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Operations Evaluation -
Memos to Mr. McNamara (2-39)
March 1973 - August 1975



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Operations Evaluation - Memoranda to Mr. McNamara - Volume 3



30069311

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara, President

DATE: February 27, 1973

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

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

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

Current Work Program

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

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

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

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

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

Approximate Classification of Responses to OE Report
Recommendations

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

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

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

Future Directions of Operations Evaluation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Proposed Work Program

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

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

Comparison of Major Magnitudes in OED Budgets, FYs1973
& 1974

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nos. of
Projects

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

BANK/IDA LOANS AND CREDITS FULLY DISBURSED IN CY1969

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

Nos. of Projects

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

SPREAD EFFECT EVALUATION STUDY: PROJECT SAMPLE

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

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

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

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

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

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

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

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

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara, President *AS* DATE: March 12, 1973
FROM: C. R. Willoughby ^{*crw*} (through Mr. J. Blaxall), Programming & Budgeting
SUBJECT: Table about Audit/Evaluation Coverage

I attach a table along the lines that I understand from Mr. Adler you desire. In the absence of specific instruction and because I think the table is hard to interpret, I am not distributing it at this stage to other participants in the scheduled March 22 meeting about Operations Evaluation.

cc: Mr. John Adler

CRW/lmh

NUMBERS OF PROJECTS IN DEVELOPING COUNTRIES FOR WHICH BANK/IDA LOANS AND CREDITS
(EXCLUDING THOSE LARGELY CANCELLED) WERE FULLY DISBURSED AND COMMITTED BY CALENDAR YEAR 1960-69 AND NUMBERS
ALREADY AUDITED/EVALUATED BY 6/30/73 OR TO BE COVERED IN PROPOSED FY1974 PROGRAM OF OPERATIONS
EVALUATION DIVISION (MY MEMO OF 2/27/73) a/

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>TOTAL</u>
Fully Disbursed in Year	<u>14</u>	<u>11</u>	<u>13</u>	<u>16</u>	<u>20</u>	<u>35</u>	<u>31</u>	<u>46</u>	<u>47</u>	<u>41</u>	<u>274</u>
Already Reviewed	-	-	2	5	4	7	7	7	15	9	56
by OED	-	-	(1)	(5)	(4)	(6)	(4)	(3)	(10)	(6)	(39)
by Others	-	-	(1)	-	-	(1)	(3)	(4)	(5)	(3)	(17)
Included in OED FY1974 Program	2	-	1	1	-	2	1	-	1	17	25
Committed in Year	<u>24</u>	<u>44</u>	<u>34</u>	<u>48</u>	<u>51</u>	<u>48</u>	<u>54</u>	<u>52</u>	<u>79</u>		<u>434</u>
Not Yet Fully Disbursed	1	1	-	2	6	8	20	28	60		126
Subtotal: Committed & Disbursed	<u>23</u>	<u>43</u>	<u>34</u>	<u>46</u>	<u>45</u>	<u>40</u>	<u>34</u>	<u>24</u>	<u>19</u>		<u>308</u>
Already Reviewed	4	10	8	11	4	4	11	1	4		57
by OED	(3)	(8)	(3)	(9)	(3)	(2)	(9)	(1)	(2)		(40)
by Others	(1)	(2)	(5)	(2)	(1)	(2)	(2)	-	(2)		(17)
Included in OED FY1974 Program	1	4	-	1	8	6	2	1	2		25

a/ Treating as separate projects the Bangladesh and Pakistan components of projects supported in the former Pakistan.

OFFICE MEMORANDUM

TO: Mr. Anders E. Ljungh

DATE: March 21, 1973

FROM: Christopher R. Willoughby *CRW*SUBJECT: Further Table about Projects and Evaluation/Audit Coverage

I attach the results of my best effort to meet by this afternoon your request of this morning. I hope it is responsive. As with the first table, I am not distributing this more complex one unless and until I hear to the contrary.

cc: Mr. John Adler

I. NUMBERS OF PROJECTS IN DEVELOPING COUNTRIES FOR WHICH BANK/IDA LOANS AND CREDITS (EXCLUDING THOSE LARGELY CANCELLED) WERE COMMITTED 1960-1969, BY CALENDAR YEAR OF COMMITMENT AND CALENDAR YEAR OF FINAL DISBURSEMENT ^{a/}

CY of Approval	Total	Fully Disbursed in Calendar Year										NFD
		Through 1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	
1960-63	149	7	9	16	20	31	27	13	12	5	5	4
1964	51	-	-	2	2	6	6	12	7	2	8	6
1965	47	-	-	-	-	3	2	11	9	6	2	14
1966	54	-	-	-	-	2	5	4	9	5	9	20
1967	52	-	-	-	-	-	-	1	2	10	11	28
1968	79	-	-	-	-	-	-	-	3	4	12	60
1969	99	-	-	-	-	-	-	1	-	3	2	93
Total	531	7	9	18	22	42	40	42	42	35	49	225

II. NUMBERS OF PROJECTS^{b/} ALREADY AUDITED/EVALUATED BY OPERATIONS EVALUATION DIVISION AND OTHER BANK DEPARTMENTS THROUGH FY1973 AND NUMBER PROPOSED TO BE COVERED BY OPERATIONS EVALUATION DIVISION IN FY1974, BY CALENDAR YEAR OF COMMITMENT AND FINAL DISBURSEMENT^{a/ c/}

CY of Approval	Total	Fully Disbursed in Calendar Year										NFD
		Through 1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	
1960-63	33/6 ^{d/}	-/3	3/-	3/-	5/-	4/-	8/-	5/3	3/-	2/-	-/-	-/-
1964	4/8	-/-	-/-	-/-	-/1	1/-	1/-	-/7	-/-	-/-	-/-	-/-
1965	4/6	-/-	-/-	-/-	-/-	1/-	-/1	3/4	-/1	-/-	-/-	-/-
1966	11/2	-/-	-/-	-/-	-/-	-/-	1/-	1/2	4/-	2/-	3/-	-/-
1967	1/1	-/-	-/-	-/-	-/-	-/-	-/-	-/1	-/-	-/-	1/-	-/-
1968	4/2	-/-	-/-	-/-	-/-	-/-	-/-	-/-	1/1	-/-	3/1	-/-
1969	1/1	-/-	-/-	-/-	-/-	-/-	-/-	-/-	-/-	-/1	1/-	-/-
Total	58/26	-/3	3/-	3/-	5/1	6/-	10/1	9/17	8/2	5/1	9/1	-/-

Percent Reviewed^{e/}

Through FY73	11	-	33	17	23	14	25	21	19	14	18
in FY74	5	43	-	-	5	-	3	41	5	3	2
Total	16	43	33	17	28	14	28	62	24	17	20

a/ Treating as separate projects the Bangladesh and Pakistan components of projects supported in the former Pakistan.

b/ Excludes projects already audited/evaluated for which loans were committed prior to 1/1/60.

c/ Does not reflect evaluation/audits of projects for which loans and credits not yet fully disbursed.

d/ First figure represents number of projects in this category already audited/evaluated and second figure represents numbers of projects included in proposed FY1974 program.

e/ i.e. Numbers in block II as percent of numbers in block I.

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SecM73-203

April 13, 1973

FROM: The Secretary

OPERATIONS EVALUATION AND PROJECT PERFORMANCE AUDITS

Attached is a memorandum dated April 13, 1973 from the President on the introduction of Project Performance Audits and the future work program in Operations Evaluation.

Distribution:

Executive Directors and Alternates
President
Senior Vice President, Operations
Vice Presidents, Bank, and Officers of IFC
Directors and Department Heads, Bank and IFC



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

OFFICE OF THE PRESIDENT

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April 13, 1973

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: Operations Evaluation and Project Performance Audits

1. Evaluation reports on past Bank operations in Colombia and in the electric power sector were distributed to the Executive Directors and discussed in the middle of last year. In a memorandum of July 20, 1972 (Sec M72-388) I outlined to you an operational evaluation and audit program for FY1973, dealing mainly with projects for which loan/credit disbursements were completed some five years ago. The Operations Evaluation Division has been carrying out this program, and audit reports on a number of projects have been distributed in the last few months; further audit and evaluation reports are due for completion in the next five months.
2. With the exception of these reports, the Executive Directors have not been receiving an independent accounting, on a systematic and comprehensive basis, of the extent to which projects supported by the Bank and IDA have fulfilled the objectives on the basis of which loans and credits were approved. This is a gap which needs to be filled to give us a more complete and timely idea of our own performance as an institution trying to assist development. I therefore propose to introduce a system of Project Performance Audits, covering all projects financed with Bank/IDA assistance, and to add responsibility for their preparation to the existing functions of the Operations Evaluation Division.
3. Project Performance Audits will be prepared on all projects in developing countries about one year after completion of loan/credit disbursement (i.e. typically 4 to 8 years after approval by the Board of Directors). Their purpose will be to analyze the extent to which objectives stated in loan documents have been, or show promise of being, achieved and the reasons for deviations. The feasible sophistication of

this enquiry, one year after completion of Bank/IDA disbursements, will vary considerably among projects, depending on the nature of the objectives sought, the sector to which the project belongs and the duration of disbursements. But the aim will be to match the scope of the appraisal report, on the basis of which Bank/IDA support was approved, and to cover economic and institutional objectives to the extent possible as well as physical and financial ones. We believe that even at this stage it should usually be possible to identify the pattern of incipient benefits — which of course weigh heavily in investment analysis.

4. In the preparation of the reports maximum use will be made, as in any audit, of existing information, without, however, in any way violating the crucial principle of independence.

5. Preparation of Project Performance Audits will fit well with the other, more evaluative work of the Operations Evaluation Division, assisting it to identify topics of greatest relevance to the ongoing operations of the Bank. In some cases an important conclusion of a Project Performance Audit will likely be that the project should be subjected to a deeper evaluation a certain number of years later when results are more fully visible.

6. The new scheme will be introduced for all projects on which loan/credit disbursements ended after July 1, 1972. A major part of the work program of the Operations Evaluation Division for FY1974 will consist of steps to get the system underway and preparation of Performance Audits on each of the 25 projects for which loan/credit disbursements were completed in the first half of FY1973. The other part of the work program for that year will consist of a major evaluation study on past Bank lending for agricultural credit and the first phase of a study investigating, on the basis of an appropriate sample of past projects, the spread of administrative, managerial and technical innovations from Bank-assisted projects, and designed to establish the efficacy of this frequently expected phenomenon and how it could usefully be strengthened.

Robert S. McNamee

OFFICE MEMORANDUM

TO: Operations Evaluation Department Files

DATE: February 3, 1975

FROM: C. R. Willoughby *CRW*SUBJECT: Meeting with Mr. McNamara on Friday January 24 afternoon

Mr. Shoaib and I met with Mr. McNamara on the afternoon of Friday, January 24 to review the progress and prospects of operations evaluation work in the Bank Group. We had before us the attached paper "Proposals for FY 1976", written as the outcome of previous weeks' discussion and taking account of the tentative budgetary framework previously approved by Mr. McNamara and indicated in Mr. Adler's note to Mr. Shoaib of January 8, 1975.

During the course of the meeting Mr. McNamara made the following principal points regarding OED work

- now that a good number of experiments had been made and the evaluation/audit work was well underway he wanted to be more frequently in touch;
- every effort should be made to shorten the time between completion of draft reports and their issuance to the Board, particularly for the Agricultural Credit study (9 months seemed much too long);
- it was highly desirable to keep to the principle of preparing an 'audit' report on all completed projects, but they should be done more cheaply (was an average of 1 man-month really necessary when a PCR was already available?);
- it would be preferable to stick to the fairly full auditing presently attempted, but if necessary, as a means to cover all projects with limited budgetary resources, then thought should be given to confining audit to certain key aspects only - e.g. economic return (or substitute) and project costs;
- principal purpose of PPAs, i.e. to produce systematic objective report on these key aspects, should always be kept in mind;
- it was not clear to him that Bank should get into evaluating consultant firms and teams, and the above principle should be kept in mind in dealing with audits raising complex consultant questions;
- he welcomed the closer contact with borrowing countries that Mr. Shoaib has created for evaluation/audit work;
- it seemed to him essential that all Bank/IDA projects should have at least a simple continuous monitoring of benefits and targets during execution, and the necessary resources should be put into assuring this;

February 3, 1975

- Mr. Shoaib should talk to Mr. Knapp about the OED's critical need for an agricultural expert with experience elsewhere in the Bank;
- Mr. Willoughby should keep a diary of changes made in Bank operations as a result of OED reports and of changes OED thinks ought to be made even though it has not yet succeeded in convincing Bank operational staff;
- the proposed study of Bank Project Supervision was particularly welcome;
- the proposed small study of Population Projects should certainly be taken as the evaluation item for FY 1976 rather than the study of training elements in loans because the former was such an important yet difficult area and it was not clear what was actually being accomplished by our projects;
- the periodic review of PPA results would be particularly useful and he was looking forward especially to the first one;
- the proposed budget and manpower outline was approved, but as mentioned above, effort should be made to cut the 8.00 man-years allocated to basic audit work so as to make more available for other departmental purposes;
- Bank-imposed delays in project processing appeared from his experience to be normally ineffective in achieving what they were supposed to, and there was sometimes question whether what they were supposed to achieve was even desirable;
- OED recommendations could be accepted by the Bank at any appropriate level but they could only be ultimately rejected by himself; and
- Project Implementation Delays would be a very appropriate topic for future management policy review work, beyond FY 1976.

Attachment: Proposals for FY 1976

cc: Mr. McNamara
Mr. Shoaib

CRWilloughby/aga

OPERATIONS EVALUATION DEPARTMENT

PROPOSALS FOR FY 1976

Progress of Work: The principal objective in FY 1975 was to get fully going the comprehensive system of performance audits, on the basis of Project Completion Reports, for all projects within about a year of completion of loan/credit disbursements; this is being accomplished and we think we have work in sufficiently advanced state that, whereas 12 PPA reports (on 14 projects) were delivered to the Board in the first half of the fiscal year, we should deliver about 40 such reports (on slightly more projects) to the Board in the second half. The First Periodic Review of cumulative PPA results is currently under preparation and should be ready for the Executive Directors later this fiscal year. No new large Evaluation studies were to be started this fiscal year but work was envisaged to complete two on-going ones: Agriculture Credit and Project Spread Effect. Both have now reached the stage of full completed draft, but the Credit study will need two full rounds of Bank and borrower comments and cannot be expected to be ready for the Executive Directors until Fall 1975. The experimental Management Policy Review work has been proceeding and first reports, on Delays in Loan Effectiveness and Delays in Project Processing, are expected to be ready for the Board in Spring and Summer respectively. The fourth category of work - Follow-up - has taken the form of continual discussion with relevant operating departments of recommendations in Highways and DFCs Evaluation Studies (including securing of memos of response) and completion of Closing Reports on Colombia and Power Projects Evaluation Studies' Recommendations; drafts

of these were completed last summer and have been under repeated discussion since then, partly because we have seen their role as being one of disseminating again the reports' emphases and, in the case of a few outstanding issues, inducing definite decisions one way or the other. They should both be ready for the Board in the next few months.

On the staff side we have lost over the past twelve months the four younger professionals (all former YPs) who had accumulated the most experience with us; this was largely consistent with my emphasis to them, for their own good (and at our cost) to diversify their experience within the Bank. Secondly, in connection with the greater importance of individual project performance audits (as opposed to major evaluations) in our program, we have been transmuting some of our Research Assistant positions to Professional positions. These changes and replacements are now virtually accomplished so that we have 11 professional positions and 7 research assistant positions currently, all occupied, and should have 12 professional and 5 research assistant positions by the end of the fiscal year, also all filled.

Main Considerations for FY 1976: Continuation of adequate follow-up to past studies and strengthening of the comprehensive project performance auditing system (particularly on agricultural projects, where the riposte of an early effective audit of project and Bank performance is most needed but also most difficult) should be the priority concerns in FY 1976. A second slightly larger phase of Management Policy Review work should be initiated, and, consistent with the needs of the Bank as we see them and the major emphases of Joint Audit Committee in consideration last year of our FY 1975 Program, we must undertake at least one small evaluation study

of topics that cannot be handled, because of their nature or complexity, through the improved PPA system.

Broad Picture: Detailed analysis of what these principles would mean specifically in FY 1976 suggests the following broad picture of man-power allocation (considering 2 Research Assistant man-years = 1 Professional or Consultant man-year):

	<u>Man-years</u>
<u>Applications:</u> Follow-up	1.00
PPA Production	8.00
Contingency	1.50
Management*	1.50
PPA-based Evaluation (ports study)	0.50
Management Policy Reviews	4.00
Evaluation Study	2.50
Overall Management*	<u>2.00</u>
	<u>21.00</u>
<u>Sources:</u> Professionals	14.00
Research Assistants (6 persons)	3.00
Consultants	4.00

* includes provision for preparation of Periodic PPA Review

The principal changes implied from the current year are increases of two professional positions, one research assistant position and about \$50,000 consultant budget (from present \$150,000), to cope with the increased number of projects to be audited and the need to build on the initial experiments in Management Policy Reviews.

Follow-up: No major Closing Reports will be due in FY 1976, but senior personnel must devote portions of their time to periodic discussions with operating departments of recommendations of the following reports: Highways and DFCs Evaluations issued in 1974 and Loan Effectiveness and Project Processing Reviews, First PPA Periodic Review and Agriculture Credit Evaluation to be issued within next twelve months.

Performance Audits: Various approaches to estimating the number of PPAs to be prepared in FY 1976 result in figures around 100, from which some additional slippage might be expected (mainly delays in completion of underlying Project Completion Reports), to result in a net figure of 90 which has been taken as the basis of planning. (There were 65 projects for which loans and credits completed disbursement in CY 1973 and 77 in CY 1974, and we still have a certain backlog from bringing the system more current, to work as much as possible simultaneously with the operating departments on completed projects instead of a long time afterward.) We want to make special efforts (a) to improve audits' coverage of Bank performance in cases which raise important issues in this connection and (b) to give more orientation to audit work on selected projects so as to increase the yield of lessons, data, views relevant to other parts of our work. An experiment in production of an inexpensive evaluation report by better initial orientation of audit work is envisaged for ports (where the issue of division of benefits between host country and other parties demands more attention); it might be extended later to irrigation and African livestock. The specific manpower provisions for PPAs included in the overall framework are roughly as follows:

agriculture	23 projects	2.7 man-years
transport	20 projects	2.0 man-years
public utilities	24 projects	1.7 man-years
DFCs	17 projects	1.1 man-years
Education	<u>6</u> projects	<u>0.5</u> man-years
	90 projects	8.0 man-years

Management Policy Reviews: The main effort (about 2.5 man-years) would be a major assessment, on the basis of statistics and more especially detailed evaluation of individual cases, of the purposes, effectiveness and allocation of Bank work on Project Supervision; object would be to reach conclusions as to whether Bank is spending appropriate amount on this and practical suggestions as to how expenditures could be made more effective. Two other, much smaller studies are envisaged on highly focussed questions: (1) Is the Bank setting too low the size of contract for which it insists on approving bid documents before they are issued? and (2) What is the feasibility and desirability of appointing Project Managers early so that they can participate in project preparation and appraisal and move straight into execution?

Other possible topics that have been specifically considered but rejected at this stage for Management Policy Review work are: Project Implementation Delays (after loan effectiveness), Use of Consultant Firms, Project Units, and Project Evaluation and Monitoring Units.

Evaluation Studies: Agriculture presents numerous subjects needing evaluation treatment but I believe we should concentrate our scarce capability in this field, during FY 1976, on the particularly difficult

job of producing good performance audits on the large number of projects that there are to be covered under the PPA system. We believe that, for FY 1976, we should choose one or other of the following two subjects for an Evaluation Study:

A. Population Projects: A Mid-Term Reassessment of the Effectiveness of Bank Population Projects, oriented to trying to draw the lessons of experience in this field more quickly than will be possible under the normal PPA/Evaluation system (about 1980).

B. Training Element in Bank Projects: Special provisions within Bank/IDA (non-Education) loans and credits for training have increased in amount very rapidly over the last few years and may often be a particular Bank responsibility (on the assumption the basic project to which the loan is attached would generally have been done anyway); PPAs raise superficial evidence on success or failure of training efforts but cannot go into depth on this matter. This study would therefore assess broadly, but mainly on the basis of a thoroughly studied sample, the lessons of experience regarding how the Bank can most effectively assist its borrowers' training efforts.

January 24, 1975

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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February 14, 1975

FROM: The Secretary

MEMORANDUM FROM AFRICAN GROUP MEMBER COUNTRIES

1. Attached are copies of the following documents, each accompanied with a French translation:

(a) Mr. McNamara's letter of February 13, 1975 to His Excellency Sidi Ould Cheikh Abdallahi, Minister of Planning and Industrial Development of Mauritania, and Chairman of the African Group, together with its attachment.

(b) Memorandum of African Group transmitted to Mr. McNamara during the 1974 Annual Meetings.

2. The Executive Directors representing countries of the African Group are requested to transmit the above documents to the appropriate governments.

Distribution:

Messrs. Al-Atrash, Khelif, Mekki, Razafindrabe
President
Senior Vice President, Operations
Executive Vice President and Vice President, IFC
President's Council
Directors and Department Heads, Bank and IFC
Secretary, IMF



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



OFFICE OF THE PRESIDENT


February 13, 1975

Dear Mr. Chairman:

In my meeting with the Governors of the Bank Group's African member countries, on October 2, 1974, I already responded in part to the memorandum which you, as their Chairman, transmitted to me during the Annual Meeting. My associates and I have closely reviewed the memorandum, and I am pleased to send you the attached reply in which we endeavor to respond, in summary form, to each of the questions raised.

I consider important having your views on how the Bank Group may further improve its assistance to its member countries in Africa, and I look forward to a continuous and constructive dialogue.

Sincerely,


Robert S. McNamara

Attachment

His Excellency
Sidi Ould Cheikh Abdallahi
Chairman of the African Group
Minister of Planning and
Industrial Development
Nouakchott, Mauritania

M E M O R A N D U M

TO: The Governors of the African Group Countries

FROM: Robert S. McNamara

SUBJECT: Reply to your Memorandum Delivered at the 1974 Annual Meeting

A. Bank Group Operations in FY74

1. As you observed in your memorandum, Bank/IDA commitments to Africa in FY74 for the first time exceeded one billion dollars (actual amount: \$1,074 million) and reached nearly one quarter (24.9 percent) of the year's total Bank/IDA commitments. These figures represent increases over FY73 of 58 percent and 25 percent, respectively. You also stated that separately, Bank and IDA commitments to Africa increased by 104 percent and 10.5 percent. I should add that Africa's share in the year's total IDA commitments rose from 24.7 percent to 33.8 percent, an increase of 37 percent. Annual growth rates of such magnitude are most gratifying indeed but bound to be exceptional. Rather than interpreting them as the beginning of a new trend, as you suggested, I view the FY74 results as reinforcing the upward trend in Bank/IDA operations in Africa established in the recent past. Based on our operations programs for the years ahead, I certainly expect this trend to continue, especially as far as Bank lending is concerned.

2. I share your concern about the slow development of IFC's operations in Africa. Mr. von Hoffmann has explained to you the steps IFC has taken to build up a broader base for its activities in Africa. Staff visits to African countries have been substantially increased and as of last October, a resident representative has been placed in Nairobi to promote projects in member countries primarily in Eastern Africa. IFC's Investment Promotion Department has devoted a special effort to four African countries--Cameroon, the Malagasy Republic, Zaire and Zambia--mounting 10 missions to these countries during FY74. Despite the obvious difficulties inherent in promotional activity and the time needed to develop any project to a workable stage, the Investment Promotion Department has been able to identify some 30 preliminary projects, and it expects that some of these projects can be developed with IFC assistance during the current year. (Two were appraised in November). The recent change in IFC's policies permitting it to invest in predominantly publicly-owned enterprises has so far met with only little response, at least in terms of concrete proposals meeting IFC requirements. However, a number of such projects are now under consideration. As you know, IFC's Articles require at least some private equity participation in any project eligible for its assistance and prohibit acceptance of government

guarantees. This is no real draw-back, however, as ventures to be exclusively publicly-owned are eligible for assistance by the Bank and IDA.

B. Distribution of IDA Resources

3. You questioned the emphasis placed on GNP per capita and per capita distribution of IDA funds as in your view this has penalized countries with small populations and/or enclave sectors dominated by foreign investors. Actually, GNP--as distinct from GDP-- by definition excludes profits and other factor incomes accruing to foreigners and thus includes only the incomes of nationals. Also, the records of IDA distribution by country clearly indicate that per capita allocations are in fact higher for countries with small populations. This "small country bias" is consistent with the higher cost of development due to small market size, lumpiness and relative size of projects, lack of public savings due to higher cost of government and as is often the case in Africa, undeveloped infrastructure and disadvantages of location. I entirely agree with your suggestion that a realistic assessment of poverty should take into account the distribution of income, the levels of nutrition, health and education, etc. This indeed we are trying to do to the fullest extent possible.

C. Availability of Concessionary Resources to the Poorest Countries

4. I share your concern about the decline in the real value of concessionary development assistance and appreciate the increased need for more assistance following the economic events of last year. As you know, I have stressed this point many times and appealed for an increase in the amount of concessionary aid at least to compensate for inflation. I am carefully considering your suggestion of a "third window" as well as the question of whether or not to continue transferring part of the Bank's net income to IDA. These issues have many aspects and far reaching implications which I have set forth in a recent policy memorandum to the Board of Directors.

D. Rural Development/Operating Procedures

5. While recognizing our efforts at rural development, you strongly suggested certain revisions in Bank Group operating procedures in order that these efforts become more successful. Your suggestions concern: (a) the extent of financing of project costs; (b) wider use of advances and revolving funds in disbursement; (c) liberalization of project bidding requirements; (d) increased emphasis on a project's social benefits and (e) concerted action with other international organizations, notably FAO, for increased financing of food production and related storage facilities. On most of your suggestions, I believe we already are moving in the desired directions.

- (a) In FY74 there were 9 IDA credits which financed 100 percent of total project costs (net of taxes), and an additional 6 which financed from 85 percent to 92 percent. Ten of these credits were to Africa's "least developed" countries. On a broader scale, the extent of project cost financing should be viewed in conjunction with lending by other donors--particularly through joint or parallel financing--which in some cases results in a larger share of total costs being financed than is indicated by Bank/IDA lending. For Africa as a whole, in FY74 finance from these sources together with Bank/IDA lending financed nearly two-thirds (63.3 percent) of the projects concerned. The Bank Group's flexibility toward financing recurrent expenditures is indeed very limited, and I believe this is as it should be: if a project is at all worth undertaking, coverage of its recurrent costs should be ensured either from its operating revenues or where such revenues do not accrue, from budget allocations. As an exception, the Bank/IDA will finance certain operating costs, e.g. fertilizer, during project implementation, and we have actually done so in several instances where the financial position of the governments concerned so warranted.
- (b) To facilitate disbursement to countries with extraordinarily strained public finances, Bank Group lending to Africa in FY74 included 7 credits providing for initial disbursements into revolving funds to pre-finance project expenditures for working capital purposes. We will continue this practice as appropriate.
- (c) The principle of international competitive bidding has been a cornerstone of Bank/IDA operating procedures, and I remain convinced that it is beneficial to our borrowing countries. This principle is, of course, modified by the policy of granting preference to domestic suppliers of up to 15 percent. The last review of this policy by the Executive Directors took place in 1969. I assure you that it is being kept under review in light of changing circumstances.
- (d) Over the past few years our project evaluation methods have been increasingly extended to take into account a project's social effects, e.g., on income distribution, employment and nutrition. At present we are experimenting with a new methodology making income distribution effects an integral part of project analysis.

- (e) The Bank Group already has a co-operative effort with FAO regarding the development of agricultural projects which in line with our emphasis on rural development we deliberately orient towards increased food production and related storage facilities. An examination of food crop potentials, including those contingent upon large-scale irrigation, and food storage needs in the drought-stricken countries of Western Africa is underway.

6. At our meeting you expressed your concern about the time taken to process projects, and you asked about what the Bank is doing or proposing to do to reduce this time. I assure you that expediting and streamlining our operations is foremost in my mind, and that we are making every effort we can to achieve this. Our approach, essentially, is two-pronged. First, we are greatly intensifying our contacts at the working level in the field so as to improve communication and resolve problems at as early a stage as possible. In a growing number of cases we are holding pre-negotiations, and occasionally even the final negotiations, in the field; and where unforeseen problems of effectiveness or implementation occur, we are sending appropriate staff to help solve them on the spot. In these efforts, our Resident Missions and Representatives are assuming an increased role and, I am happy to say, to good effect. Secondly, we are examining ways in which to streamline the procedures for decision making at the Bank. A special task force has developed proposals concerning the format, content and flow of the requisite documentation and a committee of Bank officers is currently reviewing these proposals. I expect that as a result of these efforts we will be able to substantially reduce both the calendar time and man-hours required on both sides to process projects to the stage of implementation.

7. I should stress, as I did at our meeting, that in this streamlining effort major importance attaches to our programming Bank Group operations several years ahead. Unless we have such an extended program, we are not operating with the long lead-times necessary in your interest to identify the projects and begin work on them in time to solve the problems. I therefore should like to ask your strong support for further improving the identification and selection process in the time frame of the Bank Group's five-year operations program.

E. Cost Overruns

8. You urged the Bank to change its disposition towards the financing of cost overruns due to international inflation and changes in exchange rates; to change it away from the practice of recommending that the scope of a project be reduced, towards, as one of the African Governors suggested at our meeting, participating in the financing of the overrun in the same proportion as in the financing of the original project

cost. As I explained to you, the Bank's reluctance to finance overruns stems basically from the fact that our resources are limited. If money goes to finance an overrun on one project, it cannot finance another project. However, I realize that the bulk of these overruns have occurred on projects in poorer and least developed countries which have less resources and fewer new projects and where therefore assistance in the completion of on-going projects may be particularly important. We are continuing to work on this difficult problem.

F. Bank Industrialization Policy

9. You raised the question of whether the Bank has a definite policy to encourage rapid industrialization in Africa, pointing out that it has been financing several projects in other regions. The answer is clearly "yes". Our discussion of IFC's activities has already made it clear that we are trying to identify opportunities for sound industrial development in Africa, and that where IFC cannot provide assistance, the Bank/IDA stand ready to do so. As a matter of fact, in FY74 Bank/IDA lending to Industry and Development Finance Companies in Africa reached its highest level yet, \$126.5 million, and this made up nearly 12 percent of all Bank/IDA lending to Africa this past year. The number of projects approved more than doubled from 5 each in FY72 and FY73 to 12 in FY74. FY75 lending projections show a near tripling over FY74 in the amount of lending to Industry, at which level it could claim around 20 percent of total lending to Africa and would equal total lending to Industry in Africa in the entire FY70-74 period.

G. Bank Policy on Mineral Exploration and Exploitation

10. You expressed the hope that the Bank will increase its activities in the non-fuel mineral sector, and at our meeting one of the African Governors suggested that the Bank provide assistance to you in negotiating mineral tracts with foreign investors in order that you may obtain a fair deal. As Mr. Knapp and I explained to you, we too consider a fair deal to the host country of great importance and in fact we insist on it as a condition of our joining in the financing of ventures of this kind. Thus we have a close community of interests and I think we can be helpful to you. We are not equipped to actually participate in the negotiations, nor would you wish us to. But we can assist you in persuading the investors that in their interest the initial bargain must be a fair deal if it is to last. To be sure, there are no exact formulae for this since the situation differs greatly from country to country and from industry to industry. We are gaining experience as we go along in what are the decisive criteria in such international transactions and we hope to develop a body of knowledge and expertise in the Bank to be put at your disposal to guide you in your negotiations. I assure you that we will not finance a project that provides a division of gain that in our opinion is contrary to your interest.

H. Bank Activities in the Field of Public Health

11. While expressing your satisfaction at the Bank's action in launching the River Blindness Program, you again urged that the Bank go further into public health programs to combat other endemic diseases similarly obstructing economic development in Africa. As I have stated on previous occasions, if there are such diseases or health problems, we will consider the ways in which the Bank Group can provide assistance. Where investment in health will permit major new exploitation of national resources normal Bank Group lending criteria can be applied. On the Bank's policy towards health in general, a recent review by the Executive Directors concluded that we should continue to progress in financing health components. In this way we shall gain experience which will enable us to assess whether the Bank can effectively assist in the development of health systems appropriate to the developing countries.

I. Drought-Stricken and Land-Locked Countries

12. Having noted your satisfaction with the Bank's quick response to the immediate problems of the drought-stricken countries, you stressed the need for the Bank to begin to examine long-term solutions to the continuous threat of drought, e.g., the construction of irrigation facilities. I fully agree with this need, and as already mentioned above para 5 (e)), we have started work in this direction.

13. I realise the plight of Africa's landlocked countries, nearly two-thirds of which are among the least developed. The Bank Group is making special efforts to assist this group, as the following numbers indicate. Lending to Africa's least developed countries by number of projects increased by 50 percent in FY74 (26 projects in 14 countries) over FY73 (17 projects in 9 countries) and in amount by 10 percent with IDA credits accounting for 84 percent of the total amount of \$220 million. More significantly, during FY70-74 total lending to these countries was nearly two-and-a-half times the corresponding amount in FY65-69, with the IDA share rising from 39 percent to 74 percent. A substantial number of the projects thus financed concerned transport and communications. In addition, the Bank/IDA financed several transport projects in coastal countries which will benefit the landlocked as well. We will continue to emphasize the need to improve regional and international transport connections and to help overcome the isolation of the landlocked countries.

J. Recruitment of Africans by the Bank Group

14. You again raised the problem of recruitment of Africans into the senior posts in the World Bank Group. As you have frequently mentioned yourselves, potential candidates are in most cases already in positions of high responsibility in their countries from which they cannot readily

be spared. As a matter of fact, we have asked several African Governments to release certain people and they have urged us not to press the matter because of their own requirement for them. I am happy that one African Government agreed to release one of your former Executive Directors to be my special advisor on the very important matter of our relations with the OPEC countries. I welcome your suggestion that you submit to us names of qualified persons that your governments would be willing to release for service in the Bank. We would be happy to receive such lists and will give them every consideration. I should emphasize that we are substantially increasing the number of Africans in our professional staff, more than doubling it in the last four years. It was 34 at mid-1970 and 74 at mid-1974, rising further to 79 at the end of 1974. And since our staff as a whole has less than doubled in that time, the percentage representation of Africans has significantly increased as well.

MEMORANDUM OF THE AFRICAN GROUP

ANNUAL MEETINGS, WASHINGTON, D.C., 1974

To: Mr. Robert S. McNamara, President
International Bank for Reconstruction
and Development and its Affiliates.

I. INTRODUCTION

Last year, the African Governors submitted to you their concerns regarding World Bank Group operation in different sectors. They had hoped that the suggestions and recommendations they presented to you would enable the institutions under you to operate more efficiently in those sectors which the majority of our countries considered to be of high priority.

Last year's results of Bank operations show positive aspects. Nevertheless, there is room for improvement in many areas. We are therefore prompted to submit to you once again our recommendations on certain points which we have advocated many times in the past and also some new points which arise out of the recent international economic crisis.

II. BANK GROUP OPERATIONS IN FY74

The African Governors have noted the steady increase in Bank and IDA commitments in Africa during the past six years of your administration. In particular, they have found most gratifying the increase in the absolute and relative Bank/IDA commitments in Africa during FY74.

In previous years, although there had been a steady increase in Bank/IDA commitments in Africa, the proportion of such commitments to total commitments remained relatively constant at below 20 percent. The African Governors, on numerous occasions indicated to you that they did not see such a distribution of resources as an appropriate reflection of the increasing and more pressing need of African countries for external assistance. They are pleased to note, therefore, that for the first time Bank/IDA commitments in Africa not only exceeded \$1 billion but the share of resources committed to Africa was 24.9 percent of total commitments.

They also noted that separately, there was an increase in both Bank and IDA commitments. Bank commitments increased from \$344.9 million in FY73 to \$703.7 million in FY74, a 104 percent increase, while IDA commitments rose from \$355.3 million to \$370.5 million, an increase of 10.5 percent. The African Governors interpret this increase in operations in Africa and the change in the relative distribution of Bank/IDA resources as the beginning of a trend, and not as an accident of a one-year operation. In view of the financial and development problems now faced by several African countries, the need for such increase in World Bank Group operations in Africa is urgent.

The African Governors have continuously expressed concern about IFC's relative inactivity in Africa. Rather than improving, IFC's activity in Africa has in fact fallen off. In FY73, IFC invested \$10.62 million in Africa and this represented 7.2 percent of its total investments for the year. In FY74, the corresponding figures fell even further to \$3.9 million and 1.9 percent. Thus in a period when the Bank and IDA were increasing their levels of operation, IFC was not even able to prevent its level of operation from declining.

The African Governors have repeatedly pointed out that IFC cannot begin to play an important role in the industrial development of African countries until it starts participating actively in industrial enterprises in which governments hold substantial or controlling shares. IFC's operating policies were amended more than a year and a half ago to allow IFC to participate in such enterprises. Unfortunately, IFC has not seen it fit to take advantage of this provision. IFC must make efforts to seek out investment opportunities in Africa and not wait to receive ready-made projects similar to those it received from the more developed parts of the world. In a period when the Bank and IDA are responding to the increasing development assistance needs of African countries, IFC should not be satisfied to remain an insignificant investor in Africa.

III. DISTRIBUTION OF IDA RESOURCES

The African Governors continue to be concerned about the criteria used in the distribution of IDA funds. The emphasis

placed on GNP per capita and per capita distribution of IDA funds to countries have resulted in obvious maldistribution of IDA resources. This approach has penalized countries with small populations and those where a large part of the national income is attributable to an enclave sector dominated by foreign investors.

The World Bank should now be able to devise a realistic measure of poverty. Such a measure would take into account the distribution of income among nationals, the level of industrialization, the dependence on expatriate personnel, the adequacy of education and health facilities, the level of calory intake, debt-servicing capacity, etc.

IV. AVAILABILITY OF CONCESSIONARY RESOURCES TO THE POOREST COUNTRIES

The African Governors are gravely concerned about the decline in the real value of concessionary development assistance. In real terms, there is now a decline in DAC assistance to the developing countries. And as you have estimated, in spite of the 35 percent increase in funds expected during the Fourth Replenishment period, IDA lending in constant prices will be slightly less than in the Third Replenishment period.

African countries that rely mainly on concessional funds for their development financing, face bleak prospects unless ways are found to augment the available concessionary funds. In this regard the African Governors were disturbed to learn of the possibility of the suspension of the transfer of Bank net income to IDA beginning from 1976. They wish to oppose such a change because they feel it is inappropriate and untimely.

The African Governors urge you to explore other ways of supplementing IDA resources. They feel that it is time to seriously investigate the feasibility of funding a "third window" through which loans could be made available to developing countries that presently borrow some IDA funds in addition to Bank resources, at no more than four percent rate of interest. A third window would thus ensure that all IDA funds are earmarked for only the poorest countries. They also urge the Bank to examine the possibility of adopting differential interest rates on Bank loans.

V. RURAL DEVELOPMENT

The African Governors commend you and your staff for the attention you have continued to pay to the development of rural areas and the efforts made to improve the living standards of the poorest 40 percent of the population in the developing countries. They strongly suggest that if these efforts are to be more successful, there should be a revision of some of the operating policies of the World Bank Group. These include:

- (a) the financing of a high percentage of total project cost, including the financing of the entire cost of projects where any contribution by the host government would place heavy strains on its finances. The Bank should also be more flexible in its attitude to the financing of the recurrent cost of projects;
- (b) a revision of Bank disbursement procedures to allow for a wider use of advances and revolving funds;

- (c) a revision of Bank's project bidding policies to ensure that any projects which are within the capacity of a country to execute are not subjected to international competitive bidding;
- (d) the adoption of a project evaluation method which places as much emphasis on the social rate of return as in the economic rate of return;
- (e) the adoption, in concert with FAO and other relevant international institutions, of a bold policy designed to finance increased food production, food processing and related storage facilities.

VI. COST OVERRUNS

The African Governors urge the Bank to change its disposition towards the financing of cost overruns. The present international inflation and the changes which have taken place in exchange rates have led to an increase in the cost of many projects prepared before December 1973 beyond amounts allowed for in contingencies. The practice of recommending that the scope of a project be reduced is certainly no solution since at the time of project preparation every aspect of the project is considered to be important to the success of the entire project.

VII. BANK INDUSTRIALIZATION POLICY

The African Governors would like to have a clear statement on Bank's policy on industrialization. From the operations of the Bank in Africa it is not clear that the Bank has a definite policy to encourage the rapid industrialization of African countries. The African Governors have noted from Bank Annual Reports that the Bank has been financing several industrial projects in other regions, and they call on the Bank to provide its assistance in Africa's drive to built up its industrial capacity.

In particular they call on the World Bank to come out in the very near future with a policy for financing small-scale industrial enterprise in Africa and to designate the section of the World Bank that will be responsible for this sector.

VIII. BANK POLICY ON MINERAL EXPLORATION AND EXPLOITATION

The African Governors welcome the recently announced Bank policy on the exploration and exploitation of non-fuel mineral deposits. They hope that the Bank will immediately increase its activities in this sector as the discovery of minerals in developing countries will be instrumental in helping them to cope with the prevailing economic difficulties. Africa is believed to be potentially rich in minerals. The discovery and exploitation of these minerals could provide the means for the rapid development of these countries.

IX. BANK ACTIVITIES IN THE FIELD OF PUBLIC HEALTH

The African Governors would like to renew their commendation for the efforts you have been making to eradicate the dreadful disease of riverblindness from those African countries where it exists. They have followed, with great satisfaction, the concrete steps taken to launch the first phase of the Riverblindness Program.

As they have done in the past, the African Governors wish to urge the Bank to go further into other public health programs because other endemic diseases which are widespread in Africa pose formidable obstacles to economic development.

X. DROUGHT STRICKEN COUNTRIES

Last year, the African Governors expressed their appreciation for the quick response of the World Bank to the problems of the drought stricken countries in Africa. Since then, other countries have been stricken with drought and famine and the Bank has responded to the situation without delay. The African Governors wish to note their satisfaction with Bank activities in this area.

They wish to impress on the Bank that the drought situation of the recent past, rather than being a temporary phenomenon may be a recurring feature of these economies. It is, therefore, necessary for the Bank, in cooperation with other aid donors, to begin to examine long-term solution (e.g. the construction of irrigation facilities) to the problem.

XI. AFRICAN LAND-LOCKED COUNTRIES

African Governors continue to be very concerned about the critical transportation problems facing African land-locked countries. These problems have been aggravated by the recent sharp increase in the prices of imported goods and services which has placed severe strains on the balance of payments of our countries.

In 1972, the African Governors brought to your attention the concrete proposals which had been adopted by UNCTAD III. These included a call on the competent financial organizations to provide technical and financial assistance for feasibility studies on the installation, improvement, construction and maintenance of all-weather roads, of railways and inland waterways, and "to ensure that each land-locked country has at least one airport up to international standards". UNCTAD also called for the establishment and improvement of postal and telecommunications systems

in these countries, the investigation and establishment of transit storage and related facilities at agreed breakpoints, and for special studies on the possibilities of "equalizing the total transport costs related to international trade with those of the transit neighbours".

The African Governors call on the World Bank Group, as one of the established institutions, to give immediate attention to this problem facing many African countries, and to use its good offices to persuade other institutions to extend urgently needed assistance to these countries.

XII. RECRUITMENT OF AFRICANS BY THE BANK GROUP

Once again, the African Governors would like to draw your attention to the problem of the recruitment of Africans into the senior posts in the World Bank Group.

In response to the concern we expressed last year with respect to this problem, you said that you were "hopeful that continuing and close cooperation with the African governments and the continuing service of African professional staff in the Bank would result in time in Africans occupying senior positions within the Bank." It is regrettable that in the past one year the situation has remained unchanged.

The African Governors continue to believe that the presence of Africans at the management levels in the World Bank, particularly at this period of increasing importance of the Bank to the developing countries, would bring valuable contribution to the work of the Bank in the developing countries. Besides, there is no doubt that a wider regional representation in the management of the Bank will enhance the international image of the institution and this will be no small advantage.

The African Governors are surprised to see that no answer has been given to their recommendations in this regard, and count on you to take the necessary measures to that effect. They assure you of their full cooperation in your effort to locate and recruit competent senior African staff.



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



OFFICE OF THE PRESIDENT

le 13 février 1975

Monsieur le Président,

La réunion que j'ai eue le 2 octobre 1974 avec les Gouverneurs des pays africains membres du Groupe de la Banque, m'a déjà fourni l'occasion de répondre en partie aux questions soulevées dans le mémorandum qu'en qualité de Président du Groupe Africain vous avez bien voulu me transmettre pendant la dernière Assemblée Annuelle. Mes collaborateurs et moi-même avons examiné ce document avec la plus grande attention et j'ai l'honneur de vous envoyer la note ci-jointe dans laquelle nous nous efforçons de répondre, sous une forme succincte, à chacune des questions qui nous ont été posées.

J'attache de l'importance à connaître votre point de vue sur la manière dont le Groupe de la Banque pourrait renforcer l'assistance qu'il accorde à ses pays membres d'Afrique et croyez bien, Monsieur le Président, que c'est avec plaisir que j'envisage la perspective de poursuivre le dialogue constructif que nous avons entamé.

Je vous prie d'agréer, Monsieur le Président, l'assurance de ma très haute considération.

Robert S. McNamara

Pièce jointe

Son Excellence
Sidi Ould Cheikh Abdallahi
Président du Groupe Africain
Ministère du Plan et du
Développement Industriel
Nouakchott, Mauritanie

M E M O R A N D U M

A: Messieurs les Gouverneurs des Pays du Groupe Africain
DE: Robert S. McNamara
OBJET: Réponse à Votre Mémoire présenté au cours de
l'Assemblée Annuelle de 1974

A. Les opérations du Groupe de la Banque pendant l'exercice 1974

1. Comme vous l'avez fait observer dans votre mémoire, les engagements de la Banque et de l'IDA en Afrique au cours de l'exercice 1974 ont pour la première fois dépassé 1 milliard de dollars (précisément 1.074 milliards de dollars) et la part des ressources attribuée à ce continent a atteint près du quart (24,9 pour cent) du total de ces engagements. Ces chiffres représentent respectivement un accroissement de 58 pour cent et de 25 pour cent par rapport à l'exercice 1973. Vous avez également souligné que les prêts de la Banque ont augmenté de 104 pour cent alors que les crédits de l'IDA ont progressé de 10,5 pour cent. Je tiens à ajouter que la part de l'Afrique dans les engagements totaux de l'IDA pour l'exercice en question est passée de 24,7 pour cent à 33,8 pour cent, soit une augmentation de 37 pour cent. Des taux annuels de croissance d'une telle ampleur sont certainement des plus satisfaisants, mais sont appelés à rester exceptionnels. Plutôt que de les interpréter comme le début d'une nouvelle orientation, comme vous le suggérez, je considère que les résultats de l'exercice 1974 renforcent la tendance à l'extension des opérations de la Banque et de l'IDA en Afrique qui s'est manifestée ces dernières années. En me fondant sur nos programmes d'opérations pour les années à venir, je m'attends certes à ce que cette tendance se poursuive, notamment en ce qui concerne les interventions de la Banque.

2. Je partage votre préoccupation face au manque continu d'envergure des activités de la SFI en Afrique et ceci malgré l'action positive menée par la SFI. Le recul réel enregistré au cours de l'exercice 1974 provient de facteurs indépendants de la volonté de la SFI qui ont fait que 6 des 11 projets évalués n'ont pu être présentés au Conseil pendant l'exercice en question. M. von Hoffmann vous a expliqué les mesures que la SFI a prises pour élargir la base de ses activités en Afrique. Les voyages des membres du personnel à destination des pays africains se sont considérablement accrus et un représentant résident a été posté à Nairobi en octobre dernier pour promouvoir la réalisation de projets dans nos pays membres, essentiellement en Afrique de l'Est. Le Département de la promotion des investissements de la SFI a déployé un effort particulier dans quatre pays

africains, à savoir le Cameroun, la République Malgache, le Zaïre et la Zambie, en organisant 10 missions dans ces pays pendant l'exercice 1974. En dépit des difficultés inhérentes à l'activité promotionnelle et du temps nécessaire pour conduire tout projet à un stade d'élaboration avancé, le Département de la promotion des investissements a pu identifier quelque trente projets préliminaires et estime que certains d'entre eux pourront être mis au point avec le concours de la SFI pendant l'exercice en cours. (C'est ainsi que deux de ces projets ont été évalués en novembre dernier). Les modifications récemment intervenues dans les principes d'action de la SFI, qui lui permettent d'investir dans des entreprises dont les actions sont détenues en grande partie ou en majorité par l'Etat, n'ont jusqu'ici rencontré qu'un accueil limité, du moins sur le plan de la présentation de propositions concrètes répondant aux critères de la SFI. Toutefois, un certain nombre de ces projets sont actuellement à l'étude. Comme vous le savez, les statuts de la SFI exigent au moins une certaine participation privée au capital social de tout projet susceptible de bénéficier de son assistance et interdisent l'acceptation de garanties accordées par l'Etat. Ceci ne saurait cependant constituer un véritable inconvénient car des entreprises dont le capital appartient exclusivement à l'Etat sont admises à bénéficier du concours de la Banque et de l'IDA, lesquelles, en tout état de cause, continueront de fournir la majeure partie de l'assistance octroyée par le Groupe de la Banque.

B. Répartition des ressources de l'IDA

3. Vous avez contesté l'importance accordée au PNB par habitant et à la répartition des ressources de l'IDA selon le nombre d'habitants, méthode qui, selon vous, a pénalisé les pays faiblement peuplés et ceux qui possèdent des secteurs enclavés aux mains d'investisseurs étrangers. En fait, le PNB--à la différence du PIB-- exclut par définition les bénéfices et autres revenus des facteurs versés aux étrangers et n'inclut de ce fait que les revenus des ressortissants d'un pays. En outre, il ressort manifestement de la répartition des ressources de l'IDA par pays que les fonds alloués par habitant sont en fait supérieurs pour les pays faiblement peuplés. Ainsi, au cours des exercices 1970-74, la répartition des fonds IDA par habitant pour les pays suivants dont le PNB par habitant est à peu près semblable a varié de 3,21 dollars pour l'Inde à 6,10 dollars en moyenne pour les quatre pays enclavés du Sahel (9,74 dollars pour le Mali pris séparément) et à 15,08 dollars pour la Gambie (chiffres reposant sur les estimations de la population au milieu de 1971). Je me rallie entièrement à votre avis selon lequel une évaluation réaliste mesurant la pauvreté doit tenir compte de la répartition du revenu au sein de la population, des niveaux de la nutrition, de la santé et de l'éducation etc. C'est, à vrai dire, ce que nous essayons de faire dans toute la mesure du possible.

C. Octroi de fonds à des conditions de faveur aux pays les plus pauvres

4. Je partage votre préoccupation au sujet de la baisse, en valeur réelle, du volume de l'aide assortie de conditions de faveur et suis conscient du besoin accru d'une assistance plus poussée à la suite des événements économiques survenus l'an dernier. Comme vous le savez, j'ai souligné ce point à maintes reprises et continue de lancer un appel en vue d'accroître le montant de l'aide accordée à des conditions de faveur, ne serait-ce que pour compenser les effets de l'inflation. Mais comme vous le savez également, la Quatrième Reconstitution des fonds IDA, au sujet de laquelle un accord est intervenu à Nairobi, n'est pas encore entrée en vigueur car nombre de nos pays donateurs traditionnels connaissent eux-mêmes de graves problèmes économiques. J'étudie soigneusement votre suggestion concernant l'ouverture d'un "troisième guichet", de même que la question de savoir s'il convient ou non de continuer de transférer une partie des bénéficiaires nets de la Banque à l'IDA. Ces questions revêtent plusieurs aspects et comportent des conséquences d'une grande portée que j'ai énoncées à l'intention du Conseil d'Administration dans un mémorandum relatif aux principes d'action à suivre en la matière qui doit faire sous peu l'objet d'un examen.

D. Développement rural - Procédures d'opération

5. Tout en reconnaissant les efforts que nous déployons en faveur du développement rural, vous recommandez vivement que l'on révise certains des principes appliqués par le Groupe de la Banque pour rendre cette action plus efficace. Vos suggestions portent sur: a) l'étendue du financement des coûts des projets; b) l'utilisation plus large des avances et des fonds de crédit renouvelables dans le cadre des décaissements; c) la libéralisation des prescriptions relatives aux appels d'offres concernant les projets; d) l'importance accrue à accorder aux avantages sociaux liés à l'exécution des projets et e) une action concertée à mener avec d'autres organisations internationales, notamment la FAO, en vue du financement d'une production alimentaire accrue et de dispositifs adéquats de stockage de cette production. Je crois que nous nous dirigeons déjà dans le sens de la plupart de vos suggestions.

- a) En 1974, 9 crédits IDA, consentis notamment aux pays "les moins développés" d'Afrique, ont financé 100 pour cent des coûts totaux des projets (net d'impôts) et 6 autres crédits en ont financé 85 à 92 pour cent. L'ampleur du financement des coûts des projets devrait être considérée, sur une échelle plus large, par rapport aux prêts accordés par d'autres donateurs-notamment dans le cadre d'un financement conjoint ou parallèle-ce qui, dans certains cas, se traduit par le financement d'une part plus importante des coûts totaux que ne l'indiquent les opérations de prêts de la Banque et de l'IDA. En ce qui concerne l'ensemble de l'Afrique, les concours financiers provenant de ces sources joints aux fonds octroyés par la Banque et l'IDA ont financé près des deux tiers

(63,3 pour cent) des projets concernés au cours de l'exercice 1974. La latitude que peut avoir le Groupe de la Banque à l'égard du financement des dépenses renouvelables est à vrai dire très limitée, et j'estime qu'il doit en être ainsi: en effet, si un projet vaut vraiment la peine d'être entrepris, la couverture de ses dépenses renouvelables devrait être assurée soit à même les recettes d'exploitation ou, dans le cas où celles-ci ne sont pas disponibles, à partir de crédits budgétaires. A titre exceptionnel, la Banque et l'IDA peuvent financer certains coûts d'exploitation par exemple dans le cas des engrais, au cours de la mise en oeuvre du projet; et c'est précisément ce que nous avons fait à plusieurs occasions lorsque la situation financière des gouvernements intéressés le justifiait.

- b) Pour faciliter les décaissements en faveur de pays dont les finances publiques étaient soumises à des ponctions extraordinaires, les opérations de prêts du Groupe de la Banque destinées à l'Afrique au cours de l'exercice 1974 ont inclus 7 crédits prévoyant des décaissements initiaux affectés à des fonds renouvelables pour préfinancer les dépenses des projets en vue d'alimenter les fonds de roulement. Nous continuerons de suivre cette pratique selon les besoins.
- c) Le principe du recours à la concurrence internationale a constitué la pierre angulaire des principes d'opération de la Banque et de l'IDA et je reste convaincu de son effet bénéfique pour nos pays emprunteurs. Ce principe est, bien entendu, modifié par la politique consistant à accorder une préférence aux fournisseurs nationaux à concurrence d'une marge de 15 pour cent. La dernière révision de cette politique par les Administrateurs de notre institution a eu lieu en 1969. Je puis vous assurer qu'elle fait l'objet d'un examen constant en fonction de l'évolution de la situation.
- d) Nos méthodes d'évaluation des projets ont, ces dernières années, été sans cesse développées pour tenir compte des répercussions sociales d'un projet, par exemple sur la répartition des revenus, l'emploi et la nutrition. Nous appliquons actuellement à titre expérimental une nouvelle méthodologie visant à faire en sorte que l'étude des effets d'un projet sur la répartition des revenus constitue une partie intégrante de l'analyse des projets.

- e) Le Groupe de la Banque mène une action concertée avec la FAO au sujet de l'élaboration de projets agricoles qui, parallèlement à l'importance que nous accordons au développement rural, est délibérément axée sur l'augmentation de la production alimentaire et des installations de stockage connexes. Nous avons également entrepris l'examen du potentiel de production des cultures vivrières, y compris la production qui est tributaire d'une irrigation à grande échelle, ainsi que des besoins de stockage des denrées alimentaires dans les pays d'Afrique de l'Ouest en proie à la sécheresse.

6. Au cours de notre réunion, vous avez exprimé votre préoccupation au sujet des délais nécessaires pour mener à bien l'étude des projets, et vous vous êtes enquis de ce que la Banque fait ou se propose de faire pour abréger ces délais. Je puis vous assurer que l'accélération et la rationalisation de nos opérations viennent au premier rang de nos préoccupations et que nous n'épargnons aucun effort pour y parvenir. Notre approche se concentre essentiellement sur deux fronts. En premier lieu, nous intensifions considérablement les relations de travail que nous établissons sur le terrain de manière à améliorer les communications avec nos pays membres et à résoudre les problèmes aussitôt qu'ils surgissent. C'est ainsi que dans un nombre croissant de cas, nous procédons sur place à des prénégociations voire, le cas échéant, à des négociations finales; et lorsque surviennent des difficultés imprévues concernant l'entrée en vigueur ou la réalisation d'un projet, nous envoyons du personnel compétent sur les lieux pour contribuer à les aplanir. Nos Missions Résidentes et nos Représentants prennent une part croissante à ces efforts et, je suis heureux de le dire, obtiennent de bons résultats. Deuxièmement, nous étudions les moyens de rationaliser les procédures de prise de décisions au sein de la Banque. Un groupe de travail constitué à cette fin a élaboré des propositions concernant la présentation, la teneur et la circulation de la documentation pertinente et un comité de fonctionnaires de la Banque examine actuellement ces propositions. Je pense qu'à la suite de ces efforts, nous serons à même de réduire sensiblement à la fois les délais et les heures de main-d'oeuvre nécessaires pour conduire les projets au stade de leur mise en oeuvre.

E. Dépassement des coûts

7. Vous avez demandé instamment à la Banque de modifier d'une part les principes qu'elle applique en matière de financement des dépassements de coût imputables à l'inflation qui sévit actuellement dans le monde entier et aux modifications intervenues dans les taux de changes et de renoncer, d'autre part, à la pratique visant à recommander une réduction de l'envergure des projets afin de s'orienter, comme l'un des Gouverneurs africains l'a suggéré au cours de notre réunion, vers la participation au financement des dépassements de coût dans une proportion analogue au

financement du coût initial du projet. Comme je vous l'ai exposé, la répugnance de la Banque à financer les dépassements de coût provient essentiellement de ce que nos ressources sont limitées. Ainsi, si des fonds sont consacrés au financement des dépassements de coûts d'un projet, ils ne peuvent être affectés au financement d'un autre projet. Je suis cependant, conscient que la majeure partie de ces dépassements de coût est survenu dans le cadre de projets exécutés dans les pays les plus pauvres et les moins développés qui disposent de moins de ressources et ont un nombre inférieur de nouveaux projets et où, par conséquent, l'assistance nécessaire à l'exécution de projets en cours peut revêtir une importance particulière. Nous continuons à étudier ce problème délicat et avec le temps, nous l'examinerons plus à fond avec vous.

F. Politique d'intervention de la Banque en matière d'industrialisation

8. Vous avez soulevé la question de savoir si la Banque a une politique définie pour encourager l'industrialisation rapide des pays africains, en soulignant par ailleurs qu'elle était intervenue dans le financement de plusieurs projets de cette nature dans d'autres régions du monde. La réponse est manifestement affirmative. La discussion des activités de la SFI a déjà permis de préciser que nous essayons autant que possible d'encourager l'industrialisation en Afrique. En fait, les concours de la Banque et de l'IDA en faveur de l'industrie et des sociétés financières de développement en Afrique pendant l'exercice 1974 ont atteint le plus haut niveau jamais enregistré, soit 126,5 millions de dollars, ce qui constituait près de 12 pour cent de toutes les opérations de financement de la Banque et de l'IDA en Afrique au cours de l'exercice écoulé. Le nombre de projets approuvés a plus que doublé, passant de 5 au cours de chacun des exercices 1972 et 1973 à 12 pour l'exercice 1974. Les projections relatives à l'exercice 1975 font ressortir un quasi triplement du montant des fonds octroyés à l'industrie, si bien que ces interventions pourraient représenter environ 20 pour cent des opérations totales de prêts à l'Afrique et égaler le montant global des prêts accordés aux projets industriels pendant les exercices 1970-1974.

G. Politique de la Banque en matière de prospection et d'exploitation minières

9. Vous avez exprimé l'espoir que la Banque intensifiera son action dans le secteur de la prospection et de l'exploitation de minéraux non combustibles et, au cours de notre réunion, un des Gouverneurs africains a suggéré que la Banque fournisse son concours aux pays africains pour négocier des contrats relatifs aux opérations minières avec des investisseurs étrangers, de manière à vous permettre d'obtenir un traitement équitable. Comme M. Knapp et moi-même vous l'avons indiqué, nous estimons également qu'il est très important que le pays d'accueil bénéficie d'un traitement équitable et, à vrai dire, nous insistons sur ce point en tant que condition

de notre participation au financement d'entreprises de ce genre. Aussi, nous avons une étroite communauté d'intérêts et je pense que nous pouvons vous être utiles. Nous ne disposons pas des moyens nécessaires pour participer effectivement aux négociations et nous ne pensons pas que vous souhaitiez notre intervention dans ce domaine. Mais nous pouvons toutefois vous appuyer, vous fournir des informations et vous aider à persuader les bailleurs de fonds que les négociations initiales doivent, dans leur intérêt même, être équitables pour que l'opération soit durable. Certes, il n'existe pas de formule exacte pour y parvenir, la situation différant énormément d'un pays à l'autre et d'une industrie à l'autre. Nous acquérons de l'expérience avec le temps sur ce que constituent les critères décisifs dans des transactions internationales de ce genre et nous espérons réunir une masse de connaissances et une certaine compétence au sein de la Banque que nous mettrons à votre disposition pour vous guider dans vos négociations. Je puis vous assurer que nous ne financerons pas en connaissance de cause un projet qui prévoit une répartition des avantages qui, à notre avis, est préjudiciable à vos intérêts.

H. Le rôle de la Banque dans le domaine de la santé publique

10. Tout en accueillant avec satisfactions les mesures qui ont été prises par la Banque pour lancer le Programme de lutte contre l'onchocercose, vous priez instamment la Banque d'étendre son action dans le domaine de la santé publique afin de lutter contre d'autres maladies endémiques qui freinent également le développement économique de l'Afrique. Comme je l'ai indiqué à d'autres occasions, si de telles maladies ou des problèmes sanitaires existent, nous examinerons les moyens par lesquels le Groupe de la Banque peut fournir son concours dans ces domaines.

I. Pays frappés par la sécheresse et pays africains enclavés

11. Vous nous avez fait savoir combien vous appréciez la rapidité avec laquelle la Banque avait agi pour faire face aux problèmes immédiats des pays africains frappés par la sécheresse, et vous avez souligné néanmoins qu'il était nécessaire que la Banque Mondiale commence à rechercher des solutions à long terme pour parer à la menace continue que pose le phénomène de la sécheresse, moyennant par exemple la construction de réseaux d'irrigation. Je suis parfaitement d'accord sur ce point et comme je l'ai déjà mentionné ci-dessus (Section D (d)), nous avons commencé d'oeuvrer dans ce sens.

12. Je me rends compte de la situation dans laquelle se trouvent les pays africains enclavés dont la plupart figurent parmi les pays les moins développés. Le Groupe de la Banque déploie des efforts particuliers pour venir en aide à ce groupe de pays, comme le témoignent les statistiques suivantes. Les prêts accordés aux pays les moins développés d'Afrique

par nombre de projets ont augmenté de 50 pour cent pendant l'exercice 1974 (26 projets dans 14 pays) par rapport à l'exercice 1973 (17 projets dans 9 pays) et en valeur de 10 pour cent, les crédits IDA représentant 84 pour cent du montant total de 220 millions de dollars. Fait plus important, les concours financiers accordés globalement à ces pays au cours des exercices 1970-1974 étaient supérieurs de près de deux fois et demie au montant correspondant pour les exercices 1965-1969, la part de l'IDA passant de 39 à 74 pour cent. Un nombre considérable de projets ainsi financés intéressaient les moyens de transport et les télécommunications. Nous continuerons de mettre l'accent sur la nécessité d'améliorer les liaisons de transport régionales et internationales et contribuerons à surmonter l'isolement dans lequel se trouvent les pays enclavés.

J. Recrutement d'Africains par le Groupe de la Banque Mondiale

13. Une fois encore, vous avez soulevé le problème du recrutement d'Africains à des postes de niveau élevé au sein du Groupe de la Banque Mondiale. Comme vous le savez, les candidats éventuels occupent déjà dans la plupart des cas des postes de haute responsabilité dans leurs propres pays qui ne sauraient pas facilement s'en passer. En fait, nous avons demandé à plusieurs gouvernements africains de libérer certaines personnes de leurs postes et ceux-ci nous ont instamment prié de ne pas insister sur cette question en raison de leurs propres besoins. Je suis cependant heureux de voir qu'un gouvernement africain a accepté de dégager de ses obligations un de vos anciens administrateurs afin de lui permettre de devenir mon conseiller spécial dans le domaine très important de nos relations avec les pays de l'OPEC. Aussi, j'accueille avec satisfaction votre suggestion visant à nous présenter les noms de candidats compétents que vos gouvernements seraient disposés à laisser partir en vue d'entrer au service de la Banque. Nous serions heureux de recevoir ces listes et ne manquerons pas de les prendre dûment en considération. Je voudrais souligner toutefois que nous accroissons sensiblement les effectifs de ressortissants africains au sein des cadres de notre personnel, effectifs qui ont plus que doublé ces quatre dernières années. En effet, leur nombre, qui était de 34 au milieu de 1970, est passé à 74 au milieu de 1974, puis à 79 à la fin de 1974. Etant donné que l'ensemble de notre personnel a moins que doublé pendant la même période, la représentation proportionnelle des Africains s'est elle-même sensiblement accrue.

MEMORANDUM DU GROUPE AFRICAIN

ASSEMBLEES ANNUELLES, WASHINGTON D.C. 1974

A: Monsieur Robert S. McNamara, Président
de la Banque Internationale pour la Reconstruction
et le Développement et des Institutions affiliées

I. INTRODUCTION

L'année dernière, les Gouverneurs africains vous ont fait part de leurs préoccupations dans divers domaines d'intervention du Groupe de la Banque et souhaité une intervention plus efficace de ces institutions dans des secteurs considérés comme prioritaires par la majorité de nos Etats.

En rétrospective, le résultat obtenu au cours de l'exercice écoulé, s'il est encourageant et positif, appelle des améliorations sensibles à bien des égards. Ceci nous conduit en conséquence à reprendre à nouveau nos recommandations sur certains des points déjà évoqués dans le passé en même temps que nous porterons à votre attention des problèmes nouveaux que la conjoncture actuelle a fait naître.

II. LES OPERATIONS DU GROUPE DE LA BANQUE AU COURS DE L'EXERCICE 1974

Les Gouverneurs africains constatent que les engagements de la Banque et de l'IDA en Afrique ont régulièrement progressé au cours des six années pendant lesquelles vous avez présidé aux destinées du Groupe de la Banque Mondiale, et se félicitent tout particulièrement de

l'accroissement tant relatif qu'absolu des engagements pris par la Banque et par l'IDA sur le continent africain au cours de l'exercice écoulé.

En effet, bien que l'on ait enregistré au cours de la période précédente un accroissement régulier des engagements de la Banque et de l'IDA en Afrique, la part relative de ces engagements était restée à peu près constante, s'établissant à un niveau inférieur à 20 %. Les Gouverneurs africains vous avaient fait savoir à maintes occasions qu'à leur avis cette répartition des ressources ne tenait pas suffisamment compte de l'ampleur et de l'urgence grandissante des besoins des pays d'Afrique en matière d'aide extérieure. Ils sont par conséquent heureux de constater que, pour la première fois, les engagements de la Banque et de l'IDA en Afrique ont dépassé un milliard de dollars, et qu'en outre la part des ressources attribuée à ce continent a atteint 24,9 % du total de ces engagements.

Les Gouverneurs africains notent également que cette augmentation concerne tant les engagements de la Banque que ceux de l'IDA. Les prêts de la Banque ont augmenté de 104 %, passant de 344,9 millions de dollars au cours de l'exercice 1973 à 703,7 millions de dollars au cours de l'exercice 1974, alors que les crédits de l'IDA augmentaient de 10,5 % passant de 335,3 millions à 370,5 millions de dollars. Pour les Gouverneurs africains, le développement des opérations de la Banque en Afrique, comme l'évolution de la part respective des engagements de la Banque et de l'IDA, ne sont nullement fortuits, mais marquent bien le début d'une nouvelle orientation. Compte tenu des nouveaux problèmes de financement du développement qu'ont à résoudre plusieurs pays africains, il devient urgent que le Groupe de la Banque Mondiale intensifie sans tarder son assistance financière et technique sur notre continent.

A plusieurs reprises, les Gouverneurs africains vous ont exprimé leurs préoccupations face à l'ampleur de plus en plus faible des opérations de la SFI en Afrique. En 1973, la SFI y a investi 10,62 millions de dollars, soit 7,2 % du total de ses engagements. En 1974, les chiffres correspondants ont encore diminué, s'établissant respectivement à 3,9 millions de dollars et à 1,9 %. Ainsi, au cours d'une période marquée par une intensification des activités de la Banque et de l'IDA, la SFI n'a même pas maintenu le niveau de ses engagements.

Les Gouverneurs africains ont souligné maintes fois que la SFI ne pourrait contribuer valablement au développement industriel de leurs pays tant qu'elle ne se déciderait pas à investir dans des entreprises industrielles dont les actions sont détenues en grande partie ou en majorité par l'Etat. Ses principes d'action ont été modifiés dans ce sens il y a plus d'un an et demi. Malheureusement, la SFI n'a pas jugé bon d'user de ces nouvelles dispositions. Il faut pourtant qu'elle s'emploie à trouver des occasions d'investir en Afrique au lieu d'attendre qu'on lui présente des projets déjà prêts, du type de ceux qui lui sont soumis par les pays des régions plus avancées. A une époque où la Banque et l'IDA s'efforcent de répondre aux besoins croissants des pays d'Afrique, la SFI ne devrait pas se contenter de jouer dans ces pays un rôle négligeable.

III. REPARTITION DES CREDITS DE L'IDA

Les Gouverneurs africains se préoccupent toujours autant des critères qui président à la répartition des fonds de l'IDA. L'importance

accordée au PNB par habitant et à la répartition des ressources de l'IDA selon le nombre d'habitants a conduit à une mauvaise répartition évidente des crédits de cet établissement. En effet, cette méthode a pénalisé les pays faiblement peuplés et ceux où une grande partie du revenu national provient d'un secteur enclavé, aux mains d'investisseurs étrangers.

La Banque Mondiale devrait sans plus tarder concevoir un indice réaliste mesurant la pauvreté, tenant compte de la répartition du revenu au sein de la population, du niveau d'industrialisation, de la dépendance à l'égard du personnel étranger, du niveau des services scolaires et sanitaires, du nombre de calories consommées par habitant, la capacité d'endettement, etc.

IV. OCTROI DE FONDS A DES CONDITIONS DE FAVEUR AUX PAYS LES PLUS PAUVRES

Les Gouverneurs africains se préoccupent vivement de la baisse, en termes réels, du volume de l'aide assortie de conditions de faveur. En effet, l'aide accordée aux pays en voie de développement par les pays du CAD a diminué en termes réels. Bien que les fonds dont l'IDA disposera pour ses crédits au cours de la période couverte par la Quatrième Reconstitution doivent être supérieurs de 35 % à ceux de la reconstitution précédente, il apparaît, selon vos propres estimations, qu'en prix constants leur total sera légèrement inférieur.

Les pays africains qui financent principalement leur développement à l'aide de fonds consentis à des conditions de faveur vont connaître de graves difficultés si l'on ne trouve pas le moyen d'augmenter le volume de ces derniers.

A cet égard, les Gouverneurs africains ont été particulièrement préoccupés d'apprendre que la possibilité d'une suspension de transfert à l'IDA, à partir de 1976, d'une partie des bénéficiaires nets de la Banque existe. Ils s'opposent à une telle politique qu'ils jugent inappropriée et inopportune.

Les Gouverneurs africains vous demandent instamment de rechercher de nouvelles formules qui viendraient s'adjoindre aux formules existantes. Il est temps, estiment-ils, d'étudier sérieusement la possibilité d'ouvrir un "troisième guichet" qui permettrait d'accorder aux pays en voie de développement, clients de la Banque et de l'IDA, des prêts à un taux d'intérêt ne dépassant pas 4 %. L'ouverture de ce troisième guichet permettrait de réserver aux pays les plus pauvres les ressources dont dispose l'IDA. Les Gouverneurs africains demandent également à la Banque d'étudier la possibilité d'octroyer des prêts assortis de taux d'intérêt différents.

V. DEVELOPPEMENT RURAL

Les Gouverneurs africains se félicitent de l'attention que vous-même et vos services n'avaient cessé de porter au développement des zones rurales, et des efforts déployés pour améliorer le niveau de vie de la tranche de 40 % la plus pauvre de la population des pays en voie de développement. Pour que cette action soit plus efficace, ils recommandent vivement que l'on révisé certains des principes appliqués par le Groupe de la Banque Mondiale, notamment en ce qui concerne:

- a) le financement d'un pourcentage élevé du coût total des projets et même de la totalité de ce coût dans le cas où une contribution du pays bénéficiaire constituerait une charge excessive pour les finances publiques de ce pays. La Banque devrait également adopter une attitude plus souple pour ce qui est du financement des dépenses de fonctionnement;
- b) la révision des procédures de déboursement de la Banque afin d'utiliser plus largement les avances et les fonds de crédit renouvelables;

- c) la révision des directives concernant la passation des marchés, applicables aux projets financés par la Banque, de sorte que les travaux qui sont à la portée des entrepreneurs locaux ne fassent pas l'objet d'un appel d'offres international;
- d) l'adoption d'une méthode d'évaluation des projets qui accorde autant d'importance au taux de rentabilité sociale qu'au taux de rentabilité économique.
- e) l'adoption, de concert avec la FAO et d'autres institutions internationales compétentes, d'une politique hardie en vue du financement d'une production alimentaire accrue et du financement de dispositifs adéquats de stockage de cette production.

VI. DEPASSEMENT DES COÛTS

Les Gouverneurs africains demandent instamment à la Banque de modifier les principes qu'elle applique en matière de financement des dépassements de coût. L'inflation qui sévit actuellement dans le monde entier comme les modifications intervenues dans les taux de change ont conduit, pour de nombreux projets préparés avant décembre 1973, à des augmentations de coûts supérieures au montant des marges ménagées pour imprévus. Proposer systématiquement une réduction de l'ampleur des projets ne constitue certainement pas une solution car un projet est conçu comme un tout et ne peut être mené à bien que si on en exécute tous les éléments.

VII. POLITIQUE D'INTERVENTION DU GROUPE DE LA BANQUE EN MATIERE D'INDUSTRIALISATION

Les Gouverneurs africains sont soucieux d'avoir une claire indication de la politique du Groupe de la Banque en matière d'industrialisation. Il ne ressort pas, de ses opérations en Afrique, que le Groupe de la Banque ait une politique qui encourage l'industrialisation rapide des pays africains.

Les Gouverneurs africains ont pris note des rapports annuels du Groupe de la Banque, que celui-ci est intervenu dans le financement de plusieurs projets

industriels dans d'autres régions du monde. Ils insistent que le Groupe de la Banque s'emploie à fournir l'assistance nécessaire pour bâtir et soutenir la capacité industrielle des pays africains. En particulier, les Gouverneurs africains demandent au Président du Groupe de la Banque de définir son approche du financement de la petite industrie africaine et de confier, au sein de la Banque, la responsabilité d'une telle assistance financière à une unité opérationnelle.

VIII. POLITIQUE DE LA BANQUE EN MATIERE DE PROSPECTION ET D'EXPLOITATION

MINIERES

La Banque a récemment fait savoir qu'elle allait encourager la prospection et l'exploitation de minéraux non combustibles. Les Gouverneurs africains se félicitent de l'annonce d'une telle politique. Ils expriment l'espoir que la Banque intensifiera immédiatement son action dans ce secteur car la découverte de ressources minérales aiderait les pays en voie de développement à résoudre leurs difficultés économiques actuelles. On pense généralement que l'Afrique est riche en ressources minérales. La découverte et l'exploitation de telles ressources pourraient fournir les moyens de développer rapidement les pays de ce continent.

IX. LE ROLE DE LA BANQUE DANS LE DOMAINE DE LA SANTE PUBLIQUE

Les Gouverneurs africains tiennent, une fois encore, à vous féliciter des efforts déployés par la Banque pour faire disparaître le fléau que constitue l'onchocercose des pays africains où il sévit actuellement. Ils ont également accueilli avec une extrême satisfaction les mesures qui ont été prises afin de lancer la première phase du programme de lutte contre cette terrible maladie.

Comme par le passé, les Gouverneurs africains prient instamment la Banque d'étendre son action dans le domaine de la santé publique afin de lutter contre d'autres maladies endémiques qui freinent gravement le développement économique de l'Afrique.

X. PAYS FRAPPES PAR LA SECHERESSE

L'an dernier, les Gouverneurs africains vous avaient fait savoir combien ils appréciaient la rapidité avec laquelle la Banque Mondiale avait agi afin d'aider les pays d'Afrique frappés par la sécheresse. Depuis lors, d'autres pays ont gravement souffert de la sécheresse et de la famine, et la Banque s'est penchée sur ces problèmes sans délai. Les Gouverneurs africains se félicitent du rôle joué par la Banque à cette occasion.

Ils tiennent cependant à vous signaler que, loin d'être fortuits, ces phénomènes risquent fort de se produire périodiquement dans ces pays. Il est par conséquent nécessaire que la Banque Mondiale, en coopération avec d'autres bailleurs de fonds, commence à chercher des solutions à long terme (telles que la construction de réseaux d'irrigation) pour parer à de telles éventualités.

XI. PAYS AFRICAINS ENCLAVES

Les Gouverneurs africains restent très préoccupés par les graves problèmes de transport auxquels sont confrontés les pays africains enclavés.

Le vif renchérissement des prix des produits importés et des services a aggravé ces problèmes et a fait accuser aux balances des paiements de nos pays d'importants déficits. En 1972, les Gouverneurs africains avaient attiré votre attention sur les propositions concrètes adoptées par la CNUCED III, tendant à apporter une solution au problème du désenclavement des pays concernés.

Ces propositions font appel aux organisations financières internationales compétentes pour que d'une part elles fournissent une assistance technique et financière destinée à des études de factibilité relatives à l'installation, l'amélioration, la construction, l'entretien de voies d'accès toute saisons, de voies de chemins de fer et des voies fluviales intérieures, et pour que d'autre part "elles fassent ensuite que chaque pays

enclavé soit doté d'un aéroport de classe internationale". La CNUCED a également proposé la mise en place et l'amélioration de réseaux de poste et de télécommunications dans ces pays, ainsi que la recherche et la construction, en des points de rupture de charges déterminées d'un commun accord, d'installations de stockage et autres, destinées aux marchandises en transit. La CNUCED a, par ailleurs, préconisé la réalisation d'études spécifiques tendant à harmoniser avec les pays voisins les coûts de transport des produits internationaux transitant par eux.

Les Gouverneurs africains lancent un pressant appel au Groupe de la Banque mondiale pour qu'il accorde aux problèmes des pays africains enclavés l'attention qu'il mérite. Les Gouverneurs africains insistent également pour que le Groupe de la Banque mondiale utilise ses bons offices pour persuader d'autres institutions de l'urgente nécessité de fournir l'assistance dont les pays africains enclavés ont tant besoin.

XII. RECRUTEMENT D'AFRICAINS PAR LE GROUPE DE LA BANQUE MONDIALE

Une fois encore, les Gouverneurs africains tiennent à appeler votre attention sur le problème du recrutement d'Africains à des postes de niveau élevé.

"J'espère", avez-vous répondu dans votre mémorandum de l'an dernier, "que le maintien de liens étroits de collaboration avec les gouvernements africains, l'accroissement du nombre de cadres africains à la Banque et l'ancienneté qu'ils y auront acquise se traduiront un jour par la présence d'Africains à des postes de niveau élevé." Il est regrettable qu'au cours de l'année écoulée aucune amélioration n'ait été enregistrée à cet égard.

Les Gouverneurs africains estiment comme par le passé que la présence d'Africains à des postes de niveau élevé au sein de la Banque, tout particulièrement en cette période où celle-ci joue un rôle de plus en plus important dans les pays en voie de développement, contribuerait utilement à ses opérations dans ces pays. Par ailleurs, il n'est pas douteux qu'un élargissement de la représentation régionale au sein de la direction de la Banque renforcerait l'image internationale de cette institution.

Les Gouverneurs africains s'étonnent de voir qu'aucune suite n'a été réservée à leurs recommandations à ce sujet et comptent sur vous pour prendre les mesures nécessaires à cet effet. Ils vous donnent l'assurance qu'ils coopéreront pleinement à vos efforts visant à identifier et à recruter des cadres supérieurs africains de valeur.

file: Memos to Mr McNamara
CNY

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

DATE: May 14, 1975

FROM: C. R. Willoughby *CRW*SUBJECT: Quarterly Report on Project Performance Audit Results and the Use of
Project Completion Reports

A Second Quarterly Report on Project Costs and Estimated Actual Rates of Return, as revealed by the Project Performance Audits (PPAs), is due to you today. Since, in connection with preparation of the First Periodic Review of PPA Results, I have been reviewing the figures we supplied you before and making a few minor amendments, I am instead attaching a revised First Quarterly Report including, in addition, the four projects on which PPAs have been sent to the Executive Directors in the meantime.

By August 15 we expect to have a large number of additional PPA reports having gone to the Board, the results of which will be summarized in a second quarterly report as of that date.

5/14 I have also been owing you an answer for some time on the question you raised as to how we should best use the operating departments' Project Completion Reports (PCRs) in our own final PPA reports. I have been pursuing this matter quite frequently with Mr. Shoaib. It is hard to reach a final best decision, but since the time you raised the question we have made some changes in our policies: a) all PPA reports, however composed, will have a separate summary, b) we shall normally try to avoid having two reports of equal size, one done by us and another by the operating department, within the same volume and, on the other hand, c) where our verification and possible minor correction results in a PCR which is of generally high quality, we shall incorporate any separate remarks we have to make, as well as the attestation of verification, in a brief memorandum at the beginning, often incorporating the full PCR summary.

In short, we shall probably end up with more cases of single reports prepared largely by ourselves, making as much use as possible of information already put together by the operating departments; but we shall still have some reports, especially on complicated projects or where the operating departments have done an exceptionally good PCR, in two parts, one a memo from us and the other the PCR.

Attachment

cc. Mr. Shoaib

CRW/aga

2080
MAY 21 1975

REVISED FIRST QUARTERLY REPORT OF PROJECT COSTS AND RATES OF RETURN ON PROJECTS COVERED BY PERFORMANCE AUDITS

Description	Date Approved By Board	Date of PPA Report	Loan Amount (\$ mlns) ^{a/}		Total Cost (\$ mlns)		Rate of Return	
			IBRD	IDA	Projected	Actual	Projected	Actual
<u>I. Projects for which Rates of Return were Projected</u>								
1. Costa Rica First Highway (Loan 299/Cr. 10)	10/61	10/72	5.5	5.5	17.0	16.6	23%	27%
2. Costa Rica First Power (Loan 276)	2/61	10/72	8.8	-	17.0	18.1	13%	12%
3. Botswana First Highway (Cr. 63)	7/64	4/73	-	3.6	4.6	4.7	9.5%	6.5%
4. Zambia First Highway (Loan 496)	9/66	12/73	17.5	-	29.0	23.4	11-14%	15%+
5. Zambia Second Highway (Loan 563)	9/68	12/73	10.7	-	17.5	17.8	15%	12-15%
6. Venezuela First Highway (Loan 306)	12/61	12/73	45.0	-	120.6	126.0	8%	9-14%
7. Kenya First Tea (Cr. 64)	7/64	3/74	-	2.8	4.9	(4.9) ^{b/}	24%	21%
8. Thailand Second Highway (Loan 455)	6/66	3/74	36.0	-	72.5	64.6	18-31%	higher
9. Uganda First Tea (Cr. 109)	9/67	3/74	-	3.4	6.4	(6.4)	13%	14%
10. Sudan Second Railway (Loan 440)	12/65	4/74	31.0	-	45.6	46.5	15%	much less
11. Colombia Third Medellin Power (Loan 369)	2/64	5/74	45.0	-	75.5	75.4	12%	much more
12. Jordan Second Agricultural Credit (Cr. 103)	5/67	6/74	-	3.0	5.0	(5.0)	30%	10%
13. Sudan Roseires Irrigation (Loan 284/Cr. 2)	6/61	7/74	19.5	13.0	87.8	82.1	14%	9%
14. Pakistan Sui Northern Pipeline (Loan 597)	5/69	7/74	8.0	-	18.0	17.4	20%	more
15. Bolivia Livestock I (Cr. 107)	5/67	10/74	-	2.0	4.0	4.0)))	17-22%
16. Bolivia Livestock II (Cr. 171)	12/69	10/74	-	1.4	2.3	2.3		
17. China Third Railway (Loan 603)	5/69	10/74	31.2	-	44.1	47.6	14%	25%+
18. Paraguay Second Road (Loan 443)	3/66	10/74	2.1	-	2.8	2.7	12%	more
19. Yugoslavia Second Railway (Loan 395)	12/64	11/74	70.0	-	185.0	400.0	14%	9%-
20. Bolivia Yabog Gas Pipeline (Loan 635)	7/69	12/74	23.3	-	46.5	57.1	21%	much more
21. Senegal Port of Dakar (Loan 493)	4/67	12/74	4.0	-	6.9	5.9	14%	14%-
22. El Salvador Third Highway (Cr. 31 and Loan 521)	11/62 } 11/67 }	12/74	2.8	8.0	13.4	22.8	10-24%	similar
23. Spain Railways I (Loan 387)	7/64	1/75	65.0	-))) 1,033.0))) 1,411.0	15%	12%
24. Spain Railways II (Loan 507)	8/67	1/75	50.0	-				
25. Spain Railways III (Loan 772)	6/71	1/75	90.0	-				
26. Liberia Port of Monrovia (Loan 617)	6/69	1/75	3.6	-	4.2	4.3	28%	40%
27. New Zealand Railways (Loan 725)	2/71	2/75	16.0	-	88.0	71.9	18%	similar
28. Guatemala First Power (Loan 487)	1/67	2/75	15.0	-	23.5	26.4	10%	much more
29. Iceland First Highway (Loan 707)	10/70	2/75	4.1	-	7.7	9.1	17%	12%
30. Honduras North Road (Loan 400/Cr. 71)	1/65	2/75	6.0	3.5	23.6	25.7	20%	more
31. Malawi First Power (Cr. 178)	1/70	2/75	-	5.3	12.4	14.8	10%	12%
32. Honduras Western Highway (Loan 495)	5/67	3/75	8.6	-	12.6	13.2	11-25%	4-20%
<u>II. Projects for which Rates of Return were not Projected</u>								
1. Costa Rica Power & Telecommunications (Loan 346)	7/63	10/72	22.0	-	35.9	45.7	none	15%+
2. Trinidad & Tobago First Power (Loan 293)	8/61	1/73	23.5	-	37.7	43.8	none	satisfactory
3. India Port of Calcutta I (Loan 198)	5/58	11/73	29.0	-	47.0	46.7	none))) 10-25%
4. India Port of Calcutta II (Loan 294)	7/61	11/73	21.0	-	27.3	30.1	none	
5. Kenya First Education (Cr. 93)	8/66	2/74	-	7.0	9.7	9.8	none	mixed
6. Bangladesh First Education (Cr. 49)	3/64	4/74	-	4.5	9.0	10.9	none	poor
7. Pakistan Lahore Water (Cr. 106)	5/67	4/74	-	1.8	5.8	12.8	none	poor
8. Tunisia Second DFC (Loan 512)	9/67	5/74	10.0	-	none	(35.0)	none	good
9. Morocco Third DFC (Loan 571)	10/68	6/74	15.0	-	none	(34.0)	none	satisfactory
10. Israel Second DFC (Loan 519)	9/67	7/74	15.0	-	none	(35.0)	none	satisfactory
11. Botswana Shashe Engineering (Cr. 172)	12/69	9/74	-	2.5	2.5	2.5	none	satisfactory
12. Colombia First DFC (Loan 451)	5/66	10/74	25.0	-	none	(75.0)	none	uncertain
13. Colombia Second DFC (Loan 534)	5/68	10/74	12.5	-	none	(36.0)	none	uncertain
14. China Fourth DFC (Loan 670)	4/70	1/75	18.0	-	none	(53.0)	none	good
15. Ethiopia First Education (Cr. 84)	2/66	2/75	-	7.2	11.0	11.1	none	moderate
16. Guatemala Second Power (Loan 545)	6/68	2/75	7.0	-	8.9	14.6	none	satisfactory
17. China Telecommunications (Loan 506)	8/67	2/75	17.0	-	50.2	60.8	none	very good
18. Jamaica First Education (Loan 468)	9/66	3/75	9.5	-	19.4	29.8	none	poor

a/ before cancellations.

b/ brackets indicate greater than normal uncertainty about correctness of figure given.

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara

FROM: C. R. Willoughby *CRW*

SUBJECT: Evaluation Work on Population Projects

DATE: July 22, 1975

Mr. Knapp told me yesterday afternoon that you had decided to replace, for the moment, our planned small evaluation study of Bank Population Projects with a review by a group of Outside Experts.

In the absence of Mr. Shoaib, and not wishing to bother him while ill, I thought I should draw your attention to the references to this subject in our statement to the Joint Audit Committee last March on FY 1976 activities and to the minutes of their discussion at that time (both attached; appropriate sections marked).

We are handing over to Mr. Kanagaratnam the arrangements we had tentatively made with outside experts for our study, and we are putting the significant efforts we have made over the last months, in regard to preliminary planning, recruitment of appropriate Bank staff, first contacts with Bank borrowers, etc., all on ice.

Attachments

cc: Messrs. Knapp
Shoaib (o/r)
Israel (o/r)

CRW/aga

To : Operations Evaluation Department Files
From : C.R. Wilkington
Subject : Progress of Operations Evaluation Work

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

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

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

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

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

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

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

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

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

cc. Mr. McNamara
Shwaib
Kearns

> OED has of course been ^{the Bank} pressing ^{on} the issue of Project Evaluation Units since ~~the~~ mid-1972 and most strongly since mid-1974, with ~~rather disappointing results~~ less than satisfactory results, as will be covered in the forthcoming Closing Report to the Colombia Evaluation Report

OFFICE MEMORANDUM

*file: McNamara
Memo*

TO: Operations Evaluation Department Files

DATE: August 8, 1975

FROM: C. R. Willoughby *CRW*SUBJECT: Progress of Operations Evaluation Work

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

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

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

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

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

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

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

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

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

cc: Mr. McNamara
Mr. Shoaib ✓
Mr. Kearns

CRW/aga

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

AUG 12 1975

*Mr. Willoughby
I don't quite
follow this.
Wrong!
Frank*

OFFICE MEMORANDUM

TO: Operations Evaluation Department Files

FROM: C. R. Willoughby *CRW*

SUBJECT: Progress of Operations Evaluation Work

DATE: August 8, 1975

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Mr. Shoaib
Mr. Kearns

CRW/aga

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Mr. R. S. McNamara

August 12, 1975

C. R. Willoughby

PPA Coverage of Loans and Credits Approved after April 1, 1968

You raised the question whether the PPA program, as presently set up, would cover all projects approved by the Board after April 1, 1968. We find that, in the Bank's serial number systems, your first loan was no. 533 to Malaysia and your first credit was no. 116 to Honduras.

There are sixteen projects (10 loans and 6 credits) approved after April 1, 1968 which will not be covered by the program as now planned. The projects in question are listed below, together with the dates of actual loan/credit closure, which explain why these projects are not caught under our criterion of auditing all projects for which disbursements were completed after July 1, 1972:

Ln. 543	Nicaragua - Power V	May 1972
Ln. 544	Mexico - Power VII	March 1972
Ln. 549	Pakistan - Dawood Hercules Fertilizer	May 1972
Ln. 553	Sierra Leone - Power II	April 1972
Ln. 572	Nigeria - Power III	March 1972
Ln. 601	Trinidad & Tobago - Power II	April 1972
Ln. 646	Dominican Republic - Falconbridge Nickel	December 1971
Ln. 732	Nigeria - Rehabilitation	April 1972
Ln. 610	Mexico - Agric. Credit II	November 1971
Ln. 773	Uruguay - Agric. Credit III	May 1972
Cr. 117	Pakistan - Agric. Credit II	January 1971
Cr. 118	Ghana - Power Distribution I	December 1971
Cr. 136	Pakistan - Technical Assistance	July 1971
Cr. 162	India - Railways X	October 1971
Cr. 138	India - Industrial Imports V	March 1969
Cr. 182	India - Industrial Imports VI	January 1972

I should point out that Loan 544 Mexico Power VII was covered in our multi-country power study published in March 1972, while the three Agricultural Credit projects included in the list above are among the ones covered in the Agricultural Credit Evaluation which we are completing.

Since they fall outside our criterion we have not been following up on these projects under our PPA system, but I do remember that an interesting Project Completion Report was prepared on the Pakistan Dawood Hercules Fertilizer project.

cc. Mr. Shoaib

CRW/aga

To: Mr. R. S. McNamara
From: C. R. Wiloughby
Subject: PPA Coverage of Loans and Credits Approved after April 1 1968.

You raised the question whether the PPA program, as presently set up, would cover all projects approved by the Board after April 1 1968. We find that, in the Bank's serial number systems, your first loan was no. 533 to Malaysia and your first credit was no. 116 to Honduras.

There are sixteen projects ^(10 loans and 6 credits) approved after April 1 1968 which will not be covered by the program as now planned. The actual projects in question are listed below, together with the dates of ^{actual} loan/credit closure, which explain why these projects are not caught under our criterion of auditing all projects for which disbursements were completed after July 1 1972:

Ln. 543	Nicaragua - Power <u>V</u>	May 1972
Ln 544	Mexico - Power <u>VII</u>	March 1972
Ln 549	Pakistan - Dawood Hercules Fertilizer	May 1972
Ln 553	Sierra Leone - Power <u>II</u>	April 1972
Ln 572	Nigeria - Power <u>III</u>	March 1972
Ln 601	Trinidad & Tobago - Power <u>II</u>	April 1972
Ln 646	Dominican Republic - Falenbridge Nickel	Dec 1971
Ln 732	Nigeria - Rehabilitation	April 1972
Ln 610	Mexico - Agric. Credit <u>II</u>	Nov. 1971
Ln 773	Uruguay - Agric. Credit <u>III</u>	May 1972
Cr. 117	Pakistan - Agric. Credit III <u>II</u>	Jan. 1971
Cr. 118	Ghana - Power Distribution <u>I</u>	Dec. 1971
Cr. 136	Pakistan - Technical Assistance	July 1971
Cr. 162	India - Railways X	Oct 1971
Cr. 138	India - Industrial Imports <u>V</u>	Mar 1969
Cr. 182	India - Industrial Imports <u>VI</u>	Jan 1972

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Agricultural Credit Evaluation which we are completing.

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cc. Mr. Shoab

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
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file under

Mr. McNamee

WEST MONTH												EAST MONTH											
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
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SAT-SUN
ENCLOSURE

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

8/8

To Mr. Willoughby

Chris, will your presently
planned PPA program include
an audit of every Project
approved by the Board after

4/1/68. *Amel*

First loan 533 to Malaysia

	543	Nicaragua	ENALUP <u>V</u>	May 1972
✓ 4th row	544	ME	CFE <u>VII</u>	March 1972
(PCR exists)	549	PAK	Jawood Hercules	May 1972
	553	SL	SLEC <u>II</u>	Apr 72
	572	UNI	NEPA <u>III</u>	March 72
	601	TR	TATEC <u>II</u>	Apr 72
Rice	610	ME	Ag Credit <u>II</u>	Nov 71
	646	DO	Falconbridge Mineral	Dec 71
	732	UNI	Rehabilitation	Apr 72
Rice	773	UR	Ag Credit <u>III</u>	May 72

First credit 116 to Honduras

Rice	117	PAK	ADB <u>II</u>	Jan 71
	118	GH	EGG - Jorubin I	Dec 71
	133	CE ^{x Loc} 569	Highway	June 72 X
	134	MAG ^{x Loc} 570	Highway	June 71 X
	136	PAK	Tech Asstce	July 71
(Nomin)	138	IN	Ind. Imports <u>V</u>	Mar 69
	142	TA ^{x Loc} 586	Highway <u>II</u>	Dec 71 X
	162	IN	Railway <u>X</u>	Oct 71
(Nomin)	182	IN	Ind. Imports <u>VI</u>	Jan 72
	204	PNG ^{x Loc} 693	Highway	Mar 72 X

Loans
Re - McNamara

RESOLUTIONS OF EXECUTIVE DIRECTORS (Cont'd.)

<u>No.</u>	<u>Approved</u>
Singapore - Change of Project Description and Closing Date for Loan 462-SI (Decision - SM68-7)	February 6, 1968
68-11 Resolution Authorizing Two Year Bonds of 1968, due March 15, 1970, and the Sale Thereof	February 8, 1968
Paris Office Building Program (Decision - M68-2)	February 13, 1968
68-12 Service of President	February 20, 1968
68-13 Approval of a Loan to the Republic of Nicaragua (Education Project) in an amount equivalent to U.S.\$4,000,000	February 27, 1968
Educational Benefits (Decision - SM68-10)	February 13, 1968 ^{1/}
68-14 Authorizing the Issuance and Sale of 6-3/4% Deutsche Mark Bonds of 1968	March 14, 1968
68-15 Transfers by the Bank to the Association	March 8, 1968
Peru - Changes in Loan 418-PE (Decision - M68-3)	March 12, 1968
68-16 Approval of Loan to National Investment Bank for Industrial Development S.A. in an amount equivalent to U.S.\$12,500,000 to be guaranteed by the Hellenic State	March 14, 1968
68-17 Resolution Authorizing \$150,000,000 Principal Amount of Twenty-six Year Bonds of 1968, due March 15, 1994 and the Sale Thereof	March 19, 1968
India - Debt Servicing Problem (Decision - SM68-14)	March 19, 1968
68-18 Approval of Loan to Yugoslav Investment Bank in an amount equivalent to U.S.\$50,000,000 to be guaranteed by Socialist Federal Republic of Yugoslavia	March 21, 1968
68-19 Increase in Subscription of Uruguay to Capital Stock of the Bank	March 15, 1968 ^{2/}
68-20 Special Deposit Arrangements with the Reserve Bank of India	March 21, 1968

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^{1/} Approval recorded in minutes of meeting of February 27, 1968.
^{2/} Approval recorded in minutes of meeting of March 19, 1968.

RESOLUTIONS OF EXECUTIVE DIRECTORS (Cont'd.)

After April, '68

No.

Approved

Management Fee Payable by IDA
for Fiscal Year 1968-69
(Decision - SM68-15)

March 21, 1968

68-21 Appreciation to George D. Woods

April 9, 1968

68-22 Approval of Loan to Malaysia in an amount
equivalent to US\$14,000,000

April 11, 1968

68-23 Tarbela Development Fund

April 18, 1968

Simultaneous Interpretation
in the Board Room
(Decision - SM68-18)

April 18, 1968

68-24 Resolution Authorizing \$15,000,000 Principal
Amount of Twenty-six Year Bonds of 1968, due May 1,
1994 and the Sale Thereof

April 25, 1968

68-25 Authorizing the Issuance and Sale of 5 1/4% Swiss
Franc Bonds of 1968

April 30, 1968

68-26 Authorizing the Issuance and Sale of 6 3/4%
Netherlands Guilder Bonds of 1968

May 6, 1968

68-27 Approval of Loan to the Banco de la Republica
(Development Finance Companies Project) in the amount
of the equivalent of US\$12,500,000 to be guaranteed
by the Republic of Colombia

May 14, 1968

68-28 Increase of Authorization for Private Sale of
Portions of Loans

May 14, 1968

68-29 Approval of a loan to the Kingdom of Thailand
(Third Highway Project) in the amount of the
equivalent of U.S.\$29,000,000

May 21, 1968

68-30 Approval of a Loan to Empresa Nacional de Luz y
Fuerza in an amount equivalent to US\$15,250,000 to
be guaranteed by the Republic of Nicaragua

May 21, 1968

68-31 Approval of Loan to Industrial and Mining Development
Bank of Iran in an amount equivalent to
U.S.\$25,000,000 to be guaranteed by Iran

May 28, 1968

68-32 Approval of Loan to the Republic of Honduras in an
amount equivalent to US\$7,500,000

May 28, 1968

68-33 Approval of Loan to Empresa de Energia Electrica de
Bogota (Third Expansion Program) in the amount of the
equivalent of US\$18,000,000 to be guaranteed by the
Republic of Colombia

May 28, 1968

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RESOLUTIONS OF EXECUTIVE DIRECTORS (Cont'd.)

<u>No.</u>		<u>Approved</u>
536 68-34	Approval of Loan to Empresa de Acueducto y Alcantarillado de Bogota (Bogota Water Supply Project) in the amount of the equivalent of US\$14,000,000 to be guaranteed by the Republic of Colombia	May 28, 1968
	Release of 9% Subscription - Argentina (Decision - SM68-23)	May 17, 1968 ^{1/}
540 68-35	Approval of Loan to the Republic of Gabon in an amount equivalent to U.S.\$1,800,000	June 4, 1968
538 68-36	Approval of Loan to Banco Central de Costa Rica in an amount equivalent to US\$3,000,000 to be guaranteed by Republic of Costa Rica	June 4, 1968
68-37	Increase in Subscription of Trinidad and Tobago to Capital Stock of the Bank	June 5, 1968 ^{2/}
68-38	Audit of Accounts	June 7, 1968 ^{2/}
	Travel of Executive Directors and Alternates (Decision - M68-6)	June 10, 1968 ^{2/}
	Official Representation by Executive Directors (Decision - M68-6)	June 10, 1968 ^{2/}
542 68-39	Approval of a Loan to the Republic of Ivory Coast in an amount equivalent to US\$5,800,000	June 11, 1968
68-40	Increase in Subscription of Cyprus to Capital Stock of the Bank	June 17, 1968 ^{3/}
545 68-41	Approval of Loan to Instituto Nacional de Electricacion in an amount equivalent to US\$7,000,000 to be guaranteed by Republic of Guatemala	June 18, 1968
	Administrative Budgets - Bank and IDA, 1968-69 (Decision - SM68-25)	June 18, 1968
68-42	Approval of Loan to the Republic of Singapore in an amount equivalent to U.S.\$6,000,000	June 25, 1968
68-43	Approval of Loan to Administration of the Territory of Papua and New Guinea in an amount equivalent to US\$7,000,000 to be guaranteed by Commonwealth of Australia	June 25, 1968

^{1/} Approval recorded in minutes of meeting of May 28, 1968.
^{2/} Approval recorded in minutes of meeting of June 11, 1968.
^{3/} Approval recorded in minutes of meeting of June 18, 1968.

*All credits after
incl. Apr 30 Cr. # 116
are after Apr. 1, '68*

RESOLUTIONS OF EXECUTIVE DIRECTORS (Cont'd)

<u>No.</u>		<u>Approved</u>
68-1	Approval of Development Credit to the Empire of Ethiopia (Fourth Highway Project) in the amount of US\$7,700,000	January 9, 1968
68-2	Approval of Development Credit to the Federal Republic of <u>Cameroon</u> in an amount equivalent to US\$550,000	January 25, 1968
68-3	Approval of a Development Credit to the Republic of <u>Malawi</u> in an amount equivalent to US\$11,500,000	February 1, 1968
68-4	Approval of a Development Credit to the Republic of <u>Malawi</u> in an amount equivalent to US\$6,000,000	February 1, 1968
68-5	Approval of a Development Credit to the Republic of <u>Malawi</u> in an amount equivalent to US\$3,700,000	February 1, 1968
	India - Change of Closing Date and Project Description for Credit 27-IN (Decision - IDA/M68-4)	February 6, 1968
	Pakistan - Amendments to Credit 53 - PAK (Decision - IDA/M68-6)	February 27, 1968
	India - Postponement of Closing Date of Credit 88-IN (Decision - IDA/M68-6)	February 20, 1968 ^{1/}
68-6	Approval of Development Credit to the United Republic of <u>Tanzania</u> in an amount equivalent to U.S.\$3,000,000	March 5, 1968
	Additions to Resources: Second Replenishment (Decision - IDA/M68-8 (Rev.))	March 8, 1968
	Management Fee Payable by IDA for Fiscal Year 1968-69. (Decision - IDA/M68-12)	March 21, 1968
	<u>Afghanistan</u> - Postponement of Closing Date of Credit 68-AF (Decision - IDA/M68-15)	April 18, 1968
68-7	Approval of a Development Credit to the Islamic Republic of <u>Pakistan</u> (Second Agricultural Development Bank Project) in an amount equivalent to US\$10,000,000	April 30, 1968
68-8	Approval of Development Credit to the Republic of <u>Honduras</u> in an amount equivalent to US\$4,000,000	May 28, 1968
68-9	Approval of Development Credit to the Government of <u>Ceylon</u> in an amount equivalent to U.S.\$2,000,000	June 4, 1968

^{1/} Approval recorded in minutes of meeting of February 27, 1968

Cr. 115

Cr. 117

Cr. 116

Cr. 121

RESOLUTIONS OF EXECUTIVE DIRECTORS (Cont'd.)

<u>No.</u>		<u>Approved</u>
	<u>India</u> - Change of Closing Date and Project Description for Credit 24-IN (Decision - IDA/M68-19)	May 29, 1968 ^{1/}
68-10	Audit of Accounts	June 7, 1968 ^{2/}
119 68-11	Approval of Development Credit to Republic of <u>Kenya</u> in an amount equivalent to US\$2,100,000	June 11, 1968
120 68-12	Approval of a Development Credit to the Republic of <u>Kenya</u> in an amount equivalent to US\$10,700,000	June 11, 1968
118 68-13	Approval of Development Credit to Republic of <u>Ghana</u> in an amount equivalent to US\$10,000,000	June 11, 1968
122 68-14	Approval of Development Credit to The Republic of <u>The Sudan</u> in an amount equivalent to US\$8,500,000	June 11, 1968
124 68-15	Approval of a Development Credit to the Republic of <u>Ecuador</u> in an amount equivalent to US\$5,100,000	June 18, 1968
	Proposed Development Credit to <u>India</u> (Decision - IDA/M68-21)	June 18, 1968
	Administrative Budgets - Bank and IDA, 1968-69 (Decision - IDA/M68-21)	June 18, 1968
68-16	Approval of a Development Credit to the Republic of <u>Korea</u> in an amount equivalent to US\$3,500,000	July 16, 1968
123 68-17	Approval of Development Credit to the <u>Somali</u> Republic in an amount equivalent to US\$2,300,000	June 25, 1968
68-18	Additions to Resources; Second Replenishment	June 25, 1968
	Financing for Government-Owned Development Banks (Decision - IDA/M68-22)	June 25, 1968
68-19	Approval of a Development Credit to the Republic of <u>Chad</u> in an amount equivalent to US\$4.1 million	July 16, 1968
	Bank/IDA Annual Report for 1967-68 (Decision - IDA/M68-23)	July 16, 1968
	<u>Pakistan</u> - Change in Credit Agreement 40-PAK (Decision - IDA/M68-23)	July 5, 1968 ^{3/}
	<u>Pakistan</u> - Change in Credit Agreement 22-PAK (Decision - IDA/M68-24)	July 23, 1968
68-20	Financial Statements as of June 30, 1968	August 6, 1968

- 1/ Approval recorded in minutes of meeting of June 4, 1968.
2/ Approval recorded in minutes of meeting of June 11, 1968.
3/ Approval recorded in minutes of meeting of July 16, 1968.

OFFICE MEMORANDUM

TO: Operations Evaluation Department Files DATE: August 13, 1975

FROM: C. R. Willoughby *CRW*

SUBJECT: Progress of Operations Evaluation Work - Addendum to Memo of August 8

Mr. Shoaib suggested that I should add to the record of the meeting of August 8 two further observations of Mr. McNamara:

- a. His reading of the PPAs, which he followed with interest, reassured him, as it has reassured us, about the large degree of success of most of the Bank and IDA projects;
- b. The key components of a PPA were a careful reassessment of the economic return, preferably quantitative but qualitative where necessary, and an assessment of the success of the institution-building objectives. Delays were of course an important matter, but the key question was whether the economics of the effort turned out finally satisfactory.

Mr. Shoaib also felt that it should be clarified, with regard to my memo of August 8, that a matter which nonetheless particularly concerned Mr. McNamara was the apparent lack of arrangements, in some cases, for the introduction, at the initiation of the project, of systems for producing information to show whether it was achieving success; this seems particularly true with the agricultural projects.

cc. Mr. McNamara
Mr. Shoaib
Mr. Kearns

CRW/aga

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara

FROM: C. R. Willoughby *CRW*

SUBJECT: Project Completion Reports

DATE: August 14, 1975

You referred last Friday to the Bank's standing instructions regarding the production of Project Completion Reports (PCRs) within six months of completion of loan/credit disbursement, and expressed great concern that these were not being followed. You asked us to review the situation, to prepare lists of all projects for which disbursements were completed more than six months ago and for which PCRs have not been issued, and to prepare a similar list updated at the end of each month in future.

Project Completion Reports were reinstated in the Bank in 1972/73. General instructions regarding their preparation were formally issued in July 1973, in the shape of O.M. 3.50, but that document had been circulating in mimeographed form for some time before that. Mr. Knapp drew particular attention to the requirements, in memoranda of April 1973, when our formal obligation to produce a report on each project 'completed' after July 1, 1972 was introduced, and again in April 1974, when it was decided to try to expedite the shift to fuller reliance, in our work, on Project Completion Reports.

Except for one very special case (Guinea-Boké) which is now about to be handled by a joint Regional/CPS/OED mission, all the projects for which disbursements were completed in the second half of CY 1972 have now been covered by Project Performance Audits. We have therefore taken as the main basis for review the 138 projects for which disbursements were completed in CYs 1973 and 1974 - 65 in 1973 and 73 in 1974. Project Completion Reports have so far been issued on some 86 of these projects. The average time elapsing between completion of disbursements and issue of PCR was just over 10 months, but as many as 25 were completed within the six months officially established. Project Performance Audit Reports have so far been issued on 51 of the projects for which disbursements were completed in 1973 and 1974, and only in 19 of these cases were the PCRs considered satisfactory enough to be attached as an annex, but in many other cases they did provide very useful compilations of factual material for inclusion in the PPA Report.

There have been important improvements in the situation over the last twelve months. As of August 1, 1974 PCRs were available on less than 40% of the projects for which disbursements were completed in CY 1973. As of August 1, 1975 PCRs were available on more than 50% of the larger number of projects for which disbursements ended in CY 1974. For 14 out of the 65 CY 1973 projects we never received any sort of PCR, whereas we have been led to expect that this will be true for no more than 2 or 3 of the CY 1974 projects. Moreover we have the impression of an improvement in quality of

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SEP 16 1975

PCRs, with some particularly good ones on Education, Industrial and some Agricultural projects. Those on Program Loans and Agricultural Credit Projects are typically very weak, but the papers on DFCs, Telecommunications and Power projects are usually solid and useful, if rarely as self-critical as they might be.

Nonetheless, the fact remains, as you pointed out, that the established schedules are not at all being adhered to, as these figures imply. I do consider that there are sometimes very good reasons - connected with the development of the project or of the Bank's relations with the country or related to the potential economies derivable from studying two or three related projects together and combining missions - for postponing work for a year or so, and I have occasionally taken the responsibility of so advising. But I believe that the very large majority of cases of slippage beyond the six months provided do result from heavy staff workload combined with the relatively low priority of PCRs, failure to ask borrowers early or specifically enough to prepare their Completion Report (O.M. 3.50 suggests arrangements be started as much as a year before closure) and sometimes lack of cooperation by the borrowers, and still lack of recognition within the Bank of the six-month rule. The fact that 30% of PCRs so far done have been issued within six months of completion of disbursement suggests that this timing is not unreasonable for most cases, and there is no evidence that lapsed time has tended to be greater for the more complicated projects, for instance in agriculture and education - if anything rather to the contrary, probably partly because of the greater inherent interest of looking again at such projects.

From the point of view of our own work scheduling and efficiency the most serious problem is the repeated delay from schedule to which many of the PCRs are subject. For instance, of the approximately 40 PCRs which were scheduled by the departments for issue in the second half of CY 1975, in response to Mr. Knapp's memorandum of April 1974, only 14 were actually completed with a delay of not more than one month; an equal number have gradually got delayed more than six months; eight have been dropped altogether, and the average delay for the other 32 is in excess of five months. This situation has caused us increasing problems over the last six months, as we have had, inefficiently, to start work on projects in many sectors before the PCR was finished and then, even more inefficiently, truncate this work when further delays occurred in the delivery of the PCR.

I am attaching the list of projects which have been fully disbursed for six months or more and for which, according to our records, PCRs have not yet been issued, broken down by the Office responsible, as you requested. The list contains 61 items, of which I shall drop 18 after this presentation since they refer to projects on which, without the aid of a PCR, we have either already produced a PPA Report or are advanced in the process of doing so. For the other 43 projects the list also shows the latest target dates for issue of the PCR that we have been given and the number of months that this date falls beyond that of completion of disbursements.

Attachment

cc: Mr. Shoaib

CRW/aga