirements. At the same time, however, not all HR task managers are conversant with the Bank's procurement guidelines.

62. The keys to success in HR projects as identified are:

- *Strong Government Support.* This seems to clearly exist in most countries, accounting for reasonable implementation in spite of serious institutional weaknesses. Loan covenants (in HR projects and/or SALs) can and should provide some protection for counterpart funds availability, but is no substitute for government commitment.
- *Good Preparation by a Strong Counterpart Team.* Project design should include specification of parameters and techniques for measuring and evaluating outcomes; clarity of objectives and expected results at the beginning can help keep implementation on track and make supervision more focussed.
- *Intensive Supervision.* Only by following projects closely and in some detail can we expect to identify and intervene in small problems before they become serious and to keep borrowers' attention focussed on project implementation.



- **Facing Up to Institutional Weaknesses.** Human resource institutions are generally among the weakest, and staff turnover is high. While decentralization is expected eventually to have a generally positive effect on both funding and institutional capacity, the transition phase is complicating matters in some cases. An appropriate balance must be struck between keeping projects simple to facilitate implementation by weak institutions and pursuing efforts to strengthen institutional capacities in the sector. The policy dialogue in these sectors should be broad, but the design of operations must be kept simple and limited to few key objectives and institutions.

### III. Summary and Conclusions

#### A. Overall Portfolio Status

63. The LAC Region's FY92 portfolio performance was better than that of FY91. "Problem projects" (those with an overall rating of "3" or "4") declined from 22.7% to 19.9%. The average rating remained virtually unchanged, improving from 1.98 to 1.97. These gains were the result of much more substantial changes for individual countries. Significant improvements in the percentage of problem projects in Argentina and Brazil were partially offset by deteriorations in Bolivia and Haiti. As a result of pro-active portfolio management, 78% of the projects that entered FY92 as "problems" (but excluding those already closed) were effectively dealt with, compared with the 54% resolution rate for FY91. In many cases the basis for the "problem" rating was dealt with and the project upgraded. In the rest, either disbursements were held to a minimal amount or the loan/credit was closed.

#### B. Net Disbursements

64. With disbursements of \$3.9 billion and repayments of principal and interest of \$7.2b, net transfers were negative at \$3.3b.<sup>1</sup> New lending amounting to \$5.7b was approved by the Board, which after the disbursements of \$3.9b and cancellations of \$0.6b, raised the total undisbursed balance on outstanding loans and credits from \$15.2b to \$16.3b.

Economic Management and Portfolio Performance		
<i>Government Commitment to Reform</i>		<i>Proportion of Projects Rated "3" or "4"</i>
<u>1987-88</u>	<u>1991-92</u>	
Good	Good	9%
Moderate	Good	22%
Absent	Good	21%
(All)	Good	16%
Good	Moderate	50%
Moderate	Moderate	19%
Absent	Moderate	29%
(All)	Moderate	23%
Absent	Absent	64%
<b>Total</b>		<b>20%</b>

1. Bank and IDA

### C. Links with Adjustment

65. There is a correlation between the strength of a government's commitment to a macro-economic stabilization and adjustment program and the performance of individual projects. The correlation increases with the depth of the adjustment. Thus, the combined portfolios of countries with sustained reform programs (including Chile, Mexico and Bolivia) has less than half the proportion of problem projects as that of the region as a whole. The portfolio in countries that have more recently undertaken successful reform —such as Argentina, Colombia, Guyana and Jamaica— has a substantially higher percentage of problem projects than the first group. Colombia is a special case. It is implementing sound economic policies but has a large percentage (30) of problem projects because of counterpart funding problems, and, most importantly, institutional weaknesses affecting its ability to carry out sectoral reforms and implement investment projects. Where attitudes toward reform are ambivalent—including Brazil— there is a much higher percentage of problem projects. The proportion of problem projects is almost ten times higher for the least committed group of countries—which includes Haiti (where most projects were rated "3" when disbursements were suspended in November 1991) Grenada, and the Bahamas— than for those with the most sustained commitment to reform. Brazil, Colombia and Haiti, which have about a third of the Regional portfolio in number of projects, account for half the Region's problem projects. Clearly, macroeconomic adjustment helps improve implementation. However, it is the depth of adjustment down to the institutional level that is key to sector and project implementation performance.

### D. Regional Supervision Practices

#### Quality at Entry

66. In the LAC Region, sector policy and institutional reform have become routine features in investment lending. Policy and institutional prerequisites are sought up front before Board presentation. Since April 1991, all projects require systematic integration of lessons learned from past experience from OED reports at the project identification (IEPS) stage for review by the Country Director. Risk analysis is being improved with the development of impact indicators related to project objectives.

Table 7.3

### The Arithmetic of Problem Project Resolution Rates

	FY	FY
	91	92
Total problems <sup>1</sup> , o/w:	77	66
Closed earlier <sup>2</sup>	13	9
Open at start	64*	57
Inherited <sup>3</sup> , o/w:	52	58
Upgraded	12	25
Closed	5	5
Passed on, o/w	35	28
Disbursing <sup>4</sup>	24	13
Non-disbursing <sup>5</sup>	11	15
<b>Resolution Rate</b> <b>(percent) <sup>6</sup></b>	<b>54</b>	<b>78</b>
New problems <sup>7</sup> , o/w:	24	24
Passed on	23	20
Closed	1	4

<sup>1</sup> Rated "3" or "4" in ARIS/ARPP exercise, i.e., at the end of the FY.

<sup>2</sup> Closed before start of FY but included in ARIS/ARPP portfolio because a balance in excess of \$100,000 remained uncanceled.

<sup>3</sup> Operations rated "3" or "4" in previous year's exercise and not closed as of start of FY.

<sup>4</sup> Disbursed at least \$1 M during FY

<sup>5</sup> Disbursed less than \$1 M during FY

<sup>6</sup> Percentage of "inherited" problem projects which were either upgraded or closed during the FY or on which disbursements were no more than \$1 M.

<sup>7</sup> Projects rated "3" or "4" which had not been rated as problems in the previous year's ARIS.

\* Reconciliation: 52 inherited problems minus 12 upgraded plus 24 new problems equals 64 total



## **Borrower Commitment and Ownership**

67. Upstream involvement of borrowers and beneficiaries in sector work leading to sector strategies and in identification and preparation of projects has increased in all CDs. Notable examples are in the Brazil-Human Resources and Mexico-Agriculture sectors. Beneficiary involvement in project design is also being systematically increased, examples being the prominent Ecuador-Rural Development, Honduras-Social Fund (FHIS), and Mexico-Decentralization Projects. While the overall elapsed times were lengthened in these cases, the projects are seen as borrower-driven.

## **Implementation, Country Strategy and New Lending**

68. *Mid-term reviews* became a standard feature in new lending since 1990 to provide an occasion to revisit with borrowers progress towards the objectives and the need for restructuring. There is increasing use of project launch seminars, **training of borrower staff** in procurement and disbursement procedures and standard bidding documents.

69. Annual *Country Strategy and Implementation Reviews (CSIRs)* have become a regular feature in most countries. They now integrate the discussion of implementation issues with the lending and ESW programs and country strategies. This makes clear that implementation is an important part of the overall Bank-Government relationship besides providing quick feedback from experience with ongoing projects to the design of new ones. In countries and sectors with major unresolved implementation problems, no new commitments are made (e.g., Argentina-Housing; Brazil-Power; Ecuador-Credit; Colombia-Irrigation, Power, Water and Sewerage). In addition, in Colombia, a creditworthy country with many opportunities for Bank lending, new commitments are being held at relatively low levels, because of implementation constraints. The RVP review discussions indicated that **simplifying project design** is where staff find most difficulty, because of perceived pressure to meet many objectives.

## **Country Portfolio Restructuring**

70. Pro-active use is made of mechanisms for **restructuring and reformulating operations** that are not performing adequately and suspending and cancelling loans when that is not feasible, not only in adjusting countries. CSIRs have triggered **major country portfolio overhauls** in Argentina, Brazil and Colombia in the last two years. Portfolios in Panama, Peru and Guatemala have also been restructured in preparation for "re-entry" of these countries.

## **Internal Environment**

71. The specifics vary by department, but following the April 1992 LAC report on Quality, in all cases systems have been strengthened to ensure that departmental managers are kept abreast of portfolio status and major problems. Besides the use of the Lending Operations Database (LOD) which is in existence in LAC since 1990, among the procedures used are: (i) maintenance of a computerized database at departmental level showing the status of all project covenants; (ii) preparation by the Project Advisor of periodic analyses of supervision issues and recommendations for decision by the Country Director; (iii) regular reviews by the Country Director of the performance of all projects rated "3" and "4", along with briefings before missions depart to supervise these projects; (iv) standardized attachments to supervision reports covering SOEs, audits and procurement status; and (v) periodic preparation of summary tables showing audit status by project. Discussion of sectoral implementation issues by SOD chiefs in meetings organized by the TD has also proven useful in identifying issues and problems that are characteristic of sectors more than of countries.

72. Supervision took priority over preparation of new lending in the allocation of staff time and other resources in the FY93 Business Plan and will do so in FY94. Supervision effort in staff weeks per project rose in FY92 to 13.0, representing an increase of 30 percent over three years. Frequent field visits by regional procurement, disbursement and audit specialists have also proven useful. More supervision responsibilities are being delegated to resident missions, which are being strengthened with local staff. Semi-annual training for new Task Managers begun in December 1991 in the Region includes a module on supervision issues. Some managers have given top merit awards in May 1992 to staff that had done exemplary supervision. As LAC is the "pilot" region for the Enterprise Network, the use of information technology will be further enhanced. In the new LACTD, positions of Project Economic and Financial Specialists have been created in the Senior Operations Adviser's Unit to upgrade economic, inter alia risk/sensitivity, analyses. Coordination and sharing of supervision effort with other donors active in the same sectors and countries is being pursued to help reduce supervision costs, with IDB, in particular, as the largest donor in the Region.



**ANNEX I**

**SECTORAL ANNEX**

# ANNEX I

## SECTORAL ANNEX

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# ANNEX I

## SECTORAL ANNEX<sup>1</sup>

### I. Overall Trends, FY90-FY92

#### A. Sector Composition of the Bank Portfolio

1. The Bank's operations portfolio in FY92 consisted of 1,852 projects, a net increase of 7 projects from FY91 (Table 1). This increase was the net result of: (a) increases from FY91-92 in the number of projects mainly in urban development; education; population, health and nutrition; technical assistance; public sector management; and structural adjustment; and (b) declines from FY91-92 in the number of projects under supervision mainly in agriculture; transport; industry, trade and finance (ITF); industry; and oil and gas.

2. As noted in Chapter I (para. 6), agriculture remained the dominant sector in the FY92 portfolio (27 percent of the total number of projects and 21 percent of lending commitments) but its portfolio share continued to decline in FY92. Meanwhile, the share of the human resources sector increased from less than 13 percent in FY90 to about 16 percent in FY92 in the total number of projects, and from 9 percent to 10 percent in total commitments (Annex II, Table 7).

TABLE 1. DISTRIBUTION OF PORTFOLIO BY SECTOR

Sector	FY90		FY91		FY92	
	No. of Proj.	Commitments US\$bn	No. of Proj.	Commitments US\$bn	No. of Proj.	Commitments US\$bn
	Agriculture	559	30.2	513	30.3	501
Transport	226	17.9	208	16.6	200	16.4
Urban	110	7.9	115	8.1	125	8.6
Tourism	3	0.1	0	0.0	0	0.0
Water and Sewerage	109	6.2	97	6.5	96	7.0
ITF	162	16.5	158	17.5	150	17.1
Industry	65	5.7	66	6.1	60	6.1
Telecommunications	32	1.7	34	2.0	32	2.3
Power	159	21.7	154	21.3	155	22.0
Oil and Gas	61	4.3	57	5.3	53	5.4
Education	164	7.1	170	8.6	179	9.7
Pop. Health & Nutrition	78	2.9	98	4.3	114	5.2
Technical Assistance	92	1.0	94	1.1	100	1.2
Public Sector Mgt	10	1.3	13	1.9	16	2.5
Program Lending/SAL	60	8.7	68	8.2	71	9.1
<b>Total</b>	<b>1,890</b>	<b>132.9</b>	<b>1,845</b>	<b>138.0</b>	<b>1,852</b>	<b>142.1</b>

Note: Columns may not add up to totals because of rounding.

<sup>1</sup> This annex is based on the FY92 annual sector reviews of the ex-OSP Departments and the various Regional portfolio reports that were prepared as part of the FY92 portfolio review process. These reports include portfolio sector reviews prepared by Regional Technical Departments; country portfolio reviews prepared by Country Departments; and Regional portfolio reviews which are summarized in Chapters II-VII of the ARPP. This annex also draws on recent Bank and OED reports which are identified in the text. The statistical tables in this annex (except Table 28) are based on Form 590 and other data from the MIS Portfolio Module.



## B. Trends in Portfolio Performance

3. The performance ratings in FY92 for the overall portfolio and for most sectors remained virtually the same as those of FY91 (Table 2). FY92 performance ratings for all sectors were clustered within the 1.8-2.1 range. However, these average ratings can be somewhat misleading for judging the true situation of the Bank portfolio and for identifying and assessing prevailing trends.

4. A better indicator of performance in this case is the percentage of problem projects in the sector portfolios. As shown in Table 2, problem projects declined from 20 percent of the total number of projects in FY91 to 18 percent in FY92. This decline was the net result of (a) decreases in the percentage of problem projects in agriculture; transport; telecommunications; power; education; and technical assistance; and (b) increases in the percentage of problem projects in water and sewerage; industry; oil and gas; population, health and nutrition; public sector management; and program lending/SAL.

5. While the small decline in FY92 in the percentage of problem projects is encouraging, it is too early to reach any conclusions on whether it is the beginning of a sustained improvement in the health of the Bank portfolio. The increased complexity of Bank operations, and the other portfolio performance issues raised in the recent report of the Portfolio Management Task Force (PMTF), indicate clearly the need for long-term comprehensive efforts, by both borrowers and the Bank, to achieve permanent improvements in the portfolio.

TABLE 2. PORTFOLIO PERFORMANCE BY SECTOR

<i>Sector</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Agriculture	2.1	2.1	2.1	23	26	22
Transport	1.8	1.9	1.9	14	16	15
Urban	1.8	1.9	1.9	13	17	17
Tourism	2.0	—	—	33	—	—
Water and Sewerage	1.8	2.0	2.1	17	23	26
ITF	1.9	1.8	1.8	18	18	18
Industry	1.8	1.9	2.0	13	17	18
Telecommunications	1.7	1.9	1.8	9	18	13
Power	1.9	2.0	1.9	18	22	21
Oil and Gas	1.7	1.8	1.9	10	11	17
Education	1.8	1.9	1.9	13	17	13
Pop. Health & Nutrition	1.8	1.9	2.0	14	13	19
Technical Assistance	2.0	2.1	2.0	15	27	16
Public Sector Mgt	1.4	1.6	1.8	10	16	19
Program Lending/SAL	1.7	1.8	1.8	7	11	15
<b>Total</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>	<b>17</b>	<b>20</b>	<b>18</b>

### C. Problem Projects by Sector

6. The sector distribution of problem projects in FY92 is shown in Table 3. Of the 339 problem projects in FY92, 286 projects (over 84 percent of the total) were in eight sectors. Agriculture, power and water and sewerage had disproportionately high shares of problem projects (relative to their respective shares in the Bank's portfolio).

TABLE 3. SECTOR DISTRIBUTION OF PROBLEM PROJECTS, FY92

<i>Sector</i>	<i>Problem Projects</i>				<i>Bank Operations Portfolio</i>			
			<i>Lend</i>				<i>Lend</i>	
	<i>No.</i>	<i>% Dist.</i>	<i>(US\$bn)</i>	<i>% Dist.</i>	<i>No.</i>	<i>% Dist.</i>	<i>(US\$bn)</i>	<i>% Dist.</i>
Agriculture	112	33.0	5.4	25.4	501	27.1	29.6	20.8
Power	32	9.4	4.2	19.7	155	8.4	22.0	15.5
Transport	29	8.6	2.3	10.8	200	10.8	16.4	11.5
Water and Sewerage	25	7.4	1.5	7.0	96	5.2	7.0	4.9
Education	25	7.4	0.7	3.3	179	9.7	9.7	6.8
PHN	21	6.2	0.9	4.2	114	6.2	5.2	3.7
Urban	21	6.2	1.6	7.5	125	6.7	8.6	6.1
ITF	21	6.2	1.6	7.5	150	8.1	17.1	12.0
<b>Subtotal</b>	<b>286</b>	<b>84.4</b>	<b>18.2</b>	<b>85.4</b>	<b>1,520</b>	<b>82.1</b>	<b>115.6</b>	<b>81.3</b>
Other Sectors	53	15.6	3.1	14.6	332	17.9	26.6	18.7
<b>Total</b>	<b>339</b>	<b>100.0</b>	<b>21.3</b>	<b>100.0</b>	<b>1,852</b>	<b>100.0</b>	<b>142.1</b>	<b>100.0</b>

*Note:* Columns may not add up to totals because of rounding.

7. The performance indicators summarized in Table 2 show a more positive overall picture than do project completion reports evaluated by OED. As shown in Table 4, while the FY92 percentage of problem projects in the Bank's active portfolio was 18 percent for the total and 24 percent for projects in their fourth and fifth year of implementation, 37 percent of the cohort of completed projects reviewed in the 1991 OED Annual Review of Evaluation Results had an unsatisfactory rating. With the exception of the urban, water and sewerage, oil and gas, technical assistance and program lending/SAL portfolios, the percentages of problem projects in the fourth and fifth year of implementation for the other sectors were substantially lower than the respective percentages of unsatisfactory projects at completion. However, as noted in Chapter I (para. 16), these comparisons need to be interpreted with caution given the differences in the samples of projects and the methodologies for measuring performance.



**TABLE 4. PROBLEM PROJECTS: FY92 ARPP COMPARED WITH 1991 OED EVALUATION RESULTS BY SECTOR**

<i>Sector</i>	<i>FY92 ARPP Percentage of Problem Projects</i>	<i>FY92 ARPP Percentage of Problem Projects in year 4-5</i>	<i>1991 OED Percentage of Unsatisfactory Projects at Completion</i>
Agriculture	22	26	47
Transport	15	19	36
Urban	17	32	20
Tourism	—	—	0
Water and Sewerage	26	42	44
ITF	14	20	27
Industry	18	11	42
Telecommunications	13	17	57
Power	21	21	47
Oil and Gas	17	11	8
Education	13	24	32
PHN	19	21	50
Technical Assistance	16	30	33
Public Sector Mgt	19	50	—
Program Lending/SAL	15	22	25
<b>Total</b>	<b>18</b>	<b>24</b>	<b>37</b>

— No projects were included in the Bank's operations portfolio or OED cohort.

#### D. Supervision Resource Inputs by Sector

8. As Table 5 shows, resources devoted to supervision increased from 11.1 staff weeks (sw) per project in FY90 to 12.1 sw in FY91 and 14.1 sw in FY92. Increases were registered in all sectors except urban, power and public sector management. These increases reflected inter alia the staff-intensive nature of several country portfolio restructurings in FY92, which resulted in a decline in the number of problem projects.

**TABLE 5. SUPERVISION RESOURCE INPUTS BY SECTOR, FY90-FY92**  
(in staff weeks)

<i>Sector</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Agriculture	12.3	14.6	16.1
Transport	10.0	11.5	12.0
Urban	12.2	13.7	13.6
Tourism	2.9	—	—
Water and Sewerage	8.6	11.7	13.9
Ind. Trade & Finance	10.0	9.5	10.8
Industry	10.6	8.6	12.2
Telecommunications	10.3	10.9	12.6
Power	11.2	10.1	9.9
Oil and Gas	8.9	8.6	15.6
Education	8.8	9.6	11.2
Pop. Health & Nutrition	11.8	13.2	20.9
Technical Assistance	11.3	10.1	12.1
Public Sector Mgt	22.9	20.5	16.7
Program Lending/SAL	17.6	16.6	21.9
<b>Total</b>	<b>11.1</b>	<b>12.1</b>	<b>14.1</b>

## II. SECTORAL PERFORMANCE

### A. Agriculture

9. **Portfolio Composition.** Table 6 shows that the number of projects included in the agriculture portfolio declined sharply between FY90 and FY92, from 559 to 501, with all Regions registering reductions in varying degrees. The commitment value of the sectoral portfolio also declined, albeit by a much smaller proportion. The number of agricultural sector loans and of research and extension projects included in the sectoral portfolio increased slightly from FY90 to FY92, while the number of projects in all other main subsectors declined during the period, as shown in Table 7.

**TABLE 6. AGRICULTURE: PORTFOLIO COMPOSITION BY REGION, FY90-FY92**

<i>Region</i>	<i>Number of Projects</i>			<i>Commitment Value (US\$ million)</i>			<i>% of Total Portfolio Commitment Value</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	194	185	182	5,333.3	5,304.0	5,253.4	17.7	17.5	17.8
EAP	92	83	80	5,371.7	5,910.5	6,219.7	17.8	19.5	21.0
SAS	106	98	95	7,622.4	7,690.0	6,734.3	25.2	25.3	22.8
ECA	24	21	19	2,189.3	2,145.1	1,889.4	7.3	7.1	6.4
MNA	54	46	46	2,256.2	1,833.4	1,989.4	7.5	6.0	6.7
LAC	89	80	79	7,427.8	7,470.9	7,493.9	24.6	24.6	25.3
<b>Total</b>	<b>559</b>	<b>513</b>	<b>501</b>	<b>30,200.8</b>	<b>30,353.9</b>	<b>29,579.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



**TABLE 7. NUMBER OF PROJECTS IN PORTFOLIO BY SUBSECTOR, FY90-FY92**

<i>Sector</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Agricultural Credit	28	27	27
Agric Sector Loan	34	35	43
Agro Industry	32	29	21
Area Development	156	129	116
Fishing	11	10	10
Forestry	50	48	47
Irrigation & Drainage	116	107	106
Livestock	20	19	18
Perennial Crops	34	29	26
Research & Extension	61	60	63
Others	17	20	24
<b>Total</b>	<b>559</b>	<b>513</b>	<b>501</b>

10. **Portfolio Status.** The overall portfolio rating for the sector in FY92 remained at the FY91 level (2.1). Four regions (AFR, SAS, ECA and LAC) registered small improvements, while the ratings of the other two (EAP, MNA) stayed unchanged (see Table 8). Of the 112 problem projects in the agricultural sector, 61 (54.5 percent) were in AFR. The agricultural problem projects in AFR were relatively broadly dispersed among many countries. Within the LAC portfolio, agricultural problem projects were concentrated in Brazil, Mexico, and Colombia. In the SAS portfolio, problem projects were mainly in Nepal, Pakistan and India. In the MNA portfolio, the agricultural problem projects were mainly in the Republic of Yemen and Algeria.

**TABLE 8. AGRICULTURE: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92**

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	2.2	2.4	2.3	30	36	34
EAP	1.7	1.7	1.7	9	8	10
SAS	2.2	2.2	1.9	25	21	15
ECA	1.8	2.0	1.8	8	19	11
MNA	2.0	2.0	2.0	21	19	22
LAC	2.2	2.3	2.2	29	33	22
<b>Total</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>23</b>	<b>26</b>	<b>22</b>

11. Within the agricultural portfolio, performance of the agro-industry and perennial crops subsectors deteriorated from FY91-92. Performance of the other subsectors was either unchanged or improved somewhat.

**TABLE 9. PORTFOLIO OVERALL STATUS RATINGS BY SUBSECTOR, FY90-FY92**

<i>Sector</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Agricultural Credit	1.8	2.0	2.0
Agric Sector Loan	2.0	2.0	2.0
Agro Industry	1.8	1.9	2.1
Area Development	2.2	2.3	2.2
Fishing	2.3	1.9	1.8
Forestry	2.1	2.2	2.1
Irrigation & Drainage	2.1	2.1	2.0
Livestock	2.5	2.3	2.3
Perennial Crops	1.9	2.1	2.3
Research & Extension	2.1	2.1	2.1
Others	1.9	2.0	1.9
<b>Total</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>

12. **Portfolio Performance Issues.** The overall sector performance summarized in Table 8 resulted from actions taken by borrowers and the Bank to address sector and countrywide issues that impacted negatively on portfolio performance. The main issues were:

- (i) **Project and Sector Performance Issues.** (a) ineffective management by government sector and project institutions, particularly in AFR, but also in other Regions; (b) non-compliance with covenants, particularly concerning cost recovery; (c) insufficient involvement of project beneficiaries in project activities; and (d) declining world prices for a substantial number of agricultural exports, particularly tree crops.
- (ii) **Countrywide Performance Issues.** (a) insufficient counterpart funds, as a result of the need for fiscal adjustment; (b) inadequate structure of the civil service, which made it difficult to attract competent managers and senior technicians to handle sector policies and project-related activities; (c) outdated accounting, auditing, budget, and procurement procedures which were not conducive to transparency and accountability; (d) short-term effects of the redistribution of responsibilities and resources among government entities, particularly in countries making the transition from centrally-planned to market-oriented economies; (e) the relatively slow pace of privatization and deregulation in countries making the transition to a market-oriented economy; and (f) lack of effective coordination between the sector and other government entities responsible for policies that have important implications for the sector (e.g., environmental policy).

13. **Actions to Improve Portfolio Performance.** The following actions to improve performance of the agricultural portfolio were taken in FY92 by the Bank and borrowers: (a) selecting projects and project designs that took into account the likely availability of counterpart funds; (b) conducting intensive public expenditure reviews at the sector level or as part of more general expenditure reviews; (c) conducting in-country project launch workshops and increasing supervision focused, in particular, on project management issues; (d) increasing the involvement in project execution of the private sector, NGOs, and cooperatives; (e) increasing the use of CIRs and Country Sector Implementation Reviews; (f) increasing attention to environmental issues in project preparation, appraisal, and supervision; (g) restructuring problem projects; (h) canceling loans for problem projects when it was not feasible to overcome implementation problems within a reasonable time; (i) beginning to use the new



Institutional Development Fund (para. 45) to address management issues related to project implementation, at the country and sector levels; and (j) increasing supervision staff time (Table 5).

### B. Transport

14. **Portfolio Composition.** In the transport sector, both the number of projects under supervision, and the commitment value of the Bank portfolio, declined in FY92. EAP was the only Region that increased the number of projects in its sector portfolio in FY92 (see Table 10). The only subsector in which the number of loans increased during FY92 was transport sector loans (see Table 11).

**TABLE 10. TRANSPORT: PORTFOLIO COMPOSITION BY REGION, FY90-FY92**

Region	Number of Projects			Commitment Value (US\$ million)			% of Total Portfolio Commitment Value		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
AFR	80	72	67	3,108.4	2,924.5	2,968.3	17.4	17.6	18.1
EAP	51	49	52	5,066.5	4,725.2	5,140.3	28.3	28.5	31.3
SAS	18	19	19	2,713.2	2,468.1	2,713.1	15.2	14.9	16.5
ECA	16	15	14	1,735.8	1,939.2	1,695.6	9.7	11.7	10.3
MNA	20	20	17	960.6	982.5	871.1	5.4	5.9	5.3
LAC	41	33	31	4,307.4	3,569.5	3,032.0	24.1	21.5	18.5
<b>Total</b>	<b>226</b>	<b>208</b>	<b>200</b>	<b>17,891.9</b>	<b>16,609.0</b>	<b>16,420.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**TABLE 11. NUMBER OF PROJECTS IN PORTFOLIO BY SUBSECTOR, FY90-FY92**

Sector	FY90	FY91	FY92
Airlines & Airports	1	1	1
Highways	127	112	106
Ports & Waterways	42	39	35
Railways	33	32	31
Sector Loans	15	16	19
Others	6	6	6
<b>Total</b>	<b>224</b>	<b>206</b>	<b>198</b>

15. **Portfolio Status.** The overall portfolio rating for the sector in FY92 remained at the FY91 level (1.9). One Region (AFR) registered improvement, while performance in ECA and LAC (where the percentage of problem projects increased) worsened (Table 12). Problem projects in this sector were concentrated in AFR (Zaire, Malawi, Nigeria, Uganda) and LAC (Brazil). In ECA (Turkey, Yugoslavia) implementation of transport projects also encountered difficulties. With regard to subsectors, the performance of railways and sector loans continued to decline in FY92.

**TABLE 12. TRANSPORT: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92**

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	1.9	2.2	2.1	11	30	22
EAP	1.7	1.6	1.6	8	2	0
SAS	2.0	1.9	1.9	28	21	11
ECA	1.6	1.6	2.0	19	13	28
MNA	1.8	1.8	1.8	0	0	6
LAC	2.0	1.9	2.1	25	18	22
<b>Total</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>	<b>14</b>	<b>16</b>	<b>14</b>

**TABLE 13. TRANSPORT: PORTFOLIO OVERALL STATUS RATINGS BY SUBSECTOR, FY90-FY92**

<i>Subsector</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Airlines & Airports	3.0	2.0	2.0
Highways	1.9	1.8	1.9
Ports & Waterways	1.9	1.9	1.9
Railways	1.9	2.1	2.3
Sector Loans	1.4	1.9	2.0
Others	2.0	2.0	1.9
<b>Total</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>

16. **Portfolio Performance Issues.** The main issues affecting performance of the transport portfolio in FY92 were as follows:

- (i) **Project and Sector Performance Issues.** (a) more serious procurement problems than in most other sectors, particularly those directly related to construction components; (b) poor design and implementation of training components; (c) delays in enacting required regulatory reforms and tariff increases; and (d) sectoral and project management problems caused, in part, by the frequent fragmentation of sectoral policy and operation authority among several government agencies, and, by the problems associated with the transition to a market-oriented economy.
- (ii) **Countrywide Performance Issues.** (a) worse-than-average availability of counterpart funds; (b) the short-term effects of decentralization, particularly in the ECA countries and in Brazil; (c) the slower-than-expected pace of deregulation and privatization; and (d) the negative effects on the sectoral government entities of inefficient accounting, budget and procurement procedures; inadequate civil service structure and policies; and institutional



deficiencies of extra-sectoral government ministries whose decisions affected sector operations.

17. **Improvements in Portfolio Performance.** Borrowers and the Bank took the following main actions to improve the transport portfolio: (a) selecting projects and project designs that took into account the availability of counterpart funds; (b) establishing private, not-for-profit companies to handle procurement of construction projects in several countries, particularly in AFR; (c) increasing Bank staff time allocated to the supervision of transport operations (see Table 5), and increasing the use of CIRs and public expenditure reviews; (d) promoting increased use of contract maintenance for highways in several countries, particularly in AFR, EAP and LAC; (e) decentralizing and, in some cases, privatizing transport subsectors such as suburban railway transport (Brazil), or small ports (Mozambique); and (f) increasing attention to the need for a comprehensive and coordinated approach to sector policies, investments and operations, through sector work and careful supervision of loans for transport sector adjustment/investment programs.

### C. Urban

18. **Portfolio Composition.** In FY92, the Bank's urban portfolio continued to grow in both numbers of projects and commitment value. AFR registered the largest increase in FY92, and SAS was the only Region that showed a decline in the number of projects in its urban sector portfolio (see Table 14). Overall FY92 performance, in terms of overall status rating and percentage of problem projects, remained the same as in FY91 (Table 15). LAC, AFR and SAS accounted for most of the problem urban projects (21 projects) in FY92.

TABLE 14. URBAN: PORTFOLIO COMPOSITION BY REGION, FY90-FY92

Region	Number of Projects			Commitment Value (US\$ million)			Percentage of Total Portfolio Commitment Value (%)		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
AFR	32	37	42	1,372.4	1,464.7	1,667.3	17.4	18.2	19.4
EAP	20	23	25	1,674.3	1,853.3	2,038.7	21.3	23.0	23.7
SAS	14	14	13	1,421.4	1,421.4	1,002.0	18.1	17.6	11.7
ECA	1	1	1	120.0	120.0	228.5	1.5	1.5	2.7
MNA	14	14	16	465.7	648.8	758.9	5.9	8.0	8.8
LAC	29	26	27	2,813.8	2,562.9	2,896.0	35.8	31.8	33.7
<b>Total</b>	<b>110</b>	<b>115</b>	<b>125</b>	<b>7,867.6</b>	<b>8,071.1</b>	<b>8,591.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

TABLE 15. URBAN: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	1.6	1.7	1.8	9	11	16
EAP	1.4	1.4	1.5	0	0	0
SAS	2.0	2.1	2.3	14	29	31
ECA	4.0	4.0	2.0	100	100	0
MNA	1.8	1.9	1.9	14	6	14
LAC	2.1	2.2	2.2	20	35	33
<b>Total</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>	<b>13</b>	<b>17</b>	<b>17</b>

19. **Portfolio Performance Issues.** The main issues affecting the urban portfolio performance were as follows:

- (i) **Project and Sector Performance Issues.** (a) institutional weaknesses of local governments, including inadequate personnel structures; pay scales; and recruitment, training, promotion, and separation policies; (b) administrative problems associated with decentralization processes that were not properly planned before implementation; (c) complexity of project design, particularly in older projects; and (d) weak local government finances, which resulted in, inter alia, insufficient counterpart funds.
- (ii) **Countrywide Performance Issues.** (a) deficient coordination of local governments with regional and national authorities whose decisions have important implications for urban development; (b) insufficient central government commitment to the process of transferring functions, authority, and resources to the local governments; and (c) insufficient participation of beneficiaries, NGOs, and the private sector in project activities.

20. **Actions to Improve Portfolio Performance.** The following measures were taken: (a) simplifying design (with fewer subsectoral components and intervening implementation entities) for new projects; (b) restructuring or canceling older projects facing serious implementation issues; (c) emphasizing support of policies and procedures required for the needed institutional and financial strengthening of local governments; and (d) promoting increased NGO and private sector participation in key activities related to the delivery of priority public services by local governments.

#### D. Water and Sewerage.

21. **Portfolio Composition.** Table 16 shows that, after declining in FY91, the number of projects in the sector portfolio stabilized in FY92. Projects under supervision in the LAC portfolio declined from 25 to 22, but there was little or no change in the number of projects in the other Regional portfolios.



**TABLE 16. WATER AND SEWERAGE: PORTFOLIO COMPOSITION BY REGION, FY90-FY92**

<i>Region</i>	<i>Number of Projects</i>			<i>Commitment Value (US\$ million)</i>			<i>Percentage of Total Portfolio Commitment Value (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	32	26	27	1,065.9	1,132.8	1,323.2	17.1	17.3	18.9
EAP	16	15	14	897.3	940.2	1,032.0	14.4	14.4	14.8
SAS	10	13	13	746.9	1,053.5	1,006.7	12.0	16.1	14.4
ECA	8	6	7	771.7	678.0	710.0	12.4	10.4	10.2
MNA	18	12	13	1,286.6	1,162.2	1,219.2	20.7	17.8	17.4
LAC	25	25	22	1,449.2	1,566.5	1,702.0	23.3	24.0	24.3
<b>Total</b>	<b>109</b>	<b>97</b>	<b>96</b>	<b>6,217.6</b>	<b>6,533.2</b>	<b>6,993.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

22. **Portfolio Status.** Overall sectoral portfolio performance worsened slightly last year to a performance rating (2.1) that was somewhat worse than the Bank average, and to a proportion of problem projects (26 percent) that was the highest in the Bank. These results were due mainly to the declining performance of the sector's portfolio in ECA and, to a lesser extent, in SAS, MNA and LAC (see Table 17). Most of the problem projects in this sector (25 projects) were in LAC (particularly Colombia), AFR (Nigeria) and MNA (Republic of Yemen).

**TABLE 17. WATER AND SEWERAGE: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92**

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	1.5	2.1	2.1	6	23	26
EAP	1.1	1.5	1.5	0	7	0
SAS	2.1	1.8	2.0	30	8	15
ECA	1.5	1.2	1.9	13	0	14
MNA	2.0	2.3	2.6	23	50	54
LAC	2.3	2.2	2.2	32	32	36
<b>Total</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>17</b>	<b>23</b>	<b>26</b>

23. **Portfolio Performance Issues.** In June 1992, OED reviewed 129 water and sanitation projects, and concluded that the relatively poor performance in the sector was due mainly to inadequate sector policies and lack of government commitment. Other issues that affected the sector were as follows:

- (i) **Project and Sector Performance Issues.** (a) lack of sufficient autonomy for the sector entities responsible for pricing services and making other operational decisions; (b) lack of full compliance with covenants, including, in particular, those related to cost recovery; (c) inadequate project and sector management; (d) poorly trained staff; and (e) frequent rotation of borrowers' personnel.
- (ii) **Countrywide Performance Issues.** (a) insufficient counterpart funds; (b) outdated accounting, auditing, budget, and procurement procedures; (c) inadequate civil service

structure and policies; and (d) inadequate policy decisions by, and poor institutional capacity of, extra-sectoral entities that directly or indirectly regulated the sector.

24. **Improvements in Portfolio Performance.** The borrowers and the Bank have: (a) increased supervision (see Table 5) and the use of CIRs and public expenditure reviews; (b) used specialized private not-for-profit agencies for handling procurement matters (particularly in AFR); and (c) increased the autonomy of the sector's entities by creating corporate structures with independent boards of directors (Colombia) or by freeing those entities from a number of constraints, such as civil service rules (Costa Rica) or government pricing of services (in most borrowing countries). Future actions needed to deal properly with the sector portfolio's problems involve policy changes to (a) strengthen the sector (including expanded participation of the private sector, NGOs, and consumers); (b) provide services that people are willing to pay for; (c) increase investment in sanitation; and (d) manage water resources better, particularly through appropriate pricing.

### E. Industry, Trade and Finance

25. **Portfolio Composition.** Table 18 shows that in FY92, the Bank's ITF and industry portfolios declined in both numbers of projects and total commitment value. The only regional increases in the numbers of projects in the FY92 portfolio were in AFR (for ITF) and ECA (for industry).

TABLE 18. INDUSTRY, TRADE & FINANCE: PORTFOLIO COMPOSITION BY REGION, FY90-FY92

Region	Number of Projects			Commitment Value (US\$ million)			Percentage of Total Portfolio Commitment Value (%)		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
<b>Industry, Trade and Finance</b>									
AFR	47	45	46	2,416.8	2,430.5	2,822.7	14.7	13.9	16.5
EAP	22	24	20	2,619.8	2,981.6	2,770.8	15.9	17.0	16.2
SAS	19	22	21	2,321.7	2,483.7	2,393.2	14.1	14.2	14.0
ECA	14	13	12	2,048.5	2,432.5	2,368.7	12.4	13.9	13.9
MNA	16	14	13	1,059.7	959.5	804.7	6.4	5.5	4.7
LAC	44	40	38	6,034.6	6,246.6	5,947.0	36.6	35.6	34.8
<b>Total</b>	<b>162</b>	<b>158</b>	<b>150</b>	<b>16,501.1</b>	<b>17,534.4</b>	<b>17,107.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Industry</b>									
AFR	15	12	11	516.8	339.5	503.4	9.1	5.5	8.2
EAP	13	13	13	1,040.2	1,053.0	1,104.7	18.3	17.1	18.1
SAS	12	14	13	2,006.8	2,335.2	2,300.6	35.2	38.0	37.6
ECA	11	10	13	1,153.4	954.0	769.5	20.3	15.5	12.6
MNA	7	9	8	200.3	565.3	545.4	3.5	9.2	8.9
LAC	7	8	7	777.8	902.8	897.3	13.7	14.7	14.7
<b>Total</b>	<b>65</b>	<b>66</b>	<b>60</b>	<b>5,695.2</b>	<b>6,149.8</b>	<b>6,120.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

26. **Portfolio Status.** The overall rating of the ITF portfolio in FY92 remained at the same relatively positive level achieved in FY91 (1.8), and the proportion of problem projects declined from 18 percent to 14 percent. These levels resulted from improvements in the AFR and LAC portfolios and



small declines in EAP and ECA performance. The bulk of problem projects (21 projects) was in the AFR and SAS portfolios. Meanwhile, the industry portfolio showed a worsening trend in FY92, to a 2.0 rating and 18 percent of problem projects, with the decline in performance being concentrated mainly in the MNA, EAP, and LAC portfolios.

TABLE 19. INDUSTRY, TRADE AND FINANCE: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92

Region	Overall Status Ratings			Percentage of Problem Projects (%)		
	FY90	FY91	FY92	FY90	FY91	FY92
<b>Industry, Trade and Finance</b>						
AFR	2.2	2.2	2.0	32	33	22
EAP	1.4	1.5	1.7	5	4	0
SAS	2.1	2.1	2.1	26	19	24
ECA	1.7	1.6	1.7	21	8	8
MNA	1.9	1.9	1.9	6	14	16
LAC	1.5	1.6	1.5	9	9	8
<b>Total</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>	<b>18</b>	<b>18</b>	<b>14</b>
<b>Industry</b>						
AFR	2.0	2.4	2.3	20	50	45
EAP	1.7	1.5	1.8	0	0	0
SAS	1.8	1.9	2.0	17	14	23
ECA	1.6	1.6	1.5	9	10	0
MNA	1.6	1.9	2.3	14	22	26
LAC	2.0	1.8	2.0	14	0	13
<b>Total</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>13</b>	<b>17</b>	<b>18</b>

27. **Portfolio Performance Issues.** The overall ITF performance summarized in Table 19 reflects, on one hand, the problems still affecting old-style DFC projects, often designed as a line of credit granted to an official financial intermediary, and, on the other, the better performance of newer, market-oriented operations. According to the September 1991 OED report, *Bank Advice on Industrialization*, industrial projects, in general, have also suffered the negative effects of Bank approaches that "underestimate the significance of structural factors and overstress that of incentive factors." Other issues that affected the ITF and industry portfolios can be summarized as follows:

- (i) **Project and Sector Performance Issues.** (a) slower-than-expected progress of financial sector reform; (b) lack of borrower compliance with covenants related to the borrower's collection ratios, capital adequacy, or business plan; (c) lack of sufficient institutional autonomy for state-owned financial intermediaries; (d) lack of competitiveness of unsubsidized Bank financing in those cases where the country has liberalized its financial sector, banks have liquidity, or borrowers have alternative access to foreign exchange involving subsidies or less delay; and (e) institutional and management shortcomings in some borrowing financial intermediaries, particularly those that are state-owned. According to OED, moreover, the Bank has not paid enough attention to capacity building at the micro level and to the need to have a comprehensive strategy integrating skill, technology, and institutional development.

- (ii) **Countrywide Performance Issues.** Shortcomings and delays in implementation of macroeconomic policy reforms that have important implications for the financial and industrial sectors.

28. **Actions to Improve Portfolio Performance.** Improvements in ITF performance in FY92 reflected the results of (a) shifting from single, often state-owned, financial intermediary to market-oriented nonsectoral lines of credit channelled through all qualified financial institutions; and (b) linking investment credit operations and financial policy reforms. While the new macroeconomic and financial policies pose some risks for ITF operations, the long-term benefits clearly outweigh those risks. At the same time, continuing efforts will be needed to ensure fuller compliance with the conditionality of those operations. Responding to OED views advocating increased government support of the sector (an industrial policy approach), the Bank has started an in-depth study of the role of government intervention in the successful East Asian economies, which should help to clarify what type of intervention works, when, and how.

### E. Telecommunications

29. **Portfolio Composition.** The number of projects under supervision declined in FY92, while the commitment value of the sectoral portfolio increased substantially, mainly because of a sharp rise in EAP's average loan size (see Table 20).

TABLE 20. TELECOMMUNICATIONS: PORTFOLIO COMPOSITION BY REGION, FY90-FY92

Region	Number of Projects			Commitment Value (US\$ million)			Percentage of Total Portfolio Commitment Value (%)		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
	AFR	12	12	11	472.9	465.1	451.1	28.5	23.5
EAP	8	8	7	426.8	426.7	783.3	25.7	21.6	33.5
SAS	4	5	6	350.0	407.0	447.5	21.1	20.6	19.1
ECA	1	3	3	70.0	340.0	340.0	4.2	17.2	14.5
MNA	4	3	3	243.3	243.3	243.3	14.6	12.3	10.4
LAC	3	3	2	99.0	96.7	75.0	6.0	4.9	3.2
<b>Total</b>	<b>32</b>	<b>34</b>	<b>32</b>	<b>1,662.0</b>	<b>1,978.8</b>	<b>2,340.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

30. **Portfolio Status by Region.** Table 21 shows that the overall sector performance rating worsened slightly in FY92, with AFR and MNA portfolios showing the poorest ratings and the highest proportions of problem projects.



**TABLE 21. TELECOMMUNICATIONS: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92**

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	2.0	2.4	2.3	20	50	45
EAP	1.7	1.5	1.8	0	0	0
SAS	1.8	1.9	2.0	17	14	23
ECA	1.6	1.6	1.5	9	10	0
MNA	1.6	1.9	2.3	14	22	26
LAC	2.0	1.8	2.0	14	0	13
<b>Total</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>13</b>	<b>17</b>	<b>18</b>

31. **Portfolio Performance Issues.** (a) the poor financial situation of some state enterprises; (b) delays in implementing restructuring programs; and (c) insufficient operational autonomy of sector enterprises.

32. **Actions to Improve Portfolio Performance.** Supervision staff time has increased in FY92 (see Table 5), and plans have been made to increase the use of CIRs and public expenditure reviews and to restructure or cancel projects facing major implementation problems.

#### F. Energy

33. **Portfolio Composition.** Table 22 shows that the number of projects under supervision remained stable in the power subsector and declined somewhat in oil and gas. For both subsectors, the commitment value of the Bank portfolio remained virtually unchanged, in real terms.

**TABLE 22. ENERGY: PORTFOLIO COMPOSITION BY REGION, FY90-FY92**

<i>Region</i>	<i>Number of Projects</i>			<i>Commitment Value (US\$ million)</i>			<i>Percentage of Total Portfolio Commitment Value (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
<b>Power</b>									
AFR	30	33	31	1,099.3	1,253.0	1,051.3	5.1	5.9	4.8
EAP	28	27	35	4,429.6	4,436.0	5,892.4	20.4	20.8	26.8
SAS	41	40	40	8,447.7	8,045.4	7,994.2	39.0	37.7	36.4
ECA	11	11	11	1,801.8	2,175.0	2,294.3	8.3	10.2	10.5
MNA	10	11	11	726.2	839.7	1,032.5	3.4	3.9	4.7
LAC	39	32	27	5,166.5	4,576.8	3,696.5	23.8	21.5	16.8
<b>Total</b>	<b>159</b>	<b>154</b>	<b>155</b>	<b>21,671.2</b>	<b>21,325.9</b>	<b>21,961.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Oil and Gas</b>									
AFR	20	20	16	240.3	509.7	488.8	5.7	9.6	9.0
EAP	11	8	7	677.9	644.0	482.5	15.9	12.1	8.9
SAS	16	15	13	2,092.3	2,380.3	2,470.0	79.2	44.8	45.7
ECA	3	4	5	292.5	722.5	968.5	6.9	13.6	17.9
MNA	1	2	4	5.5	89.5	249.5	0.1	1.7	4.6
LAC	10	8	8	944.6	971.1	748.7	22.2	18.3	13.8
<b>Total</b>	<b>61</b>	<b>57</b>	<b>53</b>	<b>4,253.0</b>	<b>5,317.1</b>	<b>5,408.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

34. **Portfolio Status by Region.** Table 23 shows that overall performance ratings in FY92 remained, on average, close to the FY91 levels, with oil and gas performance declining slightly, and power ratings improving slightly. Majority of the 32 problem power projects in FY92 were in the SAS (mainly India and Pakistan) and LAC. In ECA and MNA, most of the problem projects were in Turkey and the Republic of Yemen, respectively.

**TABLE 23. ENERGY: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92**

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
<b>Power</b>						
AFR	2.0	2.0	2.1	14	12	16
EAP	1.3	1.3	1.2	0	0	0
SAS	1.9	2.0	2.1	15	27	30
ECA	2.0	2.2	2.3	36	38	36
MNA	2.8	2.1	2.4	50	18	27
LAC	2.1	2.2	2.0	29	41	30
<b>Total</b>	<b>1.9</b>	<b>2.0</b>	<b>1.9</b>	<b>18</b>	<b>22</b>	<b>20</b>
<b>Oil and Gas</b>						
AFR	1.8	2.0	2.3	5	15	26
EAP	1.5	1.3	1.3	9	13	14
SAS	1.8	1.9	2.0	6	7	15
ECA	1.7	2.0	1.5	0	0	0
MNA	1.0	1.5	2.0	0	25	0
LAC	2.1	1.9	2.0	30	13	13
<b>Total</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>	<b>10</b>	<b>11</b>	<b>17</b>

35. **Portfolio Performance Issues.** The main issues that affected the FY92 energy portfolio performance were as follows:

- (i) **Project and Sector Performance Issues.** (a) insufficient autonomy of state enterprises, which resulted in political interference, inefficiency, and procurement and implementation delays; (b) institutional weaknesses of borrowing state enterprises; (c) lack of compliance with pricing and financial covenants; and (d) an inadequate sectoral policy environment, particularly for the oil and gas subsector.
- (ii) **Countrywide Performance Issues.** (a) inadequate regulatory and institutional framework, resulting in decisions taken by authorities outside the sector that were inconsistent with sector needs; and (b) slow pace of policy reforms aimed at increasing private sector participation in the sector.

36. **Actions to Improve Portfolio Performance.** The Bank has (a) increased supervision of oil and gas projects, but supervision time for power projects was less than the FY90 level (see Table 5); and (b) placed increased emphasis on helping borrowers to strengthen and reform the overall institutional and regulatory framework within which the energy sector operates, and to strengthen the sector's enterprises. More supervision time is likely to be needed, particularly in power. Increased use of CIRs and public expenditure reviews should also improve performance.



I. Education

37. **Portfolio Composition.** Table 24 shows a substantial rise in the education portfolio value in FY91 and FY92, owing mainly to sharp increases in lending to education in LAC and, to a lesser extent, in AFR.

TABLE 24. EDUCATION: PORTFOLIO COMPOSITION BY REGION, FY90-FY92

Region	Number of Projects			Commitment Value (US\$ million)			Percentage of Total Portfolio Commitment Value (%)		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
	AFR	49	52	56	1164.9	1,387.9	1,716.3	16.5	16.1
EAP	40	40	43	2,625.2	2,886.9	2,969.8	37.2	33.5	30.8
SAS	19	19	20	1,317.4	1,614.6	1,621.6	18.7	18.7	16.8
ECA	7	9	8	411.0	660.6	590.5	5.8	7.7	6.1
MNA	27	25	24	887.3	874.7	910.3	12.6	10.2	9.4
LAC	22	25	28	647.0	1,193.2	1,847.4	9.2	13.9	19.1
<b>Total</b>	<b>164</b>	<b>170</b>	<b>179</b>	<b>7,052.8</b>	<b>8,617.9</b>	<b>9,655.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

38. **Portfolio Status.** In FY92, the overall rating of the education portfolio remained at the FY91 level (1.9) as a result of improvements in SAS, LAC, and EAP, offset by poorer performance in ECA and MNA. The percentage of problem projects in the total declined from 17 percent to 14 percent, because of reductions in LAC, SAS, and AFR, partly offset by an increase in the ECA percentage (see Table 25). Majority of the 24 problem education projects in FY92 were in AFR countries. In the ECA, the problem projects were in Turkey and Portugal.

TABLE 25. EDUCATION: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92

Region	Overall Status Ratings			Percentage of Problem Projects (%)		
	FY90	FY91	FY92	FY90	FY91	FY92
AFR	1.9	2.2	2.2	16	29	23
EAP	1.5	1.5	1.4	2	2	2
SAS	1.9	2.0	1.7	21	21	10
ECA	2.0	2.2	2.5	14	44	50
MNA	1.5	1.5	1.7	4	4	4
LAC	2.1	2.0	1.8	32	20	11
<b>Total</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>	<b>13</b>	<b>17</b>	<b>14</b>

39. **Portfolio Performance Issues.** The Bank has been able to maintain the sector's overall status rating at a somewhat higher level than the Bank average by substantially reducing the number of problem projects. The sector also has a relatively high proportion of new (usually better rated) projects: operations approved in FY91-92 represented 29 percent of the total number of operations in the FY92 sectoral portfolio (compared with 24 percent for the Bank as a whole). Substantial implementation problems, however, affected the sector performance in FY92, including the following:

- (i) **Project and Sector Performance Issues.** (a) institutional weaknesses of sector ministries and related entities; (b) high personnel turnover, and project and sector staff who are unfamiliar with Bank procedures; (c) the involvement of several levels of government (national, regional, local) in the same type of activity (primary and secondary education); and (d) the excessive complexity of a number of older projects.
- (ii) **Countrywide Performance Issues.** (a) unavailability of counterpart funds; (b) inadequate accounting, auditing, budget, and procurement procedures; (c) inadequate civil service structure and policies that make it difficult to attract and retain qualified technical and managerial personnel; and (d) institutional problems in, and inadequate coordination with, authorities outside the sector whose decisions have important implications for the sector.

40. **Actions to Improve Portfolio Performance.** (a) restructuring or canceling problem projects; (b) strengthening the sector agencies; (c) selecting new operations of less complex project design; (d) advanced implementation planning (e.g., procurement, training of project staff prior to loan effectiveness); and (e) increasing supervision (see Table 5).

### J. Population, Health & Nutrition

41. **Portfolio Composition.** Table 26 shows that the sector portfolio increased substantially in FY92, with all Regions having a higher number of projects under supervision.

TABLE 26. PHN: PORTFOLIO COMPOSITION BY REGION, FY90-FY92

Region	Number of Projects			Commitment Value (US\$ million)			Percentage of Total Portfolio Commitment Value (%)		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
AFR	35	46	52	686.7	1,112.7	1,213.0	24.0	26.0	23.6
EAP	9	10	11	462.3	601.2	730.8	16.2	14.1	14.2
SAS	10	12	15	633.3	979.1	1,305.8	22.2	22.2	25.4
ECA	1	1	3	75.0	75.0	355.0	2.6	1.8	6.9
MNA	9	11	12	202.3	423.7	450.5	7.1	9.9	8.8
LAC	14	18	21	798.5	1,082.7	1,095.9	27.9	25.3	21.3
<b>Total</b>	<b>78</b>	<b>98</b>	<b>114</b>	<b>2,858.1</b>	<b>4,274.4</b>	<b>5,151.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

42. **Portfolio Status by Region.** Table 27 shows that PHN's overall performance deteriorated in FY92. Overall status ratings declined in ECA, LAC, and MNA; the percentage of problem projects also increased significantly in these portfolios. A large part of this deterioration reflected the shift since 1987 in the Bank's social sector lending from support of a limited number of well-identified institutions to support of countrywide projects with a high policy content and major institutional development objectives. These new style projects are likely to continue to face considerable implementation difficulties over the foreseeable future. The problem PHN projects in FY92 (21 projects) were mainly in AFR and LAC.



TABLE 27. PHN: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	1.9	2.2	2.1	11	20	21
EAP	1.6	1.3	1.2	0	0	0
SAS	1.6	1.7	1.5	10	0	7
ECA	1.0	2.0	2.3	0	0	33
MNA	1.9	1.8	2.0	22	0	16
LAC	1.9	1.7	2.2	28	12	29
<b>Total</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>14</b>	<b>13</b>	<b>19</b>

43. **Portfolio Performance Issues.** The main issues that affected the PHN portfolio performance in FY92 were as follows:

- (i) **Project and Sector Performance Issues.** (a) management that was weaker than in most sectors, and inadequate institutional structure and procedures in project and sector entities; (b) high personnel turnover, resulting in implementation deficiencies and in insufficient knowledge of Bank procedures; (c) excessive complexity of some (generally older) projects; (d) delayed and/or inadequate implementation of decentralization decisions; and (e) insufficient participation of the beneficiaries, NGOs, and the private sector in project activities.
- (ii) **Countrywide Performance Issues.** (a) insufficient availability of local funds, both for investment and for recurrent expenditures of PHN projects; (b) inadequate overall accounting, auditing, budget, and procurement practices; (c) inadequate civil service structure and policies, which make it difficult to attract and retain qualified managers and senior technicians; and (d) deficient communications and working relationships among project/sector entities and other government authorities at the national, regional, and local levels.

44. **Actions to Improve PHN Portfolio Performance.** (a) increased supervision (see Table 5); (b) increased the use of CIRs and public expenditure reviews; (c) less complex designs for new projects; (d) restructuring or canceling problem projects; and (e) increased use of NGOs and other nonprofit private entities for procurement-related activities.

### K. Technical Assistance

45. The role of technical assistance (TA) in the Bank's overall support of developing countries has become more important and complex in recent years (see *Managing TA in the 1990s*, November 1991). Although Bank TA was originally a component of investment projects that provided short-term project-related expertise, its main objective today is to promote and support institutional development. The Bank provides TA through free-standing loans, TA components in project and sector loans, the recently created Institutional Development Fund (IDF), and a variety of other modalities (see Table 28). The Bank is now integrating all this support into comprehensive TA strategies and programs at the country level to increase its efficiency in helping borrowers deal with such changes as greater reliance

on markets and private sector activities, reduced state intervention in the economy, and greater emphasis on human resource development and environment protection. The TA directly associated with Bank project and sector loans (i.e., as loan components) is included in the portfolio analysis summarized in the other sections of this Annex. This section deals only with free-standing TA operations and with some overall strategic issues and actions for dealing with them.

TABLE 28. CATEGORIES OF WORLD BANK TA, FY90-FY92 (US\$m)<sup>a</sup>

Category	FY90	FY91	FY92
<i>Project-Financed TA (Annual Commitments)</i>			
TA components in loans/credits	1,457	1,684	1,574
Free-standing loans/credits	141	198	204
Project Preparation Facility (PPF) <sup>b</sup>	(59)	(67)	(64)
<b>Subtotal</b>	<b>1,598</b>	<b>1,882</b>	<b>1,778</b>
<i>TA Financed through the Administrative Budget (actual annual expenditures)</i>			
Nonreimbursable TA and aid coordination	13	16	15
Cooperative program	9	9	10
Country-based Special Grants Programs <sup>c</sup>	3	4	2
Economic Development Institute	18	19	21
Tech. Coop. Program to Soviet Union <sup>d</sup>	—	—	23
<b>Subtotal</b>	<b>43</b>	<b>48</b>	<b>71</b>
<i>TA Financed by Trust Funds Administered by the Bank (actual expenditures)</i>			
As executing agency for UNDP	62	83	78
Other trust funds <sup>e</sup>	100	125	150
Reimbursable TA <sup>f</sup>	10	11	11
<b>Subtotal</b>	<b>172</b>	<b>219</b>	<b>239</b>
<b>Total</b>	<b>1,813</b>	<b>2,149</b>	<b>2,088</b>

Note:

- a. Source: *Annual Technical Assistance Report (SecM93-87, January 25, 1993)*, p.6.
- b. PPFs advances are subsequently refinanced under Bank loans/credits or repaid; therefore, to avoid double counting, they are not included in the total.
- c. This type of TA, consisting of the Special Project Preparation Facility and TA Program for IDA countries, is being phased out.
- d. Charged against Bank income.
- e. Includes Bank- and borrower-executed projects for the following work program categories: preinvestment, training, TA, economic studies, and research. Excludes consultant trust funds and trust funds cofinancing Bank loans.
- f. To oil-surplus countries, International Fund for Agricultural Development, and reimbursable EDI training courses.

46. **Portfolio Composition.** The Bank portfolio of free-standing TA continued to grow in FY92, both in project numbers and in total value. The value of the TA portfolio increased in all Regions, as did the number of projects, except in LAC and SAS, which registered slight reductions in the number of projects under supervision (see Table 29).



TABLE 29. TECHNICAL ASSISTANCE: PORTFOLIO COMPOSITION BY REGION, FY90-FY92

Region	Number of Projects			Commitment Value (US\$ million)			Percentage of Total Portfolio Commitment Value (%)		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
AFR	59	59	63	604.9	628.2	637.1	61.5	57.4	54.5
EAP	4	3	5	50.7	70.7	87.7	5.2	6.5	7.5
SAS	5	4	3	48.0	40.4	57.0	4.9	3.7	4.9
ECA	—	1	2	—	17.0	26.2	0.0	1.6	2.2
MNA	5	5	6	72.6	72.6	80.5	7.4	6.6	6.9
LAC	19	22	21	206.7	265.7	281.1	21.0	24.3	24.0
<b>Total</b>	<b>92</b>	<b>94</b>	<b>100</b>	<b>982.5</b>	<b>1,094.6</b>	<b>1169.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

47. **Portfolio Status.** The overall sectoral portfolio rating improved to the average Bankwide level (2.0), with improvements being registered in the two Regions (AFR and LAC) that account for most (84 percent) of the Bank's free-standing TA operations (see Table 30).

TABLE 30. TECHNICAL ASSISTANCE: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92

Region	Overall Status Ratings			Percentage of Problem Projects (%)		
	FY90	FY91	FY92	FY90	FY91	FY92
AFR	2.0	2.3	2.1	16	37	23
EAP	1.5	1.7	1.8	0	0	0
SAS	2.0	1.8	2.5	20	25	33
ECA	—	—	1.5	0	0	0
MNA	2.0	2.4	2.0	20	14	17
LAC	1.9	1.7	1.6	16	5	0
<b>Total</b>	<b>2.0</b>	<b>2.1</b>	<b>2.0</b>	<b>15</b>	<b>27</b>	<b>16</b>

48. **Portfolio Performance Issues.** The main issues affecting performance of the Bank TA operations, which were examined in detail in the 1991 report mentioned above, included both project-specific and governmentwide problems: (a) lack of coordination of TA provided by donors; (b) excessive complexity of TA operations, involving too many government agencies in the implementation of loan components; (c) lack of an institutional development framework within which governments could ensure the consistency of all technical assistance operations aimed at institutional development; (d) lack of comprehensive Bank TA country programs, including all types of TA (free-standing, loan components, TA financed by special funds, IDF, or other international sources, etc.), which could ensure the consistency of all Bank-sponsored TA with the institutional framework referred to in (c); (e) insufficient priority attached to training and other capacity-building activities in TA components of investment projects; and (f) frequent consideration by borrowers of TA for institution building as having a substitute nature, thus failing to make available suitable counterpart personnel for on-the-job training, and therefore also failing to achieve the full skill-transfer benefits that should be expected from well programmed and executed TA.

49. **Actions to Improve Portfolio Performance.** (a) Regional TA action plans have started to be implemented, and priority is being given in country strategies and CIRs to comprehensive approaches to TA, particularly in the institutional development field; (b) the IDF has been established, and IDF grants have started to be provided to Bank member governments; (c) the Bank has promoted a more comprehensive approach to TA and institutional development and, accordingly, has begun to restructure and simplify old TA projects and project components; and (d) designs of new projects have been simplified, involving fewer implementing agencies for each main TA component. The Bank is also aiming to improve the developmental impact of its TA projects and project components by focusing more on longer-term institutional capacity-building objectives instead of shorter-term goals. It is conscious of the need to advance progress on implementing a comprehensive and sustainable approach to institutional development and TA programming, implementation, and coordination.

### L. Public Sector Management

50. The Bank started in the early 1980s to promote institutional development through free-standing public sector management (PSM) TA loans, which are included in the TA portfolio dealt with in the previous section. In recent years, the Bank has taken a more active approach to these matters by providing policy-based PSM assistance (which is dealt with in this section) to support selected high-priority institutional improvements, particularly the reform and privatization of state enterprises.

51. **Portfolio Composition.** The number of PSM projects increased by 60 percent (from 10 to 16) between FY90 and FY92, while the commitment value of those projects increased by more than 90 percent, to over \$2.5 billion (Table 31). The LAC Region, with its relatively large public enterprise reform loans to Argentina, Colombia, Mexico, and Venezuela, accounted for about 70 percent of this portfolio value.

**TABLE 31. PUBLIC SECTOR MANAGEMENT PORTFOLIO COMPOSITION  
BY REGION, FY90-FY92**

<i>Region</i>	<i>Number of Projects</i>			<i>Commitment Value (US\$ million)</i>			<i>Percentage of Total Portfolio Commitment Value (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	7	7	8	332.9	332.9	398.5	25.4	17.1	15.7
EAP	—	1	1	—	32.0	32.0	0	1.6	1.3
SAS	—	—	—	—	—	—	0	0	0
ECA	—	—	1	—	—	200.0	0	0	7.9
MNA	1	1	1	130.0	130	130.0	9.9	6.7	5.1
LAC	2	4	5	850.0	1,454.0	1,779.0	64.7	74.6	70.1
<b>Total</b>	<b>10</b>	<b>13</b>	<b>16</b>	<b>1,312.9</b>	<b>1,948.9</b>	<b>2,539.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

52. **Portfolio Status.** The overall FY92 rating of the Bank's PSM portfolio (1.8) is more favorable than the Bank average. AFR's less favorable rating of 2.0 in FY92 represents an improved sector performance from FY91. The overall statistical decline in overall PSM portfolio performance was due mainly to the downgrading of a project in LAC to problem project status (see Table 32).



**TABLE 32. PUBLIC SECTOR MANAGEMENT PORTFOLIO PERFORMANCE BY REGION, FY90-FY92**

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	1.7	2.2	2.0	14	28	25
EAP	—	1.0	1.0	0	0	0
SAS	—	—	—	0	0	0
ECA	—	—	—	0	0	0
MNA	1.0	1.0	—	0	0	0
LAC	1.0	1.0	1.8	0	0	20
<b>Total</b>	<b>1.4</b>	<b>1.6</b>	<b>1.8</b>	<b>10</b>	<b>16</b>	<b>19</b>

53. **Portfolio Performance Issues and Actions to Improve Performance.** The issues faced by PSM operations, and the Bank actions to improve performance, are similar to those discussed in connection with IDTA operations. In addition, issues faced by PSM projects related to state enterprises are basically similar to those discussed in the energy and telecommunications sectors in connection with state enterprises.

#### M. Program Lending/SAL

54. **Portfolio Composition.** The overall number of SAL-type operations in the Bank portfolio increased in FY92, with AFR being the only Region to register a reduction (see Table 33). This small increase, however, is not a good indicator of the extent of Bank support of adjustment policies, since such support is increasingly being provided through sector operations included in the portfolios discussed in previous sections of this Annex (SECALs and sector investment loans with strong policy content).

**TABLE 33. PROGRAM LENDING/SAL: PORTFOLIO COMPOSITION BY REGION, FY90-FY92**

<i>Region</i>	<i>Number of Projects</i>			<i>Commitment Value (US\$ million)</i>			<i>Percentage of Total Portfolio Commitment Value (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	33	35	32	2,686.3	2,932.6	2,744.2	30.8	35.2	30.1
EAP	6	5	6	1,140.0	740.0	560.0	13.1	8.9	6.2
SAS	2	2	4	166.6	166.6	816.6	1.9	2.0	9.0
ECA	2	5	7	600.0	1,600.0	1,840.5	6.9	19.2	20.2
MNA	5	6	7	1,040.0	1,149.6	1,435.0	11.9	13.8	15.8
LAC	12	15	15	3,096.9	1,740.5	1,710.6	35.5	20.9	18.8
<b>Total</b>	<b>60</b>	<b>68</b>	<b>71</b>	<b>8,729.8</b>	<b>8,329.3</b>	<b>9,106.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

55. **Portfolio Status.** Table 34 shows that the overall rating of program lending/SAL operations in FY92 was better than the Bankwide average, and the percentage of problem operations was also significantly lower. Among the Regions, only ECA and AFR registered poorer ratings and increased percentages of problem projects in FY92, as compared to FY91.

**TABLE 34. PROGRAM LENDING/SAL: PORTFOLIO PERFORMANCE  
BY REGION, FY90-FY92**

<i>Region</i>	<i>Overall Status Ratings</i>			<i>Percentage of Problem Projects (%)</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	1.8	2.0	2.2	12	20	28
EAP	1.2	1.5	1.5	0	0	0
SAS	2.0	2.0	1.3	0	0	0
ECA	1.0	1.3	2.0	0	0	14
MNA	1.8	1.6	1.4	0	0	0
LAC	1.5	1.7	1.5	0	7	7
<b>Total</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>	<b>7</b>	<b>11</b>	<b>15</b>

56. **Portfolio Performance Issues.** The findings of the June 1992 report *World Bank Structural and Sectoral Adjustment Operations: The Second OED Overview* are largely consistent with the conclusions of the regional portfolio reviews carried out for the ARPP. The main issues include: (a) insufficient borrower commitment to and ownership of the required policy reforms; (b) lack of sufficient involvement by key government entities in the design and negotiation of these operations; (c) in some cases, flaws in project design that are related to essential aspects of the adjustment program or to miscalculations of the length of time required to achieve the main objectives of the adjustment process; (d) insufficient attention to institutional requirements for designing and implementing successful adjustment programs; (e) unexpected external shocks, such as substantial declines in export prices; ; (f) misallocation of public sector resources despite substantial overall public sector adjustment; (g) insufficient attention in some cases to the need to mitigate the social costs of adjustment and (h) insufficient attention to the requirements for improving the business environment and eliciting a positive response from private investment. The last two issues are particularly urgent in light of the findings of the March 1992 *Third Report on Adjustment Lending* that (a) while adjustment policies help the poor, at least some of them suffer while the structure of the economy is adjusting, and (b) while private investment eventually recovers, the lag was often five years or longer in middle-income countries and longer still in low-income countries.

57. **Actions to Improve Portfolio Performance.** Actions taken by the Bank to deal with the above performance issues, and in general to improve the overall impact of adjustment lending have included: (a) strengthening borrower's ownership of reforms supported by Bank adjustment loans by inter alia involving key implementing agencies in the design of adjustment programs; (b) giving greater attention, in the design of adjustment programs, to the long-term viability of reform proposals; (c) support for social adjustment funds or programs (e.g., in Bolivia and Honduras), as short-term compensatory measures to mitigate the transitional costs of adjustment, and not as a substitute for a more fundamental restructuring of social sector expenditures; (d) for countries which have made progress in macroeconomic reform, support for complementary reforms at the more micro level to assist the development of the private sector while avoiding market distortions and excessive government intervention; and (e) support for further public sector reforms aimed at improving the allocation of public sector spending and at transforming governments into efficient supporters of markets (e.g., through appropriate regulatory frameworks) and private sector activities. The latter is relevant to a wide range of countries, especially countries making the transition from centrally planned to market-oriented economies.



**ANNEX II**

**STATISTICAL TABLES**

## ANNEX II

### STATISTICAL TABLES

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Table 1a. PORTFOLIO CLASSIFICATION		
Lending Instruments	Program Objectives <sup>a</sup>	Sectors
<b>Investment Operations</b> <ul style="list-style-type: none"> <li>• Specific Investment Loans</li> <li>• Sector Investment and Maintenance Loans</li> <li>• Financial Intermediation</li> <li>• Technical Assistance</li> <li>• Emergency Reconstruction</li> </ul>	<ul style="list-style-type: none"> <li>• Adjustment and Debt</li> <li>• Economic Management</li> <li>• Poverty Reduction</li> <li>• Human Resource Development</li> <li>• Private and Public Sector Reform</li> <li>• Financial Intermediation</li> <li>• Environment/Forestry</li> <li>• Natural Resource Management</li> <li>• Basic Infrastructure and Urban Development</li> </ul>	<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Infrastructure</li> <li>• Transport</li> <li>• Urban</li> <li>• Tourism</li> <li>• Water &amp; Sewerage</li> <li>• Industry</li> <li>• ITF</li> <li>• Industry</li> <li>• Telecommunications</li> <li>• Energy</li> <li>• Power</li> <li>• Oil &amp; Gas</li> <li>• Human Resources</li> <li>• Education</li> <li>• PHN</li> <li>• Technical Assistance</li> <li>• Public Sector Management</li> <li>• Program Lending/SAL</li> </ul>
<b>Adjustment Lending</b> <ul style="list-style-type: none"> <li>• Debt Reduction</li> <li>• Sectoral Adjustment</li> <li>• Structural Adjustment</li> </ul>		

*Note:* The task managers and their managers are responsible for maintaining the accuracy of the portfolio classification.  
a. For each project, a primary objective is identified and up to four secondary objectives may be listed.

TABLE 1b. COUNTRY CLASSIFICATION	
<u>By Income Level<sup>a</sup></u>	<u>Definition/Example</u>
<b>Low Income Countries</b> of which: <ul style="list-style-type: none"> <li>• Large Countries</li> <li>• Small Countries</li> </ul>	Per capita income less than or equal to \$610 in 1990  China and India All other countries
<b>Lower Middle Income Group</b>	Per capita income between US\$611 and US\$2,465
<b>Upper Middle Income Group</b>	Per capita income between US\$2,466 and US\$7,619
<b>High Income Countries</b>	Per capita income of US\$7,620 or more (Cyprus, Bahamas)
<b><u>By Adjustment Status<sup>b</sup></u></b>	
<b>Adjusting Countries:</b> <ul style="list-style-type: none"> <li>• with Bank assistance</li> <li>• without Bank assistance</li> </ul>	Undertaking a stabilization and an adjustment program With current Bank assistance program Following appropriate economic policies without current Bank assistance program
<b>Non-adjusting Countries</b>	Lacking any adjustment program

*Source:* a. WDR 1992, Classification of Economies: Parts 1 and 2, pp. 306-307.  
b. Regions.

TABLE 2. NUMBER OF OPERATIONS APPROVED AND COMPLETED, FY90-FY92

<i>Item</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Stock of Operations Under Implementation at the End of Previous FY (June 30)	1,908	1,890	1845
Number of Operations Completed in Previous FY (June 30)	(240)	(274)	(215)
Opening Balance for Current FY (July 1)	1,668	1,616	1,630
New Approvals During FY (July 1 through June 30)	222	229	222
Total Number of Operations Under Implementation in Bank Portfolio for Current FY	1,890	1,845	1,852
<i>Average Implementation Period (years)</i>			
Investment Projects	6.8	6.9	6.9
SECALs	3.5	4.0	4.1
SALs	2.4	2.5	2.8



TABLE 3. PORTFOLIO DISTRIBUTION AND STATUS RATINGS  
BY COUNTRY PORTFOLIO, FY92

I. Large Country Portfolios, FY92		Overall Status											Portfolio Distribution		
		Lending				Unweighted <sup>a</sup>				Weighted <sup>b</sup>				% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4
		No. of Projects	Commitments (US\$ million)	Share (%)	Cumulative Percentage (%)	FY90	FY91	FY92	Trend	FY90	FY91	FY92	Trend		
1	India	117	21,203.5	14.9	14.9	1.89	1.90	1.89		1.81	1.87	1.91		27	15
2	China	93	11,418.9	8.0	23.0	1.44	1.38	1.43		1.40	1.33	1.48	↓	58	3
3	Mexico	46	10,211.4	7.2	30.1	1.71	1.74	1.71		1.46	1.45	1.54	↓	39	11
4	Indonesia	81	10,005.3	7.0	37.2	1.56	1.55	1.69	↓	1.53	1.49	1.62	↓	33	4
5	Brazil	66	9,019.6	6.3	43.5	2.05	2.21	2.11	↑	1.91	1.99	1.98		15	24
6	Turkey	35	6,061.6	4.3	47.8	2.00	2.25	2.03	↑	2.06	2.21	2.09	↑	29	29
7	Pakistan	57	5,002.0	3.5	51.3	1.98	2.05	2.07		1.83	1.99	2.12	↓	16	23
8	Nigeria	43	4,161.0	2.9	54.2	2.14	2.42	2.47		2.04	2.39	2.36		5	44
9	Philippines	36	3,697.8	2.6	56.8	1.59	1.66	1.64		1.38	1.55	1.69	↓	36	0
10	Algeria	25	2,919.2	2.1	58.9	1.82	1.86	2.13	↓	1.98	1.95	2.22	↓	20	28
11	Bangladesh	42	2,647.3	1.9	60.7	2.16	2.21	1.91	↑	2.21	2.14	1.85	↑	24	17
12	Morocco	31	2,621.0	1.8	62.6	1.76	1.88	1.84		1.60	1.66	1.57	↑	29	10
13	Poland	15	2,607.8	1.8	64.4	1.00	1.63	1.85	↓	1.00	1.82	1.77		20	7
14	Colombia	27	2,566.4	1.8	66.2	2.00	2.00	2.04		2.00	2.04	1.91	↑	30	30
15	Argentina	21	2,531.0	1.8	68.0	2.30	2.15	2.05	↑	2.03	2.24	2.36	↓	29	24
16	Egypt	27	2,098.8	1.5	69.5	2.08	2.04	1.96		2.03	2.01	1.96		19	11
17	Hungary	19	2,045.0	1.4	70.9	1.25	1.40	1.53	↓	1.26	1.42	1.60	↓	47	0
18	Venezuela	9	1,933.0	1.4	72.3	1.60	1.29	1.75	↓	1.55	1.23	1.79	↓	33	11
19	Ghana	38	1,454.6	1.0	73.3	1.59	1.71	1.95	↓	1.44	1.53	1.93	↓	24	18
20	Tunisia	30	1,441.8	1.0	74.3	1.72	1.63	1.72	↓	1.64	1.47	1.63	↓	33	7
21	Chile	17	1,412.5	1.0	75.3	1.33	1.47	1.50		1.33	1.62	1.56		53	6
22	Tanzania	26	1,407.9	1.0	76.3	2.04	2.36	2.35		1.87	2.17	2.18		0	35
23	Kenya	32	1,385.7	1.0	77.3	1.96	2.14	2.06		1.67	1.83	1.83		16	16
24	Yugoslavia	12	1,373.3	1.0	78.2	1.84	1.71	2.32	↓	1.62	1.49	2.19	↓	17	33
25	Korea	20	1,363.9	1.0	79.2	1.17	1.27	1.17	↑	1.19	1.44	1.21	↑	75	0
26	Uganda	28	1,327.7	0.9	80.1	1.95	1.96	1.96		1.74	1.88	1.86		18	14
27	Malaysia	20	1,231.5	0.9	81.0	1.46	1.65	1.56	↑	1.56	1.74	1.61	↑	40	0
28	Cote d'Ivoire	20	1,163.0	0.8	81.8	1.85	2.22	2.11	↑	1.85	2.06	1.83	↑	20	30
29	Sri Lanka	28	1,141.2	0.8	82.6	2.25	2.00	1.75	↑	2.26	2.05	1.86	↑	32	7
30	Peru	8	1,083.4	0.8	83.4	3.21	3.43	3.50		3.10	3.57	1.65	↑	13	63
31	Thailand	18	1,021.1	0.7	84.1	1.35	1.18	1.17		1.19	1.06	1.05		83	0
32	Nepal	27	852.5	0.6	84.7	2.23	2.27	2.23		2.29	2.20	2.12		11	30
33	Malawi	23	744.7	0.5	85.2	1.95	2.25	2.04	↑	1.80	2.25	2.09	↑	9	13
34	Zaire	26	702.2	0.5	85.7	2.41	2.78	2.85		2.63	2.83	2.91		0	65
35	Bolivia	20	659.6	0.5	86.2	1.82	1.38	1.83	↓	1.82	1.41	1.73	↓	25	10
36	Madagascar	23	576.6	0.4	86.6	1.88	2.16	2.30	↓	1.91	2.24	2.39	↓	4	30
37	Guinea	22	566.4	0.4	87.0	1.83	2.25	2.38	↓	1.68	2.37	2.25	↑	5	32
38	Rep. of Yemen	42	533.3	0.4	87.4	2.09	2.17	2.36	↓	2.16	2.14	2.23		14	35
39	Rwanda	20	411.3	0.3	87.7	2.06	2.41	2.05	↑	1.94	2.30	1.99	↑	15	20
Subtotal Large Country Portfolios, 1-39		1,290	124,604.8	87.7	87.7	1.86	1.93	1.94		1.73	1.80	1.84		27	18

1. Includes countries with more than \$1 billion in loan commitments or with 20 or more projects  
2. Simple arithmetic mean of individual overall project ratings, i.e., all projects are equally weighted.  
3. Weighted by loan amount.  
↑ An improvement in overall status rating by at least 5% from FY91-FY92.  
↓ A deterioration in overall status rating by at least 5% from FY91-FY92.  
Country portfolios without direction arrows had a relatively stable overall status rating from FY91-FY92.

TABLE 3 Continued

II. Small Country Portfolios <sup>1</sup> , FY92					Overall Status								Portfolio Distribution	
Country	No. of Projects	Lending Commitments (US\$ million)	Percentage Share (%)	Cumulative Percentage (%)	Unweighted <sup>2</sup>				Weighted <sup>3</sup>				% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4
					FY90	FY91	FY92	Trend	FY90	FY91	FY92	Trend		
40 Ethiopia	19	913.3	0.6	84.8	1.70	2.00	2.00		1.73	2.06	2.07		21	21
41 Mozambique	17	869.6	0.6	85.4	1.92	2.00	2.00		2.01	1.95	1.91		12	12
42 Romania**	4	830.0	0.6	86.5	-	-	1.33		-	-	1.35		50	0
43 Ecuador	15	810.5	0.6	87.1	2.21	2.06	1.93	†	2.20	2.15	1.76	†	27	20
44 Cameroon	14	727.4	0.5	88.2	2.00	2.47	2.29	†	2.12	2.56	2.32	†	7	36
45 Czechoslovakia**	2	696.0	0.5	89.1	-	-	1.00		-	-	1.00		50	0
46 Zimbabwe	13	670.0	0.5	89.6	1.67	1.86	1.77	†	1.65	1.88	1.72	†	31	8
47 Sudan	18	635.1	0.4	90.5	2.05	2.17	2.06	†	1.88	2.01	2.04		6	11
48 Jordan	18	627.1	0.4	91.0	1.67	1.65	1.83	↓	1.73	1.74	1.89	↓	28	11
49 Zambia	14	618.8	0.4	91.4	2.43	2.19	2.07	†	2.53	2.11	1.71	†	14	21
50 Senegal	19	577.7	0.4	91.8	1.88	1.89	1.89		1.83	1.91	1.98		21	11
51 Mali	19	515.3	0.4	93.3	2.06	1.88	1.84		2.08	1.97	2.01		37	21
52 Uruguay	10	512.6	0.4	93.7	2.00	1.92	1.70	†	1.92	1.89	1.75	†	30	0
53 Burundi	19	445.4	0.3	94.0	2.00	2.11	2.00	†	1.95	2.00	1.94		5	5
54 Myanmar	11	403.9	0.3	94.6	2.07	1.93	2.00		2.11	2.08	1.94	†	9	9
55 Burkina Faso	14	396.4	0.3	94.9	1.92	1.78	1.71		1.90	1.62	1.68		29	0
56 Iran	3	384.0	0.3	95.1	-	1.00	1.00		-	-	-		33	0
57 Papua New Guinea	11	304.2	0.2	95.4	1.90	1.82	2.10	↓	1.77	1.69	1.96	↓	18	27
58 Dominican Rep.	6	298.2	0.2	95.6	2.60	2.40	1.83	†	3.04	2.58	2.05	†	50	33
59 Niger	13	294.8	0.2	95.8	2.06	2.29	2.23		2.18	2.67	2.51	†	8	31
60 Honduras	8	288.7	0.2	96.0	1.86	2.00	1.75	†	1.63	1.91	1.90		25	0
61 Benin	16	270.2	0.2	96.2	1.80	1.75	1.81		1.87	1.67	1.78	↓	31	13
62 Togo	16	267.7	0.2	96.4	1.93	2.24	2.31		1.82	2.30	2.33		13	44
63 Bulgaria**	2	267.0	0.2	96.5	-	-	2.00		-	-	2.00		0	0
64 Costa Rica	5	250.0	0.2	96.7	1.75	2.00	1.75	†	1.68	2.00	1.52	†	20	0
65 Chad	9	246.3	0.2	96.9	2.00	2.30	2.22		1.70	2.28	2.22		11	22
66 Lesotho	10	243.1	0.2	97.1	2.14	2.33	2.10	†	2.32	2.47	2.06	†	10	20
67 Jamaica	13	233.4	0.2	97.2	1.81	1.65	1.92	↓	1.70	1.49	1.87	↓	15	8
68 Central African Rep.	10	230.7	0.2	97.4	1.60	2.20	2.56	↓	1.40	2.16	2.49	↓	0	40
69 Guatemala	7	230.3	0.2	97.5	2.78	2.89	2.57	†	2.63	2.92	2.67	†	0	57
70 Lao P.D.R.	10	227.0	0.2	97.7	1.38	1.63	1.60		1.16	1.44	1.45		40	0
71 Somalia	12	215.1	0.2	97.9	2.29	3.75	4.00	↓	2.26	3.64	4.00	↓	0	100
72 Cyprus	7	196.2	0.1	98.0	1.50	1.20	1.67	↓	1.44	1.22	1.70	↓	29	0
73 Haiti	11	187.6	0.1	98.1	1.82	2.20	3.00	↓	1.81	2.30	3.13	↓	0	82
74 Mauritania	12	177.3	0.1	98.3	2.08	2.18	2.08	†	1.69	2.00	1.94		25	25
75 El Salvador	4	177.0	0.1	98.4	2.00	1.67	1.25	†	2.00	1.84	1.37	†	75	0
76 Angola	5	166.9	0.1	98.5	-	2.00	1.75	†	-	2.00	1.80	†	20	0
77 Portugal	4	158.3	0.1	98.6	1.89	1.86	2.50	↓	1.75	1.69	2.37	↓	25	75
78 Paraguay	6	156.1	0.1	98.7	2.00	1.80	1.80		2.00	1.64	1.64		17	0
79 Guyana	6	142.0	0.1	98.8	2.40	2.40	2.40		1.55	1.52	1.47		33	33
80 Panama	2	121.3	0.1	98.9	3.00	4.00	3.00	†	3.40	4.00	2.02	†	0	50
81 Nicaragua**	1	120.3	0.1	99.0	-	-	1.00		-	-	1.00		100	0
82 Sierra Leone	6	116.2	0.1	99.1	3.29	4.00	2.50	†	3.31	4.00	2.40	†	0	50
83 Mauritius	7	112.8	0.1	99.1	1.17	1.00	1.33	↓	1.12	1.00	1.23	↓	37	0



Table 3 Continued

Country	No. of Projects (FY92)	Lending Commitments (US\$ million)	Percentage Share (%)	Cumulative Percentage (%)	Overall Status								Portfolio Distribution	
					Unweighted <sup>1</sup>				Weighted <sup>2</sup>				% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4
					FY90	FY91	FY92	Trend	FY90	FY91	FY92	Trend		
84 Guinea-Bissau	9	99.1	0.1	99.2	1.58	1.90	1.89		1.58	1.93	2.03	↓	33	22
85 Oman	5	95.1	0.1	99.3	1.80	1.80	1.60	↑	1.75	1.75	1.61	↑	40	0
86 Gambia	9	93.9	0.1	99.4	2.40	2.40	2.00	↑	2.26	2.44	1.95	↑	11	11
87 Trinidad & Tobago	4	91.7	0.1	99.4	1.50	2.00	1.75	↑	1.09	2.00	1.71	↑	25	0
88 Botswana	6	80.2	0.1	99.5	2.00	1.83	1.83		1.87	1.74	1.76		33	17
89 Fiji	4	62.7	0.0	99.5	1.50	1.33	1.33		1.26	1.17	1.17		50	0
90 Sao Tome & Prin.	8	61.9	0.0	99.6	1.00	1.80	1.63	↑	1.00	1.86	1.65	↑	38	0
91 African Region*	2	60.5	0.0	99.6	1.00	1.00	1.00		1.00	1.00	1.00		100	0
92 West Africa Region*	3	52.1	0.0	99.6	1.67	1.67	1.67		1.46	1.46	1.42		33	0
93 Caribbean Region*	3	45.0	0.0	99.7	1.67	1.33	1.33		1.29	1.16	1.13		67	0
94 Barbados	4	43.7	0.0	99.7	1.75	1.75	2.00	↓	1.70	1.70	2.00	↓	0	0
95 Albania***	1	41.1	0.0	99.7	-	-	r		-	-	r		0	-
96 Djibouti	5	36.1	0.0	99.8	2.00	2.00	1.80		1.91	2.03	1.93	↑	60	20
97 Mongolia**	2	35.0	0.0	99.8	-	-	1.00		-	-	1.00		100	0
98 Gabon	2	35.0	0.0	99.8	1.67	1.67	2.00	↓	1.41	1.41	2.00	↓	0	0
99 Congo	3	34.3	0.0	99.8	2.00	2.33	2.67	↓	2.00	2.43	2.90	↓	0	67
100 Comoros	5	29.3	0.0	99.9	3.00	2.60	2.80	↓	3.00	2.52	2.77	↓	0	80
101 Belize	4	28.0	0.0	99.9	1.67	1.33	1.25	↑	1.73	1.37	1.28	↑	75	0
102 Maldives	3	25.7	0.0	99.9	1.67	1.33	1.33		1.72	1.36	1.29	↑	67	0
103 Western Samoa	4	24.1	0.0	99.9	2.00	2.20	2.00	↑	1.46	2.07	2.00		0	0
104 Equatorial Guinea	4	22.9	0.0	99.9	2.20	2.33	2.25	↑	2.16	2.29	2.28		0	25
105 Bahamas	2	20.0	0.0	99.9	1.67	2.00	2.00		1.62	2.00	2.00		0	0
106 Cape Verde	4	17.1	0.0	99.9	1.50	2.00	1.75	↑	1.50	1.69	1.77	↓	50	25
107 Bhutan	4	16.1	0.0	100.0	1.80	1.80	2.00	↓	1.87	1.88	2.00	↓	0	0
108 Vanuatu	3	13.4	0.0	100.0	2.00	1.00	1.33	↓	1.93	1.00	1.25	↓	67	0
109 St. Vincent	2	7.8	0.0	100.0	1.00	1.00	1.50	↓	1.00	1.00	1.64	↓	50	0
110 St. Lucia	1	7.7	0.0	100.0	1.00	1.00	2.00	↓	1.00	1.00	2.00	↓	0	0
111 Solomon Islands	2	7.2	0.0	100.0	2.00	2.00	1.50	↑	2.00	2.00	1.31	↑	50	0
112 Dominica	2	6.0	0.0	100.0	1.50	2.00	2.50	↓	1.50	2.00	2.50	↓	0	50
113 Grenada	1	5.0	0.0	100.0	2.00	2.00	2.00		2.00	2.00	2.00		0	0
114 Liberia	1	5.0	0.0	100.0	3.83	4.00	4.00		3.71	4.00	4.00		0	100
115 Tonga	1	3.0	0.0	100.0	1.50	2.00	2.00		1.40	2.00	2.00		0	0
116 St. Kitts and Nevis**	1	3.0	0.0	100.0	-	-	2.00		-	-	2.00		0	0
Subtotal, Small Country Portfolios, 40-116	562	17,540.5	12.3	100.0	1.98	2.05	2.01		1.94	2.03	1.91		22	19
Bank Total	1852	142,145.3	100.0	100.0	1.90	1.97	1.96		1.76	1.83	1.85		25	18

Note:

1. Includes countries with more than \$1 billion in loan commitments and with 20 or more projects.
  2. Simple arithmetic mean of individual overall project ratings, i.e., all projects are equally weighted.
  3. Weighted by loan amount.
- ↑ An improvement in overall status rating by at least 5% from FY91-FY92.  
 ↓ A deterioration in overall status rating by at least 5% from FY91-FY92.  
 Country portfolios without direction arrows had a relatively stable overall status rating from FY91-FY92.
- \* Projects which are in more than one country.  
 \*\* Non rated portfolios in FY90 and FY91.  
 \*\*\* New non rated portfolio in FY92.

TABLE 4a. LARGE COUNTRY PORTFOLIOS  
CLASSIFIED BY FY92 OVERALL STATUS RATING AND REGION<sup>1</sup>

FY92 Overall Status Rating	Region					
	<u>AFR</u>	<u>EAP</u>	<u>SAS</u>	<u>ECA</u>	<u>MNA</u>	<u>LAC</u>
[1.0-1.5]		Korea (↑) Thailand China		Hungary (↓)		Chile
(1.6-2.0)	Ghana (↓) Uganda Malawi (↑)	Malaysia (↑) Philippines Indonesia (↓)	Sri Lanka (↑) India Bangladesh (↑)	Poland (↓) Turkey (↑)	Tunisia (↓) Morocco Egypt	Mexico Venezuela (↓) Bolivia (↓) Colombia
(2.1-2.5)	Rwanda (↑) Kenya Cote d'Ivoire (↑) Madagascar (↓) Tanzania Guinea (↓) Nigeria		Pakistan Nepal	Yugoslavia (↓)	Algeria (↓) Yemen (↓)	Argentina (↑) Brazil (↑)
(2.6-3.0)	Zaire					
(3.0-4.0)						Peru

1. Large country portfolio is defined as one with more than \$1.0 billion in loan commitments or with at least 20 projects.  
↑ An improvement in overall status rating by at least 5 percent from FY91 to FY92.  
↓ A deterioration in overall status rating by at least 5 percent from FY91 to FY92.

Note:  
a. Country portfolios without direction arrows had a relatively stable status rating from FY91 to FY92.  
b. Country portfolios under each regional column are rank ordered based on their overall status ratings from lowest (i.e., best performing) to highest.



TABLE 4b. SMALL COUNTRY PORTFOLIOS CLASSIFIED BY  
FY92 OVERALL STATUS RATING AND REGION<sup>1</sup>

FY92 Overall Status Rating	AFR	EAP	SAS	ECA <sup>2</sup>	MNA	LAC
[1.0-1.5]	Mauritius (↓)	Mongolia Fiji Vanuatu (↓) Solomon Islands (↑)	Maldives	Romania Czechoslovakia	Iran	Nicaragua Belize (↑) El Salvador (↑) St. Vincent (↓)
[1.6-2.0]	Sao Tome & Pr (↑) Burkina Faso Angola (↑) Cape Verde (↑) Zimbabwe (↑) Djibouti Benin Botswana Mali Guinea-Bissau Senegal Burundi (↑) Ethiopia Gabon (↓) Gambia (↑) Mozambique Tonga	Lao P.D.R. Western Samoa (↑)	Bhutan (↓) Myanmar	Cyprus (↓) Bulgaria	Oman (↑) Jordan (↓)	Uruguay (↑) Trinidad & T (↑) Costa Rica (↑) Honduras (↑) Paraguay Dominican Rep (↑) Jamaica (↓) Ecuador (↑) Bahamas Barbados (↓) Grenada St. Kitts & Nevis St. Lucia (↓)
[2.1-2.5]	Sudan (↑) Zambia (↑) Mauritania (↑) Lesotho (↑) Chad Niger Eq. Guinea (↑) Cameroon (↑) Togo Sierra Leone (↑)	Papua New Guinea (↓)		Portugal (↓)		Guyana Dominica (↓)
[2.6-3.0]	Cen. African Rep. (↓) Congo (↓) Comoros (↓)					Guatemala (↑) Haiti (↓) Panama (↑)
[3.1-4.0]	Liberia Somalia (↓)					

Trend

↑ An improvement in the overall status rating by at least 5% from FY91 to FY92.

↓ A deterioration in the overall status rating by at least 5% from FY91 to FY92.

\* Not rated in FY92.

1. Country portfolios under each regional column are rank ordered based on their overall status ratings from lowest (i.e., best performing) to highest.

**Table 4c. Improved, Stable and Deteriorated Country Portfolios Classified by Overall Status Rating, FY92**

<i>Overall Status Rating</i>	<i>Large Country Portfolios (No.)</i>			<i>Small Country Portfolios (No.)</i>			<i>Total (No.)</i>		
	<i>Improved</i>	<i>Stable</i>	<i>Deteriorated</i>	<i>Improved</i>	<i>Stable</i>	<i>Deteriorated</i>	<i>Improved</i>	<i>Stable</i>	<i>Deteriorated</i>
1.0 - 1.5	1	3	1	3	3	3	4	6	4
1.6 - 2.0	5	7	6	14	15	7	19	22	13
2.1 - 2.5	4	5	5	7	4	3	11	9	8
2.6 - 3.0	0	1	0	2	0	4	2	1	4
3.0 - 4.0	0	1	0	0	1	1	0	2	1
<b>Total</b>	<b>10</b>	<b>17</b>	<b>12</b>	<b>26</b>	<b>23</b>	<b>18</b>	<b>36</b>	<b>40</b>	<b>30</b>



TABLE 5. PORTFOLIO DISTRIBUTION BY INCOME, FY90-FY92

<i>Country Group</i>	<i>FY90</i>				<i>FY91</i>				<i>FY92</i>			
	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>
Not Classified	14	0.7	0.3	0.2	8	0.4	0.2	0.1	8	0.4	0.2	0.1
Low Income (small countries)	834	44.1	37.1	27.9	835	45.3	39.8	28.8	858	46.3	42.6	30.0
Low Income (large countries)	190	10.1	29.6	22.3	192	10.4	30.8	22.3	210	11.3	32.6	22.9
Lower Middle Income	652	34.5	46.1	34.7	625	33.9	47.3	34.3	563	30.4	39.0	27.4
High Income	185	9.8	19.7	14.8	172	9.3	19.7	14.3	204	11.0	27.6	19.4
Upper Middle Income	15	0.8	0.2	0.2	13	0.7	0.2	0.1	9	0.5	0.2	0.1
<b>Bank Total</b>	<b>1890</b>	<b>100</b>	<b>132.9</b>	<b>100</b>	<b>1845</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>1852</b>	<b>100</b>	<b>142.1</b>	<b>100</b>

TABLE 6. PORTFOLIO DISTRIBUTION BY ADJUSTMENT STATUS, FY90-FY92

<i>Country Group</i>	<i>FY90</i>				<i>FY91</i>				<i>FY92</i>			
	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>
Not Classified	42	2.2	1.2	0.9	31	1.7	1.3	0.9	14	0.8	0.4	0.3
Non-Adjusting	209	11.1	6.6	5.0	196	10.6	6.4	4.6	174	9.4	5.1	3.6
Adjusting w/o Bank Program	566	29.9	58.3	43.9	533	28.9	58.9	42.7	484	26.1	45.6	32.1
Adjusting with Bank Program	1,073	56.8	66.8	50.3	1,085	58.8	71.4	51.7	1,180	63.7	91.0	64.0
<b>Bank Total</b>	<b>1,890</b>	<b>100</b>	<b>132.9</b>	<b>100</b>	<b>1,845</b>	<b>100</b>	<b>138.0</b>	<b>100</b>	<b>1,852</b>	<b>100</b>	<b>142.1</b>	<b>100</b>

TABLE 7. DISTRIBUTION OF PORTFOLIO BY SECTOR

<i>Sector</i>	<i>FY90</i>				<i>FY91</i>				<i>FY92</i>			
	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit -ments US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit -ments US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit -ments US\$bn</i>	<i>% of Total</i>
Agriculture	559	30	30.2	23	513	28	30.3	22	501	27	29.6	21
<i>Infrastructure</i>												
Transport	226	12	17.9	13	208	11	16.6	12	200	11	16.4	12
Urban	110	6	7.9	6	115	6	8.1	6	125	7	8.6	6
Tourism	3	0	0.1	0	0	0	0.0	0	0	0	0.0	0
Water	109	6	6.2	5	97	5	6.5	5	96	5	7.0	5
<i>Industry</i>												
ITF	162	9	16.5	12	158	9	17.5	13	150	8	17.1	12
Industry	65	3	5.7	4	66	4	6.1	4	60	3	6.1	4
Telecom.	32	2	1.7	1	34	2	2.0	1	32	2	2.3	2
<i>Energy</i>												
Power	159	8	21.7	16	154	8	21.3	15	155	8	22.0	15
Oil & Gas	61	3	4.3	3	57	3	5.3	4	53	3	5.4	4
<i>Human Resources</i>												
Education	164	9	7.1	5	170	9	8.6	6	179	10	9.7	7
PHN	78	4	2.9	2	98	5	4.3	3	114	6	5.2	4
T. A.	92	5	1.0	1	94	5	1.1	1	100	5	1.2	1
Pub. Sec. Mgt.	10	1	1.3	1	13	1	1.9	1	16	1	2.5	2
Program Lending/SAL	60	3	8.7	7	68	4	8.2	6	71	4	9.1	6
<b>Total</b>	<b><u>1,890</u></b>	<b><u>100</u></b>	<b><u>132.9</u></b>	<b><u>100</u></b>	<b><u>1,845</u></b>	<b><u>100</u></b>	<b><u>138.0</u></b>	<b><u>100</u></b>	<b><u>1,852</u></b>	<b><u>100</u></b>	<b><u>142.1</u></b>	<b><u>100</u></b>

Note: Columns may not add up to 100 due to rounding.



TABLE 8. PORTFOLIO DISTRIBUTION BY LENDING INSTRUMENT, FY90-FY92

<i>Instrument</i>	<i>FY90</i>				<i>FY91</i>				<i>FY92</i>			
	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>
Spec. Invest.	1,061	56.1	67.2	50.6	1,060	57.5	72.8	52.8	1,109	59.9	79.2	55.7
Sec Invest & Maint.	355	18.8	26.6	20.0	328	17.8	25.1	18.2	308	16.6	24.3	17.1
Finan. Intermed.	174	9.2	13.8	10.4	153	8.3	13.6	9.9	140	7.6	11.5	8.1
Tech. Assist.	143	7.6	1.5	1.1	138	7.5	1.7	1.2	132	7.1	1.8	1.3
Emerg. Reconst.	19	1.0	1.2	0.9	20	1.1	1.8	1.3	20	1.1	1.6	1.1
Debt Reduction	2	0.1	1.5	1.1	3	0.2	0.4	0.3	2	0.1	0.3	0.2
Sectoral Adj.	94	5.0	16.5	12.4	91	4.9	16.4	11.9	83	4.5	15.3	10.8
Struct. Adj.	42	2.2	4.6	3.5	52	2.8	6.2	4.5	58	3.1	8.1	5.7
<b>Total</b>	<b>1,890</b>	<b>100</b>	<b>132.9</b>	<b>100</b>	<b>1,845</b>	<b>100</b>	<b>138.0</b>	<b>100</b>	<b>1,852</b>	<b>100</b>	<b>142.1</b>	<b>100</b>

TABLE 9. PORTFOLIO DISTRIBUTION BY PRIMARY PROGRAM OBJECTIVE, FY91-FY92

	<i>FY91</i>				<i>FY92</i>			
	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>	<i>No. of Proj.</i>	<i>% of Total</i>	<i>Commit US\$bn</i>	<i>% of Total</i>
Adjustment & Debt	140	8	17.4	13	138	4	17.6	12
Economic Mgt.	25	1	1.4	1	32	2	2.4	2
Poverty Reduction	194	11	14.7	11	194	10	14.7	10
Human Res. Devt.	266	14	12.9	9	290	16	14.6	10
Priv & Pub Sect. Ref.	258	14	20.4	15	255	14	21.7	15
Finan. Intermediation	115	6	11.2	8	104	6	9.3	7
Environment/Forestry	92	5	4.2	3	100	5	5.0	4
Natural Res. Mgt.	215	12	9.7	7	206	11	9.7	7
Basic Infra/Urb Devt.	540	29	46.1	33	533	29	47.2	33
<b>Bank Total</b>	<b>1845</b>	<b>100</b>	<b>138.0</b>	<b>100</b>	<b>1852</b>	<b>100</b>	<b>142.1</b>	<b>100</b>

TABLE 10a. PORTFOLIO STATUS RATING BY SECTOR

<i>Sector</i>	<i>FY90</i>		<i>FY91</i>		<i>FY92</i>	
	<i>Over- all Rating</i>	<i>Prob Proj as % of Operations</i>	<i>Over- all Rating</i>	<i>Prob Proj as % of Operations</i>	<i>Over- all Rating</i>	<i>Prob Proj as % of Operations</i>
Agriculture	2.1	23	2.1	26	2.1	22
<i>Infrastructure</i>						
Transport	1.8	14	1.9	16	1.9	14
Urban	1.8	13	1.9	17	1.9	17
Tourism	2.0	33	-	-	-	-
Water & Sewerage	1.8	17	2.0	23	2.1	26
<i>Industry</i>						
ITF	1.9	18	1.8	18	1.8	14
Industry	1.8	13	1.9	17	2.0	18
Telecommunications	1.7	9	1.9	18	1.8	13
<i>Energy</i>						
Power	1.9	18	2.0	22	1.9	20
Oil & Gas	1.7	10	1.8	11	1.9	17
<i>Human Resources</i>						
Education	1.8	13	1.9	17	1.9	14
PHN	1.8	14	1.9	13	2.0	19
Technical Assistance	2.0	15	2.1	27	2.0	16
Public Sector Mgt	1.4	10	1.6	16	1.8	19
Program Lending/SAL	1.7	7	1.8	11	1.8	15
<b>Total</b>	<b><u>1.9</u></b>	<b><u>17</u></b>	<b><u>2.0</u></b>	<b><u>20</u></b>	<b><u>2.0</u></b>	<b><u>18</u></b>



TABLE10b. PORTFOLIO STATUS BY SECTOR AND REGION, FY90-FY92

	<i>Africa</i>						<i>East Asia &amp; Pacific</i>						<i>South Asia</i>					
	<i>Overall Rating</i>			<i>Problem Projects as % of Operations</i>			<i>Overall Rating</i>			<i>Problem Projects as % of Operations</i>			<i>Overall Rating</i>			<i>Problem Projects as % of Operations</i>		
	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>
<i>Fiscal Year:</i>																		
<i>Sector</i>																		
Agriculture	2.2	2.4	2.3	30	36	34	1.7	1.7	1.7	9	8	10	2.2	2.2	1.9	25	21	15
<i>Infrastructure</i>																		
Transport	1.9	2.2	2.1	11	30	22	1.7	1.6	1.6	8	2	0	2.0	1.9	1.9	28	21	11
Urban	1.6	1.7	1.8	9	11	16	1.4	1.4	1.5	0	-	0	2.0	2.1	2.3	14	29	31
Water	1.5	2.1	2.1	6	23	26	1.1	1.5	1.5	0	7	0	2.1	1.8	2.0	30	8	15
<i>Industry</i>																		
ITF	2.2	2.2	2.0	32	33	22	1.4	1.5	1.7	5	4	0	2.1	2.1	2.1	26	19	24
Industry	2.0	2.4	2.3	20	50	45	1.7	1.5	1.8	0	0	0	1.8	1.9	2.0	17	14	23
Telecomm.	1.7	2.1	1.8	17	33	18	1.4	1.8	1.8	0	0	0	1.8	1.8	1.7	0	0	0
<i>Energy</i>																		
Power	2.0	2.0	2.1	14	12	16	1.3	1.3	1.2	0	0	0	1.9	2.0	2.1	15	27	30
Oil & Gas	1.8	2.0	2.3	5	15	26	1.5	1.3	1.3	9	13	14	1.8	1.9	2.0	6	7	15
<i>Human Resources</i>																		
Education	1.9	2.2	2.2	16	29	23	1.5	1.5	1.4	2	2	2	1.9	2.0	1.9	21	21	10
PHN	1.9	2.2	2.1	11	20	21	1.6	1.3	1.2	0	0	0	1.6	1.7	1.5	10	-	7
T. A.	2.0	2.3	2.1	16	37	23	1.5	1.7	1.8	0	0	0	2.0	1.8	2.5	20	25	33
Pub. Sector Mgmt.	1.7	2.2	2.0	14	28	25	-	1.0	1.0	0	0	0	-	-	-	-	-	-
<i>Program</i>																		
Lending/SAL	1.8	2.0	2.2	12	20	28	1.2	1.5	1.5	0	0	0	2.0	2.0	1.3	0	0	0
<b>Total</b>	<b>2.0</b>	<b>2.2</b>	<b>2.2</b>	<b>19</b>	<b>30</b>	<b>26</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>20</b>	<b>20</b>	<b>17</b>

- Not available or not applicable.

(continued)

TABLE 10b Continued

TABLE 10b. PORTFOLIO STATUS BY SECTOR AND REGION, FY90-FY92

<i>Fiscal Year:</i>	<i>Europe &amp; Central Asia</i>						<i>Middle East and North Africa</i>						<i>Latin America &amp; the Caribbean</i>					
	<i>Overall Rating</i>			<i>Problem Projects as % of Operations</i>			<i>Overall Rating</i>			<i>Problem Projects as % of Operations</i>			<i>Overall Rating</i>			<i>Problem Projects as % of Operations</i>		
	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>	<i>90</i>	<i>91</i>	<i>92</i>
<i>Sector</i>																		
Agriculture	1.8	2.0	1.8	8	19	11	2.0	2.0	2.0	21	19	21	2.2	2.3	2.2	29	33	22
<i>Infrastructure</i>																		
Transport	1.6	1.6	2.0	19	13	28	1.8	1.8	1.8	0	0	6	2.0	1.9	2.1	25	18	22
Urban	4.0	4.0	2.0	100	100	-	1.8	1.9	1.9	14	6	14	2.1	2.2	2.2	20	35	33
Water	1.5	1.15	1.9	13	-	14	2.0	2.3	2.6	23	50	54	2.3	2.2	2.2	32	32	36
<i>Industry</i>																		
ITF	1.7	1.6	1.7	21	8	8	1.9	1.9	1.9	6	14	16	1.5	1.6	1.5	9	9	8
Industry	1.6	1.6	1.5	9	10	0	1.6	1.9	2.3	14	22	26	2.0	1.8	2.0	14	0	13
Telecomm.	1.0	1.3	1.3	0	0	0	1.5	2.0	2.0	0	0	33	2.3	2.3	2.5	33	33	50
<i>Energy</i>																		
Power	2.0	2.2	2.3	36	38	36	2.8	2.1	2.4	50	18	27	2.1	2.2	2.0	29	41	30
Oil & Gas	1.7	2.0	1.5	0	0	0	1.0	1.5	2.0	0	25	0	2.1	1.9	2.0	30	13	13
<i>Human Resources</i>																		
Education	2.0	2.2	2.5	14	44	50	1.5	1.5	1.7	4	4	4	2.1	2.0	1.8	32	20	11
PHN	1.0	2.0	2.3	0	0	33	1.9	1.8	2.0	22	9	16	1.9	1.7	2.2	28	12	29
T. A.	0	0	1.5	0	0	0	2.0	2.4	2.0	20	14	17	1.9	1.7	1.6	16	5	0
Pub. Sector Mgmt.	0	0	0	0	0	1.0	1.0	1.0	0	0	0	0	1.0	1.0	1.8	0	0	20
Program Lending/SAL	1.0	1.3	2.0	0	0	14	1.8	1.6	1.4	0	0	0	1.5	1.7	1.5	0	7	7
<b>Total</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>1.9</b>	<b>1.9</b>	<b>2.0</b>	<b>16</b>	<b>16</b>	<b>18</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>23</b>	<b>23</b>	<b>20</b>

-- Not available or not applicable.



TABLE 10c. SUMMARY OF RATINGS FOR ALL INDICATORS BY REGION, FY92

<i>Indicator</i>	<i>All Operations</i>						<i>Bank Average</i>
	<i>AFR</i>	<i>EAP</i>	<i>SAS</i>	<i>ECA</i>	<i>MNA</i>	<i>LAC</i>	
Overall Status	2.2	1.6	2.0	1.9	2.0	2.0	2.0
Availability of Funds	1.8	1.3	1.4	1.5	1.5	1.7	1.6
Management Performance	2.0	1.5	1.8	1.7	1.8	1.8	1.8
Development Impact	1.9	1.3	1.6	1.6	1.7	1.6	1.7
Compliance with Legal Covenants	1.9	1.3	1.7	1.6	1.7	1.8	1.7
Procurement Progress	1.8	1.4	1.8	1.5	1.7	1.6	1.7
Training Progress	1.7	1.4	1.6	1.4	1.6	1.6	1.6
Technical Assistance Progress	1.7	1.4	1.6	1.5	1.7	1.6	1.6
Studies Progress	1.7	1.3	1.6	1.4	1.6	1.6	1.6
Environmental Aspects	1.3	1.1	1.4	1.1	1.1	1.3	1.3
Financial Performance	1.9	1.4	1.8	1.7	1.8	1.9	1.8

10d. SUMMARY OF BANKWIDE RATINGS FOR ALL INDICATORS, FY90-FY92

<i>Indicator</i>	<i>All Operations</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Overall Status	1.9	2.0	2.0
Availability of Funds	1.5	1.6	1.6
Management Performance	1.8	1.8	1.8
Development Impact	1.7	1.7	1.7
Compliance with Legal Covenants	1.7	1.7	1.7
Procurement Progress	1.7	1.7	1.7
Training Progress	1.6	1.6	1.6
Technical Assistance Progress	1.6	1.6	1.6
Studies Progress	1.6	1.6	1.6
Environmental Aspects	1.3	1.3	1.3
Financial Performance	1.8	1.8	1.8

TABLE 10e. PROBLEM PROJECTS BY SUBRATING CATEGORY AND COUNTRY CLASSIFICATION, FY92  
(Percentage of Total)

<u>Country Classification</u>	<u>Legal Covnt.</u>	<u>Project Mgmt.</u>	<u>Fund Avail.</u>	<u>Procurement</u>	<u>TA</u>	<u>Financial Perform.</u>	<u>Overall Status</u>	<u>Devel. Obj.</u>
<u>Income</u>								
<u>Low Income</u>								
Small	15	19	15	12	8	13	23	16
Large	7	10	3	8	4	3	10	4
<u>Middle Income</u>								
Lower	13	14	13	9	8	12	16	11
Upper	10	10	11	3	6	6	14	5
High Income	--	--	11	--	--	22	--	--
<u>Indebtedness</u>								
Severe	17	19	18	11	10	15	24	16
Moderate	13	15	12	10	7	11	17	10
Below Average	7	9	8	6	4	6	11	9
<u>Adjustment Status</u>								
Non-adjusting	26	29	30	19	20	25	40	27
Adjusting with Bank	13	16	13	10	6	11	18	12
Adjusting w/o Bank	8	8	7	6	4	7	10	6

-- Not available or not applicable.



**TABLE 10f. PORTFOLIO STATUS RATINGS BY REGION AND YEAR OF IMPLEMENTATION, FY90-FY92**

Age	FY90					FY91					FY92				
	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>
<i>Region</i>															
AFR	1.8	2.1	2.1	2.4	2.0	2.1	2.3	2.2	2.6	2.2	2.0	2.3	2.2	2.3	2.2
EAP	1.5	1.6	1.6	1.7	1.5	1.5	1.6	1.5	2.0	1.5	1.5	1.6	1.5	1.9	1.6
SAS	1.9	2.2	2.0	2.1	2.0	1.9	2.3	2.1	2.0	2.0	1.8	2.2	2.1	1.8	2.0
ECA	1.5	1.9	2.0	2.0	1.7	1.7	1.7	2.2	1.7	1.8	1.8	2.0	2.0	2.0	1.9
MNA	1.6	2.1	1.9	2.3	1.9	1.6	2.1	2.1	2.1	1.9	1.8	2.1	2.1	2.1	2.0
LAC	1.9	2.0	2.3	2.2	2.0	1.7	2.2	2.1	2.4	2.0	1.7	2.1	2.2	2.4	2.0
<b>Total</b>	<b><u>1.8</u></b>	<b><u>2.0</u></b>	<b><u>2.0</u></b>	<b><u>2.2</u></b>	<b><u>1.9</u></b>	<b><u>1.8</u></b>	<b><u>2.1</u></b>	<b><u>2.0</u></b>	<b><u>2.3</u></b>	<b><u>2.0</u></b>	<b><u>1.8</u></b>	<b><u>2.1</u></b>	<b><u>2.1</u></b>	<b><u>2.1</u></b>	<b><u>2.0</u></b>

**TABLE 10g. PERCENTAGE OF PROBLEM PROJECTS BY REGION AND YEAR OF IMPLEMENTATION, FY90-FY92**

Age	FY90					FY91					FY92				
	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>
<i>Region</i>															
AFR	12	29	22	35	19	22	41	27	54	30	20	33	30	33	26
EAP	5	4	5	7	5	3	5	2	18	4	3	6	2	0	3
SAS	18	29	17	24	20	12	33	17	26	19	12	27	21	7	17
ECA	8	27	25	0	16	6	25	39	0	17	11	29	26	0	18
MNA	11	19	14	29	15	8	27	17	24	16	16	19	20	16	18
LAC	21	17	30	33	23	15	34	24	31	23	13	23	26	44	20
<b>Total</b>	<b><u>13</u></b>	<b><u>21</u></b>	<b><u>19</u></b>	<b><u>27</u></b>	<b><u>17</u></b>	<b><u>14</u></b>	<b><u>30</u></b>	<b><u>20</u></b>	<b><u>34</u></b>	<b><u>20</u></b>	<b><u>14</u></b>	<b><u>24</u></b>	<b><u>22</u></b>	<b><u>21</u></b>	<b><u>18</u></b>

TABLE 10h. PORTFOLIO STATUS RATINGS BY SECTOR AND YEAR OF IMPLEMENTATION, FY90-FY92

Age	FY90					FY91					FY92				
	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>
<i>Sector</i>															
Agric	1.9	2.2	2.1	2.3	2.1	2.0	2.4	2.1	2.4	2.1	2.0	2.2	2.2	2.0	2.1
Transp	1.7	2.0	1.9	2.3	1.8	1.8	2.0	2.0	1.9	1.9	1.8	2.0	2.0	2.0	1.9
Urban	1.7	1.8	1.9	2.5	1.8	1.7	2.3	1.8	2.3	1.9	1.7	2.2	1.9	2.3	1.9
Tourism	-	-	-	2.0	2.0	-	-	-	-	-	-	-	-	-	-
Water	1.7	1.9	1.8	1.7	1.8	1.8	2.3	2.0	2.3	2.0	1.8	2.5	2.3	1.9	2.1
ITF	1.6	1.9	2.2	3.0	1.9	1.6	2.0	2.2	2.5	1.8	1.7	1.9	2.1	2.1	1.8
Indust	1.7	1.9	1.7	2.0	1.8	1.7	1.9	2.0	-	1.9	1.9	2.0	2.1	3.0	2.0
Telecom	1.5	1.8	2.0	-	1.7	1.9	1.8	2.0	2.0	1.9	1.8	1.8	1.8	2.0	1.8
Power	1.8	2.1	2.1	1.5	1.9	1.9	1.8	2.1	2.3	2.0	1.7	1.9	2.2	2.1	1.9
Oil&Gas	1.9	1.6	1.7	-	1.7	1.9	1.8	1.7	2.3	1.8	1.8	2.1	1.9	4.0	1.9
Educ	1.6	1.8	1.9	2.2	1.8	1.8	2.1	1.9	1.6	1.9	1.7	2.1	1.8	2.4	1.9
PHN	1.6	2.0	2.1	1.5	1.8	1.7	2.2	2.2	1.0	1.9	1.9	2.0	2.0	2.3	2.0
T.A.	1.9	2.0	2.0	2.0	2.0	2.1	2.0	2.2	2.7	2.1	1.8	2.2	2.2	2.0	2.0
PubSMgt	1.5	1.0	-	-	1.4	1.3	3.0	1.0	-	1.6	1.7	2.3	1.0	-	1.8
PL/SAL	1.7	1.4	1.0	-	1.7	1.8	1.8	1.5	-	1.8	1.8	2.0	1.7	-	1.8
<b>Bank</b>	<b>1.8</b>	<b>2.0</b>	<b>2.0</b>	<b>2.2</b>	<b>1.9</b>	<b>1.8</b>	<b>2.1</b>	<b>2.0</b>	<b>2.3</b>	<b>2.0</b>	<b>1.8</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.0</b>

TABLE 10i. PERCENTAGE OF PROBLEM PROJECTS BY SECTOR AND YEAR OF IMPLEMENTATION, FY90-FY92

Age	FY90					FY91					FY92				
	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>
<i>Sector</i>															
Agric	17	33	21	33	23	18	42	22	36	26	20	26	25	16	22
Transp	14	14	11	33	14	13	28	14	25	16	10	19	17	11	15
Urban	8	14	19	50	13	14	36	7	33	17	10	32	14	22	17
Tourism	-	-	-	33	33	-	-	-	-	-	-	-	-	-	-
Water	22	19	10	0	17	15	43	11	33	23	16	42	36	11	26
ITF	12	17	29	60	18	6	27	27	50	18	8	20	23	29	14
Indust	9	24	7	0	13	13	19	20	-	17	14	11	25	100	18
Telecom	5	13	20	-	9	13	20	25	0	18	12	17	13	0	13
Power	14	23	31	0	18	14	21	29	46	22	13	21	28	30	21
Oil&Gas	12	6	11	-	10	14	0	9	33	11	17	11	14	100	17
Educ	10	14	17	22	13	15	32	15	10	17	8	24	13	38	13
PHN	7	17	33	0	14	6	29	27	0	13	13	21	17	33	19
T.A.	15	17	17	0	15	25	19	36	67	27	9	30	24	0	16
PubSMgt	11	0	-	-	10	10	50	0	-	16	9	50	0	-	19
PL/SAL	8	0	0	-	7	13	10	0	-	11	15	22	0	-	15
<b>Bank</b>	<b>13</b>	<b>21</b>	<b>19</b>	<b>27</b>	<b>17</b>	<b>14</b>	<b>30</b>	<b>20</b>	<b>34</b>	<b>20</b>	<b>14</b>	<b>24</b>	<b>22</b>	<b>21</b>	<b>18</b>

- Not applicable.



**TABLE 10j. CONCENTRATION OF PROBLEM PROJECTS BY REGION AND SECTOR, FY90-FY92**  
(percentage)

<i>Sector</i>	<i>AFR</i>			<i>EAP</i>			<i>SAS</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Agriculture	48	36	37	53	58	80	46	40	29
<i>Infrastructure</i>									
Transport	7	12	9	27	8	0	9	8	4
Urban	2	2	4	0	0	0	4	8	8
Water & Sewerage	2	3	4	0	0	0	5	2	4
<i>Industry</i>									
ITF	12	8	6	7	8	0	9	8	10
Industry	2	3	3	0	8	0	4	4	6
Telecom.	2	2	1	0	0	0	0	0	0
<i>Energy</i>									
Power	3	2	3	0	0	0	11	21	25
Oil & Gas	1	2	2	7	8	10	2	2	4
<i>Human Resources</i>									
Education	7	8	8	7	8	10	7	8	4
PHN	3	5	7	0	0	0	2	0	2
Technical Assistance	7	12	8	0	0	0	2	2	2
Public Sector Mgt.	1	1	1	0	0	0	0	0	0
Program Lending/SAL	3	4	5	0	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Note:* Columns may not add up to 100 due to rounding.

(continued)

TABLE 10j Continued

TABLE 10j. CONCENTRATION OF PROBLEM PROJECTS BY REGION AND SECTOR, FY90-FY92  
(percentage)

<i>Sector</i>	<i>ECA</i>			<i>MNA</i>			<i>LAC</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Agriculture	13	24	11	38	32	31	31	34	26
<i>Infrastructure</i>									
Transport	19	12	22	0	0	3	12	8	11
Urban	6	6	0	7	7	3	7	12	14
Tourism	0	0	0	3	0	0	0	0	0
Water & Sewerage	6	0	6	14	21	22	10	10	12
<i>Industry</i>									
ITF	19	6	6	4	7	6	5	5	5
Industry	6	6	0	4	7	6	1	0	2
Telecom.	0	0	0	0	4	3	1	1	2
<i>Energy</i>									
Power	25	24	22	17	7	9	13	17	12
Oil & Gas	0	0	0	0	0	3	4	1	2
<i>Human Resources</i>									
Education	6	24	22	3	4	3	8	7	5
PHN	0	0	6	7	4	6	5	3	9
Technical Assistance	0	0	0	3	7	3	4	1	0
Public Sector Mgt.	0	0	0	0	0	0	0	0	2
Program Lending/SAL	0	0	6	0	0	0	0	1	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: Columns may not add up to 100 due to rounding.



TABLE 10k. PORTFOLIO DISTRIBUTION PROBLEM-FREE AND PROBLEM PROJECTS BY SECTOR AND BY REGION

Sector	AFR		EAP		SAS		ECA		MNA		LAC	
	% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4	% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4	% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4	% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4	% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4	% of Problem-free Projects Rated 1	% of Problem Projects Rated 3 or 4
	Agriculture	7	34	36	10	29	15	32	11	20	21	9
<i>Infrastructure</i>												
Transport	13	22	35	0	16	11	36	28	29	6	23	22
Urban	36	16	48	0	0	31	0	-	19	14	26	33
Water	19	26	50	0	15	15	29	14	8	54	14	36
<i>Industry</i>												
ITF	33	22	30	0	10	24	33	8	31	16	53	8
Industry	27	45	23	0	15	23	43	0	13	26	13	13
Telecomm	36	18	14	0	33	0	67	0	33	33	0	50
<i>Energy</i>												
Power	10	16	77	0	17	30	27	36	9	27	37	30
Oil & Gas	13	26	86	14	15	15	40	0	25	0	25	13
<i>Human Resources</i>												
Education	14	23	58	2	20	10	0	50	38	4	32	11
PHN	10	21	82	0	53	7	0	33	25	16	19	29
TA	13	23	20	0	0	33	50	0	17	17	43	0
PubSMgt	25	25	100	0	-	-	100	1	0	0	40	20
Program Lending/SAL	16	28	50	0	75	0	14	14	57	0	53	7
<b>Total</b>	<b>15</b>	<b>26</b>	<b>46</b>	<b>3</b>	<b>23</b>	<b>17</b>	<b>30</b>	<b>24</b>	<b>24</b>	<b>18</b>	<b>27</b>	<b>20</b>

**TABLE 101. OVERALL STATUS RATING AND PERCENTAGE OF PROBLEM PROJECTS, FY90-FY92  
BY INCOME AND BY ADJUSTMENT STATUS**

<u>Country Group</u>	<u>FY90</u>		<u>FY91</u>		<u>FY92</u>	
	<u>Overall Rating</u>	<u>% of Prob. Proj.</u>	<u>Overall Rating</u>	<u>% of Prob. Proj.</u>	<u>Overall Rating</u>	<u>% of Prob. Proj.</u>
<u>Income Not Classified</u>	1.9	21	1.5	0	1.4	0
Not Classified	1.9	21	1.5	0	1.4	0
<u>Low Income (small countries)</u>	2.0	19	2.1	26	2.1	23
Non-Adjusting	2.2	30	2.6	50	2.7	51
Adjusting w/o Bank Program	2.1	23	2.1	22	1.8	5
Adjusting with Bank Program	1.9	17	2.1	23	2.1	21
<u>Low Income (large countries)</u>	1.7	10	1.7	8	1.7	10
Adjusting w/o Bank Program	1.7	10	1.7	8	1.4	3
Adjusting with Bank Program	-	-	-	-	1.9	16
<u>Lower Middle Income</u>	1.9	17	1.9	17	1.9	16
Not Classified	2.7	69	2.6	60	1.5	0
Non-Adjusting	2.0	21	2.0	25	2.2	30
Adjusting w/o Bank Program	1.9	18	1.9	17	1.7	14
Adjusting with Bank Program	1.8	13	1.8	14	1.9	16
<u>Upper Middle Income</u>	1.8	17	1.9	20	1.8	14
Not Classified	1.9	22	1.9	25	2.5	75
Non-Adjusting	1.8	18	1.7	13	2.1	22
Adjusting w/o Bank Program	1.8	22	2.0	30	1.9	17
Adjusting with Bank Program	1.5	2	1.6	0	1.7	7
<u>High Income</u>	1.6	0	1.6	0	1.8	0
Non-Adjusting	1.8	0	1.8	0	2.0	0
Adjusting w/o Bank Program	1.6	0	1.5	0	1.7	0



**TABLE 11a. IBRD/IDA DISBURSEMENTS, FY90-FY92  
(US\$mn)**

<i>Region</i>	<i>Total</i>			<i>Investment</i>			<i>Adjustment</i>		
	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
AFR	2,788	2,848	2,550	1,483	1,497	1,486	1,305	1,351	1,064
EAP	3,630	3,381	3,612	2,856	3,017	3,378	774	364	234
SAS	3,173	2,984	3,321	2,711	2,726	2,521	462	258	800
ECA	841	1,439	1,646	815	833	757	26	605	889
MNA	1,198	1,040	1,376	649	820	658	548	220	717
LAC	6,159	4,288	3,927	2,463	2,510	2,354	3,696	1,778	1,573
<b>Total</b>	<b>17,790</b>	<b>15,980</b>	<b>16,431</b>	<b>10,978</b>	<b>11,404</b>	<b>11,155</b>	<b>6,812</b>	<b>4,576</b>	<b>5,277</b>

**TABLE 11b. DISBURSEMENTS AS A RATIO TO OPENING UNDISBURSED BALANCES:  
BY REGION AND SECTOR, FY90-FY92 (%)**

<i>Region</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
Africa	19	16	15
East Asia	24	25	26
South Asia	15	15	14
Europe and Central Asia	18	16	11
Middle East and North Africa	14	18	14
Latin America	21	20	18
<i>Sector</i>			
Agriculture & Rural Development	19	19	19
<i>Infrastructure</i>			
Transport	20	18	20
Urban	17	18	13
Water Supply & Sewerage	13	13	13
<i>Industry</i>			
Industry, Trade & Finance	25	30	20
Industry	17	21	20
Telecommunications	18	15	15
<i>Energy</i>			
Power	17	15	16
Oil & Gas	18	23	20
<i>Human Resources</i>			
Education	20	17	14
PHN	18	14	10
Technical Assistance	17	17	18
<b>Average Bankwide*</b>	<b>19</b>	<b>19</b>	<b>17</b>

- a. Structural and Sectoral Adjustment Lending Operations are excluded. The disbursement ratio is the ratio of disbursements during the fiscal year to the undisbursed balance at the beginning of the fiscal year. Disbursements during the fiscal year are valued at the time of transactions, and the undisbursed balance, net of disbursements and cancellations, is revalued each year due to the revaluation of IDA SDR credits.

TABLE 11c. DISBURSEMENTS AS A RATIO TO OPENING UNDISBURSED BALANCES,  
BY REGION AND COUNTRY, FY90-FY92 (%)

	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
<i>AFR</i>			
Africa Region*	0	0	0
Angola	0	0	12
Republic of Benin	26	27	22
Botswana	18	27	28
Burundi	20	18	16
Burkina Faso	17	12	16
Cameroon	14	17	21
Cape Verde	31	19	34
Central African Republic	25	24	15
Chad	29	37	24
Congo	38	15	2
Comoros	12	11	15
Djibouti	7	19	10
Equatorial Guinea	35	30	28
Ethiopia	14	13	15
Gabon	9	29	39
Gambia	17	14	14
Ghana	16	17	14
Guinea-Bissau	49	30	17
Guinea	17	18	18
Republic of Cote d'Ivoire	41	17	23
Kenya	26	19	17
Lesotho	18	17	17
Liberia	0	0	0
Madagascar	12	11	7
Malawi	27	22	23
Mali	19	10	11
Mozambique	9	10	11
Mauritania	18	21	23
Mauritius	28	18	9
Niger	24	21	17
Nigeria	14	9	13
Rwanda	16	10	8
Senegal	21	23	19
Seychelles	47	100	0
Sierra Leone	0	0	0
Somalia	26	8	0
Sao Tome and Principe	35	49	16
Sudan	26	26	23
Swaziland	67	100	0
Tanzania	25	14	9
Togo	15	24	19
Uganda	19	24	15
Western Africa Region*	35	38	39
Zaire	22	21	24
Zambia	2	15	7
Zimbabwe	17	17	15
<b>TOTAL AFR</b>	<b>19</b>	<b>16</b>	<b>15</b>



**TABLE 11c Continued**

<u>EAP</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
Myanmar	23	32	18
China	23	25	28
Fiji	29	21	20
Indonesia	25	23	22
Korea, Republic of	31	24	25
Lao p.D.R.	39	12	13
Malaysia	21	30	37
Maldives	18	17	40
Mongolia	0	0	0
Papua New Guinea	29	32	21
Philippines	23	22	21
Solomon Islands	41	32	52
Thailand	39	38	58
Tonga	95	14	28
Vanuatu	9	16	53
Western Samoa	7	21	48
<b>TOTAL EAP</b>	<b>24</b>	<b>25</b>	<b>26</b>
<u>SAS</u>			
Bangladesh	21	18	15
Bhutan	16	12	4
India	15	15	13
Nepal	14	9	11
Pakistan	14	15	17
Sri Lanka	12	19	13
<b>TOTAL SAS</b>	<b>15</b>	<b>15</b>	<b>14</b>
<u>ECA</u>			
Bulgaria	0	0	12
Cyprus	10	14	12
Czechoslovakia	0	0	0
Hungary	18	25	19
Poland	0	5	8
Portugal	28	14	7
Romania	0	0	23
Turkey	17	18	12
Yugoslavia	16	15	7
<b>TOTAL ECA</b>	<b>18</b>	<b>16</b>	<b>11</b>
<u>MNA</u>			
Algeria	11	14	14
Egypt, Arab Republic of	11	12	9
Iran, Islamic Republic of	0	0	0
Jordan	17	18	17
Morocco	18	28	17
Oman	15	16	34
Syrian Arab Republic	0	0	0
Tunisia	25	25	23
Republic of Yemen	14	12	14
<b>TOTAL MNA</b>	<b>14</b>	<b>18</b>	<b>14</b>

**TABLE 11c Continued**

<u>LAC</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
Argentina	18	16	9
Bahamas	13	30	19
Barbados	20	33	39
Belize	24	23	18
Bolivia	12	12	13
Brazil	20	16	12
Chile	42	37	45
Colombia	23	17	16
Costa rica	9	3	8
Caribbean Region*	21	4	6
Dominica	33	45	40
Dominican Republic	21	35	15
Ecuador	13	27	14
El Salvador	0	11	12
Grenada	32	78	96
Guatemala	10	4	1
Guyana	0	17	8
Haiti	15	12	3
Honduras	2	41	54
Jamaica	24	19	9
Mexico	25	30	34
Panama	0	0	0
Paraguay	25	37	34
Peru	0	0	0
St. Kitts and Nevis	0	0	22
St. Lucia	0	8	21
St. Vincent	24	35	29
Trinidad and Tobago	0	14	13
Uruguay	14	17	16
Venezuela	0	0	6
<b>TOTAL LAC</b>	<b>21</b>	<b>20</b>	<b>18</b>

\* Projects which are in more than one country.



TABLE 11d. SAR ESTIMATE AND ACTUAL DISBURSEMENT, FY90-FY92, BY REGION AND COUNTRY(US\$mn)

	<i>Orig. Disb. FY90</i>	<i>Actual Disb. FY90</i>	<i>Orig. Disb. FY91</i>	<i>Actual Disb. FY91</i>	<i>Orig. Disb. FY92</i>	<i>Actual Disburse FY92</i>
<i>AFR</i>						
Africa region*	2	0	6	0.2	10	0
Angola	0	0	0	0	7.9	2.7
Botswana	8	7.3	3	8.9	1.3	11
Burkina faso	18.2	22.3	20.1	14.5	70.4	67.6
Burundi	25.8	38.1	36.6	49	53.1	48.2
Cameroon	92.1	112.2	92.4	124	82.2	68.8
Cape verde	1.2	3.4	1	1.6	0.9	2.3
Central afr. Rep.	11.5	35.5	45.7	61.8	49.5	16.8
Chad	76.1	34.9	49.2	49.5	34.5	37.8
Comoros	2.4	1.3	1.1	1.1	5.1	2.2
Congo	2.6	4.1	4.7	0.9	3.6	0.5
Djibouti	4.4	1	5.3	3.8	3.5	2.5
Equatorial guinea	3.2	3.1	1.9	1.8	3.3	2.9
Ethiopia	122.3	77.4	94.2	74.3	76.3	75.9
Gabon	10	29.8	8.3	12.1	8	9
Gambia	28.3	17.3	7.5	7.7	6.5	18.7
Ghana	152.8	157.9	88	231.7	204.6	188.9
Guinea	89.1	48.9	111.3	79.6	67.4	63.4
Guinea-bissau	26.9	22.2	19.2	17.3	12.6	7.7
Kenya	218.8	242.9	150.5	247.2	157.2	123
Lesotho	7.5	11.3	8.8	9.1	33.5	11.1
Liberia	0.1	0	0	0	0	0
Madagascar	44.6	50.4	46.2	130.4	55.9	25.1
Malawi	53.9	112.9	88.9	70.9	69.5	101.7
Mali	48.5	44.5	77.7	53.9	65.1	57.9
Mauritania	18.1	18.8	35.9	34.5	20.7	11.2
Mauritius	9	5.6	12.8	7.6	14.8	4.9
Mozambique	19.4	48.9	51.1	92.2	56	36.3
Niger	23.7	52.3	22	23.5	20.5	17.1
Nigeria	255.7	488.8	354.1	208.5	464.7	344.7
Republic of Benin	39.9	49.7	13	46.5	54.6	46.6
Cote d'Ivoire	231	227.2	240.7	236.1	308.8	259.2
Rwanda	23.4	26.2	23.7	18.7	86.5	50.9
Sao Tome & Principe	1.7	7.4	5.1	3.6	6.3	5
Senegal	113.3	91.6	70.4	61.2	73.1	100.5
Seychelles	0	1.1	0	1.2	0	0
Sierra Leone	1.1	0	0	0	17.4	17.4
Somalia	17	55	16	10.1	15.3	0
Sudan	93	102.6	77.2	99.5	86.3	66.4
Swaziland	0	0.8	0	0.4	0	0
Tanzania	75.5	137	97.4	177.7	269.4	207.9
Togo	25.6	43.4	51.4	51.8	41.8	26.9
Uganda	136.5	164.9	189	169	177.9	129.8
Western Africa Region*	0.3	7.8	0	5.8	0	3.9
Zaire	91.5	126.6	74	95.4	60.9	89
Zambia	11.3	2.2	166.2	207.2	89.9	101.1
Zimbabwe	29.1	51.8	42.5	45.8	129.3	85.7
<b>TOTAL AFR</b>	<b>2266.9</b>	<b>2788.8</b>	<b>2510.2</b>	<b>2847.8</b>	<b>3076.0</b>	<b>2550.2</b>

**Table 11d Continued**

	<i>Orig. Disb. <u>FY90</u></i>	<i>Actual Disb. <u>FY90</u></i>	<i>Orig. Disb. <u>FY91</u></i>	<i>Actual Disb. <u>FY91</u></i>	<i>Orig. Disb. <u>FY92</u></i>	<i>Actual Disburse <u>FY92</u></i>
<b><u>EAP</u></b>						
China	1286.6	1125.2	1276.1	1113.9	1507.4	1370.8
Fiji	9.5	6.4	9.5	6.6	4.1	5.2
Indonesia	1391	1270.1	1140.8	1258.8	1380.9	1043
Korea, Republic of	324.3	173.8	234.8	111.5	167.2	150.3
Lao P.D.R.	31.3	36.2	34.1	26.1	36.6	39.5
Malaysia	246.5	164.5	198.9	217	107.9	174.5
Maldives	0.6	1.5	2.6	2.6	7.9	5.1
Mongolia	0	0	0	0	15	15.6
Myanmar	31	52.4	26.9	57.5	19.6	22
Papua New Guinea	29.1	38.8	85.2	59.9	34.1	49
Philippines	584.9	573.6	561.9	358.9	586.8	537.6
Solomon Islands	1.5	3.1	1	1.5	0.4	1.7
Thailand	184.8	182.7	178.2	159.5	174.1	181.5
Tonga	0.9	0.6	0.9	0.5	0.7	0.8
Vanuatu	0.9	0.9	2.3	1.5	3.8	5.8
Western Samoa	5.2	0.8	4.5	5.4	5.4	9.4
<b>TOTAL EAP</b>	<b>4128.0</b>	<b>3630.5</b>	<b>3757.7</b>	<b>3381.0</b>	<b>4051.9</b>	<b>3611.9</b>
<b><u>SAS</u></b>						
Bangladesh	408.9	456.7	352.9	330.9	323.6	236.2
Bhutan	1.7	2.5	0.6	1.7	1.2	0.5
India	1906.1	1991.7	2106.4	1900.8	3154.7	2229.8
Nepal	168.7	98.5	74.8	47.2	68	59.3
Pakistan	837.3	535.3	687.1	536.7	512.1	663.7
Sri Lanka	156.7	88.2	163.3	166.6	139.8	131.5
<b>TOTAL SAS</b>	<b>3479.4</b>	<b>3172.9</b>	<b>3385.1</b>	<b>2984.0</b>	<b>4199.3</b>	<b>3320.9</b>
<b><u>ECA</u></b>						
Albania	0	0	0	0	25	0
Bulgaria	0	0	0	0	255.3	144
Cyprus	23.4	9.7	18.4	14.7	18.2	13.7
Czechoslovakia	0	0	0	0	217.7	251.6
Hungary	202.4	149.5	327.2	402.7	527.6	404.7
Poland	71	20	385.1	139.1	548.5	340.8
Portugal	30.5	65.6	31.2	21.6	29.6	8.7
Romania	0	0	0	0	152	42.1
Turkey	870.1	471.5	529.4	593.7	585.5	371.9
Yugoslavia	173.6	124.5	578.8	266.8	194.8	68.2
<b>TOTAL ECA</b>	<b>1371.0</b>	<b>840.8</b>	<b>1870.2</b>	<b>1438.6</b>	<b>2554.1</b>	<b>1645.8</b>

\* Projects which are in more than one country.



**Table 11d Continued**

	<i>Orig. Disb. <u>FY90</u></i>	<i>Actual Disb. <u>FY90</u></i>	<i>Orig. Disb. <u>FY91</u></i>	<i>Actual Disb. <u>FY91</u></i>	<i>Orig. Disb. <u>FY92</u></i>	<i>Actual Disburse <u>FY92</u></i>
<b><u>MNA</u></b>						
Algeria	581.3	296.8	341.4	259.2	638.2	391.4
Egypt, Arab Republic of	109.9	105.8	61.6	105.3	229.7	140.9
Iran, Islamic Republic of	0	0	65	0	160	0.9
Jordan	152	127.4	94.7	42.1	114	73
Morocco	301.6	372.4	238.4	357.5	605.2	506.1
Oman	14.9	9.5	7.8	8.5	5.2	15
Republic of Yemen	45.2	38.2	40.9	38.8	61.8	51.8
Syrian Arab Republic	19.5	0	16	0	12.6	0
Tunisia	270.1	247.5	220.6	228.7	195.5	196.5
<b>TOTAL MNA</b>	<b>1494.5</b>	<b>1197.6</b>	<b>1086.4</b>	<b>1040.2</b>	<b>2022.2</b>	<b>1375.6</b>
<b><u>LAC</u></b>						
Argentina	191.4	226.6	370.6	456.9	454.3	285.9
Bahamas	4	2.5	4.2	4.9	3.1	2.2
Barbados	2.6	3.3	1.5	4.4	0.8	3.4
Belize	4.8	3.7	4.7	2.6	4.4	1.6
Bolivia	34	49	42.1	44.7	75.1	61.6
Brazil	1147.6	967.8	1067.3	821.9	1294.9	621.4
Caribbean Region*	1.5	1.6	2.1	1.4	3.6	2.3
Chile	147.4	216.3	206.1	240.7	254.4	207
Colombia	223	339.7	219.7	269.8	429.5	286.4
Costa Rica	4.6	42.3	9.2	2.9	38.6	66.5
Dominica	0.7	1	0.7	0.7	0.5	0.4
Dominican Republic	18.9	36.1	24.4	46.7	27.2	26.8
Ecuador	47.5	81.6	47.7	65.6	70.6	46.4
El Salvador	21	0.1	4	6.4	6.2	59.1
Grenada	0.7	0.9	0	1.5	0	0.5
Guatemala	35.4	21.8	39.6	7.3	31	2.3
Guyana	0	0	65	75.5	18.9	18.9
Haiti	10.9	11.2	16.3	13.3	25.2	3.3
Honduras	15.4	0.8	102.1	106.9	92.5	97.5
Jamaica	30.1	34.6	58.8	45.7	51.3	25.7
Mexico	2621.7	3631.7	1102.4	1314	1194.8	1519.4
Nicaragua	0	0	0	0	120.3	125.4
Panama	10.4	0	2	0	60	60
Paraguay	0.7	14.2	0	14.5	0	8.5
Peru	12	0	3.5	0	0.4	0
St. Kitts and Nevis	0	0	0	0	0.5	0.6
St. Lucia	0	0	1.2	0.6	2.5	1.5
St. Vincent	0.6	1.1	0.7	1.2	0.8	0.7
Trinidad and Tobago	20	8	23.8	12.6	5.2	3.1
Uruguay	187.1	62.8	38	71.2	100.8	74.4
Venezuela	417	400	766.5	654	222.7	314.1
<b>TOTAL LAC</b>	<b>5211.2</b>	<b>6158.9</b>	<b>4224.2</b>	<b>4288.1</b>	<b>4590.0</b>	<b>3926.7</b>

\* Projects which are in more than one country.

**TABLE 11e. AGE DISTRIBUTION OF UNDISBURSED BALANCES**  
(As a percentage of Undisbursed Balances as of June 30, 1992)

<i>Effective FY:</i>	<i>Prior to</i>									
	<u>1985</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Total</u>
<b><u>IBRD</u></b>										
AFR	0	0	0	0	0	0	2	2	2	7
EAP	0	0	1	1	1	2	6	6	7	23
SAS	0	0	1	0	4	2	4	4	3	19
ECA	0	0	1	1	1	0	2	2	7	15
MNA	0	0	0	0	1	0	2	2	4	10
LAC	0	0	1	1	2	3	4	5	10	26
<b>Total</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>9</b>	<b>8</b>	<b>20</b>	<b>21</b>	<b>32</b>	<b>100</b>
<b><u>IDA</u></b>										
AFR	0	1	1	1	2	6	7	11	11	40
EAP	0	0	0	0	1	1	1	4	5	13
SAS	1	1	5	1	5	3	8	7	11	41
ECA	0	0	0	0	0	0	0	0	0	0
MNA	0	0	0	0	0	0	0	0	1	3
LAC	0	0	0	0	0	0	1	1	1	2
<b>Total</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>8</b>	<b>10</b>	<b>17</b>	<b>23</b>	<b>29</b>	<b>100</b>
<b>IBRD/IDA Total</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>9</b>	<b>19</b>	<b>22</b>	<b>31</b>	<b>100</b>

*Note:* Columns may not add up to totals because of rounding.



TABLE 12. LOAN/CREDIT CANCELLATIONS (US\$m), FY90-FY92<sup>a</sup>

<i>Region/Country</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
<b><i>Africa</i></b>	<b><u>115.9</u></b>	<b><u>140.2</u></b>	<b><u>109.3</u></b>
Cameroon	0.0	41.6	1.9
Kenya	22.0	9.2	4.4
Somalia	0.7	30.5	0.0
Zaire	2.7	4.7	32.8
Zambia	0.0	5.7	16.6
<b><i>East Asia &amp; Pacific</i></b>	<b><u>257.0</u></b>	<b><u>138.5</u></b>	<b><u>124.1</u></b>
China	57.1	36.2	12.7
Indonesia	144.3	35.0	55.1
Malaysia	45.3	38.0	38.8
Philippines	38.0	2.2	4.6
Thailand	10.4	13.0	0.6
<b><i>South Asia</i></b>	<b><u>586.9</u></b>	<b><u>262.4</u></b>	<b><u>1,655.0</u></b>
Bangladesh	30.8	104.2	42.7
India	464.5	117.7	1,533.2
Pakistan	12.1	0.0	43.6
Sri Lanka	77.6	8.8	26.2
<b><i>Europe &amp; Central Asia</i></b>	<b><u>187.6</u></b>	<b><u>89.0</u></b>	<b><u>523.9</u></b>
Portugal	13.5	7.1	33.7
Turkey	19.6	56.4	91.5
Yugoslavia	146.0	22.0	398.7
<b><i>Middle East &amp; North Africa</i></b>	<b><u>184.6</u></b>	<b><u>130.9</u></b>	<b><u>167.4</u></b>
Algeria	15.3	36.6	0.0
Egypt	83.9	59.9	130.0
Jordan	50.5	3.3	2.2
Morocco	20.7	8.9	22.4
Syria	29.9	0.0	0.0
<b><i>Latin America</i></b>	<b><u>1,796.2</u></b>	<b><u>1,367.8</u></b>	<b><u>663.6</u></b>
Argentina	21.2	10.3	39.5
Brazil	69.7	338.9	248.3
Chile	0.0	0.1	49.7
Colombia	38.9	115.8	59.4
Mexico	25.0	113.5	7.8
Panama	44.4	0.0	49.7
Peru	157.7	10.3	192.6
<b>Total</b>	<b><u>3,128.2</u></b>	<b><u>2,128.8</u></b>	<b><u>3,243.3</u></b>

a. Includes all countries with US\$20 million or more canceled in any one of the years shown.

TABLE 13a. AVERAGE STAFFWEEKS OF SUPERVISION BY REGION

	FY90		FY91		FY92	
	<u>No. of Projects</u>	<u>Avg. sw</u>	<u>No. of Projects</u>	<u>Avg. sw</u>	<u>No. of Projects</u>	<u>Avg. sw</u>
<i>(1) Project Specific Supervision<sup>a</sup></i>						
Africa	646	12.1	641	12.8	644	15.4
East Asia & Pacific	320	9.4	309	10.6	319	10.8
South Asia	276	13.4	277	15.8	275	16.9
Europe and Central Asia	99	10.4	100	11.6	101	17.3
Middle East and North Africa	192	9.6	179	9.6	181	11.4
Latin America	357	10.2	339	10.7	332	12.8
<b>Avg. All Regions</b>	<b>1,890</b>	<b>11.1</b>	<b>1,845</b>	<b>12.1</b>	<b>1,852</b>	<b>14.1</b>
<i>(2) Non-Project Supervision</i>	2,079.0		2,214.0		2,222.4	
<b>Avg. (1) &amp; (2)</b>	<b>1,890</b>	<b>12.2</b>	<b>1845</b>	<b>13.3</b>	<b>1852</b>	<b>15.3</b>

*Note:* Includes local staff; excludes project completion staffweeks.

- a. Excludes non-project supervision such as Project Implementation Review (PIR), Country Implementation Review (CIR), Annual Report on Implementation and Supervision (ARIS), and other general supervision that cannot be attributed to a single project, sector, or lending instrument.



TABLE13b. AVERAGE STAFFWEEKS OF SUPERVISION BY SECTOR

<i>Sector</i>	<i>FY90</i>		<i>FY91</i>		<i>FY92</i>	
	<i>No. of Projects</i>	<i>Avg. sw</i>	<i>No. of Projects</i>	<i>Avg. sw</i>	<i>No. of Projects</i>	<i>Avg. sw</i>
<i>(1) Investment</i>						
Agriculture	535	12.3	489	14.5	483	16.0
<i>Infrastructure</i>						
Transport	224	10.0	206	11.5	199	11.9
Urban	110	12.2	115	13.7	125	13.6
Tourism	3	2.9	-	-	-	-
Water & Sewerage	108	8.6	96	11.7	96	13.9
<i>Industry</i>						
Industry, Trade & Finance	133	8.9	127	9.8	118	9.3
Industry	61	10.0	63	8.4	56	11.0
Telecommunications	32	10.3	34	10.9	32	12.6
<i>Energy</i>						
Power	155	10.8	151	9.8	154	9.7
Oil & Gas	59	8.4	54	7.8	50	15.4
<i>Human Resources</i>						
Education	158	8.8	165	9.3	172	11.0
PHN	78	11.8	97	13.3	113	20.9
Technical Assistance	92	11.3	95	10.1	100	12.1
Public Sector Management	2	9.3	3	7.5	5	11.1
Subtotal Investment	1,749	10.7	1,695	11.8	1,703	13.5
<i>(2) Program Lending, SALs &amp; SECALS</i>	141	16.3	150	15.6	149	20.2
Bankwide Average, (1) & (2)	1,890	11.1	1,845	12.1	1,852	14.1
<i>(3) Non-Project Supervision<sup>a</sup> (Total staffweeks)</i>	2,079.0		2,214.0		2,222.4	
Average of (1), (2) and (3)	1,890	12.2	1,845	13.3	1852	15.3

*Note:* Includes local staff; excludes project completion staffweeks.

a. Non-project supervision includes supervision such as Project Implementation Review (PIR), Country Implementation Review (CIR), Annual Report on Implementation and Supervision (ARIS), and other general supervision that cannot be attributed to a single project, sector, or lending instrument.

(continued)

TABLE 13c. DISTRIBUTION OF SUPERVISION RESOURCES BETWEEN HEADQUARTERS AND RESIDENT MISSIONS, FY90-FY92 (Percentage)

<i>Region</i>	<i>FY90</i>				<i>FY91</i>				<i>FY92</i>			
	<i>Headquarters</i>		<i>Res. Missions</i>		<i>Headquarters</i>		<i>Res. Missions</i>		<i>Headquarters</i>		<i>Res. Missions</i>	
	<i>Staff</i>	<i>Cons</i>	<i>Staff</i>	<i>Cons</i>	<i>Staff</i>	<i>Cons</i>	<i>Staff</i>	<i>Cons</i>	<i>Staff</i>	<i>Cons</i>	<i>Staff</i>	<i>Cons</i>
AFR	80.0	9.3	6.8	3.8	78.6	11.3	7.3	2.9	73.0	11.8	10.1	5.1
EAP	75.0	13.3	11.3	0.4	69.8	19.7	10.2	0.3	62.6	25.0	11.4	1.0
SAS	59.3	10.4	21.7	8.6	51.9	13.2	25.1	9.8	51.3	14.5	27.3	6.9
ECA	82.5	17.2	0.3	—	81.3	14.9	3.8	—	73.7	20.4	6.0	—
MNA	84.3	15.7	—	—	81.0	19.0	—	—	77.6	22.4	—	—
LAC	76.6	21.7	—	1.8	73.8	25.3	0.8	—	70.3	29.3	0.4	—
<b>Bank Avg.</b>	<b><u>75.8</u></b>	<b><u>13.1</u></b>	<b><u>7.9</u></b>	<b><u>3.2</u></b>	<b><u>72.1</u></b>	<b><u>15.9</u></b>	<b><u>9.1</u></b>	<b><u>2.9</u></b>	<b><u>67.9</u></b>	<b><u>18.4</u></b>	<b><u>10.4</u></b>	<b><u>3.2</u></b>

— Not available or not applicable.



TABLE13d. AVERAGE STAFFWEEKS OF SUPERVISION BY REGION AND YEAR OF IMPLEMENTATION, FY90-FY92

Age	FY90					FY91					FY92				
	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>
<i>Region</i>															
AFR	15.5	11.3	7.5	2.6	12.1	16.4	11.8	8.4	2.9	12.8	19.3	15.3	10.4	2.8	15.4
EAP	11.2	9.3	6.8	5.2	9.4	12.9	8.9	8.7	4.4	10.6	13.6	9.2	7.6	5.0	10.8
SAS	11.4	12.5	6.9	4.5	9.6	10.5	11.0	9.0	4.9	9.6	15.3	10.1	8.3	6.5	16.9
ECA	14.3	10.6	5.0	1.9	10.2	14.0	8.9	7.7	4.4	10.7	15.8	11.0	9.7	4.2	17.3
MNA	11.7	10.3	8.9	5.6	13.4	13.4	11.1	8.8	2.1	15.8	23.3	11.7	8.7	0.0	11.4
LAC	15.0	17.3	10.0	5.6	10.4	16.2	17.9	15.3	8.6	11.6	20.1	16.9	15.5	8.9	12.8
<b>Total</b>	<b>13.9</b>	<b>11.7</b>	<b>7.4</b>	<b>3.6</b>	<b>11.1</b>	<b>14.6</b>	<b>11.4</b>	<b>9.7</b>	<b>4.7</b>	<b>12.1</b>	<b>17.6</b>	<b>13.0</b>	<b>10.4</b>	<b>5.3</b>	<b>14.1</b>

13e. AVERAGE STAFFWEEKS OF SUPERVISION BY SECTOR AND YEAR OF IMPLEMENTATION, FY90-FY92

Age	FY90					FY91					FY92				
	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>	<u>1-3</u>	<u>4-5</u>	<u>6-8</u>	<u>9+</u>	<u>Total</u>
<i>Sector</i>															
Agric	14.9	15.3	9.4	4.6	12.3	17.5	15.1	14.3	5.3	14.6	19.7	16.0	15.0	6.0	16.1
Transport	12.7	10.7	6.6	0.2	10.0	14.5	10.3	8.0	7.4	11.5	15.8	11.7	8.2	4.7	12.0
Urban	14.7	11.3	8.0	0.3	12.2	15.1	15.6	9.7	5.0	13.7	13.3	18.6	11.1	8.1	13.6
Tourism	-	-	-	2.9	2.9	-	-	-	-	-	-	-	-	-	-
Water	10.1	10.7	5.5	3.2	8.6	12.7	14.4	7.5	10.2	11.7	15.6	16.0	12.1	5.9	13.9
Industry	13.0	11.4	4.8	6.8	10.6	11.2	8.5	4.7	-	8.6	17.6	12.0	7.3	3.1	12.2
ITF	13.6	8.2	4.6	1.1	10.0	12.6	6.3	6.2	4.5	9.5	15.6	6.3	5.9	0.7	10.8
Telecom	11.2	8.8	9.4	-	10.3	12.8	11.5	7.8	0.6	10.9	14.2	16.4	7.1	4.2	12.6
Power	14.8	10.0	8.0	2.2	11.2	14.2	9.0	8.0	1.3	10.1	12.7	10.2	7.1	6.5	9.9
Oil&Gas	15.8	8.2	5.0	-	8.9	10.5	9.5	6.9	3.1	8.6	20.5	6.6	12.5	0.7	15.6
PHN	12.3	16.0	6.6	0.5	11.8	13.6	13.3	12.0	0.3	13.2	25.3	17.1	12.0	1.0	20.9
Educ	9.4	10.7	7.4	2.8	8.8	11.0	9.3	8.5	2.6	9.6	13.4	11.7	7.6	3.5	11.2
PubSMgt	24.7	6.7	-	-	22.9	22.0	17.1	12.6	-	20.5	16.2	20.9	4.8	-	16.7
T.A.	14.4	10.3	5.4	6.1	11.3	13.0	9.6	5.8	2.5	10.1	15.2	8.5	8.2	1.6	12.1
PL/SAL	20.1	4.4	0.1	-	17.6	19.4	3.1	5.7	-	16.6	25.2	7.0	1.6	-	21.9
<b>Total</b>	<b>13.9</b>	<b>11.7</b>	<b>7.4</b>	<b>3.6</b>	<b>11.1</b>	<b>14.6</b>	<b>11.4</b>	<b>9.7</b>	<b>4.7</b>	<b>12.1</b>	<b>17.6</b>	<b>13.0</b>	<b>10.4</b>	<b>5.3</b>	<b>14.1</b>

- Not applicable.

TABLE 13f. AVERAGE STAFFWEEKS OF SUPERVISION BY LENDING INSTRUMENT

<u>Instrument</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
Specific Investment	10.9	12.0	14.1
Sector Investment and Maintenance	11.2	13.1	13.1
Financial Intermediation	9.0	9.5	10.1
Technical Assistance	10.1	9.2	12.3
Emergency Reconstruction	11.2	12.9	21.6
Debt Reduction	6.2	8.7	2.1
Sectoral Adjustment	14.8	14.4	18.9
Structural Adjustment	20.6	18.9	22.7
<b>Total</b>	<b><u>11.1</u></b>	<b><u>12.1</u></b>	<b><u>14.1</u></b>



TABLE 13g. AVERAGE STAFFWEEKS OF SUPERVISION BY REGION, PROJECT AGE, AND PROJECT RATING, FY92

<u>FY92 ADJUSTMENT</u>																				
Age: Rating:	<u>Up to 1 Year</u>				<u>2 to 3 Years</u>				<u>4 to 5 Years</u>				<u>6 to 8 Years</u>				<u>9+ Years</u>			
	<u>1 and 2</u>		<u>3 and 4</u>		<u>1 and 2</u>		<u>3 and 4</u>		<u>1 and 2</u>		<u>3 and 4</u>		<u>1 and 2</u>		<u>3 and 4</u>		<u>1 and 2</u>		<u>3 and 4</u>	
	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>
<u>Region</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>
AFR	24	27.6	4	27.3	17	19.0	8	40.2	9	5.9	3	21.3	3	1.6	1	26.2	1	2.0	-	-
EAP	3	25.6	-	-	4	3.9	-	-	1	4.6	-	-	1	-	-	-	-	-	-	-
SAS	4	18.3	-	-	5	20.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ECA	7	40.1	-	-	-	-	1	0.1	-	-	2	17.0	2	4.9	-	-	-	-	-	-
MNA	6	42.9	-	-	4	12.6	-	-	2	2.8	-	-	-	-	-	-	-	-	-	-
LAC	13	22.3	1	23.9	10	7.8	2	24.2	4	13.1	1	3.0	2	6.5	-	-	-	-	-	-
<b>Total</b>	<b>57</b>	<b>28.8</b>	<b>5</b>	<b>26.6</b>	<b>40</b>	<b>14.3</b>	<b>11</b>	<b>33.6</b>	<b>16</b>	<b>7.2</b>	<b>6</b>	<b>16.8</b>	<b>8</b>	<b>3.4</b>	<b>1</b>	<b>26.2</b>	<b>1</b>	<b>2.0</b>	<b>-</b>	<b>-</b>

<u>FY92 INVESTMENT</u>																				
Age: Rating:	<u>Up to 1 Year</u>				<u>2 to 3 Years</u>				<u>4 to 5 Years</u>				<u>6 to 8 Years</u>				<u>9+ Years</u>			
	<u>1 and 2</u>		<u>3 and 4</u>		<u>1 and 2</u>		<u>3 and 4</u>		<u>1 and 2</u>		<u>3 and 4</u>		<u>1 and 2</u>		<u>3 and 4</u>		<u>1 and 2</u>		<u>3 and 4</u>	
	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>	<u>No. of</u>	<u>Avg.</u>
<u>Region</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>	<u>Proj.</u>	<u>sw</u>
AFR	108	15.1	11	21.3	98	20.8	39	19.0	83	15.3	42	16.8	106	9.5	45	13.0	23	3.7	12	1.0
EAP	66	14.1	2	36.3	68	14.1	2	31.9	60	8.6	4	19.7	78	7.7	2	7.3	15	5.0	-	-
SAS	37	20.4	3	28.8	38	20.2	10	28.3	41	17.4	15	15.6	67	14.1	18	20.7	26	7.5	2	27.0
ECA	16	29.6	1	5.9	18	23.9	4	11.6	15	9.2	4	18.4	15	7.4	6	13.1	1	-	-	-
MNA	24	11.0	1	78.8	25	14.5	11	14.4	23	10.1	6	12.6	43	8.1	11	9.4	16	6.0	3	9.0
LAC	52	19.6	3	20.9	49	15.1	16	17.3	58	10.3	17	13.3	51	9.0	19	11.7	9	6.0	7	1.8
<b>Total</b>	<b>303</b>	<b>16.7</b>	<b>21</b>	<b>25.8</b>	<b>296</b>	<b>17.9</b>	<b>82</b>	<b>19.1</b>	<b>280</b>	<b>12.4</b>	<b>88</b>	<b>15.8</b>	<b>360</b>	<b>9.6</b>	<b>101</b>	<b>13.6</b>	<b>90</b>	<b>5.6</b>	<b>24</b>	<b>4.4</b>

Note: Projects that are not rated are excluded from these tables.

- None.

TABLE 13h. AVERAGE STAFFWEEKS OF SUPERVISION BY SECTOR, PROJECT AGE AND PROJECT RATING, FY92

FY92 ADJUSTMENT																				
Age: Rating:	Up to 1 Year				2 to 3 Years				4 to 5 Years				6 to 8 Years				9+ Years			
	1 and 2		3 and 4		1 and 2		3 and 4		1 and 2		3 and 4		1 and 2		3 and 4		1 and 2		3 and 4	
	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw
Sector																				
Agric.	5	29.8	1	23.9	7	19.0	1	1.8	1	5.5	-	-	1	12.9	1	26.2	1	2.0	0	-
Transp.	-	-	-	-	1	23.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industry	2	38.6	-	-	-	-	-	-	1	30.5	-	-	1	8.9	-	-	-	-	-	-
ITF	10	35.7	-	-	10	12.0	1	11.3	5	4.3	1	2.7	3	0.3	-	-	-	-	-	-
Power	-	-	-	-	-	-	-	-	-	-	1	31.3	-	-	-	-	-	-	-	-
Oil & Gas	2	9.5	-	-	1	37.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PHN	-	-	1	15.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education	2	17.3	-	-	2	24.5	1	15.7	1	1.2	-	-	-	-	-	-	-	-	-	-
PubS Mgt.	4	17.4	-	-	3	14.2	1	37.2	1	18.2	2	21.6	-	-	-	-	-	-	-	-
PL/SAL	32	29.2	3	31.4	16	10.3	6	48.0	7	5.6	2	11.8	3	1.6	-	-	-	-	-	-
<b>Bank</b>	<b>57</b>	<b>28.8</b>	<b>5</b>	<b>26.6</b>	<b>40</b>	<b>14.3</b>	<b>11</b>	<b>33.6</b>	<b>16</b>	<b>7.2</b>	<b>6</b>	<b>16.8</b>	<b>8</b>	<b>3.4</b>	<b>1</b>	<b>26.2</b>	<b>1</b>	<b>2.0</b>	<b>-</b>	<b>-</b>

FY92 INVESTMENT																				
Age: Rating:	Up to 1 Year				2 to 3 Years				4 to 5 Years				6 to 8 Years				9+ Years			
	1 and 2		3 and 4		1 and 2		3 and 4		1 and 2		3 and 4		1 and 2		3 and 4		1 and 2		3 and 4	
	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw	No. of Proj.	Avg. sw
Sector																				
Agric.	68	17.9	8	28.8	65	22.2	31	23.8	79	15.7	28	17.3	101	14.5	33	16.3	45	6.8	9	2.5
Transp.	27	15.3	-	-	35	18.6	8	17.1	43	11.2	10	13.7	49	7.2	10	13.0	8	5.3	1	-
Urban	28	14.9	-	-	22	12.5	6	14.3	19	20.1	9	15.5	25	11.0	4	11.8	7	8.8	2	5.4
Water	19	12.2	1	37.1	16	19.2	6	15.5	11	17.4	8	14.2	16	9.1	9	17.6	8	5.1	1	12.6
Indust.	8	13.7	-	-	7	16.8	3	19.6	15	9.8	2	19.2	14	5.3	5	12.4	-	-	1	3.1
ITF	15	14.4	-	-	32	13.9	4	9.9	19	5.7	5	11.1	24	5.4	8	9.7	5	1.0	2	-
Telecom.	5	16.6	-	-	9	12.7	2	20.3	5	14.7	1	24.6	7	7.3	1	6.3	1	4.2	-	-
Power	19	9.7	-	-	24	15.1	7	17.7	31	7.5	7	19.1	36	6.0	14	9.7	7	1.5	3	18.2
Oil & Gas	13	29.2	2	14.4	4	16.3	3	11.5	8	7.4	1	0.5	12	9.4	2	30.8	-	-	1	0.7
PHN	34	26.4	7	31.0	24	22.3	5	35.4	11	16.6	3	18.9	20	12.1	4	11.5	2	1.0	1	1.1
Education	41	13.6	2	3.9	34	15.1	3	8.8	24	10.6	8	16.3	39	7.3	6	9.4	5	5.6	3	0.1
T. A.	25	14.3	1	20.1	23	20.3	4	3.4	14	6.5	6	13.3	16	7.4	5	11.0	2	1.6	-	-
PubS Mgt.	1	4.5	-	-	1	5.6	-	-	1	22.3	-	-	1	4.8	-	-	-	-	-	-
<b>Bank</b>	<b>303</b>	<b>16.7</b>	<b>21</b>	<b>25.8</b>	<b>296</b>	<b>17.9</b>	<b>82</b>	<b>19.1</b>	<b>280</b>	<b>12.4</b>	<b>88</b>	<b>15.8</b>	<b>360</b>	<b>9.6</b>	<b>101</b>	<b>13.6</b>	<b>90</b>	<b>5.6</b>	<b>24</b>	<b>4.4</b>

Note: Projects that are not rated are excluded from these tables.  
- None



**TABLE 14. AUDIT REPORTS RECEIVED AS A PERCENTAGE OF  
AUDIT REPORTS DUE FOR FY91-FY92**

<i>Region</i>	<i>FY91 Audits Received as of November 30, 1991</i>	<i>FY92 Audits Received as of November 30, 1992</i>
AFR	50	59
EAP	78	78
SAS	63	83
ECA	74	57
MNA	51	45
LAC	71	57
<b>Total</b>	<b>63</b>	<b>65</b>

International Bank for Reconstruction and Development  
International Development Association

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DIRECTORS'  
MEETING

For consideration on  
Tuesday, March 9, 1993

R93-20/1  
IDA/R93-23/1

FROM: Vice President and Secretary

March 8, 1993

ANNUAL REPORT ON PORTFOLIO PERFORMANCE - FISCAL YEAR 1992

Corrigenda

The attached replace pages 13, 128, 129 and 169 of the report entitled "Annual Report on Portfolio Performance - Fiscal Year 1992" (R93-20/1 IDA/R93-23 distributed on February 16, 1993). Changes are in footnote 18 in page 13, paragraph 30 (including Table 21) in pages 128 and 129, and in Table 12, page 169.

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- In a growing number of cases, discussions of the existing portfolios were integrated with discussions of future lending and economic and sector work (e.g., Bolivia, Colombia, Indonesia, Zimbabwe, Turkey). This was particularly helpful in linking portfolio performance with country assistance strategies.
- Restructuring of country portfolios in all regions was intensified in FY92, especially in those with a high incidence of problem projects (e.g., India, Nigeria, Tanzania, Brazil, Turkey). In addition to cleansing the portfolios of perennially non-performing projects, restructuring efforts in adjusting countries sought to realign portfolios with the new country priorities.<sup>18</sup> The major restructuring of the Brazil portfolio in FY91 and the India portfolio in FY92 is illustrative of this type of approach. The India restructuring also illustrates the PMTF recommendation that, under conditions of adjustment, undisbursed loan balances of sub-marginal projects that are cancelled could — subject to Board approval — be reallocated to high priority projects that remain in the portfolio.
- To reinforce portfolio restructuring efforts, increased use was made of Bank remedies in cases of non-compliance with loan covenants. The number of suspensions of disbursements due to project-related defaults increased from 16 in FY91 to 21 in FY92.
- All Regions strengthened their efforts to deal with some of the most common implementation problems, particularly procurement and audits. Concerning procurement, all Regions began to use standard bidding documents. Procurement specialists conducted country procurement assessments in a number of countries and helped governments reconcile national laws and regulations with Bank guidelines. Workshops and seminars continued to be held to train staff of implementing agencies. With regard to audits, Regions continued to place considerable emphasis on compliance with audit covenants.<sup>19</sup> The measures taken to improve compliance included periodic reviews by departmental management teams of compliance, technical assistance aimed at building local accounting and auditing capacity and the designation of accounting and audit coordinators in a number of sector operations divisions.

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<sup>18</sup> Of the 339 projects rated 3 or 4 in FY92, 36 were closed and/or canceled in FY92. The intensified portfolio restructuring efforts are shown in an increase in loan cancellations in FY92 from \$1.4 billion (involving 210 projects in FY91) to \$3.2 billion (involving 231 projects) (Annex II, Table 12). The total amount canceled in FY92 included \$1.5 billion (involving 53 projects) in India, where an intense effort was made to restructure the portfolio. In other countries, cancellation involved mainly the cancellation of undisbursed loan balances after the normal closing of project accounts. In a few cases, large cancellations (of over \$1.0 million) during project implementation were due to misprocurement. In other cases of cancellations of over \$1 million, the main reasons were (a) cancellation of a major component of the project because of loan restructuring; (b) non-compliance with loan covenants (not misprocurement); and (c) cancellation in response to borrower's request. In Yugoslavia the total amount canceled (\$398.7 million) included cancellation of the Second Structural Adjustment Loan (\$250 million) because of non-compliance with loan covenants, and the cancellation of the Seventh Railways (\$121.2 million) because the conditions of effectiveness were not met. Other examples of projects in which components were canceled because of non-compliance with loan covenants are Zaire (Eighth Development Finance, \$22 million), Bangladesh (Industrial Energy Efficiency, \$11 million) and Brazil (Chesf-Furnas Power Transmission Project, \$93 million). In Egypt, \$37 million of the Export and Development Project was canceled at the borrower's request.

<sup>19</sup> Timely compliance with audit covenants improved significantly in FY92 in the AFR and SAS regions. Timely compliance in the EAP region, where this is only a minor issue, was the same as in FY91, but in the ECA, MNA and LAC regions, performance deteriorated in FY92 (Annex II, Table 14).

- (ii) **Countrywide Performance Issues.** Shortcomings and delays in implementation of macroeconomic policy reforms that have important implications for the financial and industrial sectors.

28. **Actions to Improve Portfolio Performance.** Improvements in ITF performance in FY92 reflected the results of (a) shifting from single, often state-owned, financial intermediary to market-oriented nonsectoral lines of credit channelled through all qualified financial institutions; and (b) linking investment credit operations and financial policy reforms. While the new macroeconomic and financial policies pose some risks for ITF operations, the long-term benefits clearly outweigh those risks. At the same time, continuing efforts will be needed to ensure fuller compliance with the conditionality of those operations. Responding to OED views advocating increased government support of the sector (an industrial policy approach), the Bank has started an in-depth study of the role of government intervention in the successful East Asian economies, which should help to clarify what type of intervention works, when, and how.

### E. Telecommunications

29. **Portfolio Composition.** The number of projects under supervision declined in FY92, while the commitment value of the sectoral portfolio increased substantially, mainly because of a sharp rise in EAP's average loan size (see Table 20).

**TABLE 20. TELECOMMUNICATIONS: PORTFOLIO COMPOSITION BY REGION, FY90-FY92**

Region	Number of Projects			Commitment Value (US\$ million)			Percentage of Total Portfolio Commitment Value (%)		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
AFR	12	12	11	472.9	465.1	451.1	28.5	23.5	19.3
EAP	8	8	7	426.8	426.7	783.3	25.7	21.6	33.5
SAS	4	5	6	350.0	407.0	447.5	21.1	20.6	19.1
ECA	1	3	3	70.0	340.0	340.0	4.2	17.2	14.5
MNA	4	3	3	243.3	243.3	243.3	14.6	12.3	10.4
LAC	3	3	2	99.0	96.7	75.0	6.0	4.9	3.2
<b>Total</b>	<b>32</b>	<b>34</b>	<b>32</b>	<b>1,662.0</b>	<b>1,978.8</b>	<b>2,340.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

30. **Portfolio Status by Region.** Table 21 shows that the overall sector performance rating improved in FY92, with the AFR portfolio showing the biggest improvement.



TABLE 21. TELECOMMUNICATIONS: PORTFOLIO PERFORMANCE BY REGION, FY90-FY92

Region	Overall Status Ratings			Percentage of Problem Projects (%)		
	FY90	FY91	FY92	FY90	FY91	FY92
AFR	1.7	2.1	1.8	17	33	18
EAP	1.4	1.8	1.8	0	0	0
SAS	1.8	1.8	1.7	0	0	0
ECA	1.0	1.3	1.3	0	0	0
MNA	1.5	2.0	2.0	0	33	33
LAC	2.3	2.3	2.5	33	33	50
<b>Total</b>	<b>1.7</b>	<b>1.9</b>	<b>1.8</b>	<b>9</b>	<b>18</b>	<b>13</b>

31. **Portfolio Performance Issues.** (a) the poor financial situation of some state enterprises; (b) delays in implementing restructuring programs; and (c) insufficient operational autonomy of sector enterprises.

32. **Actions to Improve Portfolio Performance.** Supervision staff time has increased in FY92 (see Table 5), and plans have been made to increase the use of CIRs and public expenditure reviews and to restructure or cancel projects facing major implementation problems.

#### F. Energy

33. **Portfolio Composition.** Table 22 shows that the number of projects under supervision remained stable in the power subsector and declined somewhat in oil and gas. For both subsectors, the commitment value of the Bank portfolio remained virtually unchanged, in real terms.

TABLE 22. ENERGY: PORTFOLIO COMPOSITION BY REGION, FY90-FY92

Region	Number of Projects			Commitment Value (US\$ million)			Percentage of Total Portfolio Commitment Value (%)		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
<b>Power</b>									
AFR	30	33	31	1,099.3	1,253.0	1,051.3	5.1	5.9	4.8
EAP	28	27	35	4,429.6	4,436.0	5,892.4	20.4	20.8	26.8
SAS	41	40	40	8,447.7	8,045.4	7,994.2	39.0	37.7	36.4
ECA	11	11	11	1,801.8	2,175.0	2,294.3	8.3	10.2	10.5
MNA	10	11	11	726.2	839.7	1,032.5	3.4	3.9	4.7
LAC	39	32	27	5,166.5	4,576.8	3,696.5	23.8	21.5	16.8
<b>Total</b>	<b>159</b>	<b>154</b>	<b>155</b>	<b>21,671.2</b>	<b>21,325.9</b>	<b>21,961.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Oil and Gas</b>									
AFR	20	20	16	240.3	509.7	488.8	5.7	9.6	9.0
EAP	11	8	7	677.9	644.0	482.5	15.9	12.1	8.9
SAS	16	15	13	2,092.3	2,380.3	2,470.0	79.2	44.8	45.7
ECA	3	4	5	292.5	722.5	968.5	6.9	13.6	17.9
MNA	1	2	4	5.5	89.5	249.5	0.1	1.7	4.6
LAC	10	8	8	944.6	971.1	748.7	22.2	18.3	13.8
<b>Total</b>	<b>61</b>	<b>57</b>	<b>53</b>	<b>4,253.0</b>	<b>5,317.1</b>	<b>5,408.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**TABLE 12**  
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**TABLE 12. LOAN/CREDIT CANCELLATIONS (US\$m), FY90-FY92<sup>a</sup>**

<i>Region/Country</i>	<i>FY90</i>	<i>FY91</i>	<i>FY92</i>
<b><i>Africa</i></b>	<b><u>115.9</u></b>	<b><u>140.2</u></b>	<b><u>109.3</u></b>
Cameroon	0.0	41.6	1.9
Kenya	22.0	9.2	4.4
Somalia	0.7	30.5	0.0
Zaire	2.7	4.7	32.8
Zambia	0.0	5.7	16.6
<b><i>East Asia &amp; Pacific</i></b>	<b><u>257.0</u></b>	<b><u>138.5</u></b>	<b><u>124.1</u></b>
China	57.1	36.2	12.7
Indonesia	144.3	35.0	55.1
Malaysia	45.3	38.0	38.8
Philippines	38.0	2.2	4.6
Thailand	10.4	13.0	0.6
<b><i>South Asia</i></b>	<b><u>586.9</u></b>	<b><u>262.4</u></b>	<b><u>1,655.0</u></b>
Bangladesh	30.8	104.2	42.7
India	464.5	117.7	1,533.2
Pakistan	12.1	0.0	43.6
Sri Lanka	77.6	8.8	26.2
<b><i>Europe &amp; Central Asia</i></b>	<b><u>187.6</u></b>	<b><u>89.0</u></b>	<b><u>523.9</u></b>
Portugal	13.5	7.1	33.7
Turkey	19.6	56.4	91.5
Yugoslavia	146.0	22.0	398.7
<b><i>Middle East &amp; North Africa</i></b>	<b><u>184.6</u></b>	<b><u>130.9</u></b>	<b><u>167.4</u></b>
Algeria	15.3	36.6	0.0
Egypt	83.9	59.9	130.0
Jordan	50.5	3.3	2.2
Morocco	20.7	8.9	22.4
Syria	29.9	0.0	0.0
<b><i>Latin America</i></b>	<b><u>386.9</u></b>	<b><u>606.8</u></b>	<b><u>663.6</u></b>
Argentina	21.2	10.3	39.5
Brazil	69.7	338.9	248.3
Chile	0.0	0.1	49.7
Colombia	38.9	115.8	59.4
Mexico	25.0	113.5	7.8
Panama	44.4	0.0	49.7
Peru	157.7	10.3	192.6
<b>Total</b>	<b><u>1,796.2</u></b>	<b><u>1,367.8</u></b>	<b><u>3,243.3</u></b>

a. Includes all countries with US\$20 million or more canceled in any one of the years shown.