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CULTURE vs.
SIMPLICITY

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FROM: Michel Pommier, CODOP (MICHEL POMMIER)

EXT.: 84004

SUBJECT: Statistical Evidence

I prepared a series of statistical tables to further analyze a) the "pressure to lend", b) the project complexity in relation to GDP per capita level and sectors with highest concentration (Agr, Energy, Infra and PHR) and c) the timing of cancellation during project implementation. These tables still need to be fully interpreted but could be useful to the TF discussions on simplicity (Peter's em of April 14).

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Note on: "Pressure to Lend"

1. In response to the follow-up request by the Joint Audit Committee [1] on the findings of the Task Force on Loan Processing and Project Quality, a review has been carried out of the relation between "pressure to lend" and project outcome. The following approach underlies this review:

(i) in a first step, indicators were analyzed which appear suited as proxies for "pressure to lend": these are "intensity of work" as measured by the amount of staff [2] inputs during the preparation, appraisal and negotiation phases against the corresponding elapsed time of each phase. The overall intensity of work was then related to project outcome (as measured in the OED data base);

(ii) in a second step, more specific "pressure points" in terms of the management of the lending program were sought out. Evidence of such points are: concentration in the number of (a) Board presentations and (b) appraisal departures during certain periods of the fiscal year. Here again, on the input side, intensity of efforts ("compression in time") was being reviewed against the outcome of projects.

(iii) in a third step, the eventual shifting of resources from supervision to lending activities during lending activities "pressure points" was examined by computing correlations between staff inputs into lending and supervision by month.

2. In order to understand the "pressure to lend" process, it is important to recognize that initial project timetables are prepared overwhelmingly by task managers and form the basis for his/her agreements with Division/Department managers. In most cases, experienced Division Chiefs will add notes of caution to optimism frequently evidenced by task managers on setting an initial schedule. At next levels of management, i.e. Department, Vice presidencies and Bankwide (including for submission to the Board in budget document), further "discounting" of individual project timetables has been the rule. Once the contracts reflected in the timetables and lending program are made, time pressure will often be felt as, not infrequently, unanticipated events unfold that delay project processing. Various management instruments are being used to build in flexibility to meet such contingencies, such as stand-by projects included in subsequent year's lending program but with advanced processing. The origin of the pressures therefore should be understood to come, inter alia, from the same staff who later on will feel him(her)self under a "pressure to lend."[3]

Findings

3. Projects with a satisfactory outcome, on average, show markedly shorter lapsed time (12%) as well as lower staff inputs (18%) than projects with unsatisfactory outcome.[4] Therefore, concentration of

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1. Minutes of JAC meeting of February 25, 1992, para 18 (JAC/M92-3).

2. Including Bank-engaged consultants.

3. Not included here is another phenomenon of "pressure to lend" identified sometimes (ex post) in PCRs/PPARs relating to lending into a less than satisfactory environment for project success (e.g. Tanzania in the mid-to late-seventies). Here the pressure is not much felt in terms of time compression on staff, but rather in terms of some task managers' professional concerns about prospects for satisfactory project implementation.

4. Percentages calculated as (Unsat-Sat)/Sat using a sample of 1478 completed projects for which data was available. Both numbers reported are statistically significant at the 99% confidence level using a "difference of means of normals" t-statistic. The pattern is confirmed on a region by region basis with the exception of elapsed time in EMENA where there was no statistically significant difference.

effort during shorter lapsed time seems to yield better projects. Using a simple proxy for complexity, the dichotomy between satisfactory and unsatisfactory projects is accentuated; the above percentages for complex projects become 17% and 27%, respectively.[5] However, other unquantifiable factors may favorably influence the outcome, such as better preparation inputs by borrowers, as owner of the project, together with greater commitment, institutional preparedness, etc.

4. As to pressure points during the annual cycle of Board presentation and appraisal departures, the concentration during certain periods is well-known and evidenced in Figures 1 and 2 below. Figure 1 illustrates a surge in Board presentations during the last month of each quarter (except in the first quarter of the fiscal year) and throughout the last quarter of the fiscal year (months 4 to 6). In terms of project outcome, the period of concentration of Board presentation (the final quarter of the fiscal year) shows especially compacted elapsed time periods and more favorable results (see Figure 3). However, the statistically and smaller sample of end of quarter surges (December, March) gives opposite results. Figure 2 shows greater numbers of appraisal mission departures in the second and fourth quarters. When grouped by appraisal mission departure date, the high volume period does not correspond to the high performance period; the first quarter of the fiscal year shows the most favorable results (Figure 4). The lowest month of appraisal departures (December) also has the lowest project performance outcome. In any case, and in agreement with the finding stated above in para. 3, high project performance is usually associated with shorter elapsed time.

5. On the issue of resources shifting from supervision activities to lending during the "pressure points" for lending, there is no supporting evidence. Total staffweeks on lending and supervision were correlated month by month from FY86 to FY91. A positive correlation was found between overall lending activities and overall supervision activities. This indicates an accelerated pace of both activities during certain months rather than a trade-off between the two[6] (See Figure 5).

Conclusion

6. "Pressure to lend" is a complex subject, reflecting a variety of factors and importantly, as expressed by Bank staff, much of a subjective sense of being under considerable work pressure not unique to lending. Pressures are likely to be felt by Bank staff who are frequently working with institutions not readily responsive to the high professional standards of Bank appraisals or with borrowers who find difficult to mobilizing the needed commitment of various stakeholders. However, as measured by the available proxies, some time pressure does not appear unhealthy.

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5. The proxy used was cofinancing: projects with O or 1 cofinanciers were grouped as "simple" while two or more were termed complex. This follows a finding in the earlier paper of the Task Force which showed a sharp division between projects with two or more cofinanciers and those with fewer.

6. The correlation was computed using 72 observations, one for each month between 7/85 and 6/91 (the period for which monthly data are available). The lending and supervision figures are the total Staffweeks recorded in TRS that month. The computed correlation for this period was 0.76. To check if this result was not produced by a time trend in Bank inputs, correlations were also computed within each of the six fiscal years, using 12 observations (months) each. These were in the range 0.74 to 0.90, confirming the overall result.

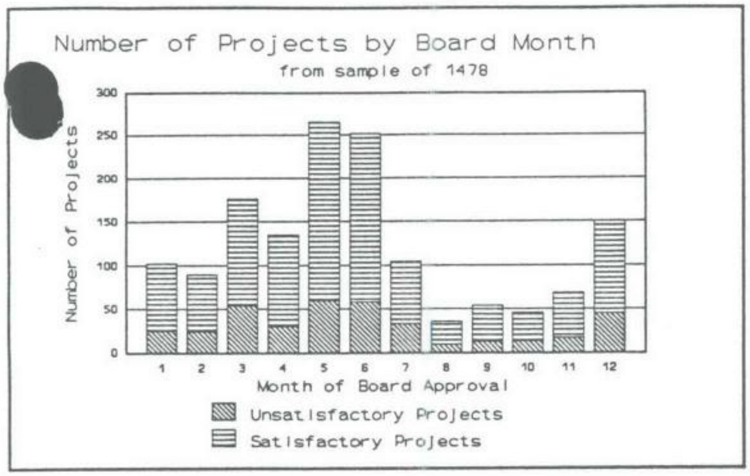


Figure 1

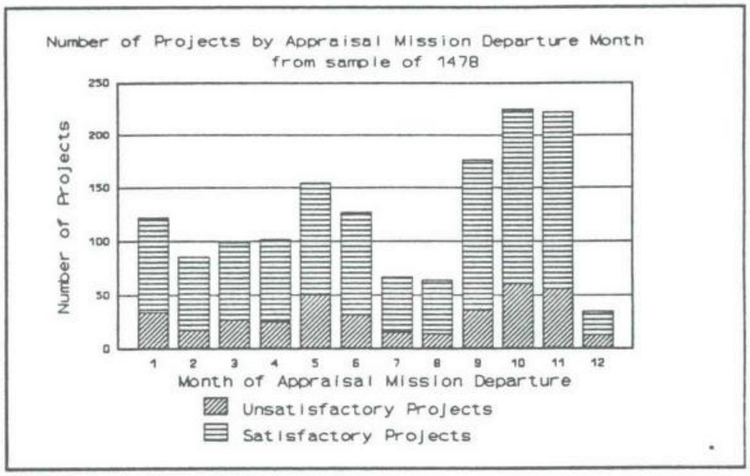


Figure 2

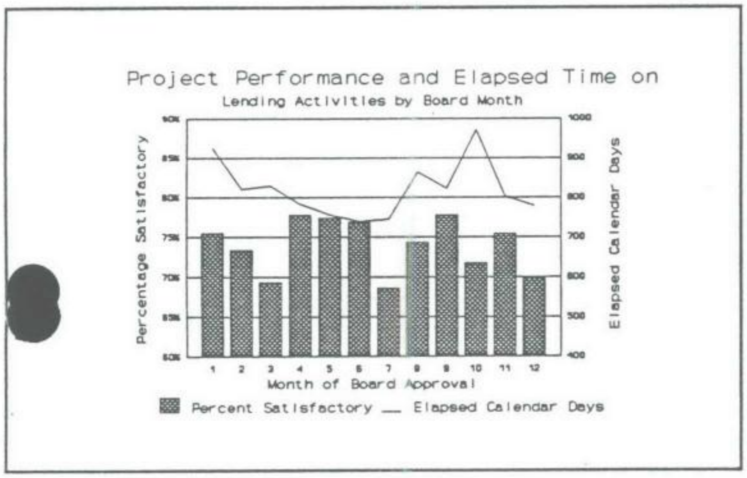


Figure 3

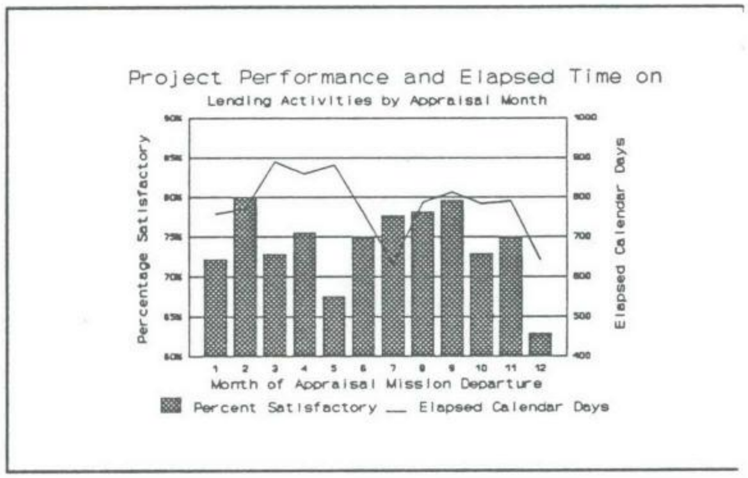


Figure 4

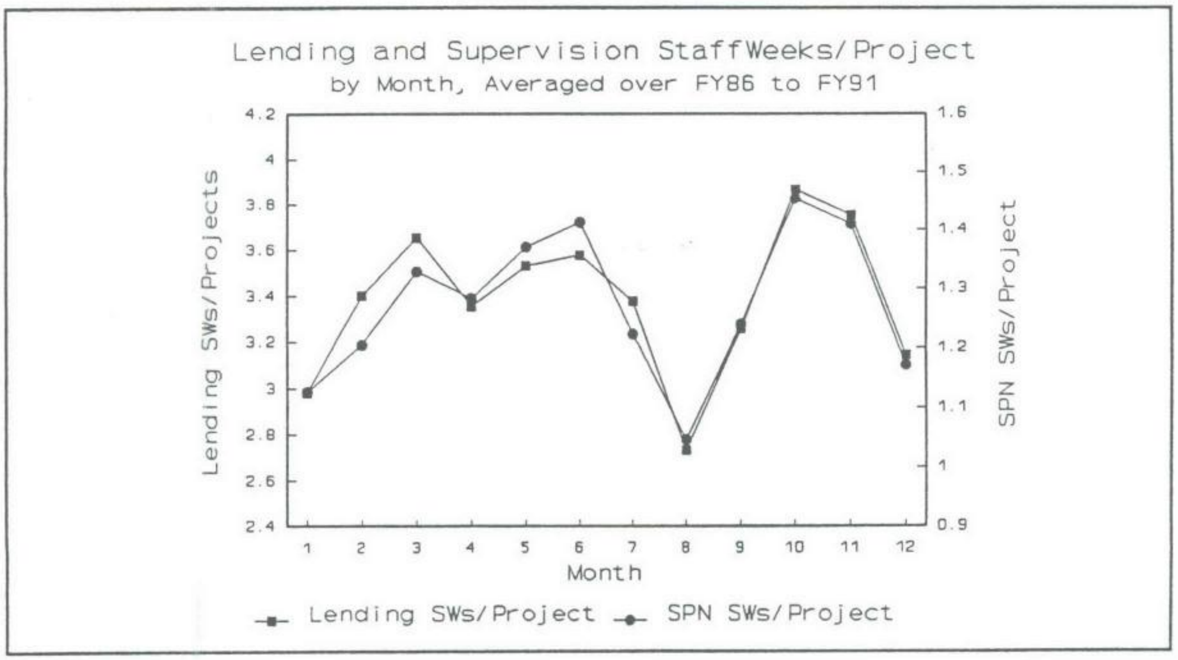
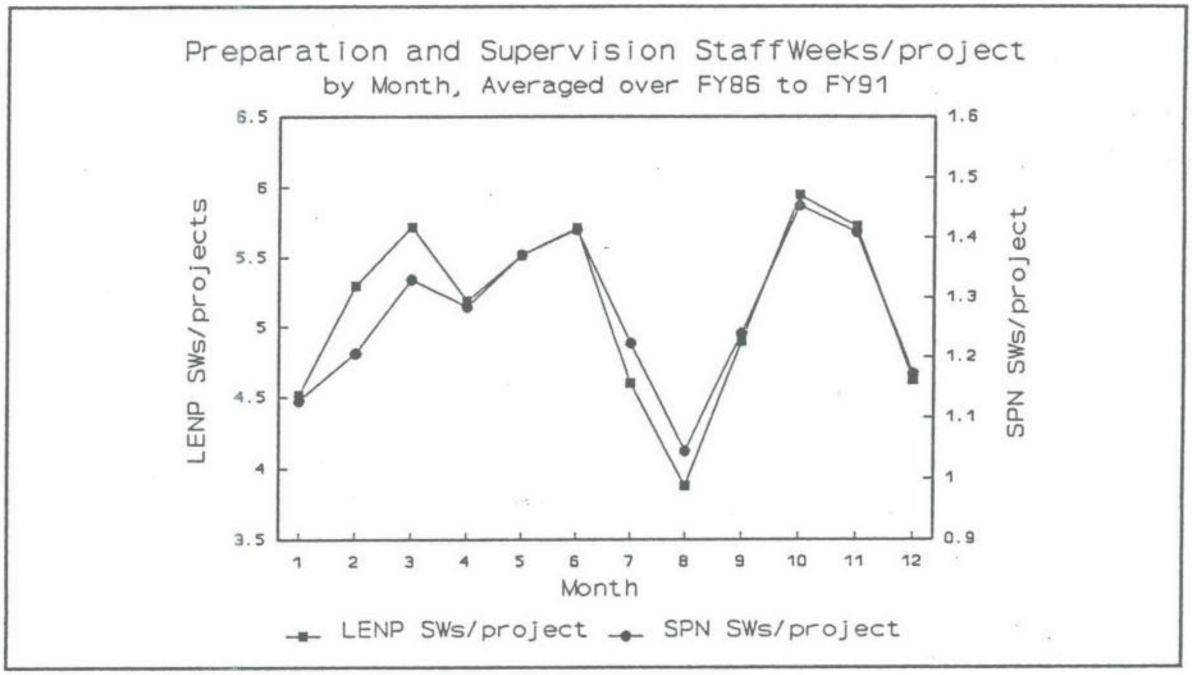
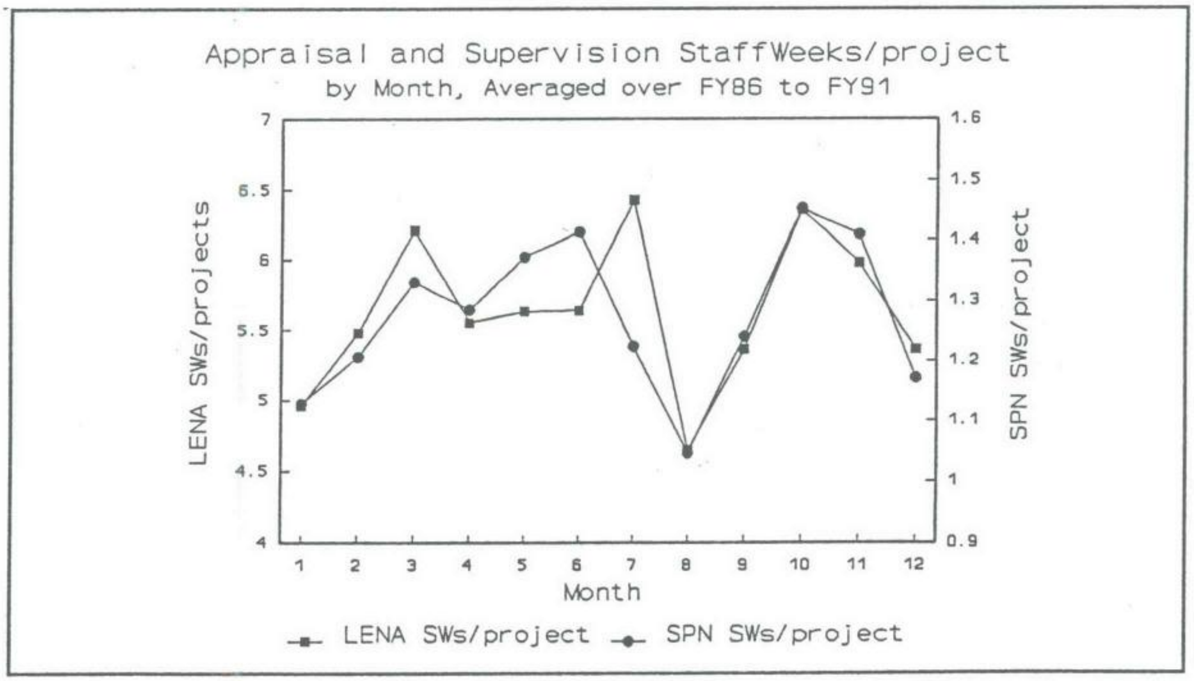
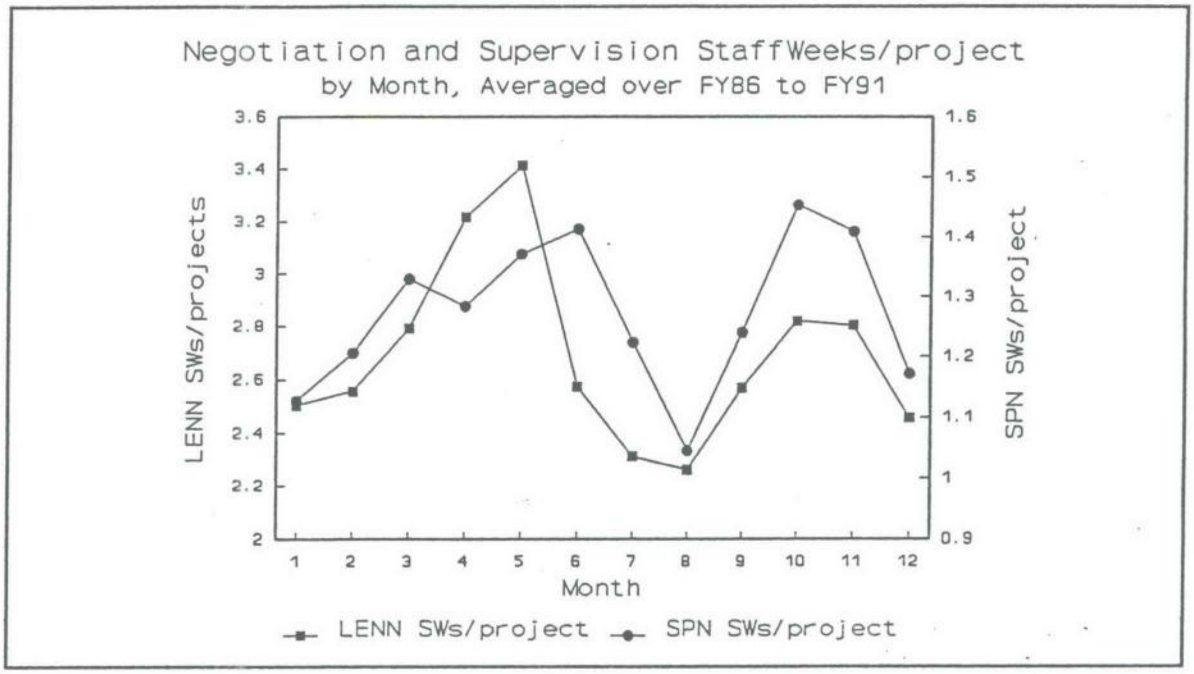


Figure 5

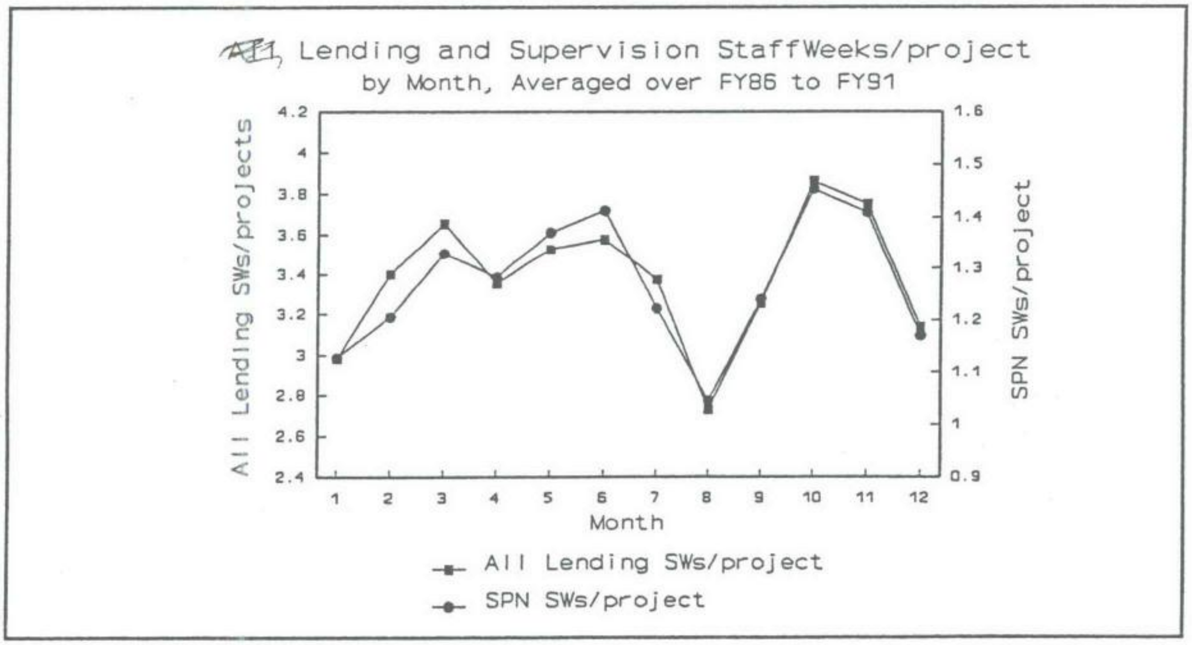
Graphs fo Lending StaffWeeks/project and Supervision StaffWeeks/project







Negotiation and Supervision StaffWeeks/project
by Month, Averaged over FY86 to FY91
LENN SWs/projects
SPN SWs/project
Month
LENN SWs/project
SPN SWs/project



All Lending and Supervision StaffWeeks/project
by Month, Averaged over FY86 to FY91
All Lending SWs/projects
SPN SWs/project
Month
All Lending SWs/project
SPN SWs/project

- Preparation and supervision follow very similar pattern.
- Appraisal and supervision similar except in 4th FQ and in July.
- Negotiation and supervision a bit different but no clear pattern except that negotiation seems to follow fiscal year more than supervision (i.e., ther is more of a surge in negotiation per project in 4th FQ than in supervision).
- Overall, very similar patterns between lending and supervision.
- Generally similar to comparisons of total amounts.

===> Again, no strong indication of substitution between lending and supervision activities.

Table 1: All Projects by Month 4/29/92

Board Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Prep	STD Prep	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Prep	STD Prep Time
[illegible]	102	.75	44.2	4.92	86	19.5	66	13.4	487	45.1	37.3	4.3	61.2	3.8	7.7	.6	636.5	64.2
[illegible]	90	.73	47.7	6.07	113	27.3	35	8.4	473	45.2	36.7	3.9	52.9	3.0	8.0	.7	565.9	63.5
3	176	.69	45.0	3.88	87	13.8	58	9.9	453	32.3	42.9	3.6	56.6	2.5	8.3	.5	550.0	42.4
4	135	.78	42.2	4.75	108	18.6	47	7.4	502	46.8	36.0	3.1	53.2	2.6	7.9	.5	519.7	45.6
5	265	.77	40.6	2.79	107	13.4	62	6.9	435	27.8	32.7	2.1	57.1	2.2	6.8	.3	527.0	33.5
6	251	.77	40.5	2.86	76	9.8	62	7.0	475	29.1	36.7	2.2	58.1	2.2	7.2	.3	538.9	38.8
7	105	.69	40.7	4.92	85	19.8	43	10.3	476	42.1	36.4	4.6	59.9	4.0	6.7	.4	498.7	43.1
8	35	.74	51.0	10.00	70	21.7	22	11.3	517	94.9	35.8	6.1	58.6	5.6	6.9	.8	633.1	133.2
9	54	.78	27.9	3.87	113	34.7	21	9.6	440	54.2	46.1	6.5	55.2	4.9	7.6	.8	546.2	70.8
10	46	.72	46.6	10.78	117	38.2	21	8.7	478	61.9	40.8	6.6	53.7	5.4	8.6	1.1	714.4	120.9
11	69	.75	38.5	5.53	107	27.1	45	12.4	544	52.8	35.4	4.5	47.9	3.8	7.8	.7	526.7	68.9
12	150	.70	39.7	3.81	74	11.8	44	8.5	464	36.1	35.7	2.8	55.1	2.8	8.3	.6	502.7	44.7
	1478	.74	41.7		93		51		470		37.0		56.3		7.6		545.6	

Board Month	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	215.4	11.5	71.5	5.3	.781	.109	2.186	.118	.770	.051	106.2	6.95	923.5	64.89	1.0530	.0732
2	187.2	8.8	67.4	3.3	.986	.148	2.362	.171	.865	.073	97.5	6.02	820.4	64.67	1.1355	.0844
3	209.2	8.9	70.1	3.9	.970	.093	2.083	.085	.937	.055	107.8	5.30	829.4	45.05	1.1568	.0544
4	202.6	11.4	61.4	3.2	.898	.125	2.208	.157	.968	.059	97.2	5.25	783.7	49.28	1.0728	.0637
5	175.4	8.0	52.4	2.1	.763	.060	2.665	.101	.971	.040	96.6	3.79	754.8	35.33	1.1747	.0487
6	151.0	6.2	49.2	1.5	1.020	.090	2.996	.115	1.087	.047	102.1	3.67	739.1	39.54	1.3801	.0544
7	173.1	11.1	71.4	6.6	.734	.078	2.823	.180	.791	.053	103.0	7.69	743.2	46.07	1.1458	.0705
8	163.6	12.8	66.0	4.6	.678	.130	2.953	.388	.804	.090	101.3	10.54	862.7	134.06	1.1411	.1543
9	207.3	16.9	68.5	6.1	1.012	.156	2.437	.294	.881	.089	108.9	10.24	822.0	72.56	1.1710	.1153
10	179.2	21.6	78.1	8.9	.774	.135	2.550	.268	.812	.071	103.0	8.96	971.7	123.57	1.0593	.0990
11	189.2	9.8	87.6	6.4	.950	.147	1.877	.141	.673	.049	91.1	7.47	803.5	71.32	1.0067	.0878
12	202.8	11.9	72.6	6.0	1.085	.135	2.276	.114	.971	.068	99.0	4.82	778.1	50.93	1.2446	.0722
	185.5		63.8		.905		2.489		.927		100.8		794.9		1.1801	

N[illegible]

Sample excludes all projects for which there was missing data.
Board Month is by Calender year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by total elapsed calendar days.
The final number is for the whole sample, calculated in the same manner as the monthly figures.
Standard deviations are not included in the entire sample figures.

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Table 2: Unsatisfactory Projects by Month 4/29/92

Board Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Prep	STD Prep	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Prep	STD Prep Time
[illegible]	25	0.00	48.3	12.80	82	27.7	72	29.9	524	89.4	33.5	6.3	74.6	7.8	8.0	1.2	611.7	136.2
[illegible]	24	0.00	45.8	14.61	45	12.7	51	17.1	506	91.7	49.0	10.6	59.1	6.2	8.0	1.3	622.7	116.2
3	54	0.00	39.0	5.07	70	19.7	63	16.3	514	58.0	45.4	6.9	61.0	4.4	8.9	1.3	554.5	78.2
4	30	0.00	36.3	10.71	58	11.0	62	15.5	603	104.3	36.1	6.2	57.2	4.7	9.3	1.4	502.3	77.8
5	60	0.00	40.4	6.59	82	20.9	62	10.5	573	59.3	33.9	4.5	72.1	5.8	6.3	.6	563.3	73.4
6	58	0.00	40.1	5.29	90	27.3	49	16.1	507	57.2	47.5	5.7	66.3	5.5	8.2	.9	577.1	73.6
7	33	0.00	55.6	13.34	75	29.0	38	13.3	454	83.3	47.0	8.7	64.9	7.7	5.7	.8	560.9	77.3
8	9	0.00	66.9	30.70	54	14.3	-7	30.8	795	176.8	38.7	12.6	53.6	14.8	5.5	1.8	799.4	359.5
9	12	0.00	12.6	1.14	129	72.9	48	25.1	688	136.0	54.4	11.4	61.9	5.9	7.6	1.7	563.9	124.4
10	13	0.00	87.0	32.37	79	19.6	21	19.2	450	115.7	54.1	19.3	57.9	11.6	9.0	2.0	985.8	287.3
11	17	0.00	33.6	6.83	127	53.8	75	39.9	693	130.5	39.7	9.6	47.5	7.8	6.8	1.0	547.4	157.7
12	45	0.00	28.2	3.65	81	17.0	75	19.8	604	76.7	40.6	5.1	65.0	6.2	8.6	1.1	660.8	83.6
	380	0.00	41.6		79		57		553		42.3		64.0		7.8		597.0	

Board Month	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep Intensity	Appraisal Intensity	STD Appr Intesnity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	287.8	25.9	77.2	11.1	.627	.123	2.023	.226	.836	.117	116.0	11.87	976.7	137.13	1.0715	.1343
2	217.2	18.9	72.0	9.6	.841	.186	2.227	.245	.821	.111	116.1	14.17	911.9	114.95	1.0938	.1405
3	206.3	18.0	72.4	7.7	.871	.111	2.304	.153	.917	.076	115.3	10.36	833.2	79.58	1.2071	.0911
4	216.1	20.4	74.2	7.4	.677	.088	2.251	.334	.921	.133	102.6	10.13	792.6	81.00	.9948	.0815
5	172.2	11.9	55.0	5.8	.718	.098	3.347	.268	.924	.076	112.3	9.23	790.5	74.80	1.2692	.0984
6	148.1	13.5	56.9	5.2	.972	.133	3.021	.252	1.130	.131	121.9	9.44	782.1	79.24	1.4657	.1154
7	194.2	23.4	83.4	18.0	.764	.139	2.868	.343	.643	.096	117.6	15.13	838.5	90.41	1.1023	.1238
8	124.0	10.2	64.8	5.5	1.103	.434	3.212	.963	.595	.174	97.8	27.25	988.2	363.64	1.2930	.5029
9	264.1	35.3	73.8	5.6	1.007	.219	1.863	.243	.731	.156	124.0	16.14	901.8	147.59	1.1789	.1546
10	189.4	34.3	71.5	12.3	.565	.130	2.725	.688	.915	.130	121.0	22.88	1246.8	285.44	.9977	.1632
11	207.4	18.5	74.9	9.5	1.173	.286	1.678	.271	.662	.087	94.0	16.28	829.6	158.65	1.0594	.1961
12	208.5	18.2	80.6	16.5	.826	.155	2.384	.190	.952	.122	114.3	9.26	949.9	95.72	1.1662	.1298
	197.4		69.6		.827		2.603		.895		114.1		864.0		1.1970	

No[illegible]

Sample excludes all projects for which there was missing data.
Board Month is by Calender year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by total elapsed calendar days.
The final number is for the whole sample, calculated in the same manner as the monthly figures.
Standard deviations are not included in the entire sample figures.

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Table 3: Satisfactory Projects by Month 4/29/92

Board Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Prep	STD Prep	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Ident time
[illegible]	77	1.00	42.9	5.01	88	24.2	64	14.9	474	52.1	38.5	5.3	56.8	4.2	7.6	.7	644.6	72.6
2	66	1.00	48.4	6.34	138	36.4	29	9.6	460	51.7	32.2	3.5	50.6	3.4	7.9	.9	545.2	75.4
3	122	1.00	47.6	5.11	95	17.9	56	12.2	426	38.6	41.8	4.1	54.6	3.0	8.1	.6	548.0	50.5
4	105	1.00	43.9	5.28	123	23.5	43	8.3	474	51.9	36.0	3.6	52.1	3.1	7.6	.5	524.6	54.2
5	205	1.00	40.6	3.05	114	16.2	62	8.4	394	30.9	32.4	2.3	52.7	2.2	6.9	.4	516.4	37.5
6	193	1.00	40.6	3.36	71	9.7	66	7.8	465	33.6	33.5	2.3	55.7	2.3	6.9	.3	527.4	45.3
7	72	1.00	34.0	3.47	90	25.5	45	13.7	487	48.1	31.5	5.2	57.6	4.7	7.1	.5	470.2	51.6
8	26	1.00	45.5	7.98	75	28.8	32	10.1	421	105.8	34.9	6.9	60.3	5.5	7.4	.9	575.5	127.1
9	42	1.00	32.3	4.75	109	39.4	14	9.7	369	53.0	43.7	7.6	53.3	6.0	7.6	1.0	541.2	83.8
10	33	1.00	30.7	6.01	132	52.5	21	9.5	490	73.3	35.6	4.9	52.0	6.0	8.4	1.3	607.5	119.8
11	52	1.00	40.1	6.98	101	31.3	34	9.5	496	53.9	34.0	5.1	48.1	4.3	8.1	.9	519.9	75.5
12	105	1.00	44.6	5.13	71	15.1	30	8.2	403	38.2	33.6	3.2	50.8	2.9	8.1	.7	435.0	51.4
	1098	1.00	41.8		98		49		441		35.1		53.6		7.5		527.8	

Board Month	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg Inten.	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	191.9	11.4	69.7	6.1	.831	.138	2.239	.137	.749	.056	102.9	8.33	906.2	73.42	1.0470	.0865
2	176.2	9.4	65.7	2.7	1.038	.190	2.411	.215	.881	.090	90.8	6.19	787.2	77.25	1.1506	.1031
3	210.5	10.0	69.2	4.5	1.013	.125	1.986	.101	.945	.072	104.5	6.10	827.7	54.63	1.1346	.0673
4	198.8	13.5	57.7	3.4	.961	.159	2.195	.178	.981	.066	95.6	6.08	781.1	58.99	1.0951	.0783
5	176.3	9.7	51.7	2.1	.777	.072	2.466	.100	.985	.047	92.0	4.03	744.4	40.06	1.1471	.0559
6	151.8	7.0	46.9	1.1	1.034	.110	2.989	.129	1.074	.047	96.1	3.74	726.2	45.54	1.3544	.0615
7	163.4	11.9	66.0	4.8	.720	.094	2.803	.210	.859	.061	96.3	8.70	699.6	52.09	1.1657	.0857
8	177.3	16.0	66.4	5.9	.530	.068	2.864	.401	.876	.101	102.6	10.59	819.3	128.22	1.0885	.1115
9	191.1	18.5	67.0	7.7	1.013	.191	2.602	.368	.924	.104	104.6	12.25	799.3	82.89	1.1687	.1415
10	175.2	26.9	80.7	11.3	.857	.179	2.481	.256	.772	.084	96.0	8.33	863.3	125.55	1.0836	.1218
11	183.3	11.5	91.7	7.8	.877	.171	1.943	.163	.676	.058	90.2	8.36	794.9	79.12	.9895	.0972
12	200.4	15.0	69.2	4.8	1.196	.180	2.229	.141	.979	.081	92.5	5.50	704.5	58.64	1.2783	.0867
	181.4		61.8		.932		2.449		.938		96.2		771.0		1.1742	

No[illegible]

Sample excludes all projects for which there was missing data.
Board Month is by Calender year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by total elapsed calendar days.
The final number is for the whole sample, calculated in the same manner as the monthly figures.
Standard deviations are not included in the entire sample figures.

file="a:bymonth1"

Table 4: All Projects by Quarter 4/29/92

Board Quarter	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Prep	STD Prep	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep Time
[illegible]	194	.72	39.0	3.44	90	15.0	33	6.5	473	32.3	39.0	3.3	58.4	2.8	7.0	.4	536.2	39.0
[illegible]	265	.72	40.6	3.20	90	11.8	40	6.0	488	27.0	36.5	2.3	53.0	2.1	8.2	.4	545.7	37.7
[illegible]	368	.72	45.4	2.74	93	10.9	55	6.4	467	22.7	39.8	2.3	57.0	1.8	8.1	.4	577.9	31.2
4	651	.77	40.9	1.86	95	7.7	59	4.2	464	18.7	34.9	1.4	56.7	1.3	7.2	.2	530.1	22.3
	1478	.74	41.7		93		51		470		37.0		56.3		7.6		545.6	

Board Quarter	Elapsed Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	180.9	8.0	69.6	4.0	.801	.066	2.739	.146	.819	.041	104.3	5.39	786.7	40.34	1.1519	.0571
2	195.2	8.1	77.5	4.1	.996	.089	2.220	.089	.866	.043	97.7	3.70	818.3	40.68	1.1505	.0503
3	205.5	5.7	69.9	2.5	.921	.065	2.180	.067	.873	.035	104.8	3.52	853.3	32.30	1.1228	.0390
4	171.6	4.7	53.1	1.2	.890	.050	2.698	.070	1.015	.028	98.8	2.36	754.7	23.33	1.2328	.0321
	185.5		63.8		.905		2.489		.927		100.8		794.9		1.1801	

Notes:

Sample excludes all projects for which there was missing data.
Board Quarter is by Fiscal Year: 1 = July-September, 2=October-December, 3=January-March, 4=April-June
Intensities are SW amounts (in days: SWs*7) divided by total elapsed calendar days.
The final number is for the whole sample, calculated in the same manner as the quarterly figures.
Standard deviations are not included in the entire sample figures.

file="a:byquart"

Table 5: Unsatisfactory Projects by Quarter 4/29/92

Board Quarter	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Prep.	STD Prep.	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep Time
[illegible]	54	0.00	47.9	9.98	84	24.4	33	11.4	562	68.8	47.3	6.3	62.4	5.5	6.1	.7	601.3	82.1
[illegible]	75	0.00	39.6	6.71	91	16.4	66	15.5	597	58.9	42.8	5.1	59.8	4.7	8.3	.8	691.5	80.9
3	103	0.00	42.8	5.34	67	12.8	62	11.9	515	43.0	43.3	4.7	63.9	3.4	8.5	.8	584.3	59.3
4	148	0.00	39.4	4.02	80	13.9	57	8.2	554	39.2	39.6	3.2	66.8	3.4	7.7	.5	556.4	44.4
	380	0.00	41.6		79		57		553		42.3		64.0		7.8		597.0	

Board Quarter	Elapsed Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	198.0	17.4	78.1	11.1	.875	.123	2.702	.277	.655	.075	115.7	10.97	877.5	88.65	1.1511	.1184
2	204.9	13.2	77.7	10.3	.859	.117	2.283	.181	.880	.080	110.8	7.84	974.1	85.32	1.1128	.0944
3	228.6	12.6	73.5	5.4	.805	.079	2.218	.113	.875	.056	115.7	6.98	886.4	60.01	1.1478	.0667
4	171.6	8.5	59.6	3.5	.809	.069	2.997	.165	1.004	.066	114.1	5.68	787.6	46.41	1.2906	.0641
	197.4		69.6		.827		2.603		.895		114.1		864.0		1.1970	

Notes:

Sample excludes all projects for which there was missing data.
Board Quarter is by Fiscal Year: 1 = July-September, 2=October-December, 3=January-March, 4=April-June
Intensities are SW amounts (in days: SWs*7) divided by total elapsed calendar days.
The final number is for the whole sample, calculated in the same manner as the quarterly figures.
Standard deviations are not included in the entire sample figures.

fi[illegible]'a:byquart0"

Table 6: Satisfactory Projects by Quarter 4/29/92

Board Quarter	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Prep.	STD Prep.	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep Time
[illegible]	140	1.00	35.6	2.75	93	18.5	33	7.9	439	35.6	35.8	3.8	56.8	3.2	7.3	.4	511.0	43.7
[illegible]	190	1.00	41.0	3.60	90	15.1	30	5.5	443	28.9	34.1	2.4	50.3	2.2	8.1	.5	488.2	41.1
[illegible]	265	1.00	46.5	3.19	103	14.2	52	7.5	448	26.7	38.5	2.6	54.3	2.1	7.9	.4	575.4	36.7
4	503	1.00	41.3	2.10	100	9.1	60	4.9	438	21.1	33.5	1.5	53.7	1.4	7.1	.2	522.3	25.8
	1098	1.00	41.8		98		49		441		35.1		53.6		7.5		527.8	

Board Quarter	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	174.3	8.8	66.4	3.5	.773	.077	2.754	.172	.882	.048	100.0	6.12	751.7	43.86	1.1523	.0647
2	191.3	10.1	77.4	4.0	1.050	.115	2.194	.101	.860	.051	92.5	4.07	756.8	44.89	1.1654	.0595
3	196.6	6.2	68.5	2.8	.967	.085	2.165	.082	.872	.043	100.6	4.03	840.4	38.28	1.1131	.0475
4	171.6	5.6	51.1	1.2	.914	.061	2.610	.075	1.018	.030	94.3	2.53	745.1	26.91	1.2158	.0370
	181.4		61.8		.932		2.449		.938		96.2		771.0		1.1742	

Notes:

Sample excludes all projects for which there was missing data.
Board Quarter is by Fiscal Year: 1 = July-September, 2=October-December, 3=January-March, 4=April-June
Intensities are SW amounts (in days: SWs*7) divided by total elapsed calendar days.
The final number is for the whole sample, calculated in the same manner as the quarterly figures.
Standard deviations are not included in the entire sample figures.

file="a:byquart1"

Findings from Complexity Tables:

- Complex projects have worse performance than non-complex ones. This is not too significant since we knew this when we choose to construct the complexity measure.

- Most of the differences noted between complex and non-complex projects are true for both Satisfactory and Unsatisfactory projects. This is more significant than the lower performance since the grouping choice of grouping did not take these factors into account.

- Complex projects have smaller loans, a feature not solely due to cofinancing. In the sample of 1478 projects, the complex projects have an average loan amount of 35.3 million while the non-complex have an average loan amount of 49.1 million. This difference is true for both SAT and UNSAT projects. In the regression sample of 1796 projects, the average loan with "few cofinancers" (0 or 1) was 41.66 million while the "many cofinancers" category had an average loan amount of 44.16 million. Although loans in projects with one cofinancer were smaller than those with 0, the difference was not that large (38.32 v. 42.62 million).

- Complex projects have shorter signing delays but longer effectiveness and closing delays. The pattern holds for both SAT and UNSAT projects.

- Complex projects get more staffweeks in all three areas, both for SAT and for UNSAT projects.

- Complex projects have more elapsed time in all three areas, both for SAT and for UNSAT projects.

- There is no clear pattern for intensities.

- The distribution of complex projects across months of the year reflects the overall distribution fairly closely: complex projects account for between 46% and 60% of all projects each month. Other monthly patterns are generally confirmed as well.

Complexity, Table 1: All Complex Projects by Month of Board Approval

Board Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Preparation	STD Preparation	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep time
1	55	.709	41.3	1.19	80	2.52	74	2.00	522	.94	39.5	1.21	66.9	.56	7.9	.78	649.7	1.03
2	41	.610	28.6	1.02	64	1.95	61	1.38	577	.75	52.4	.84	61.0	.48	9.0	.85	557.4	1.01
3	100	.660	40.9	1.08	61	2.24	64	2.26	485	.87	47.5	1.01	63.4	.48	9.2	.87	588.5	1.06
4	80	.750	31.9	1.02	109	2.13	45	1.67	608	.85	40.5	.90	58.5	.53	8.8	.75	518.9	.93
5	134	.746	38.6	1.25	77	1.97	77	1.67	475	.96	36.5	.92	61.4	.55	7.2	.77	576.5	.99
6	135	.748	35.2	1.02	56	1.72	56	1.92	513	.90	42.5	.93	62.4	.57	7.2	.70	615.7	1.06
7	53	.698	25.9	1.25	78	2.24	57	1.73	560	.75	40.8	1.31	61.4	.68	6.1	.59	499.3	.92
8	217	.810	50.2	1.26	79	2.06	23	3.36	433	1.39	39.5	.97	64.6	.50	7.6	.62	623.7	1.06
9	27	.630	23.57	1.25	64	1.86	30	2.85	441	.98	48.7	1.00	62.8	.54	9.0	.83	537.0	.90
10	24	.667	33.5	1.54	64	.93	39	1.63	507	.80	48.7	1.14	58.2	.60	9.5	.95	836.9	.99
11	37	.730	28.4	.97	98	2.02	60	2.03	599	.67	41.9	1.00	53.1	.56	8.4	.61	560.8	.77
12	81	.667	35.6	1.40	60	2.29	63	1.85	491	.81	38.3	.91	62.9	.61	9.3	.85	488.3	1.07
	788	.709	35.3	1.20	72	2.16	60	1.94	517	.88	42.0	1.01	61.7	.56	8.1	.80	575.9	1.02

.53

Board Month	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	220.4	.47	68.1	.80	.882	1.500	2.268	.524	.826	.742	114.3	.63	938.2	.71	1.1568	.6955
2	206.6	.36	70.9	.56	1.256	1.161	2.447	.748	.957	.815	122.4	.50	835.0	.69	1.3540	.6568
3	234.1	.55	77.6	.82	1.057	1.323	2.182	.540	.988	.722	120.1	.57	900.2	.73	1.2374	.6047
4	220.6	.68	65.9	.68	1.048	1.635	2.242	.847	1.016	.674	107.8	.56	805.3	.68	1.1548	.6909
5	196.1	.81	55.2	.74	.831	1.187	2.691	.650	.997	.623	105.1	.56	827.9	.74	1.2280	.7510
6	155.2	.65	52.5	.51	1.023	1.459	3.072	.616	1.021	.672	112.1	.56	823.5	.82	1.3687	.6378
7	178.2	.65	80.0	1.15	.839	1.115	2.805	.622	.729	.702	108.4	.79	757.5	.66	1.1730	.6298
8	178.5	.47	63.9	.44	.804	1.157	3.015	.719	.899	.547	111.8	.55	866.1	.76	1.2559	.8528
9	245.6	.58	78.3	.73	1.149	1.164	2.275	.681	.927	.738	120.4	.65	860.9	.61	1.2576	.6931
10	207.9	.85	93.5	.81	.593	.816	2.631	.772	.726	.524	116.4	.51	1138.3	.75	.9456	.5199
[illegible]	219.6	.38	95.0	.54	.710	.963	1.785	.509	.677	.545	103.4	.61	875.4	.52	.8843	.4173
[illegible]	224.0	.67	79.2	1.13	1.055	1.219	2.398	.657	.993	.823	110.5	.57	791.6	.78	1.3023	.6727
	203.0	.65	68.6	.85	.961	1.353	2.531	.674	.941	.711	111.7	.59	847.4	.74	1.2284	.6797

Notes:

Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
    # of Cofinancers > 1 and either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.
Board Month is by Calendar Year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by elapsed calendar days.
The final number in each column is for the annual sample (not by month) and is calculated in the same manner as are the monthly figures.
Standard Deviations (STD) are given in percentage terms, i.e., STD(X)/Mean(X).

Complexity, Table 2: Unsatisfactory Complex Projects by Month of Board Approval

Board Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Preparation	STD Preparation	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep time
1	16	0.000	34.2	1.26	73	1.48	86	2.10	543	.84	27.7	1.07	81.6	.49	7.0	.61	383.9	1.06
2	16	0.000	30.3	1.07	59	1.21	69	1.24	588	.83	65.7	.86	66.9	.45	8.6	.78	661.9	.77
3	34	0.000	34.2	.89	48	1.52	59	1.63	493	.84	50.1	1.11	66.2	.53	9.2	1.16	602.8	1.07
4	20	0.000	19.5	1.67	64	1.05	57	1.32	580	1.04	33.9	.85	56.9	.40	9.8	.76	478.3	.79
5	34	0.000	33.4	1.32	80	2.16	87	1.06	640	.74	40.8	.86	78.6	.48	7.2	.66	647.9	.97
6	34	0.000	31.1	.93	45	1.78	39	3.35	543	.89	60.8	.79	78.3	.53	8.9	.81	718.3	.85
7	16	0.000	27.7	1.59	115	2.01	46	2.18	544	.85	43.6	.94	58.2	.54	4.4	.68	559.2	.80
8	4	0.000	98.1	1.23	23	.91	-37	-3.32	913	.72	43.6	.87	66.5	.73	9.2	.73	678.5	1.47
9	10	0.000	12.1	.30	56	.59	60	1.52	719	.62	46.9	.80	60.3	.35	7.7	.75	608.1	.74
10	8	0.000	50.2	1.34	81	.74	39	1.63	468	1.01	66.4	1.25	53.9	.34	10.8	.77	1138.4	1.00
11	10	0.000	29.7	1.00	67	.90	120	1.60	761	.58	39.9	.76	50.8	.50	7.5	.53	605.9	.77
12	27	0.000	26.9	.83	53	.97	104	1.39	542	.84	42.6	.88	76.0	.62	10.6	.82	644.9	.98
	229	0.000	31.3	1.29	64	1.76	67	1.80	578	.84	46.9	.98	69.4	.54	8.5	.87	626.9	.98

Board Month	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	304.7	.43	77.6	.68	.666	.881	2.080	.572	.832	.836	116.3	.53	766.2	.57	1.2240	.5603
2	223.2	.33	76.3	.73	.934	1.076	2.323	.503	.844	.657	141.1	.49	961.4	.53	1.1891	.5536
3	226.1	.70	79.1	.85	.990	.895	2.361	.512	.876	.603	125.5	.64	908.1	.71	1.2636	.5581
4	226.6	.48	82.6	.56	.709	.750	1.914	.400	.826	.526	100.6	.44	787.5	.48	.9861	.4271
5	196.7	.49	65.0	.87	.825	.948	3.361	.682	.963	.557	126.5	.50	909.6	.68	1.2927	.6209
6	151.7	.79	61.1	.70	.978	1.046	3.389	.642	1.165	.783	148.1	.48	931.1	.72	1.4925	.5940
7	208.4	.77	106.9	1.34	.841	1.081	2.619	.693	.449	.812	106.2	.62	874.4	.61	.9288	.4863
8	124.3	.29	59.5	.18	1.892	.821	4.510	.798	.977	.584	119.3	.71	862.3	1.18	2.0934	.9180
9	272.1	.49	73.7	.29	.763	.650	1.802	.503	.748	.695	114.9	.47	953.9	.56	1.0384	.4546
10	204.8	.67	84.3	.60	.578	.958	3.075	.949	.853	.480	131.2	.59	1427.4	.78	.9357	.6073
	242.5	.29	84.9	.56	.927	1.025	1.479	.438	.661	.443	98.2	.51	933.3	.49	.8077	.3244
	245.2	.56	96.1	1.45	1.029	1.150	2.535	.593	1.119	.870	129.2	.56	986.1	.75	1.3560	.7250
	217.2	.60	78.1	1.00	.895	1.025	2.639	.701	.907	.751	124.8	.55	922.3	.70	1.2305	.6458

Notes:

Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
    # of Cofinancers > 1 <u>and</u> either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 <u>and</u> either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 <u>and</u> either # of cofinancers > 1 or # of disbursement categories > 2.
Board Month is by Calendar Year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by elapsed calendar days.
The final number in each column is for the annual sample (not by month) and is calculated in the same manner as are the monthly figures.
Standard Deviations (STD) are given in percentage terms, i.e., STD(X)/Mean(X).

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Complexity, Table 3: Satisfactory Complex Projects by Month of Board Approval

Board Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Preparation	STD Preparation	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep time
1	39	1.000	44.3	1.16	82	2.77	69	1.91	514	.99	44.4	1.19	60.9	.56	8.3	.81	758.7	.95
2	25	1.000	27.5	.98	67	2.21	55	1.49	570	.69	43.8	.70	57.3	.49	9.2	.88	490.6	1.20
3	66	1.000	44.3	1.11	68	2.35	67	2.46	481	.89	46.2	.94	61.9	.44	9.2	.66	581.2	1.06
4	60	1.000	36.0	.87	124	2.13	41	1.82	617	.78	42.7	.89	59.0	.56	8.5	.74	532.4	.96
5	100	1.000	40.4	1.22	76	1.90	74	1.88	419	1.03	35.0	.94	55.6	.55	7.2	.80	552.3	.98
6	101	1.000	36.5	1.04	60	1.69	62	1.58	504	.90	36.4	.95	57.0	.55	6.6	.59	581.2	1.14
7	37	1.000	25.1	1.02	62	2.28	62	1.58	567	.70	39.6	1.46	62.9	.72	6.8	.52	473.4	.98
8	17	1.000	38.9	.76	92	1.93	37	1.48	320	1.65	38.6	1.00	64.2	.42	7.3	.55	610.8	.90
9	17	1.000	30.2	1.16	69	2.15	13	6.09	278	1.20	49.7	1.09	64.2	.61	9.7	.84	495.2	1.00
10	16	1.000	25.1	1.54	40	.93	38	1.63	526	.70	39.8	.75	60.3	.67	8.9	1.05	686.1	.81
11	27	1.000	28.0	.96	110	2.08	39	1.88	540	.68	42.6	1.06	54.0	.58	8.8	.63	544.1	.77
12	54	1.000	40.0	1.46	63	2.60	43	2.21	465	.78	36.1	.92	56.4	.55	8.6	.86	410.1	1.07
	559	1.000	36.9	1.17	76	2.25	57	2.00	492	.89	39.9	1.01	58.5	.56	7.9	.77	554.9	1.03

Board Month	Elapsed Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	185.9	.35	64.2	.85	.971	1.562	2.346	.503	.824	.699	113.5	.67	1008.8	.72	1.1293	.7500
2	196.0	.36	67.4	.35	1.462	1.131	2.526	.850	1.029	.863	110.3	.47	754.0	.80	1.4596	.6821
3	238.1	.47	76.8	.80	1.092	1.464	2.090	.550	1.046	.752	117.3	.52	896.1	.74	1.2238	.6284
4	218.7	.74	60.3	.71	1.161	1.673	2.352	.909	1.080	.685	110.2	.59	811.3	.73	1.2111	.7278
5	195.9	.90	51.9	.64	.834	1.257	2.463	.589	1.008	.641	97.8	.56	800.1	.76	1.2060	.7948
6	156.4	.60	49.6	.34	1.039	1.561	2.965	.599	.972	.599	100.0	.54	787.3	.85	1.3271	.6513
7	165.1	.53	68.4	.76	.838	1.129	2.885	.592	.850	.610	109.3	.85	706.9	.67	1.2786	.6338
[illegible]	191.3	.46	64.9	.47	.548	.724	2.663	.546	.881	.533	110.0	.50	867.0	.63	1.0589	.5541
[illegible]	230.1	.64	80.9	.86	1.376	1.162	2.553	.692	1.032	.721	123.6	.72	806.2	.63	1.3866	.7322
10	209.5	.93	98.2	.87	.600	.741	2.409	.554	.663	.526	109.0	.43	993.8	.63	.9506	.4717
11	211.1	.41	98.7	.53	.630	.845	1.898	.508	.683	.576	105.4	.63	854.0	.53	.9126	.4358
12	213.4	.72	70.8	.63	1.068	1.249	2.329	.689	.930	.773	101.1	.55	694.3	.75	1.2754	.6398
	197.2	.68	64.7	.73	.988	1.444	2.487	.659	.955	.695	106.4	.60	816.8	.75	1.2276	.6931

Notes:

Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
# of Cofinancers > 1 <u>and</u> either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 <u>and</u> either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 <u>and</u> either # of cofinancers > 1 or # of disbursement categories > 2.
Board Month is by Calendar Year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by elapsed calendar days.
The final number in each column is for the annual sample (not by month) and is calculated in the same manner as are the monthly figures.
Standard Deviations (STD) are given in percentage terms, i.e., STD(X)/Mean(X).

file='c:\pdox35\ptl\complex\cbymon1.rpt' [illegible]mplexity, Table 4: All Complex Projects by Month of Appraisal Mission Departure

Ap[illegible]isal Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Preparation	STD Preparation	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep time
1	67	.701	32.8	1.05	65	2.41	80	2.13	642	.75	41.0	.97	55.3	.57	7.8	.78	481.1	1.02
2	45	.822	31.4	1.02	81	1.80	74	1.60	404	.82	31.8	.89	57.7	.45	7.9	.76	503.2	.77
3	41	.659	32.3	1.07	52	1.18	48	1.37	474	.78	47.1	.91	60.1	.47	8.6	1.01	671.7	1.02
4	59	.729	39.7	1.06	104	2.04	97	1.41	479	.84	43.0	.82	73.3	.53	9.5	.74	570.0	.93
5	90	.644	35.6	1.22	81	2.67	42	2.54	506	.93	46.2	1.13	60.5	.46	8.3	.71	679.9	1.11
6	64	.688	42.9	1.49	61	1.51	39	2.49	491	1.13	34.5	.91	48.5	.44	9.1	.63	538.9	1.07
7	34	.735	38.7	1.31	39	.90	42	2.08	620	.87	29.4	1.07	63.3	.60	8.3	.63	408.3	1.14
8	26	.654	46.4	1.02	63	1.08	57	1.23	540	.69	41.3	.95	70.5	.59	6.4	.54	740.6	1.13
9	93	.753	35.0	1.09	81	1.75	74	1.40	449	1.02	44.5	1.01	64.4	.59	6.8	.68	645.6	.96
10	119	.697	37.4	1.23	81	2.23	56	2.11	522	.91	47.1	1.04	66.4	.54	7.1	.83	569.1	.90
11	127	.740	31.0	1.10	67	2.25	46	2.12	521	.77	43.5	.92	65.4	.58	9.3	.91	571.7	.99
12	23	.609	18.4	.88	41	1.27	93	1.74	709	.63	30.6	1.17	34.8	.47	6.8	.84	371.5	.82
	788	.709	35.3	1.20	72	2.16	60	1.94	517	.88	42.0	1.01	61.7	.56	8.1	.80	575.9	1.02

Appraisal Month	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	199.3	.98	67.0	.56	1.024	.992	2.668	.724	.879	.755	104.0	.59	747.3	.73	1.2411	.6510
2	233.8	.57	71.5	.61	.799	1.247	2.096	.544	.821	.694	97.4	.46	808.4	.51	1.0202	.5567
3	239.0	.74	87.1	1.39	.934	1.210	2.119	.584	.788	.542	115.8	.52	997.8	.76	1.1082	.5973
4	233.0	.45	64.3	.53	1.250	1.626	2.454	.638	1.272	.854	125.8	.50	867.3	.63	1.3408	.6545
5	197.4	.54	70.7	1.01	1.045	1.373	2.483	.599	.963	.625	115.0	.61	948.0	.81	1.1848	.6006
[illegible]	217.1	.42	66.3	.56	1.260	1.657	1.745	.519	1.040	.591	92.0	.50	822.3	.71	1.0988	.7385
[illegible]	194.5	.61	62.0	.63	1.112	1.301	2.559	.557	.983	.533	100.9	.52	664.8	.79	1.4238	.7139
[illegible]	175.3	.46	45.2	1.18	1.015	1.588	3.109	.741	.905	.770	118.2	.63	961.1	.89	1.4159	.8950
[illegible]	197.9	.55	66.3	.80	.813	1.130	2.781	.788	.874	.658	115.7	.62	909.7	.72	1.2101	.7429
1[illegible]	184.9	.84	71.2	.88	.846	.960	2.842	.576	.828	.726	120.6	.62	825.2	.69	1.2856	.6236
11	201.3	.63	71.7	.74	.865	1.156	2.757	.670	1.007	.651	118.3	.56	844.7	.73	1.2950	.6671
12	163.0	.60	58.9	.53	.687	1.182	1.739	.428	.888	.826	72.2	.69	593.4	.60	.9665	.5831
	203.0	.65	68.6	.85	.961	1.353	2.531	.674	.941	.711	111.7	.59	847.4	.74	1.2284	.6797

Notes:

Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
\# of Cofinancers > 1 and either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.
Board Month is by Calendar Year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by elapsed calendar days.
The final number in each column is for the annual sample (not by month) and is calculated in the same manner as are the monthly figures.
Standard Deviations (STD) are given in percentage terms, i.e., STD(X)/Mean(X).

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[illegible]mplexity, Table 5: Unsatisfactory Complex Projects by Month of Appraisal Mission Departure

A[illegible]isal Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Preparation	STD Preparation	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep time
1	20	0.000	31.9	1.35	52	.83	55	1.77	895	.58	47.5	1.02	62.5	.50	5.8	.79	452.4	1.02
2	8	0.000	18.0	.90	104	1.32	61	1.25	481	.92	34.8	.53	58.1	.33	6.2	.61	441.3	.71
3	14	0.000	37.6	1.11	87	.96	79	.87	489	.91	43.7	.73	67.1	.47	10.7	.97	951.0	.82
4	16	0.000	22.9	.81	65	.90	106	.71	491	.93	52.2	.56	86.0	.53	11.8	.64	677.0	.89
5	32	0.000	31.1	1.19	39	1.26	53	2.20	625	.85	63.2	1.14	74.1	.48	8.9	.67	779.9	1.02
6	20	0.000	29.2	.91	40	1.57	61	1.81	625	.97	37.5	.75	54.5	.47	8.3	.60	637.9	.90
7	9	0.000	33.6	1.04	26	.51	49	2.14	473	.81	16.6	.49	61.8	.36	10.4	.53	365.6	.93
8	9	0.000	43.9	1.21	75	.92	53	1.01	507	.77	53.7	.80	79.3	.77	4.9	.72	845.1	1.07
9	23	0.000	30.0	1.54	69	1.13	115	1.30	475	.92	33.3	.77	69.0	.55	6.7	.79	670.0	.93
10	36	0.000	36.7	1.54	55	1.70	36	3.91	529	.88	47.5	.94	67.1	.46	7.0	.73	626.1	.83
11	33	0.000	30.0	1.07	109	2.10	61	1.70	505	.67	54.8	.84	83.5	.51	11.1	1.06	470.1	.96
12	9	0.000	23.4	.83	31	.52	137	1.57	879	.53	42.5	1.12	41.3	.40	8.6	.89	529.8	.70
	229	0.000	31.3	1.29	64	1.76	67	1.80	578	.84	46.9	.98	69.4	.54	8.5	.87	626.9	.98

Appraisal Month	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	192.5	.55	59.1	.34	1.382	.919	2.759	.764	.683	.694	115.8	.58	703.9	.71	1.5235	.7067
2	316.0	.55	66.8	.24	.766	.565	1.560	.562	.727	.714	99.0	.29	824.0	.45	1.0154	.4707
3	272.2	.82	122.6	1.53	.594	1.255	2.137	.496	.802	.444	121.5	.42	1345.8	.67	.8894	.6482
4	280.1	.46	63.2	.37	1.140	.815	2.303	.561	1.494	.718	150.0	.37	1020.3	.62	1.3216	.4562
5	202.7	.40	89.9	1.17	.828	.957	2.989	.650	.879	.626	146.2	.62	1072.4	.73	1.2057	.5075
6	187.1	.31	66.5	.59	.855	1.199	2.237	.505	1.003	.661	100.3	.47	891.5	.63	1.0999	.7528
7	268.2	.49	70.4	.56	.853	1.084	2.222	.675	1.147	.509	88.8	.29	704.2	.63	1.1873	.6956
[illegible]	167.6	.65	56.7	.48	.924	1.058	3.947	.882	.752	.821	137.9	.74	1069.3	.87	1.3465	.8242
[illegible]	245.2	.66	80.8	.94	.651	.912	2.790	.760	.729	.629	109.1	.51	996.0	.66	1.0006	.6440
1[illegible]	172.0	.76	82.9	.85	.724	.784	2.656	.642	.796	.811	121.6	.52	881.0	.58	1.1253	.5261
1[illegible]	215.2	.44	81.8	.72	1.114	.938	3.059	.579	1.029	.762	149.4	.48	767.0	.64	1.6509	.5491
12	221.9	.41	62.2	.48	.818	1.464	1.466	.338	.937	.765	92.3	.66	813.9	.46	.9120	.7511
	217.2	.60	78.1	1.00	.895	1.025	2.639	.701	.907	.751	124.8	.55	922.3	.70	1.2305	.6458

Notes:

Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
# of Cofinancers > 1 and either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.
Board Month is by Calendar Year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by elapsed calendar days.
The final number in each column is for the annual sample (not by month) and is calculated in the same manner as are the monthly figures.
Standard Deviations (STD) are given in percentage terms, i.e., STD(X)/Mean(X).

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Complexity, Table 6: Satisfactory Complex Projects by Month of Appraisal Mission Departure

Appraisal Month	Total # Projects	Percent Sat.	Average: Loan	STD Loan	Signing Delay	STD Signing	Effectiveness Delay	STD Effectiveness	Closing Delay	STD Closing	SWs Preparation	STD Preparation	SWs Appraisal	STD Appraisal	SWs Negotiation	STD Negotiation	Elapsed Time Preparation	STD Prep time
1	47	1.000	33.2	.90	70	2.63	90	2.12	534	.78	38.2	.92	52.2	.60	8.7	.75	493.3	1.02
2	37	1.000	34.3	.98	76	1.94	76	1.63	387	.77	31.2	.96	57.6	.47	8.3	.77	516.5	.78
3	27	1.000	29.6	1.00	34	1.02	32	1.83	466	.70	48.9	.97	56.5	.46	7.5	.98	526.9	1.11
4	43	1.000	46.0	1.01	118	2.06	94	1.63	475	.80	39.6	..93	68.5	.51	8.7	.77	530.2	.92
5	58	1.000	38.1	1.23	105	2.54	36	2.79	440	.96	36.8	.90	53.0	.35	7.9	.74	624.7	1.16
6	44	1.000	49.1	1.51	70	1.44	29	3.06	433	1.20	33.1	.98	45.7	.41	9.4	.64	493.9	1.16
7	25	1.000	40.5	1.36	44	.89	40	2.03	673	.85	34.0	1.03	63.8	.66	7.5	.65	423.6	1.18
8	17	1.000	47.7	.91	57	1.18	60	1.30	557	.65	34.8	1.03	65.8	.38	7.3	.43	685.3	1.15
9	70	1.000	36.7	.95	84	1.85	60	1.31	440	1.05	48.2	1.02	62.9	.60	6.8	.64	637.5	.97
10	83	1.000	37.7	1.07	93	2.23	65	1.64	519	.92	47.0	1.08	66.1	.57	7.1	.86	544.4	.93
11	94	1.000	31.3	1.11	52	2.06	41	2.32	527	.79	39.6	.93	59.0	.57	8.7	.79	607.4	.98
12	14	1.000	15.2	.84	48	1.36	64	1.61	599	.66	22.9	.97	30.7	.49	5.7	.63	269.7	.71
	559	1.000	36.9	1.17	76	2.25	57	2.00	492	.89	39.9	1.01	58.5	.56	7.9	.77	554.9	1.03

Appraisal Month	Elasped Time Appraisal	STD App Time	Elapsed Time Negotiation	STD Neg Time	Preparation Intensity	STD Prep. Intensity	Appraisal Intensity	STD Appr. Intensity	Negotiation Intensity	STD Neg. Intensity	Overall Staff Weeks	STD Overall Staff Weeks	Overall Elapsed Time	STD Overall Elapsed Time	Overall Intensity	STD Intensity
1	202.2	1.10	70.3	.60	.872	.966	2.629	.704	.962	.741	99.1	.58	765.9	.74	1.1210	.5564
2	216.0	.53	72.5	.66	.806	1.340	2.212	.524	.841	.687	97.0	.49	805.1	.52	1.0213	.5734
3	221.7	.65	68.7	.83	1.110	1.126	2.110	.626	.781	.588	112.8	.56	817.3	.73	1.2217	.5524
4	215.5	.40	64.7	.58	1.291	1.790	2.510	.659	1.190	.908	116.8	.53	810.4	.62	1.3480	.7121
5	194.6	.61	60.1	.65	1.165	1.438	2.204	.482	1.009	.618	97.8	.47	879.3	.85	1.1733	.6484
6	230.8	.44	66.1	.55	1.444	1.661	1.522	.442	1.057	.558	88.2	.52	790.8	.75	1.0982	.7319
7	168.0	.61	59.0	.65	1.205	1.314	2.680	.514	.924	.527	105.2	.56	650.6	.84	1.5089	.7051
8	179.4	.33	39.1	1.58	1.063	1.749	2.666	.400	.986	.733	107.8	.47	903.8	.89	1.4527	.9237
[illegible]	182.4	.42	61.5	.67	.867	1.151	2.778	.797	.922	.652	117.9	.64	881.4	.73	1.2790	.7492
[illegible]	190.4	.86	66.1	.87	.899	.993	2.923	.547	.843	.689	120.1	.66	800.9	.73	1.3551	.6405
[illegible]	196.4	.69	68.2	.73	.778	1.245	2.651	.703	.999	.605	107.4	.57	872.0	.74	1.1700	.6942
[illegible]	125.2	.65	56.7	.55	.603	.629	1.914	.429	.856	.866	59.3	.61	451.6	.58	1.0015	.4652
	197.2	.68	64.7	.73	.988	1.444	2.487	.659	.955	.695	106.4	.60	816.8	.75	1.2276	.6931

Notes:

Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
# of Cofinancers > 1 <u>and</u> either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 <u>and</u> either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 <u>and</u> either # of cofinancers > 1 or # of disbursement categories > 2.
Board Month is by Calendar Year, i.e., 1=January, 2=February,...,12=December.
Intensities are SW amounts (in days: SWs*7) divided by elapsed calendar days.
The final number in each column is for the annual sample (not by month) and is calculated in the same manner as are the monthly figures.
Standard Deviations (STD) are given in percentage terms, i.e., STD(X)/Mean(X).

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All Projects, Table 7: All projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	635	.706	38.5	89	47	458	103.9	820.2	97.8	2267.9
Middle	559	.750	36.3	105	58	471	96.6	793.4	78.1	2306.7
High	257	.802	62.7	85	44	489	102.4	748.0	74.8	2230.9
All	1451	.739	41.9	94	51	469	100.8	797.1	86.1	2276.3

All Projects, Table 8: Satisfactory Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	448	1.000	40.3	102	42	432	99.6	768.3	90.7	2215.7
Middle	419	1.000	36.7	101	57	437	93.8	788.3	73.9	2248.6
High	206	1.000	56.4	90	47	459	93.4	752.5	69.6	2197.4
All	1073	1.000	42.0	99	49	439	96.2	773.0	80.1	2225.0

All Projects, Table 9: Unsatisfactory Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	187	0.000	34.1	58	59	520	114.0	944.8	114.8	2392.9
Middle	140	0.000	35.1	115	62	574	105.2	808.7	90.7	2480.6
High	51	0.000	88.1	61	34	610	138.5	729.9	96.1	2366.5
All	378	0.000	41.8	79	56	552	114.0	865.4	103.3	2421.8

Notes:

GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.

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Complexity, Table 7: All Complex projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	392	.676	33.0	78	55	486	111.2	867.2	104.8	2358.7
Middle	268	.713	31.0	63	68	534	110.6	875.8	86.2	2362.5
High	119	.798	51.8	79	56	583	116.6	746.6	87.9	2382.9
All	779	.707	35.2	73	59	518	111.8	851.7	95.8	2363.7

Complexity, Table 8: Satisfactory Complex Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	265	1.000	35.1	85	47	467	107.1	835.0	95.6	2303.8
Middle	191	1.000	32.2	61	69	497	105.6	851.5	78.7	2277.2
High	95	1.000	50.5	86	58	555	105.6	723.7	82.0	2342.3
All	551	1.000	36.8	77	57	493	106.3	821.5	87.4	2301.2

Complexity, Table 9: Unsatisfactory Complex Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	127	0.000	28.5	63	71	526	119.8	934.6	124.0	2473.2
Middle	77	0.000	28.2	68	66	627	123.1	936.0	104.7	2574.0
High	24	0.000	56.6	49	45	697	160.1	836.9	111.0	2544.0
All	228	0.000	31.4	63	66	578	125.2	924.8	116.1	2514.7

Notes:

GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample is complex projects only, where the definition of complexity is:
\# of Cofinancers > 1 <u>and</u> either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 <u>and</u> either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 <u>and</u> either # of cofinancers > 1 or # of disbursement categories > 2.

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Non-Complex, Table 1: All Non-complex Projects by GDP/Capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	243	.753	47.3	107	34	412	92.0	744.4	86.5	2121.3
Middle	291	.784	41.1	143	48	413	83.8	717.5	70.7	2255.3
High	138	.804	72.1	90	34	408	90.1	749.2	63.6	2099.9
All	672	.777	49.7	119	40	411	88.1	733.8	74.9	2174.9

Non-Complex, Table 2: Satisfactory Non-complex Projects by GDP/Capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	183	1.000	47.7	127	34	379	88.9	671.7	83.6	2088.0
Middle	228	1.000	40.4	135	46	386	83.9	735.3	69.9	2224.6
High	111	1.000	61.4	94	37	378	83.0	777.0	58.9	2073.4
All	522	1.000	47.4	123	40	382	85.5	721.9	72.4	2144.6

Non-Complex, Table 3: Unsatisfactory Non-complext Projects by GDP/Capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	60	0.000	46.0	47	32	505	101.8	966.4	95.2	2223.1
Middle	63	0.000	43.5	172	56	509	83.3	653.1	73.4	2366.5
High	27	0.000	116.1	72	23	533	119.3	634.8	82.8	2208.7
All	150	0.000	57.6	104	41	512	97.1	775.1	83.8	2280.7

Notes:

GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The groups definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600.
Lending figures include preparation, appraisal, and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.
Sample is non-complex projects only, where the definition of complexity is:
# of Cofinancers > 1 and either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.

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Agriculture, Table 7: All Agriculture projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	249	.602	31.3	98	54	417	125.3	883.6	114.5	2467.7
Middle	167	.683	36.5	148	66	340	113.0	806.1	86.8	2460.5
High	66	.682	67.0	104	45	388	143.9	840.1	83.9	2381.4
All	482	.641	38.0	116	57	386	123.6	850.8	100.7	2453.4

Agriculture, Table 8: Satisfactory Agriculture Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	150	1.000	29.7	122	51	392	120.3	797.6	107.4	2456.6
Middle	114	1.000	38.9	139	70	302	111.1	804.3	82.3	2399.6
High	45	1.000	56.7	130	48	294	125.0	851.5	78.0	2365.5
All	309	1.000	37.0	129	58	344	117.6	807.9	93.9	2422.3

Agriculture, Table 9: Unsatisfactory Agriculture Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	99	0.000	33.7	62	58	456	132.9	1013.9	125.2	2484.5
Middle	53	0.000	31.4	168	58	422	117.2	809.8	96.4	2591.5
High	21	0.000	89.0	51	39	590	184.4	815.7	96.5	2415.6
All	173	0.000	39.7	93	56	462	134.3	927.3	112.9	2508.9

Notes:

GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.

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Complex Agriculture, Table 7: All Complex Agriculture projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	182	.571	25.1	93	61	456	124.0	914.1	114.1	2513.0
Middle	83	.675	28.8	73	98	426	128.1	870.5	90.8	2405.7
High	31	.645	43.9	120	57	500	165.3	828.1	104.0	2671.9
All	296	.608	28.1	90	71	452	129.5	892.8	106.5	2499.6

Complex Agriculture, Table 8: Satisfactory Complex Agriculture Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	104	1.000	25.5	112	56	444	121.9	866.3	104.6	2525.1
Middle	56	1.000	31.3	86	118	394	126.0	891.1	83.7	2322.2
High	20	1.000	50.5	163	58	368	139.4	766.4	98.9	2607.7
All	180	1.000	30.1	109	76	420	125.1	862.9	97.5	2471.1

Complex Agriculture, Table 9: Unsatisfactory Complex Agriculture Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	78	0.000	24.5	68	67	472	126.8	977.8	126.7	2496.9
Middle	27	0.000	23.6	46	54	491	132.5	827.7	105.5	2578.9
High	11	0.000	31.9	40	55	739	212.5	940.4	113.2	2788.7
All	116	0.000	25.0	60	63	502	136.2	939.3	120.5	2543.7

Notes:

GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
\# of Cofinancers > 1 and either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.

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Non-Complex Agriculture, Table 7: All Non-Complex Agriculture projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	67	.687	48.1	112	37	311	128.8	800.9	115.6	2344.5
Middle	84	.690	44.1	223	35	256	98.1	742.5	82.9	2514.7
High	35	.714	87.4	91	35	289	125.0	850.7	66.1	2124.1
All	186	.694	53.7	158	36	282	114.2	783.9	91.5	2379.9

Non-Complex Agriculture, Table 8: Satisfactory Non-Complex Agriculture Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	46	1.000	39.0	144	41	271	116.6	642.4	113.8	2301.7
Middle	58	1.000	46.2	190	23	213	96.6	720.6	81.0	2474.4
High	25	1.000	61.7	102	40	234	113.6	919.6	61.3	2171.7
All	129	1.000	46.7	157	33	238	107.0	731.3	88.9	2354.2

Non-Complex Agriculture, Table 9: Unsatisfactory Non-Complex Agriculture Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	21	0.000	68.0	41	28	398	155.5	1148.0	119.5	2438.2
Middle	26	0.000	39.5	296	63	350	101.3	791.2	87.0	2604.6
High	10	0.000	151.8	62	21	426	153.6	678.5	78.1	2005.2
All	57	0.000	69.7	161	42	381	130.5	902.9	97.4	2438.2

Notes:

GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.
Sample is non-complex projects only, where the definition of complexity is:
    # of Cofinancers > 1 <u>and</u> either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 <u>and</u> either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 <u>and</u> either # of cofinancers > 1 or # of disbursement categories > 2.

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ENERGY, Table 7: All ENERGY projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	77	.909	79.9	107	31	413	71.2	638.8	73.2	2127.6
Middle	76	.829	45.7	80	77	488	66.4	739.2	62.4	2220.9
High	37	.865	49.9	84	64	447	68.6	741.0	63.6	2123.3
All	190	.868	60.4	91	56	450	68.8	698.9	67.0	2164.1

ENERGY, Table 8: Satisfactory ENERGY Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	70	1.000	81.9	109	26	408	71.9	636.5	72.2	2121.5
Middle	63	1.000	46.0	80	60	453	68.9	729.9	60.9	2135.9
High	32	1.000	41.6	92	74	474	67.6	787.3	60.3	2182.6
All	165	1.000	60.4	95	49	438	69.9	701.4	65.6	2138.8

ENERGY, Table 9: Unsatisfactory ENERGY Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	7	0.000	59.4	79	77	469	63.7	662.3	83.4	2188.4
Middle	13	0.000	44.2	78	159	654	54.4	784.4	69.4	2633.0
High	5	0.000	103.0	28	-3	274	74.5	444.2	85.0	1743.8
All	25	0.000	60.2	68	103	526	61.0	682.2	76.5	2330.7

Notes:

Energy is defined as Energy & Public Utilities (excluding Water Supply Subsector) according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.

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Complex ENERGY, Table 7: All Complex ENERGY projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	77	.909	79.9	107	31	413	71.2	638.8	73.2	2127.6
Middle	76	.829	45.7	80	77	488	66.4	739.2	62.4	2220.9
High	37	.865	49.9	84	64	447	68.6	741.0	63.6	2123.3
All	190	.868	60.4	91	56	450	68.8	698.9	67.0	2164.1

Complex ENERGY, Table 8: Satisfactory Complex ENERGY Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	70	1.000	81.9	109	26	408	71.9	636.5	72.2	2121.5
Middle	63	1.000	46.0	80	60	453	68.9	729.9	60.9	2135.9
High	32	1.000	41.6	92	74	474	67.6	787.3	60.3	2182.6
All	165	1.000	60.4	95	49	438	69.9	701.4	65.6	2138.8

Complex ENERGY, Table 9: Unsatisfactory Complex ENERGY Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	7	0.000	59.4	79	77	469	63.7	662.3	83.4	2188.4
Middle	13	0.000	44.2	78	159	654	54.4	784.4	69.4	2633.0
High	5	0.000	103.0	28	-3	274	74.5	444.2	85.0	1743.8
All	25	0.000	60.2	68	103	526	61.0	682.2	76.5	2330.7

Notes:

Energy is defined as Energy & Public Utilities (excluding Water Supply Subsector) according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
# of Cofinancers > 1 and either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.

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Non-Complex ENERGY, Table 7: All Non-Complex ENERGY projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	28	.929	86.3	169	23	410	62.8	520.7	62.7	2124.2
Middle	30	.833	40.4	105	78	370	63.1	644.9	62.6	2264.5
High	15	.867	54.9	66	48	452	68.7	951.2	58.6	2067.7
All	73	.877	61.0	121	51	402	64.1	660.2	61.8	2170.2

Non-Complex ENERGY, Table 8: Satisfactory Non-Complex ENERGY Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	26	1.000	86.0	180	18	385	59.9	474.4	60.3	2123.5
Middle	25	1.000	39.4	121	66	393	64.0	635.2	64.5	2199.5
High	13	1.000	42.7	70	51	417	64.4	1017.3	50.0	2042.5
All	64	1.000	59.0	135	43	394	62.4	647.5	59.9	2136.7

Non-Complex ENERGY, Table 9: Unsatisfactory Non-Complex ENERGY Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	2	0.000	90.0	22	92	731	100.7	1123.0	92.8	2133.5
Middle	5	0.000	45.4	25	138	256	58.4	693.0	52.7	2589.2
High	2	0.000	134.0	35	29	685	96.3	521.5	114.7	2232.0
All	9	0.000	75.0	27	103	457	76.2	750.4	75.4	2408.6

Notes:

Energy is defined as Energy & Public Utilities (excluding Water Supply Subsector) according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.
Sample is non-complex projects only, where the definition of complexity is:
\# of Cofinancers > 1 and either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.

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INFRA, Table 7: All INFRA projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	131	.763	31.6	81	60	634	100.3	869.3	101.1	2302.5
Middle	163	.785	31.3	92	48	562	92.5	895.5	79.4	2353.5
High	87	.862	62.6	69	47	647	97.1	783.7	80.0	2269.1
All	381	.795	38.5	83	52	606	96.2	861.0	87.0	2316.7

INFRA, Table 8: Satisfactory INFRA Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	100	1.000	30.4	85	54	613	99.1	837.6	94.1	2226.9
Middle	128	1.000	32.6	91	49	519	88.2	900.9	72.5	2285.4
High	75	1.000	61.9	73	45	600	94.7	790.9	75.2	2210.6
All	303	1.000	39.1	85	50	570	93.4	852.8	80.3	2247.6

INFRA, Table 9: Unsatisfactory INFRA Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	31	0.000	35.5	66	80	701	104.1	971.7	123.7	2546.2
Middle	35	0.000	26.5	93	42	721	108.0	875.7	104.8	2602.7
High	12	0.000	67.2	42	58	936	112.0	739.3	110.1	2634.2
All	78	0.000	36.3	74	59	746	107.1	892.9	113.1	2585.1

Notes:

Infrastructure is defined as Transportation & Tourism, Urban, and Energy & Public Utilities (Water Supply Subsector) according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.

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Complex INFRA, Table 7: All Complex INFRA projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	84	.738	28.5	74	59	596	102.6	899.5	105.6	2322.8
Middle	87	.701	29.8	56	43	569	104.2	930.9	88.7	2444.7
High	42	.833	61.8	38	59	782	111.5	734.6	90.1	2305.3
All	213	.742	35.6	59	53	622	105.0	879.8	95.6	2369.1

Complex INFRA, Table 8: Satisfactory Complex INFRA Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	62	1.000	25.8	75	42	550	100.7	873.7	96.2	2222.1
Middle	61	1.000	30.7	56	42	494	97.8	939.2	77.3	2342.7
High	35	1.000	64.1	41	55	693	107.8	748.5	81.3	2222.1
All	158	1.000	36.2	60	45	560	101.1	871.3	85.6	2268.7

Complex INFRA, Table 9: Unsatisfactory Complex INFRA Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	22	0.000	36.2	70	107	725	108.1	972.1	132.1	2606.5
Middle	26	0.000	27.7	56	46	744	119.4	911.5	115.3	2683.9
High	7	0.000	50.3	26	80	1226	130.1	665.1	134.2	2721.4
All	55	0.000	34.0	58	75	798	116.2	904.4	124.4	2657.7

Notes:

Infrastructure is defined as Transportation & Tourism, Urban, and Energy & Public Utilities (Water Supply Subsector) according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.
Sample is complex projects only, where the definition of complexity is:
# of Cofinancers > 1 and either # of disbursement categories > 2 or # of project components > 2;
or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.

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Non-Complex INFRA, Table 7: All Non-Complex INFRA projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	47	.809	37.2	93	61	706	96.1	815.3	93.1	2266.1
Middle	76	.882	32.9	132	53	555	79.0	855.0	68.9	2249.2
High	45	.889	63.3	97	35	520	83.7	829.6	70.6	2235.2
All	168	.863	42.2	112	50	586	85.1	837.1	76.1	2250.2

Non-Complex INFRA, Table 8: Satisfactory Non-Complex INFRA Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	38	1.000	38.0	102	73	722	96.5	778.6	90.8	2234.8
Middle	67	1.000	34.2	124	56	541	79.5	866.1	68.1	2233.2
High	40	1.000	59.9	100	36	519	83.3	828.0	69.9	2200.6
All	145	1.000	42.3	112	55	581	85.0	832.6	74.5	2224.6

Non-Complex INFRA, Table 9: Unsatisfactory Non-Complex INFRA Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	9	0.000	33.7	56	5	643	94.5	970.6	103.1	2398.6
Middle	9	0.000	23.0	197	32	654	75.2	772.6	74.6	2368.0
High	5	0.000	90.8	65	27	530	86.7	843.2	76.3	2512.0
All	23	0.000	41.9	113	21	623	85.3	865.4	86.1	2411.3

Notes:

Infrastructure is defined as Transportation & Tourism, Urban, and Energy & Public Utilities (Water Supply Subsector) according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.
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or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 and either # of cofinancers > 1 or # of disbursement categories > 2.

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PHR, Table 7: All PHR projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	63	.746	18.8	96	36	413	135.3	1004.5	117.9	2418.4
Middle	57	.789	16.3	114	30	684	127.6	795.5	91.7	2492.7
High	20	.850	30.6	54	47	566	121.2	868.1	88.9	2558.2
All	140	.779	19.4	97	35	545	130.1	899.9	103.1	2468.6

PHR, Table 8: Satisfactory PHR Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	47	1.000	20.5	117	29	336	134.5	1016.7	109.8	2348.4
Middle	45	1.000	16.1	109	38	662	121.8	750.6	86.3	2468.2
High	17	1.000	28.9	56	51	521	115.1	896.3	86.6	2488.1
All	109	1.000	20.0	104	36	499	126.3	888.1	96.5	2419.6

PHR, Table 9: Unsatisfactory PHR Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	16	0.000	13.6	34	59	639	137.5	968.8	141.6	2624.2
Middle	12	0.000	17.0	129	-1	764	149.4	964.0	112.0	2584.7
High	3	0.000	39.7	45	23	822	155.6	708.0	101.6	2955.3
All	31	0.000	17.5	72	32	705	143.8	941.7	126.3	2640.9

Notes:

PHR is defined as Education and Public Health & Nutrition according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
Sample excludes all projects for which there were missing data.

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Complex PHR, Table 7: All Complex PHR projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	45	.711	17.0	66	39	470	129.5	1027.4	115.8	2435.7
Middle	39	.744	14.0	56	31	722	135.1	821.7	99.1	2483.2
High	14	.929	25.2	53	48	503	117.3	896.1	87.4	2593.4
All	98	.755	17.0	60	38	575	130.0	926.8	105.1	2477.1

Complex PHR, Table 8: Satisfactory Complex PHR Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	32	1.000	18.1	78	31	401	128.0	1086.2	102.9	2336.4
Middle	29	1.000	13.6	33	46	775	129.2	748.4	95.7	2480.2
High	13	1.000	23.5	55	52	541	119.5	890.5	88.7	2530.3
All	74	1.000	17.3	56	41	572	127.0	919.4	97.6	2426.8

Complex PHR, Table 9: Unsatisfactory Complex PHR Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	13	0.000	14.2	36	59	639	133.1	882.5	147.8	2680.3
Middle	10	0.000	15.0	122	-10	569	152.5	1034.2	108.7	2492.0
High	1	0.000	47.0	28	-4	0	88.2	970.0	69.8	3413.0
All	24	0.000	15.9	72	28	583	139.3	949.4	128.3	2632.4

Notes:

PHR is defined as Education and Public Health & Nutrition according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
Lending figures include preparation, appraisal and negotiation. Supervision figures include supervision and PCR preparation.
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or # of Disbursement Categories > 4 <u>and</u> either # of cofinancers > 0 or # of project components > 7;
or # of Project Components > 5 <u>and</u> either # of cofinancers > 1 or # of disbursement categories > 2.

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Non-Complex PHR, Table 7: All Non-Complex PHR projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	18	.833	23.2	172	28	270	149.7	947.5	123.0	2375.2
Middle	18	.889	21.3	238	26	600	111.3	738.8	75.8	2513.3
High	6	.667	43.0	59	44	715	130.3	802.5	92.4	2476.2
All	42	.833	25.2	184	30	475	130.5	837.4	98.4	2448.8

Non-Complex PHR, Table 8: Satisfactory Non-Complex PHR Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	15	1.000	25.6	201	22	196	148.4	868.5	124.6	2374.0
Middle	16	1.000	20.6	247	24	458	108.5	754.6	69.2	2446.4
High	4	1.000	46.6	61	48	456	100.8	915.3	79.9	2351.0
All	35	1.000	25.7	206	26	345	124.7	821.8	94.2	2404.5

Non-Complex PHR, Table 9: Unsatisfactory Non-Complex PHR Projects by GDP/capita Level Groups

GDP/capita Group	Total # Projects	Percent Sat.	Average: Loan	Signing Delay	Effectiveness Delay	Closing Delay	Lending Staff Weeks	Lending Elapsed Time	SPN Staff Weeks	SPN Elapsed Time
Low	3	0.000	10.9	24	57	639	156.3	1342.3	115.0	2381.0
Middle	2	0.000	27.5	167	40	1738	134.2	613.0	128.3	3048.0
High	2	0.000	36.0	53	36	1233	189.3	577.0	117.5	2726.5
All	7	0.000	22.8	73	46	1123	159.4	915.3	119.5	2670.3

Notes:

PHR is defined as Education and Public Health & Nutrition according to OED FY91 categories.
GDP per capita groups use 1987 dollar levels and group projects according to the value of GDP/capita at the time of Board approval of the project. The group definitions are: Low = $600 or less; Middle = $600 to $1600; High = above $1600
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or # of Disbursement Categories > 4 and either # of cofinancers > 0 or # of project components > 7;
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Projects with Total Cancellations over US$ 1 Million Prior to Closing Date :

Projects with multiple cancellations dated at first cancellation.

Sector name	# of Projects	Average Cancellation	Average Period	Average Percent
Agriculture	48	15,614,160.	.80	.28
DFC	9	23,346,946.	.79	.22
Education	7	12,185,571.	.72	.27
Energy & Public Utilities	31	12,208,116.	.77	.29
Industry	5	42,363,867.	.79	.39
Non Sector Specific	2	3,981,572.	.92	.80
Public Health & Nutrition	2	3,100,000.	.83	.20
Transportation & Tourism	13	14,638,454.	.75	.29
Urban	8	11,574,833.	.85	.32
	125			

Average Cancellation = Average amount canceled.

Average Period : Period = 0 at start of a project
= 1 at finish
==> Period measures how close the project is to completion.

Average Percent: Percent is the percentage of the loan canceled.

Separating groups by Cancellation Period:

Sector name		# of Projects	Average Cancellation	Average Period	Average Percent
Agriculture	M	8	38,806,253.	.54	.43
Agriculture	L	40	10,975,742.	.86	.25
DFC	M	1	64,554,898.	.49	.49
DFC	L	8	18,195,952.	.83	.19
Education	M	3	21,099,667.	.61	.35
Education	L	4	5,500,000.	.80	.21
Energy & Public Utilities	M	11	19,659,956.	.60	.42
Energy & Public Utilities	L	20	8,109,604.	.87	.23
Industry	M	1	140,695,199.	.48	.89
Industry	L	4	17,781,034.	.87	.26
Non Sector Specific	L	2	3,981,572.	.92	.80
Public Health & Nutrition	L	2	3,100,000.	.83	.20
Transportation & Tourism	M	4	26,219,250.	.55	.36
Transportation & Tourism	L	9	9,491,434.	.84	.26
Urban	M	1	21,000,000.	.56	.58
Urban	L	7	10,228,380.	.89	.28

Period: E = 0 to .33 Cancellation during 1st third of project
M = .34 to .66 Cancellation during 2nd third of project
L = .67 to 1 Cancellation during last third of project

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

o.k. add to agenda fr Thursday 5/7 [initials]

DATE: May 6, 1992 11:36am

TO: W. Wapenhans (W. A. WAPENHANS)

FROM: Peter Richardson, CPBVP (PETER RICHARDSON)

EXT.: 84571

SUBJECT: Simplicity Research

We have all tended to agree that the Bank often designs projects too complex for borrowers to implement (at least with the type and level of supervision the Bank can provide) -- see my em of April 14, Culture vs. Simplicity. Excessive use of covenants which we are unprepared to enforce is one symptom. Michel has correlated the number of cofinanciers strongly with project problems and failure. We do not, however, have a correla number of borrower agencies to project problems/failure. I would expect that the correlation would be very strong.

Nothing is harder for organizations to do than to coordinate with other organizations. (The Bank itself -- which, like IMF, is skill rich -- even has trouble coordinating with the IMF, which is accross the street and shares most objectives). For large public sector organizations, coordination is an unnatural act.

Slowly coming into vogue to improve coordination and commitment are mass meetings (e.g. "launch" sessions and interactive design sessions) of interested and responsible parties. They may have utility in helping cope with complex designs involving multiple responsible agencies and in ascertaining the desires of potential beneficiaries and their representatives, but perhaps they are a remedy for a disease that often should not have been introduced.

If the need, in design, for greater attention to implementability is to be one of our principle underlying themes, we will be more persuasive if we can show specific approaches to measuring the kind of complexity likely to lead to implementation problems. For this purpose it would be most useful if there were a clear strong correlation between the number of agencies involved in implementation and project problems/failure. I strongly suspect there is.

I have spoken to Michel about this. He did not test for such a correlation in his earlier study, but could do so now. However, it would require perhaps three weeks of research assistant time -- to reexamine the project source documents and get the data. I (and, I think he) believe it would well worth the expenditure. First, however, we should run this by the other

TF members, who may have additional ideas about what the research assistant(s) should look for in their new pass at the documentation.

Perhaps we can cover this in Monday's meeting and get the w started.

CC: Ian Scott (IAN SCOTT)
CC: Michel Pommier (MICHEL POMMIER)

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

DATE: 14-Apr-1992 04:15pm

TO: See Distribution Below

FROM: Peter Richardson, CPBVP (PETER RICHARDSON)

EXT.: 84571

SUBJECT: Culture vs. Simplicity

Herewith some diverse ideas of possible interest....

Everyone knows that implementation problems result in part from overly complex operations design. Michel's report notes that simplicity correlates strongly with good performance. While a 1% increase of GDP growth per capita increases the probability of stisfactory performance by a paltry 2%, having more than one cofinancier decreases it by a significant 8%, and the number of components also apparently has a marked impact (although I don't find a number put on this). In short, the aspects we can control or influence have a far greater correlation to satisfactory outcomes than those macroeconomic factors over which we have little short term influence. Delays in signing have the highest correlation (increasing the probability of satisfactory performance by 13%) -- and prompt signiature could well be a proxy for commitment. While it is not obvious, it may be reasonable to suppose that commitment -- requiring, as it does, good understanding -- is made more difficult to achieve by complexity.

Heed our own lesson!

Simplicity, in short, is an essential key to maximizing the chances of good implementation. Complexity is the enemy of effective, timely implementation. This is not news, but nor is simplicity yet a central part of the Bank's value system. Quite the contrary. Why?

Because so much of headquarters reality resides in written reports -- required as vehicles for obtaining approval of actions (e.g. loans), assistance strategies (CSPs, PFPs), and development policy stances (CESW drafts) -- we tend to have a "show off" culture rather than an action-oriented one. Reports are widely and (at the Board) publicly reviewed. Reviewers seldom criticize too complex. Frequently, however, they want to know why XYZ ws not considered, why dimension ABC was omitted. These tendencies are intensified when reviewers -- who often are concerned about a particular dimension (e.g. WID, poverty, environment, PSD) focus on one project at a time rather than the overall country portfolio.

Like an architect's model, the project report is the closest most reviewers can come to envisaging what is proposed.

If the model seems defective, the project may well be too. There is no doubt, therefore, that reports, as vehicles for review and decision, are very important. While improving the report may improve the project, it is not true that elaborating the report -- the architect's model -- will necessarily improve the end product. For it may, after elaboration, depict an impressive aedifice that is too complex for the borrower to build.

Typically, reviewers -- and staff in their desire to satisfy reviewers -- lose sight of this reality. How often do report defenders say: "That suggestion is a good one, and in an ideal world we might have included that dimension, but we have considered it more important to keep the operation simple so that it can be implemented rapidly and smoothly." Or: "Yes, that is an important goal, but persuing it through Project XYZ is more efficient and effective than adding it to this project." How often do reviewers say: "Desirable as it is, shouldn't component XYZ be ommitted in the interest of easy implementability?"

[Similarly, do we ever discourage potential cofinanciers, suggesting, for example, an efficint division of focus among them -- e.g. that having each of say, three cofinanciers, contribute three times as much to one project rather than each spreading its contribution among all three -- could be far more beneficial?]

The report-oriented culture -- combined with the related view that more thorough, more ingenious, fuller is better -- imparts a natural bias towards design complexity. So does the desire at every level to appear responsive to the various special emphases. Were we an action-oriented culture, especially one with a business-style bottom line -- were people judged by the building rather than the model (by results rather than plans) -- the bias would be towards simplicity.

Hence the importance of generating/strengthening an "implementation culture," as appears to be being done in the Africa region. Hence the likelihood that greater senior attention to the condition of a country's portfolio will gradually increase the value placed on simplicity/implementability, at the expense of report comprehensiveness.

- Principal objectives
- secondary objectives

Simpl- -ity

Goal setting!

We must not, however, go too far. The old emphasis (mostly in the engineering sectors) on separate project units may have often simplified implementation, but it also reduced capability enhancement (i.e. long-term development impact) and borrower commitment (which was perhaps less important in the engineering than in the softer sectors). Also, omission of a vital aspect -- in the interest of simplicity -- can defeat project effectiveness, while inadequate attention to a special emphasis can have an obvous opportunity cost.

manageable set of goals and ways and means of attainment - consistent fact?!

Laying aside adjustment and program lending, does project complexity correlate with project size? If it does, and if, for that reason, we were tempted to favor smaller projects, would simplicity raise our administrative costs for lending (more loans and stafftime per $ billion) while perhaps permitting a partially offsetting reduction in supervision costs?

No!!! Needless rigidity!!

- Did we not used to have a mandated average size of (presumbly project) loan? I don't think we do today. If not, should we restore it?

- If we are serious about an implementation culture, should we not place greater emphasis in recruitment on experience in line agencies in developing countries and, for YPs, on experience in Bank resident missions?

is this a relevant experience??

- Might we not, in PCRs, list all the supervision mission leaders the project had (i.e. to emphasize accountability for results and also expose any excessive discontinuity)?

?

No — inconsistent with notion that the problem is in the beginning!

- Yes, supervision performance should be and important factor in merit reviews and advancement.

- Yes, having the country team rate projects, as in Africa, will tend to keep the ratings more objective.

- To keep the country teams objective even if we begin to judge them by trends in their portfolios' condition (after all the necessary caveats), might we construct some kind of "divergence index" to measure the average difference between OED's final rating of projects and the country team's ratings for all years after Years 1 and 2 (when start-up problems may have been identified and might have been solved)?

- Might we not suggest that MDs and Mr. Preston, in budget meetings with VPs, inquire about the state of the protfolio before inquiring about lending plans?

in CSP meetings most prominently! more attachment!!

- Are there ways of ensuring greater attention to implementation and supervision plans in SARs -- e.g. assigning one peer reviewer to focus exclusively on that dimension?

?

- Might not annual CIRs be made mandatory for any country with more than 20% problem projects?

- When a project has been a problem project for more than 12 months or three consequtive supervision missions, might it not be made mandatory that the division chief (COD or SOD) join the next supervision mission? [I find it extraordinary that in Years 2-5 the additional supervision staffweeks applied to problem projects is negligible (ARIS, Table 17). I also worry about LAC's 27% use of consultants for supervision -- Table 16.] The advantage of this approach over the "swat team" approach would be the emphasis on continuting line manager accountablity -- which might induce managers to field de facto swat teams when waranted.

This is even the final ops!!

- Might we not expect each region to report to the Board on the condition of at least two country portfolios per year?

Are there other ideas for fostering more of an implementaiton culture?

Does it make sense to have the same supervision processes for Korea as for Mali?

Why the Board? Let Preston tell the Board about the Bank's Portfolio based on Country Reports!!

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FROM: The Deputy Secretary

July 10, 1992

Suspension of Disbursements

Central African Republic

Education Rehabilitation and Development Project

In view of non-compliance with covenants in the Development Credit Agreement, related mainly to insufficient progress in meeting Project developmental objectives of improving the performance of the education sector through a more balanced distribution of public resources and improved sector management, which will negatively affect the primary school system, the Project's principal priority, the Association has suspended, effective July 8, 1992, the Central African Republic's right to make withdrawals from the Credit Account under the Education Rehabilitation and Development Project, Credit Number 1863-CA.

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CONSTRUCTION QUALITY OF HEAVY CIVIL WORKS PROJECTS

A QUALITY IMPROVEMENT PROGRAM

PORTFOLIO MANAGEMENT TASK FORCE
July 1992

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CONSTRUCTION QUALITY OF HEAVY CIVIL WORKS PROJECTS[1]

A Quality Improvement Program

Abstract: *The quality of many recently constructed public works does not meet minimum standards. The expanding programs for rehabilitation confirms the extent of the problem. Poor construction quality, not lack of maintenance, is the dominant cause for the hundreds of millions of dollars being spent today under these programs.*

An analysis of the situation has identified several actions to address the causes of the poor results. The principal recommendations are:

1. *The agency should issue policy statements providing explicit guidance, including enforcement actions, for assuring high quality construction.*
2. *The agency's construction program, bid documents and project management capability should be closely examined and consultant engineers secured to remedy any weaknesses.*
3. *Comprehensive project plans and related documents should be prepared and thoroughly reviewed before any work is bid.*
4. *Project and individual contract scheduling and monitoring programs (CPM type) should be instituted before activities commence.*
5. *Program management should be organized and staffed with skilled people appropriate to the specific work.*
6. *Clear procedures, support facilities and transport should be provided to field forces.*
7. *Senior officials in the program management organization should conduct a continuing program to assess quality of work and perforamance of contractors and staff.*

The detailed recommendations are followed by suggestions to implement a quality improvement program.

Senior management in the government agencies and their partners who fund their construction programs have the responsibilities to take the necessary actions to remedy the causes of poor construction.

Introduction

1. This paper is based on work done by the Construction Quality Committee of the Asia Regions and committee work in country departments SA1DR and SA2DR. Considerable information was also obtained during construction quality workshops in Pakistan and India, from

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1 This paper was prepared by Harald D. Frederiksen.

Bank supervision reports on projects in several countries and with discussions with staff throughout the Bank.

2. Today, a majority of countries have large programs underway that are classified as rehabilitation, upgrading or modernization projects. Indeed, these efforts now constitute the dominant expenditure in design and construction in some sectors. And inevitably, poor maintenance is cited as the reason for the situation that calls for the increasing rehabilitation budgets.

3. Concerns arise, however, when these rehabilitation programs and the individual works are examined more closely. The amounts of funds committed and planned are huge. This is not a minor activity for a few staff, but a continuing major undertaking. The involved facilities are located throughout the country. And most telling, five, ten and fifteen year old facilities seem to constitute a majority of the work. Many facilities that are thirty, fifty or even one-hundred years old are found to be in satisfactory condition, even when they are located within the same area and have received the same or even less maintenance.

4. Close inspection shows that most of the rehabilitation is actually reconstruction of inferior, failed construction. And the illusion that these expenditures in the billions of dollars are caused by lack of maintenance will prevent the recognition and resolution of the true problem. The cost of the poor quality of recently built works dictates that effective action be taken where it will remedy the situation. And that point is not in maintenance -- it is in design and construction.

5. The lending institutions are keen to halt these wasted efforts. The rapid growth of unproductive debts by countries who can least afford them must be stemmed. And what does poor construction quality of the type found actually cost? The first remedial rehabilitation of a system may cost 40 to over 100 percent additional to what the facility would have cost if constructed to acceptable standards initially.

6. An effort has been initiated within the Bank to address this matter in its constituent countries. Cross-sectorial (urban water and sanitation, transportation, energy and irrigation) committees have been established at the regional and the country department levels to identify the problem and its causes and to recommend corrective actions. This effort will require close cooperation between the borrowers and the Bank. There is no doubt that major changes can be made if one focuses on bringing project quality up to the standards already established by the responsible entities.

7. Typically, if poor quality is found in one segment of public works in a country it is likely to be found in most others. It also follows that the stated deficiencies, causes and solutions usually apply to the entire publicly funded heavy construction sector. This paper seeks to describe practical, effective solutions for preventing poor construction. Identified causes of unacceptable quality are described first. They are followed by suggested actions required for improvement. Finally, the means for introducing change are proposed.

Causes for Poor Quality Construction

8. Numerous causes for poor construction can be cited. Nine are offered as those that constitute the primary reasons most commonly encountered.

(a) Design Precluding Practical Construction Methods-- Designers have often little, if any exposure to construction. The resulting designs are highly theoretical displaying a lack of knowledge of materials, of standard methods of construction and of the capabilities and limitations of laborers and equipment. A few examples may be cited.

(i) Weather Constraints -- The configuration of the foundation, the earthwork and the concrete and masonry structures are not adapted to the weather conditions encountered during the scheduled construction season. The construction methods inherent in the plans preclude acceptable results under the prevailing temperatures and precipitation. Frequently, the design does not accommodate the storm drainage prior to or even after commencing operation.

(ii) Soils/Geology/Groundwater Constraints -- Many designers inadequately consider foundation conditions when selecting the type and configuration of the structures or the means for dealing with groundwater conditions during and after construction. Even more common, the designs do not accommodate the different conditions encountered within a large project area.

(iii) Equipment and Skills Constraints -- Designs are applied uniformly to all sizes of work and to all locations throughout a country regardless of differences in needs or of the capacity of contractors that will carry out the work. Selected features, having complex configurations or composition, often cannot be constructed because the required equipment or materials are unavailable. For example, the use of several different classes of concrete in the same structure may in theory be economical, but will guarantee construction of deficient facilities. And on small contracts, the skills of the contractor's foremen and laborers assumed in the adopted design are not necessarily be found among those bidding on such work.

(iv) Faulty Design -- Excessively steep cut slopes and embankments are common, costly errors. Stability and settlement failures arise. Structures having unneccessarily complicated sections and improperly positioned reinforcement are frequently found. Construction loadings due to equipment and common construction practices go unrecognized. Improper use of construction joints and waterstops -- usually too many -- and inadequate accommodation of differential movements are at the root of failures of many otherwise sound structures.

(b) Deficient Contract Documents -- Plans and specifications often rely on standards without sufficient specificity to meet the conditions at hand. Site conditions, obviously, were not considered. Indeed, often the bid documents present only general configurations. Two deficiencies are particularly common.

(i) Bid Drawings -- Many agencies do not produce the detailed construction drawings until the contract is underway with all the usual omissions, surprises and costly changes. Inevitably, these drawings are prepared by engineers new to the project, several years after the original preliminary engineering was carried out. Thirty drawings for a 353 million dollar dam or sixty-five drawings for a 400 million dollar power plant are far from adequate. If bidders do not clearly understand the anticipated work, it becomes in part a guessing game - usually resulting in an inadequately priced contract. Later, the original designer's intent comes into question by the final designers and by the field personnel in the course of detailing and inspecting the work. Contractor's claims for delays and changes in design are inversely proportional to the brevity of bid documents.

(ii) Exculpatory Language -- Tremendous costs are incurred when designers do not have adequate site information. This is the cause of much of the time and cost over-runs that throw projects into question. Insufficient or erroneous geological and hydrological data are particularly damaging. To make matters worse, some agencies try to place the construction risks of this inadequate information on the contractor. This goes against the sensible policy of gathering complete information on the situation for use by all contractors (as well as the designers) in preparing their approach to the work and estimating costs with confidence. Placing the risk of unknowns on the contractors forces them to take shortcuts to survive, forces the agency to accommodate the contractor to avoid delays and results in increased, unproductive claims and litigation.

(c) Inappropriate Construction Period and Timing -- Tight construction schedules or the scheduling work for periods of excessive heat, high precipitation, uncertain power supply or locally unavailable water for construction needs will adversely affect quality unless documents provide unusually great detail. This is particularly common when completing remedial work on facilities already in service. On occasion, excessive periods are called for in the contract -- usually due to the owner's funding constraints. Agency and contractor overhead costs increase substantially. But, quality can also suffer when the agency stretches the construction time (limiting the payments rates) to the extent that the contractor cannot afford to assign the full compliment of crew and equipment necessary for doing good work. The maintenance of partially completed work is inevitably inadequate.

(d) Too Small or Inappropriate Contract Packages -- Improper packaging is an unrecognized constraint on securing acceptable construction quality. Attempting to meet short-term social and political objectives that are believed to justify small contracts runs counter to an essential condition for obtaining quality work.

(i) Too Small Packages -- Contractors cannot afford to use equipment on small contracts that otherwise gives superior results. Small contracts force use of unacceptable handmixing and headbasket placement of concrete in structures where strength or durability necessitate modern methods. The contractor cannot marshall the excavation, compaction and trimming equipment essential to quality earthwork in large structures. Compaction to preclude settlement of earth structures is impossible without proper, expensive equipment and appropriate procedures.

(ii) Segregating Work -- Separating work on one site into several different "specialty" contracts assures disputes on items of work and on responsibilities for inferior results on the site, particularly where the physical work joins or overlaps. The most common example is where earthwork is let to one contractor and the concrete work awarded to another after the first has been completed. The proper sequencing of activities, undisputed responsibility for results and compatibility of methods can only be assured if all involved work is placed clearly with one party.

(e) Inadequate or Superficial Pre-Bid Conferences -- Inadequate or superficial per-bid conferences contribute directly to project quality problems. Pre-bid conferences are essential for work in the heavy construction field, and attendance, together with a site visit, should be a pre-requisite to bid. The primary purpose is to assure a more complete understanding of the work and permissible approaches. Not only does it promote exchanges and amplification of the documents, but also an opportunity for all contractors to hear the same exchange with the project management's staff, clarifying any questions prior to bidding. A complete file of site hydrologic and exploration data should be made available for bidders to examine for an appropriate period commencing before the bid conference.

(f) Contractor Qualification -- Contractor capability is an absolute essential if quality is to be attained. Practices by governments and the industry often prevent the creation and survival of truly competent construction firms. Only with the aggressive support by both in formulating and enforcing rigid contractor qualification standards can the industry improve.

(i) Inadequate Equipment -- A bidder should not be considered for a job unless it has available or commits to purchase the type and number of pieces of equipment appropriate for the contemplated work. Government agencies should never provide equipment. (See item (7)-ii.) If contractors are not fully equipped and staffed with skilled operators to do the work, they should not be pre-qualified to bid. Once site work is to commence, all equipment, with backup and spare parts as necessary, should be on site and the contractor's proposed construction procedures proven out fully before work is to begin. The project engineer should confirm at the pre-bid conference his intent to enforce such provisions.

(ii) Inexperienced Foremen and Crew -- Inexperienced crews cannot produce quality work. Training is necessary for new people, but it must be done before major operations are allowed to commence. The contractor's foreman has an important role in crew training and in the planning and overseeing the workmen's tasks, and hence, his skills are critical to the results. Too often contractors lack the means to attract or retain competent, steady people. The size and age of the firm are perhaps the most certain indicator of staff strength. The size and duration of the contract is the best indicator as to whether capable contractors will bid.

(iii) Underfunded or Over-extended Contractors -- New and marginal contractors tend to have limited financing. Reputable contractors may become overextended through no fault of their own, (sometimes due to the owner's delays in payments). Regardless of the cause, a contractor confronted with cash-flow problems or more seriously, with financial constraints, inevitably will short work quality to reduce cash needs. This is the reason that the supporting data to pre-qualify, and later to tender, describing each firm's financial strength must be examined very closely, even for long established firms. Further, the contractor's situation must be reconfirmed for all subsequent tenders even though the contractor's other pre-qualifying information remains acceptable. Bonding is the primary step to minimize this problem, but in some countries this measure is ineffectively administered.

(g) Shortcomings in Government-Furnished Materials and Clearances -- Materials supply, clearances for purchases or import and sometimes equipment leasing by government are often stipulated in contract work. Even with the best of intentions and efforts, the government cannot always guarantee the quality and timeliness of supplies, thus risking to adversely affect work quality.

(i) Materials Supply -- The government inevitably supplies some of the materials used in constructing civil works. Aggregate and borrow materials are the most common. But cement, reinforcing steel and pipes are other examples. Any deficiencies in these materials will directly reduce quality unless the government immediately corrects the situation without affecting the contractor's work schedule. Variability of cement characteristics, particularly when supplied from different sources, commonly forces the contractor to adopt the characteristics of that having the lowest quality for determining the concrete mix. Unfortunately, agencies do not always remedy the situation. Instead, they insist on using the defective items in order to clear their stock, remain on schedule or some even less justifiable reasons.

(ii) Equipment Leasing -- The extent to which governments furnish equipment to contractors, either as rentals or direct government services, has diminished. This arrangement has caused serious quality problems where utilized and should be avoided. Contractors have alleged unacceptable performance of government-leased equipment as a reason to avoid responsibility for work defects, irrespective of the actual cause. When equipment has truly not performed, government agencies have sometimes insisted to continue its use for the wrong reasons. Responsibilities for equipment maintenance is of course a related problem. Inevitably, the contractor crews lack knowledge or opportunities to learn operating procedures. (See item (6) - i.)

(iii) Clearances -- Delays in clearing the contractor's items for project use, import licenses and procurement of essential supplies have serious impacts on the contractor's work program. Delays force the contractor to seek whatever remedy is possible, typically reducing the quality of work.

(h) Deficiencies in Contract Administration -- The principal area of activity where a government agency can influence project quality is in its handling of contract administration and construction monitoring, supervision and inspection. These functions require close attention to fulfill their purpose.

(i) Deficiencies in Construction Drawings and Review of Contractor Submittals -- Incomplete drawings mislead contractors and create a basis for work deficiencies. They also undermine or misinform project management's[1] own inspectors. And assigning designers, available at the time work is actually undertaken, to detail designs or to interpret the intent of the original designers who completed several years earlier inadequate bid documents only risks further errors. It is also essential to assign the most experienced engineers intimately familiar with the facility design and related standards to examine the contractor's submittals. These submittals are what the contractor is proposing to install and, hence, will bear directly on the final quality. Unfortunately, agencies often assign their most junior engineers to this task. It is not a glorious task, yet, inexperienced engineers cannot recognize or properly address the potential construction issues.

---

1 The Project Management is responsible for overseeing the execution of work in accordance with the contract including assurance of work quality as specified. Project Management may be the owner's (government agency) own unit or it may be a consultant employed by the owner. In the latter case, the PM manages the contract on behalf of the owner but the owner exercises payment and approval of contract changes orders above certain limits.

(ii) Delays in Processing Change Orders -- Delays in processing change orders have several adverse effects on quality. On complex projects, ignorance of recent actions among the project management's own staff may lead to improper decisions affecting quality. Frequently, it forces changes in the normal sequence of the contractor's work. And delays in the resolution of issues will make the contractor reluctant to deal with similar situations in the future.

(iii) Delays in Payment for Satisfactory Work -- As noted earlier, a contractor with a stringent financial situation becomes very difficult to supervise and is soon crowded into shorting quality to save money. Timely payment of the work, as performed in accordance with the contract provisions, is an essential component of the owner's quality assurance efforts.

(iv) Inadequate Communications between Project Management and the Contractor -- Continuous, open communications between the project management and the contractor is essential for efficient operations. Questions raised by the contractor can only be resolved in a timely manner by direct exchanges. Easy access to the senior engineers and scheduled meetings on a frequent basis between project management and the contractor is critical. Unfortunately, such links do not exist on many construction sites.

(v) Lack of Effective Project Monitoring System -- Comprehensive, timely monitoring is lacking on many projects, even for those that would be classified as large or complex by any standards. Often crude bar charts prepared for project authorization constitute the only semblance of schedules with monitoring limited to the original bar chart categories. Quality suffers from the lack of detailed monitoring and feedback promptly forwarded to the offices of the project engineers and management. Appropriate staff assignments -- skills, levels and timing -- cannot be made; means and supplies to meet contractor needs will fall short; payments will slide; and all the many other actions essential to facilitate quality will be missed or delayed. A comprehensive CPM type program with the independent monitoring and control staff to keep the system functioning is critical for today's projects. An agreed contractor's schedule is one pre-requisite (required in most specifications) for accepting a proposal and becomes the legal measure of the contractor's progress, and hence, the non-subjective reference for taking timely actions, including contract cancelation in case of significant delays.

(i) Deficiencies in Construction Supervision and Inspection -- The inspection of construction activities is the project engineer's means to assess the quality of field work. This function, including the associated enforcement of contract provisions, is without doubts the single most important activity affecting construction quality. A well conceived program of inspection, sensibly instituted with firm and prompt application of all contract provisions, is required and cannot be compromised if quality is to be attained. But many conditions that inhibit effective inspection and supervision are encountered.

(i) Lack of Owner and Project Management Oversight and Support -- Sound inspection is impossible unless the top project management (and owner where the project management function is separate from the owner's) has full knowledge of the work and gives immediate, unquestioned support to its inspection staff. The details of work progress and quality must be documented and submitted to senior management promptly (a key need for a comprehensive project monitoring system). But lack of experienced staff, frequent turnover and excessive work are often found to limit effectiveness. Inadequate communication and transport may also contribute. Too frequently, a poor attitude and minimal dedication of the staff together with outside interference are found. And it is the attitude of the senior project management that determines all else affecting quality -- for better or for worse.

(ii) Weak Enforcement Policies and Remedial Actions -- The linkage of weak inspection to poor construction quality is often apparent in the project records. One rarely finds rejected concrete or fabricated works disposed on a site. Similarly, stop work orders or recommendations to halt payments until quality provisions are met are seldom found. Few agencies disqualify contractors from bidding because of previous poor or uncompleted work, and hence, inspection findings are often ignored. This situation clearly results from a poor appreciation of the lessons of experience by project management (or higher in the owner's organization), since remedial actions are spelled out in the legal documents. Anyone reaching a senior position in project engineering management should know what is required for sound construction.

(iii) Improper or Disregarded Procedures -- Incorrectly conducted tests -- field and laboratory -- are obvious causes of deficiencies to be guarded against. The more difficult area to ascertain and remedy is field inspection procedures. Examples of improper or disregarded procedures include ineffective timing of site visits, lack of follow-up on violations, inadequate records, overlooking of key construction steps, allowing commencement of work without essential equipment or personnel on site, and foregoing the confirmation of questionable results by alternate, yet, reliable means. Unannounced spot checks of the contractor's work by inspectors and by senior management of their inspectors' activities are other essential procedures.

(iv) Lack of Formal Inspection Records -- Comprehensive inspection records are vital to documenting construction quality and conditions of work. Critical steps such as foundation preparation, formwork construction, steel placement, installation of embedded metal, concreting equipment on site, curing methods in place and all related actions are rarely noted or initialed by the responsible inspector. Only by rigorously following this procedure can proper remedy be made to any construction shortcomings discovered later.

(v) Insufficient/Delayed Involvement of Designers in Construction Issues -- The design of facilities common in large projects are based on a range of assumptions as to site materials and conditions. The actual conditions are not known until construction operations commence. Yet, the individuals on site for approving construction actions are usually unaware of the designer's understanding reflected in the design and the design's sensitivity to deviations from the assumed. In fact, often serious conditions are built into the facilities by virtue of not involving the designers in a timely manner.

(vi) Inadequately Trained Inspectors and Supervising Engineers -- Often the most junior and ill prepared engineers are responsible for inspecting the work, deciding on its adequacy and confronting the contractor directly. Frequent staff rotation - even within the construction units -- is usual in many countries, and contributes to the problem. Staff attitude may be poor, but ignorance of what should be secured and, hence, what should be reported to higher management when disputes arise is also often encountered.

(vii) Inadequately Trained Laboratory Technicians -- Laboratory technicians must know the testing procedures, yet, often they have incomplete knowledge of their function. Some are ignorant of the implications of individual or groups of tests and of other information that could further contribute to assess quality. To be effective, they must be fully trained in the purpose and importance of the tests for assessing the quality of the final facility.

(viii) Personnel Shortages -- Numbers alone do not mean that staffing levels are adequate for construction supervision and inspection. The only real measure of staffing levels is the number of appropriately experienced staff on the construction site. Many project sites have far too many people, but when weighing their ability to carry out the duties called for by work in progress, however, there is a severe personnel shortage. Construction quality then becomes entirely dependent on the intentions of the contractor.

(ix) Lack of Equipment and Transport -- Inspectors must have the means to visit sites and laboratories at the precise time required. Contractors cannot wait and if delays are imposed, claims will follow. If work continues without timely inspection, quality is assured to suffer. The most serious situation is when the inspectors must rely on the contractor for transport - and this is not uncommon.

(x) Inadequate Construction Plans -- The consequences of inadequate bid plans and the difficulties caused by unsatisfactory construction drawings have been mentioned (See items 2-(i)). But even without these deficiencies, staff may still not have access to the drawings on site. In addition, their lack of familiarity with the basic reference drawings is a common cause for the absence of compliance of construction with the designer's intent or standards.

Recommendations for Improvement

9. A number of actions are required if improvement in construction quality is to be achieved. The specific measures and their relative importance will vary from situation to situation. But for ease of reference and for prioritizing where and when steps should be taken, the more common actions are grouped by project phases.

(a) Agency Capability -- An organization's capability determines the level of success in completing a project. Thus, an initial step to ensure quality is to ascertain the organizational structure, skills of available staff, supporting services and past results of similar projects. Any deficiencies that are identified, most common in the project management function, should be remedied by employing consultants.

(b) Agency Policies and their Application -- Written agency policies must provide unequivocal guidance and support for actions that will ensure quality in the final product. These will support the development of essential staff capabilities and spell out management's intentions for agency and contractor performance.

(i) Personnel Policies - The government should provide an appealing efficient work environment. But it should, more than anything else, have a strong civil service framework in place. The organizational structure, personnel procedures and rules must provide incentives for specialization and assure promotion on merit. Compensation and work facilities should reflect the position - managerial or technical. It is not by shortage of work force that agencies cannot produce; indeed, usually there is excess. It is poor motivation and work conditions that drive staff out or divert their attention and efforts to other matters, frequently in conflict with actions to secure quality.

(ii) Contractor Selection Policies- Contractor selection policies should yield procedures tailored to secure contractors with the capability to do the work at hand, not to meet social or training objectives or to provide income to local residents. The agency's design and construction units should define the nature of the work, the equipment and skills required and the contractor's size, experience and financing required for the assignment. New firms expressing interest should fully satisfy these criteria. And contractors who have failed to meet these criteria in the past should be removed from all lists.

(iii) Contract Enforcement Policies - Project management, through their project engineers, must convey their commitment to quality. Promptly halting contractor payments for inferior work, forcing the contractor to correct faulty work without cost to the government, even if the deficiencies are discovered after initial inspection, and taking strong disciplinary measures with lenient field staff are actions that will reflect strong management policies. The most important action, however, is the open, prompt support to the inspection staff when confronting improper activities by the contractor.

(c) Project Formulation - The pre-construction activities that lead to the project's definition must be sound if the project is to be built properly and subsequently perform satisfactorily. This includes all actions from the design engineering to formulating the construction program itself.

(i) Site Investigations - Foundation conditions and construction materials are two areas where care in the evaluation must be exercised by designers and construction specialists. Otherwise quality will be jeopardized. Exploration should be planned and verified for meeting all needs while also providing the information on which the contractor can reasonably plan his approach and estimates. All site data obtained should be made available to bidders (see item 5).

(ii) Constructability - Constructability of designs should be reviewed by experienced construction specialists as a formal step with appropriate approvals just as is required for approvals of designs. Structure configurations to facilitate forming and placement of concrete is an example. Large undertakings may warrant discussions during the design phase with equipment manufacturers in the fields of earthwork and concrete.

(iii) Plans and Specifications - The agency should have, as a prime objective, the clarity and completeness of plans and specifications that are incorporated in its contracts. Reviews by experienced designers and construction engineers are essential in the formal processing of documents. And the agency must assure consistency in the provisions among all contracts within one project, as well as, among all the projects it may be pursuing. Careful consistent descriptions of conditions and tests for acceptability and measurement for payment are critical to orderly administration and to promote quality. Proven standards applied consistently also greatly facilitate the work of contractors, field engineers and inspectors.

(iv) Contract Packaging - Contracts should be packaged in a manner to best facilitate quality work. Every effort should be made to avoid overlap of responsibilities or geographic area among different contractors. The minimum contract size should provide a volume sufficient to justify the equipment and the skilled crew that will produce the specified quality. Contractors can sub-contract (as allowed by the contract), if it makes sense economically, without appreciably increasing the project management's efforts.

(d) Project Management - The field of "project management" warrants more recognition as a specialty than it typically receives by most agencies. First of all, it must not be confused with construction inspection or supervision in the context that those terms are usually understood and used. Project management entails the planning, preparation and overseeing of the entire construction program. It includes the many agency actions at every level needed to initiate and carry out the undertaking in an efficient and timely manner. Staff of all key slots that perform this function must be experienced. On-the-job training to qualify should not be considered, given the tremendous costs and consequences for project quality involved. The top people must have the essential background and skills before they are given the responsibility and not learn them by trial and error in the execution of the actual work.

(i) Project and Contract Scheduling and Monitoring - Detailed project scheduling is a formal step that should be completed before project execution is approved. This must not be left as an ad hoc 'happening'. The agency needs one schedule that tracks all its activities --administrative, physical and financial -- involved in completing the program. A Critical Path Method (CPM) type monitoring and scheduling system is most appropriate. The interdependence of the project components, the scheduling to allow early generation of benefits, the weather impacts and the size and duration of suitable contracts are a few considerations that must be carefully assessed in preparing the program. A second schedule, prepared by each contractor, is to detail his plan for carrying out his contract, including site arrival of equipment and materials, and subsequently, to track performance of that work. No contract work should be allowed to commence before a detailed CPM type chart displaying the schedule of activities, officially agreed to by the contractor and the project management, is produced. (As mentioned, this is stipulated in the standard provisions adopted by most agencies.) In parallel, project management's program monitoring and reporting unit should be created and a CPM for internal activities instituted. This unit should institute the organization's procedures and install the communications and computers needed to assure prompt complete reporting of program and contract status and related administrative information at the frequency that allows staff at every level to make timely decisions.

(ii) Agency Organization - Office and field organization of staff should be tailored to the project and to the agency's overall structure. This should reflect the responsibilities for central design and construction support. The adopted structure should facilitate timely application of the required experience and skills to the questions encountered under actual construction conditions. It should not be based on past approaches nor left over arrangements from previous activities. The measure of success is whether it can provide the over-sight and immediate response reflected in the quality assurance policies mentioned earlier.

(iii) Authority and Responsibility - The responsibility and authority necessary to effectively carry out the agency's, and each sub-unit's, role should be set forth in concert with the project organization structure and officially communicated to the contractor. A similar designation by the contractor should be transmitted to the agency. Again, timely response and the accounting for quality necessitate that all involved know their assignments. And these unambiguous assignments should be made to sub-units and individual positions and then tested before major activities commence.

(iv) Coordination and Communications - Complete procedures to implement the steps involved in meeting the assigned responsibilities should be introduced in conjunction with the assignment themselves. Software and equipment needs were inferred in the earlier section on monitoring. In addition, a reliable communication link is required between the responsible offices including transportation for inspectors to carry out their responsibilities.

(e) Execution of the Construction Program- The execution of construction activities is the final determinant of quality, assuming satisfactory design. Although quality depends on fulfillment of the many actions preliminary to commencing the work, they alone do not guarantee results.

(i) Procedures - Most government agencies have procedures for field work. Nevertheless, the agency should examine its procedures specific to each project and view them in the light of the common shortcomings and actions noted in earlier sections. Typically, more attention is required in tracking materials, linking tests to facilities and documentation of remedial actions when deficiencies are found. Thoroughness in record keeping cannot be over-stressed. This constitutes the basis for identifying faults, evaluating staff and contractor responses, holding people accountable for results and resolving disputes with the contractor.

(ii) Staffing - Staff in charge of every significant activity must be experienced and well trained for the assignment. None should be placed in a position merely for the sake of promotion. If the assignment is a means to gain experience under a rotation program, care must be exercised to ensure that the individual knows the construction field, that he is trained for the position and that his knowledge is fully consistent with the work involved. The supervisor must pay particularly close attention to the new member's work during this period. If people cannot be located that fully meet these requirements, staff should be obtained through outside recruitment or specialized consultants should be hired.

(iii) Training - Training should be carefully formulated on the basis of the actual staff capacity and the demand that will evolve as the work progresses.

Inspectors and laboratory staff should have refresher courses on larger undertakings, particularly when new equipment and construction procedures are to be introduced. Many comprehensive construction training programs are now available and a central 'institute' headed by respected construction engineers -- not professors or 'trainers' -- can effectively serve as the means to carry out this function.

(iv) Equipment and Facilities - Computers and communications are an immense aid to project supervision and are essential for large projects. These should be installed prior to commencing work and staff should be fully trained in their use before field activities begin. Transport is of course an obvious need and instructions should be issued by top management that prohibit diverting vehicles to other uses and provide timely maintenance to ensure availability. Adequate office space and equipment secure record files, communication and support materials must be available at the primary sites.

(f) Internal Performance Review - Inspectors serve as 'auditors' of the contractor's work quality and have the responsibility to secure action to remedy any deficiencies. For the purpose of improving internal agency performance, some agencies have found it effective to formalize an internal over-sight program. If this approach is adopted, it should be a one or two man unit that helps devise remedies for faulty agency procedures. It should not be seen or used as an internal policing program -- this is essential for employee confidence and support. The function should be to improve internal quality performance as an integral part of staff supervision. Selection of experienced, well respected individuals, with a positive attitude to assist staff to improve themselves, is critical to an effective program.

(i) Project Level - The project engineer is the ultimate 'auditor' of the agency's (and the contractor's) work. He should make the review of the detailed performance of every unit of his organization and each individual staff his primary concern and responsibility. This cannot be delegated. His top office engineering and field engineering heads assist with this task in addition to their more direct responsibilities. Some agencies have established large audit units that serve in parallel with the agency's field inspection units. This is appropriate for agency force account work where this unit of the agency actually serves as the inspectors of the construction done by the other units of the same agency. But the creation of such units should be strongly discouraged when work is performed under contract as it disrupts the effective performance of the field organization, wasting scarce talent and funds. More important, it effectively clouds responsibility and accountability for project results.

(ii) Agency Level - The chief of the agency's central construction office has a responsibility similar to the project engineer. Some agencies have found it very useful to have a small staff office reporting to the central chief of construction to assist him assure quality performance. The staff office is responsible for reviewing all projects underway by the owner for quality during construction and monitoring results, including claims, cost over-runs, extent of 'clean-up' work and repairs and replacement after the facilities are put in operation. As a minimum, a central agency unit should be established to formally examine all project reports (monthly, special and completion), claims, payments and make regular field visits to the various projects to compare submittals with field results. The quality of the completed facilities and the quality inferred by staff actions - good and bad -

should receive regular and thorough attention from this central agency high level team.

Means for Introducing Change

10. The executing government agency and its project management unit bears the full responsibility for project quality. Neither contractors or others outside the sector can rightfully be credited for the results, whatever they may be. Only the agency can set the tone of its approach and create the proper attitude and environment for its organization. It has the power and skills to secure results, hence, it is there that most improvement measures must be applied. The following actions should be considered by agencies that actively want to upgrade their performance.

(a) Convene a small team of experts to examine the agency's results and submit a preliminary assessment. Facilities -- new and old -- should be inspected and possible primary and secondary causes described for any deficiencies that are identified. With that in hand, agency management can better appreciate the needs and proceed with a program for detailing the causes and remedying the deficiencies.

(b) As a first step to define the improvement program, appoint an independent group of experienced engineers to conduct a peer review assessment of the agency. This group would examine the principle elements determining the quality and effectiveness of the agency's work. Policies, organization, standards, rules and procedures, staff capability and support would be studied. The group would be asked to make specific recommendations for improvements in all areas of weaknesses.

(c) Management should issue a comprehensive statement setting forth its objective to secure quality, the program for improvement, the schedule for implementation and the specific terms for measuring success in reaching short-term and long-term objectives. This will constitute a clear indication of management's intent concerning quality and detail how it will be attained, and will spell out exactly what is expected of every staff member. It will set the tone for the whole effort, for it must be a top down effort.

(d) The agency must institute consistent, unequivocal policies together with effective procedures to assure quality work by its staff and its consultants. This would require the actions such as rejection of all sub-standard work, materials or equipment. And it would include acknowledgement of superior performance and disciplinary actions on individuals, including replacement, for poor performance.

(e) Guides and reference materials should be prepared for use at the appropriate levels to effect the improvements. These should not constitute a large collection that clutters the shelves, but should be carefully tailored to each need and the level of application. The means for implementation, the schedule for introduction and the method for monitoring results should be devised and presented together with this material.

(f) Workshops should be held to initiate the quality improvement program and to facilitate the implementation of each separate action. But these should be carefully planned and the presentations must be made by senior, experienced and knowledgeable individuals so that the sessions are truly helpful and the participants realize that management means business.

(g) Focused training is essential to improve staff capability or even for the 'experts' to remain current. (And it should be recognized that this does not necessarily entail formal course work.) But the training program must be carefully conceived and executed. Key to success here is for management to be involved in defining the needs, selecting the participants and setting the schedule. Large programs with fixed training sessions can often be counter-productive. Further, both the course content and the instructors must be of highest quality or this basic means to improve staff will be wasted.

(h) In-depth visits and "on the job training" (OJT), on properly functioning projects should be an established means for introducing the latest techniques and demonstrating the practical applications in the areas of construction and maintenance to top and mid-management and to technical specialists. Arrangements should be made to assure adequate time and in-depth examination of the subject areas. Again management should spend the time to help define the OJT program and monitor its proper execution.

(i) Stronger enforcement of program procedures by the country financing and oversight agencies (and of project agreements by lending institutions when participating) will greatly assist executing agencies. Firm, uncompromising actions by outside entities will send needed signals to all as to what is expected, what will be accepted and what will not be accepted. Any lack of attention or obvious 'blind eye' to results undercuts the dedicated, responsible officials. Outside entities, particularly international lending agencies, have the mandate to assist with this effort.

Responsibilities

11. The responsibilities for improving agency performance and the attainment of high quality work lies with the agency's top officials. They can initiate any inquiry deemed necessary, they can set out the policies and rules and they can institute the remedial programs and the measures for enforcement. They are responsible for explaining to the politicians the situation at hand, its remedies and the costs of inaction. This is not an easy task, but this responsibility has to be exercised and timely actions have to be followed through. The responsibilities of senior agency officials must also be understood and reinforced by officials in their partner organizations -- including lending institutions. Grass roots actions are ineffective in such tasks. Full dedication of and transparency in the decisions of senior management are basic requirements to achieve construction quality objectives.

File

Increase Efficiency

The task force believes that implementation surveillance activities can be made significantly more efficient in several respects.

Procurement

Present estimates are that well over a third of total "supervision" time is spent on procurement matters. Despite this heavy expenditure by the Bank -- exceeding 150 staffyears per year -- the quality of procurement monitoring is not what it should be. Consistency in the Regional interpretations applied in approving major procurements is less than it should be, local procurement often goes unreviewed, and the guidelines developed mainly with the engineering sectors in mind do not well suit the needs of social sector procurement. Procurement arrangements often are not discussed with the borrower during appraisal, and realistic procurement scheduling is not a routine practice. Procurement disputes between contractors and owners often drag on inconclusively, with resulting delays and friction. Independent supervising engineers sometimes are not used and, when used, sometimes are not independent. Bank procurement review work is sometimes done by staff without adequate knowledge of the guidelines and proper practice. While the Bank has developed numerous "standard" contracts/bid documents, adaptations of them to specific country contexts have not been made and they are generally not used. Countries prepare their own documents de novo, which is time consuming for them and increases the review burden for the Bank. Partly because the documents are not what international firms expect and are willing to work under, international contractors are becoming increasingly reluctant to bid on projects financed by the Bank or other multilateral development banks. (These findings are elaborated in Annex ___ and were reflected in a workshop the task force held with international contractors).

Recommendations

- The Guidelines should be reviewed with the needs of social sector procurement in mind, as well as the needs of procurement related to privatization operations.

- Procurement plans and schedules should be included in agreed implementation plans.

- For ICB, the use of standard bid documents, with preapproved adaptations to country situations, should be mandatory. Borrowers will save substantial time in their preparation, the Bank will save time (elapsed as well as applied) in their review, and more contractors will be likely to bid.

- Expeditious dispute resolution procedures should be built into the bid documents, as should a requirement that bidders outline their quality assurance procedures. Independent engineers should be required for major civil works.

- An advisory Bank Operations Procurement Review Committee should be created to facilitate the consistent application of standards and resolution of issues. Chaired by CODOP, it would advise Regional management on all procurements above $25 million for goods and works and $10 million for consultants. This would entail the prior review of less than 50 contracts a year, but would cover more than 50% of the annual contract awards.

- For all procurement not subject to prior review by Bank staff (including local Bank-financed procurement), an independent review should be made by an outside expert agency. Also, at regular intervals, certification should be made of the acceptability of local procurement procedures -- in accordance with approved TORs and by parties acceptable to the Bank.

- A procurement career stream should be created, and the adequacy of staffing at the assistant and higher levels should be reviewed.

Disbursement, Audit and Financial Covenants

At present, the Bank is not staffed to perform the audits of Statements of Expenditure (SOEs) that it should, under current requirements, perform. While supervision missions are expected to make sample checks of documentation, the function tends to be neglected (as a distraction from more substantive supervision tasks) and, when performed, to cover only a minute sample, especially when the documents are in a language not understood by the checker. Nor is the Bank staffed to properly review the approximately 5500 auditor's opinions and reports per year that it receives from borrowers. Lastly, financial covenants are often complex and unrealistic, and are commonly not adhered to. In a recent OED survey, only 25% of water supply projects were in compliance with their financial covenants. A similar survey of a test sample of projects by CODOP showed only 22% in compliance. The number of financial professionals in operations declined from 270 in 1980 to 190 today, and the number experienced in financial reporting and auditing has fallen from above 80 in 1980 to about 40 today.

Recommendations

- Financial covenants should be used more carefully and selectively. The recent effort to review their use should be supported. Involving some borrowers inthe review might add to its realism.

- Regional managements should establish a critical mass of senior staff with financial management experience (at least two per department) to frame financial covenants, advise with respect to (and oversee) financial analysis, and oversee the review of auditor's reports and the selection of external auditors (see below).

- By negotiations, an auditor acceptable to the Bank should certify that a satisfactory system (with appropriate accounting and internal controls) is in place for preparation and delivery of SOEs by the borrower. Then, shortly after the close of the owner's fiscal year, the auditor, under terms of reference prepared by the borrower and approved by the Bank, should be required to furnish a copy of its audit report directly to the Bank as well as to the borrower.

Disbursement Requirements for SALs and SECALs

The present documentary requirements for disbursement under SALs and SECALs (customs documentation in lieu of invoices) -- although much less anomalous than they used to be -- are nevertheless not rational, given that the funds in the country's banking system are fungible, are subject only to a negative list and are not intended for any specific use. As long as the volume of eligible imports exceeds the amount of disbursement requested (which it virtually always does), the effort to collect customs documentation for eligible imports in amounts equal to the disbursement requested is a waste of borrower time, engenders staff cynicism, and makes the Bank appear inefficient and naive to borrowers. This is especially so given the practice of substituting proper documents when the initially submitted ones are found not suitable.

Recommendation [cleared by phone with Mr. Raghavan]

- For SALs and SECALs, the review of customs documents should be replaced by review of an umbrella certification by the borrower that the value of the goods for which Bank reimbursement is sought is lower than the value of eligible imports during the period.

Field Offices

While the task force did not conduct a full analysis of the potential and actual role of resident missions, it did survey staff with resident mission experience, receive papers from some of them, and explore borrower views in the borrowers' workshop. The trend towards more resident missions has been steady, although the presumption has traditionally been against establishing them. We believe the case for resident missions is now strengthened by (a) the changes recommended above and (b) the greater emphasis we recommend be placed on implementability, which -- especially in the growing soft sectors -- depends to a significant extent on the institutional capabilities of executing agencies.

Recommendations

- The presumption should be shifted in favor of having a resident field presence for every country with a significant program. The resident mission should be responsible for (a) conducting general liaison and, where appropriate, facilitating implementation; (b) facilitating compliance and accelerating approvals; and (c) especially with respect to the social sectors, providing assessments of executing or potential executing agency capabilities that cannot readily be made from Washington. Terms of Reference should specify the extent of field office responsibilities and authorities, which would be expected to vary from country to country. With the above changes (i.e. greater standardization) and related savings (from procurement monitoring), the field offices will be able to play a greater role in giving routine procurement and disbursement approvals and facilitating nonroutine ones.

- Where suitably staffed field missions are in place, headquarters-based implementation surveillance should be reduced to a complementary role including occasional field visits (as recommended by borrower representatives) and approval of non-routine procurement and disbursement actions.

Information Technology

While the fundamental problems of portfolio performance management will not be solved with information technology, IT can make a significant contribution to the ease of project management by executing agencies, and the internal work of the Bank in tracking the portfolio and making necessary information accessible to Bank staff.

Recommendation

- Information technology should be used to facilitate borrower project management and reporting keyed to critical progress indicators. Borrowers should be provided the necessary hardware, software and training to install computer-assisted project management and reporting capabilities. (It should be recognized, however, that that will only be a beginning -- and a small part of the overall systems cost -- as the problem of reporting is more one of obtaining the necessary information than of sorting and transmitting it).

- The Bank's internal systems for tracking and analyses related to portfolio performance management should be improved. The Form 590 and the related information system should be revised. The filing of project documents (including electronic ones) is inadequate today and should also be improved. Most generally, if international communications and borrower abilities to provide information improve, the Bank will itself need to be able to respond more rapidly. For this to occur, the Enterprise Network, the OPSMIS, and the Task Manager's Workstation projects must be brought to successful fruition.

Loan Processing

While not strictly within the task force's purview (except with respect to implementation planning and risk/sensitivity analysis, which have been discussed above), the task force believes that there is room to improve SAR processing, peer review practices, and SAR content requirements.[1] The task force has no specific recommendation on these subjects but recommends that they be reviewed in due course. The recommendations with respect to peer review of the study of Loan Processing and Project Quality should be carefully considered.

Organizational Structure

While the task force has no recommendations on organizational structure other than those above on field establishments, it is concerned that the task managers, under present arrangements, are stretched too thinly, that the smallness of SODs creates serious problems of scheduling, continuity and specialization, and that it is difficult to use the staff of the Technical Departments to best advantage. These problems affect appraisal and preparation assistance work as well as implementation surveillance. While changing the fundamental structure of country departments clearly would not be practical and is not recommended, the role of the Technical Departments vis a vis OSP and the country departments would, in the task force's opinion, benefit from a searching review.

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[1] The task force also finds anomalous, and a counterproductive signal, the requirement that in Memoranda of the President a schedule of processing events (Section III.C.) but not of key implementation milestones is required.

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From: Christian H. Walser, LEGOP

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Additional Comments

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OFFICE MEMORANDUM

File

DATE: June 30, 1992

TO: Distribution

FROM: R. Srinivasan, Chief, CODPR RS

EXTENSION: 84090

SUBJECT: Portfolio Management Task Force (PMTF) Report

As instructed by Mr. Wapenhans, I have attached the revised draft of the annex on "**Procurement**" which has been cleared by him. (This supersedes the earlier draft sent to Mr. Ian Scott under original memo of June 17, 1992).

Attachment

Distribution

Messrs./Ms. S.K. Bhatia, PBDPR; Prem C.Garg, EMTAG; S.O. Hassan, LEGEA; M. Mould, (Cons.); Michel J.L. Pommier, CODOP; J.C. Peter Richardson, CBPVP; Joanne Salop, CODOP; Ian G. Scott, ORG

cc: Messrs. W. A. Wapenhans, EXC
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RSrinivasan:fdr
CODPR 2.1

PROCUREMENT

A. PREAMBLE

1. Procurement is an important and critical activity in project implementation.[1] Sound and efficient procurement is essential for timely completion and success of a project. Delays and poor procurement effort would result in delay in disbursements, delay in project benefits, and poor quality of the investments. Procurement is the responsibility of the borrower, while Bank staff has the responsibility to supervise the process. The Procurement and Consultant Guidelines outline Bank policy and requirements; these guidelines are incorporated in the Loan Agreement and become part of the borrowers' legal obligations. Economy and efficiency, equal opportunity to all member-country suppliers, and encouragement to the domestic industry, are three basic principles on which the Procurement Guidelines are based. The preferred method of procurement is International Competitive Bidding (ICB).[2] Other simpler procedures such as Local Competitive Bidding (LCB) are permissible when ICB is not feasible or appropriate. Approximately 60% of procurement in investment loans are carried out through ICB. Overall, Bank-supervised procurement awards exceed US$25 billion involving over 30,000 new contracts annually. The business community in Bank-member countries is keenly interested in competing and hence looks to the Bank to preserve the integrity of the procurement process, and the consistency of the application of the rules across all sectors and Regions. The Bank's Guidelines have served as a model to other regional and bilateral development finance institutions.

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1 It is estimated that approximately 30% of staff time spent on supervision is devoted to procurement, i.e., about 150 staff years per annum.

2 Similarly, selection through a short-listing process is the preferred method of hiring consultants, though single source is permissible in appropriate circumstances.

B. DIAGNOSIS

2. Procurement in Bank projects has worked reasonably well in achieving its objectives without major problems or confrontation or scandal. Overall the ICB process has generated good competition, obtained economic prices, and promoted local industry. At the same time, out of the $138 billion committed through loans and credits so far, $73 billion remains undisbursed, partly due to delays in procurement. The task force discussions with staff, borrowers, the business community, and the reviews carried out by IAD and OED, highlight the following areas as warranting attention and improvement:

(i) guidelines to specifically address procurement in social sector projects and procurement by the private sector;
(ii) timely planning of procurement;
(iii) quality of bidding and contract documents;
(iv) the physical quality of the project, particularly in construction works;
(v) the long process time by the borrower and review time by Bank staff;
(vi) the consistency of application of the rules across all sectors and Regions;
(vii) the procurement expertise within the Bank to adequately address supervision needs.

C. ANALYSIS OF PROBLEMS AND SOLUTIONS

Guidelines

3. There is a perception by borrowers and Bank staff that the Procurement Guidelines primarily address procurement in the hard sectors--infrastructure, energy, transport, industry--but not in the soft

sectors--education, health, rural development, etc. For instance, procurement of textbooks or pharmaceuticals through ICB may have unique problems different from those in the procurement of large civil works or industrial plant. Secondly, the Guidelines, both Procurement and Consultant, basically address procurement by the government or the public sector agencies, and do not adequately address procurement by the private sector and procurement issues in privatization operations, which is a growing area of emphasis. We suggest that the Guidelines be reviewed to address both these issues.

Lack of Timely Procurement Planning

4. Procurement is not given sufficient attention during appraisal and negotiation, and often the implementing agency is confronted with a procurement procedure and process which have not been discussed earlier. This leads to delay in commencing the process, poor documents and complaints, often resulting in re-bidding with new documents, which address the problems in the first round. During appraisal, the Bank staff should discuss and finalize a satisfactory "procurement plan" which involves contract packaging, choice of procedures, and finalization of the prequalification and bidding documents. The SAR should include a clear procurement plan and implementation schedule for each contract package, including milestones such as dates for invitation of prequalification applications, issue of bidding documents, opening of bids, submission of evaluation report to the Bank, and award of contract. This should be incorporated in an implementation schedule to be annexed to the Loan Agreement; it would serve also as a monitoring tool.

Quality of Bidding and Contract Documents

5. Under the present Guidelines, the borrower prepares the bidding documents. In the case of large value contracts covering most ICB procurement, the borrower submits the documents to the Bank for prior review before issue; the rest are submitted after completion of the procurement process and award, for ex-post review on a random basis prior to disbursement. The Bank has issued Sample Bidding Documents (including contract format) for different types of procurement; but these are not universally followed. Often, borrowers prefer to modify local procurement documents into international procurement documents. These are then in need of review by staff, to ensure compliance with the Guidelines, disclosure of evaluation criteria, fairness and clarity of the contract conditions, and appropriateness of the technical specifications from the investment and the ICB point of view. Staff comments and suggested modifications (some mandatory) are then conveyed to the borrower for incorporation in the documents prior to issue. Often, this results in back and forth correspondence and the process takes considerable time and staff resources. At the end of the process, the final document still lacks cogency, comprehensiveness and, at times, includes unacceptable provisions introduced by the borrower prior to its issue. A poor bidding document (ambiguities, conflicting provisions, inadequate disclosure of evaluation criteria, etc.) discourages participation by leading international contractors, results in non-responsive bids, and is often a source of complaint at the time of evaluation and selection of the winning bid. Poor contract conditions affect quality of the works, raise claims and disputes, and delays projects.

6. There is a general consensus that the obvious way to address the above situation would be

to introduce mandatory use of standard bidding and contract documents developed by the Bank for all ICB procurement. Bank (CODPR) has already issued five "standard bidding and contract documents" for commodities, manufactured goods, small works, large works and consultants. Where appropriate documents are not yet developed, Bank and borrower should agree upon use of documents by other well-recognized agencies. The "standard documents" would still need to be "filled in" to reflect the borrower, project and specific procurement on hand, and supplemented by the technical specifications. The review by the Bank staff would be confined to the variations to the Bank's standard documents. The use of standard documents would substantially improve the quality of the bidding documents, resulting in increased competition, reduced process time, savings in staff time, and more efficient procurement resulting in better prices. This proposal is very strongly supported by Bank staff, the Procurement Advisors, and the business community. Borrowers also welcome this proposal which would considerably reduce process time for major ICB procurement, and, incidentally, facilitate access for their suppliers of goods and services to Bank-financed procurement in other borrowing countries.

7. In a similar manner, the Bank staff and borrowers also recommend "standardizing" the bidding documents for Local Competitive Bidding (LCB) in each borrowing country, for repetitive use. LCB covers a large part of procurement in the case of major borrowers, such as China, India, Indonesia, Brazil, Mexico, etc. The periodic Country Procurement Assessment Review (CPAR) should result in drafting and updating the standard LCB documents for goods and works. The CPAR and development of the LCB document should be contracted out to "expert agencies" under "terms of reference" to be approved by the Bank, thus saving staff time.

Quality of Construction Works

8. There is a perception that the Bank staff supervision on procurement stops after the contract award, and often the quality of construction is very poor and not according to established specifications. The contracting community also feels that the Bank staff should have a greater involvement during the implementation, to smoothen difficulties, address problems faced by the borrower and the contractor, and, generally, facilitate the implementation process. We believe that the quality problem is particularly prevalent in those countries where there is no independent engineer supervising the construction process, and the borrower's agency functions as the employer and the engineer. In large construction contracts, employment of an "independent engineer" should be a requirement to ensure quality, certify compliance to contract specifications, and address implementation problems on a timely basis. Contracts should also include specific "quality assurance program" to be observed by the contractor during construction. Also, introduction of a standing "disputes avoidance/resolution board" with representatives from contractor and client, would promptly address claims and disputes as they occur during execution. Contracts should, as a matter of general practice, include bonus for early completion (besides penalty for delay) to provide an incentive to the contractor for timely completion. Contract conditions in the "standard documents" developed by the Bank, should address these issues. Finally, Bank staff should explore use of "design and build" and "management contracting" types of contracts for complex projects, to improve implementation time and quality.

Internal Review Process

9. It is essential to maintain consistent standards in the application of procurement rules across

sectors and Regions, in order to maintain the credibility of the procurement process, since the same type of goods and services are procured by all borrowers using the same rules and supervised by the same institution. At present, the Regional Procurement Adviser (RPA) is charged with the responsibility for ensuring consistency within the Region. Responsibility for ensuring consistency across the Regions rests with CODPR. Until 1987, the equivalent Unit (together with the Legal Department) reviewed the bidding documents and proposals for award for all major contracts, ensuring uniform quality and consistency across the Bank. However, since 1987, the CODPR review has been delegated to the Regions and hence CODPR has no structured mechanism to ensure such consistency, except through close networking among the procurement advisory group in CODPR, the Regions, and the Legal Department. However, this is not adequate, particularly in reacting to bid evaluation and contract award proposals, where judgement has to be exercised and, if these are not consistent across the Regions, the credibility of Bank supervision suffers. We recommend setting up of a Bank-wide operation procurement review committee (OPRC) chaired by CODPR, with participation by the Regional and Legal Procurement Advisers, the division chief, and the task manager concerned, which would review award proposals for major contracts, say, above $25 million for goods and works, $10 million for consultant services, and other award proposals referred to it by the Regions, such as when (i) a borrower recommends award to other than the lowest priced bid, (ii) there are complaints from EDs about the process or the recommendation, or (iii) the division opposes the borrower's recommendation.

10. The OPRC would make recommendations to the Regional management. At this threshold, the committee would review less than 50 contracts a year, which is less than 1% of the total number of contracts subject to prior review, but would, at the same time, cover more than 50% of the annual value of contract awards. The OPRC process would also provide valuable feedback to CODPR to

review policies, guidelines, training programs, etc., and introduce corrective action.[3] Procedural rules and details could be worked out between COD, the Regions and the Legal Department.

11. Bank staff perform a prior review of bidding documents and contract award proposals only in the case of major contracts (10% of the total number) which captures 60-80% of the total contract value. Prior review thresholds range from US$100,000 to US$5 million per contract, depending upon the borrower's familiarity with Bank procedures and the size of the loan. Contracts below these thresholds are awarded without prior supervision, but are subject to a sample post review. It has been reported that this ex-post review does not take place, due to lack of timely availability of technical staff, hence disbursements are made without such ex-post review. Incidentally, the ex-post review captures all or most of the Local Competitive Bidding. There have been complaints about unfairness and even abuse in the award of these contracts as these are not strictly supervised by Bank staff. The review of these contracts on an "ex-post" basis should be carried out by "expert agencies", under terms of reference to be approved by the Bank, to certify that borrowers followed agreed procedures and the process was consistent with Bank Guidelines. Such review should take place as soon as a significant amount of funds are committed through contract awards. The results of the review would be an input to deciding prior review thresholds in subsequent operations, or other corrective steps to improve the local institutional capabilities.

12. Resident missions can also play an increasing role in procurement supervision. The knowledge of local industries, language and the bureaucratic set up, would be an advantage particularly in reviewing procurement through LCB conducted in local language. Resident missions

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3 Both ADB and IDB have a Central Procurement Review Committee. The former reviews all contracts above $3 million and others which are referred to it, and the latter reviews award proposals in case of complaints (on an exceptional basis).

should also organize frequent training for executing agency staff.

D. ORGANIZATION AND STAFFING OF THE PROCUREMENT FUNCTION IN THE BANK

13. Presently, some operating divisions have a procurement assistant, and some have a procurement engineer/specialist. Five Regions have a "procurement service unit" located in the Technical Department, to assist all departments, with staffing of three to six professionals, and the RPA is located in the front office of the vice president (except in one Region, ECA). Procurement Policy and Coordination Unit is located in the Central Operations Department in the OSP Vice Presidency. There is a general consensus that the number of procurement specialists in the Bank falls far short of the requirement. The mandatory use of standard documents for all ICB procurement would provide substantial savings of time spent on document review; employment of outside "expert agencies for the preparation of CPAR, standard LCB document and for in country "post review" of procurement would also reduce demand for staff time. Staff would still have to supervise the selection of these third parties, review their terms of reference and supervise their performance. A marginal increase in the number of procurement assistant and specialists in the Region would still be necessary to adequately address all procurement issues during the project cycle. They may be located in SODs having heavy procurement volume (e.g., infrastructure) or in the Procurement Service Unit in the Technical Department serving the whole Region. In order to attract staff with the potential in this area, Personnel should develop a career stream. Also, the TMs and technical staff should be required to undergo training and, perhaps, "tests" to assure that they have the requisite skills to identify and address the "procurement" area in their functions.

E. RECOMMENDATIONS

14. We recommend:

(i) review Procurement/Consultant Guidelines to address procurement issues in social sector projects, and procurement by private sector and in "privatization operations";

(ii) finalization of a detailed "procurement plan" and the specific bidding documents for each operation, preferably during appraisal and, in any case, before negotiation is completed. The SAR should include the "procurement plan"; an implementation plan annexed to the Loan Agreement should contain a schedule of procurement actions;

(iii) mandatory use of Standard Bidding and Contract Documents (SBD) developed by the Bank and, where the Bank SBD is unavailable, agree upon use of other internationally recognized documents, for all ICB procurement; assist borrowers in developing a standard LCB document for repetitive use;

(iv) introduction of quality assurance procedures and incentives for early completion in al construction contracts, and introduction of an "independent engineer" and a "dispute resolution mechanism" in all major construction contracts; explore use of "design and build" and "management contracting" in appropriate projects;

(v) introduction of procurement reviews at the country/agency level, by outside "expert agencies" for all procurement not covered by "prior review" by Bank staff;

(vi) setting up of an operations procurement review committee (OPRC) comprising CODPR, LEG and the Region and chaired by CODPR, to review contract award proposals for all major procurement (above $25 million for goods/works and $10 million for consultants and others referred to it) and advise the Regional management;

(vii) delegation of some procurement supervision to field missions, in the case of the larger borrowers;

(viii) critical assessment of the need for additional procurement expertise at the professional and assistant level in each Region, and development of a procurement career stream.

RSrinivasan:fdr
CODPR
6/29/92
(Srini\Proc-2.Doc)

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

E: June 30, 1992

TO: Distribution

FROM: R. Srinivasan, Chief, CODPR

EXTENSION: 84090

SUBJECT: Portfolio Management Task Force (PMTF) Report

As instructed by Mr. Wapenhans, I have attached the revised draft of the annex on **"Procurement"** which has been cleared by him. (This supersedes the earlier draft sent to Mr. Ian Scott under original memo of June 17, 1992).

Attachment

Distribution

Messrs./Ms. S.K. Bhatia, PBDPR; Prem C.Garg, EMTAG; S.O. Hassan, LEGEA; M. Mould, (Cons.); Michel J.L. Pommier, CODOP; J.C. Peter Richardson, CBPVP; Joanne Salop, CODOP; Ian G. Scott, ORG

cc: Messrs. W. A. Wapenhans, EXC
V. Rajagopalan, OSPVP
H. Wyss, CODDR

RSrinivasan:fdr
CODPR 2.1

Mr. Wapenhans

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: June 24, 1992

TO: Michel Pommier

FROM: Pervaiz Rashid PR

EXTENSION: 82824

SUBJECT: Wapenhans' Task Force - Financial Accountability

1. The principal reasons for ensuring financial accountability are to ensure proper use of Bank and borrower funds, improved governance and economy and efficiency. While the report by Mr. Maurice Mould recognizes the above, its basic premise is that the Bank's requirements for financial accountability, while technically sound, cannot be implemented given the existing number and unsatisfactory quality of Bank staff. Therefore, he feels these should be modified and the Bank's monitoring role should be reduced. I do not agree with the report recommendations concerning the above. I believe these would lead to a more complex and costly approach, and reduced effectiveness in institution-building in the vital area of borrower financial accountability. The situation in the Bank has evolved in recent years and I, therefore, describe below the actions which the Bank has taken as the context of my subsequent comments on specific recommendations.

Staffing

2. While one can always argue about staff shortages and skill mix issues, we have to do the best within existing budget constraints and staff resources. The Bank's approach has been to take advantage of and leverage the existing skills within the Bank. Each Region and Department has developed an action plan which focuses on approaches to strengthening both the Bank and borrower capabilities. The answer, in my view, is not to lower the Bank's requirements which are the basis for institution building as this could adversely impact our developmental role, for the reason that the Bank's staffing situation is (or is perceived to be) constrained. The other specific aspects that also need to be taken into account are:

3rd party contract!

(a) greater use of consultants by the regions to review accounting and auditing aspects as well as the review of the quality of audit reports. This has been reported by the Regions in their semi-annual reports. For example, LAC largely relies on consultants in this area.

(b) Encouraging the greater use of private sector auditors or government audits with joint auditors to enhance quality with reduced burden on Bank staff.

(c) High priority to Bank staff training. The Training Division has organized courses in accounting and auditing matters. I estimate over 300 staff have attended such courses.

(d) The organizational systems to ensure accountability which have been put in place in the Regions are intended to take advantage of and leverage the existing skills within the Bank. Four Regions (other than ECA and MENA where this matter is also under consideration) have designated regional financial and audit advisors to maintain oversight and provide guidance to staff. Additionally, departmental and divisional coordinators have also been made responsible for these functions. This has been done to ensure proper reviews and monitoring of the audit reports received.

Institution Building

3. The Regions now place a high emphasis on strengthening borrower institutional capability and improving compliance. All Regions have asked staff to evaluate potential borrowers' capability in accounting and auditing early in the project cycle and where weaknesses exist to include corrective measures in the project. These actions by the Regions have the effect of sensitizing the governments to the cross sectoral nature of accounting and in improving governance and the need to build national capacity in this discipline. Increasingly structural and Sectoral Adjustment Loans now also address strengthening of accounting capability. Public Sector Management and technical assistance loans have specifically targeted public sector financial accountability. Accounting components are now often included in many investment operations as required. The high emphasis to this area is evidenced by the ongoing work in Eastern Europe, and the states of the former Soviet Union. We would be doing our borrowers a disservice by reducing our requirements on the basis that the Bank staff resources are inadequate.

4. Of the about 5500 audit reports, a number of them for SOEs and special accounts (about 50 percent of the total), and project specific reports (about 25%) are prepared on a cash basis. These are simple and would require in most cases a less than a half-day's review and follow-up work. Others would require more, but I would estimate (based on my discussion with staff) no more than one day (and not two) on the average for an audit report, indicating the need for about 25 man-years of effort annually across six regions in the reviews of audit reports. While the borrower remains ultimately responsible for review and implementation of audit recommendations, it is necessary that the Bank's audit review work be strengthened (rather than reduced) for institution building and as an input to supervision in view of the size of loan portfolio under supervision by the Bank which comprised in FY 1991, about 1,850 projects worth $138 billion.

25 5%!

5. My specific comments on the recommendations are as follows:

Statements of Expenditure

6. The Bank's revised policies require that where the borrower proposes to use SOE's, the Bank should assess the borrower's ability to process and maintain SOE documentation to ensure accurate reimbursement by the Bank. Further, that this procedure should be recommended only if appropriate accounting and control systems are likely to be in place at the commencement of expenditures (including retroactive financing) for which reimbursement would be claimed under this procedure. Matters related to accounting, financial reporting and auditing are addressed at various stages of the project cycle and agreements with the Borrower are worked out during preparation, appraisal and negotiation to ensure that where deficiencies have been identified, that appropriate actions are being taken to ensure that these are remedied and proper accounting is

[illegible] for a 3rd party [illegible]

dossier écrit

in place at commencement of project expenditures. The Bank staff are advised to seek professional support if they so require. The accountability to the Bank is provided through an audit by the auditor acceptable to the Bank to be submitted within 6 months of the fiscal year's end (or the reporting period) for the operation.

7. The proposed recommendation by <u>requiring an audit of the system before agreeing to SOE use would be unduly burdensome</u>, cause delays in project preparation, enhance costs and would not necessarily be an improvement. In view of the simplicity of the SOE systems and the revised guidelines on SOEs (being finalized) asking for such an audit would be unnecessary. Moreover, for new projects in certain cases such a certification may not be possible (e.g., ECA) as the systems may not have been put in place or be operational until the commencement of project expenditures.

these objections do not meet the basic point of it – assuring quality & transparency and [illegible]

8. The Bank has had considerable experience in monitoring compliance with audit covenants. This experience indicates the <u>requirement for the submission of an auditor's report within two months of the close of the fiscal year end of the borrower is impractical</u>. In a developing country environment an auditor is not always able to schedule prompt audits and complete the report, or the borrower may not be ready for the conduct of an audit so soon after the end of the fiscal year.

What does the [illegible] [illegible] ??

9. Finally, an auditor is engaged by the borrower. It is appropriate that the borrower take responsibility for the timely preparation of the audit report, review and submit it to the Bank. The Bank's role is to act as a catalyst to ensure that the Borrower is taking appropriate remedial measures, where for example, auditors' reports are qualified or indicate the need for urgent improvements. Therefore, <u>requiring that the audit report be sent directly to the Bank places additional responsibilities on the Bank</u>, is not good practice, and is really not required.

<u>**Adjustment Operations**</u>

10. The Bank's requirements for the financial reports of adjustment operations (SALs and SECALs) are very simple. These have been formulated after extensive discussions within the Bank during the process of preparation of the operational directives which were issued last year. These require a summary statement of receipts and payments stating that the funds were used in accordance with the loan agreement, e.g., items in the negative list were not imported. There were 61 such operations in FY91 under supervision and as these disburse quickly few financial reports for each operation are received.

11. The proposal to require the Central Bank of the country concerned to provide periodic certificates, e.g. monthly, three monthly, which would indicate the total import bills and then calculate an average percentage of aggregate eligible imports (on the basis of past three years' imports, etc.) by excluding ineligible imports, and the confirmation of such imports and certificates by the auditors suffers from important weaknesses. The major issue is that if we are to get accountability it should be simple and cost-effective, focused on a loan and that we should not begin to require an audit of the entire national imports. Further, different types of certificates would need to be prepared in case of a country where the Bank has structural and a sectoral adjustment operations under the proposed method.

12. The proposed system is more complex and would require the determination (and audit) of what is eligible and ineligible for the entire country. It would also not reduce the number of audit

reports and could be more costly by the need for updating of information to meet Bank requirements.

13. Further, the basic assumptions in formulating this recommendation may not be correct. For example, the Bank does provide retroactive financing for adjustment operations (as for investment operation) on which basis comments in paragraph 2.4 are not accurate. Further, the provision of documentation (even where substituted) to indicate eligible imports would indicate a country's desire to be consistent with agreements with the Bank. I find this hardly a cause for concern in view of the specific nature of adjustment operations.

Country Projects Secretariat

14. The Bank handles projects across sectors where sector ministries have a direct interest in their success. To ensure successful implementation of a project (including financial accountability matters) the Bank frequently establishes a project monitoring unit to oversee implementation of a specific operation. The government also makes a specific ministry responsible for coordination and liaison with the Bank.

15. In view of the diversity of Bank projects, the existing organizational mechanisms in place for coordination and monitoring, and specific responsibilities of the sector ministries and of implementing agencies, the recommendation to establish a country projects secretariat (CPS) responsible for financial accountability and management of project funds would complicate project supervision. It would add another layer of oversight, possible rivalry and conflict within the sector ministries, and another agency for coordination in project preparation and implementation.

16. Further, a special account and a project preparation facility is established to ensure speedy and efficient project implementation. This is done on a project basis to ensure that the funds are available as determined for each project. If such funds are provided on a country basis, it should lead to a situation where funds for a particular project may not be available when required, delaying project implementation or their application for other country needs.

17. Thus, the responsibility for the receipt and review of the audit report and implementation of recommendations must continue to be that of the implementing agency monitored by the project monitoring unit. Transferring this responsibility to the CPS would dilute this direct responsibility of the borrower agency. Further, if the Bank staff are to effectively supervise the project, they will need to be aware of the financial accountability problems highlighted by the auditors and ascertain they are being remedied. The proposed approach will not lead to efficiencies either by the borrower or the Bank.

Financial Covenants

Where does this stand?

18. The Bank has already instituted a review to ascertain the type of financial covenants that would be appropriate and effective in achieving Bank goals. This review would be overseen by a Bank-wide team. In view of the need to emphasize Bank experience and the technical aspects to this review, it is really not necessary to include borrower representatives in the review team.

Financial Professional Staff

19. I agree that there is a need for enhancement in the number of financial professionals. We should not, however, be overprescriptive and thus leave the decision of the number and type

(including consultants) to regional management who are responsible for the quality of the portfolio and the lending program. I do not agree that we should constrain financial professionals from taking on task manager responsibilities for those who are interested. Such experience is enriching and necessary for career growth.

20. I hope the Task Force report will be issued to the Regions for comments before the adoption of its recommendations.

cc: Messrs. Wyss and Wijnand

File

ROUTING SLIP	Date 23 June 1992
NAME	**ROOM NO.**
Steering Committee Members	

	URGENT		For Action/Comment		Per Your Request
	Appropriate Disposition		Information/Discard		Returned
	Approval/Clearance		Note And Return		See My E-Mail
	File		Per Our Conversation		Signature/Initial

RE:

REMARKS

Please find attached feeder papers on:

- Procurement
- Information Technology
- Adjustment Lending (summary; full paper to follow)
- Supervision Resources.

From	Room No.	Ext.
Peter Richardson	F13-027	84571

P-1862

PROCUREMENT

A. PREAMBLE

1. Procurement is an important and critical activity in project implementation. Sound and efficient procurement is essential for timely completion and success of a project. Delays and poor procurement effort would result in delay in disbursements, delay in project benefits, and poor quality of the investments. Procurement is the responsibility of the borrower, while Bank staff has the responsibility to supervise the process. The Procurement and Consultant Guidelines outline Bank policy and requirements; these guidelines are incorporated in the Loan Agreement and become part of the borrowers' legal obligations. Economy and efficiency, equal opportunity to all member-country suppliers, and encouragement to the domestic industry, are three basic principles on which the Procurement Guidelines are based. The preferred method of procurement is International Competitive Bidding (ICB). Other simpler procedures such as Local Competitive Bidding (LCB) are permissible when ICB is not feasible or appropriate. Approximately 60% of procurement in investment loans are carried out through ICB. Similarly, selection through a short-listing process is the preferred method of hiring consultants though single source is permissible in appropriate circumstances. Overall, Bank procurement exceeds US$25 billion and over 30,000 contracts annually. The business community in Bank-member countries is keenly interested in competing and hence looks to the Bank to preserve the integrity of the procurement process, and the consistency of the application of the rules across all sectors and Regions. The Bank's Guidelines have served as a model to other regional and bilateral development finance institutions.

B. DIAGNOSIS

2. Procurement in Bank projects has worked reasonably well without any major problem or issue or confrontation or scandal. The ICB process has generated good competition, obtained economic prices, and promoted local industry in some countries. At the same time, $73 billion is committed but not disbursed partly due to delays in procurement. The task force discussions with staff, borrowers, the business community, and the reviews carried out by IAD and OED, highlight the following areas as warranting attention and improvement:

(i) Elaboration of the guidelines to specifically address procurement in social sector projects and procurement by the private sector;

(ii) improving the quality of prequalification and bidding documents;

(iii) reducing the process time by the borrower and review time by Bank staff;

(iv) improving the consistency of application of the rules across all Regions and sectors;

(vi) improving the quality of the investment, particularly in construction works;

(vii) increasing the procurement expertise within the Bank to adequately address supervision needs.

C. ANALYSIS OF PROBLEMS AND SOLUTIONS

Quality of Bidding and Contract Documents

3. Under the present Guidelines, the borrower prepares the bidding documents. In the case of large value contracts covering most ICB procurement, the borrower submits the documents to the Bank for prior review before issue; the rest are submitted after completion of the procurement

process and award, for ex-post review on a random basis prior to disbursement. The Bank has issued Sample Bidding Documents (including contract format) for different types of procurement--commodities, goods, works, consultants--for the guidance of borrowers, but these are not universally followed. Often, the borrower modifies a local procurement document into an international procurement document. These are then reviewed by staff, to ensure compliance of the Guidelines, disclosure of evaluation criteria, presence of any unacceptable clause in the evaluation criteria or contract conditions, and appropriateness of the technical specifications from the investment and the ICB point of view. Staff then convey their comments and suggested modifications (some mandatory) for incorporation in the document prior to issue. Often, this results in back and forth correspondence and the process takes considerable time and staff resources. At the end of the process, the final document still lacks cogency, comprehensiveness and, at times, includes unacceptable provisions introduced by the borrower prior to its issue. A poor bidding document (ambiguities, conflicting provisions, inadequate disclosure of evaluation criteria, etc.) discourages participation by leading international contractors, results in non-responsive bids, and is often a source of complaint at the time of evaluation and selection of the winning bid.

4. There is a general consensus that the obvious way to address the above situation would be to increase or even mandate the use of the sample (model) documents issued by the Bank, and, where such documents are unavailable, use internationally recognized contract documents. The use of standard documents would substantially improve the quality of the bidding documents, resulting in increased competition, reduced process time, savings in staff time, and more efficient procurement resulting in better prices. The "standard documents" would still need to be customized to the country context, and thereafter to the specific procurement on hand. The review by the Bank staff would be confined to the variations to the Bank's standard documents. This proposal is very strongly supported

by Bank staff, the Procurement Advisors, and the business community. Borrowers also welcome this proposal which would considerably reduce process time for major ICB procurement.

5. In a similar manner, the Bank staff and borrowers also recommend "standardizing" the bidding documents for Local Competitive Bidding (LCB) in each borrowing country, for repetitive use. LCB covers a large chunk of procurement in the case of the larger borrowers, such as China, India, Indonesia, Brazil, Mexico, etc. The periodic Country Procurement Assessment Review should result in drafting and updating the standard LCB documents for goods and works.

Lack of Timely Procurement Planning

6. Procurement is not given sufficient attention during appraisal and negotiation, and often the implementing agency is confronted with a procurement procedure and process which have not been discussed earlier. This leads to delay in commencing the process, poor documents, and complaints, often resulting in re-bidding with new documents, which address the problems in the first round. It is essential that during appraisal, the Bank staff discuss and finalize a satisfactory "procurement plan" which involves contract packaging, choice of procedures, and finalization of the prequalification and bidding documents. The SAR should include a clear procurement plan and implementation schedule for each contract package, including milestones such as dates for invitation of prequalification applications, issue of bidding documents, opening of bids, submission of evaluation report to the Bank, and award of contract. This would serve as a monitoring tool. In selected cases of countries or agencies with chronic problem of delay and lack of diligence, loan agreement can require completion of all commitments by award of contracts by a specific date, failing which the uncommitted funds would be automatically cancelled.

Internal Review Process

7. It is essential to maintain consistent standards in the application of procurement rules across sectors and Regions, in order to maintain the credibility of the procurement process, since the same type of goods and services are procured by all borrowers using the same rules and supervised by the same institution. In the present setup, the Regional Procurement Adviser (RPA) is charged with the responsibility for ensuring consistency within the Region. Responsibility for ensuring consistency across the Regions belongs to CODPR. Until 1987, the Unit, together with the Legal Department, reviewed the bidding documents and proposals for award for all major contracts, ensuring uniform quality and consistency across Regions. However, since 1987, the review has been delegated to the Regions and hence CODPR has no structured mechanism to ensure such consistency, except through close networking among the procurement advisory group in CODPR, the Regions, and the Legal Department. However, this is not adequate, particularly in reacting to bid evaluation and contract award proposals, where judgement has to be exercised and, if these are not consistent across the Regions, the credibility of Bank supervision will suffer in the eyes of the business community. One solution is to set up ~~of~~ a Bank-wide operation procurement review committee (OPRC) chaired by CODPR, with participation by the Regional and Legal Procurement Advisers, the division chief, and the task manager concerned, which would review award proposals for all major contracts, say, above $25 million for goods and works and $10 million for consultant services, and make recommendations to the Regional management. At this threshold, the committee would review less than 50 contracts a year, which is less than 1% of the total number of contracts subject to prior review, but would, at the same time, cover more than 50% of the value of the contracts. The committee would also review other contract award proposals referred to it by the RPA, such as when (i) the borrower recommends award to other than the lowest priced bid, (ii) there have been complaints from an ED about the

process or about the recommendation, or (iii) if the division opposes the borrower's recommendation for award. This would also provide valuable feedback to CODPR to review policies, guidelines, training programs, etc., and introduce corrective action.[1] Alternatively, the committee could be a Regional committee chaired by the division chief concerned and attended by the RPA, Legal Procurement Adviser and a representative of the CODPR. In either case, the procedural rules and details can be worked out between COD, the Regions and the Legal Department.

8. Bank staff perform a prior review of bidding documents and contract award proposals only in the case of major contracts (10% of the total number) which captures 60-80% of the total contract value. Prior review thresholds range from US$100,000 to US$5 million per contract, depending upon the borrower's familiarity with Bank procedures and the size of the loan. Contracts below these thresholds are awarded without prior supervision, but are subject to a sample post review. It has been reported that this ex-post review does not take place, due to lack of timely availability of technical staff, hence disbursements are made without such ex-post review. Incidentally, the ex-post review captures all or most of the Local Competitive Bidding. There have been complaints about unfairness and even abuse in the award of these contracts as these are not strictly supervised by Bank staff. One solution would be to require a review of these contracts on an ex-post basis by expert agencies, to assure that the borrowers, in fact, followed the agreed procedures and the process was fair, transparent and reasonable. Such audit can take place as soon as all funds are committed through contract awards. The audit results would be an input in deciding prior review thresholds in subsequent operations or other corrective steps, to improve the institutional strength or train borrower personnel.

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1 Both ADB and IDB have a Central Procurement Review Committee. The former reviews all contracts above $3 million and others which are referred to it, and the latter reviews award proposals in case of complaints (on an exceptional basis).

Quality of Construction Works

9. There has been a perception that the Bank staff supervision on procurement stops after the contract award, and often the quality of construction is very poor and not according to established specifications. The contracting community also feels that the Bank staff should have a greater involvement during the implementation, to smoothen difficulties, address problems faced by the borrower and the contractor, and, generally, facilitate the implementation process. We believe that the quality problem is particularly prevalent in those countries where there is no independent engineer supervising the construction process, and the borrower's agency functions as the employer and the engineer. Employment of an independent engineer would ensure quality, compliance to contract specifications, and address implementation problems on a timely basis. Also, introduction of a standing "disputes resolution board" ~~with~~ representatives from contractor and client, would promptly resolve disputes occurring during implementation. Contracts on the critical path can include bonus for early completion to provide an incentive to the contractor.

D. ORGANIZATION AND STAFFING

10. Presently, some operating divisions have a procurement assistant, and some have a procurement engineer/specialist. Five Regions have a procurement service unit located in the Technical Department, to assist all divisions, with staffing of three to six professionals, and the RPA is located in the front office of the vice president (except in one Region, ECA). Procurement Policy and Coordination Unit is located in the Central Operations Department in the OSP Vice Presidency. There is a general consensus that there is an inadequate number of procurement specialists to assist the task manager in procurement planning and supervision, as also to carry out Country Procurement

Assessment Reviews, prepare standardized country specific procurement documents, etc. This situation is exacerbated by the drop in the technical staff (engineers who are generally more familiar with procurement than financial experts or economists) in relation to the number of projects. It is essential to increase the number of procurement assistant and experts in the Region, in order to adequately address procurement issues during the project cycle. They may be located in SODs having heavy procurement volume (as infrastructure) or the Procurement Service Unit in the Technical Department. In order to interest Bank staff in this area, Personnel should develop a clear career path. We believe that Personnel is already working on this. The Regional Procurement Adviser is responsible for clearing all loan packages for acceptability of procurement procedures, institutional arrangement, etc., before the VP approves negotiation. He is also responsible for reviewing all major contracts--bidding document, contract award proposal--and provide advice to staff. Above all, he has the responsibility to ensure quality and consistency across the Regions and liaise with CODPR, Legal, etc. The location of the RPA in the front office of the VP gives him the ability to function effectively. Other options, such as locating the RPA in the Technical Department, has compromised his monitoring/control function and the advising and support function.

E. RECOMMENDATIONS

11. We recommend:

(i) mandating the use of the Standard Bidding Documents (SBD) issued by the Bank and, where the Bank SBD is unavailable, the use of other internationally recognized documents for all ICB procurement. CODPR should issue SBDs in areas which are not covered at present. Similarly, we recommend standardizing the LCB documents in each country for repetitive use;

(ii) finalization of a detailed "procurement plan" and the bidding documents for each operation, preferably during appraisal and, in any case, before negotiation is completed. The SAR should include the "procurement plan"; an implementation plan annexed to the loan agreement should contain a schedule of procurement actions;

(iii) setting up of an operations procurement review committee comprising CODPR, LEG and the Regions and chaired by CODPR, to review contract award proposals for all major procurement (above $25 million for goods/works and $10 million for consultants) and advise the Regional management;

(iv) introduction of a procurement audit (by expert agencies) for all procurement not covered by prior review;

(v) introduction of an "independent engineer" distinct from the Owner (borrower) and a "dispute resolution mechanism" in all major construction contracts;

(vi) critical assessment of the need for procurement expertise at the professional and assistant level in each Region; development of a procurement career stream, and location of the Regional Procurement Adviser in the VP front office in all Regions.

RSrinivasan:fdr
CODPR
6/16/92
(Srini\Proc-2.Doc)

International Bank for Reconstruction and Development
International Development Association

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Chapt. VI

SecM92-767
IDA/SecM92-237

FROM: Vice President and Secretary

June 8, 1992

Disbursements Under Adjustment Operations

Attached is a note entitled "Disbursements Under Adjustment Operations" dated June 8, 1992.

Questions on this paper should be referred to Mr. Raghavan (X84116), or Ms. Reinke (X84115).

Distribution:

Executive Directors and Alternates
Office of the President
Executive Vice Presidents, IFC and MIGA
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

DISBURSEMENTS UNDER ADJUSTMENT OPERATIONS

Introduction

1. The Bank's policy is to disburse against documentation related to eligible imports for adjustment loans[1]. The Articles of Agreement require the Bank to "**.... make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency".** When the Bank began to lend for adjustment operations, the standard disbursement procedures which were designed specifically for investment loans were not reviewed or modified to fit the new type of lending. Thus the Bank required borrowers to submit similar supporting documentation and data for adjustment as they did already for investment loans.

2. Current disbursement procedures stipulate that supporting documents - whether submitted to the Bank with withdrawal applications, or claimed through Statements of Expenditure (SOEs) and retained by the borrower - must include contracts, invoices, evidence of shipment and evidence of payment. To comply with these requirements, borrowers make special administrative arrangements to collect a large volume of documentation and undertake the time-consuming preparation of summary sheets detailing relevant transactions. These administrative arrangements are costly, and documentation requirements sometimes delay the disbursement process drastically or stall it because of difficulty in collecting documents from commercial banks or importers, thereby defeating the objective of quick disbursements.

Documentation Changes

3. Traditional disbursement documentation is still appropriate in cases where large contracts[2] are procured under simplified international competitive bidding (ICB) procedures. However, most disbursements for adjustment lending are against smaller contracts. To minimize administrative costs for borrowers, for contracts below the limit specified by the Bank for disbursement against SOEs - which is generally set to match the ICB procurement limit - the Bank will hereafter accept alternative disbursement documentation that provides safeguards for the Bank on use of funds and at the same time allows loans to be drawn down expeditiously as conditionality is met.

4. The customs certificates issued in most borrowing countries at the time of importation provide the information needed for the Bank to be assured that the goods are eligible, and that they have been supplied from member countries. These customs certificates are readily available within the existing framework of borrower procedures and import controls, and impose no additional burden on borrowers. To determine whether customs certificates can be accepted as the basis for preparation of SOEs, the adequacy of procedures for their preparation will be assessed by Bank staff to establish that they are based on underlying import documents and represent a reliable source of information. Where minor deficiencies in current systems are identified as the result of this assessment, these should be corrected before effectiveness; or, if these deficiencies would not expose the Bank to undue risk that funds would be misused, the first tranche could be released

1 "Bank" includes IDA, and "loans" include credits.

2 While this limit varies from one loan to another, the limit is frequently set as high as US$ 5 million equivalent.

with the condition of satisfactory corrective action before release of subsequent tranches or approval of subsequent adjustment loans.

5. The disbursement option based on data extracted from customs records would not be available in case of major deficiencies in the system unless these deficiencies could be addressed by the addition of pre-shipment inspection certificates by an independent third party which current government procedures in some countries require. In such cases, certificates confirming inspection of goods immediately prior to shipment prepared by agencies judged by the Bank to follow acceptable procedures would be required in addition to customs certificates which confirm arrival of goods. The process for determining acceptability of pre-shipment inspection agencies would be similar to that followed for customs, but an agency reviewed in connection with one loan would then be accepted for any other loans, subject only to periodic reassessment at intervals yet to be agreed.

6. For countries without customs control procedures acceptable to the Bank, an SOE from the central bank or another appropriate government agency providing similar information based on their review and retention of the underlying import documents (i.e. the existing documentation requirements) would continue to be acceptable.

7. In those cases where disbursements are based on customs or third party certificates outlined in paragraphs 4 and 5 above, evidence of payment which has so far been one of the key elements of the Bank's disbursement documentation would not necessarily be available to the agency preparing the certificate. In its place, as part of the standard withdrawal application form, the borrower would certify that the imported goods have not and will not be financed from other loans, credits or grants, or through barter arrangements.

Source of Supply Simplification

8. Source of supply (SOS) reporting - required for the information of the Bank's Executive Directors and management - currently classifies disbursements by supplying country, by state for goods of U.S. origin, and by individual U.S. or Canadian supplier for contracts valued at more than US$100,000 equivalent, as well as distinguishing between broad categories of goods. To maximize the benefits of the proposed change in disbursement documentation, borrowers will be asked to submit aggregated information by supplying country in SOE form, together with summarized customs data including details of suppliers and description of goods for the period covered by the SOE. SOS coding for reporting purposes will be limited to identification of the supplying country as provided by the borrower.

Advances to Special Accounts

9. In those countries where lack of access to funds makes it impossible to import goods unless funds are advanced from a Bank loan, the Bank will in future be prepared to make Special Account advances up to the full amount of the first tranche (excluding any retroactive financing limits set to permit financing of imports made prior to loan signing). Additional advances will be made as tranche conditionality is met subject to receipt of satisfactory documentation covering previous advances and audit reports.

Audit and Field Review

10. Audit provisions will remain in place requiring selective review by the borrower's independent auditors of procurement documents, invoices and bills of lading, and evidence of

payment where deemed appropriate. Field review of supporting documents by Bank staff will be selective and will focus primarily on documentation related to large transactions.

Conclusion

11. These procedures provide the safeguards needed to assure appropriate use of loan funds, and will greatly facilitate disbursements under adjustment operations by reducing the burden of special requirements currently imposed on borrowers.

June 8, 1992

File

Contractors Representations:

- declining interest of contractors
- declining quality of bid documents
- disappointment that there is little use of standard documentation and the emerging tendency to subdivide contracts
- unwilling engineers no longer as independent and objective as before
- quality assurance – concerns confirmed
  - remedies!!
- dispute resolution
  provision in contract – consistent with arbitration
- incentives and penalties for delays etc.
- design & build contracts with incentives on faster completion on the rise – 60% in Japan
- "Management Contracts" should be encouraged
- Promised to pursue these matters in and beyond the Task Force

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

D.G.
[handwritten initials]

DATE: June 1, 1992

TO: Members of the Portfolio Management Task Force

FROM: J. C. Peter Richardson

EXT: 84571

SUBJECT: **Meeting of May 27 - International Contractors' Associations**

1. Representatives of international contractors presented their views to representatives of the task force. Increasingly, the international contractors were displaying a lack of interest in bidding on projects financed by the multilateral development banks -- partly because the quality of bid documents had declined and partly because the Banks had too little influence on borrowers after the award of the contract. Moreover, they were disappointed that the model bid documents, in whose preparation they had collaborated, were not used much. They had, in any event, proposed improvements to the models. The word "should," often used, was, for example, ambiguous as to whether it indicated a mandatory or optional prescription. The Guidelines should be amended to make whatever models were developed (or refined) mandatory. This would simplify bidding and reduce the Bank's review time. For construction, there should be tight prequalification criteria. The division of large contracts into small pieces should be resisted. Dispute resolution procedures (such as FIDIC's) should be made mandatory where feasible.

2. The appropriate form of contract should be agreed at negotiations. Specifically, the Bank should encourage use of a "management contract" with an experienced firm in cases (such as road projects) where local contractors were available for pieces of the work but lacked the skills and resources to undertake responsibility for the whole. (While this might be a sensible arrangement in some cases, the Bank staff replied, the Bank had to respect the owners' prerogatives and would not be able to insist on it if, for example, the borrower preferred, as they often did, a joint venture approach).

3. The representatives said that consulting engineers were, regrettably, no longer as independent of owner influence as they used to be. Throughout the industry, the emphasis had been shifting, in the past five years, to quality assurance procedures within the contracting firms and to the review of their adequacy as part of the prequalification process. In some countries (but not the U. S.) there were procedures for certifying the quality assurance processes of contractors. The Bank might well require borrowers, as part of their prequalification process, to request information from contractors about their procedures for quality assurance. It would, however, be hard to frame objective standards for judging such procedures.

4. The contractors regretted the lack of a sense of urgency -- and pressure for timely completion -- in civil works projects. In industrial projects this was not a problem. Design and build contracts -- with bids based on performance specifications -- were on the increase and did promote faster completion. In Japan 60% were now on a design and build basis.

cc. Mr. Wapenhans, Mr. Srinivasan

minute.3 C:minute.3 prr 6/1/92 12:00pm

PROCUREMENT

Strombom Paper:

- Consistency)
  Correctness) Procurement Decisions
  Timeliness)

- Equip Regions adequately

- Reduce Review activities by focussing on the essential and by being selective

- have standard documentation -- focus review and exceptions -- take Bank off critical path.

- have procurement plan negotiated -- agree on application of guideline with explicit exceptions/modifications; have independent auditor certify compliance ; make effective post reviews. Guidelines are rules.

- provide career incentives to staff.

para. 1 Consistency a) within Regions
b) across Regions

Erosion of Business Communities perception of fairness and confidence in quality of supervision.
CODPR role needs strengthening

para. 2 revise 1987 decentralization
No Bank-wide consistency

para. 3 OPRC to be established
threshold values -- how much do they capture?

para. 5 Mandatory use of Bank Bidding Documents

para. 6 Local procedures for Procurement coverage, update -- consistency

para. 7 Ex post procurement audits!

para. 8 OD 11.03 audit of field documentation!
have any been done?
what would it achieve?

para. 10 TM remiss in entering 384 data
how so if it triggers disbursement?

para. 12 Private Sector procurement
needs further thought!

6/4/92

M.W.

ROUTING SLIP	Date May 29, 1992

NAME	ROOM NO.
Portfolio Management Task Force	

	URGENT		For Action/Comment		Per Your Request
	Appropriate Disposition		Information/Discard		Returned
	Approval/Clearance		Note And Return		See My E-Mail
	File		Per Our Conversation		Signature/Initial

File

RE: "Financial Accountability"

REMARKS

Revision by Maurice Mould

From	Room No.	Ext.
P. Richardson	F13-035	84571

P-1862

DRAFT
May 28, 1992

PORTFOLIO MANAGEMENT TASK FORCE

FINANCIAL ACCOUNTABILITY

I. INTRODUCTION

1.01 The following findings and recommendations relating to financial accountability of the Bank are suggested for incorporation in the report of the Task Force.

1.02 My overall findings are that the Bank currently cannot fully achieve the level of financial accountability for operations activities as presently prescribed, by reason of its limited levels of capacity and capabilities for supervision.

1.03 To meet the requirements of the Bank's Articles, managers and staff operate within a number of defined parameters. Two of these, under current operating practices, are perceived by many Operations staff as antithetical and also intractable. These are the operating instructions (ODs, OMSs, OPNs, guidelines, etc.) and the budget.

1.04 The Bank's operating instructions are typical of those of a large organization designed to assure the Board and senior management that all eventualities which may put at risk their financial accountability are (or will be) addressed by the staff which they employ. This is not to criticize the need for such precepts, but <u>the Bank should recognize that, at the present time, the requisite protection is not present, because some operating instructions cannot be meaningfully applied.</u>

1.05 Therefore part of the task has been to determine whether the Bank's canons of financial accountability can be made realistic and work efficiently and meaningfully in practice, within a cost-effective operating structure, which is primarily designed to support development.

1.06 The Board, advised by senior management, annually approves a budget as the acceptable level of expenditure necessary to achieve, among other things, their own (and the Bank's) accountability. But (reasonably) they permit the middle level operations managers to allocate this budget according to the perceived priorities of these managers. Therefore, among the issues which have been addressed were those to determine whether these managers were willing, or able, to allocate resources to ensure accountability and simultaneously achieve all their other operational objectives. This latter review was conducted against the background of the draft paper entitled "Some Relationships between Lending and the Budget" - March 1992, which suggests that "the supervision coefficient in 1989-91 was 3% lower than in 1980 - 82", and that "this is not a sustainable trend....but resources will be freed which can be used to rebuild supervision....".

1.07 This review therefore started from the premise that the budget is unlikely to be increased to meet the necessary additional supervision requirements, and therefore concentrated on identifying :

(a) those activities for which the Bank believes that it must be able to demonstrate its financial accountability and which:

(i) it can currently achieve by least-cost, effective means;

(ii) it cannot currently achieve; and

(iii) are unrealistic and unnecessary;

(b) those activities which could be reasonably attributed to the borrowers and their agencies (as part of their implementation responsibilities) and in which the Bank currently also participates at a supervision cost; and

(c) possible changes in practice which could make better use of staff with specialized skills likely to be realistically available to the Bank in the next 5 - 10 years.

1.08 To justify the findings and the recommendations which follow, the operating instructions and the manner of their application in Operations were examined, together with the professional background, experience and numbers of professional staff currently allocated to Operations, particularly the financial professional stream, to determine whether practical compromises could be effected within each of these areas, to achieve and sustain the Bank's financial accountability within a reasonable time-frame.

II. DISBURSEMENTS

- Statements of Expenditure(SOEs)

2.01 The continued use of SOEs is vital to achieving economy and efficiency in the disbursement process. However, the reliability of these documents, which are used for either loan/credit withdrawals, or for reimbursement of borrowers' special accounts, continues to be of concern to Loan Department and a limited number of task managers, who insist on reviewing either all submissions or a sample before payment.

2.02 The number of SOEs reviewed by task managers, however, are apparently small in relation to the substantial flows of disbursements through this process, yet interviews with some task managers indicate that they do find mistakes. Mistakes are often of a nature which the Loan Department is unlikely to identify, due to lack of operational knowledge of the project concerned. This is not a criticism of Loan Department, but it is a fundamental problem to which there is no simple solution.

2.03 The mass of small payments which make up a SOE make error detection difficult; often exacerbated by being written in a local language, which task managers and Loan Department staff may not be able to read. The audit process for SOEs must be based on systems verification and sampling (it would be too expensive to check every document), and therefore there is the inbuilt risk that the auditors, too, may let an error go undetected. But sound auditing is an acceptable international method of demonstrating that every <u>reasonable</u> effort has been made to achieve accountability.

2.04 *Therefore, for SOEs, the Bank must be prepared to continue to accept that its accountability can only be achieved by having the borrower make safe and efficient arrangements for the preparation, verification and auditing of SOEs.*

2.05 The statement in the preceding paragraph continues to prove difficult to achieve, primarily because many borrowers do not understand what is required before negotiations, and many task managers do not have the necessary expertise to either advise on, or supervise the installation of suitable systems.

2.06 The draft OD 12.30 - Statements of Expenditure includes requirements that a Task Manager, during supervision must conduct a "review to confirm that the borrower has an adequate accounting and control system for SOEs" and that "the amount of substantive testing of disbursement records and underlying documentation should depend on an assessment of the system of internal controls and the level of compliance with it". Many (probably most) task managers cannot do this, either through lack of time or skill/experience. There have been suggestions that Loan Department staff should undertake this work, but it is doubtful that many have the necessary skills and experience. Furthermore, what is being proposed is, in effect, a duplication of responsibilities. It cannot be said that to use the management of the project entity and its staff, a task manager and/or an expert, Loan Department staff, and an auditor, is having "due regard to economy and efficiency".

2.07 *The review of systems and internal controls must be an auditor's task, and the auditor should have a clear terms of reference to undertake this task, comment on the effectiveness of the systems concerned, and be paid adequately for the services. It would prove embarrassing to the Bank if the task manager or the Loan department gave a particular system a clean bill of health, only to have the system become the subject of auditor's qualifications in the next audit report.*

2.08 In addition, the Bank should increase its efforts to place the responsibility squarely on the borrower, and have the borrower prove conclusively to the Bank that adequate arrangements are in place. Currently *the Bank rarely takes meaningful steps at negotiations, or before, to assure itself that a meaningful system and audit is in place. Such laxity must give the borrowers the impression that the Bank is satisfied --- so why should the borrower worry about assuring itself that all requirements are in place?*

2.09 If the proposal in the next following section of the Paper would prove acceptable, this could achieve the cover which the Bank is seeking, with a much reduced level of supervision. But it must be recognized that few systems are thief-proof and foolproof; that auditors can only work on a sampling basis; but so long as the Bank can show that suitable arrangements were made, with due attention to economy and efficiency, it can achieve the necessary accountability.

RECOMMENDATION

It is recommended that the Bank should take steps to ensure that by negotiations a satisfactory system is in place for preparation and delivery of SOEs by the borrower, and that the opinion of an auditor acceptable to the Bank on the acceptability of the proposed accounting and internal controls has been provided to the Bank and produced at negotiations. Thereafter, within two months of the close of each fiscal year of the borrower, the auditor, acting under terms of reference prepared by the borrower and approved by the Bank, should be required to forward a copy of his/her report directly to the Bank (or to the agency recommended in Section III of this Paper).

2.10 As a footnote, it has not been possible in the time available to determine whether the more extensive use of information technology (EM, etc) would benefit the SOE process, both within countries and between borrowers and the Bank. Initial discussions with Mr Eduardo Talero(ASTIF) with regard to use of information technology to support the recommendation in the next following Section, suggest that more could be done in this regard.

- SALs and SECAL Disbursements

2.11 There is continuing concern expressed in Operations and by the Loan Department that the procedure whereby borrowers have to provide invoices equivalent in value to the amount of each tranche of the loan or credit is:

(a) time consuming for borrowers and Loan Department;

(b) irrelevant, because all funds are fungible at the level of central banks' operations;

(c) perceived by borrowers as a "make work" to appease the Bank;

(d) misleading and a deception;

(e) sends wrong signals to borrowers; and

(f) engenders more cynicism among Bank staff, concerning the Bank's motives and administration.

2.12 Where incorrect invoices are submitted by a borrower, for example, an item on a negative list, borrowers have had no difficulties in offering substitute invoices, often for many times the coverage needed.

2.13 Although there is a requirement that items funded from external capital inflows from other donors, etc. be excluded, there is no meaningful system in most countries to prevent this occurring. There have been suggestions of the Bank and other lenders and donors combining to require installation of systems by borrowers to prevent this abuse, but the expenses and real utility must be in question, given the fungible nature of the transactions.

2.14 The assumption has been made that by identifying invoices for imported goods on a positive list, that accountability under the Bank's Articles is achieved. But examples of legally ignoring this interpretation of the Articles may have occurred when loan/credit agreements acknowledge that invoices for goods purchased for many months prior to the signing of the agreement may be included as evidence of use of the funds. For example, goods paid for in January 1991 through a commercial bank in Country "X" could not possibly use the actual funds disbursed by the Bank to "X's" central bank in July 1991. It must be doubtful whether this action can be defined as "retroactive financing" which is available to investment projects, provided notice of the categories of goods is provided to the Board before negotiations.

2.15 There is a full appreciation by everyone with whom this matter has been discussed of what the Bank is trying to do --- but by trying so hard to be seen to "observe" the Articles, it is only achieving discredit --- and disbelief --- by its actions.

2.16 The Loan Department has recently obtained management's agreement to the substitution of customs documentation in lieau of invoices, particularly where the customs documentation system in a country will lend itself to the use of this form of documentation as evidence of payment for goods on a positive list. However, while this process can succeed is preventing the collection by borrowers of large numbers of invoices, it still puts borrowers to considerable work (expense) to provide documentation which is unnecessary to support the loan/credit disbursements.

2.17 This matter was discussed at length with the Bank's auditors, Messrs Price Waterhouse and Company. They expressed concern at the present procedure as being less than credible, and that, as auditors, they felt the procedure was imperfect accounting-wise, and could conceivably draw adverse audit comments. A primary concern was that the use of obviously unrelated invoices could not achieve the necessary accountability for the Bank; coupled with the fact that the whole process of fungibility and transferability of these funds through a country's banking system made verification of actual use virtually impossible. Therefore they felt that a compromise which would offer less spurious accuracy was called for.

2.18 A number of credible alternatives have been mooted in the Bank. These have been reviewed, and discussed with central bank experts and others knowledgeable in these matters. Based on their advice, and the advice of the Bank's auditors, the following recommendation is put forward:

RECOMMENDATION

Unless the Bank is willing to adopt the most efficient option, which is to forego any form of confirmation of the use of funds made available to borrowers under SALs and SECALs, the second most credible alternative would appear to be:

> *to confirm the application of the proceeds of loans or credits made for purposes of structural and sectoral adjustments, the central bank of the country concerned should be asked to provide periodic certificates e.g monthly, three-monthly; which indicate the country's total import bill for the period of report, and the percentage of the average share of total imported goods eligible for Bank financing in the period covered by the tranche concerned (or such other period post-loan/credit effectiveness as the Bank may specify). "The average share of total imported goods eligible for Bank financing" should be determined by ascertaining the total value of ineligible imports normally entering the country over a defined period (say, one, two or three years); forecasting the total inflows of external capital flows expected from other institutional lenders and donors for the period to be covered by the adjustment operation; and expressing these data as a percentage of the total import trade data forecast by the Bank for the period of the adjustment operation. The remaining percentage represents the total amount eligible for Bank financing.*
>
> *If considered necessary by the Legal Department, the certificate should be confirmed by the auditors of the central bank concerned.*

This approach would permit the Bank to (a) set a percentage which would be unlikely to exceed the total eligible amount; and (b) if considered to be desirable, to review the basic calculations to redefine the percentage before second and subsequent tranches were made. Agreement to do this could be taken in the appropriate loan/credit covenants. In addition, instead of making large tranches in advance, if it so wished, the Bank could restrict its disbursements to monthly or three monthly periods against the amounts indicated in audited certificates of the central bank.

- Special Accounts

See Section III, paras 3.11(e) and 3.15 Recommendations

2III. INITIAL FUNDING FOR PROJECT PREPARATION AND IMPLEMENTATION

3.01 Adequacy of project preparation and of funding are essential foundations for effective and timely implementation --- and to reduce to a minimum the amount of Bank staff time required for supervision. The issues described below are not new; they have been part of the project preparation scene for many years --- and they do not appear to be declining.

3.02 Theoretically, after many years of involvement with the Bank, most borrowers should have been encouraged by now to accept "ownership" of projects, and, where appropriate, to modify their systems to adapt to the requirements of the Bank (and other lenders and donors) --- or vice-versa --- to provide efficient project preparation and implementation. In practice, although some improvements have been made, *delays in preparation and implementation are continually reported, and disbursement profiles display the continuing slow start-ups.* Even the Government of India, with its long active experience of many loans and credits continues to fail to prepare and implement projects on a timely basis.

3.03 Among the reasons for these shortcomings, is *the lack of any central facility in member governments to monitor and encourage the provision of a complete set of standardized procedures for project preparation and implementation. Projects are mostly sector specific, and located randomly (by chance) in various parts of a country. Their impact on national systems is fragmented, not concentrated. The Bank's response in the form of criticism for non-performance, non-compliance, etc., or assistance, is always project specific, not country specific, and therefore mechanisms and standardized project management systems are rarely generated by governments to address the generic preparation and funding problems of projects*[12]*.Country implementation reviews go some way to establishing a country perspective, but without a meaningful country mechanism to positively and actively to address concerns the prospects for country impact remain dim.*

3.04 All member countries have liaison teams which work with the Bank. These are usually located in central ministries or departments, usually only indirectly related to the institutions which prepare and implement projects.

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[1] Memorandum dated April 24, 1992 from the RMI states, among other things, "Given the overriding responsibility of the Borrowers in project implementation, the Bank staff must give priority to developing capabilities of government agencies to take on more role in portfolio management. Such an emphasis would also result in efficiency gain"

[2] Memo dated March 30, 1992 from Mamo Tapo, AF5ML entitled "How to Improve Bank/Government Relationship" states, among other things, "During my first years in the Bank I found myself often educating task managers and Government officials on the fact that all our projects belong to the Government. They are not World Bank projects but projects under World Bank financing" and "We should emphasize Government ownership of our funded projects....".

Their role primarily is to generate financial support for the national economy, *not to oversee project development. The latter is the responsibility of line institutions (many of whom do not know the Bank before a project starts), to whom operational complaints are directed by the liaison teams.*

3.05 Project development through negotiations appears to continue to rely heavily on Bank staff inputs, which are not intended for this purpose. *Staff time should be used to pass independent judgement before, and during, negotiations on the status of project preparedness and the soundness of the proposed investments, and to participate in design and initial development activities.*[3]*, to the extent necessary to extend technical/professional assistance.*

3.06 A secondary effect of this staff involvement, is that *not all aspects can be addressed in the time available --- nor do many task managers have the professional skill or experience to adequately address some of these fundamental issues in project preparation and implementation.*

3.07 *Key initial activities continue to be either omitted or insufficiently addressed by the time of negotiations. These include procurement and the establishment of sound accounting and auditing facilities, particularly where the professional training and experience background of task managers has not familiarized them on how to address these activities.*

3.08 Even where staff address only project investment analysis (without becoming involved in project design, etc.), there is continued *evidence of failure by borrowers (and by Bank staff) to ensure that there will are (or will be) facilities to activate all initial implementation steps, particularly procurement and financial accounting immediately following loan approval.*[4]

3.09 Typical causes of these failures are *lack of project preparation facilities due to methodical, controlled local planning and standardized procedures, and particularly, those public sector budgeting systems which cannot recognize a project for funding until it is formally approved. In addition, even if budgetary approvals for preparation can be obtained, foreign and local currency cash constraints often prevent adequate preparation taking place. Even after project preparation activities are completed, project entities have had (and in some cases continue to have) cash shortages to start implementation.*

3.10 Except in the case of repeater projects, it is common for the staff of potential borrowers to have no knowledge of the information and monitoring systems which the Bank (and other lenders and donors) requires.

---

[3] Involvement by Bank staff in project preparation (as opposed to investment analysis) has a tendency to create a proprietary response with a loss of objectivity in some cases.

[4] In practice, preparation costs of projects should also be subject to accounting and financial reporting, and auditing within the public sector agencies concerned.

Therefore, these often are designed and established within the implementation period, instead of before it commences.

3.11 The Bank's limited response to these country problems is to offer relief using one or more of the following five forms of funding, (two of which require additional supervision on the part of staff, because they are, in effect, projects in their own right):

(a) the long-established approach is the engineering loan/credit, which is processed virtually as any other loan or credit through the Bank's system by the Task Manager. These have been primarily used for infrastructure projects, and very rarely for non-revenue-earning projects;

(b) technical assistance (TA) loans/credits which are applicable <u>only</u> where a number of potential projects need additional studies or preparatory work at the same time;

(c) for project preparation, a project preparation facility(PPF) of up to US$1.5 million equivalent can be made available[5]. This is an advance on a loan/credit. Recipients do not have to formally request this facility, but must sign a PPF letter of agreement. OD 8.00 cautions that this facility must not be used when other facilities are available. The documentation required must be processed by the Task Manager through the Bank's approval system;

(d) retroactive financing from a loan/credit of expenditures on project preparation[6]; and

(e) provision of Special Accounts[7] for initial funding of eligible expenditures in local and foreign currencies after loan approval. These advances on the loan/credit amount, are made available to all investment projects, where needed --- *as at end-March 1992, there were over 1,300 special accounts held by borrowers, each one requiring separate documentation and administration by task managers, Legal Department and Loan Department.*

3.12 Not only is the Bank's project development impact fragmented

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[5] Operational Directive 8.00: Project Preparation Facility

[6] O.D. 12.10 Retroactive Financing

[7] OD. 12.20 Special Accounts

insofar as developing the potential for building of generic systems in a country, its response to these issues has also become fragmented over time. As indicated above, there are now five methods of supporting project preparation and early implementation.

3.13 To establish and operate each method requires different time-consuming systems within the Bank, and also by borrowers, to achieve performance and control, and yet all have the same end-result insofar as the borrowers' final financial position is concerned, namely that the final loan/credit indebtedness to the Bank embraces all the expenditures however they may have been advanced and used. <u>All such funding ends up as the funds (obligations) of the borrower. For its own accountability, all the Bank needs is to ensure that these funds were used for the purposes intended with due regard to economy and efficiency i.e. that they were used for project preparation and implementation.</u>

3.14 The points made in the preceding paragraphs were obtained from discussions with staff. Therefore. although the Task Force is to focus primarily on supervision, it should recognize that many of the latter's problems have roots in inadequate project preparation and appraisal because it is evident that borrowers continue to come to negotiations ill-prepared to implement projects. As a result:

(a) at negotiations, projects have a number of incomplete (some not even prepared) support elements, such as procurement, information systems, accounting, financial reporting and auditing;

(b) Bank staff have to spend time during preparation and appraisal performing preparation tasks which the borrower should have completed to enable appraisal to take place; and

(c) Bank staff have to spend time during supervision effecting what really are implementation activities of the borrower, in order to achieve compliance with fundamental covenants such as procurement, accounting and auditing.

3.15 Therefore the recommendations below are put forward as a radical approach to resolving these problems, by developing a country mechanism by which each borrower can provide the necessary facilities and funding to undertake complete project preparation by time of negotiations, and subsequently commence implementation activities immediately following loan or credit approval. This will limit Bank staff's exposure to meaningful supervision activities --- <u>and not implementation tasks, which are the responsibility of the borrower.</u>

RECOMMENDATIONS

It is recommended

(a) that each country should be encouraged, and, if necessary, financially assited through loan/credit

advances, to establish a country projects secretariat (CPS) attached to an appropriate ministry or department of government, and under supervision by specialist Bank staff member, with its services recharged to ongoing projects as a project cost;

(b) while recognizing that some countries may be reluctant to borrow for technical assistance, despite their poor track record in preparing projects efficiently, either where the country concerned (or where the Country Operations Department can convince the government) considers its use would be beneficial, the Bank should provide the country with one "Country Advance Facility"(CAF) by means of a program loan. This facility to be used for the temporary funding of preparation and implementation of projects within limits to be agreed between the Bank and the borrower on a country basis. The CAF should be managed by the CPS in (a) above. In those countries where this approach is adopted, with the exception of retroactive financing, the Bank's existing facilities for funding project preparation costs[8] *should be discontinued on the establishment of a CAF and CPS; and*

(c) the system of providing each project with a special account should be discontinued, by providing each country with one Special Account which would be used for all projects. Its size would be country specific; it should be controlled by the CPS in (a) above; and should be subject to an audit under specific terms of reference approved by the Bank. The funding of the Special Account could either be from the loan/credit referred to in (b) above, or from a specific program loan/credit.

3.16 This proposed CPS mechanism in a country could be used by other lenders and donors to achieve uniformity in project management requirements, particularly procurement, financial reporting and auditing.

3.17 In addition, the impact of investment loans and credits in developing countries continues to be sector specific, mostly localized in nature, with less than maximum impact on the development and improvement of generic public and private sector operating systems of these countries. For the Bank to intensify the developmental impact of its recent level of lending operations, it is suggested that the use of a CPS and a CAF would increase the impact from such loans, particularly to develop and enhance standardized generic systems such as information management, procurement, and financial accounting, reporting and auditing. Annex 1 contains a broad description of a suggested structure, responsibilities and operation of a CPS and CAF.

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[8] See para. 3.11

IV. Country Accounting and Auditing Capability

4.01 The Bank's Audit Task Force of 1980 recommended, among other things, three key actions. They were that:

(a) the Bank's requirements for financial management of projects, including financial reporting and auditing be codified in written form, in OMSs (now ODs) and OPNs, together with a Booklet for Borrowers prescribing the Bank's requirements for financial reporting and auditing;

(b) specialist financial professional staff in recommended numbers should be used to assist the bank and borrowers in the implementation of (a); and

(c) the Bank should actively encourage improvements in country accounting and auditing capabilities to further assist in the implementation of (a).

4.02 Recommendation (a) was completed by 1982 and substantial proportions of the documents were reviewed and amended in FYs 91 and 92 by CODOP. These documents now form the substantive part of the Bank's requirements for financial accountability, and while technically sound, cannot be fully implemented, given the existing numbers and unsatisfactory quality (skills and experience shortcomings) of Bank staff on operations.

4.03 Recommendation (b) was never implemented and the *actual numbers of financial professionals (financial analysts and operations officers*[9]*) engaged on Operations have fallen from about 270 in 1980 to about 190 today. Not only have the overall numbers fallen, but those who were experienced in accounting, financial reporting and auditing have declined to about 42 staff members by 1992, from about 84 in 1980.*

4.04 In addition, in 1980, this professional stream was almost entirely engaged on financial aspects of project work. *Today almost all are task managers, and have little time to devote to the financial aspects of the projects for which they are now responsible, and certainly not to provide any meaningful time to assist other task managers.* Despite this, several have been used to act a divisional or departmental co-ordinators for auditing review work, but at the cost of frequently rushed and perhaps inadequately completed supervision work.

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[9] The classification "Operations Officer" was generally reserved in 1980 for staff serving in IDF divisions, the majority of whom had a financial professional background. Today this classification has been considerably expanded to cover many differing responsibilities in various Operations divisions. The numbers of Operations Officers included in this paper refer only to those having financial professional backgrounds at levels 23 and above.

4.05 With the exception of two projects to promote accounting and auditing development in Indonesia and Madagascar during the 1980's, there has been no significant regional response to the advice of the Senior Vice President when recommending the provisions of the 1980 Task Force to regional managements. One evident result, according to regional staff, *is a continuing decline in the standards of accounting and auditing in many countries*. A few countries have succeeded in upgrading their performances, and the Africa Region, in particular, has made limited efforts to stimulate countries' interest in improved accounting and auditing, but certainly not enough to promote the intense reaction which the countries need to support the major private sector reforms which the Bank is urging them to undertake. In addition, *the public sector accounting and auditing of most countries remains inadequate to provide even the most rudimentary accounting for the use of scarce resources*.

4.06 The most marked impact of the above paragraphs has been the *difficulties staff have encountered in ensuring compliance with the financial reporting and auditing covenants* in loan and credit agreements. This underscores the *continuing failure of borrowers to accept ownership of projects, because the extent of qualifications by auditors, and the poor quality of much of the accounting and the auditing appears to be of no concern to the governments concerned*. The Bank's own auditors drew attention to problems in this area in 1989, and since that time, regional managements have pressed staff to seek improved compliance by borrowers --- with *some success in numerical terms, but with serious doubts remaining concerning the quality of the review work and of the auditing itself*.

4.07 To measure compliance, CODOP developed the Audit Reports Compliance System (ARCS), which now can provide staff and management with a reasonable picture of the status of compliance. It should be noted, however, that there remains *some uncertainty in the Regions concerning the reliability of the data, and numerous complaints were made about the time-consuming nature of its compilation. An inherent danger in the use of the ARCS system is that some staff regard it as a "numbers game" rather than a means of improving accounting and auditing in the countries, in addition to ensuring the Bank's own accountability*.

4.08 From the current ARCS data, for FY92 regional task managers are scheduled to *receive, review and comment on over 5,500 auditor's opinions and reports*. Total processing time per report is estimated by regional staff (with whom I concur) at about 2 days each. Therefore, to comply with the Bank's operating instructions, *about 50 staff years will need to be devoted to this task*. Obviously, this is unacceptable in the present climate of budgetary constraints --- and <u>therefore the Bank's operating instructions are equally unrealistic.</u>

4.09 To add to the unrealism, it needs to be recognized that *most task managers are not qualified to read and comment on these reports; a fact made worse by the recognition in the regions that many of the reports are ill-prepared and technically unsound*, by reason of the low-level performance and poor quality of many government auditors on whom the Bank and the borrowers rely.

4.10 A further cause for concern is that in almost all cases *where qualified or disclaimed auditors' opinions are received in the Bank, unless Bank staff take action to seek clarifications and remedial actions, no institution in the country concerned, including the project entities themselves, take any action.* Auditors' opinions and reports, almost without exception, are regarded by borrowers as Bank eccentricities, and of little or no value to a country as a means of uprating its generic systems. The staff review and requests for action on auditors' reports is, in practice, an implementation function, and not one in which Bank staff need to be involved, providing the Bank can be satisfied by its own supervision that each of the proposed CPSs conducts its functions with due care, attention and expedition.

4.11 Therefore, the recommendation below is put forward (a) as a means of reducing the involvement of Bank staff in implementation, and concentrating their efforts on supervision; and (b) passing the implementation aspects of this process to the country CPS, which should be suitably staffed to address the subject, and authorized to recharge the entities with their services. By passing this implementation responsibility to a CPS, a primary objective is to have that secretariat ensure that the necessary capabilities are in place when the project starts (to make its work easier), and secondly to be able to apply the lessons learned from accounting, financial reporting and auditing issues to improve the generic systems on the country(See Annex 1, paras 18 - 20)

RECOMMENDATION

The proposed CPS in each country (para 3.15) should receive and review all auditors' opinions and reports for the country concerned, and provide the Bank, by agreed dates, with a listing of compliance, non-compliance, qualifications made by auditors, action to be taken, by whom and by what date. Suitably qualified Bank staff should confine the Bank's supervision of compliance with audit covenants to a review of CPS actions in this matter[10].

V. Financial Covenants

5.01 A financial covenant (as for any other covenant) is a mutual agreement between the borrower and the Bank. It is intended to be jointly constructed and construed as a means of encouraging project entities to achieve a level of efficiency which will achieve the forecast technical, financial and economic benefits of the project.

5.02 But the performance of borrowers over the years has continued to be poor. CODOP recently undertook a sample study of projects to test compliance with financial covenants. The result showed that about 22% of projects were in compliance. OED recently undertook a survey of all water supply projects financed by the Bank in the period 1967 -1989. The results were remarkably similar to the CODOP sample, with 25% compliance. Both studies offered data on varying degrees of non-compliance, with the CODOP study suggesting that about 10% had not even approached a meaningful

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[10] See Annex 1, paras 18 - 20

possibility of compliance. In the case of the OED study, this figure was about 12%.

5.03 Most reasons for non-compliance with financial covenants have their roots in lack of political support for public sector charging mechanisms. Others lie in weak managements, perhaps using underpaid and semi-skilled staff. But perhaps the most intransigent is the Bank itself by its failure to apply its remedies under the loan/credit agreements. There are very few recorded cases in recent years (only one in the OED study of water supplies) where the Bank ceased disbursements because the borrower did not comply with the financial covenants.

5.04 The argument has often been advanced by Operations staff that to cease disbursements when construction was on schedule would only be damaging to the investment itself. Yet there is substantial evidence from OED studies that although investments were completed, their operational effectiveness was impaired from the outset by lack of adequate funds to operate and maintain them. If this had been the Bank's own funds being invested, in many cases, it would have been prudent to stop advancing as soon as non-compliance occurred, because until there was evidence that the investment would earn a return (benefits), the asset in the Bank's portfolio would have had to be subject to loss provisions. And it is less costly to write off part only, rather than a complete investment.

5.05 But these are borrowers' investments, and the Bank consistently refuses to apply its remedies *in the borrowers' best interests*. If it was not in a borrower's best interests, the Bank should not have agreed to the covenant.

5.06 Non-compliance is not the only issue. Also of concern is the relevance and suitability of many of the Bank's financial covenants. Because no one covenant has been devised which will embrace, or cover all the concerns, it has become common practice to include, two or three or sometimes five covenants, in an effort to achieve practical overall financial efficiency. Therefore, although a borrower may comply with one covenant, it perhaps may not be complying with two more.

5.07 To provide a few examples; a 10% rate of return covenant may be complied with, but the entity may have no cash, and be borrowing short to meet current payables. A 30% cash generation covenant may be in compliance, but at the expense of a substantial slowdown in investments, in order to lower the amount of capital expenditure to be financed by the 30%. The various debt covenants cannot achieve meaningful financial performance, because the penalty for non-performance is that the borrower cannot contract for more debt while in non-compliance. --- but this means that the project can still continue as long as no further debt is incurred. The debt service coverage covenant is misused by using it as a surrogate cash generation covenant by requiring the borrower to generate funds in excess of the requisite debt service by a specified factor.

5.08 Several of these covenants were derived from the U.S. utilities regulatory system, which were designed (among other things) to *keep down* *tariffs and rates, charges, etc by utilities.* The Bank has converted them to instruments designed to do the reverse, and they are not completely suitable for this purpose.

5.09 In addition, the text of the covenants is complex, and not easily understood --- certainly not by many politicians. The calculation of the indicators is complex, and sometime not overly exact. Revaluation of assets, for example, can be initially a costly --- but subjective ---process, and thereafter its annual updating a very inexact science in many countries.

5.10 Auditors frequently do not comment on the extent of compliance with financial covenants, and Bank staff do not question this deficiency. In such cases, one may conclude either that the calculation was incorrect, (and the auditor did not wish to make waves); or the auditor did not understand how to do the calculation; or it was ignored.

5.11 The foregoing paragraphs place much of the responsibility onto the Bank for the design and manner of use of financial covenants. Yet it must be recognized that the borrowers are the other party to them, as is pointed out in the opening paragraph of this section. But as in many other aspects of projects discussed in this Paper, *borrowers claim no ownership of many of the projects, and particularly no liking or patronage for financial covenants. Until they are willing to do so, financial covenants will continue to have litle relevance in technical, financial and economic development of project entities, and the sectors which they claim to support.*

5.12 Therefore, it is concluded that the situation regarding use of financial covenants and the application of the remedies afforded by them continues to be unsatisfactory. Borrowers must be encouraged to feel that they are party to financial (and other) covenants and that such covenants are in their best interests. Therefore some mechanism must be found to more actively involve them in the design and application of these covenants. The following recommendation is offered:

RECOMMENDATION

The Bank should consider:

(a) undertaking a complete review of its financial covenants with a team drawn from representatives of borrowers drawn from each region, financial management experts, and Bank staff, by end of FY 93 to determine their financial management relevance, with the objective of designing and introducing covenants which have the attributes of being simple to understand, effective in application, and acceptable to, and implementable by, borrowers;

(b) hold a series of regional presentations in key

centers of each region to present and explain the new covenants to all borrowers by end of calendar year 1994; and

(a) introducing the new financial covenants into loan credit agreements effective from July 1, 1995, and notifying each borrower having loan/credit agreements containing such financial covenants that beginning from FY95 (July 1, 1995) it will enforce, without any options, financial covenants that are not in full compliance.

VI. Financial Professional Staff

6.01 As noted in para. 4.03 above, the numbers of financial professional staff (financial analysts and operations officers) have declined markedly since 1980. In addition the nature of their duties and responsibilities has also changed. Many no longer perform the type of work for which they were originally engaged. Many are now task managers (this is not a structured position, but a role). This situation has been brought about partly by the change in budgeting practices which encourages managers to use higher level staff as task managers, and not as specialists. A second reason lies in the fact that performance rewards accrue visibly and quickly to task management roles, particularly for loan processing, thus encouraging higher-level staff to seek these assignments in preference to using their professional skills, which do not merit rewards for either project preparation or supervision under the present system.

6.02 It must also be recognized that many like being task managers, and are willing to forego their standing as financial analysts, etc. Nevertheless, *the regions require a critical mass of expertise in the financial management and auditing field if they are to encourage borrowers in the development of these systems*, as part of investment projects work.

6.03 Almost 80% of the existing financial professionals have no operating experience as accountants and auditors, and were engaged primarily as financial analysts and operations officers --- and not for appraising and managing financial accounting, management accounting, and auditing operations. The remainder of the stream in Operations (about 42 in number) have these latter skills and can also add the necessary analytical skills. Therefore, they are probably the most suitable personnel to provide total coverage of financial work during supervision. For those in this latter group who would be willing to concentrate on financial management, etc. the Bank should consider relieving them of their task management responsibilities and engaging them in full-time financial management/financial analysis roles. For purposes of this Paper only they are referred to as Specialist Financial Professionals(SFPs).

6.04 Currently there are about 140 operating divisions and units in 21 departments(including Technical Departments). Each department has at least one financial professional, and given that there are about 190 financial professionals, there are sufficient numbers to provide at least one financial professional per division. Currently 50 divisions have no financial professionals. Of these, all the Population and Human Resources (22) have none, while 15 Country Operations and 7 agriculture divisions do not have these professionals on their staffs. The remainder without financial professional staff are mostly smaller units or environment divisions.

6.05 To meet the demands of establishing CPSs in countries (para 3.15 and Annex 1) it is estimated that each of the 21 departments, excluding technical departments, should have 2 SFPs, thus no additional SFPs would need to be identified or recruited. This count is based on a minimum of 2 SFAs per department, and an SFA being able to supervise about 5 or more CPSs, once the initial establishment of these secretariats is completed. SFAs who are responsible for CPSs should be operate in close association with the CODs to provide feedback for country accounting and auditing development. The Africa Region's Operations Services Unit may be appropriate for advising on the Region's recruitment and location policy for SFPs, particularly for the supervision of CPSs.

6.06 As indicated in para 6.03, SFAs should also be available for financial analysis work for task managers in addition to meeting their responsibilities for CPSs supervision, but the extent of availability (to be judged by their managers) would be dependent on the work load in the CPSs, which should have priority.

6.07 The recommendation below is not intended as a signal to increase staff numbers and budgetary allocations for engagement of financial professionals. Instead it proposes that a limited realignment of numbers of financial professionals vis-a-vis other professional streams may be beneficial, but more importantly, that a core group of the financial professional stream should be identified, and if necessary, recruited with specialized (accounting and auditing) qualifications, to replace financial analyst vacancies as these occur, if some existing staff members with such qualifications are unwilling to give up task management. The success (or otherwise) of these SFPs in establishing and supervising CPSs would be a sound basis for rating their performances if future.

RECOMMENDATION

Regional managements should establish a critical mass of financial professional staff to meet the needs of divisions and departments. The ideal should be to provide at least two SFPs per department, and at least one financial professional per division. A core group of these professionals should be skilled in financial management accounting and auditing, and be at least qualified as auditors in their country of origin, or hold an accepted qualification of another country, e.g. CPA in the USA.

VII. Internal Audit Department(IAD)

7.01 IAD is a tool of management and, as such, must be seen to contribute as part of its work to improved operational efficiency. It has been carrying out audits of operations work for several years, but the perception of IAD's contribution to operational work of a number of operational managers and staff, who have been interviewed, is generally unsatisfactory, *representing as it does a negative view of the contribution of audit to operations*[11].

7.02 Internal audit must contribute value (make things work better - operations has many features which today do not work well), otherwise it has no benefit. While it likely will always carry the role and an aura of crime prevention, *a modern internal audit should be regarded by managers as an aid and a benefit to be in demand* --- but not as a "protective device" against senior management. In the case of operations, the IAD has been carrying out its responsibilities against a background of operating instructions which are clearly outdated in several respects vis-a-vis the management's budgetary policy, and a shortfall in meaningful supervision of projects. Yet there is *no hard evidence of the IAD suggesting that rules which cannot be enforced are bad rules*, or that project supervision is deficient.

7.03 It will not be a simple task to meet this recommendation in the short term, but as a start, the Auditor-General perhaps could consider identifying a suitable candidate to fill the vacant Group Audit Manager - Operations post from within the current operations staff, in order to commence rebuilding. The proposal in Section VI above to retain and recruit SFPs should provide potential recruitment material, but it must be questioned today whether all accountants are (or make) good systems analysts and therefore good internal auditors. The role of internal audit needs to change to one of operational support combined with confirming accountability. Perhaps the recruitment of accounting professionals to fill vacant slots should be questioned in the IAD, and the possibility of employing information technology specialists (is the All-in-One/EM efficient and secure?) and other analysts considered.

7.04 Additionally, the IAD needs to clear up any confusion in operations as to its role vis-a-vis OED. It should make clear that OED has a post-implementation role, whereas IAD is very much concerned with what is taking place today, and whether the most efficient approach to operations is being adopted within the context of meaningful rules and guidance from the Board and management.

RECOMMENDATION

It is recommended that the IAD consider adopting a policy and practices which can be seen to add value to operations, including being more critical of the mismatch between the Bank's operating instructions and the capacity and capabilities for their execution, in terms of staff numbers, quality and experience; and that IAD staff should comprise a minimum number

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[11] Audit and auditors frequently are subjects of distrust and caution by non-accountants who are being subjected to the former's attentions. Operations managers and staff are no exceptions; therefore IAD has a major barrier to break in order to make meaningful contributions to Operations.

of, (say) at least 8, higher level staff who have experience on operations, including the Group Audit Manager responsible for Operations.

VIII. Operating Instructions

8.01 The above recommendations will require modification to the following OD's and OMSs:

ODs
8.00 Project Preparation Facility
10.60 Accounting, Financial Reporting and Auditing
12.10 Retroactive Financing
12.20 Special Accounts
12.30 Statements of Expenditures (in draft)
13.10 Borrowers' Compliance with Audit Covenants

OMSs
2.22 Financial Covenants for Revenue-earning Entities

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Exception(s)

Additional Comments
Declassification review of this record may be initiated upon request.

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

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Bertha F. Wilson	July 24, 2017

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ROUTING SLIP	Date May 21, 1992

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Portfolio Management	
Task Force Members	

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	Appropriate Disposition		Information/Discard		Returned
	Approval/Clearance		Note And Return		See My E-Mail
	File		Per Our Conversation		Signature/Initial

RE:

REMARKS

See paragraph 4.5 et. seq.

Samir Bhatia	N 7075
Prem Garg	H 7111
Dominique Lallement	F 12-027
Lester Nurick	E 12-039
Michel Pommier	A 11-095
Joanne Salop	A 11-091
Ian Scott	D 1225
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From	Room No.	Ext.
Peter Richardson	F 13-027	84571

P-1862

MEMORANDUM FOR THE PAKISTAN CONSORTIUM 1992-93

PLANNING COMMISSION, GOVERNMENT OF PAKISTAN

CHAPTER IV
AID UTILIZATION

Since the inception of foreign economic assistance in 1950, Pakistan has obtained foreign aid commitments of $ 42.7 billion of which $ 31.1 billion has been contributed by the Consortium and $ 11.6 billion from non-Consortium sources including relief assistance of $ 1.8 billion for Afghan Refugees. From these commitments, $ 32.8 billion have been disbursed leaving an un-disbursed balance on 1-7-1991 of $ 10.1 billion[1] including project aid of $ 9.6 billion. The summary position is given below:

TABLE 4.1
COMMITMENTS AND DISBURSEMENTS
(Upto 1-7-1991)

($ Million)

Particulars	Total Commitments	Total Disbursements	Project Aid Pipeline
Consortium Sources	31136	22688	8125
Non-Consortium sources (including relief assistance for Afghan Refugees)	11543	9414	1457
Total	42679	32102@	9582

@Net of rupee loan of $ 733 million.

4.2. Over the period 1977-78 to 1990-91, project aid commitments have grown at an annual compound rate of 9.2% whereas disbursements have fallen behind at an annual rate of 8%, thereby creating an increasing pipeline. Non-project assistance is quick-disbursing and therefore easily absorbed. Where delay occurs, it is almost entirely due to time sequencing of politically difficult price adjustments provided in the conditionality of Sectoral Adjustment Loans. Project aid, unlike commodity assistance or structural adjustment loans, have a relatively longer gestation period and require a blend of management and institutional & physical inputs in an appropriate mix over a planned time path. Those which rely heavily on management and institutional inputs are more complex to administer as 'resource' has to be contributed by structures external to the project and not specifically designed for promoting investment in a given project or projects.

[1] Mathematically, the disbursements plus undisbursed balance will not precisely tally with total commitments due to exchange rate fluctuations.

4.3. The expansion in the project aid pipeline, however, is not entirely due to slow utilization as a significant component is tied to the project cycle, which on the average takes 4 to 5 years to complete. The component in the present pipeline which could be attributed to slow disbursement amounts to $ 2 billion, as shown below:

TABLE 4.2
PROJECT AID PIPELINE AND DISBURSEMENT

Particulars	Consortium Sources	Non-Consortium Sources (including Islamic countries)	Total
Pipeline which should have been disbursed upto 1-7-1991 but for slow utilization of aid.	1732	313	2045
Pipeline scheduled to be disbursed after 30-6-1991	6393	1144	7537
Total	8125	1457	9582

4.4. The mis-match between the level of commitment by aid donors and absorption of external assistance by Pakistan conceals the compositional aspect. A relatively small component of fast disbursing commodity and balance of payments type loans and grants have made the disbursement ratio adverse. Correcting the overall composition is important not only for raising the level of disbursement but also inducing a gradual but sustained transformation of the economy. Within the overall commitment of external assistance, project aid is the real cause of the mis-match. Realizing, however, that dramatic improvement is constrained by the complex and long-gestation process of institutional change, Pakistan reduced its request for such assistance in 1991-92 and mounted a series of implementation reviews.

4.5. Over the last two years a comprehensive review of aided projects has been initiated by Economic Affairs Division in the second quarter of the financial year. Systemic and projects specific issues are discussed and some of these resolved in these meetings; others are brought to the notice of the Executive Committee of the National Economic Council (ECNEC), which is chaired by the Finance Minister and participated by the Ministers and Senior Officials of the Economic Ministries/Divisions and Provincial Governments. In-house quarterly reviews are carried out by each country desk in Economic Affairs Division and follow up action is initiated to remove bottlenecks. In addition, joint annual reviews with multilateral donors are undertaken to accelerate project implementation. Projects co-financed by bilateral donors are also reviewed prior to annual bilateral consultations.

4.6. These project reviews have yielded positive results as is evident from disbursement data for the last three years shown in the following table.

TABLE 4.3
PROJECT AID DISBURSEMENTS

($ Million)

Year	Disbursements
1988-89	1262.4
1989-90	1312.0
1990-91	1407.9
1991-92 (Est.)	1501.6
1991-92 (July-Dec.)	873.4

4.7. Absorption of project aid has shown a perceptible improvement having increased by 3.9% and 7.3% in 1989-90 and 1990-91 respectively. The first half of 1991-92 witnessed a sharp increase of 33.8% over the same period last year and it is expected that project aid absorption will exceed the estimate for the full year.

4.8. The 'problem' pipeline representing 20% of the undisbursed amount needs, however, to be reduced. This becomes all the more important in an environment where competing demand for scarce official development assistance is increasing and, at a point of time, when Pakistan ins poised to take decisive action to improve social services.

4.9. Some of the major impediments identified through project review meetings are discussed below:

i) Preparation of PC-1 And its Approval: ECNEC has given a specific directive for submission of PC-1 within one month after appraisal of project by donor agency for consideration by the Central Development Working Party (CDWP), and disposal thereafter within one month by the Planning and Development Division.

ii) Project Effectiveness: Delays arise frequently because agencies do not prepare PC-1 in time. The ECNEC has directed that loan agreement should not be signed before approval of the project by the competent authority or anticipatory approval of the Chairman, ECNEC. Similarly concept clearance and anticipatory approval may be given only where request is accompanied by PC-1. Monitoring will henceforth include projects which have been signed but are not yet effective.

iii) Inadequate Budget Provision: Resource mobilization is an essential part of the macro-economic stabilization programme. The transition to a financially stable position may involve some austerity measures causing pressure on resource availability for projects. The formulation of three year rolling plan along with project ranking when put in place is expected to reduce short-funding of projects. On-going aided projects which show no sign of progress will be terminated.

iv Personnel Policies: Procedure for appointment of staff, frequent staff rotation and lack of training, are frequent causes of delay. Noting the impediments in the appointment of staff, the ECNEC decided to set up a committee in the Establishment Division to expedite filling of vacant positions. The ECNEC also approved in principle the establishment of a training institute while at the same time directing National Institutes of Public Administration (NIPA) and Staff College to run courses for this purpose. External assistance to support these institutions would be helpful. Decision has been taken to award 10% allowance to staff transferred to projects in social sectors with aid content of not less than $ 10 million.

v) Procurement of Works and Services: A committee consisting, among others, of the representative of World Bank Resident Office, will examine existing procedures for expediting procurement of works and services for projects.

vi) Weak Construction Industry: Ministry of Water and Power will submit proposals to Economic Coordination Committee of the Cabinet to improve construction industry.

vii) Monitoring: Ministries and Provincial Governments have been directed by the ECNEC to set up Planning and Monitoring Cells. They will be encouraged to strengthen these or create them where they do not exist subject, of course, to work volume.

4.10. Most of the impediments require institutional improvement and modification. By their very nature such improvements will take time. To initiate the process, a selective approach will be adopted, focussing on key social sector projects. In order to bring about qualitative improvement in implementation, as a start in five selected projects (excluding power and other large projects), the PC-1 will provide a network analysis which would be used for monitoring implementation by executing agency. Aid donors may wish to participate by extending grant assistance of 75% of the cost of inputs for network analysis and its monitoring with 25% contributed by the Government of Pakistan.

File

Meeting with Portfolio Management Task Force

PROCUREMENT

Tuesday, May 19, 1992 : 2:30 p.m.

Objective: IMPROVE Quality, Efficiency, Consistency, Credibility,
REDUCE Delays, Staff Time

1. Policy Changes:

Procurement Guidelines:

- -- mandate SBDs/standard documents
- -- improve flexibility (currencies)
- -- tighten loopholes (public sector participation, conflict of interest);
- -- introduce private sector procedures

Consultant Guidelines:

- -- simplify, update
- -- update Handbook

2. Process/procedural Changes

- -- standardize country-specific documents
- -- include procurement expert in appraisal mission to
  - .. develop contract packages
  - .. prepare procurement plan
  - .. initiate advance procurement action

-- finalize documents during negotiations

.. SBDs/international forms

.. introduce covenant for all contract awards by a target date/(cancel uncommitted money)

3. Review procedures for consistency, quality, and reduction of review time.

Prior review:

-- RPAs for contracts above \$10 mil. deviations from SBDs

-- OPRC for large contracts > \$25 mil.

Post review:

-- Audit by specialist firms, report every 12 months

4. Country Procurement Assessment Report

-- Country department to prepare

-- CODPR to lay down format, review

OPRC to

5. Contract award data (384)

-- Mandatory for disbursement

6. Organizational:

- -- more procurement specialist in infrastructure/industry divisions
- -- strengthen service units in T.D.
- -- procurement assistants (18-20 levels) in all divisions.

File

ROUTING SLIP	Date May 5, 1992
NAME	ROOM NO.
Members of the Portfolio	
Management Task Force	

URGENT	For Action/Comment	Per Your Request
Appropriate Disposition	Information/Discard	Returned
Approval/Clearance	Note And Return	See My E-Mail
File	Per Our Conversation	Signature/Initial

RE:

REMARKS

Samir Bhatia	N 7075
Prem Garg	H 7111
Dominique Lallement	F 12-027
Maurice Mould	E 12-037
Lester Nurick	E 12-039
Michel Pommier	A 11-095
Joanne Salop	A 11-091
Ian Scott	D 1225

cc: W. Wapenhans

From	Room No.	Ext.
Peter Richardson	F-13-035	84571

P-1862

TASK FORCE ON PORTFOLIO MANAGEMENT

FINANCIAL ACCOUNTABILITY

SOME PERIPHERAL ISSUES

During researches into the principal topic of Financial Accountability, a number of other forms of supervision issues were put forward by managers and staff who were interviewed.

The following are some of the more pertinent matters raised.

How to Effect Change in the Bank

Many are concerned that the report of the Task Force will be "regarded as an interesting exercise", but is unlikely to have an impact unless it is effected by means of structural change. 12

Consultants

The continuing process of "converting" task managers to generalists (where they are not already in that broad descriptive classification) has lead to a substantial employment of consultants, mostly specialized in particular skills such as engineering, finance, architecture, etc. But the task managers have no means of assessing the capabilities and real performances of these consultants. There is a risk that some may not deliver adequately, or in a timely manner.

Divisions, and sometimes departments do not have the capability to monitor the quality of consultants' inputs --- and any deficiencies are almost inevitably at the expense of the borrower.

Skills and Experience of Bank staff

This is correlated to the previous subject of consultants. Numbers of managers and staff stressed that the trend towards generalism is depriving the Bank and the borrowers of the skills necessary to ensure that optimum investments are designed and delivered. While there appears to be no particular aversion towards the employment of younger staff members, there is concern that their lack of experience, particularly management experience, is detrimental to supervision performance, in particular.

In addition, some feel that each of the key professional groups(e.g. engineering, etc) should be subjects of "critical mass" in departments, with the removal of many from their present task management roles. In particular, there were expressions of concern at the lack of critical mass in SODs, which apparently do not have the skills and experience to provide the technical excellence for the sectors which they support.

One manager made a plea for the stock of experience to be rebuilt. Another warned that most managers see no mileage in technical issues --- only macro-economic ones.

Task Managers Capability

Task management is a complex activity, calling for a range of different skills and experience. Much can be learned on the job --- as long as the person concerned has the aptitude -- and experience.

Because of the large numbers of projects under preparation and supervision, a very proportion of higher level staff are task managers. But many have never been <u>managers</u>. There appears to have been a presumption by some division chiefs that any higher level staff member can automatically be a manager, but the performance of some task managers does not confirm this. (From my own experience there are some financial analysts acting as task managers, whose earlier performances in their professional roles would not encourage me to recommend their use as task managers).

Loan/Credit Categories of Goods and Services

Task managers may be using disbursement procedure as a means of project control and management, rather than defining the most expeditious means of disbursing loan/credit proceeds.

In some loan/credit agreements there are too many categories of goods and services specified. There is a marked tendency for task managers to specify many categories, with the objective of "controlling" the activities of particular components, instead of relying on the loan/credit conditions for due performance.

Also there are insufficient attempts to minimize the range of percentages against which borrowers may claim disbursements. For many projects, it should be possible, after specifying the 100% category(ies), to have one percentage for all other categories. This would simplify disbursement management for borrowers and Loan Department alike.

It is recognized that there are circumstances when a second or even third level of percentage financing may be necessary due to the nature of the particular project; but these should be the exception, rather than the rule, as appears prevalent, at present.

Recurrent Costs Financing

This continues to be common practice, despite criticisms by a number of staff that it leads to bad "housekeeping" by borrowers, particularly when there is no meaningful program developed to eliminate this before the project becomes fully effective. Here again, lack of time for supervision is suggested as a reason for failing to ensure that borrowers do gradually assume recurrent budgetary responsibility for recurrent costs during implementation.

Percentage of Project Costs to be Financed

While recognizing the value of the process which is used to determine the level (or percentage) of Bank financing for a particular country, it is suggested that because a key objective is the transfer of foreign exchange, if the percentage of Bank financing would be raised, fewer projects need to be developed for Bank financing. This may also assist borrowers with their counterpart funding problems.

This would have little impact for countries which require 80% and above financing, but for those countries at lower levels, is the Bank satisfied that its costs of administering more projects at lower percentage levels outweighs the benefits suggested by the modified process?

Too Many Processes, etc.

Task managers complain that there are too many internal Bank processes which cut down on practical task management time. The ARIS and ARCS systems come in for criticism in this respect.

Advisory Services

A common concern is the lack of a central facility or focus for professional excellence in the Bank. Staff and managers are not asking for the old OPS set-up, etc, and although they have their "independence", many would appreciate having a very limited centralized facility which can provide a Bank-wide and international practice view of technical and professional activities. They do not feel that CODOP has either the capacity, capability or mandate to provide this -- but perhaps it should?

But some feel that CODOP, with its role of providing the ODs, etc. is out of touch with reality (a point which the recently published financial ODs seem to confirm).

Projects and Sectoral/Country Reforms

A number of projects have been used to introduce reforms, new techniques, etc. into a sector or a country, but the lack of capacity for supervision obstructs meaningful transfer of these ideas. Projects are increasingly becoming inadequate vehicles to introduce reforms in a sector --- a fact well-evidenced by the lack of impact on accounting and auditing capabilities in most countries.

Information Systems for Borrowers

While the Bank has funded the provision of thousands of computers and associated components, it has done almost nothing to ensure that this equipment can be effectively used by borrowers. In particular it has not encouraged borrowers to develop information systems which can help borrowers to assist the Bank by providing rapid, accurate information (say) for supervision purposes. Reasons advanced include lack of experience of task managers in information systems, and lack of enthusiasm (understanding ?) among the Bank's managers for these developments.

It seems the Bank does not have the capacity or capability to respond to new technologies.

Complexity of Projects

A number expressed concern that the Bank, in an endeavor to address multiple developmental activities in a country, is increasingly promoting projects having a wide breadth, which cut across sectors --- but which countries themselves are inadequately structured to implement and supervise. Ministries and departments of governments often have serious difficulties in communicating between each other, and when a project involves multiple ministries and departments, it is very difficult for task managers to get the appropriate attention to issues by those in government.

When this situation combines with shortage of appropriate skills in the Bank, inability to adequately supervise consultants, and lack of supervision time (these projects require considerable time, often being located in widespread parts of countries), the meaningful supervision of such projects becomes impossible.

However, in small countries, complexity may be necessary in order to have maximum impact, and facilitate use of co-financing, etc. --- but this requires a level of supervision not currently available.

Counterpart Funding by Borrowers

A repeated complaint, particularly related to slow start-up and implementation is that the Bank has failed to address the problem of timely and adequate provision of counterpart funds in many countries.

The problem is endemic, and, as such, task managers for their individual projects have little chance of solving the problem. If the proposal in the Financial Accountability Paper for a Country Project Secretariat would be accepted, it may be feasible for this proposed agency to address individual country problems; but currently there remains a feeling that the Bank, as an institution, has not taken steps to radically address this issue.

Who should take the decisions?

To suspend disbursements, or take similar positive steps to get a borrower's attention still requires too many decision-making steps, involving various levels of management. If a task manager is to manage a task, why cannot that manager have the sole decision-making responsibility --- and live or die by the decisions made in that capacity? Or does the Bank really realize that many of these cannot manage, and need other managers to help them manage by taking decisions for them ??

needs to be done in the context of Country Port-fo management!

MCM
May 4, 1992

FORM NO. 75 (6-83)

THE WORLD BANK/IFC

ROUTING SLIP	DATE: April 7 '92

NAME	ROOM NO.
1) Mr. Wapenhans	
2) Task Force Library	

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
✓	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		**URGENT**

REMARKS:

re: Contract Award Data

—

Form 384

FROM:	ROOM NO.:	EXTENSION:
D. Lallement	F12027	82879

DL - FYI
Return JW

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

With the compliments of
V. S. Raghavan
Director
Loan Department

April 2, 1992

Mr. J. Wijnand:

I attach for your information and reference a copy of the note with Mr. Eccles' approval. We will be in touch regarding the implementation of the new policy.

Jan: I'll bring this to the attention of the WW Task Force. LOA shouldn't have to go through the pains of requesting the info. There is still a major problem, I believe, in the design of the 384. DL

(copied to Messrs. Rajagopalan
Wyss
Wijnand
Srinivasan
Ms. Reinke
LOA Division Chiefs --- 4/2/92)

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Mr Raghavan

I agree with your recommendations. You will presumably liaise with OSP on how to communicate this to the staff concerned.

4/1/92

DATE: March 20, 1992

TO: Mr. S. Eccles, ~~C~~TRVP

FROM: V. S. Raghavan, LOADR

EXTENSION: 84116

SUBJECT: Contract Award Data - Form 384

1. From time to time, the Loan Department has received suggestions from our colleagues in COD that in the absence of Form 384, we should not disburse, as only such a step will make task managers comply with the Bank's internal instructions and bring better discipline in procurement supervision. This proposal has also been advocated in some Internal Auditing Department reports. Most recently, the suggestion was renewed by COD in the context of a letter from Mr. Coady, USED, to Mr. Preston about incomplete procurement data in the Bank.

2. Our policy is to disburse on contracts subject to prior review only after we have received a copy of "no-objection" notice which the Task Manager sends to the borrower. COD has estimated that 12-15 percent of the number of contracts in an investment project should be subjected to prior review since they will account for about 80 percent of the total amount of the Bank's financing. Task manager compliance with this requirement is nearly 100%. There are, of course, some cases of delay when procurement is approved in the field, procurement documents are received with the application for withdrawal, or the "no-objection" notice is not copied to LOA. The Bank's direct payment and Special Commitment procedures are normally used to finance such contracts. As I mentioned in our meeting with Mr. Stern on March 18, 1992, when the borrower has complied with procurement guidelines and the Bank has indicated its no-objection to the contract award, it would be inappropriate for us to suspend disbursements based on the failure of Bank staff to enter information into the contract award data system. We would be punishing a borrower who is in compliance with all the Bank's procedures for what is obviously non-compliance by Bank staff. Apart from the questionable legality of such action, it would have disastrous consequences on our client relations.

3. The collection of prior review contract award data through Form 384 is a requirement for task managers (OD 11.04, para. 18). The data, including the no-objection

notice date and confirmation that the signed contract has been received and accepted, flows from OPMIS to the Loan Department's LDS system and provides evidence of expenditure eligibility. Task manager compliance with Form 384 data entry requirements remains erratic and the information flowing from OPMIS to LDS is often of sufficiently poor quality to require extensive editing by LOA staff. I am told that the Form 384 portion of the OPMIS procurement module suffers from some technical problems, and an inadequate number of staff in the operational divisions have been trained to accurately and efficiently enter data. Prior review data entry is perceived to be a low priority task since little useful information is returned to the task manager. I and other LOA managers wil fully support any move to rectify these problems. I have requested Hans Schneider to talk to his colleagues in OPMIS to understand the systems problems that need to be fixed.

4. That the contract award data system must be improved needs no emphasis as it is vital for the Bank to meet the information requirements of its member governments, but refusing to disburse is clearly not the answer. We have to deal with the issue of staff not following the prescribed procedures. In this context, I propose that you send a memo to the Regional Vice Presidents advising that, effective July 1, 1992, as soon as LOA receives an application for withdrawal involving a prior review contract for which we have the no-objection notice, but not Form 384 data:

LOA should not have to request. It should be an automatic & mandatory step that TM enter the data

i) LOA Disbursement Analysts will request the task manager via all-in-1 to enter Form 384 data within two working days.

ii) If the data is not received, LOA Division Chiefs will request the Operational Division Chief via all-in-1 (copied to the Senior Operations Advisor in the Region) requesting that the data be entered within an additional two working days.

iii) If the data is still not received, LOA will enter the required information into the LDS contract monitoring system and proceed with the disbursement. It should be noted that this process will <u>not</u> produce contract award data for OPMIS. It should also be noted that the cumulative effect of this procedure is to double the processing time for those contracts for which Form 384 data was not entered (LOA's current average time is roughly 4.6 days).

iv) For disbursements made without Form 384 data, LOA will send to the RVPs and to the office of the President periodical reports containing the details of the organizational units involved in such transactions.

5. In those cases where the no-objection notice has not been received by the time an application for withdrawal involving a prior review contract has been received, the LOA request for Form 384 data will note this additional requirement. The Loan Department will not disburse without a copy of the no-objection notice.

6. I hope these new procedures will lead to more complete contract data system in the Bank. I would appreciate your approval of these procedures.

File: 12.02

cc: Mr. V. Rajagopalan, OSPVP
Mr. H. Wyss, CODDR
Mr. J. Wijnand, CODOP
Mr. R. Srinivasan, CODPR
LOA Managers

LOAAF:WP2.2:CON:FHMayer/sk

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: April 6, 1992

TO: Distribution

FROM: Prem C. Garg, Chief, EMTAG

EXTENSION: 32532

SUBJECT: Portfolio Management

The attached Form 590 came across my desk as part of a supervision report issued recently by one of our regions. You will note that every major progress indicator is rated "3" or "4", yet compliance with covenants appears to be flawless. (The attached EMAIL from the Task Manager confirms that indeed). To my mind this raises a basic question -- have our loan/credit agreements become so banal and toothless as to be of no practical relevance to either project implementation or achievements of the project objectives. We hope to focus on this aspect as one of issues under my section of the work.

Attachment

Distribution: Messrs. Wapenhans (EXC), Scott (ORGHD), Richardson (CPBVP), Bhatia (PBDPR), Pommier, Salop (CODOP)

cc: Mrs. N. Okonjo-Iweala (MN2AG)

M:\PCGarg\Memos
PCG:vld

THE WORLD BANK
IBRD and IDA - Implementation Summary

Form 590

Run Time: 03/19/92 at 14.18.31

Detailed instructions on completion of This Form are in Annex D of OD13.05.

*** Working Version ***

This Summary is (_) the initial summary
(X) part of a mission report
(_) an update

Regional Office:	Project Name:	Loan/Credit Numbers:	L/C Amt ($XX.XM/SDR)	Type of Lending Instrument:
VP - MIDDLE EAST & NO AF	WADI AL JAWF AG.DEV. Project Code:5YEMPA041	C15840	Original: 10.0 / 10.5 Revised:	SIL

Country:	Borrower:	Board Date:	Signing Date:	Effective Date:
REPUBLIC OF YEMEN	REPUBLIC OF YEMEN	04/23/85	09/24/85	12/24/86

Managing Dept/Div Name:	Dept/Div Code:	Task Manager:	Mission End Date: 03/08/92	Last 590: 06/30/91
AGRICULTURE OPERATIONS DIVISION	28620	KHAN	Next Mission (mo/yr): 09/92	This 590: 03/13/92

SECTION 1: Summary of Project Development Objectives:

The key objectives of the project are to improve agricultural productivity & farm incomes in Al-Jawf Governorate, by making the best use of available land and water resources & introduction of modern technical packages for increasing crop yields, & to achieve balanced geographical distribution in the development of agriculture across the country. These objectives would be achieved through development of irrigation & rural infrastructure, provision of training, extension, research and credit facilities for the agriculture activities.

SECTION 2: Summary of Project Components:

The project was restructured in June 1990 and following is the summary of restructured project components. (1) Rehab. of irr. system to serve 300 ha and improvement of well irr. (1,560 ha). (2) Establishment of research subcenter, nurseries, and demonstrations field, extension and veterinary services. (3) Provision of short- and medium-term credit. (4) Technical assistance and training. (5) Construction of feeder roads (70 km). (6) Village water supply schemes covering about 50 villages. (7) Project is cofinanced with Arab Fund for Economic and Social Development (AFESD).

SECTION 3: Project Data and Performance Ratings:

Basic Data	Closing Date	Project Cost ($XX.XM)
Original (from SAR/PR):	06/30/92	$38.0
As Formally Revised:	12/31/92	$36.1
Expected-Last Form 590:	06/30/95	$36.1
Expected-This Form 590:	12/31/92	$36.1

Disbursement	(mo/yr) 02/92 ($XX.XM)	(% of L/C)
Original SAR/PR Forecast:	$9.9	99.0%
Formally Revised Forecast:	$4.5	45.0%
Actual Disbursement:	$1.8	18.1%
Disb. Forecast for CFY:	$9.7	97.0%
Actual for CFY:	$.2	1.6%

Number of formal closing date extensions: 0
Date of last closing date extension (mo/yr): 06/30/92

Reporting: End of period covered by last project progress report (mo/yr): 12/91

Indices	This Form 590	Last Form 590
Closing Delay	7.4%	44.3%
Cost Overrun	(5.0)%	(5.0)%
Disbursement Lag	59.8%	39.0%

Audits and Accounts	Number
Overdue Fin. Stmnts/Project Accounts:	0
Overdue SOE Audits:	0
Overdue Special Account Audits:	0
Qualified and Unsatisfactory Audits:	1

Mandatory Ratings	This Form 590	Last Form 590
Overall Status	4	3
Project Development Objectives	3	3
Compliance With Legal Covenants	1	1
Project Management Performance	4	3
Availability Of Funds	3	3

Other Ratings	This Form 590	Last Form 590
Procurement Progress	3	2
Training Progress	4	3
Technical Asst. Progress	4	3
Studies Progress	1	1
Environmental Aspects	1	1
Financial Performance	2	2

SECTION 4: Supervision Management:

Names Of Mission Members	Member Specialization	Participated In The Previous Mission (Yes/No)
AIZAD N. KHAN	IRRIGATION ENGINEER	N
MONIRA FOUAD	INST.&SOCIAL SPECIALIS	N
JAMAL FUAD	AGRICULTURIST	Y

Time Spent On Supervision	(mo/yr) 03/92
S/W Up To Current FY :	58.4
S/W Planned During Current FY:	14.0
S/W Actual During Current FY - Total :	10.0
In Field :	7.7

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

DATE: March 30, 1992 04:23pm

TO: Prem C. Garg (PREM C. GARG)

FROM: Aizad N. Khan, MN2AG (AIZAD N. KHAN)

EXT.: 32530

SUBJECT: Yemen - Wadi Al Jawf Project

Referring to your All-In-One note of March 29, 1992, the status of legal covenant is attached as Annex III to the supervision report. There are only four covenants related to audit reports, six monthly progress reports, mid-term evaluation report, cost recovery for irrigation works and establishment of M&E unit. All of these covenants met the deadline, only outstanding was cost recovery which was not due, as we dropped/deferred irrigation components. I agree that all covenants are more or less boiler plate type and no significance to the actual implementation. Implementation difficulties in such are with security problems must have been foreseen and conditionality to drop the project if security does not improve, must have been provided.

This has been a known problem project for years and even restructuring did not revive it, so it will be useful to use this as illustration.

CC: Ngozi Okonjo-Iweala (NGOZI OKONJO-IWEALA)

THE WORLD BANK / IFC / MIGA

OFFICE MEMORANDUM

DATE: April 1, 1992

TO: Mr. V.S. Raghavan, LOADR

FROM: Willi A. Wapenhans, EXC

EXTENSION: 80121

SUBJECT: Disbursement Under Adjustment Operations

1. I refer to your note of March 30, 1992. Obviously it is for you to decide whether you want to proceed with changes in instruction at this point of time. I still shudder at the documentary requirements the revised procedure would retain. The Task Force will revisit the issue in the context of the disbursement practices at large as we discussed the other day.

2. I believe there is considerably more room to meet the General Counsel's rendering of 1988. For instance, trade statistics normally cover categories of goods and countries of origin sufficient to assess as to whether a country has imported such goods "for productive purposes" in excess of our financing. I wonder whether the proceeds of the loan could be linked at the outset to trade classification, leaving evidence to be collected to countries of origin. Since all of this refers to "small" contracts the question of the lowest evaluated offer does not seem to apply at any rate.

3. I will ask Mr. Nurick to look at this question as he begins his work on April 1. I take it you would not mind a further follow-up on this issue. Please send me six extra copies of the proposal as it now stands.

cc: Messrs. David Goldberg
Ian Scott
Peter Richardson
Lester Nurick

File

March 30, 1992

Note to: Mr. Willi Wapenhans

Willi:

Disbursements Under Adjustment Operations

As suggested by Stephen Eccles, I am sending you a copy of our paper on the above subject. We have now received the agreement of all Regional VPs, and Messrs. Rajagopalan, Shihata and Johannes Linn to these proposals. We are planning to send the papers to the Policy Review Committee for endorsement.

Our initial recommendation (in the Summer of 1991) was that we follow procedures similar to the IMF's with regard to disbursement of adjustment operations. A great majority of the two dozen or so experienced task managers, project advisers (and COD and Legal staff) opposed the idea. And hence the compromise proposal.

I believe we should go ahead with the implementation of the proposal as now agreed, although your Task Force can revisit the issue. Please let me know if this is okay with you.

Raghavan

V. S. Raghavan

Attachment

DISBURSEMENTS UNDER ADJUSTMENT OPERATIONS

Introduction

1. The Bank's Articles require the Bank to ".... **make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency**". In 1988, the Bank's General Counsel noted: "The argument that money is fungible and that any financing by the Bank may release equivalent funds for use by the borrower for other purposes cannot be used as a legally acceptable reason to allow the Bank to violate its mandate or act outside the scope of its Articles. Thus, Bank loans which do not purport to finance a specific project must still aim at facilitating or supporting productive purposes."[1] This requirement is satisfied in adjustment lending which is given to cover gaps in balance of payments or the costs of adjustment by linking availability of funds for disbursement purposes to satisfactory progress in making specified structural reforms.

2. Bank disbursement procedures were designed and adapted over the years to satisfy requirements for economy and efficiency which were easily met when the Bank operated primarily as a provider of investment loans. When the Bank began to lend for adjustment operations, the standard disbursement procedures for investment loans were not reviewed or modified to fit the new type of lending. Thus the Bank requires borrowers to submit similar supporting documentation and data for adjustment as well as investment loans. As the objectives of investment loans and their implementation processes are substantially different from those of structural adjustment loans, the rationale for applying the same procedures for disbursement purposes under both these types of loans has often been debated within the Bank, and questioned by Bank borrowers.

Rationale for Change

? Practice !!

to what extent are these related ??

3. Bank policy is to disburse against documentation related to eligible imports[2] for adjustment loans although this documentation is largely unrelated ? to the loan's objectives. These documents currently include contracts, invoices, evidence of shipment and evidence of payment. To comply with these requirements, borrowers collect a large volume of documentation and undertake the time-consuming preparation of summary sheets detailing relevant transactions. While countries such as Mexico and Chile have successfully established the costly

evidence of money spent! Not evidence of relevance except in the sense of a list of exclusions!

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[1] SecM88-517 of April 8, 1988.

[2] Disbursements are made either against actual documents or on the basis of Statements of Expenditure (SOEs) from the borrower confirming that these documents are available for review by auditors and visiting Bank missions. As a minimum, summary sheets (submitted with supporting documents) or SOEs currently provide the following details: name and address of supplier, brief description of goods, contract number or other identifying reference, total contract value, invoice value and amount paid for items included in this application.

administrative arrangements needed to comply with the Bank's requirements, most other borrowers of adjustment loans have experienced difficulty in collecting and submitting the necessary documentation and data. These costs and constraints either delay the disbursement process drastically (e.g. Poland, Argentina, Guyana) thereby defeating the objective of quick disbursements, or even stall it altogether (e.g. Senegal, Gabon).

and where relevance!!

4. Cumulative experience in administering disbursement aspects of "quick disbursing" adjustment loans over several years has shown that the disbursement procedures designed for investment loans cannot be applied effectively under adjustment loans. An investment loan finances goods and services purchased specifically for the project. On the other hand, an adjustment loan provides short-term (normally one or two years) balance of payments support to borrowers who are undertaking structural adjustments acceptable to the Bank, i.e. the objective under the adjustment loan is to make stipulated changes in the economic framework of the borrowing country in a given (relatively short) time frame. Therefore, while a project loan amount and the disbursements against that loan are directly related to the cost of goods and services purchased to implement the project, disbursements under an adjustment loan cannot be so related. However, financing eligible imports under adjustment loans has been accepted as an appropriate vehicle to meet the requirements of the Bank's Articles.

Proposed Changes

5. Traditional disbursement documentation is still appropriate in cases where large contracts are procured under international competitive bidding procedures as described in OD 11.03 "Procurement Arrangements for Adjustment Operations"; for these items the most suitable disbursement mechanism may be the use of a Special Commitment to cover a letter of credit. However, most disbursements for adjustment lending are against smaller contracts. For contracts below the limit specified by the Bank for disbursement against Statements of Expenditure (SOEs), we recommend acceptance of alternative disbursement documentation for preparation of SOEs that is consistent with the Articles and at the same time allows loans to be drawn down expeditiously as conditionality is met. Such documentation should be

- prepared from underlying import documents in a reliable manner acceptable to the Bank (to be assessed during appraisal),
- readily available within the existing framework of borrower procedures and import controls, and
- provide details needed for the Bank to be assured that the goods are eligible, and that they have been supplied from member countries[3].

remedy

what do we do in case of ineligibility?

We [illegible] our [illegible] for audits!!

---

[3] Without some such minimum surveillance, the Bank might encounter potentially embarrassing situations where it appeared that Bank funds had been used for ineligible expenditures.

how would this [illegible] about??

6. Depending on specific country circumstances, one of the following options would satisfy these requirements:

(a) The customs certificate issued in most borrowing countries at the time of importation: This document normally provides appropriate details (such as supplier, country of origin, importer, description of goods, value and date of importation). In the event all of these details are not already captured, it would not be unreasonable to ask customs authorities to modify their programs to generate this information.

(b) The pre-shipment inspection certificate issued by an independent third party supported by certificates giving evidence of import: The pre-shipment inspection certificate exists in a number of countries, particularly those where the Bank is most concerned about the quality of internal controls.

For countries without customs control procedures acceptable to the Bank, an SOE from the central bank or other appropriate government agency providing similar information based on their review and retention of the underlying import documents (i.e. the existing documentation requirements) would continue to be acceptable.

7. To determine whether customs certificates should be accepted as the basis for preparation of SOEs, we recommend that adequacy of procedures for preparation of these certificates should be assessed jointly by Regional and Loan Department staff as part of the appraisal process. Where this assessment shows that customs certificates are prepared in an appropriate manner based on careful review of underlying import documents and represent a reliable source of information on overall imports, disbursements should be made based on aggregated data extracted from customs records. Where minor deficiencies in current systems are identified as the result of this assessment, these should preferably be corrected as a condition of effectiveness of the proposed loan. Where this is not feasible, but these deficiencies would not expose the Bank to undue risk that funds would be misused, a timetable for correction of these deficiencies could be established, and satisfactory corrective action made a condition of release of subsequent tranches or approval of subsequent adjustment loans. This disbursement option would not be available in case of major deficiencies in the system unless these deficiencies could be addressed by the addition of pre-shipment inspection certificates (see para. 8). Rather, disbursements would be made against full documentation or SOEs for which this documentation had been retained in a central location.

8. Where the Bank's assessment of internal controls leads to a judgement that pre-shipment inspection by independent third parties is essential, we recommend that certificates confirming inspection of goods immediately prior to shipment prepared by agencies judged by the Bank to follow acceptable procedures should be required in addition to customs (or central bank) certificates which confirm arrival of goods. The process for determining acceptability of pre-shipment inspection agencies would be similar to that followed for customs, but an agency reviewed in connection with one loan would then be accepted for any other loans, subject only to periodic reassessment at intervals yet to be agreed.

9. Issues associated with use of a customs or third-party inspection agency certificate as the basis for preparation of SOEs are:

(a) Proof of Payment. At the time certificates are issued, evidence of payment which has so far been one of the key elements of the Bank's disbursement documentation would not necessarily be available to the agency preparing the certificate. In its place, we recommend that we accept a general certification from borrowers as part of the standard withdrawal application form that the expenditures have not and will not be financed from other loans, credits or grants. Audit provisions as outlined in paragraph 9(b) would include a review of proof of payment for public sector imports.

(b) Audit. Both audit and field review of SOEs currently include an examination of underlying supporting documentation. Heretofore, SOE reviews for adjustment operations have rarely identified any problems. Even when Bank staff or auditors have detected ineligible items, borrowers have generally submitted appropriate substitute transactions. The vast majority of a country's imports is financed by the country's own export earnings, not by external finances, and therefore the risk of over-financing or double financing of the same import is negligible. Where borrowers receive financial support from other donors without Bank administration of disbursements, the complete data is in any case not available to the Bank. We therefore recommend reliance on audit of documents by the borrower's independent auditors after loan disbursements have occurred as our chief control. The scope of audit of SOEs should include underlying procurement documents, invoices, bills of lading, and, for the public sector, evidence of payment.

(c) Field Review of SOEs by Bank Staff. To ensure compliance with appropriate procurement rules, and address the most likely area of double financing (claims for financing of public sector imports already financed under investment projects), we recommend that a distinction be drawn between public and private sector imports. For public sector imports, the Bank's review should cover underlying documents on a sample basis. For private sector imports, field review of SOEs should normally be restricted to an examination of the customs (or other agency) certificate used to prepare aggregated information for the SOE.

Source of Supply Simplification

10. SOEs listing individual payments are currently examined to ensure eligible supplying countries and description of goods, and compliance with procurement requirements for contracts above a limit specified in the loan agreement (generally $5 million). Source of supply (SOS) reporting - required for the information of the Bank's Executive Directors and management - classifies disbursements by supplying country, by state for goods of US origin, and by individual U.S. or Canadian supplier for contracts valued at more than $100,000 equivalent, as well as distinguishing between broad categories of goods. The usefulness of this data relating to past imports is doubtful.

11. To maximize the benefits of the proposed change in documentation, we propose that borrowers be asked to submit aggregated information by supplying country in SOE form, together with customs data including details of suppliers and description of goods for the period covered by the SOE. The current requirement for the borrower to certify that expenditures covered by the SOE are bona fide eligible expenditures under the loan would be maintained as part of the standard withdrawal application form. To accelerate the disbursement process, we recommend eliminating the detailed review of SOE data currently undertaken by LOA staff prior to disbursement, and limiting SOS coding to identification of the supplying country as provided by the borrower. The advantages far outweigh any dilution in public relations efforts in mobilizing support for the Bank in a particular city or state. SOE data and underlying documentation would be subject to review by auditors and visiting Bank missions as outlined in paragraphs 9(b) and (c).

Advances to Special Accounts

12. In those countries whose lack of access to funds makes it impossible for them to import goods unless funds are advanced from a Bank loan, current policy restricts the amount of the advance to a Special Account (SA) to 20% of the loan amount, with larger advances being subject to the approval of the Loan Department Director. In practice, disbursement of loans to such borrowers is generally much slower than originally envisaged. Many resort to the use of Special Commitments covering letters of credit to supplement amounts advanced to an SA. We therefore recommend that advance of the first loan tranche (excluding any retroactive financing limits set to permit financing of imports made prior to loan signing for which borrowers should claim reimbursement promptly upon effectiveness) should be made into an SA as soon as conditionality is met, and that the borrower submits SOEs confirming actual use of loan funds to finance imports based on the customs (or other agency) certificate mentioned earlier and an audit report satisfactory to the Bank before subsequent tranches are disbursed. In the event borrowers failed to submit acceptable applications documenting use of the final tranche, in addition to the application of any legally effective remedies on the original loan the Bank could also condition approval of any subsequent loans on satisfactory corrective action.

Conclusion

13. We believe that the proposed modifications will both meet the standards dictated in the Bank's Articles, and greatly facilitate disbursements under adjustment operations by reducing the burden of special requirements currently imposed on borrowers.

14. If this proposal is accepted, changes will be required in the following Operational Directives:

12.00	Disbursements (issuance imminent)
12.20	Special Accounts
12.30	Statements of Expenditure (not yet finalized)

LOADR
March 12, 1992

File

- Vol. of Procurement
- Guideline change
- [illegible]
- quality / consistency — '87 reorganization
- May 23 meeting
- Contract award reporting

— . —

Supervision Study Working Paper II:

Staff interviews
[illegible]
corruption etc.

Local Procurement systems etc.

GOE.

Rev. Funds

Continuity of
Supervising Engineers!!

— . —

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

ROUTING SLIP	DATE: March 27, 1992
NAME	**ROOM NO.**
Mr. Willi Wapenhans, EXC	D 1321

X	**URGENT**, For mtg. 3/30		PER YOUR REQUEST
	FOR COMMENT	X	PER OUR CONVERSATION
	FOR ACTION		SEE MY EMAIL
	FOR APPROVAL/CLEARANCE		FOR INFORMATION
	FOR SIGNATURE		LET'S DISCUSS
	NOTE AND CIRCULATE		NOTE AND RETURN

RE: Procurement

REMARKS:

Pursuant to our telephone conversation, I have attached a brief note on Procurement to serve as a background paper for our discussion on Monday, March 30, at 3:00 p.m.

FROM:	ROOM NO.:	EXTENSION:
R. Srinivasan, ~~Chief~~, CODPR	A11-033	84090

March 27, 1992

Procurement

General

1. Procurement is an important activity in all Bank operations, since the Bank can finance only goods and services (unlike the IMF/IFC). Procurement is the link between making a loan and its disbursement. Delays in procurement would delay the project benefits and increase the cost. Inefficient and bad procurement would affect the success of a project. Under its Articles, the Bank is required to ensure economy, efficiency, and a fair opportunity to all member country firms. To achieve this, the Bank has issued Procurement and Consultant Guidelines. The Bank is responsible to supervise procurement, and in this process, ensure fairness, equity, and a level playing field. Above all, the Bank has to ensure consistency in the application of procurement rules across sectors and regions. The volume of annual procurement exceeds US$20 billion, and is keenly competed by member country firms and, hence, ensuring the integrity of the process is vital for retaining the credibility of the system.

Policy and Guidelines

2. The Procurement and Consultant Guidelines outline Bank policies and procedures. These are incorporated in the Loan Agreement, and become legal obligation of the borrowers. These Guidelines also serve the needs of staff and the business community. ICB is the preferred method of procurement, and approximately 60 percent of Bank procurement is through ICB and selection through short lists is the preferred method for consultants, and 70 percent of selection follows this route. The rest are sole-source.

3. The Bank's Guidelines have stood the test of time, and have served as a model to regional banks -- IDB, ADB, AfDB, and, recently, EBRD. There has been no demand either from the borrowers or the business community for any substantiative change to the Guidelines. Some suggestions have recently been put forth by US/European/Japanese contractors' associations requesting some elaboration of the Guidelines, which would improve the quality of bidding documents and encourage more participation by them. We are reviewing these suggestions. Borrowers have periodically suggested a higher margin of local preference than the present 15 percent for goods and 7.5 percent for works.

4. The Guidelines address public procurement, as the Bank makes loans mainly to governments and the public sector. Our Guidelines do not address lending to the private sector directly (the EBRD guidelines do). Recent emphasis on privatization thus raises some difficulties to address procurement by private sector.

Implementation

5. In the present organization, the task manager is responsible for supervising procurement in his operations. He is supported by technical specialists/consultants, with advice, guidance and selective review of documents by the RPA and Legal Department. CODPR develops and interprets policy, issues guidelines, technical notes, and sample documents, organizes training for

staff and borrowers, and liaises with the outside business community. It also oversees procurement in the regions by maintaining close network with RPAs to ensure consistency in the application of rules.

6. Since reorganization, there is a perception in some quarters that "procurement" has been downgraded and receives less attention from management. Since the reorganization changed the emphasis from project to country focus, resulting in task management by economists and generalists, some of these perceptions are valid, but there is no concrete evidence to show that the quality of procurement in Bank operations has gone down. On the contrary, there has been comparatively fewer complaints in the recent past. The IAD Report on Procurement in Africa and Asia Regions in 1989 concluded that, by-and-large, procurement supervision takes place satisfactorily; however, there is room for improvement; also, that the reorganized set up makes it more difficult to ensure quality and consistency in procurement supervision. The IAD Report on "Consultants" in Africa/Asia Regions in 1991, identified the lack of discipline in following prescribed review procedures and a high number of sole-source without apparent justification.

Coordination with Business Community

7. Business Seminars. EXT, together with CODPR, holds monthly briefings for the business community in Headquarters. A Business Affairs Specialist in the Paris Office, under the supervision of CODPR conducts bi-monthly business briefings in Paris, and participates in business seminars in Europe. EXT and CODPR conduct 1- to 3-day business seminars around the world to inform the business community of procurement opportunities, Bank policies, procedures, and source of information.

8. Meetings. Structured meetings are held by the Bank annually with international consultants' and contractors' associations. The annual meeting with consultants is due to be held on April 2-3, and that of the contractors is scheduled for the end of the year. The other regional development banks (ADB, IDB, AfDB, EBRD) also participate in these meetings. Special meetings are being held with the US/Europeans/Japanese contractors' associations to discuss their recent proposal to modify the Procurement Guidelines. The next meeting is due to be held on May 23, 1992.

Let them conduct!!

Staff Training

9. CODPR organizes and conducts staff training seminars, as well as training seminars for borrower and executing agency staff in collaboration with RPAs. Recently, staff training has been increased substantially.

Procurement Information

10. LOA publishes "source of supply" information in the Bank Annual Reports, which indicates member countries' share of disbursements. CODPR collects "contract award data" (Form 384) for all contracts, subject to prior review, which are furnished to the EDs. These reports are less

than satisfactory, since many TMs fail to report awards in the OPMIS system. There has been a recent complaint to the President from the US ED on this. OSP and LOA are working together to improve the reporting.

File: WP.Srinivas/pl.Waphns.Pro
CODPR: 2.1

EDI

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

File

DATE: May 1, 1992

TO: Mr. Willi Wapenhans, EXC

FROM: Amnon Golan, Director, EDI A.G.

EXTENSION: 36300

SUBJECT: Training for Improved Project Management

1. Further to our earlier discussions concerning the above, please find attached a note on the Role of Training in Improving Project Management.

2. We would be pleased to discuss this further with you at your convenience.

c.c. (with attachments)

Messrs./Mmes. ter Weele, Carr (EDIDR)
EDI Division Chiefs
Edgerton (EDICD), Finzi (EDICD), Geraldes (EDINU), Salem (EDIAR), Wishart (EDICD).
I. Scott (ORGHD), M. Pommier (CODOP),
P. Richardson, (CPBVP)

The Role of Training in Improving Project Management

1. Deficiencies in project performance can be traced to three main determinants:

   (a) The overall policy framework, embracing both the macroeconomic and sectoral environments.

   (b) Inappropriate project design and planning[1].

   (c) Management of the project's implementation and operation.

2. How can training assist in the correction of these deficiencies? Concerning (a), there is already a substantial amount of policy based lending and CESW addressing the issues. A useful addition might be seminars and workshops specifically linking improved project performance to the macro and sectoral policy frameworks. Such workshops would be aimed at both policy makers and senior project managers, and could be initially targeted on those countries with an especially poor track record in project implementation and management.

3. With regard to (b), training could improve project design and planning using proven techniques which already enjoy widespread usage in a number of multilateral and bilateral organizations as well as governments and project agencies. These techniques rely on consensual and team-building methods for setting project goals and objectives. They enable project managers and beneficiaries to interact closely to influence and/or control their prospects for successful performance. Computer-assisted materials have been developed to assist in the dissemination and use of these tools[2].

4. Turning to (c), many of those responsible for implementing and managing development projects and programs are good technical professionals. However, their training has traditionally placed little emphasis on the acquisition and application of **management** skills. The lack of such skills is likely to be a significant cause of poor performance. A training program for project managers focussing on implementation issues would therefore cover, *inter alia*:

- people and financial management;
- planning and implementation tools such as Critical Path Analysis;
- disbursements, progress reports, repayments;

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[1]Including lack of clarity on objectives and of agreement on them among important stakeholders; selection of inappropriate outputs combined with unrealistic strategies for their achievement; and lack of a participatory approach in demand determination and goal setting.

[2]For example, the PC/LogFRAME and PC/LogFRAME R&D, the automated version of the Logical Framework project design and management method is used by a number of bilateral and multilateral development agencies (GTZ, UNDP, African Development Bank, Asian Development Bank, Netherlands Cooperation, USAID).

- procurement policy and practice;

- project funding including obtaining resources from the budget;

- monitoring and control; and

- field visits to successfully implemented projects.

5. One important issue to be addressed in the program would be how to establish management systems which set clear roles and responsibilities and which build into project supervision the flexibility to respond effectively to changing contextual conditions. Again, a number of tools and materials are available and have been extensively proven in practice[3].

6. Such training efforts could be closely linked to Bank operations and also to those of other lending agencies. They clearly complement Project-Related Training (PRT) which tends to be oriented more towards the acquisition of technical skills rather than management. However, it is important to bear in mind that training has its limits as a tool. There are a large number of issues related to the performance of project managers, including the wider institutional setting and the condition of the country's public service, which are beyond the reach of the kind of training program envisaged here. The audience for this program is restricted to project managers and the senior officials and policy makers with whom they frequently interact. By introducing both groups to the important linkages between the policy framework and project performance, the close bond between good design and successful implementation, and the management tools required for effective project operation, the program would aim to make a modest contribution to halting the decline in the quality of the Bank's project portfolio.

7. It is envisaged that a full training program, involving all three components (policy context, project design, and management of ongoing projects) would need to last a substantial period of time, perhaps as long as two to three months. It should be carried out in partnership with local training institutions in order to build sustainable capacity in the borrowing countries. Among the strategic and logistic decisions to be made are the initial choice of countries and sectors, whether each course should be for participants from just one country or a group of countries, and whether the training should take place in the country or region or elsewhere (e.g. in Washington).

8. A further question to consider is the possibility that Bank staff might also benefit from at least some of the elements of such a training program. We have not looked into this since Bank staff training is not an EDI responsibility, but it is an issue which the Task Force may wish to address.

9. The approaches and techniques discussed in this note have already been used by EDI in a number of its training initiatives. For example, they have been

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[3]Examples include PC/TeamUP, a training and management tool, based on an integrated, and sequentially related set of management tools; and PC/PIP, the automated version of the Performance Improvement Planning (PIP) method, a well proven approach to addressing management problems of ongoing projects and improving quality and efficiency in key performance areas.

field-tested in the Agricultural Management Training for Africa (AMTA) program where they have proven their effectiveness and acceptability for project staff. Based on this experience, we have prepared an outline of the main components of a training program to improve project management (see attached). We therefore stand ready to make a contribution should the Task Force deem it appropriate.

COMPONENTS OF TRAINING FOR IMPROVED PROJECT MANAGEMENT

A. For Project Identification and Design:

This stage needs to involve, consult and inform all who may participate or be affected by the proposed project. This stage must also include the assessment of the likely level and evolution of demand for the goods and services and the willingness to pay. Training will address methods of assessment, consultation and consensus-building. The main elements will be:

- o the setting of well defined and agreed goals and purposes--The Objectives;
- o the definition of the indicators of success;
- o the identification of key activity groups;
- o the establishment of critical project assumptions and confidence limits; and
- o the specifications of the resources required, in quantity, quality and time.

Software: PC/LogFRAME and PC/LogFRAME R&D

B. For Project Implementation:

Project management teams, preferable including Bank staff, should develop their management plan during a project launch workshop. The same topics are also important for periodic reviews. Preparatory training will be required in the following subject areas.

1. Elements of the Business

Leadership: Understanding and agreeing upon goals (mission) and purposes (Objectives Tree Analysis); and the activities, inputs and outputs (Logframe Analysis).

Planning: Strategic: set within the positive and negative forces of the socio-political and physical context. Focussed on the needs of the stakeholders (Stakeholder Analysis), especially clients and customers.

Performance: Work Breakdown Structure, Organization Responsibility Charts, Training Programming,Resource Planning and Phasing (Bar Charting), Expenditure Schedules and Performance Budgeting.

2. Elements of Organization and Management

Directing & Facilitating: Division of labor and integration of work-units. Management of time and conflicts.

Coordination: Internal communications and working groups. External relationships and communications with stakeholders.

Control of Performance: Establishment of norms and monitoring physical, financial, accounting and social effects. Periodic evaluation of staff performance.

Rewarding Performance: Applying a reward system; training to permit career growth.

Software available: PC/TeamUP and PC/PIP

.IANWallis/bls:amw

\pril 29, 1992

filename: WP51: Components

INFORMATION TECH.

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

Use of O.T.

ROUTING SLIP	DATE: June 25, 1992

NAME	ROOM NO.
Messrs./Mmes. Bhatia, Garg,	
Richardson, Scott, Hassan,	
Nurick, Salop, Lallement	
cc: Mr. Wapenhans	

	URGENT		PER YOUR REQUEST
	FOR COMMENT		PER OUR CONVERSATION
	FOR ACTION		SEE MY EMAIL
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	FOR SIGNATURE		LET'S DISCUSS
	NOTE AND CIRCULATE		NOTE AND RETURN

RE:

REMARKS:

FROM:	ROOM NO.:	EXTENSION:
Michel J.L. Pommier	A-11-095	84004

MP

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

DATE: 01-Feb-1991 05:13pm EST

TO: See Distribution Below

FROM: Richard Gregory, LACCA   (RICHARD GREGORY)

EXT.: 30222

SUBJECT: A Vision of Knowledge/OT in the Bank

Edi Segura, Suman Bery and I had an extremely interesting briefing by McKenzie and Co. on how they perceive and manage information. Since McKenzie, like the Bank, is primarily a knowlege house, their experience is of considerable interest.

First off, they explicitly perceive the knowledge of their staff as their key strategic asset and they have an institutional commitment to improving and using that knowledge. Their knowledge management mission statement is:

> "To make McKenzie and Co. a focussed learning organization through better capture, codification, dissemination, and application of a strategic asset - our knowledge - to client service."

Their idea is to capture the best ideas and practices and make these common. To do this they mobilize a wide rage of resources and activities including in house newsletters, seminars, training, cross-unit tasking and information systems. Note that the information systems and technology are perceived as supportive of the broader strategy and activities, not justified for their own sake.

Their information systems are primarily designed to capture key information on new ideas and to point users to the people that know. The key design concept is to recognize that the most important and useful infomation resides in people and that people typically prefer and find it more efficient to get knowledge from other people. Their systems are therefor designed to leverage the person to person networks that are the heart of the organization. They are staffed by people familiar with the core work of the institution, not just librarians. In fact, they threw out a librarian type catagorization system because it did not respond to users needs and was too complicated.

Essentially, they periodically and systematically gather short descriptions of lessons learned from task managers, catagorize these and make them available to whoever wants them. Typically the user/task manager then contacts the knowledgeable individual concerned. More formal information, eg backgroud papers, newsletters, publications are also catagorized so that someone looking for the best practices on say automation can easily learn, who is currently working on such projects, what key new ideas are being tried and who knows about them and what publications are available. All of their materials identify a contact source.

The system works because all staff buy into the concept and achieve recognition from it and because users find it useful and use it. A McKinsey task manager said he would never undertake a new assignment without first checking what was on the system in the area he would be working on. Incidently, checking what is on the system, does not necessarily mean personally using a computer. This task manager does it though his research assistant.

Technically, their systems are not more advanced than the Bank. They use BASIS on a headquaters machine for the information data bases and some networks (mainly Nouvel). This would be similar to our use of BASIS for text retreival through All in One (Operational Manual, LAC Decisions Data Base). Not all their staff have workstations, or networks, and they are presently installing EMail. All staff have voice mail. Again, the lesson is that organization and cultural changes are the key, not the technology.

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THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

Ch. pt. VI

DATE: June 22, 1992

TO: Mr. W.A.Wapenhans, EXC

for N. Cengiz Yucel

FROM: Carlos Ferreira and N. Cengiz Yucel, EMTDR

EXTENSION: 32608

SUBJECT: The Use of Information Technology in Project Implementation and Supervision

1. Please find attached our report on the subject above incorporating the comments and suggestions made at the review meeting held on May 26, 1992. In addition, as recommended at the meeting, we have added a new annex indicating priorities assigned to the recommendations made in the report.

2. We would be happy to answer any questions that you may have and incorporate any further suggestions and refinements as needed.

Attachment

cc: Messrs. Kohli (EMTDR), Garg (EMTAG), Richardson (CPBVP), Ms. Lallement (CODMO)

Link to Borrower's information flows!

Work Stations
- Computer Graphical Project Supervision and Reporting
- Project Reporting flows

page 10-11

**THE USE OF INFORMATION TECHNOLOGY
IN
PROJECT IMPLEMENTATION AND SUPERVISION**

EXECUTIVE SUMMARY

(i) This report proposes a vision that explores the potential for incorporating information technology in the management of the Bank's project portfolio, particularly in support of implementation and supervision activities. It also proposes how this vision could be phased in and establishes a set of priorities for introduction of these changes into the business of the Bank.

not substantiated later on!?

(ii) The study concludes that the new technological facilities, when superimposed on the existing "culture" of project supervision would not, on their own, significantly improve the quality of supervision or the portfolio management. In order to fully exploit the advantages offered by the new technological developments it is essential to ~~fundamentally~~ change the current approach to supervision? The study findings also indicate that the use of new technology in supervision would be more ~~cost~~ management effective if the Bank incorporates the same technology in all phases of ~~its work~~ the project cycle after field appraisal.

(iii) There is a compelling evidence that the problems currently encountered in project implementation and supervision largely stem from two basic factors: (a) insufficiently trained and/or motivated staff; and (b) lack of clear definition of the respective responsibilities of the Bank and of the borrowing agencies.

(iv) The study recommends that there is an urgent need for introducing a formal training program for would-be Task Managers, and that this program include the introduction of Information Technology for Project Management.

? (v) The incentive system of the Bank should be changed to reward effective performance in the project implementation stage. ?

(vi) The current OD should be revisited with a view to clarify and explicitly define the role of the Bank and therefore the Task Managers in the implementation and supervision stage of the project cycle.

(vii) On the technical side our findings indicate that the use of new technologies would greatly enhance the effectiveness of the Bank's supervision process. As demonstrated by actual experiences in the Bank, two new technological facilities could provide cost-effective means for improving supervision:

(a) Computer-Assisted Project Management. Recent developments have made it possible to assemble powerful cost effective project management workstations capable of handling project implementation planning, tracking and reporting activities. Projects managed in this manner undergo more formal and comprehensive linkage of project inputs and activities to project goal, purpose and objectives, and to corresponding verifiable key-indicators. Since the project assumptions would be formally committed to a model at the appraisal stage, and reviewed when needed, these projects would tend to become less sensitive to discontinuity in Bank or local project management personnel.

Successful implementation of this technology is predicated on its acceptance and use by the borrower. Most required reporting would then become quite automatic with resulting improvement in quality and timeliness of data. Project management activities, including supervision, midterm reviews and PCR's, would become more concentrated on substance and less on data gathering activities. We recommend that the Bank adopt this technology on a few pilot projects and phase in general use considering the lessons learned. EDI has invested substantially in this technology and can provide or arrange for the provision of training for borrowers and staff. It is envisioned that borrower capabilities to absorb this technology would be evaluated at the appraisal and negotiation stages, and training and equipment could be provided as part of the project.

(b) <u>High level of communications</u>. Intensive communication among the project main stakeholders: implementation agency, country authorities, Field-Office, Headquarters, and co-financing agencies, can help generate the necessary level of rapport and mutual trust among them to create the right environment for quick and better informed decision making. This would potentially eliminate or at least reduce substantially the "reality gap" between what is really happening in the field and what staff in Washington may think is taking place. It is not anticipated that technology would in itself cause any dramatic change in the role of field offices although the increased flow of information can facilitate concensus building and more coherent action. We found the current Global Communications Strategy responsive to the requirements of the envisaged portfolio management and supervision activities of the Bank. It may be necessary to accelerate the investments in this area, to deploy the global network in a faster pace.

(viii) The ~~new~~ way of doing business based on increased communications and reporting in electronic form, some times with no paper equivalent, will necessarily put additional pressure on the administrative and support structures of the Bank to adjust accordingly. Successful ~~implementation~~ of technology is predicated on the resolution of ~~a number of~~ infrastructure issues facing the Bank. To that effect the report makes a number of recommendations on how the Bank should evolve its current file, document, and information management structure to respond to increased use of technology. In particular the serious deficiencies in Project files pointed to by many Task Managers must be addressed the earliest.

(ix) Similarly, as communication and information exchange with the borrowers accelerate, there will be increased pressure to improve the Task Manager's access to internal Bank information resources, so as to enable the Task Manager to attend to project issues with matching speed. Bank systems such as Load Disbursement and the OPMIS, and background and administrative information on legal, administrative, procedural and other issues should be placed at the Task Managers's fingertips.

(x) We have annexed a summary transcript of the comments received during the focus groups for reference. It is a rich source of insight on how the Bank's experienced task managers view their role and functions in project implementation and supervision and their suggestions to improve the Bank's effectiveness in this area.

**THE USE OF INFORMATION TECHNOLOGY
IN
PROJECT IMPLEMENTATION AND SUPERVISION**

I. OBJECTIVES

1. This report ~~proposes a vision that~~ explores the potential for incorporating recent information technology developments in the management of the Bank's project portfolio, particularly in support of implementation and supervision activities. It also proposes, in annex 1, how this vision could be phased in and establishes a set of priorities for introduction of these changes into the business of the Bank. It also discusses, briefly, issues that have direct implication on the effectiveness of the recommendations, particularly the relevant practices that affect project implementation and supervision.

II. METHODOLOGY

2. The Technology Working Group in its efforts to achieve the objectives set out above, utilized a two-pronged approach: (i) a survey of recently completed studies/reports on project implementation and supervision; and (ii) focus group discussions. The initial findings of the Group compelled it to broaden its "terms of reference" and the scope of its inquiry to include broader issues of project implementation and supervision. The initial evidence convinced the Group that the new technological facilities, when superimposed on the existing "culture" of project supervision, although would help facilitate supervision process, they on their own, would neither completely resolve the issues currently faced, nor be cost effective. In order to bring about a significant improvement in the project implementation process as well as fully benefit from the new technology, it is necessary to radically change the current approach to supervision. Moreover, the Group also concluded that technological innovation must be reviewed in a broader perspective, and that use of new technology, unless adopted and applied to all phases of the project cycle and the Bank's ESW, would yield only marginal benefits. As a result the Technology Working Group's report and its recommendations cover a wider area than the initial scope of its inquiry.

Literature Survey

3. The Group reviewed and surveyed the existing relevant report and documentation. It primarily focussed on:

(i) OED Report: Bank Experience in Project Supervision
(ii) Latest ARIS
(iii) a Task Force Report "The Relationship of Loan Processing to Project Quality; and
(iv) several information technology strategy documents as indicated in the text's footnotes.

Focus Groups

4. In order to reach a broad range of staff from different Regions, CDs, SODs, and CODs as well as specialist staff from the procurement and disbursement units, four focus groups were organized: Division Chiefs; Task Managers from CODs and SODs; Task Managers from the TDs; and procurement and disbursement staff. The focus group discussions were structured to enable participants to share information and build on each others ideas. These discussions were, in general, open and helpful to the study team. They yielded a broad range of perceptions and approaches to project implementation and supervision processes. The single and most strongly and generally accepted view that emerged from the focus groups was that the present supervision practices needed major improvements going well beyond the introduction of new technological means requiring fundamental changes in the Bank's overall approach to its lending activities. The detailed description of the composition of the Focus Group, methodology used and the major groups questions that were discussed and are given in annexes 2, 3 and 4.

III. UNDERLYING ISSUES IN PROJECT IMPLEMENTATION AND SUPERVISION

5. Problems identified in the previous studies and amply supported by almost all participants in the Focus Group discussions and the senior managers interviewed, indicated that by superimposing new technology on currently existing project implementation and supervision procedures would not only have a limited impact but in many cases, would not be cost-effective. The nature of the issues raised by most participants indicated that the very basis of the prevailing "culture" in project supervision needs to be questioned and examined. Many specific problems identified and cited by the participants -- (i) the inadequacy of resources allocated for supervision, (ii) pressure to lend and related to it, (iii) the incentive mechanism favoring lending over supervision, (iv) institutional weaknesses of borrowing entities, (v) lack of continuity in supervision teams, (vi) "surprises" encountered at the time of negotiations, and (vii) increasing complexity of projects -- are essentially the symptoms of two basic problems.

6. Firstly, it is evident that there is not consensus among task and divisional managers on the proper role of the Bank in the implementation stage of the project cycle. Secondly, it appeared that the quality of the supervision is closely linked to the experience and dedication of the Task Manager. The indications are that the increasing use of relatively inexperienced staff as Task Managers is one of the major contributors to the not-so-effective supervision ~~and~~ project implementation. The issue here is not so much the technical vs. generalists, but one of level and extent of the experience of the Task Managers and their "dedication" to the project. These primary sources of the currently experienced project implementation problems interact and reinforce each other. experience?

(of

7. Given that the focus group participants were selected among "senior" staff members indicates that the difference in the level of experience among Task Managers Bank-wide is much larger than the one revealed during the discussions. In addition, most Task Managers, Division Chiefs, and Directors hold the view that Task Managers have a substantial influence (80 to 90%) on the success or failure of a project.

How so?

This is beyond the mandate of this technology group!

8. Since these issues are being dealt with by other sub-groups of the task force and that recommendations are being put forward to deal with them, this report assumes that these underlying issues will be resolved and that information technology would be implemented in an environment in which implementation and supervision practices are reasonably coherent, and that management incentives exist that reinforce the need for proactive management of project implementation.

While in itself good — the case for this recommendation has not been made!

9. **RECOMMENDATION:** We recommend that the Bank introduce a formal and well structured training program for new Task Managers, including a requirement for time in service as a team member of appraisal, supervision and sector missions. The training should include a section on introduction to and familiarization with the technologies used by the Bank for project management.

IV. CURRENT STATUS OF COMPUTING AND COMMUNICATION TECHNOLOGY

Bank Strategy

10. The strategic role of information and information technology in the business of the Bank and the institutional framework adopted by the Bank to manage these resources were set forth in November, 1989[1]. The strategy recognizes that the Bank's performance is increasingly dependent on taking full advantage of information technology developments. The document establishes a framework based on three strategic priorities:

- A gradual shift from inward orientation to external interactions, including establishing close links with borrower countries and other co-financing agencies;
- Focus on the core work of the Bank, to better meet the business needs of staff involved in the operational and policy work of the Bank. This is a departure from the past when focus was placed primarily on financial and administrative functions; and
- Maximization of the benefits of existing information and technology resources, establishing an evolutionary process of adaptation to emerging business needs.

11. Since then the Bank has made substantial progress in implementing its information management and technology strategy[2]. For example: staff have been given full access to workstations; the Bank has achieved the desired level of maturity in back-room operations; there has been a substantial increase in the access to information Bank-wide; electronic mail has become a key vehicle for communications among headquarter's staff and some 20 field-offices in all six regions. There is a lot to be done in the actual management of information, in reaching out to our borrowers and sister development agencies, and in affecting substantively the way the core work of the Bank is delivered, but Bank staff and managers are moving forward and progress has been made in many areas:

Nice to have? or efficient? Case not made! ?

1/ Document no. R89-214, "Information Management and Technology Strategy", November 8, 1989

2/ Document no. SecM92-490, "Information Management and Technology Strategy - Progress Report and Strategy Update", April 17, 1992.

- Many areas of the Bank have established electronic access to information such as OED analyses, environmental information, lending-operations, and frequently used manuals. The electronic version of these documents are available for on-line manipulation through word search and other sophisticated search methods. Results of these searches can be printed or brought to the staff workstation for further processing.

- The Bank's private global network (see figure 1) now connects fifteen cities, with Washington and Paris working as central hubs. Five additional cities are connected to the global network through the use of public facilities. The global network offers substantially improved reliability and effectiveness in communications services including telephone, facsimile and electronic mail. It has also demonstrated the cost effectiveness of the adopted model, with participating field offices bearing the full cost of the network.

- Some of the field offices have successfully extended the Bank's network services, particularly electronic mail to borrower governments. Indonesia, Poland and China are notable example of such efforts.

All very interesting information — but no specific example to the question the T.F. faces!

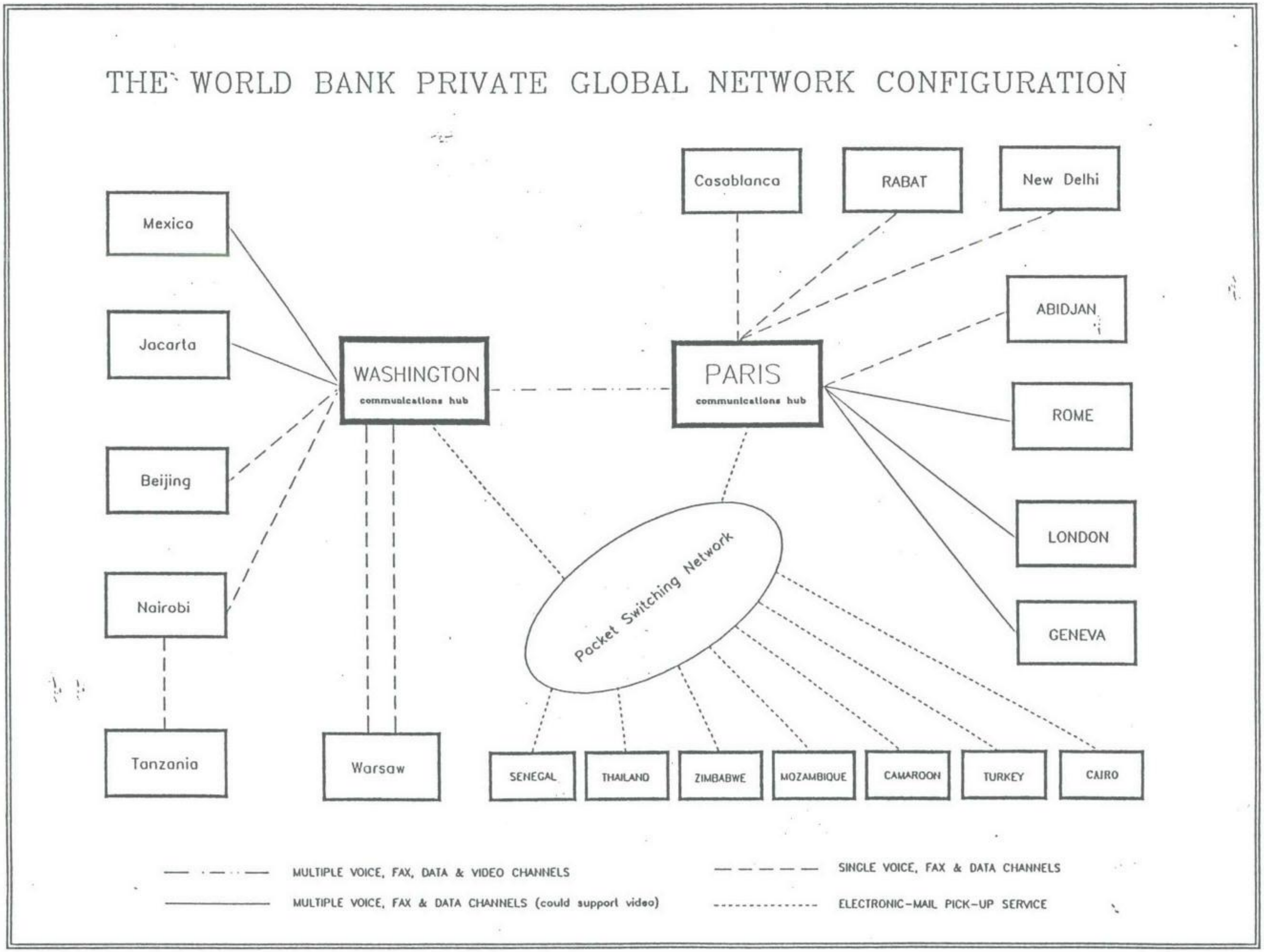
Communication Facilities

12. The Bank makes use of two basic types of communication networks: the world-wide public telephone network, and the Bank's private global network. Telephone, facsimile and telex are the basic services offered over the world-wide telephone network. The major shortcomings of this network are the low quality of service in some locations, particularly in sub-Saharan Africa, parts of Latin America, the Indian sub-continent, parts of Asia and Eastern Europe[3], and the cost sensitivity to volume of use. These problems are well known to those managing the Bank's communications facilities. For example the ITF Staff Paper No. 7, dated October, 1991, states in its executive summary that "Much of the Bank's current telecommunications with its Field Offices, member country ministries, central banks, and other entities are subject to frequent interruptions, poor transmission quality or significant delays related to inadequate or artificially constrained communications facilities."

13. The Bank's private global network is capable to offer, in addition to the services described above: electronic mail, access to headquarter's computing and information services, and video-conferencing. The private network is based on leased terrestrial or satellite facilities depending on costs, intended volume of communication, and country conditions. The private network provides reliable communication, at a basically fixed cost. The private global network services are often extended beyond the Field Office through the use of local communications facilities.

14. Optimum network design makes use of both private and public facilities, with the latter carrying the excess of traffic at peak times. The Bank experience in this area has been very positive. For example, the China office was able to increase their communication traffic with headquarters by 28% this fiscal year with only 8% increase in costs thanks to its addition to the global private network.

3/ "Global Communications Technology Architecture: Issues & Options", ITF Staff Paper Number 7, October 1991



THE WORLD BANK PRIVATE GLOBAL NETWORK CONFIGURATION
Mexico
Jacarta
Beijing
Nairobi
Tanzania
WASHINGTON
communications hub
Warsaw
Casablanca
RABAT
New Delhi
ABIDJAN
PARIS
communications hub
ROME
LONDON
GENEVA
Packet Switching Network
SENEGAL
THAILAND
ZIMBABWE
MOZAMBIQUE
CAMAROON
TURKEY
CAIRO
MULTIPLE VOICE, FAX, DATA & VIDEO CHANNELS
MULTIPLE VOICE, FAX & DATA CHANNELS (could support video)
SINGLE VOICE, FAX & DATA CHANNELS
ELECTRONIC-MAIL PICK-UP SERVICE

FIGURE: 1

15. The current Bank strategy is one of determining the "most technically feasible and most cost effective technology and service options available on a country by country basis"[3]. But there exist economies of scale for more global approaches. If the Bank adopts a Supervision methodology that is highly dependent on intensive communications between Headquarters and the borrowing country (field office, governmental agencies, and implementation agency), it would be advisable to continue to review the communications strategy with a view towards the economic benefits of adopting regional level strategies, as they become feasible. Recent studies by Booz, Allen[4] and AT&T Bell Labs[5], indicated that a global communications solution, probably based on VSAT (Very Small Aperture Terminal) technology "are relatively cost insensitive within the projected traffic growth range" and that they would be cost effective for Africa if as few as seven of the thirty AFR offices were to be connected to the global network, as compared with other connectivity options. But many African countries still do not have plans for general acceptance and implementation of this technology, hence its global introduction will take time and may have to start and proceed based on technical feasibility.

Voice Communications

16. Telephone is the most basic and the primary means of communications with our clients. Telephone communications are often carried over the public network. The quality of telephone service offered by public networks is quite sensitive to the quality of the communications infrastructure in the borrower country. It currently varies from unacceptable, to acceptable, to excellent, depending on the countries involved. Another major limitation is its dependency on the availability of both parties for communications to take place, and this can be quite a limitation when we consider the time differential between Washington and some of the borrower countries. Telephone service cost is linearly proportional to the amount of use, and the country where the call originated. Because of budget constraints some field offices limit severely the amount of telephone usage for calls to headquarters. In addition, some countries impose artificial limits in the amount of international calls placed from the country as a way to contain expenditures in hard currency. Adoption of a private network to a country resolves the quality issue, at least to the field office, and flattens the cost. Advances in satellite communication technology are expected to result, within the next two to three years, in the ability to connect phone sets directly to a satellite effectively by-passing the local wiring infrastructure. This technology will allow high-quality, low-cost voice connection to any location independent of the local infrastructure conditions.

Facsimile and Electronic-Mail Communications

17. Facsimile and electronic-mail communications can take place over the same facilities used for voice communications. Facsimile allows for the transmission of documents, including drawings, between two points, in a very efficient manner. It has become one of the preferred means of communications in the Bank as it cuts down the time and costs associated with mailing. Facsimile is currently the fastest growing means of communications. Electronic-mail provides one-to-many communication facilities creating a sense of group among the individuals participating in the communications events. Besides carrying text in a manner that is not sensitive to time zone

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4/ See Booz, Allen Report commissioned by ITF, dated October 15, 1991

5/ "World Bank Global Telecommunications Network Study", AT&T Bell Labs, April, 1990.

differential, it can also carry electronic files such as spreadsheets, or word-processing documents, which contain much more information than their paper equivalent (for example a spreadsheet may contain all the modelling assumptions behind each cell). When services are provided over voice oriented circuits it suffers from the same problems indicated above, except that both facsimile and electronic-mail are more sensitive to circuit quality than telephone communications. Some countries have adopted a separate digital network for "data", known as PSN (Packet Switching Network). Packet switching networks offer reliable transmission of electronic-mail, but this service cost is also quite volume sensitive. The Bank's private global network provides both of these as standard services.

Video-conferencing

18. Video-conferencing technology is evolving very quickly, with a new generation of facilities becoming available every two to three years. Although some developed countries are making this service available through their public networks, in general this service can only be provided over the Bank's Private Global Network. ITF has been experimenting with the use of video-conferencing, and a link to Paris has been established to explore uses of the technology and the best way to manage it. The possibilities of this technology is right now open to the creativity and entrepreneurship of Bank managers. The estimated incremental annual cost for this technology for an office participating in high-band links of the global network is about $17,500, or some 7-8% of the communications budget of these field-offices.

V. APPLICATIONS OF INFORMATION TECHNOLOGY

Communications with Field Offices and Borrower Agencies

19. The Bank's current communications strategy in geared towards the provision of two-way communications between the Bank's Headquarters and its Field Offices. This has been a very successful strategy, and has demonstrated in practice the potential for cost savings and improvement in quality of interaction between Headquarters and Field Offices and how it can positively affect project implementation and supervision (see box on the China Resident Mission below). The proposed emphasis on Supervision and the increased attention to project success will accelerate the demand for communications between the Bank's Headquarters and the borrower country government agencies, particularly to implementation agencies. Since Field Offices are not always collocated with implementation agencies, and have not been established in all borrowing countries, one must conclude that communications between the Bank's Headquarters and implementation agencies are a crucial issue for a global communications strategy.

20. Communication channels must be capable to provide at least reliable telephone, facsimile, and electronic mail communications, including the ability to exchange electronic files such as spreadsheets and word-processing documents. Options must exist for more sophisticated facilities such as access to Bank information bases, and be used when the benefits from such technology outweigh the costs, as may be the case for projects being implemented in very remote locations. Such facilities should also allow for branching into the local communication facilities so as to permit communication to other ~~less critical~~ parties in the borrower country, ~~such as consultants~~, at reasonable cost and reliability. It is important to notice that communication with borrowers is even more critical in countries where

(of interest)

Communications with the China Resident Mission

The private communications link between Headquarters and the Resident Mission in China (RMC) was made operational in July, 1990, at the request of AS3's Shahid Burki and Attila Sonmez. The main objectives of the link were to provide electronic mail services and to enable RMC staff access to the Bank's databases and computer systems, particularly Loan Disbursement, the Operations Management Information System (OPMIS), and the Basic Economic and Social Database (BESD). In addition, the link provides one telephone and one facsimile line, with additional needs in these areas provided through the public communication carriers.

The communications link was set up so as to enable access to the local public communications services at both ends. Hence staff in Beijing are able to telephone, send electronic mail or facsimile to any location in the Washington area, and staff at Headquarters are able to communicate in the same manner with government agencies in Beijing, thus enhancing the Bank's overall ability to conduct its business.

For FY91 seventy-eight percent of the communications traffic between Headquarters and RMC were carried by the private link, with a fourth quarter share of ninety per cent. FY91 costs were about $208K, with an estimated market value of $289K, or a 28% savings for the Bank. Furthermore the link has stimulated communication with the field office, with the total number of messages triplicating from FY90 to FY91.

Staff from the Field Office and Headquarters have illustrated a number of difficult-to-quantify benefits to enhanced communications, particularly the broadening of consultation, more participation by field office staff, better mission preparation, faster and better informed decision making, and "round-the-clock" work for the clients thanks to electronic mail and the 12-hour difference between Washington and Beijing.

there is no Field Office. We do not anticipate that technology would in itself cause any dramatic change in the role of field offices although the increased flow of information can facilitate consensus building and more coherent action.

can accumulate

21. **RECOMMENDATION**: The Bank's Global Communications Strategy ~~is responsive to~~ the ~~requirements of the envisaged~~ portfolio management and supervision activities of the Bank. The need to establish reliable communications between the Bank's Headquarters, its Field Offices, implementation agencies and other borrower authorities has long been recognized and is current practice in some countries. Nevertheless it may be necessary to accelerate the investment in this area to deploy the planned global network in a faster pace than adopted until now.[6]

Benefits!?

Management of Project Files

22. During the focus group meetings a number of task managers pointed out serious deficiencies on the completeness and relevance of Project Files. There is a wide spread belief that important documents do not make their way to the project files either because they are lost or because they are simply not filed because support staff do not like to perform the copying and filing routine. It seems to be the case that accountability for the filing function is loosely assigned, in spite of proper filing being important not only for documentation purposes but also key to providing continuity of supervision for new task management assignment.

This is a problem of processes & processing of managers staff. But — good news — go electronic!

The case needs to be made on grounds of efficiency and reliability and on grounds of better management!

6/ It is estimated that the Bank's private network can be increased from the current level of 20 offices to 50 offices with a $5 million investment, for the same service mix offered today, which includes electronic-mail service.

23. A different but related issue was the even worse deficiency related to the complete lack of filing and preservation of electronic documents. Spreadsheets and COSTAB files used during appraisal are not accepted as part of Project Files. But these are main instruments for supervision and project evaluation, and often they cannot be re-constructed from their paper forms as most of the assumptions behind the models and calculations are lost.

24. **RECOMMENDATIONS:** (a) COD should, considering the reasons behind failure in the execution of proper filing of project documents, issue guidelines defining the filing responsibilities of Task and Divisional Managers; (b) ITF must provide for the filing of electronic documents as part of the project files, as well as the means to identify different generations of the same electronic document. ITF should also provide, as it becomes technically feasible, for the electronic transmission of these electronic documents to the project files; (c) COD must issue guidelines defining the responsibilities for filing of key electronic files used for project appraisal and supervision.

Access to the Electronic Version of Bank Documents

25. During the focus groups staff noted the need for the Bank to do more in the general area of access to the electronic version of documents to improve the productivity of task managers. In all cases task managers would like to be able to browse through documents, search them by key words or phrases, print or bring down to their workstations any relevant part of these documents. In some cases documents would be accessed this way for information purposes, in other cases for further processing, modification or merging with other documents. Task managers pointed to three basic types of on-line information they most need: Bank documents such as the Supervision and Procurement Handbooks; samples of standard operational documents such as terms of references, tender and bidding documents; and key project documents such as the appraisal and supervision reports.

key assumptions of appraisal??

26. **RECOMMENDATIONS:** (a) ITF should continue its program to make electronic versions of documents available to Bank staff, placing priority on improving the human interface to such systems and on the conversion of key operational documents. Bank Units who normally issue such documents must be instructed to issue new documents not only in paper form but also electronic form on the Bank's network. (b) COD should take the lead to implement textual data bases for sharing of best practices - lessons learned, TORs, bidding and tender documents are good examples of documents that might be shared in this manner. It must be possible to effect word and phrase searches over a collection of selected documents. It should be possible to print or to download to a desktop computer relevant parts of these documents, as selected.

Make this relevant to the Legal Department Reference Library!!

Sharing of Information at Headquarters

27. Task Managers noted the difficulty in some of the Regions for staff to share electronic files. In some cases staff have to resort to copying those files onto diskettes and moving the diskettes. This method of file sharing is just not reliable enough to ensure that information being used by different members of a project team is at the same level of currency. Also it was raised as an issue the need to have better access to information bases available at Headquarters such as loan disbursement.

28. **RECOMMENDATION**: The Bank should proceed with the implementation of its internal networking strategy, the Enterprise Network, ensuring that priority is given to providing uniform data sharing and file transmission capabilities throughout so as to enable Bank-wide aggregation and

summarization of files. Information Services must evolve and, as the Enterprise Network makes it feasible, enable the use the networking facility as the preferred means for receiving and transmitting electronic documents. Providers of services in support to Bank projects should provide access to relevant information over the internal network, including the ability to print reports and to download selected information to any workstation for further processing.

None of this is already relevant!!

Computer-Assisted Project Management and Reporting

bon useful!

29. Ordinarily each borrower is responsible for managing project implementation and furnishing progress reports on a periodic basis, indicating progress and current status of each project component. Capability to manage projects, particularly large projects, varies from borrower to borrower and some times in time due to changes in governmental structure and personnel in the implementation agency. Continuity on the part of both the Bank and the borrower can be improved by the adoption of more formal and methodical micro-computer based project management tools. Recent developments have made it possible to assemble powerful, cost effective project management workstations capable of handling project implementation planning, tracking and reporting activities. Projects managed in this manner undergo more formal and comprehensive linkage of project inputs and activities to project goal, purpose and objectives, and to corresponding verifiable key-indicators. Since the project assumptions would be formally committed to a model at the appraisal stage, and reviewed when needed, these projects tend to become less sensitive to discontinuity in Bank or local project management. Indeed some of the task managers who participated in the focus groups indicated that they have been attempting the use of such tools with a high level of success.

30. Use of project management tools does not come free, though. They require strong commitment of the task manager and of the implementation agency from the very beginning of project inception so that the borrower assumes early ownership of the underlying models used to evaluate the project, of the project implementation plan, of the key indicators from the task level to overall objectives, etc... Successful implementation of this technology is predicated on its intensive utility to, and use by the borrower, and it requires their commitment to continuously use the tools to monitor, evaluate and review the project. Project management activities, including supervision, midterm reviews, and PCRs would become more concentrated on substance and less on data gathering activities. The Bank's access to the current status of a project managed in this fashion should yield a clearer picture of project progress and needs for intervention, as there would be a tremendous increase in the amount of substantive monitoring information. In this context the PCR would evolve into an exercise of analysis of the data consistently gathered and recorded at each borrower progress report.

Ok.

31. These tools would become particularly powerful when coupled with a substantial increase in the intensity of general information exchanged between the Task Manager and the Implementation Agency~~, as proposed above~~. This set of actions would effectively place the Bank into the project implementation cycle, enabling it to gain true oversight over project implementation. Task managers would become aware of issues much earlier and could choose to intervene in a timely manner so as to avoid future problems. Supervision time needed for data collection and research would diminish and substantive activities would become more evenly spread as most of the Task Manager's time would focus on project analysis, facilitation and technical assistance.

32. If parts of the routine progress reporting could, to a large degree, be standardized, then tracking, filing, interaction, and more generally, country portfolio management might be greatly facilitated and possibly, in time, automated and integrated into the Bank's MIS system.

33. **RECOMMENDATION**: The Bank should adopt a Computer-Assisted Project Management and Reporting Capability, based on a number of technologies available from the market. EDI's LogFrame is a good example of a product that delivers some of these functions. The capability should provide borrowers with functionality that is highly desirable to manage the day-to-day activities of the project. We anticipate the need for: (a) desktop computer or computers setup with word processor, spreadsheet, project management, planning and modeling software; (b) templates of key documents needed for interaction with the Bank; and (c) agreed reports including key indicators and tables. It is envisioned that borrower capabilities to absorb this technology would be evaluated at the appraisal and negotiation stages, and training and equipment could be provided as part of the project. Task managers and borrowers would need to start project management process at appraisal time to achieve maximum effectiveness. Periodic project reports would include the transmission from the borrower to the Bank of electronic files containing the status of progress in project implementation. This could be accomplished by the simply mail of diskettes or through electronic mail ~~may~~ where available. Task managers would accumulate these electronic files for historical progress tracking and for the PCR.[7]

Internal Coordination of the Interfacing with Borrowers

34. Several different units of the Bank who are responsible for supporting our borrowers on one aspect or another of the lending activities. Many of these units have recognized the need to provide borrower agencies or central ministries with information technology solutions to specific problems as a way to improve their services. Although such activities must be commended, they can cause serious integration problems at the borrower level because different areas of the Bank tend to adopt different technology solutions. Absorption of technology at the borrower level is, in many countries, a difficult issue and diversification, incompatible systems, and lack of an over-arching plan does not make it any easier. Although cost may not be a big issue given the current price of microcomputer technology, technical expertise around the Bank to deploy and support these systems is in short supply and can certainly be organized to be more effective. Furthermore this diversity makes it more difficult for EDI to provide borrowers with appropriate project management skills. The following are examples of ongoing activities: training!

- LAC has actually developed a software system they call "Computerized Project Management System" and deployed it in Mexico, Argentina and Brazil. The software objectives are to (a) collect data in a standard format; (b) summarize data to facilitate supervision; and (c) produce reports to substantiate withdrawal applications.

- Asia is deploying Microsoft's Project Management and Primavera software to enhance implementation agencies ability to manage and track project implementation.

7/ It is estimated that the investment cost for such a facility would be in the order of $15K for equipment and software, and $15K for training the project manager if necessary. Not included are the ongoing costs for communication, which is highly dependent on the Bank's infrastructure.

- EDI has developed together with an external company a set of three software packages for project design, implementation planning, evaluation and review. Africa is planning to deploy this technology in the very near future.

- The Finance complex has developed a MacIntosh based loan information system that provides information on financial activities for on-going loans. The system is right now being launched in Mexico.

- OPMIS staff have in their work program to move the Portfolio Management Module to the PC. The primary intent is to connect it to the Task Manager's Workstation, but a secondary objective is to make it available to borrowers. The same group makes the popular PC-COMPAS available to a large number of countries.

35. **RECOMMENDATION**: As the Bank adopts a direction of more intensive supervision of projects with strong emphasis on implementation success, it does make sense that Bank units invest in providing borrowers with the appropriate set of tools for project design, implementation planning, implementation tracking, monitoring, evaluation, direct access to the Bank, communication devices, etc... Such activities should be encouraged and commended. Nevertheless there is a need to ensure that tools delivered by the Bank work together in a coherent and sensible way, so as to enable the introduction of an appropriate training and support program that facilitates absorption of these technologies by the borrowing agencies. (This is a new area, and one that is evolving very quickly. Hence stifling innovation may not be appropriate. There is a need for a good balance between experimentation and borrower overload.) To that effect we recommend that a working group of Task Managers be created under the auspices of the Operations Information Committee, to propose a technology platform for the development of a coherent set of borrower support tools.

discuss!

Borrower Negotiation Facilities

36. Some task managers indicated that the facilities offered by the Bank to borrower negotiation teams are not conducive to the resolution of issues raised during the negotiations process. Ability to communicate back to the home country is very important for the borrower, particularly for consultation on technical and legal issues. It was thought that there is a need to make special offices available to borrower negotiation team with phone and facsimile numbers known ahead of time so that supporting teams from the home country can communicate with the negotiations team with reliability and assurance of privacy.

discuss

at least use miscellaneous!

37. **RECOMMENDATION**: Since borrowers often need to communicate with technical expertise or higher authorities at their countries, it would be not only efficient but also an act of courtesy to make an office with reasonable level of privacy and modern communications facilities available to borrower delegations. This could be taken care by each region, or a shared central location could be made available for this purpose. Borrowers should be given their phone and fax numbers before they leave their countries so that they can organize any support they may need back home. This would also allow for the Bank negotiation team to press more firmly for resolution of technical and legal matters during negotiations.

Management Information Systems

38. Task Managers indicated that they need direct access to supervision data in the OPMIS. At a minimum they want to be able to view, verify and when necessary update the forms 590 for their projects. And they would like to do it without having to go through multiple parties. In addition, Task Managers complained that they are asked repeatedly for information which is already in the MIS, such as the amount of time used in supervision. It was indicated that Managers don't use OPMIS because it is too unfriendly and inaccessible. It contains a lot of information, but it is not used as much as it could and should be.

Task Manager's Workstation

The origins of the Task Manager's Workstation (TMW) can be traced to the Asia 5 Country Department and it's former director Russell Cheetham. Mr. Cheetham suggested that Bank task managers generated and used most of the operational data in the day-to-day work of the Bank, yet had little or no access to these data or tools with which to analyze them. He suggested to the then OPNIS division that they develop a set of PC-based tools which would allow task managers to better generate, access and manipulate the information which they need for their work. In the summer of 1990, a mock-up of some PC based tools was created and demonstrated to AS5 and others in the Bank. The response was quite favorable, generating tremendous interest among task managers. In particular the system was recognized for its aim at being facilitative rather than constraining in its mode of operation, and by the way concepts were clearly applied, resulting in a very pleasing system to use.

Based upon this initial positive feedback, a working group was formed with staff from AS5 and OPNIS and charged with providing specific requirements for further development. In October of 1991, the first requirements were translated into a working prototype and a pilot implementation was begun in several departments. As of May 1992, there are approximately 100 users scattered among EA3 (formerly AS5), LA1, AF6, ECA, MNA, and IEC. There are also pilot users in each of the regional CAOs offices. Along with constructive criticism of the tools, overall comments are rather favorable.

Significant growth is projected for the Task Manager's Workstation project in FY93. Several country departments in the regions have expressed interest in obtaining the TMW software. The implementation team is working with ITF to assure availability of the TMW as a service on the proposed Enterprise Network.

Introductory but not useful for T.F. report.

39. OPMIS discussions were, as always, charged with a lot of emotions. It was mentioned that the existing Supervision and Portfolio Management (OPMIS) is good and rational not needing any major overhaul. It was refreshing to notice some agreement that the supervision and portfolio management modules have good general design. But in general opinions ranged from satisfaction to outrage. It continues to be the case that there are general complaints about the OPMIS lack of user-friendliness, and resulting inability of task and divisional managers to access information they need from the system in a timely and cost effective manner. It is also clear that the OPMIS design was biased more towards the need to provide management with the information required to administer Bank Operations than to provide information to the staff actually carrying out lending operations.

relevance to T.T.?

40. The needs of task managers have been recognized by OPMIS management a few years ago. A task-manager's workstation has been designed and is currently undergoing pilot implementation in all regions (see box above). This workstation is based on friendlier, last generation, graphical (Windows) interface, and provides parallel access to data stores in the workstation and at the mainframe in a quite transparent manner. For example, from the workstation the Task Manager has access to most of the OPMIS information, including timetables, environmental assessments, form 590,

task budget, etc.. Task Managers also have access to information contained in other systems such as disbursements from the Loan Disbursement system and social indicators from BESD. The system was designed to be flexible and allows for additional types of information to be added as required, as experience with the system builds up.

41. **RECOMMENDATION**: The "Task Manager's Workstation" seems to be a successful effort to make information technology tools and information available at the task manager's fingertips, using modern and friendlier human interfaces. This effort should be continued and workstations made available to any task manager requesting it. Special attention must be paid to integrating additional sources of information and establishing compatibility with the proposed "Borrower Project Management Facility". We recommend a similar exercise to design and implement a user-friendly portfolio management facility that attends to the on-going needs of task and divisional managers, as it is the use of the system as part of their daily routine that will ensure its completeness, currency and overall utility.

ANNEX - I: PRIORITIES AND SCHEDULE

The table below indicates the tentative priority assigned to the recommendations in the report, and gives an initial assessment of the time frame for their implementation. In addition we attempted to assign responsibility for execution of the recommendation to the organizational units that are most closely related to the activity. In the case of introduction of technology affecting all the regions in a novel manner, responsibility was assigned to the Operations Information Committee that may, in turn, choose to establish specific task forces or simply to reassign responsibility to a regular organizational unit.

Recommendation	Priority	Schedule	Responsibility
1. Formal training program for Task Managers	High	Immediate	PMD
2. Computer-assisted project management pilot	High	FY93-FY94	OIC
3. Computer-assisted project management standard	Medium	FY95	OIC/COD
4. Improved global network	High	FY93	ITF
5. Improvement in management of project files	High	Immediate	ITF/COD
6. Access to electronic version of Bank documents	Medium	Now-FY95	ITF
7. Sharing of information at Headquarters	Medium	FY94-FY96	ITF
8. Standard for development of systems for borrowers	High	FY93	OIC
9. Borrower negotiation facilities	Low	FY94	ITF
10. Task Manager's workstation upgrade	High	FY94	COD/OPNIS

ANNEX - II: FOCUS GROUP METHODOLOGY

The group looking at application of information technology to portfolio management and supervision decided to adopt a focus group methodology as the principal means of gathering information on the real issues facing the task managers in carrying out the supervision functions, The way they understood Bank policies, the real supervision practices, the lessons learned, and what they considered to be the main issues that need to be addressed by Bank management. In this context we requested that each group focused on possible applications of information and communications technology can play in improving overall project success.

The focus group sessions were designed and conducted by A. Noel Jones from ORG and Phyllis Kolmus from Pelerei, to whom the group in indebted.

Rationale for Participant Selection

We decided to use focus groups in order to reach a broad range of staff, from different Regions, country departments, sector operating divisions and country operating divisions, in addition to specialist staff from procurement and disbursement. This enabled us to capture a wide spectrum of opinions and data in an efficient manner. By structuring the methodology to enable participants to share information and build on each others ideas, we elicited a broad range of perceptions and approaches to supervision and implementation as used throughout the Bank.

We decided to use four different focus groups encompassing the following groups: division chiefs; task managers from SODs and CODs; task managers from the TDs; and procurement and disbursement staff.

Those selected for the division chief and task managers groups were selected on the basis of their interest, commitment, or who had special expertise and experience in supervision.

Facilitators' Comments on the Focus Groups

The following observations were made by the facilitators of the focus groups regarding the general process and overall results:

- There was a rich output of information and ideas from each group.
- All groups were open and committed to assisting the study team.
- There was substantial exchange of information and ideas between participants.
- There was close symmetry between the division chiefs and the task managers.
- There was a general high level of agreement that there was substantial room for improvement of present supervision practices.

- Incentives and budget were ongoing topics of concern to all groups.

- There was general agreement that technology is playing an important role and could be more effectively utilized to assist in supervision.

Methodology of the Focus Groups

1. Guidelines for the session:

   - Each one speaks once before anyone speaks a second time

   - Only one person speaks at a time

   - Everyone deserves to be listened to with respect

2. Early agreement on the actual stages of supervision from Negotiation to Evaluation. Participants were referred to a tentative list and asked to fill in any missing stages.

3. Examine in detail each stage, posing the following questions :

   i. What information is required at this stage, who supplies it and who uses it?

   ii. What is going well with this stage?

   iii. What needs to change, and how might technology help to improve matters?

   iv. How can these changes be brought about and how can technology help?

4. At the end of the session we check that all items are covered.

5. We then address technological innovations: Suppose we consider the following technology uses, how might they assist in supervision?

   - Electronic mail
   - Project Management/Procurement Workstation
   - Video Conferencing
   - Electronic Forums
   - Text Retrieval

6. Ask the participants to rate the level of influence they have to impact supervision and implementation on a 1 (low) to 10 (high) scale?

ANNEX - III: LIST OF PARTICIPANTS

Neil Boyle, SA3EI
Roberto Chavez, AF6CO
Brigitte Duces, EA3PH
Bob Satin, ITFFU
Margret Thalwitz, EC2IN
Arndt Uhlig, LA1EA
Maryvonne Plessis-Fraissard, AF5PH
Daniel Moreau, AF5AG
John Cunningham, ASTAG
Adrienne Nassau, ASTIN
Sverrir Sigurdsson, EMTPH
Roy Pepper, EMTIE
Trayambkeshwar Sinha, EMTEN
Ronald Ng, ASTAG
Eduardo Talero, ASTIF
Chakbib Khelil, LATIE
Sujeer Nayak, AFTIN
Bertrand Ah-Sue, AFTOS
Graham Donaldson, OEDD1
Douglas Keare, MN2PH
Alberto Harth, AF1IN
Maureen Moore, PBDIS
Daoud Ahmad, EA2TP
George Zaidan, EC1DR
Kenneth Miller, LOAAF
Hovsep Melkonian, LOAAF
Nancy Hwang, LOAAS
Suzanne Morris, LOAAS
Roberto Barahona, LOAEL
Miguel Quintos, LOAEL
Randolph Andersen, AFTOS
Jean-Jacques Raoul, AFRVP
Morris Mould

ANNEX - IV: MAJOR ISSUES RAISED BY TASK MANAGERS

The following were the major issues raised during the focus group sessions, arranged according to major subject groupings:

Policy Issues:

1. Bank's Involvement in Project Implementation

- There is a need to increase communications with borrowers substantially to reduce the "reality gap". We must be able to communicate with people at all levels of project implementation (down to the truckers).

- Some task managers indicated they are taking PC's down to the field during the launching supervision mission and leaving them behind with the implementation team so that they have a tool to work with. This is done despite being in some cases an illegal import of the equipment and that there is no local maintenance for it.

2. Level of Integration and Information Sharing with Borrowers

- Connecting Field Offices through E-Mail is great but connecting implementation agency is the key. A problem is that agency people some times do not use the capability because it is located at a central facility. Another problem is the question of legal allowance to share some documents with borrowers and send drafts back and forth so that borrowers become more committed to the project.

3. Internal Coordination of the Interfacing with Borrowers

- Several different units of the Bank who are responsible for supporting our borrowers on one aspect or another of the lending activities are attempting to provide borrowing agencies or central ministries with information technology solutions to specific problems. Although such activities must be commended they can cause serious integration problems at the borrower level because some areas of the Bank tend to adopt different technology solutions. Absorption of technology at the borrower level is, in many countries, a difficult issue and diversification, incompatible systems, and lack of an over arching plan does not make it any easier. Although cost may not be a big issue given the current price of microcomputer technology, technical expertise around the Bank to deploy such a capability is in short supply and can certainly be organized to be more effective. For example:

  (1) LAC has actually developed a software system they call "Computerized Project Management System" and deployed it in Mexico, Argentina and Brazil. The software objectives are to (a) collect data in a standard format; (b) summarize data to facilitate supervision; and (c) to produce reports to substantiate withdrawal applications.

  (2) Asia is deploying Microsoft's Project Management and Primavera software to enhance implementation agencies ability to manage and track project implementation.

(3) EDI has developed together with an external company a set of three software packages for project design, implementation planning, evaluation and review. Africa is planning to deploy this technology in the very near future.

(4) The Finance complex has developed a MacIntosh based loan information system that provides information on financial activities for on-going loans. The system is right now being launched in Mexico.

(5) OPMIS staff have in their work program to move the Portfolio Management Module to the PC. The primary intent is to connect it to the Task Manager's Workstation, but a secondary objective is to make it available to borrowers. The same group makes the popular PC-COMPAS available to a large number of countries.

Communications Issues

4. Communications with Borrowers

- Negotiations of "soft projects" without analytical components, such as policy and legislative action are open to interpretation, and borrower may not come prepared. Intensive communications between the government and the Task Manager are needed. Need borrower management to get into e-mail facilities. Helps especially in dealing with time zone differential.

- Provide better communications facilities for negotiation teams while in the Bank (not widely viewed as critical)

- Need direct communication (phone or e-mail) with all project participants, including local staff at all levels and beneficiaries.

- Need e-mail links to borrowers.

- In Poland, cultural shift relative to e-mail has taken place. Using All-in-1 to review TORs between Task Manager and implementation working staff. Direct communication to HQ was viewed at first as the domain of high level staff.

- In AFR, Task Manager coordinated work of specialist consultants using fax and overnight mail extensively. Consultants were engaged not only for the mission team, but for a block of days for the project. This permitted ongoing exchange with a team of specialists from around the world who knew the project.

- Electronic links to borrower allow Bank to be aware and assist on an ongoing basis in getting conditions for negotiation met

- In AFR, All-in-1 connection to Min. of Finance and African Development Bank used do most of their business through All-in-1 via the res rep.

- E-mail is critical to technical entity. Fax and Telex don't come near the effectiveness.

- Fax and voice are more efficient than e-mail in some countries.

- All-in-One in other languages--does not do accents--at least in French and Spanish.

- Innovative Benin project with high Bank/borrower communication prior to Negotiation: President in touch by phone with director. Res Rep shared all documents informally prior to negotiations. Translation is a serious problem, especially with documents which are changing.

- Fax and voice are more efficient than E-Mail for communications with borrowers because borrowers do not have the habit of frequently logging on for mail.

- Task Managers are using access to HQ when necessary to address deadlocks or to gather technical feedback. In these cases E-Mail has been helpful (time differential).

5. Communications with Field Office

- Hold negotiations in the field. It is easier to communicate with HQ to resolve issues than to communicate with borrower countries. Would need to give Task Manager more authority to accomplish.

- E-mail issues: get a better e-mail system more like those available commercially, such as MCI Mail; get special modems to deal with noisy phone lines; often local phone lines are worse than international lines, so usage is limited.

- Access to HQ via e-mail from the field is crucial.

- Electronic mail with HQ from the field has been used to break deadlocks on serious problems in the field when Task Manager has exhausted all options. Task Manager sent e-mail to director who called country prime minister. Problem solved next day.

- All-in-1 is fantastic tool... Problem is it can extremely costly in some countries. Ability to obtain local connection to field office from in country very good.

- Need to link WordPerfect to All-in-One.

Document Management Issues

6. Completeness and Relevance of Project Files

- Need to introduce accountability for what goes into the project files.

- Important documents collected in Supervision remain on Task Manager shelves, and do not get into central files until no longer of interest.

- Incoming documents are getting lost particularly when more than one Bank staff is involved, or when responsibilities are shared between HQ and FO. Bank is often embarrassed by asking the borrowers for a document that was sent in a long time ago. Actions are delayed waiting for a document (and blaming the borrower for the delay) when the document is somewhere in the Bank (the issue seems not to be related to a tracking system as the recipient of the document seems to have good procedures in place to track it). It was also mentioned that the project files are not managed appropriately and that not everything is filed. Indeed it was mentioned that most important documents are often not filed, particularly if they are odd shaped - the reason being that the support staff does not like the copying task.

- There are documents missing from project files.

7. Filing of Electronic Files

- Lack of a filing architecture for electronic documents makes it very difficult to find the right version of the right document.

- Develop filing system for finding most up-to-date version of Project documents, including electronic files.

- Provide electronic filing for Project Documents so that computations are not lost; provide for filing of SAR with diskette of related models, implementation Gantt Charts, etc.

- Losing a wealth of information derived in APR by not having dynamic electronic components of APR documents which can be updated during supervision Currently using models, spreadsheets, and need to introduce Project Management tools.

- The electronic form of documents are being lost, and with it all the assumptions and formulas used in calculating tables. For example by looking at the printout of a spreadsheet one cannot derive the assumptions for the calculated cells. There is a lack of procedure to file these electronic files with the institutional and project files.

8. Need for Institutional Document Tracking System

- Keeping track of correspondence is difficult. Additional coordination is needed if resident mission is part of the communication pattern. While incoming correspondence is logged in, there is no Action Tracking (who has it and whether it has been acted on). Things get lost. Software such as The Coordinator might respond to such a problem.

- Need to be able to track flow of documents. In sending around documentation for review, it goes out and sometimes gets lost.

- Incoming documents are getting lost particularly when more than one Bank staff is involved, or when responsibilities are shared between HQ and FO. Bank is often embarrassed by asking the borrowers for a document that was sent in a long time ago. Actions are delayed waiting for a document (and blaming the borrower for the delay) when the document is somewhere in the Bank (the issue seems not to be related to a tracking system as the recipient of the document seems to have good procedures in place to track it). It was also mentioned that the project files are not managed appropriately and that not everything is filed. Indeed it was mentioned that most important documents are often not filed, particularly if they are odd shaped - the reason being that the support staff does not like the copying task.

Information Services

9. Availability of Electronic Version of Bank Documents

- Need electronic version of Black Books.

- Need on-line bibliography of Bank files

- Need Supervision Handbook.

- Need standard procurement Handbook.

10. Textual Data Base Needs

- Need a collection of standard model TORs. These exist locally in the Bank, but should be formalized and made accessible.

- Develop standard tender or bidding documents on diskette. Should take 1 week to do and 2 days to clear instead of lengthy process undergone currently.

- Build lessons DB based on PCRs showing country, sector, year, type of issue. A research assistant would be able to extract a 2 line description of each lesson learned, say the 5 most important for each project.

- Need tools to access lessons learned database.

- LOD and OED databases "not that good."

11. Access to Electronic Version of Documents on Files

- Word search, key phrase search electronically filed project documents

- Have network capabilities in Bank, so document reviews can be done electronically. For instance, Disbursement review can include not only the sections devoted to the topic, but also any disbursement related parts identified through word search in the body of the document.

- Technology to retrieve key points of supervision findings via All-in-1 or electronically access the latest supervision reports and compliance status.

Internal Systems and Infrastructure

12. Analytical Tools

- Make COSTAB updatable to use for monitoring

- Increase quality of data in midterm reviews. Use same spreadsheets and models from APR and update them at midterm.

13. Project Supervision Tools

- Computer system should generate flow-chart of commitments to see if in compliance with covenants regarding disbursement thresholds.

- Set up consistent progress reporting on key indicators which could be used throughout the project and for ARIS as well, and formulate software for recording it at HQ. When feasible, set up "navette" reporting software for the annexes to supervision report for use by borrower to submit progress reports. The indicators used for PCR should be built up during the life of the project with each progress report adding to from these indicators. PCR should not be a data gathering activity, but an analysis of the data consistently gathered and recorded with each progress report from the borrower. Key items would be schedule of implementation, schedule of procurement and status of contracts.

- Evaluating borrower-submitted documentation difficult. Procurement documents are very large, format may be quasi-standard. Receive or convert certain borrower-submitted to electronic form and have software to compare documents to see where they are different from standard formats. Also use word and key phrase search to examine particular topics or issues.

- Task Managers need access to LDS via reports on demand or on-line. Progress reports should include a standard format to report disbursement status.

- Should have computerized tool to compare project disbursement profile against country disbursement profile. Need analysis of disbursement profiles against LDS. When projects disburse too slowly, prices go up and the cost projections in the APR are thrown off.

14. General Management Tools

- Task Managers need direct access to supervision data in OPMIS at least to be able to view 590. They cannot see even to verify. Ideally, they could also update it without going through multiple parties. In addition, Task Managers are asked repeatedly for information which is already in the MIS. E.g., How much time is used in supervision. Managers don't use OPMIS because it is too unfriendly and inaccessible. Data goes in, but is not used as much as it could be.

- OPMIS must be user-friendly to line manager. Was designed for senior managers. Horrible system.

- Need a mission scheduling tool to create proper overlaps of mission team members in the field. [PK adds: Several years ago, we used a project management package to set up a divisional mission scheduling application. It was used in one of the Africa divisions after reorganization for several years--maybe still is]

- It was mentioned that the existing systems for Supervision and Portfolio Management (OPMIS) are good and rational not needing any major overhaul. Others expressed the opinion that access to the information is very restricted and that some times their bosses come around to collect information a second time when the information is readily available in the system. In general the OPMIS is not accessible to task managers either.

15. Infrastructure

- Lack of local networking in the Bank creates serious problems for data sharing. It is ridiculous to have to create diskettes and move them around.

- The electronic form of documents are being lost, and with it all the assumptions and formulas used in calculating tables. For example by looking at the printout of a spreadsheet one cannot derive the assumptions for the calculated cells. There is a lack of procedure to file these electronic files with the institutional and project files.

- Some thought that there is a need to make special offices available to borrower negotiation team with phone and fax numbers known ahead of time. Others were not sure it is necessary.

<u>Borrower Systems</u>

16. Project Management Capability

- Make COSTAB updatable to use for monitoring

- Use project management software to monitor fiscal and physical progress of project. In general, the Bank needs to increase analytical tools and training to use them. Use PERT in procurement and other processes. The resources must be put in to do this.

- The Part III data should be a standard report format submitted with all progress reports. It could then be collated at PCR time. Data quality would be much higher captured on an ongoing basis rather than after the fact. Part III should be used as model for APR, for progress reports, and should be implemented as a PC application.

- Set up consistent progress reporting on key indicators which could be used throughout the project and for ARIS as well, and formulate software for recording it at HQ. When feasible, set up "navette" reporting software for the annexes to supervision report for use by borrower to submit progress reports. The indicators used for PCR should be built up during the life of the project with each progress report adding to from these indicators. PCR should not be a data gathering activity, but an analysis of the data consistently gathered and recorded with each progress report from the borrower. Key items would be schedule of implementation, schedule of procurement and status of contracts.

- Introduce dynamic supervision monitoring tools, such as EDI's LogFrame, Project Management tools such as Microsoft Project, updatable COSTAB, FARMOD, etc. Train implementation managers and then exchange files via diskette or electronic mail. Need hardware in the Bank to support newer software.

- Use Project Management software to capture implementation schedule, indicators and milestones electronically. Aids coordination of dollars, activities and progress. Set up borrower to use same software to generate progress reports. Can also send files electronically to Task Manager for review and advice. Involving implementation management closely in the development of the implementation plan increases ownership, transparency and builds borrower capacity to develop and follow up on action plans.

- Train borrower to take on supervision: what are performance indicators and milestones to monitor. Introduction of Project management software in cases where feasible would be very beneficial; introduce concept of monthly review between borrower and contractors to review schedule and evaluate impact on rest of project. Has been done in China with MS Project for Windows. Management has to back this up in enforcing closing dates, discouraging extensions. Bank needs to incorporate its monitorable key dates; implementation staff keep the detailed schedule.

- Introduce COSTAB and FARMOD for use by borrowers.

- Geographic Information Systems (GIS) and Project Management software are being tested in the Asia Technology Lab for use in the field. In a pilot, GIS is used locally to monitor agricultural statistics associated with an area to "let your fingers do the walking" rather than having to physically visit far-flung sites in China in irrigation project. Cuts through stacks of documents to see results visually and provides means for borrower to capture the data. (Works if borrower has interest)

- In AFR, have central unit AFTOS to provide Operations Services. They have designed simple procurement contracts spreadsheet with key dates. Before mission leaves, they know the status. Only takes borrower 5 minutes to fill in each line. This should be institutional. Would be even more powerful in project management software so that implications could be seen.

- Establish standard bidding documents and distribute via diskette, or carry into the field on laptops

- Take forms and guidelines to the field in electronic form. Set up and train interactive form completion.

- In LAC, disk-based electronic turnaround of disbursement documents included in project: development, training and testing of software to support procurement administration. Same Chart of Accounts and software was required at each stage of the processing. When it came time to disburse, funds went out "like an avalanche."

- Develop standard tender or bidding documents on diskette. Should take 1 week to do and 2 days to clear instead of lengthy process undergone currently.

- The launching mission objectives also vary a lot from one Task Manager to another. It is used for selling to tell the borrowers what the project is; to get them introduced to procurement and disbursement procedures; get a work plan; agree on supervision schedule and action plan; try to put auditing and reporting capability in place (biggest problem). Video-taping was considered to be a promising tool. Same for the LogFRAME system developed by EDI.

17. Borrower Training

- Keep in mind that use of technology tools is only one piece of the picture. The process of working with a borrower setting them up is important both for training and increasing ownership.

- Package of training, technology, software and technical assistance delivered to professional supervision team works really well in Chile. Can be done as part of project or contract out on competitive bid.

- Technology would be very effective in training on procurement and disbursement and for Technical Assistance.

18. Lessons Learned in the Use of Technology

- Tell borrower in advance the indicators/milestones the mission will be checking on, who is coming (specialties), issues to be covered. In addition. Have as much fact finding done as part of mission preparation, rather than waiting to get in the field. Standardized reporting and tools, such as contract monitoring spreadsheet or electronic Gantt chart, are effective to support this.

- With new countries, preparation is needed to support all projects which will be done. Need "Country Launch" activities to build borrower capacity to deal with the Bank. [Link this with permanent implementation staff]

- Necessary technology components (Mac, printers, fax machines) are taken along on mission and left in the field for use on projects. Local staff are using GIS (geographic information systems) in conjunction with satellite maps in Latin America.
- Build borrower capacity to use e-mail effectively. In some places, the PCs are located only in the computer department. Workstations need to be introduced on managers desks. Managers need training in how to log on and need to develop the habit of reading e-mail.

<u>Use of Video Technology</u>

19. Video-conferencing Applications

- Tele-conference usage could be useful. Effectiveness depends on language and time zone differential.

- Use video for fact finding prior to mission departure to show products of project execution.

- Use project funds to finance video facilities.

20. Video-taping Aids

- Video for training of various types has been used in China very effectively, in supplement to Bank staff in the field.

- Video as an supervision record keeping tool

- Video Disbursement Handbook. Develop video tapes for administrative training in native languages with multi-standard units (procurement, disbursement). Disbursements Unit started to so this with borrower participation. Used format of borrower interviewing Disbursement officer. The idea is to send this along with Disbursement Letter.

- Video of Midterm Review was used to support local PR campaign. Included meeting with beneficiary meetings and feedback. It was broadcast on TV in the country.

- Procurement Workshops are good. Videos would be a good supplement to staff.

- Video tape Project Launch seminar to leave behind with implementation team to review or to help deal with discontinuity of implementing staff

PMTF

FORM NO. 75
(6-83)

THE WORLD BANK/IFC

ROUTING SLIP	DATE: 6/17

NAME	ROOM NO.
Ian Scott	
Peter Richardson	
Samir Bhatia	
Dominique Lallement	
Joanne Salop	
Lester Nurick	

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
✓	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		URGENT

REMARKS:
Please find attached the paper on MIS prepared by George West

FROM: Brunner	ROOM NO.:	EXTENSION:

INFORMATION SYSTEMS SUPPORT FOR PORTFOLIO MANAGEMENT

1. The basic information systems that collect, store and report on portfolio management activities were designed starting in the mid-80s with updates incorporated in the Form 590 modules and the Audit Report Compliance System (ARCS) in the last few years. As such, these systems have been in operation for several years. The specific modules used by staff are Project Management System (Form 590), Annual Review Implementation Status (ARIS), Audit Report Compliance System, Procurement (Form 384) and Disbursement Reporting. (Detailed systems descriptions are contained in the OPMIS Users Guide.) In addition to these basic modules, the Time Recording System (TRS) collects data on staff/Consultant time spent in the portfolio management activities and the work program portion of the OPSMIS maintains information on planned inputs to these SPN tasks and their schedules. The most important of the above systems and the one most crucial to staff is the Project Management System (Form 590) which also provides data to ARIS. The next most important is the ARCS which deals with compliance of borrowers on financial covenants. The majority of the comments in this paper relate to these three systems.

2. In talking to staff and managers it is clear that these systems, with some minor exceptions are not meeting the needs of staff. The primary systems Form 590 suffers from what one user calls the "Bikini Syndrome." It reveals the interesting but conceals the vital. This statement is characterized by the lack of key information specifically the text Sections 5-8 of the Form 590 are not available within the system. For most staff it is these sections that provide the substance that confirms (or in some cases calls into question) the numeric project ratings and provides the basis for follow-up actions. The current system which uses FOCUS is not well suited to the entry and modification of text data, but any modification or new PMS must contain this data. Another problem noted by a number of Project Advisors as well as staff was that numeric ratings do not always correspond to the text write ups. While this is not per se a problem with the

system, it is indicative of either inconsistent system definitions or their interpretation or lack of adequate management review. In addition to the problems noted above, there is lack of key quantitative and monitorable indicators of project progress in the current system. For example, a water supply project could track progress on connections, number of meters installed, collection rates, etc. These types of indicators could and should be determined by project staff who can assess for a project, the key factor(s) crucial to success. While experienced staff monitor these measures for investment type projects, greater systematic review and documentation of these types of measures and having a system that allowed for their selective incorporation and tracking would make the 590 System more useful. While most staff appreciated the automatic updating of data from other systems, e.g., disbursements, some staff felt the information was not totally up to date. Other minor comments on the 590 System were that the basic form needed to be redesigned, greater graphics would be helpful and that a different type font between headings and system data would be helpful. There was also a complaint about no means to correct an erroneous ratings once it is in the system. (This makes subsequent comparisons of ratings difficult.)

2. In addition to the above comments, there is a need to make the 590 System accessible to staff in the field as well as Resident Mission staff involved in Portfolio Management work. At some point portions or all of these data should be available to borrowers. Another need which is bringing to surface and which is not met by the current system is the adaptation of the 590 for Trust Funded projects. Considerable work is still needed to define system requirements but there is a clear concern that with the increasing amounts of trust fund money available that the planning and supervision of these type of projects must be incorporated into the standard practices of the Bank. Staff in Africa region also reported that the disbursement projections are for them always behind schedule, since the system calculation starts from the signing date and not the date of project effectiveness.

3. Because ARIS uses the basic 590 data, it suffers from the same types of problem as noted above. ARIS, which is basically a reporting system, requires extensive special programming support each year to support different analytical requirements and reporting needs. Support for Projects and Operations Advisors is limited and one Project Advisor talked of a need to discount mission ratings for ARIS analysis. In some cases, e.g., calculation of SPN intensity data is not available in the systems to perform the requested analysis.

4. With regard to the Audit Report Compliance System (ARIS) the recent modification of the system receives good marks, but there is not a consistent classification of covenants and one Region has developed an off line system that categorizes financial covenants. Also to the extent that financial covenants are critical to project success, they would also be reported and commented on in the 590 System thereby duplicating coverage and data entry.

5. The single most repeated comment made concerning the Form 384 was that there was a recognized need for this type of data, but that those required to provide the information received no direct benefit from completing Form 384. This means that compliance is a problem and that completeness and data quality require review processes to ensure required standards are met.

Recommendations

6. Based on the above comments and in conjunction with the other recommendation of this task force a review and redesign of at least the Form 590 System should be initiated. Since it is never possible to fully anticipate all needs and requirements change as systems are used this means that the system design must be flexible. This design effort should take into account the need for text data (590 Sections 5-8) and an ability to easily enter and search the text data. The new system should provide for new standard indicators beyond the basic ratings and a section for selected variable indicators based on project type. This activity will require a small task force of

knowledgeable operating staff to define meaningful and monitorable indicators. While primarily a communication question, Resident Mission access must be addressed as well as the incorporation of an ability to monitor trust funded projects. In addition, since much supervision time is spent on procurement matters, a module to easily track procurement items through various stages against some standard or unique schedules would help project officers in an administratively intense activity. The current system provides no support in this area.

7. It should be noted that work now in process on the pilot development on the Task Managers Work Station addresses some of the current system deficiencies and any redesign of the Project Management System must take this work into account.

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: April 6, 1992

TO: Mr. W.A. Wapenhans, EXC

FROM: N. Cengiz Yucel, EMTDR

N. Cengiz Yucel

EXTENSION: 32402

SUBJECT: Application of Information Technology to Portfolio Management and Supervision: Draft Outline

1. The attached outline incorporates comments we received from Mr. Kohli and Ms. Lallement. You will notice that we propose to extend the scope of our inquiry beyond the computerized data reporting aspects suggested in the initial outline. We intend also to investigate the use of new computing and communications technologies which provide a number of other opportunities that could help greatly improve the quality of supervision activities and may generate substantial resource savings.

2. Of particular interest would be to look at the results of the experiments in direct linkage with the governments of Indonesia and Poland, and explore further the possibilities of using two-way communications to create a stronger relationship between the borrower implementation agencies, co-financiers, and the Bank. In this context we will consider potential uses of various new technological instruments and suggest how supervision procedures and portfolio management activities might evolve to take advantage of these new possibilities. Our objective would be to build a scenario in which the Bank, member governments, and co-financiers cooperate in a timely, cost effective and efficient manner to monitor and promote successful project implementation. The following outline is drafted with this objective in mind and is for discussion and further refinement.

3. Furthermore we thought it essential to review how the Bank can develop an "usable" information base for implementation and supervision (i.e. all the information currently available in the Project Files) with the objective of improving the feedback from implementation and supervision into the design of country assistance strategies and of operations. To this effect we would review the current experience with the Lending Operations Data Bases in use by LAC, Africa and EMENA, the supervision module of the OPMIS, and possibilities to further automate the ARIS process. Special attention would be paid to promoting the sharing and dissemination of substantive information and of Bank experience from both technical and legal perspectives.

4. Given that time is of the essence, we intend to use focus groups as the main methodology to gather information, for discussions, and for validation of our recommendations. Basically we will proceed in three steps: (a) identify key issues for discussion

and the respective client groups; (b) run a number of focus groups to obtain additional input and reaction to proposed ideas; and (c) prepare the final report.

cc: Messrs. Kohli (o/r), Garg, Ferreira; Ms. Lallement

OUTLINE

Task Force on
Portfolio Manangemet

The Application of Information Technology
to Portfolio Management and Supervision

I. **CURRENT STATUS OF COMPUTING AND COMMUNICATIONS TECHNOLOGY**

1. A Brief Status of Facilities in Actual Use
2. Voice Communications
3. Text Communications
4. Facsimile Communications
5. Video Conferencing

In this section, under each heading the scope, uses and limitations of each technology, its cost and its shortcomings would be reviewed.

II. **APPLICATION OF INFORMATION TECHNOLOGY TO THE SUPERVISION PROCESS**

We envisage a supervision process in which the implementing agency, the Bank, and co-financiers act in partnership and close interaction to ensure that projects achieve the agreed objectives. To this effect technology would be used to attain a high level of communication to create rapport and mutual trust among the project stakeholders so that problems are identified in earlier stages and resolved promptly. In such an environment task managers ought to be able to draw very quickly on the experience of others and to disseminate his/her experiences to others with lively examples.

1. Review of Relevant Documents at Headquarters

In most supervision activities, particularly those related to investment projects of revenue earning entities or enterprises, the review of financial data -- current accounts, balance sheets, cash flow statements, etc. -- is time consuming and takes-up a substantial portion of supervision time in the field. Recent technological developments offer the opportunity for close interaction with project implementation management and for the exchange of project information, standard reports and other materials through electronic means. For example, early review of financial data at Headquarters ahead of mission could not only save valuable mission time but also enable the Bank to monitor more closely the performance of the borrower (enterprise). The same is true for a number of other documents.

2. Facilitate Project Management and Reporting

Ordinarily each borrower is responsible for managing project implementation and furnishing progress reports, on a quarterly basis, indicating the status of each project component. The Bank could equip the borrower with a capability to help manage project implementation, generate periodic reports according to standard formats and transmit them to Headquarters, and also give the borrower access to pertinent Bank information. This facility would allow for timely review of: (i) disbursements; (ii) progress of civil works and other physical developments included in the project; (iii) and other documentation such as Terms of Reference for various consultancy services, draft bidding documents, etc. The new technology would also enable the borrowers to update the progress report as major developments occur during the project implementation cycle. Such almost-instantaneous communications would enable Bank management to take corrective measures, if needed, immediately and organize a next mission in a way which would be more responsive to the outstanding or emerging issues in the project implementation.

3. Field Visits

Although actual visits to a project site are often essential and cannot easily be substituted. Nevertheless image transfers through the new technology can provide valuable information on the progress made in the physical aspects of the project, and allow for lively discussion, particularly among those staff who are familiar with the project. Such image transfers could complement the progress reports and be very helpful for problem resolution.

4. Discussions with Official Agencies

The review and discussion of the institutional and policy contents of the Bank-supported projects are the most important aspect of TORs of all supervision missions. Often such exchange of views between the mission members and relevant officials will have to be carried out in the field. Even in this area, however, the new technology -- video conferencing -- can be utilized to facilitate the dialogue with the borrowers.

III. APPLICATION OF INFORMATION TECHNOLOGY TO SELECTED AREAS OF PORTFOLIO MANAGEMENT

This section would review the implication of changes in the use of technology for supervision on selected portfolio management tasks. For example the ARIS, the Annual Sector Reviews, and other tasks related to Country Portfolio Management. It may also include some tasks related to the work on Development Effectiveness.

IV. RECOMMENDATIONS

This section would draw conclusions from the potential application of information technology to supervision and portfolio management. It will identify implications for (a) the way the Bank interacts and supports borrowers; (b) project appraisal and design; (c) changes in Bank's policies and procedures; and (d) implications for Bank staff and implementation team training.

THE WORLD BANK / IFC / MIGA

OFFICE MEMORANDUM

DATE: March 17, 1992

TO: Mr. Harinder S. Kohli, EMTDR

FROM: Willi A. Wapenhans, EXC

EXTENSION: 80121

SUBJECT: Portfolio Management - Application of Information Technology

1. Further to our discussion on the application of Information Technology to Portfolio Management and Supervision I attach a preliminary draft outline for your review and comment. Please feel free to enhance the scope of the enquiry in accordance with the opportunities you see.

2. I am grateful for your agreeing to make available Messrs. Ferrera and Yucel to deal with this topic. For the Task Force Dominique Lallement will be the principal counterpart. I would suggest that once you have had a chance to review we get together to finalize the scope of work for this task.

Attachment

cc: Mr. I. Scott
Ms. D. Lallement

EMTD

Draft
Annex

Task Force on Portfolio Management

The Application of Information Technology to Portfolio Management and Supervision

1. Opportunities for Enhancing Effectiveness

- Computer-based Reporting by: Borrower, Guarantor on:
  . Progress of Engineering, Construction, Logistics, Procurement, Deployment
  . Accounts, Administration, Personnel
  . End-use of Loan Projects
  . Compliance with Loan/Credit Contract

- Computer-based Recording of Supervision Activity by the Bank on:
  . Status of Reporting
  . Schedule of Field Visits and Skills deployed
  . Record of follow-up action initiated

- Computer-oriented Formatting of Data for ARIS
  . Quantitative Analyses of Portfolio
  . Resource Use for Portfolio Management and Supervision
    - Skills - Time - Money

2. Enhancing the Feedback Cycle - The Reference Library

- Data Bank on Covenants
- Recording Experience
- Communication and Dissemination

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

DATE: 25-Mar-1992 09:49am

TO: NAIL CENGIZ YUCEL (NAIL CENGIZ YUCEL)

FROM: Carlos Ferreira, ITFUS (CARLOS FERREIRA)

EXT.: 32608

SUBJECT: Portfolio Management Draft - Initial Reaction

Cengiz,

Thank you for preparing the draft response to Mr. Wapenhans. I am going to give you my initial reaction below so that you can consider it during the day today. At night I will give you a second, and hopefully, more thoughtful reaction tonight after I have had time to go over the issues with a little more detail. The training I am attending to will be over by COB Thursday. I will be free to help you full time on Friday.

1. The draft is very good and hits all important points that I think need to be raised at this time. In my view Wapenhans' proposal is for an ex-post review of trends for senior management level decisions affecting the whole program. Your suggestions are along the lines of increasing effectiveness of the process itself while things are still happening. I thing it is a very good approach and a real need to have both.

2. In the opening paragraph you may want to state that the new information technologies (communications and computing together) can be used effectively to shorten the time element wherever these technologies are applied. This may or may not result in direct financial savings, but it can definitely result in better service.

3. In the same paragraph at the closing stage one may want to suggest that a group very senior and experienced people can explore innovative ways of using these technologies to accomplish the goals of supervision. This is in lieu of of just exploring ways of using technology to accomplish the current goals the way it has always been done.

4. A number of attempts to do some of that exist. We may need to inventory these attempts and gather the results of the experiments. We also must acknowledge those who have run those experiments.

5. One possibility, if we can have financial and economic data to flow better, if to have supervision concentrate more on the technical assistance side of the project with the objective of getting the project back on track from a technical view point. My limited experience indicates that member countries would very much welcome that.

6. Another possibility is to use technology to address important issues on the spot rather than waiting for a mission. These can eliminate delays and costly mistakes.

More later....

Good luck, and again thank you for taking a stab at the response.

Carlos Ferreira

CC: Prem C. Garg (PREM C. GARG)

LEGAL DOCUMENTS/
DATA BANKS

Record Removal Notice

File Title	Barcode No.
EXC - Portfolio Management Task Force - Feeder Studies - Culture, Disbursement and Procurement, EDI, Information Technology, Legal Documents	30024556

Document Date	Document Type
6/30/1992	Report

Correspondents / Participants
By: Lester Nurick

Subject / Title
Agreements; Compliance with Loan Covenants; Remedies for Non-Compliance Practice

Exception(s)
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Bertha F. Wilson	July 24, 2017

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
EXC - Portfolio Management Task Force - Feeder Studies - Culture, Disbursement and Procurement, EDI, Information Technology, Legal Documents	30024556

Document Date	Document Type
6/18/1992	Report

Correspondents / Participants
By: Lester Nurick / Peter Easley

Subject / Title
Computerized Data Base for Legal and Related Documents

Exception(s)
Attorney-Client Privilege

Additional Comments

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Withdrawn by	Date
Bertha F. Wilson	July 24, 2017

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
EXC - Portfolio Management Task Force - Feeder Studies - Culture, Disbursement and Procurement, EDI, Information Technology, Legal Documents	30024556

Document Date	Document Type
6/11/1992	Report

Correspondents / Participants

Subject / Title
Mandate: Nature and Division of Responsibilities

Exception(s)
Attorney-Client Privilege

Additional Comments

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Withdrawn by	Date
Bertha F. Wilson	July 24, 2017

Archives 01 (March 2017)

Record Removal Notice

File Title	Barcode No.
EXC - Portfolio Management Task Force - Feeder Studies - Culture, Disbursement and Procurement, EDI, Information Technology, Legal Documents	30024556

Document Date	Document Type
n/a	Report

Correspondents / Participants

Subject / Title
Portfolio Management Task Force Responsibilities, Authorities and Mandates - Issues for Discussion

Exception(s)
Attorney-Client Privilege

Additional Comments

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File Title	Barcode No.
EXC - Portfolio Management Task Force - Feeder Studies - Culture, Disbursement and Procurement, EDI, Information Technology, Legal Documents	30024556

Document Date	Document Type
5/15/1992	Memorandum

Correspondents / Participants
To: Members of the Portfolio Management Task Force
From: Lester Nurick

Subject / Title
Portfolio Management Task Force Data Base

Exception(s)
Attorney-Client Privilege

Additional Comments

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Withdrawn by	Date
Bertha F. Wilson	July 24, 2017

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
EXC - Portfolio Management Task Force - Feeder Studies - Culture, Disbursement and Procurement, EDI, Information Technology, Legal Documents	30024556

Document Date	Document Type
4/24/1992	Memorandum

Correspondents / Participants
To: W. Wapenhans, I. Scott, P. Richardson, P. Garg, S. Bhattia, M. Pommier, M. Mould, D. Lallement, J. Salop
From: Lester Nurick, Portfolio Task Force

Subject / Title
Draft Note

Exception(s)
Attorney-Client Privilege

Additional Comments

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Withdrawn by	Date
Bertha F. Wilson	July 24, 2017

Archives 01 (March 2017)

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
EXC - Portfolio Management Task Force - Feeder Studies - Culture, Disbursement and Procurement, EDI, Information Technology, Legal Documents	30024556

Document Date	Document Type
3/16/1992	Memorandum

Correspondents / Participants
To: David M. Goldberg, LEGOP
From: Willi A. Wapenhans, EXC

Subject / Title
Portfolio Management - Legal Aspects

Exception(s)
Attorney-Client Privilege

Additional Comments

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Withdrawn by	Date
Bertha F. Wilson	July 24, 2017

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THE WORLD BANK

ROUTING SLIP	Date 3/13/92

OFFICE OF THE PRESIDENT

Name	Room No.
Messrs I. Scott	
S. Bhatia	
P. Garg	
M. Pommier	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Portfolio Management

Attached are Working Dispositions for two contributions:

i) Ojectives, Functions, Mandates
ii) SAL Supervision and Implementation Assistance

Which I would like to farm out initially to DI[illegible] and Legal. Please let me know your thoughts by c.o.b. Monday 16th since I should like to start discussions with Mr. Goldberg and Mr. Grilli/Shilling to get the work started. Others are to follow.

Thanks,

From

W.A. Wapenhans, EXC

Legal | Draft for Annex

Portfolio Management

Objectives, Functions, Mandates

- A Legal Expertise -

1. Portfolio Management and Project/Program Supervision

   - The Quality of the Portfolio and the Management of its Maintenance
     Portfolio mix, diversity and performance measurement
     - Prudence and due diligence -.

   - Supervision of End-use of Loan funds
     Statutory and contractual requirement, institutional accountability;
     Instruments and Monitoring

   - Contractual Agreements and Surveillance of Implementation
     Loan negotiations and the Project Agreement
     - Consensus, Commitment, Ownership -.
     Arrangements and agreements on Supervision, Reporting, Project/Program Modification

   -

2. Portfolio Management Functions

   - End Use Supervision
   - Surveillance of Compliance
   - Implementation Assistance
   - Impact Evaluation
   - Accountabilities

3. Mandate - Responsibility and Authority

   - Owner's/Borrower's Role and Responsibility

   - The Guarantor's/Host's contingent Responsibility for Implementation and its supreme Mandate

   - The Lender's Commitment, Support, and Obligations to the Borrower and to its share/Stake holders

Documentation

Legal

Draft for Annex

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Documentation

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Documentation