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Annual Review of Evaluation Results: 1989

August 14, 1990

Operations Evaluation Department

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Abbreviations and Acronyms

AGR	-	Agriculture Department
AR	-	Annual Review of Project Performance
ARIS	-	Annual Review of Implementation and Supervision
EMENA	-	Europe, Middle East, and North Africa Region
EDI	-	Economic Development Institute
ERR	-	Economic rate of return
FI	-	Financial intermediaries
GDP	-	Gross domestic product
IDA	-	International Development Association
IFC	-	International Finance Corporation
LAC	-	Latin America and the Caribbean Region
OD	-	Operational Directive
OED	-	Operations Evaluation Department
OMS	-	Operational Manual Statement
OPS	-	Operations Policy Staff
PCR	-	Project Completion Report
PPAR	-	Project Performance Audit Report
SAL	-	Structural Adjustment Loan
SECAL	-	Sector Adjustment Loan
TA	-	Technical assistance

THE WORLD BANK
Washington, D C 20433
U S A

Office of Director-General
Operations Evaluation

August 14, 1990

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

Subject: Annual Review of Evaluation Results for 1989

Attached, for information, is a copy of a report entitled "Annual Review of Evaluation Results for 1989", prepared by the Operations Evaluation Department.

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FOREWORD

1 Operations evaluation in the Bank provides a systematic, comprehensive, and independent review of the Bank's development experience. While the focus is on the Bank's performance in the preparation and implementation of the operations it finances, the implementation capacity and overall policies of the borrowing countries are equally, if not more, important in the successful outcome of Bank-financed operations.

2 This year's review, the sixteenth in the annual series, presents the findings and lessons from 262 evaluated operations (the 1989 cohort), and from impact evaluation studies, trade and adjustment operations and country studies. The evaluation of performance of the 1989 cohort is based on project completion reports prepared by the Bank's operational staff and on performance audits by Operations Evaluation staff.

3 The Bank evaluates the performance of all its operations at the completion of the implementation phase, shortly after disbursements. This evaluation compares outcomes at that point in time with expectations at appraisal. It is an opportune time to account for the use of resources, assess the extent to which operations achieve their stated goals, and draw lessons for the future. However, this timing and approach have some limitations.

4 In most operations the economic activities only mature or develop fully after the Bank has completed its disbursements. To give insights into the learning process and adaptation that takes place in the operational phase, OED carries out impact evaluation studies--typically five to twelve years after the completion of Bank disbursements. This review presents salient findings of a group of 21 impact evaluation studies of irrigation projects. These studies shed light on issues and long-term effects--for example on incomes and their distribution, on living conditions, and on the environment--that cannot be properly addressed at the time of project completion.

5 This year's review presents findings on trade and policy reforms in several of the Bank's borrowing countries. In these countries, structural and sectoral adjustment programs financed by the Bank are playing an important role in supporting constructive changes in the macroeconomic environment. In several cases, enough time has elapsed to assess whether these reforms are producing the outcomes hoped for. In others, more time is needed to complete the cycle of policy reform and assess its real long-term effects.

6 The Bank's relationships with several developing countries are now several decades old. Much that is relevant to the present can be learnt from a study of these relationships over time. This year's review presents the results of four of OED's country studies, which analyze two or even three decades of policy dialogue and development activities, providing a perspective that cannot be obtained from other instruments of evaluation. These studies should, however, be understood in their proper perspective.

First, some were carried out several years ago; they do not reflect the application of lessons learnt, or the policies and operations pursued, since then. Second, from the four studies the review distills what are perceived as common factors underlying Bank-country relationships and influencing the design and implementation of country development strategies. As in many other areas of performance evaluation the findings derive meaning from their specific context; it is not the intention of the review to generalize these findings. Despite these two limitations, we believe that the review of country studies provides valuable insights into the development process.

7 In evaluating the performance of individual projects, OED continues the practice of classifying operations into two performance categories: satisfactory and unsatisfactory. "Satisfactory" performance denotes the achievement of an adequate economic rate of return, in those types of operations for which the measure is applicable, or, for other types of operations, the substantial achievement of goals stated at appraisal, especially with respect to progress with institution building and the extent of time and cost overruns. The review shows that a significant proportion of projects with expected rates of return, at the completion of disbursements, below the normally accepted 10 percent standard used in the Bank, may still be worthwhile to the borrowing countries that have undertaken them. There are two reasons for this. First, many of these projects generate unquantifiable net benefits which if measurable would lead, in the judgement of the analysts, to higher estimated rates of return. Second, many of the projects are in countries where the opportunity cost of capital is below the Bank's norm, so that rates of return below 10 percent may be economically justified. Both of these types of cases are currently under review as part of a broader exercise within the Bank to improve the Bank's criteria and practices for the ex ante and ex post economic analysis of projects.

8 While this Annual Review addresses operations that have been recently evaluated by operational and OED staff, the Annual Report on Implementation and Supervision (ARIS), an internal report prepared by operational staff, addresses projects in execution. Operational managers take the opportunity of the ARIS to provide the President and the Board of Executive Directors with a response to issues of a general character identified in the Annual Review of Evaluation Results. This process helps determine whether these issues are still relevant to the current portfolio. For issues that are, the ARIS outlines plans for follow-up action or further analysis. Examples of this practice include an in-depth review of the performance of the agricultural project portfolio in Africa and, as mentioned above, the ongoing work on improving risk analysis and the economic appraisal and evaluation of Bank projects, including how the experience generated by ex-post evaluation as well as from project supervision can be reflected more promptly and effectively in appraisal work. Other processes are provided for Bank managers to respond, within their own areas of responsibility, to issues raised in OED studies and audits, and to verify where relevant that these issues receive appropriate consideration in new operations and policy development.

EXECUTIVE SUMMARY

1 This is the sixteenth Annual Review of Evaluation Results. Like its predecessors, it is based on project completion reports prepared by the Bank's operational staff and on performance audits and studies prepared by the Bank's Operations Evaluation Department. While the focus continues to be on the Bank's performance in the preparation and implementation of the operations it finances, the implementation capacity and the overall policies of borrowing countries are equally if not more important in the successful outcome of Bank-financed operations.

2 This year's review presents salient aspects of evaluation work carried out by the Operations Evaluation Department (OED), and reports (in Chapters 2 and 3) on the performance of the cohort of Bank-supported operations that were evaluated in 1989. To help put the performance of the 1989 cohort in context, Chapter 1 discusses the Bank's policy framework and the world economic environment during the years in which these operations were approved and implemented. Operations that are evaluated together are not necessarily approved and implemented together. (Those in this year's evaluation cohort, for example, were started at different times within the period 1973-88 and completed at different times between 1978 and 1989.) Comparisons of performance among evaluation cohorts from year to year thus do not give conclusions meaningful for decision making on future operations. What is significant, however, is the contribution that each cohort makes to the Bank's cumulative record. OED reviews this cumulative record at intervals of several years. Annual Review 1988, for example, looked at experience in all operations evaluated since 1974.

3 Chapter 4, drawing on OED impact evaluation studies, visits 21 irrigation projects five to twelve years after their completion to review their effects in agricultural, economic, social, institutional, and environmental terms. Its findings emphasize how different the long-term outcomes of operations often are from the outcomes reported on in project completion reports and performance audits at the close of the investment phase.

4 Chapter 5 presents the conclusions of a comparative study of 35 trade adjustment operations in nine countries. The evaluation experience with these operations both confirms and adds to the understanding of trade policy reform processes, and their results, that has come out of theoretical work and empirical research done elsewhere.

5 Chapter 6, a distillation of four OED country studies, offers insights into the dynamics of the Bank's relationships with its borrowers over long periods of time, drawing lessons for future lending strategy and the management of operational programs.

Overview of Performance (Chapter 2)

6 Two hundred and sixty two operations were evaluated in 1989. They amounted to a total investment cost of $24.7 billion, of which the Bank contributed $14 billion through loans and credits. All but three were approved in the period 1973-88. Most of the operations evaluated were projects, but 11 were program and policy-based loans.

7 The Bank evaluates the performance of all its operations at the completion of the implementation phase, shortly after final disbursements. This evaluation compares outcomes at that point in time with expectations at appraisal. It is an opportune time to account for the use of resources, assess the extent to which operations achieve their stated goals, and draw lessons for the future. However, this timing and the methodology used have limitations. While at completion the resources invested, and the corresponding costs, are more fully known than at appraisal, the eventual benefits and the costs throughout the life of the operation are still unknown. The evaluation process tries to re- estimate benefits and costs, taking account of changes that have taken place in the operation and its environment, and the experience gained since appraisal. Since in most operations the economic activities only mature or develop fully after the Bank has completed its disbursements, the evaluation cannot fully take into account the learning process and adaptation that takes place during this phase. Impact evaluation, done for a small proportion of operations, typically about five years after completion, sheds more light on their contribution to development (see Chapter 4).

8 In this review OED continues the practice of classifying operations into two performance categories: satisfactory and unsatisfactory. Satisfactory performance denotes the achievement of an adequate economic rate of return (ERR), in those operations for which this measure is applicable, or, for other type of operations, the substantial achievement of the goals stated at appraisal. (See Chapter 2, Section A).

9 Seventy percent--or 180--of the operations in the 1989 cohort achieved satisfactory results. Unlike previous cohorts, in which overall performance was best in Asia, the record this year was best in Europe, Middle East, and North Africa (EMENA), with 90 percent of the 49 operations implemented in that region being rated satisfactory. It was followed by Asia (67 percent satisfactory, out of 101 operations); Sub-Sahara Africa (66 percent of 61 operations; and Latin America and the Caribbean (61 percent of 46 operations). Looking at performance by sector, agriculture ranked lower, with 56 percent of agricultural operations rated satisfactory, followed by program and policy lending with 60 percent. All other major sectoral categories had a satisfactory ratio of over 75 percent of operations.

10 Of the 77 operations rated unsatisfactory, half were in agriculture. In this large sector of lending, nearly 45 percent of the operations were judged unsatisfactory, and in Africa the unsatisfactory proportion was more than half.

11 In this year's cohort there were 116 projects in categories for which the ERR is an appropriate indicator of net benefits to the economy. For these operations, the weighted average ERR as re-estimated at completion was 15 percent. This is higher than the average of recent years' cohorts, and it is only one percentage point lower than the average, of 16 percent, for all the operations evaluated between 1974-88.

12 Trends in the gap between ERRs as estimated at appraisal and those as re-estimated at the time of completion were examined by year of evaluation and by year of approval. The ERR gap was 13.7 percentage points for operations evaluated in 1987, but it declined to 9.2 percentage points in 1988 and to 7.1 percentage points in this year's cohort. Thus the gap appears to be closing, and this year it is below the average for the last five years. Looking at the gaps by year of approval, there is no discernible trend.

13 Of the 262 operations evaluated, 244 had significant institutional development goals. Of these, one third were judged to have substantially met those goals, and 45 percent to have partially met them. These results are somewhat better than those in previous cohorts.

14 Information on cost discrepancies was available for 195 operations. Out of these, 67 percent experienced cost underruns, 28 percent cost overruns, and in the remainder costs were as expected. A tendency for overruns to be small has been visible for the last two years.

15 Time overruns continued to be sizable, however, as in previous years' cohorts. The average implementation time assumed at appraisal was 4.4 years, but actually turned out to be 6.6 years.

16 For comparative purposes, an analysis was made of certain aspects of performance in the operations evaluated in 1987-89. Thirty-one percent of these operations are in Asia, with the remainder being almost equally distributed across the other regions. No major differences were discernible between the 1987-89 cohort of operations and the cohort for 1989 alone. Overall percentage of satisfactory performance in the 1987-89 cohort was nearly 72 percent. While there are no major new regional patterns, there are some marked differences across sectors; i.e., sectors such as industry, telecommunications, water supply, energy and irrigation and drainage show important changes over the time period. As one looks at all evaluated operations (1974-89) the percentage of total operations rated satisfactorily declines slightly over the period. Regionally, while Africa shows a net improvement, other regions declined or remained relatively stable.

Determinants of Performance (Chapter 3)

17 Satisfactory operations yield valuable lessons that mirror those emerging from unsatisfactory operations. Experience in six projects considered most successful by OED evaluators, and drawn from a cross-section of sectors and regions, suggests the types of design, implementation, and policy conditions that help to maximize the economic and social returns from Bank lending. Two features, particularly, stand out:

- Good institutional arrangements that helped to create capable and efficient organizations. The projects were well managed at all levels. They were supported by incentives to beneficiaries that reinforced the project goals, smooth interorganizational arrangements, balanced community and government participation, and well-established and institutionally and politically stable agencies.

- A long-standing relationship between the Bank and the borrower. Evaluation work shows this to be an important feature in many successful operations, particularly in education, power, and water supply lending. Much is gained from the institutional arrangements and organizational improvements, and from the Bank and borrower's experience in dealing with one another, accomplished over a number of years.

18 Of the 77 unsatisfactory operations in this year's cohort, 34 were rated unsatisfactory on the basis of their economic rate of return at the time of completion. The total investment cost of these 34 operations was $3.1 billion (13 percent) out of a total investment cost, for the whole cohort, of $24.7 billion. Most of the 34 operations were in agriculture, transport, and tourism.

19 The other 43 unsatisfactory operations fell into categories for which economic rates of return are traditionally not calculated. Total investment in these operations was $3.2 billion. Twelve of them were in agriculture, eight in DFCs, four in program and policy lending, and four in energy.

20 One of the most noticeable features in this year's review relates to the operations in Asia. In the 510 Asian operations that were evaluated in 1974-88, overall performance was very good, with only 56 (11 percent) being rated unsatisfactory. But of the 101 more Asian lending operations that were evaluated in 1989, 33 were rated unsatisfactory. Most of these operations were in India, Indonesia, Nepal, and Sri Lanka. Thus of 611 Asian operations evaluated in 1974-89, 89 (15 percent) were rated unsatisfactory. This represents a decline of four percentage points in the

cumulative Asian performance rating. Most of the decline occurred in irrigation, followed by industry, highways, power, and water supply. Ten of the 20 unsatisfactory agricultural operations in Asia in this year's cohort were in irrigation and drainage.

21 To a greater extent than in previous years, some of the loans in this year's cohort were cancelled before being fully disbursed. Of the total amount of $14 billion that was committed for the 1989 evaluation cohort, about 13 percent was cancelled. Cancellations of small amounts were more common than those of large amounts, but in nearly 40 operations at least 30 percent of the loan was cancelled. Reasons for cancellation were varied; they included cost savings, country financial difficulties and public budget constraints, changes in oil prices and exchange rates, as well as implementation problems.

22 While it is difficult to draw conclusions across sectors, it is worth noting that at the appraisal stage of many of the operations with low returns, the Bank has tended to underestimate the importance of external factors affecting project outcomes, or to underestimate borrower capacity or commitment to implement and sustain the components of the project.

Impact Assessments: Irrigation (Chapter 4)

23 OED impact evaluation studies are "second look" studies that revisit Bank-supported operations some years after completion. By analyzing the effects that become visible over the long term, and their causes, these studies can give insights into what is needed to sustain flows of benefits over the long term. They are an effective means of assessing the effects of projects on people and the environment and are thus particularly valuable given the Bank's emphasis on poverty alleviation, women's role in development, and the environment.

24 The review reports on the findings of a group of such studies of 21 irrigation projects. The real impact of irrigation development can only be assessed several years after individual operations have been completed. Conclusions about the technical and economic efficiency of irrigation projects are still speculative at the time when the Bank makes its final disbursements.

25 The 21 projects have yielded important long-term benefits to the economies concerned, particularly in adding to national food supplies and in raising incomes. However, their overall operational performance has been poorer than anticipated at the time of completion.

26 In nine of them, agricultural production declined after the investment phase was completed, and the physical infrastructure financed now appears to be less durable than was expected. Poor quality of construction, coupled with inadequate maintenance, make it likely that, without rehabilitation, few of the projects will reach the term of their

expected useful life. In three of the operations, ERRs were higher than estimated at completion. In 15, however, they were lower--largely as a reflection of declines in the areas irrigated, lower cropping intensities and yields, and changes in world commodity prices. Agricultural extension services were curtailed or prematurely discontinued in a number of projects, which may account for lower crop productivity and less crop diversification than had been anticipated.

27 The social impact of these irrigation programs was significantly positive. At the time of re-evaluation many of the projects had met or exceeded their main social goals of generating employment, slowing rural-to-urban migration, and raising the incomes of the poorest farmers. But though in almost all projects the investments significantly raised average family incomes and standards of living, the improvements were smaller than was expected, since output turned out to be lower, and farm sizes smaller, than expected. In several projects, population movements and land tenure evolved in ways that were not foreseen at appraisal and whose effects were not always benign.

28 Most of the 21 projects were expected to improve the environment by providing village infrastructure, preventing periodic flooding, and controlling water-borne diseases. By the time of their re-evaluation, however, more than half of them had also had some negative environmental effects. These included increases in waterlogging and soil salinization, all as a result of poor drainage. In a few operations some degree of soil erosion and sedimentation occurred, often caused by deforestation in the respective watersheds that could have been prevented or lessened by better planning.

29 Some of the lessons from this series of impact evaluations are as follows:

- The drainage system should be completely designed before irrigation starts. Changes in the water table must be monitored from the time irrigation starts, and routinely evaluated to be certain timely adjustments in irrigation water management and infrastructure are made. Measures such as surface drainage additions, canal seepage control measures and changes in extension to improve on-farm irrigation efficiency will often be needed to control water table rise.

- Operating and maintaining large public irrigation schemes is difficult. The lesson is the need, now widely recognized within the Bank, to incorporate a plan for operation and maintenance in the project design, and for the Bank to attach as much importance to operation and maintenance as it does to engineering and construction.

- The Bank and the governments concerned have disengaged too early from a number of projects, leaving irrigation and drainage systems incomplete and the land development unfinished.

- Projects left unfinished do not sustain their benefits. If financing is not secure it is better to phase a project in stages, and fully complete each stage before moving to the next, rather than to disengage from incomplete investments.

- Agricultural research and extension efforts need to be continued well after project civil works have been completed. The Bank should not abruptly terminate its support for irrigation projects at the completion of civil works, but should allocate a portion of its irrigation loans specifically to post-completion activities.

- Where project-related services are the responsibility of different agencies, the agencies need to maintain solid arrangements for coordinating their work well beyond the time of project construction and completion. Public agencies that plan to phase themselves out of providing services need to withdraw gradually, giving careful attention to the arrangements that will succeed them.

Experience with Trade Adjustment Loans (Chapter 5)

30. This chapter presents the findings of an OED study of 35 trade-oriented adjustment operations in nine countries: Colombia, Côte d'Ivoire, Ghana, Indonesia, Jamaica, Mexico, Morocco, Pakistan, and Turkey. Documenting the experience from evaluations provides useful insights--supplementing theory and the results of research studies--about the progress of adjustment and about its pitfalls in different country circumstances. Detailed case studies were prepared for nine countries, and these form the basis for this evaluation.

31. The experience of the 35 trade adjustment operations surveyed in this chapter confirms that appropriately-tailored trade policy reforms, implemented in a stable macroeconomic environment, help to enhance productivity, increase economic growth, and expand international trade. However, it also emphasizes that it takes time for policies to take root, institutions to be built up, and attitudes to change. The principal inferences for the Bank's future programs are summarized below.

- It is easier to implement trade liberalization policies when the monetary and fiscal situation is under control. For example, if inflation persists and export competitiveness is impaired, the pressure on imports will lead to a drain of foreign exchange reserves. This could trigger a reversal of trade liberalization.

- During the adjustment period, a drop in the investment rate may occur; meanwhile, the focus should be on increasing the use of existing capacity and improving productivity. To realize growth in the longer run, however, the investment rate needs to pick up.

- Once macroeconomic imbalances have been corrected, the borrower has sufficient leeway to introduce supply-side policies, to expand capacity, develop skills, and reconstruct industry. Such policies need to be supported by an expansion of savings and may involve some drawdown of foreign exchange reserves. They will need to be accommodated and supplemented by appropriate project and program support.

- In countries with high debt service requirements, action is necessary to reduce the outstanding volume of debt as well as to make annual debt service payments manageable. This underscores the need to maintain positive net resource transfers. It is important not to view these resource transfers in terms of balance of payments support. Rather, they should be productivity-enhancing, so that future debt service will be made easier.

- In countries that have depended heavily on trade taxes for budgetary support, excise taxes which do not discriminate between imports and domestic substitutes may be a better source of government revenue than trade taxes. They may also be a way of protecting the balance of payments against a sudden upsurge of demand for imports.

- To smooth the path of trade adjustment, a reduction in quantitative restrictions should be followed by a move to tariffs with reduced tariff dispersion, with subsequent reduction in the average level of import tariffs. This provides ample time for fiscal adjustment.

- Industrial policy reform is the next logical step to trade liberalization. In many countries the regulatory framework governing entry and exit barriers in industry needs to be freed up to allow the more dynamic enterprises to improve performance. The slow response of private investment to trade liberalization has been partly a result of a failure to move faster on this front.

- A stronger focus on institution building is necessary. Firms need to access the latest industrial technology, improved managerial and marketing systems, and product development ideas.

- Bottlenecks in industrial infrastructure need to be eased. The imposition of deflationary macroeconomic and fiscal policies has led to a pause in investment, but as capacity utilization increases, demands increase for power, telecommunications, and transport.

- The adjustment program must have political and administrative support if it is to be implemented satisfactorily. Careful preparation is necessary and the focus should be on a few key variables that are easy to monitor. The design of conditionality should however take into account any possible countervailing actions that may vitiate the objective of the conditionality. Pragmatism is needed in the design of conditionality since, in the final analysis, "ownership" of the program must lie in the hands of the borrower.

- Ultimately, success will hinge on reduced dependence on trade taxes for budgetary revenue. This will require restructuring the tax system and efficiency in tax administration.

- The more extreme distortions in the regulatory framework for industry need to be reduced and an incentive framework put in place that encourages savings and investment.

- The Bank's relationship and policy dialogue with the borrower will determine how consistently reform policies are followed. This strengthens the case for operationally-focused economic and sector work and a country assistance strategy that has a longer-term focus.

Evolution of Bank-Country Relationships (Chapter 6)

32 In the past several years OED has carried out reviews of the Bank's relationships, over periods of 25 years and more, with four of its borrowing countries: Pakistan, Senegal, Sri Lanka, and Tanzania. These country studies look at the Bank's long-term relationships with individual borrowing countries, evaluating the lending program and the role played by the Bank as a source of finance and of advice on policy. With their long-term perspective they are able to bring out issues of policy and patterns of performance that may be missed in individual project and sector reviews.

33 Some of these lessons, where consistently applied to the Bank's economic and sector work, lending programs, and policy dialogue, would help to consolidate efforts to strengthen the country-strategy focus of the Bank's lending programs and thereby the overall relationship with member countries. The lessons may be summarized as follows:

- Economic and sector work is an essential foundation for country strategies and lending programs, as well as for policy dialogue and influence.

- An intimate knowledge of the history and sociopolitical conditions of a country is as important as knowledge of physical facts and economic conditions. It is vital for appreciating the constraints on development and the country's capacity to change.

- The Bank needs strong field staffs, longer assignments for staff working on countries, and a greater reliance on country experience and not only on technical experience.

- To assure broader understanding of the Bank's objectives and programs, as well as to safeguard the continuity of the latter, the Bank should maintain low-keyed contact with major groups competing for influence in the country.

- Regional lending targets should be set consistent with the results of economic and sector work and the national potential and performance.

- Policy conditions central to achieving the objectives of the Bank's country programs (especially adjustment loans) should be within the capacity of the member country to carry out, and the results sought by the conditions should be capable of ready assessment.

- Human resource development merits the highest priority among the Bank's interests. Though investment in human potential has the longest gestation period and is the most costly in the short run, it is the most important investment for the enhancement and sustainability of national development over the long run.

- Aid coordination among donors is increasingly important, as policy dialogue is elevated to the discussion of macroeconomic policies. It calls above all for coordination within the recipient government, as well as stronger inter-donor coordination at the local level and collaboration among donors and recipients in policy and program formulation. In the consultative discussions of groups that the Bank chairs, there is a case for giving other donors greater involvement, especially as regards to advice on policy formulation, and, for some countries, recipient involvement in the preparation of groups meetings.

- The sensitivity of an important subject, such as population growth, should not inhibit the Bank from dealing with it in its economic work or from engaging in dialogue on it.

1. INTRODUCTION

A. Overview

1.01 This is the sixteenth Annual Review of Evaluation Results. Like its predecessors, it is based on project completion reports prepared by the Bank's operational staff and on performance audits and studies prepared by the Bank's Operations Evaluation Department. While the focus continues to be on the Bank's performance in the preparation and implementation of the operations it finances, the implementation capacity and the overall policies of borrowing countries are equally if not more important in the successful outcome of Bank-financed operations.

1.02 This year's review presents salient aspects of evaluation work carried out by the Operations Evaluation Department (OED), and reports (in Chapters 2 and 3) on the performance of the cohort of Bank-supported operations that were evaluated in 1989. To help put the performance of the 1989 cohort in context, this chapter discusses the Bank's policy framework and the world economic environment during the years in which these operations were approved and implemented. Operations that are evaluated together are not necessarily approved and implemented together. (Those in this year's evaluation cohort, for example, were started at different times within the period 1973-88 and completed at different times between 1978 and 1989.) Comparisons of performance among evaluation cohorts from year to year thus do not give conclusions meaningful for decision making on future operations. What is significant, however, is the contribution that each cohort makes to the Bank's cumulative record. OED reviews this cumulative record at intervals of several years. Annual Review 1988, for example, looked at experience in all operations evaluated since 1974.

1.03 Chapter 4, drawing on OED impact evaluation studies, visits 21 irrigation projects five to twelve years after their completion to review their effects in agricultural, economic, social, institutional, and environmental terms. Its findings emphasize how different the long-term outcomes of operations often are from the outcomes reported on in project completion reports and performance audits at the close of the investment phase.

1.04 Chapter 5 presents the conclusions of a comparative study of 35 trade adjustment operations in nine countries. The evaluation experience with these operations both confirms and adds to the understanding of trade policy reform processes, and their results, that has come out of theoretical work and empirical research done elsewhere.

1.05 Chapter 6, a distillation of four OED country studies, offers insights into the dynamics of the Bank's relationships with its borrowers over long periods of time, drawing lessons for future lending strategy and the management of operational programs.

B. Assessing Development Performance

1.06 The Bank evaluates the performance of all its operations following the completion of the implementation phase, shortly after making its final disbursements. This is an opportune time to account for the use of resources, assess the extent to which operations achieved their stated objectives, and draw valuable lessons for the future. However, the timing and the methodology have some limitations. First, the findings described in the review do not necessarily indicate the current status of the operations evaluated: operations showing poor estimated returns at completion may become more successful later on while, for their part, operations showing high returns may not sustain their apparent success. Second, given that the analysis of performance is based on judgments made about completed operations, the results do not necessarily indicate the quality of projects still under implementation. Third, the review does not take stock of all the actions and programs the Bank has implemented in the last decade. Several programs have been designed to correct some of the problems discussed here and to change, whenever appropriate, the directions of investment allocations and policy reforms.

1.07 In a broad sense, the performance of development projects and programs can be analyzed in terms of three, partly interrelated, concerns:

- How appropriate, in retrospect, was the initial design and how effectively was this design implemented?
- What was the quality of the government's macroeconomic and sectoral policies, and of the institutions affecting these operations?
- How did the international economic environment affect the operations?

1.08 A country's choice of development projects and programs, and their performance, depends fundamentally on its own policies and its own efforts. Yet, in an interdependent world economy, the international environment can have a considerable influence. And for the projects and programs that the Bank assists, another important influence on selection and performance is the Bank's own policies. To help put the discussion of operational performance in Chapters 2 and 3 in context, the two latter influences are briefly discussed here.

C. Evolution of Bank Policies

1.09 As a bank and as a development institution, and as a partner in a complex process of economic and social change, the Bank affects the development operations that it finances in its borrower countries. Indeed, at every stage of the investment cycle, from the conception of an operation through to its completion and ultimate impact, the Bank has a key role. For a proper understanding of the results of lending and their implications

for today's programs, it is important to bear in mind the Bank's policies in the period in which the operations were approved and carried out.

1970s

1.10 For the Bank, the late 1960s and 1970s was a period of rapid evolution. It expanded quickly both in staff numbers and in lending volumes, and so did its public profile. Targeting--whether of growth rates, Bank capital transfers, or the beneficiaries of loans--became a key tool, not only for achieving management goals but also for assuring staff compliance with the Bank's policies. The object of the targeting was economic growth with social equity; the composition of lending the 1970s largely conformed to the new policies.

1.11 The broadening scope of lending was announced in presidential statements in 1968 and fully enunciated in 1973. The new philosophy was encapsulated in a 1975 Bank publication, The Assault on World Poverty, which explained that the Bank was undertaking an offensive to deal with "the basic problem of poverty and growth in the developing world....The growth is not equitably reaching the poor. And the poor are not significantly contributing to growth. Development strategies therefore need to be reshaped in order to help the poor become more productive." "Growth with equity" became the new phrase for the Bank's outlook and action; and "poverty-orientation" a key criterion for project selection.

1.12 From the mission expressed in that statement stemmed much of the Bank's lending strategy and operations in the 1970s. Because most people in the developing world live on the land and most of those who do are poor, rural development became the core of the Bank's mission. The Bank sought not only to increase rural productivity and incomes but also to provide the services needed to improve rural living standards--such as clean drinking water, public health facilities, and education. "Most critical of all", it sought to support "new forms of rural institutions and organizations [to] give as much attention to promoting the inherent potential and productivity of the poor as is generally given to protecting the power of the privileged"[1/] .

1.13 The new anti-poverty orientation also extended to urban centers, where poverty was more noticeable because of its concentration. Beginning in the 1960s, the Bank moved progressively into financing shelter, a wide variety of urban services including transport, water, marketplaces, health and education, handicrafts and other small-scale enterprises, and comprehensive integrated urban development.

1.14 The Bank's lending of the 1950s and 1960s concentrated on physical infrastructure, so as to provide some of the inputs required for growth. In the 1970s the concept of infrastructure was expanded to include human resources. The quality of human resources began to be seen as even more

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1/ President's address at 1973 Annual Meetings.

important a determinant of growth than physical infrastructure. Hence a significant change took place in the approach to education. Lending in that sector expanded in the 1970s, with less stress laid on preparing manpower as an input into production and more stress on basic and general education to improve the quality of life. Lending for public health, nutrition, and family planning also increased.

1.15 Three aspects of the Bank's evolution in the 1970s had important effects on the choice and implementation of loans.

1.16 Sector policies. First, the Bank made systematic efforts to develop policies with respect to each of the main sectors in which it operated. A series of policy papers identified the principal problems the Bank confronted in each sector and outlined possible approaches to dealing with them. Some of the sector policies that the Bank adopted in the 1970s ploughed new ground; others rationalized development approaches that had already proved successful. In both types of cases, the policy statements were strongly and cogently articulated and they had a major influence on lending priorities.

1.17 An important policy development in the period concerned energy. The Bank, which had a long history of lending for electric power, responded to the two oil price shocks of 1973 and 1979 with new energy programs and eventually a comprehensive policy to help developing countries augment the supply and improve the efficiency of energy use. Oil and gas lending introduced in 1977 was further expanded in 1980 with the stated aim of helping catalyze oil industry skills, as well as cofinancing. The Bank sought to promote petroleum exploration by the industry by helping upgrade information on prospective areas as well as the legal framework and investment incentives. The program included financing for oil and gas development by national oil companies, aiming to improve their efficiency, as well as joint ventures with international oil companies. The Bank identified projects for the natural gas development and domestic use in many countries; these projects became the mainstay of its program. Energy lending by the Bank and other donors was also supported by a program of energy assessments, started with UNDP in 1980 to help some 70 countries frame their energy issues and options and lenders to focus their country assistance strategies.

1.18 Country lending strategies and targets. Second, with respect to each borrowing country, the Bank sought to articulate a strategy for its development and a program of Bank lending in support of that strategy. That program crystallized into annual country lending targets and, within that framework, precise project identities.

1.19 Targeting the poor. Third, staff were required to evaluate every proposed loan according to its likely direct or indirect impact on the poor. The socioeconomic groups who were to benefit from specific loans were "targeted", and the appraisal of projects considered aspects that went beyond economic efficiency in a traditional sense, drawing on social, as well as economic and financial, cost/benefit analysis.

1.20 Special reference should be made to forestry. Not until the end of the 1970s was a Bank policy on forestry articulated, although forestry lending had begun earlier. What made the policy unusual for its time was that it not only dealt with the contribution of forestry to growth and its impact on people living on forest fringes; it also directly addressed environmental issues and the sustainability of forest resources.

1.21 Concern with poverty led the Bank to expand its support into new types of operations. These inevitably led it into areas and activities where both data on initial conditions and experience in changing those conditions were scanty. In many of these operations, the outcome was to depend on locally specific factors that were as much social and cultural as economic and financial. In particular, it took several years of lending experience to become clear that inflows of financial resources must be complemented by institutional development if they are to achieve sustained improvements in living standards.

1980s

1.22 The drastic changes in the world economy at the turn of the decade (see the next section) brought about severe economic imbalances in most borrower countries and reduced their rates of growth, even in some cases lowering per capita income. The adjustments that were needed included both macroeconomic stabilization and the structural reforms required to re-establish the conditions for growth over the longer run. These tasks were central to the underlying missions of the IMF and the Bank, and called for close collaboration between these two institutions in the nature of their advice to member countries and in the timing of their financial assistance.

1.23 For its part, the Bank launched a program of structural adjustment lending, supplemented somewhat later by sectoral adjustment loans and complemented by its loans for specific investment projects. For the Bank, lending in support of structural adjustment had three purposes. It would be "a fundamental instrument for dialogue between the Bank and the country...Second, it [would] provide finance over a number of years in direct support of certain policy reforms. Third, it would provide foreign exchange not linked in advance to specific investment programs. Such loans would therefore disburse quickly."

1.24 As the Bank staff put it to the Executive Directors in February 1980 (R80-22, page 1), the measures that required support differed from country to country, but had certain common elements: a program of stabilization and reform to achieve agreed objectives over, say five years; the macro and micro measures needed to attain those objectives; a timetable for carrying them out; and a feasible system for monitoring those measures closely. Typically, among the actions seen to be required were instilling discipline into the demand for goods and services both foreign and domestic so as to achieve external and internal balance; decontrolling prices, including the price of capital; improving the efficiency of state enterprises; and creating or strengthening institutions to encourage and support private enterprise.

1.25 Evident in much of the Bank's support for structural adjustment was the hope that through establishing policy conditions on this lending, the Bank could constructively influence the economic environment in borrowing countries, many of whose features had tended to make project lending difficult or disappointing. Also reflected was a degree of disillusionment with national economic planning, and with countries' reliance on the public sector as the engine of growth. Loan conditionality in much of the structural adjustment lending reflected a preoccupation with providing the "enabling conditions" for growth, which was to be led by the private sector. These enabling conditions were often interpreted as changes in economic policy. Much faith was often placed in the potential of favorable price and interest-rate policies and liberal trade regimes, with less emphasis given to the need to develop human resources and to maintain and invest in physical infrastructure. Later in the 1980s, opinions within the Bank, reflected in its analytical work and policies, shifted toward a more balanced view--and one that took better account of the differences among countries at different levels of development--of the complementary roles of public and private sector, policy change and investment.

1.26 Though poverty did not dominate the Bank's rhetoric in the 1980s, it remained a central concern in the design, appraisal, and execution of projects. A major concern that emerged by the mid-1980s was the effects of economic crises, and of stabilization and adjustment, on the poor. Analytical work by the Bank on the social costs of adjustment in general concluded that the hardships suffered by the poor, though acute in many instances, were less harrowing than those they would have suffered without adjustment; efforts were made to minimize the social costs of adjustment programs supported by the Bank and to introduce compensatory measures (such as food stamp programs or food-for-work programs) where appropriate.

D. World Economic Environment

1.27 Some of the 262 projects under review were started in the early 1970s, but most were started in the late 1970s and early 1980s. The great majority were completed in the second half of the 1980s. During these two decades four features of the international environment particularly affected development performance.

1.28 The first of these was relatively slow growth in industrialized countries. The annual growth of real GDP of OECD countries slowed down considerably from 4.1 percent in the 1960s to 2.5 percent in the 1970s. The recovery that was expected for the 1980s failed to materialize.

1.29 Second, the slowdown in global economic activity inevitably depressed the demand and prices of nonfuel commodities. The average year-to-year variability of these prices increased markedly.

1.30 Third, the movement toward free-trade policies, sustained since the late 1940s by successive rounds of tariff reductions under the auspices of the General Agreement on Tariffs and Trade, came under serious threat in

the mid-1970s. Successive adjustments in the Multifibre Agreement, and the proliferation of voluntary export restraints and other nontariff barriers, affected a growing proportion of the trade in manufactured goods between OECD and developing countries. In agricultural trade, already heavily protected, barriers became even more onerous during the 1980s.

1.31 Fourth, the breakdown of the Bretton Woods system of fixed exchange rates in the early 1970s made macroeconomic management much more complex than before for developing countries that now had to adapt to sharp fluctuations in exchange rates among major currencies.

1.32 For all these reasons, the global context during the 1970s and 1980s was in sharp contrast to that of the previous 20 years. But a distinction has also to be drawn between the 1970s and the 1980s. The 1970s witnessed the two oil price hikes, with their profound repercussions throughout the world. Efforts were made to finance the much-enlarged balance of payments deficits of oil-importing developing countries by establishing two oil facilities at the IMF. For OECD countries experiencing double-digit inflation, containment of price levels became a key aim of economic policy, overriding the earlier emphasis on maintaining full employment. This had a noticeable effect on demand for primary commodities from developing countries. Private commercial bank lending to developing countries expanded phenomenally. In addition, there was a big increase in official development assistance, partly from petroleum exporting countries. Not only the Bank but also other multilateral and several bilateral donors followed a poverty-oriented philosophy in their assistance.

1.33 In many ways the 1980s had quite a different character. The financial and economic turbulence of the decade had a pervasive adverse impact on development generally and on the implementation of Bank-supported investment projects. This was a period of declining oil prices. Prices of commodities other than fuel fell further; their average level for the decade was 35 percent lower than in 1980. Developing countries' exports of manufactured goods, whose volume had sustained very rapid growth of 13.4 percent a year in 1974-80, registered a major setback. Such exports increased by only 9.4 percent a year during 1981-87. In value terms, the growth of these exports slowed even more markedly--from 14 percent a year in the earlier period to only 4.7 percent a year in 1981-87.

1.34 The most dramatic feature of the international economic environment in the 1980s was of course the debt crisis. In international capital markets, real interest rates rose to very high levels. Averaging 5.85 percent during 1980-89, they were twice as high as in the 1960s and nearly six times as high as in 1974-79. As debt difficulties grew, international commercial lenders stopped most voluntary lending to the highly indebted developing countries. Gross commercial bank lending to all developing countries dropped from $52 billion in 1981 to far short of $10 billion a year at the end of the 1980s. The gross flow of private foreign direct investment to developing countries peaked in 1982 and then declined sharply in subsequent years. Many developing countries that had received

large net resource transfers from abroad in the 1970s now had to pay very high proportions of their export earnings to service debt.

1.35 Low commodity prices, the substantial slowdown in world trade in manufactured goods, and the breakdown in commercial bank lending posed major challenges for developing countries. The debt strategy assisted with policy advice and resource flows from the International Monetary Fund and the Bank was based on the premise that developing countries should be helped to stabilize their economies and adjust to the new international realities on a case-by-case basis. The reforms to be undertaken by governments, supported by concerted lending, involved a combination of austerity and the adoption of economic measures to improve efficiency.

1.36 By the late 1980s, the economic outcomes varied a great deal among developing countries. Many countries in Asia, for example, did not suffer the slowdown in the growth of real per capita income that occurred elsewhere. The worst-affected region was Sub-Saharan Africa. Latin America also saw a protracted fall in real per capita income during the 1980s. Despite the differences between them in stage of development and economic structure, both these regions continued to suffer acute macroeconomic and external imbalances, reflected in extreme hardship for the poorer parts of their societies.

Effects on Performance of Bank Operations

1.37 In the Bank's policy-based lending--structural adjustment and sectoral adjustment loans and credits--considerable difficulties arose in the course of implementation partly because international economic conditions in the 1980s turned out to be worse than had been expected. For example, a group of 25 "early intensive adjustment lending countries" suffered a loss equal to 9 percent of their 1980 GDP during 1985-88 compared to 1970-80, owing to the deterioration in their terms of trade and the rise in international interest rates.

1.38 Superimposed on this loss was the cessation of net capital flows from private creditors, which for many adjusting countries necessitated sharp cuts, not only in investment but in consumption, adding to the political difficulty of sustaining efforts at stabilization and structural reform. At their peak in 1981-82, net private capital flows to these 25 countries averaged 3.3 percent of GDP. By 1983-84, they had contracted to 0.4 percent of GDP and during 1985-88 they disappeared altogether. Many of the 25 countries still succeeded in carrying out important policy reforms even though the ensuing benefits were diminished or delayed to some extent.

1.39 Many agricultural and rural development projects were adversely affected by the substantial declines in international commodity prices and their translation into local currency equivalents. Particularly affected in this way were irrigation and drainage projects on which rice was a principal crop. The world market price of rice declined by about 50 percent during the 1980s. Farm support programs in the United States and the European Economic Community also hurt Bank-financed projects producing

competing products. The projections made by the Bank during the 1970s and early 1980s tended to overestimate actual international prices for most commodities grown in Bank-financed projects, though not for tropical beverages.

1.40 In the energy sector, material changes in the scope and character of investments were caused by the unexpected decline in oil prices during the 1980s. The Bank's forecast of oil prices in 1980 implied an increase in real terms of 3 percent a year until 1995. Despite the sharp fall in oil prices starting in 1981, the Bank's outlook remained rather bullish for quite some time. The unexpected decline in oil prices during the 1980s caused material changes in the investment program. A major retrenchment took place in the international oil industry after 1982. The decline in multinational companies' interest in oil prospects in developing countries negatively affected Bank energy projects.

1.41 In industry, too, falling world market prices had a negative influence on many projects supported by the Bank. Sharp falls in phosphate fertilizer and urea prices adversely affected projects in Bangladesh, Peru, and Uganda.

1.42 The financial situation of development finance corporations was adversely affected by the marked instability in world markets, by inflation, and by the initial repercussions of government stabilization and structural adjustment measures. Real interest rates rose to very high levels in some countries (for example, Argentina and Turkey), causing severe financial stress for intermediaries and the firms borrowing from them.

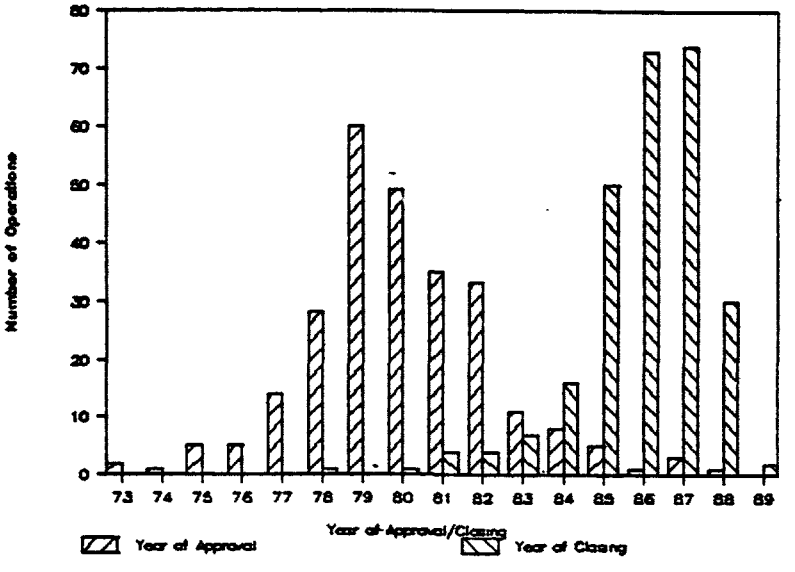
1.43 In electric power, transport, human resource development (education and health), and the urban sector, Bank-supported operations were executed in an environment in which falling foreign lending, rising domestic and international interest rates, and growing inflationary pressures led to a substantial deterioration in public sector finances. The policies that countries adopted affected the implementation of operations through inadequate incentive structure and poor mobilization of the resources needed to meet these projects' recurrent costs.

2. PROJECT PERFORMANCE

2.01 This chapter reports on the performance of 262 World Bank loans and credit-with commitments of about US$14 billion--evaluated in 1989[1] . Of these, 85 operations (32 percent) received in-depth audits including field visits, or intermediate audits using information available at Bank headquarters. The review draws on the completion reports (PCRs) for all the 262 operations, prepared by operational staff and, in addition, for 85 operations, or 32 percent of the total on audits conducted by the Operations Evaluation staff.

2.02 All but three operations were implemented in the period 1973-88 (Figure 2.1). Since many of the operations evaluated by OED in 1987 and 1988 were also implemented during this period (see Annex 1, Table 1-2) one should be cautious in making inferences about year-to-year changes in the Bank's performance.

Figure 2.1: DISTRIBUTION OF OPERATIONS EVALUATED IN 1989, BY YEARS OF APPROVAL AND CLOSING



Source: Annex 1, Table 1-1.

Note: Excludes one operation approved in 1964.

Source: Annex 1, Table 1-1.

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1 All references to the Bank in this review include the International Development Association (IDA), and references to loans include credits, unless otherwise stated.

A. Assessing Performance

2.03 The evaluation process on which this report is based involves identifying the objectives of each lending operation and then assessing expected outcomes for the project in relation to those objectives. This is done in the preparation of a Project Completion Report (PCR) and, independently, in the process of preparing the Performance Audit Report (PAR).

2.04 The objectives of a project are usually spelled out in the Staff Appraisal Report (SAR), and often elaborated in the President's Report which presents the project to the Board of Executive Directors. Where cost-benefit analysis is used in project appraisal, the objectives are further specified in the presentation of that analysis contained in the SAR. However, the original objectives are often modified, sometimes extensively, during the implementation of the project.

2.05 The objectives for a project generally comprise expectations in respect of inputs (including cost, time frame, physical inputs), outputs (e.g., buildings or km of road completed, teachers trained, and number of beneficiaries), and outcomes (e.g., increases in exports, food availability, value added by improved training, lower costs for transport, and externalities positive and negative). Project performance in respect of inputs and outputs can be evaluated straight-forwardly using data collected from the project. Outcomes, however, have a longer time frame and are indirect, and thus more difficult to assess. They can, of course be judged subjectively or assessed using tools such as cost-benefit analysis or cost effectiveness (which still involve subjective assessments).

2.06 When projects have been appraised using cost-benefit analysis, this method can also be applied in reassessing expected outcomes. Where available, the economic rate of return (ERR) is used (i.e., in about 50 percent of investment projects) as a major evaluation criterion. But it is never used exclusively as a performance indicator, since that is neither necessary nor appropriate.

2.07 The use of measures such as the ERR in evaluation are subject to the same limitations as they are when used at appraisal. They involve assumptions and expectations. In addition, if the tools of analysis are not applied with the same rigor in evaluation as they are at appraisal this may affect the reliability of the result. Unfortunately, this is often the case in PCRs which are prepared under limited time constraints. For this reason, it is important that such measures as the ERR are not used as exclusive indicators. Nor is it necessary, since input and output objectives can be assessed more directly using empirical data or revised projections, and consideration of other objectives achieved may influence the assessment of outcomes.

2.08 In assessing whether project performance is "satisfactory" or "unsatisfactory" an ERR that is clearly below the 10 percent standard used in the Bank is usually considered unsatisfactory. Where the ERR shortfall is marginal, but a large proportion of the stated objectives have been met, the project performance is generally assessed as satisfactory.

2.09 Once the objectives, as modified, have been identified, the process of assessing the likely outcome of the project in relation to those objectives is relatively straightforward. The clearer the definition of objectives the easier the process of evaluating achievements. Moreover, depending on the nature of the project only a few of the projected outcomes may have been realized by the end of the disbursement period or Closing Date. Thus the authors of the PCR and, where applicable, of the PAR, have to make subjective assessments of likely outcomes in relation to the objectives. The timing and subjectivity of these assessments means that the findings are inevitably tentative. Such is the nature of the data on which this Report is based.

2.10 Procedures for project evaluation, including the PCR (prepared by the responsible Operations Department and the Borrower) and the PAR (prepared by the Operations Evaluation Department) have evolved over the years. Initially, all projects for which there was a PCR were subject to "audit" by OED and entered the annual cohort only after they had been audited. After 1982, however, only a proportion (gradually reduced to 40 percent) of completed projects has been subject to audit. Thus the annual cohort on which the Annual Review has been based has since 1983 comprised some projects for which only a PCR is available, while others have both a PCR and a PAR. For SALs and SECALs, however, all completed operations are subject to audit.

2.11 Where an audit has been done, the findings of the PAR (if they differ from those of the PCR) are generally used instead of those of the PCR for the purpose of the Annual Review, on the grounds that they present a more recent and more thorough assessment. Such PAR findings are, however, always subject to a review process which permits the responsible Operations Department and the Borrower to comment extensively on the draft PAR. In most cases where PCR and PAR findings disagree the position is carefully scrutinized by staff in OED and the Region, often leading to some adjustment, or added qualification to the PAR. Thus for over 90 percent of the projects in the annual cohort the findings of the Region's PCR constitutes the basis for the analysis, and most of the others, but not all, have been accepted by the operations staff.

2.12 In this context the assessment of project "sustainability" provides an alternative perspective on project performance. It embodies concern for the overall Bank objective, as specified in the Articles of the Bretton Woods Agreement, "to make investments of lasting productive value". It assesses expected outcomes in relation to a broader set of development objectives, beyond those specified in the SAR (See Annual Review for 1988 which elaborates these objectives). In this respect, it asks questions about the "enabling environment" for the lending operation, including

global, national and sectoral conditions. It involves assessment of many of the same factors as cost-benefit analysis but in a less constrained framework. As applied, it also allows for a graduated assessment beyond merely satisfactory or unsatisfactory (i.e., likely, marginal, unlikely).

2.13 Similarly, evaluating "institutional development" gives attention to another overall Bank objective. Again this assessment allows for several different levels of achievement (i.e., substantial, partial, negligible). This concern with institutions has increased importance as the "software" elements of Bank-financed projects are increased relative to "hardware" aspects. This has been a recognized trend since the institutional and human resource elements of development have become more clearly recognized.

2.14 The mix of quantitative and qualitative assessments used in ex-post evaluation of project outcomes is emphasized. The assessments presented in PCRs are made by experienced Project Officers who have an extensive knowledge of development process in the sector and the country in which the project is implemented. In their role as project supervisors they have, inevitably, to make an evaluation of project performance as it goes along. The PCR is logically the final documentation of their assessment established progressively over time. Similarly, the assessments presented in the PAR are made by experienced evaluation staff, all of whom have had field experience as Project Officers, since evaluation staff are recruited from operations. They have the added experience of having reviewed many other projects after completion, in many different countries, and their assessment is independent of any previous involvement with the particular project being evaluated.

2.15 For SALs and SECALs the same basic approach is used: identifying the appraisal objectives and assessing whether they are met. Since no quantitative measures are used in program formulation for such loans, the assessment of performance is, of necessity, largely qualitative. It is difficult to reduce the results to a few simple coefficients. The process involves assessment of national and sectoral economic conditions confronting the borrower; review of the institutional arrangements and their capacity; examination of possible policy options (including those successful in comparable country situations and, finally, assessment of the policies proposed by the Bank, whether they were sensible in the circumstances, accepted by the country, effective when implemented, and what might have happened without them.

2.16 Overall, the methodology used in evaluation is hardly unique, but it provides an orderly set of procedures for assessing lending operations and a logical framework for that assessment in terms familiar to the Bank and to development specialists everywhere.

B. Overview of Results

2.17 Table 2.1 shows the sectoral and regional distribution of the operations evaluated in 1989. Its five major sectoral groupings are identical to those used in the last two annual reviews, AR87 and AR88, and broadly reflect the present distribution of operational responsibilities.

Table 2.1: OPERATIONS AND LOAN AMOUNTS BY SECTOR AND REGION, 1989

	Evaluated Operations		Loan/Credit Amounts	
	No.	%	$ billion	%
Sector				
Agriculture & rural development	82	31	4.36	32
Industry & energy	87	33	4.72	34
Infrastructure & urban development	59	23	2.61	19
Human resources & technical assistance	23	9	.51	4
Program and policy lending	11	4	1.54	11
Region				
Africa	62	24	1.21	9
Asia	101	39	7.52	55
EMENA	51	19	2.47	18
LAC	48	18	2.54	18
TOTAL	262	100	13.73	100

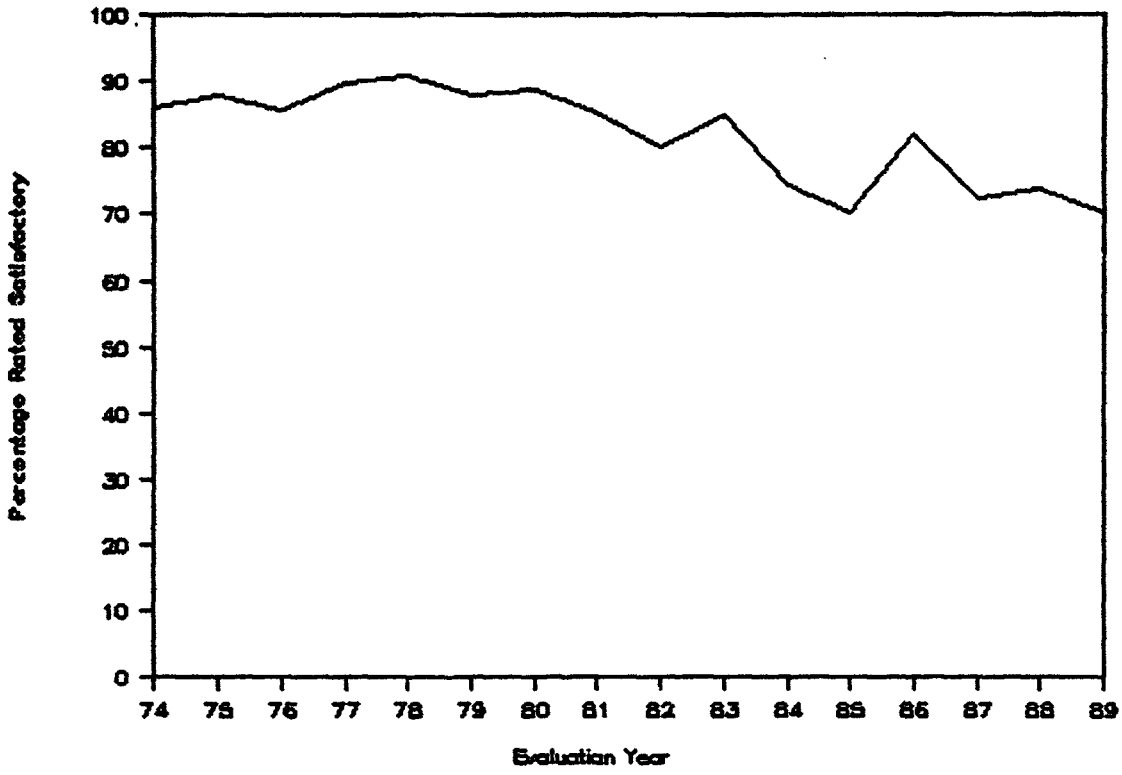
Sources: Annex 1, Table 1-4; Annex 2, Table 2-1.

2.18 Thirty-one percent of this year's cohort (82 operations) were in agriculture; irrigation and area development featured heavily, as did forestry, tree crops, and agricultural credit. Most of the 13 industry projects were in chemicals and textiles. Twenty seven projects supported development finance companies (FIs). Of the energy projects, 16 were in electric power and 22 were in oil and gas exploration and development. Nine projects were in telecommunications. The 35 transport projects included 26 highway, 7 railway, and 2 port projects. Most of the 12 urban projects supported integrated urban development, representing the last generation of integrated operations. Ten of the other operations were in water supply and sanitation, 16 were in education, four in technical assistance, and two were structural adjustment loans (SALs).

2.19 Seventy percent of the operations in the 1989 cohort achieved satisfactory results. For comparison, in the three years 1986-88, the proportions of operations assessed as satisfactory were 82 percent, 72 percent and 74 percent, respectively (Figure 2.2). In the 1989 cohort, the investment success rate--the proportion of total commitments accounted for by satisfactory operations--was 74.5 percent.

2.20 Unlike in previous cohorts, in which overall performance was best in Asia, the record in this year's cohort was best in EMENA, with 90 percent of the 49 implemented operations being rated satisfactory. It was followed by Asia (67 percent satisfactory, out of 101 operations); and LAC (61 percent satisfactory, out of 46 operations); and Africa (66 percent satisfactory, out of 61 operations). Since Asia has the largest number of operations in this year's cohort, performance in this region dominates the overall averages presented in this review. (Tables 2.1, 2.2.)

Figure 2.2: PERFORMANCE OF OPERATIONS EVALUATED IN 1974-89



Source: Annex 1, Table 1-7.

Table 2.2: PERFORMANCE OF EVALUATED OPERATIONS, BY SECTOR AND REGION, 1989

	Percentage of operations whose results were judged to be	
	Satisfactory	Unsatisfactory
Sector		
Agriculture & rural development	56	44
Industry & energy	76	24
Infrastructure & urban development	76	24
Human resources & technical assistance	86	14
Program and policy lending	60	40
Region		
Africa	66	34
Asia	67	33
EMENA	90	10
LAC	61	39
TOTAL	70	30

Note: Excludes operations not implemented and those on which data were not available.

Source: Annex 1, Table 1-10.

2.21 Looking at the sectoral distribution of the 180 projects rated satisfactory, 46 were in agriculture, 47 in energy and public utilities, 29 in transport and tourism, 19 in FIs, 15 in education, and 9 in urban projects. Of the 77 projects rated unsatisfactory, nearly half were in agriculture, 13 percent were in energy and public utilities, ten percent were in FIs, and ten percent in transport and tourism (Annex 1, Table 1-8).

2.22 Asia's performance to a large extent reflects the poor performance of irrigation projects (out of the 17 Asian irrigation projects evaluated, 10 were rated unsatisfactory), and the performance of projects in India, Indonesia, Nepal and Sri Lanka (See Annex II, Table 2.1, and Chapter 3, section C.) Performance ratings were also low in Asian agro-industry, fisheries, and water supply projects, although the results here should be interpreted with caution, given the small number of projects in the group.

Agriculture

2.23 For the 82 agricultural operations in the cohort, total approved lending amounted to nearly $4,354 million. Though their approval dates cover an 11-year span from 1975 to 1985, most of these operations were approved in fiscal 1975-82, a period during which Bank lending for irrigation and area development peaked. Other important groups within this year's agricultural cohort were in forestry, tree crops, and agricultural credit.

2.24 Fifty-six percent of the agricultural operations achieved satisfactory results. Eleven of the satisfactory projects were in irrigation and drainage, eight were in forestry, and seven in perennial crops. The performance of irrigation and drainage was uncharacteristically poor, with more than half of the operations being rated unsatisfactory. Area development projects performed as poorly as those in irrigation and drainage.

2.25 More than half of the agricultural operations (58 percent), accounting for nearly 60 percent of actual lending for agriculture in this year's cohort, were in Asia. On the whole, agricultural operations in Asia performed worse than in previous years, with only 57 percent of them rated satisfactory (compared with nearly 85 percent for the period 1974-88). Ten of the 20 unsatisfactory operations in Asia were in irrigation and drainage.

2.26 LAC had nine agricultural operations, accounting for 21 percent of the agricultural lending for the cohort; 22 percent of these operations were satisfactory. EMENA had 11 agricultural operations, accounting for 14 percent of the agricultural lendings for the cohort; 10 of these operations were rated satisfactory. Africa had 15 agricultural operations accounting only for 6 percent of lending to the region for this cohort; forty-seven percent of the 15 operations were satisfactory.

2.27 Several agricultural operations performed outstandingly well. They accomplished most of their objectives, having major beneficial effects on the countries concerned. Institutional development, management, and leadership were central to their success (see Chapter 3, Section A). Experience with the agricultural operations rated unsatisfactory also emphasizes the strong influence of institutional performance on development projects.

2.28 Forestry and perennial crops performed well above the average for the agriculture sector. In forestry, eight out of the nine projects evaluated this year were rated satisfactory, and in four of them the economic returns exceeded appraisal estimates. However, several important issues should be noted. First, because these projects take a long time to mature, plans should be made for monitoring their benefit streams carefully over a long time horizon. The final economic outcomes of such projects, especially in the case of publicly managed plantation components, will depend on adequate protection and maintenance through to the time of harvest, as well as on favorable future product prices. The three projects with large private tree farming components (i.e., India Gujarat and Uttar Pradesh Social Forestry and Burundi First Forestry projects) fared particularly well on account of their popularity with farmers, who responded enthusiastically to the opportunities for increasing their capacity to accumulate capital. Second, the evaluated cohort were from the first generation of Bank-assisted forestry projects prepared in the mid-to late- 1970s. These projects often benefited from the existence of under-used institutional capacity that is now becoming severely strained as a result of the increased scale and scope of follow-up operations.

2.29 In perennial crops, the highly satisfactory operation in Thailand (i.e., the Second Tree Crop Project), with its advanced technology and capable management and well functioning institutions, offered a convenient yardstick against which to measure the success of the perennial crops projects in the 1989 cohort. In spite of institutional weaknesses in some cases, seven out of nine operations were rated satisfactory. The principal determinants of unsatisfactory performance were shortfalls in planting

targets, poor quality plantings, inferior maintenance, weak extension services, lower-than-expected yields or inefficient processing. Lack of adequate management and unsustainable financial practices were also mentioned in some cases. The varied experience in this subsector underlines the importance of strong institutions where a highly capital-intensive processing technology option is used. Intermediate processing technologies may, in some instances, allow for more decentralized decision making.

2.30 Experience with agricultural credit projects shows that while sub-borrowers generally invested their loans profitably, giving high average rates of return, the experience of the intermediary institutions was often disappointing. They often had difficulty carrying out their administrative or regulatory functions efficiently, and often sustained poor rates of loan recovery or even negative interest rates. Evaluation of this group of projects has highlighted the need for more thorough assessments at completion of the institutional strengthening accomplished, and of the financial impacts on the intermediary institutions.

Industry

2.31 In industry, 13 projects were evaluated, of which only ten were given specific performance ratings. The projects were of five main types: engineering studies of phosphate mining projects; textile sector restructuring projects; capital-intensive industry projects; a construction industry development pilot project, and a technology development project. Performance did not vary according to project type. Of the ten projects with performance ratings, five were rated satisfactory.

2.32 The cohort of projects supported industrial restructuring at both the sectoral and the individual firm level. Experience with projects supporting the restructuring of firms emphasized that:

- Such projects should be based on a carefully prepared corporate strategic plan that incorporates specific actions agreed to be necessary. Restructuring projects require judgments at the preparation stage as to the technical condition and useful remaining life of plant and equipment, the economic merit of replacement/rehabilitation, and physical performance capabilities. Without a careful appraisal, their true costs may be grossly underestimated, leading to poor investment decisions.

- The time required to implement restructuring projects is easily underestimated. Construction under these projects must generally be made compatible with the firm's existing operations; ignoring this need can lead to overoptimistic implementation schedules, and hence to serious cost overruns.

- Successful projects develop sound management structures which can cope with unexpected problems and are able to reach capacity utilization levels reasonably quickly. Plans for rationalizing the use of manpower need to be made at the very beginning in restructuring projects; laying off staff can be extremely disruptive or impossible at a later stage.

- Overoptimism in the Bank's appraisal of commodity prices has resulted in financial problems for many projects; price risks should be systematically analyzed at the appraisal stage.

- The nature of the problems encountered during implementation suggests the need for more effective supervision. Supervision could improve planning and anticipate implementation problems so that preventive measures may be adopted.

Oil Exploration, Coal and Gas

2.33 The projects in the 1989 cohort fall into one of six categories, of which four are for petroleum, i.e. exploration promotion, exploration, development and production, and technical assistance, one is for coal exploration and one for industrial energy conservation. The cohort did not include any petroleum infrastructure projects.

2.34 Of the 22 projects in the energy subsector, 17 were rated satisfactory at the time of completion. Of the five operations considered unsatisfactory, three were exploration promotion operations, one was a technical assistance operation, and one aimed at the development and production of petroleum. Two of these unsuccessful projects were in EMENA, two in LAC and one in Africa.

2.35 In examining the unsuccessful operations in this year's cohort several issues emerge as important to future Bank operations in the energy subsector. In the Pakistan Second Toot Oil and Gas Development Project, financial and managerial problems that surfaced early during implementation might have been lessened if the Bank had taken a stronger stand on these issues before loan effectiveness. The failure of this project also highlights the high risks inherent in petroleum exploration operations and emphasizes the need for the Bank and borrower to exercise caution before committing themselves to large investments. Projects in Honduras (Petroleum Exploration) and Panama (Energy Planning and Exploration) failed, at least partly because of poor design, especially with regard to procurement and the supervision of consultants' performance.

2.36 The operations in this year's cohort demonstrate the important role that the Bank played in stimulating the search for petroleum resources, especially in countries with no petroleum production history. Exploration projects were structured to provide technical assistance for each stage of the exploration promotion process. They included consultancy services to improve and review the regulatory (fiscal and legislative) and contractual framework; to acquire and process geophysical data; to prepare promotional data for dissemination to the international oil industry; and to assist in the negotiation of contracts and the training of nationals. The aim of most projects was not capital resource transfer but rather sectoral policy reform to open up the country to greater private risk capital flows. Promotion loans and credits in the cohort resulted in exploration commitments by private oil companies that were more than three times the resources disbursed in those operations.

Power, Telecommunications

2.37 In power and telecommunications, the cohort contains 25 operations, 16 of them in electric power. Lending for the 25 operations amounted to nearly $2.4 billion. Of the power operations, ten involved at least a large component of generation capacity (in five cases hydro), eleven included transmission lines, and three supported rural electrification.

2.38 As in previous years, telecommunications projects provided important benefits to the countries involved, and their performance was once again much above the average for the population of evaluated projects. In many instances, the Bank has financed the first operation in the sector, helping the recipient country to carry out a comprehensive evaluation of options, accelerate the process of technology transfer, design a sustainable and flexible technological package, and enable the economy to operate with new and more sophisticated communication and data systems.

2.39 These telecommunications projects have had beneficial effects on several activities in the economy. Experience shows that quality of telecommunications networks affects the nature and scope of economies (or diseconomies) of size in cities and in industrial development and location. Some countries need to make large-scale investments in order to keep up with changes in telecommunications technology. This year's cohort includes projects that incorporated significant technological changes.

2.40 Given the nature of investments in telecommunications, and the high rate of satisfactory performance demonstrated in the last fifteen years of evaluation, the Bank may want to consider reviewing its future lending priorities in the sector. At present, few international financial institutions finance these types of operations in developing countries. The Bank advisory role in helping borrowers to make decisions regarding investment and technology development should be emphasized.

2.41 In power, all the operations essentially achieved their immediate physical objectives; the facilities financed were completed. Only two operations--both in electric power--were rated unsatisfactory. Hence the performance ratings are nearly 90 percent satisfactory for the power cohort and 100 percent satisfactory for telecommunications.

Financial Intermediaries (FIs)

2.42 Twenty seven evaluated operations supported FIs, and of them 70 percent were rated satisfactory. Performance varied across regions, with the highest rating in EMENA (100 percent) and the lowest in Africa (17 percent).

2.43 FIs in many countries began to face problems of financial viability in the late 1970s, reflecting the difficulties of the industries to which they lent. The problems intensified and became more obvious in the early 1980s. Volatile exchange rates and higher energy costs

constrained firms' efforts to restructure and adjust to these economic conditions. In many countries, failure to adjust industrial policies early enough to cope with external shocks led to acute problems in industry and, in turn, to financial difficulties for FIs.

2.44 Three of the FI operations evaluated this year supported restructuring--of public sector institutions in Argentina and Pakistan and a semi-public corporation in Morocco. Their experience demonstrates that for a FI to restructure successfully and attain viability it must be free from government interference in the decisions on loans for subprojects.

2.45 Diversification has become an important aspect of FI restructuring exercises supported by the Bank. (In some instances, of course, specialization may be necessary to improve performance.) As well as helping to spread financial risks, diversification can improve a FI's performance, competitiveness, and earnings base, and may energize FI management by demanding a more dynamic approach. Diversification also helps to broaden the financial market by making more services available. FIs in general face difficulties and risks in selecting which activities to diversify into. The Bank's advice on merchant banking, leasing, short-term lending, and the like is generic, intended to promote thinking among FI management, but more is often required--perhaps through financing technical assistance, covenanting wherever appropriate the appointment of consultants for this purpose as a condition of loan disbursement.

2.46 Experience in the FI projects evaluated this year emphasizes how prone FIs are to the effects of inflation. Inflation affects FIs portfolio performance through changes in the cost structure of industry and through changes in aggregate demand. Some of the negative effects of inflation may be compounded by inadequate institutional management. This two-way squeeze, if not offset by export earnings, quickly brings about liquidity issues, which in turn lead to delays or stoppage of debt servicing and often make necessary further, higher cost, borrowing. Only export projects have coped successfully with inflation. An analysis of FI operations in different countries, classified by relative inflation rates, shows that FIs in high- inflation countries, like Argentina, Mexico and Turkey, performed poorly.

2.47 When signs of inflation are observed, Bank supervision missions should require FI management to carry out a full review of the likely impact of inflation on the institution. With longer- term planning, concerted with action to strengthen their portfolios, FI managers can do much to help maintain liquidity in the face of inflation.

2.48 Experience also shows that inflation--though not the only factor--has affected FIs' performance by increasing foreign exchange risks. Almost inevitably, inflation leads to currency devaluations. To reduce the adverse impact of devaluation on industry and related institutions, governments (or central banks) have frequently carried the exchange risk. But as this year's review shows, where the exchange risk has been transferred to FIs' subborrowers, inflation and eventual currency

devaluation have had very damaging effects on FI portfolios. In the 1980s in the FI projects reviewed, the arrears of FI subborrowers increased greatly. Many of them sold their internationally uncompetitive output mainly in the domestic market and could not cope with the impact of repeated devaluations on their cash flow. This was particularly the case in countries (Tanzania, Zambia) in which subborrowers were exposed to the foreign exchange risk and in which the severity of the foreign exchange shortage resulted in considerable excess capacity. Where exchange-risk coverage schemes are available, portfolios (though by no means fully immunized from inflationary reactions) are substantially sheltered, keeping arrears generally within proportions that the institutions themselves can manage. Such schemes, if not based on market interest rates and a realistic estimate of the cost of foreign-exchange risk, could become a source of major fiscal burden on governments, and subsidy to the beneficiaries of the schemes.

Transport

2.49 More than two thirds of the 35 evaluated transport operations were road projects; the others were seven railway projects, two port projects, and two public transport systems projects. Twenty eight were satisfactory. Of the seven (20 percent) rated unsatisfactory, three were railway projects, two were road projects, and two were in public transport. Three of the seven were in Asia.

Urban Operations

2.50 Twelve urban operations were evaluated, three of which were rated unsatisfactory. Nearly half of the group were in Africa, where performance continued to be satisfactory in this area of lending.

2.51 The cohort of operations were approved between 1978 and 1982, when the Bank's emphasis on integrated urban development projects was at its peak. They were part of a second generation of Bank-supported urban development initiatives that consolidated and broadened the approach of their predecessors. As well as providing affordable shelter and shelter-related services to low-income families, and improving urban transport systems, they gave increased emphasis to promoting productive activities and creating employment. Employment generation was central to the Bank's urban development policy at the time these projects were implemented.

2.52 The findings on their performance show the ease with which urban projects of this type generally met their physical targets, and their relative difficulty in such important areas as cost recovery, institutional development, and employment generation. In particular, their employment generation components performed poorly, and the recognition of this led the Bank to stop including such components in most of its subsequent urban development operations.

2.53 This year's review paid particular attention to integrated urban development projects' capacity to generate productive employment. The

projects used several instruments for generating employment, the most important being development of industrial and commercial plots, expansion of retail markets and other commercial facilities, allocation of credit for small-scale enterprises, creation of specific facilities for handicraft and other production, and provision of technical assistance and credit. Some of these instruments were designed to expand the demand for labor, while others were designed to decrease the cost of mobility in the labor markets.

2.54 Important reasons why industrial and production promotion components performed poorly were that:

- The macroeconomic environment was clearly unfavorable in several of the countries under review.

- In other instances, components turned out to have been poorly designed or insufficiently flexible--often as a result of poor initial analysis of the likely demand for products and labor, as well as of costs.

- In cases where employment creation depended on adequate institutional infrastructure--for example to organize and run training programs, services, and land allocation and development programs--serious institutional weaknesses and insufficient political interest or commitment, particularly with regard to cost recovery, diminished the effectiveness of programs.

- Often, components were based on unrealistic expectations about the ability of physical planning solutions, such as the provision of urbanized lots, or market stalls, alone to stimulate commercial and industrial development.

- Weaknesses in several projects reflected the lack of previous experience with small-scale employment activities, both within the Bank and in the countries where the projects were undertaken.

2.55 By contrast, the experience of the Philippines third urban development project, with a program providing credit and technical assistance to small businesses, is noteworthy for its success. As compared with an initial goal of generating 6,000 new jobs at an average cost of $660 each, nearly 28,500 jobs were actually established at an average cost of $250 each. The program assisted nearly 3,000 micro, small, and medium-sized enterprises, ultimately benefiting more than 30,500 people in the Manila metropolitan area. Payment collections on the loans made to enterprises were on the order of 97 percent of the amounts due at the time the completion report on the project was written. This project incorporated lessons from earlier, less successful, attempts at employment generation in Manila.

Water Supply, Waste Disposal

2.56 In water supply and waste disposal, the review encompassed ten operations in nine countries and one pollution control project in Brazil. Total investment in these operations was over one billion dollars, with external financing representing 43 percent of this figure. The main aim of these operations was to extend services to more people; most of them also supported institutional and operational improvements. Special objectives included pollution control, improving services in secondary cities, prevention of water shortages, and faster provision of private connections. Overall, 70 percent of the operations were rated satisfactory.

2.57 To a large extent, the issues in the cohort were typical of Bank-financed water supply projects evaluated in earlier years which all too often had to do with management and finance.

2.58 To function effectively, water supply utilities must have qualified managers. Experience shows that the Bank's expectations may have been lower than warranted, and that the identification of issues, and consequently solutions, have been inadequate. Poor performance experienced with revenue covenants seems to have often reflected unresolved policy differences with borrower and unrealistic expectations that these differences would be resolved in time. This, in turn, suggests the need for improving financial analysis and projections as used for advising Governments and borrower entities of revenues and corporate finance policies required to provide the main service, and for designing financial performance covenants fully attuned to local needs and circumstances.

2.59 Though virtually all its water supply projects contain provisions for reducing unaccounted-for water, in some cases, even third or fourth repeater projects have achieved no improvement in this regard. The Bank's approach is inadequate and the priority accorded to this issue is usually far too low.

2.60 In systems where physical leakages are high, the Bank should not support the provision of additional source/production capacity until the leakage rate is reduced to an acceptable level. Typically the Bank's emphasis has been on the expansion of capacity, with efforts to reduce leakage added as an afterthought to expansion projects. In Surabaya, Indonesia, as one example among several, the Bank helped to finance additional production capacity to flow through the existing distribution system; some 40 percent of the incremental supply simply leaked away.

Human Resources

2.61 In human resources (education, health, and nutrition), the cohort comprises three population projects (one with a family health component) and 16 education projects. All projects except one in population were rated satisfactory.

2.62 In education, the cohort included one new borrower (The Bahamas); for most countries, these were the second or third education projects to be financed by the Bank, and for Indonesia, this was the seventh. Almost half of the education projects were in Africa. One project in EMENA was cancelled before any funds from the Bank were disbursed.

2.63 These projects reflect Bank policy at the time, which focused mainly on primary schooling and emphasized quality improvements in addition to expansions at the margin. Vocational training projects responded to manpower shortages while primary and secondary education projects aimed to improve access to, and equity in, educational opportunities. An important lesson from this year's review is that performance tends to be better where the Bank and borrower have already built up experience in previous projects. In those countries where the Bank has been involved for a relatively long time, the performance of education projects is quite satisfactory. This suggests a need for longer-term programs in sectors where institutional development is central to success. Recently, the aims of these long-term programs have become central to sector loans in education, where institutional aspects of sector programs are integral components.

Program and Policy Lending

2.64 In SALs and other non-sector specific operations, the cohort was small, with 11 operations (2 SALs, 8 sector adjustment loans, and one emergency assistance program), and performance was mixed. Five of the operations were in Jamaica: of these, four were judged to be unsatisfactory (Jamaica SALs I & II, and Jamaica Export Development Fund I & II) and one project was cancelled (Export Development Fund III). The unsatisfactory results for structural adjustment lending largely reflect country-specific problems within Jamaica.

2.65 Jamaica is a small open economy with exports, including tourism and non-factor services, accounting for more than half of GDP. The openness of the economy, combined with the heavy dependence on exports of bauxite alumina meant that the domestic economy was significantly affected by developments in the international market. The first and second oil shocks worsened the cost competitiveness of Jamaican bauxite relative to other competitors.

2.66 A major economic reform program was attempted in Jamaica during the period 1981-85 aimed at promoting export diversification, enhancing the private sector's role in the economy and achieving macroeconomic equilibrium, mainly by improving fiscal and exchange rate management. This program was supported by three SALs, three Export Development Fund loans, and resources from the IMF. Due to deficiencies in program design and implementation, the program did not achieve the expected structural reforms. Modest progress was made in trade reform. A shift from quantitative restrictions on imports to tariffs was counterbalanced by continuing distortions in the form of widespread ad hoc import exemptions and wide disparities in the nature of effective protection. Macroeconomic

imbalances persisted while the liberalization program was in effect. No serious attempt was made early in the program to redress the government's budgetary deficits, which also had the effect of crowding out the private sector from suitable investment financing. Efforts to regain fiscal stability were made in the third SAL program, but some of measures taken by the Government -notably the increases in the stamp tax on imports in May 1985- had the unfortunate effect of intensifying the restrictiveness in the trade regime.

2.67 Indonesia's experience with structural adjustment places it on the opposite end of the spectrum, that of highly successful loans of this kind. The country achieved successful stabilization and adjustment policies to diversify the economy and reduce dependence on traditional oil exports. Indonesia's economic adjustment program which began in the 1980s had its genesis in a sharp decline in oil prices and an adverse movement in its terms of trade. The policies and measures for attaining economic stability necessitated reductions in government expenditure, monetary restraints, positive real interest rates, improved fiscal effort, elimination of pricing policy distortions, and exchange rate competitiveness. The economy's structural disequilibria were addressed by policies to liberalize foreign trade and dismantle the complex regulatory environment.

2.68 This shift in economic strategy yielded dividends. The growth of inflation slowed down, budgetary and external current account deficits were reduced, and foreign exchange reserves strengthened. Prudent external debt management led to improvements in the ratio of outstanding debt to GDP. Important structural changes have occurred. A striking feature is the rapid increase in the growth of the non-oil economy and an outstanding non-oil export performance. The manufacturing sector has been the fastest-growing sector, in terms of its contribution to GDP as well as to exports. This increase stemmed from important trade liberalization measures, which reduced the anti-export bias in the system, and depreciation of the real effective exchange rate. The export base has been diversified in ways that could not have been contemplated a few years back.

C. Economic Rates of Return

2.69 This year's cohort contains 116 projects in categories for which ERRs are an appropriate indicator of benefits. For these projects, the weighted average ERR as re-estimated at the time of completion (when the Bank made its final disbursement) was 15 percent. (Table 2.3). This is a higher average than those of recent years' cohorts, and it is virtually the same as that for all evaluated projects approved in 1974-88.

2.70 Being weighted by project costs, these average ERRs indicate approximately the return on the total resources involved. Considering that the measures of benefits used for both power and water supply projects are mostly financial returns (i.e. depend on the way utilities price their products and services), these have been excluded from the computations.

2.71 The average ERR for Africa, at 19.2 percent, is higher than that of the Asia and LAC regions and almost equal to the average ERR for the EMENA region; it is also higher than the comparable figure for all evaluated projects in Africa (14 percent) that was reported in last year's review. The higher weighted ERR in Africa is a result of low rates of returns in smaller projects and relatively high ERR in large transport operations. In other regions there is a low variance with regard to both ERRs and project costs. In Asia, the average return is several percentage points below the historical average.

Table 2.3: RE-ESTIMATED ERRs OF EVALUATED OPERATIONS, BY SECTOR AND REGION, 1989

	Average Re-estimated ERR /a
Sector	
Agriculture & rural development	13.3
Industry & energy	13.8
Infrastructure & urban development	19.9
Human resources & technical assistance	-
Structural adjustment lending	-
Region	
Africa	19.2
Asia	13.3
EMENA	21.7
LAC	13.2
TOTAL	15.0

/a Weighted average of individual project ERRs (unweighted averages appear in Annex 1, Table 1-6). Excludes operations for which data are not available and operations for which an ERR is inappropriate. For example, ERRs are normally inappropriate for the class of operations covered by human resources and technical assistance and by structural adjustment lending.

- Not applicable.

2.72 As in previous annual reviews, the frequency distribution of the re-estimated ERRs was studied on a sectoral basis; despite variations across sectors (from 4.2 percent in two settlement projects to 45 percent in two energy projects), most of the ERRs fell between 10 and 15 percent. This is the same range as for the population of all evaluated projects. As in previous year's cohorts, re-estimated ERRs were in general relatively high in infrastructure and urban operations.

2.73 Re-estimated ERRs in agriculture were mostly in the 6- 10 percent range; those in electric power ranged from 10-15 percent; and those in irrigation and drainage, from 5-10 percent. Those in highways tended to be higher than 20 percent, and those in telecommunications ranged from 10-15 percent. In other sectors no pattern was discernible.

2.74 Comparisons with the frequency distribution of ERRs estimated at appraisal are useful, to assess how realistically the Bank predicted the benefits arising from project investments. ERRs as estimated at appraisal

mostly fell between 10 and 20 percent (the relative frequency distribution of the 10-15 and the 15-20 percent ranges was almost the same). In agriculture, the most frequent value was in the 10-15 percent range, showing a trend toward more realistic computations of project returns at the time those operations are appraised. Appraisal estimates also tended to be realistic in highway projects.

2.75 This was not the case, however, in many irrigation and drainage operations (see Chapter 4). In such cases it will be important for the Bank to make sure that its review of proposed projects and programs takes deliberate account of the assumptions underlying the forecast returns to such projects and programs. Technical parameters, such as crop yields, and economic variables, such as prices, are often difficult to predict. In such circumstances, experience has shown the virtues of strong monitoring and evaluation units.

2.76 For several years OED's annual reviews, analyzing operations in groups according to their years of evaluation, have remarked on an apparently widening gap between ERRs as forecast at time of appraisal and those as re-estimated at the time of completion. This year, as in last year's review, trends in ERR gaps are presented by year of approval as well as by year of evaluation (Figures 2.3, 2.4). By year of evaluation, while in 1987 the ERR slippage (that is, the difference between the unweighted ERRs at appraisal and at completion) was 13.7 percentage points, it declined to 9.2 percentage points in 1988 and to 7.1 percentage points in this year's cohort. Thus the gap appears to be closing, and in this year's cohort it is below the average for the last five years. By year of approval, however, there are no discernible trends in the ERR slippage values.

2.77 Wide gaps between forecast and actual ERRs also show the need for more realistic sensitivity and risk analysis in some operations. Work underlying this review assessed the extent to which sensitivity analysis of transport projects, at the time of appraisal, increases the Bank's capacity to predict returns during implementation. It showed that in none of the transport projects rated unsatisfactory did the sensitivity analysis encompass the ERR as re-estimated at project completion; at ten percent, the lowest ERR produced by the analysis was far above the negative returns that actually resulted from these operations. Hence, the analysis did not alert decision makers, within the Bank and the borrowing country, to the possibility of an unsatisfactory outcome.

Figure 2.3: APPRAISAL AND RE-ESTIMATED ERRS, BY YEAR OF EVALUATION, 1974-89

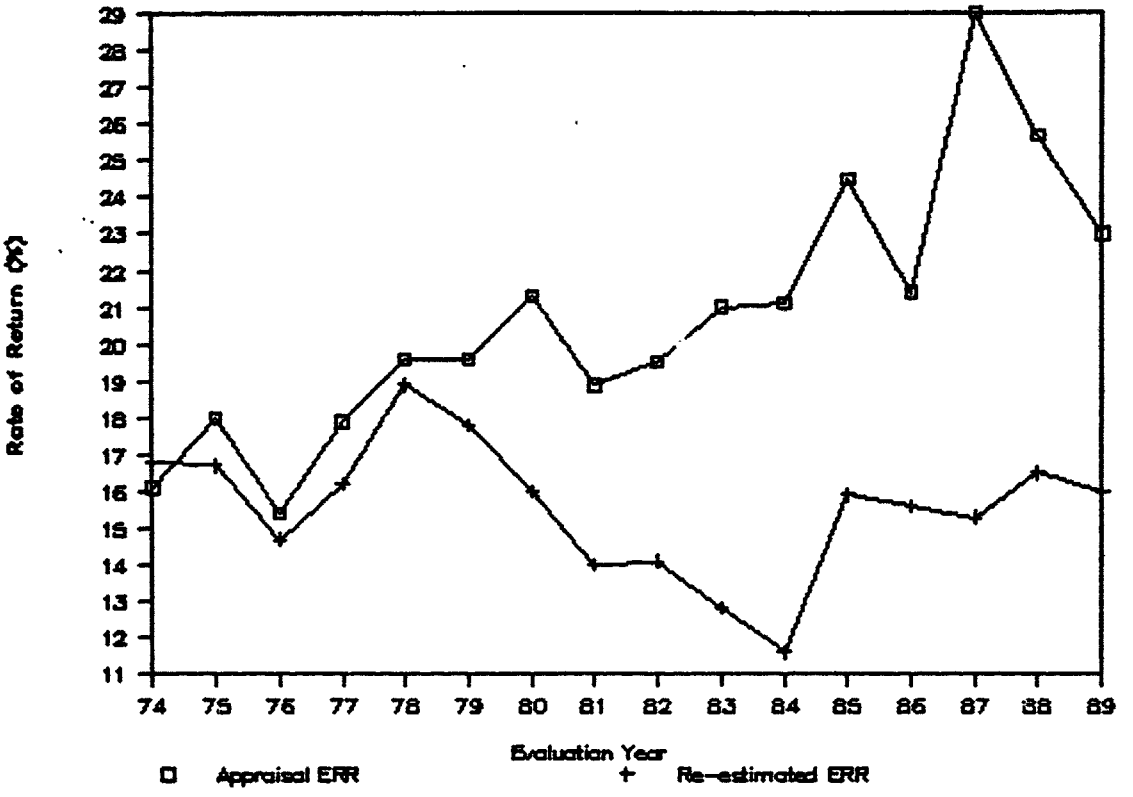
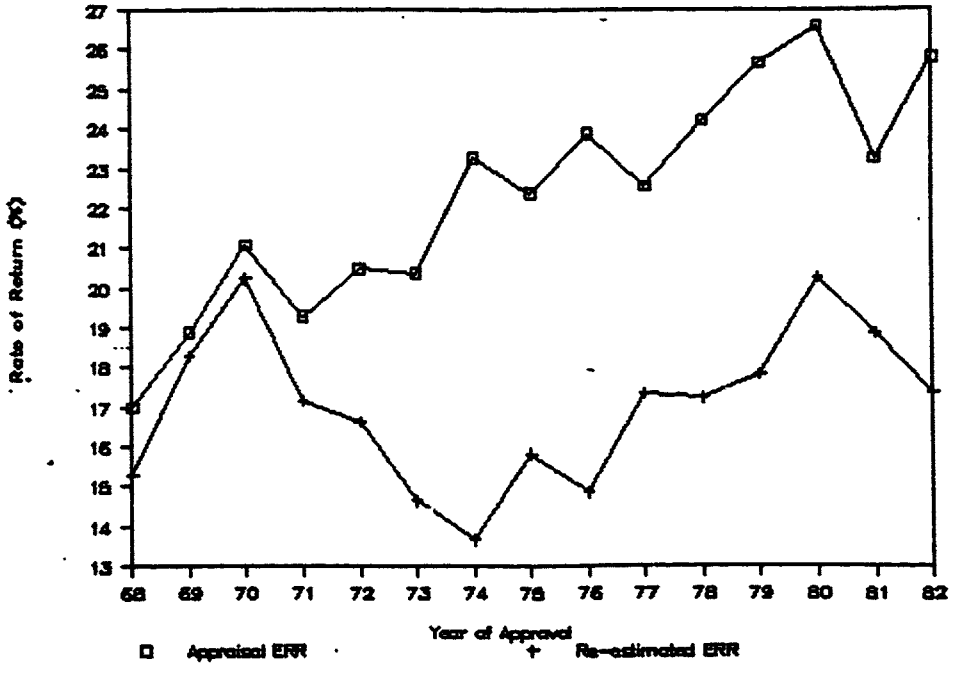


Figure 2.4: APPRAISAL AND RE-ESTIMATED ERRs BY YEAR OF APPROVAL, 1968-80



Note: Excludes 78 operations not approved in the period 1968-82.

2.78 Changes in the size of the ERR gap can be explained by analyzing separately the downward trends (a negative ERR gap, where actual returns were higher than expected) and the upward trends (a positive ERR gap, where actual returns were lower than expected) of the projects in this year's cohort. There are fourteen projects in the first category; the large majority are in the energy and public utility sectors. Only two agricultural projects show higher than expected returns--one agricultural credit project and one irrigation project.

2.79 In 36 projects the ERR gap was greater than zero. They comprised ten projects with a gap of 5 percentage points, 16 with a gap of 5-15 percentage points, seven with a gap of 16-25 percentage points, and three with a gap larger than 25 percentage points. By looking at those operations in the second and third categories (a gap of 5-25 percentage points), two main points are noticeable:

- nearly half of them are in the agricultural sector, and of those fifty percent are in the irrigation and drainage sector. Reasons why their returns were much lower than originally expected are discussed in Chapters 3 and 4.

- a significant proportion are in industry, energy, and public utilities, reflecting, to a large extent, the influence of the macro conomic environment (including developments in public fi ance) in determining development performance.

D. Institution Building

2.80 Of the 262 operations evaluated in 1989, 244 had significant institutional development goals. Of the latter group, one third were judged to have substantially met those goals, and 45 percent to have partially met them, while another 21 percent showed negligible accomplishments (Table 2.4). These results are somewhat better than those for previous cohorts.

Table 2.4: ACHIEVEMENT OF INSTITUTIONAL OBJECTIVES IN EVALUATED OPERATIONS, BY SECTOR AND REGION, 1989

	No. of Operations	Percentage of operations for which achievement was judged to be: Substantial	Partial	Negligible
Sector				
Agriculture & rural development	73	27	51	22
Industry & energy	82	44	45	11
Infrastructure & urban development	57	21	47	32
Human resources & tech. assistance	23	35	39	26
Program and policy lending	9	56	22	22
Region				
Africa	61	25	52	23
Asia	92	33	47	21
EMENA	47	43	43	15
LAC	44	36	39	25
TOTAL	244	33	46	21

Note: Excludes 18 operations in which institutional development was not an issue.

2.81 Operations with the least impact on institutions were those in infrastructure and urban development and agriculture and rural development. Those with the greatest were program and policy loans and projects in industry and energy. In most cases the institutional impact has been mixed. In Africa, where institutional absorptive capacity has been cited as a major constraint on development, investment projects continue to have problems in strengthening institutions. Neither has technical assistance been very successful in that region. Operations in Asia, when compared with the results presented in 1987 and 1988, show a marked decline in institutional achievements, which is in line with the other performance indicators for the region in this year's cohort.

2.82 Six of the sixteen operations in education had substantial institutional achievements, through creating capacity for training, education management, development of programs and curricula, and sound project management. A significant concern of the education programs financed in Africa has been the failure to develop local implementation capacity. A related broader issue is that of how to establish effective implementation units while achieving institutional development; in several cases lack of incentives, and inadequate career development prospects, meant that the project implementation units could not retain good staff and were destabilized as a result.

2.83 As appropriate physical standards of urban development have become less of an issue--thanks in fact to the success of earlier Bank-financed operations--the urban projects in the 1989 cohort were able to concentrate increasingly on institutional development in the sector, whether by strengthening national institutions or those of local governments. Training in instruments of improved land management, project evaluation, and financial management played an important role in several projects. However, technical assistance was not widely regarded as a successful instrument of institutional development in the urban sector.

2.84 Attainment of institutional development objectives in the water supply and waste disposal sector has significantly improved over the years. The reasons vary, but, as in education projects, experience gained through long and sustained Bank/government involvement has often been a major factor. In successful cases of institutional reform in the water supply sector, the Bank has had the patience to help prepare the ground, through well-conceived engineering loans or by insisting on pre- project action. Institutional improvements that were required to be undertaken during project implementation were only accomplished successfully where the groundwork had already been laid in two or more previous projects and the aim was further, progressive, improvement (Botswana, some Brazilian states, Republic of Korea, Jordan, Morocco, and Tunisia offer examples). In first or second projects, by contrast, efforts at institutional reform during project implementation consistently failed, usually resulting in poor project implementation and financial difficulties. Technical assistance, organizational studies, and training--all central to institutional development--were more effectively executed in entities that were performing more efficiently.

E. Project Costs and Implementation Times

Costs

2.85 The discrepancies noted this year between the US dollar costs estimated at the time of project appraisal and the costs actually incurred by the time of completion are shown in Table 2.5.

2.86 Information on cost discrepancies is available for nearly eighty percent (195) of the operations. Out of these, 67 percent experienced cost underruns, twenty-eight percent experienced cost overruns, and the remainder experienced neither. A tendency toward very low overruns was already noted in those operations evaluated in 1987 and 1988. Agriculture had the largest proportion of projects with cost discrepancies, followed by industry and energy and infrastructure and urban development. By region, the largest proportion of projects with cost overruns and underruns was in Asia. In Africa, 32 of the projects had cost underruns and 11 overruns; in EMENA, 19 had underruns and 13 overruns, and in LAC there were nearly three times more underruns than overruns.

Table 2.5: COST AND IMPLEMENTATION-TIME DISCREPANCIES IN EVALUATED OPERATIONS, BY SECTOR AND REGION, 1989
(percent)

	Costs		Time		Average Overruns /a	
	Overrun	Underrun	Overrun	Underrun	Cost /b	Time
Sector						
Agriculture & rural development	14	24	46	28	- 10	42
Industry & energy	35	24	79	31	- 17	65
Infrastructure & urban development	16	26	80	28	- 7	74
Human resources & tech. assistance	33	23	49	-	- 13	49
Program and policy lending	-	-	-	42	-	-42
Region						
Africa	15	24	77	-	- 12	6.
Asia	13	24	57	35	- 13	52
EMENA	25	26	68	28	- 5	58
LAC	41	26	66	31	- 9	52
TOTAL	20	25	65	31	- 11	58

/a Unweighted average of the percent discrepancy between actual and appraised values for individual operations.

/b Excludes FI, agricultural credit, SAL and technical assistance operations, for which the concept of project cost is inapplicable. It also excludes operations for which relevant data on expenditures were not available.

2.87 The average percentage of cost overruns and underruns combined is negative 11 percent. The only subsectors with significant average overruns are telecommunications (19 percent) and fisheries (12 percent). The largest proportions of underruns are in population and human resources projects (32 percent), transport and tourism (17 percent--with 61 percent underruns in the port projects) and education (15 percent).

Implementation Times

2.88 As in previous years, time overruns were sizable in this year's cohort. The average implementation time assumed at appraisal was 4.4 years, while the average actual implementation time was 6.6 years. The difference between estimated and actual implementation time was virtually the same as recorded in the last three years.

2.89 Data on implementation time were available for 180 operations, out of which 163 had time overruns. In education, non- sector specific lending, population, health and nutrition, and urban lending, all of the operations reviewed had time overruns.

2.90 The incidence of time overruns varied little among regions, though it was highest in Asia and LAC. Infrastructure- intensive projects (railways, ports, highways) tended to have long delays, reflecting problems during implementation.

2.91 The Bank should renew its ongoing efforts to improve the forecasting of implementation time. Discussion of existing guidelines should be encouraged, and evaluation methods should be developed to increase operational effectiveness.

F. Cancellation of Loans

2.92 Some of the Bank's loans are cancelled before being fully disbursed. Of the total loan amount of $14 billion in this year's cohort of 262 operations, about 13 percent was cancelled (an average of $5.5 million per operation, out of an average loan per operation of $52 million).

2.93 There were 180 operations in which up to ten percent of the loan was cancelled, and nearly 40 operations in which at least 30 percent was cancelled (Table 2.7). As might be expected, cancellations of small amounts were much more common than those of large amounts, and they tended to occur in relatively large loans. The reasons for cancellations--for example changes in the exchange rate, changes in project design, and implementation problems--are analyzed in Chapter 3.

Table 2.6: AVERAGE CANCELLATIONS IN OPERATIONS EVALUATED IN 1989

Range (%)	No. of operations	Total loan amount (billion US$)	Total cancellation (billion US$)	Average loan per operation (million US$)	Average cancellation per operation (million US$)	Average % cancellation per operation (million US$)
0-10	180	10.10	.18	56.10	1.00	1.8
11-20	27	1.28	.18	47.27	6.68	14.1
21-30	16	.67	.16	42.09	10.09	24.0
31-40	11	.55	.16	42.09	10.09	24.0
41-50	10	.46	.21	45.85	20.57	44.9
51-60	8	.32	.18	40.05	22.15	55.3
61-100	10	.37	.33	36.79	32.65	88.7

G. Performance in the Recent Past

2.94 This section compares the principal indicators of performance for the operations evaluated in 1987-89 with those for the 1989 cohort already presented in this chapter.

2.95 The operations evaluated in 1987-89 number 619 (with 9 of them either not implemented or lacking enough information on which to base judgments). Forty two percent of all operations were evaluated in 1989, and all except four were approved between 1973 and 1987. Thirty four percent of them were in agriculture and rural development (Table 2.7). Thirty one percent were in Asia, with the remainder almost equally distributed among the other regions. Of the 190 operations in Asia, 101 were evaluated in 1989, and this is one of the reasons Asia figures so prominently in the previous sections of this chapter.

2.96 There are no major differences in overall performance between that for the 1989 cohort of operations (70 percent rated satisfactory) and that of 1987-89 (71.8 percent rated satisfactory). In the 1989 cohort, however, a net decline in performance is visible in all regions except Africa (whose performance rating increased by eight percentage points). Performance has been very strong in EMENA, with 90 percent of the 1989 cohort, and 84 percent of the 1987-89 cohort, rated satisfactory). The only sectors for which significant differences (of more than six percentage points) were found were: industry, telecommunications, fisheries, water supply, perennial crops, energy, technical assistance, irrigation and drainage, credit, settlement and agroindustry and processing. In irrigation and drainage, the rate of satisfactory performance in the 1989 cohort is nearly 15 points lower than that of 1987-89, and nearly twice as many points in relation to the 1974-88 average presented last year. A similar pattern is observed in technical assistance, and in some of the subsectors in agriculture.

Table 2.7: COMPARISON OF PERFORMANCE INDICATORS, COHORTS OF 1987-89 and 1989

	Evaluated Operations 1987-89		Percentage of Evaluated Operations Rated Satisfactory		Average Re-estimated ERR/a	
	No.	%	1989	1987-89	1989	1987-89
Agriculture and rural development	211	34	56	59	13.3	13.5
Industry and energy	165	27	76	78	13.8	12.8
Infrastructure and urban development	151	24	76	80	19.9	19.9
Human resources and Technical Assistance	71	12	86	78	--	--
Program and Policy Lending	21	3	60	75	--	--
Africa	155	25	66	58	19.2	15.6
Asia	190	31	67	76	13.3	15.0
EMENA	145	23	90	84	21.7	12.8
LAC	129	21	61	68	13.2	14.7

/a Weighted average of individual project ERRs, weighted by project cost.
- Not applicable.
Sources: Annex 1, Tables 1-13, 1-14.

2.97 As might be expected, average economic rates of return differ little between the 1987-89 cohort and the 1989 cohort (Table 2.7).

2.98 In addition to the above captioned analysis a comparison was made between performance in the 1989 cohort of evaluation operations with the total population of operations evaluated between 1974 and 1989 (see Annex table 1-11). All evaluated operations were grouped by year of approval and three-year moving averages were estimated to detect long-term changes in performance. Despite the lowered score of the 1989 cohort of evaluated operations, the rate of projects with satisfactory performance continues to be nearly 80 percent (based on a population of 2,245 evaluated operations). The regional success rates vary from 70 percent in Africa, to 79, 85, and 85 percent in LAC, EMENA and Asia, respectively. During the period the percentage of the total number of operations rated satisfactory declined from 88 percent to 76 percent. On a regional basis, Africa shows a net improvement from 1972 onwards, EMENA is more or less the same during the period, LAC shows a clear down trend, and Asia shows a decline from 97 percent in the 1966-68 period to 77 percent in the 1981--83 period.

3. ISSUES IN PROJECT PERFORMANCE

3.01 The first section of the chapter discusses why certain operations in this year's cohort have been satisfactory. The chapter also examines the experience of several operations that have been rated unsatisfactory, giving particular emphasis to operations in Asia. The last section of the chapter reviews several aspects of the cancellation of loans, an important feature of this year's cohort of evaluated operations.

A. Operations with Satisfactory Performance

3.02 This section summarizes what evaluators found most interesting about six of the projects considered by OED to have met or exceeded their most important goals. While these projects may not be easily replicable, and not every aspect of their implementation was necessarily successful, their experience points to the types of design, implementation, and policy conditions that help to maximize the economic and social returns from Bank lending.

Agriculture

3.03 The Korea Fourth Agricultural Credit project had two main goals: promoting agricultural development through financing private small farm investments and rural income diversification, and strengthening the financial condition and profitability of the intermediary National Agricultural Cooperative Federation (NACF). This agency had already been assisted by the Bank through three similar loans (all rated satisfactory). It is well managed and long established, and its staff have good technical and loan appraisal skills.

3.04 NACF made a total of 18,440 subloans during the time of the Fourth Bank project, or more than twice the number expected at appraisal. Of those subloans, 62 percent went to greenhouse investments and the remainder to special crops, orchard development, on-farm storage and irrigation, beekeeping, and non-farm investments. Seventy percent of the farmers benefiting from the project had less than one hectare of land, so that benefits flowed to relatively low-income households. The financial and economic rates of return on different subloans were high, ranging from 13 percent to 50 percent, and very similar to the rates of return expected at appraisal.

3.05 The investments were rated as likely to be sustainable, particularly in view of expectations about the short- and long-term domestic consumer demand for fruits and vegetables. The institutions involved were strengthened financially through a series of measures including raising interest rates, increasing the interest rate spread, policy liberalization (e.g., managerial autonomy, improved financial management), and a reduction in the role of government in credit

allocation. The substantial freedom of NACF to allocate its loan funds contributed to its efficiency and profitability. The experience was marked by an amicable and professional relationship between NACF and the Bank.

3.06 The Thailand Second Tree Crop project followed an earlier, also successful, project. Its main goals were to raise smallholder incomes and to improve the country's balance of payments through raising exports. In pursuit of those objectives, the project replanted old low-yielding rubber plots with improved higher-yielding varieties. It covered more than 236,000 hectares, or 18 percent more than expected at appraisal. The average yield is expected to be 23 percent higher than expected at appraisal, thanks to continuing improvements in production technology. At the time of completion, the estimated incremental value of production, over the 30-year life of the project, was 17 percent higher than the appraisal estimate, even though rubber price forecasts at the time of completion were about 57 percent below appraisal estimates.

3.07 Important reasons for the highly satisfactory outcome were:

- an effective research organization responsible for developing and disseminating technical knowledge and coordinating the supply of improved plant material;
- a well-managed and staffed, financially stable agency for administering the replanting program, using funds provided through general levies on rubber exports;
- an adequate system of incentives for smallholders to replant and adopt improved technologies;
- good marketing arrangements; and
- an effective system for technical assistance.

3.08 The North China Plain Agricultural project was the first Bank-supported project for agriculture in China, implemented at a time of major socioeconomic reform. It successfully improved irrigation and drainage on about 200,000 hectares, bringing lands degraded by salinity and waterlogging back into agricultural production. Overall cropping intensity increased by 18 percent, while yields of all crops exceeded appraisal estimates by a wide margin. Total production in the project area increased by about 166 percent. The project's anticipated ERR at completion was 56 percent.

3.09 The main reasons for the project's success were that:

- dismantling the communes, transferring land use rights to individual farmers, liberalizing prices and markets, and decentralizing investment decision- making helped to reinforce the flow of benefits;

- project design was simple, and based on proven technology;

- the project could count on a high degree of commitment at all levels of government and a positive response by the farming community;

The approach adopted by this project is being replicated in adjacent areas and in other regions through follow-on Bank-supported projects.

3.10 The Malawi National Rural Development Program Phase II was the Bank's first forestry operation in the country. Its main goals were (1) to help develop Malawi's forestry so as to provide a sustainable supply of energy without damaging the environment; (2) to improve forest management and conservation; and (3) to improve the institutional and economic framework required for forestry development. The project established retail nurseries and fuelwood/pole plantations, strengthened the Wood Energy Division, and established an Energy Study Unit. The principal policy measure supported was an undertaking by the government to increase wood prices gradually, so that by the time the project's output was marketed, wood prices would be high enough to ensure full cost recovery in project plantations.

3.11 Although the project did not achieve all its objectives equally, it successfully established institutions, prepared staff, and developed public and political support for tree planting. A well-trained, competent, experienced, and dedicated staff is now in place. The project team launched planting activities throughout the country, by motivating schools, villages, and area action groups to plant trees. More generally, the project raised people's awareness, nationwide, of the emerging fuelwood crisis.

3.12 Malawi now has the capacity to prepare forestry development programs with little foreign assistance. A long-run forestry strategy was developed during project implementation as a result of a continuous and effective policy dialogue between the country and the Bank. Finally, the project created an institutional consensus, at the highest levels of decision-making, with respect to the strong influences of both the forestry sector and macroeconomic policies on development performance.

Electric Power

3.13 The Malaysia Power IX project increased power generating capacity, interconnected two subsystems, strengthened the government's capacity to plan, developed the energy resources and improved the financial performance of the executing agency, constructed two hydro power stations and associated transmission facilities, and executed a study for optimizing the use and development of energy resources.

3.14 The National Electricity Board (NEB) carried out this rather complex project on time, and at a cost below appraisal estimates. The project's institutional development goals were achieved as expected at appraisal, and NEB now has the skills to carry out complex projects (the two follow-on projects Power X and XI were also successfully completed). NEB's financial performance is matched by very few utilities in developing countries; its revenues cover debt service, adjustments to working capital, a 5 percent dividend on paid-in capital, and some 40 percent of investment. An important instrument of success was pricing policy. A return on net revaluated assets at 8 percent was achieved by appropriate adjustments in the tariff rates.

Urban Projects

3.15 The Jordan Urban Development project successfully provided shelter and related infrastructure and community facilities to lower- income groups in Amman at affordable prices. A second objective was to help improve productivity, by providing loans to small-scale enterprises, vocational and commercial training, and training facilities. Subsidies were minimized, to ensure the project's replicability. The project also helped to develop a longer-term strategy for dealing with the problems of inadequate housing and services.

3.16 When serviced land is made legally available at affordable prices, households invest time, effort, and financial resources in solving their own housing problems. This was amply demonstrated in the speed with which houses of good quality were constructed in slum areas, once land tenure had been granted to resi lents.

3.17 Equally important, the Jordan project succeeded in two areas where success has usually been elusive: affordability and cost recovery. In particular, the great majority of the beneficiaries in the new sites were within the low-income target group, and at the time of completion almost all households on the upgrading sites had committed themselves to paying for the land and services provided by the project. Institutional objectives were also fulfilled. The Urban Development Department of Jordan and the Housing Bank of Jordan used the experience gained from this project, and its first follow- up, to prepare subprojects and appraise them under the third Bank- supported urban project in Jordan. Some aspects of the project, particularly those concerned with beneficiary relations, offer valuable examples for other Bank-financed shelter projects.

3.18 If there is a set of common factors determining performance in these six projects, one of them is good institutional arrangements. Each of the projects either was able to rely on, or contained components that successfully helped to create, capable and efficient organizations. The successful projects were well managed at all levels. Further, they could count on incentives to beneficiaries that reinforced the project goals, smooth interorganizational arrangements, balanced community and government

participation, and well-established and institutionally and politically stable implementation agencies.

3.19 In many instances, including education, power, and water supply lending in many countries, the key ingredient for success is a long-standing relationship between Bank and borrower. Thus the ninth power project in Thailand, for example, was able to take advantage of the institutional and organizational developments accomplished over a number of years.

3.20 The design of most of these projects (except the power project) was explicitly concerned with replicability at a reasonable cost to the borrower economies.

B. Operations with Unsatisfactory Performance

3.21 Table 3.1 shows the regional distribution of operations rated satisfactory and unsatisfactory. Across sectors, agriculture had the highest incidence of unsatisfactory performance, with 36 (46 percent) of the 77 operations that were rated unsatisfactory. Of the other 41 operations rated unsatisfactory, 20 were in industry and energy, 14 in infrastructure and urban development, three in human resources and technical assistance, and four in program and policy- based lending (24, 24, 14, and 40 percent, respectively).

Table 3.1: SATISFACTORY/UNSATISFACTORY OPERATIONS, BY REGION, 1989
(Number of operations)

Category	Africa	Asia	EMENA	LAC	Total
Satisfactory	40	68	44	28	180
Unsatisfactory	21	33	5	18	77
Operations for which data not available	1	-	-	1	2
Operations not implemented	-	-	2	1	3
TOTAL	62	101	51	48	262

Source: Annex 1, Table 1-8.

3.22 In past annual reviews, discussions of performance relied heavily on the economic rate of return as the criterion for judgment. In this chapter, the performance analysis is expanded to operations for which economic rates of return are traditionally not estimated.

Operations with ERRs

3.23 Of the 77 operations judged to be unsatisfactory, 44 percent, or 34 operations, were rated unsatisfactory on the basis of their economic rates of return at the time of completion. A re- estimated rate of return of ten percent is traditionally, though not in all cases, the cut-off rate below which operations are considered unsatisfactory.

3.24 The total investment cost of these 34 operations was $3.1 billion, or 13 percent of the total investment cost, for the whole cohort, of $24.7 billion. Most (91 percent) of the 34 operations were in agriculture or transport and tourism. This is partly because these are the sectors in which it has been most common to re-estimate rates of return at completion, but it also reflects a higher level of unsatisfactory lending to these sectors in the 1989 cohort.

3.25 For analysis, the 34 operations were arranged in three categories: (1) operations with ERRs of at least 6 percent; (2) operations with ERRs of 1 to 5 percent, inclusive; and (3) operations with ERRs of zero or below. As Table 3.2 shows, 35 percent had ERRs of 6 percent or above, indicating that they yielded significant benefits despite their "unsatisfactory" rating; 29 percent had a rate of return that fell between 1 and 5 percent; and 35 percent had an ERR of zero or below.

Table 3.2: DISTRIBUTION OF UNSATISFACTORY OPERATIONS BY RE-ESTIMATED ECONOMIC RATES OF RETURN, 1989

Range (%)	Agriculture		Industry		Transport & Tourism		Energy and Publicn Util.		Urban		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
0 and below	7	29	0	-	5	0	-	0	-	12	35	
1-5	8	33	0	-	2	0	-	0	-	10	29	
6 and above	9	38	1	100	0	1	100	1	100	12	35	
TOTAL	24	100	1	100	7	1	100	1	100	34	100	

Operations with ERRs at or below Zero

3.26 Of the 12 operations with re-estimated ERRs at or below zero, seven were in agriculture and five were in transport. Experience with these operations illustrates several of the factors affecting unsatisfactory lending to these sectors. Eight operations had rates of return below zero at completion. All of the eight were approved in the four years 1978-82 and implemented during the early 1980s. Five of them were in agriculture, two in highways, and one in railways. The total investment cost of these eight operations was $307.1 million.

3.27 In the seven poorest operations in agriculture, the ERRs at completion were lower than expected for a combination of reasons. In the Nepal Grain Storage project, for example, only two thirds of the planned project investments had been made and the completed facilities were seriously under utilized. Construction and operating costs were twice as high as estimated and the institution- strengthening goals of the project had not been met. Similarly, in the Ocoroni Irrigation project in Mexico, shortcomings in the physical results and increases in the cost of construction depressed the economic returns, as did delays in physical construction and the fact that project components were smaller than expected.

3.28 Sector development projects in agriculture are often affected by problems not seen in infrastructure-intensive investment. For example, in the Somalia Central Rangelands Development project, a fall in the rate of return reflected a fall in the expected benefits from sector investment at large; the Bank may have been overly optimistic in its appraisal estimates of project returns.

3.29 Of the five agricultural operations with negative ERRs, two were in agro-industries, and one each in livestock, irrigation, and forestry. In three out of the five, the negative returns were largely attributable to exogenous factors, including adverse movements in world commodity prices (Burkina Faso, Niena Dionlele Rice Development) and poor appraisal estimates of benefit streams (Somalia, Central Rangelands Development and Liberia, First Forestry). After external factors, institutional difficulties-- especially poor organization and management and inadequate staffing-- were the main cause of failure.

3.30 In the transport operations with ERRs at or below zero a major cause of difficulty was deficiencies in financial management. Much depends on the borrower's ability or willingness, or both, to undertake and manage the tariff and/or financial improvements necessary for good operational performance.

3.31 In the Calcutta Urban Transport project in India, and the Road Passenger Transport project in Sri Lanka, very low economic rates of return at completion largely reflected poor financial performance. In the latter project, operational performance was heavily influenced by poor accounting procedures, inadequate financial policies, and, despite large fare increases and technical investments, a public transport organization that consistently ran deficits and mismanaged financial operations.

3.32 Other reasons for poor economic returns in transport projects, again in principle within the control of project management, were similar to those in last year's cohort: lack of competent managers; institutional weaknesses; and various technical and design issues. In the Bihar Rural Roads project, whose re- estimated ERR was at or near zero, many of the recently completed roads had failed prematurely or were in an advanced state of deterioration, largely because of poor quality control and supervision during construction and inadequate maintenance afterwards. Underlying these problems was the less-than-adequate management, technical expertise, and long-term funding of the executing organization.

Operations with ERRs above Zero

3.33 Of the 34 operations rated unsatisfactory on the basis of their re-estimated ERRs, twenty-two were yielding positive rates of return at completion. Seventeen of these 22 were in agriculture (9 in irrigation, two each in fisheries and land resettlement, and one each in perennial crops, area development, agro-industries). The others were one in wildlife and tourism development, project, two in transport, and one each in energy, urban development, and industry.

3.34 In the nine irrigation operations in this group, the reasons for lower than expected returns included lower-than-expected yields, cost and time overruns, and falling world prices for commodities, especially rice. Further analysis of these projects using projected prices at appraisal gives some increase in the ERR but not sufficient to exceed 10 percent. However, this may tell only part of the story. Major commodity price declines, such as occurred for rice in the early 1980s, ramify through a project in many ways. They reduce farmer incentives to produce, and to use purchased inputs such as fertilizer. They often reduce the level of government revenues, thus affecting government's ability to provide for counterpart funds and recurrent costs. And they may reduce foreign exchange earnings, thus affecting government's ability to import capital equipment for completing works and to purchase inputs such as fertilizer. Thus, a decline in prices, yields, output, and in the ERR for irrigation projects, as well as time and cost overruns, may be caused by major commodity price changes. But this is not proven.

3.35 In the Zambia Third Railway project, an improvement in repair facilities and the addition of newer locomotives and spare parts did not result in the increase in operational efficiency envisaged at appraisal.

As a result, through a combination of rising operating costs and poor institutional support, the return to this operation fell substantially short of the 19 percent expected at appraisal.

3.36 While it is difficult to draw general conclusions across sectors, it is worth noting that at the appraisal stage of many of the operations with low returns, the Bank has tended to underestimate the importance of external factors affecting project outcomes, or to overestimate borrowers' capacity or commitment to implement and sustain the components of the project. In both these situations the economic return to investment often falls due to a number of secondary symptoms including increasing costs, poor institutional support, implementation delays, and unexpected price fluctuations.

Operations without ERRs

3.37 Of the 77 operations judged to be unsatisfactory, 43 were rated unsatisfactory under criteria other than a re-estimated economic rate of return. New to this year's review of project performance is an analysis of the issues affecting this cohort.

3.38 The 43 operations fall into one of two categories: (1) individual operations for which ERRs could have been calculated, but for lack of data at their completion; and (2) types of operations for which the benefit stream is not readily quantifiable, and whose beneficiaries are not readily identified, so that an ERR cannot be calculated.[1] The second category includes operations in FIs, education, agricultural credit, population, health and nutrition, and program and policy-based lending, where the benefits are not easily identified or accrue through macroeconomic policy variables.

3.39 Of the 43 operations, 12 were in agriculture, eight in FIs, two in technical assistance, four in program lending, four in energy, two in power, three in water supply, four in industry, and one each in tourism, and population, health and nutrition. The total investment cost of these 44 operations was $3.2 billion, or 13 percent of the total investment cost for all operations reviewed in 1989 of $24.7 billion.

3.40 Operations with no re-estimated ERR. For operations that lack the necessary information at completion to calculate an economic rate of return, OED evaluators use the information available in project completion reports (PCRs), staff appraisal reports (SARs), supervision reports, and other Bank documents. Operations are evaluated on their achievement of targets established during appraisal, and an ex post "quasi-ERR" is estimated based on these achievements. Using successful operations of a

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1There is a group of operations (e.g. water supply, power) where there is a "quasi-ERR", in that the calculations reflect more existing pricing and tariff policies than true economic returns.

comparable type as a benchmark for success, an assessment is then made as to the success or failure of the operations.

3.41 Projects for which the concept of ERR does not apply. Evaluating program and policy lending, FIs, technical assistance, and other broad-based lending operations is more difficult than that of more narrowly focused investment. Exogenous influences, time lags, and the diverse nature of policy and implementation issues make it difficult to identify the reasons for outcomes.

3.42 In development finance corporations, outcomes are strongly influenced by exogenous factors, particularly inflation, world commodity prices, foreign exchange rates, and sector-specific conditions. As stated at appraisal, the goals of projects supporting FIs are almost always framed in terms of institutional operation and broader sectoral goals, rather than physical targets.

3.43 In this year's cohort, eight FI operations were rated unsatisfactory, accounting for more than ten percent of all unsuccessful lending in this year's evaluation cohort. As explained in Chapter 2, the main reasons for their unsatisfactory performance were institutional deficiencies, inflation, and inadequate Bank supervision. Chapter 2 has already stressed the strong influence of macroeconomic conditions on the outcome of the Bank's FI lending. Bank staff need to make a concerted effort to incorporate known risk factors into the design and supervision of lending to FIs.

3.44 Of the four technical assistance operations in this year's cohort only two were rated successful at completion. The difficulties experienced by the four projects mirror those mentioned in past project evaluations, especially:

- Deficiencies at the design stage (vagueness of objectives, lack of clear procedures, few identifiable subprojects, weak coordination, and insufficient resources for Bank supervision).

- Overambitious goals, and deficient project preparation, both technically and institutionally, as in the Sudan Second Technical Assistance Project. The Bank made extensive supervision efforts in the Sudan project, but did not elicit proper action to achieve the institutional development envisaged.

3.45 In one of the two successful technical assistance projects in this year's cohort, the Ecuador Second Technical Assistance Project, Bank staff contributed to effective implementation through: correct analysis and interpretation of the constraints affecting investment planning and project preparation in Ecuador; frequent and effective supervision missions and

close collaboration with the government of Ecuador to overcome initial difficulties which hindered the project and delayed disbursements for several years; timely recognition in 1980 that although the original project objectives were still valid, there was a need to shift their emphasis.

3.46 The lessons learned from technical assistance operations evaluated in 1989 follow past recommendations made by OED. In particular, the design and strategies for implementation must be consistent with the implementation capacities and human resource base of the borrower. Further, the Bank's participation in the design and implementation must remain flexible, so it can respond to changes in the borrower's institutional development needs. In remaining responsive to the borrower's needs, Bank staff are often able to eliminate the inefficiencies caused by vague and, often, unrealistic project objectives.

C. Operations in Asia

3.47 One of the most noticeable features in this year's review relates to the operations in Asia. Between 1974 and 1988, OED evaluated 510 operations in Asia; the overall performance of these operations was very good, with only 56 (11 percent) receiving unsatisfactory ratings. In 1989, OED evaluated 101 more lending operations in Asia, of which 33 were considered unsatisfactory at their completion. Thus, of the 611 operations evaluated in Asia from 1974 to 1989, 89 (15 percent) were rated unsatisfactory.[2] This represents a decline of 4 percentage points in the proportion of operations in Asia rated satisfactory.

3.48 Comparing the average rate of unsatisfactory performance among operations evaluated in the 15 years 1974-88 with that among operations evaluated in the 16 years 1974-89 shows that most of the decline in performance occurred in irrigation, followed by industry, highways, power, and water supply.

3.49 In 1974-88 OED evaluated 63 irrigation operations in Asia. Of these, 7 (11 percent) were rated unsatisfactory. In 1989, of the 17 irrigation Asian operations evaluated (see Box 3.1), 10 (59 percent) were rated unsatisfactory. The overall percentage of satisfactory lending to irrigation in Asia, therefore, fell in one year from 89 percent to just under 79 percent. Chapter 4 discusses the findings from impact evaluations of irrigation projects; though these 17 operations form a heterogeneous group, many of the conclusions of that chapter about the factors affecting performance also apply to this group.

3.50 In industry in this year's portfolio, two out of the five projects in Asia were rated unsatisfactory. In the Bangladesh Chittagong Urea Fertilizer project, the main reasons for the unsatisfactory rating

2 (Most of these operations were in India, Indonesia, Nepal, and Sri Lanka.)

were a fall in world market prices for urea and higher-than-expected capital costs; the project accomplished its physical and institutional objectives. In the Philippines Textile Sector Restructuring project, nearly 90 percent of the loan was cancelled, with very few of the appraisal objectives achieved.

3.51 In highways, the three Asian projects rated unsatisfactory (all with ERRs below zero) were the Sri Lanka Road Passenger Transport project and two road projects in India: Calcutta Urban Transport and Bihar Rural Roads. As noted earlier in this chapter, the Sri Lanka project and the urban transport project in India both aimed to strengthen public transport financially and institutionally; both were unsuccessful in improving operational and management efficiency and the corresponding impact on ERRs was significant. The rural roads project was more infrastructure-oriented; it failed to provide farmers with all-weather roads and to create the necessary institutional infrastructure for operation, maintenance, and repairs.

3.52 In the power sector, the Asian projects rated unsatisfactory were the Third and Fourth Power Transmission projects in India. These are the oldest power projects in this year's cohort. The main reasons for their poor performance were institutional. The borrower's absorptive capacity was overestimated at appraisal, as was the capacity of the borrower and the Bank to supervise a large number of subprojects. Delays in implementation, and the lack of achievement of management and financial goals, resulted in very low economic returns.

3.53 In water supply, the Nepal Third Water Supply and the India Rajasthan Water and Sewerage projects both aimed to establish and develop support institutions. In India, the project performed very poorly as a result of a disagreement about tariff policies; its financial problems were compounded by a lack of counterpart financing and severe droughts, and its institutional achievements were minimal. The project in Nepal was rated unsatisfactory because of its poor financial management and lack of institutional achievements; major problems of water allocation, water losses, and wastage were found at completion.

D. Causes of Loan Cancellation

3.54 "Cancellation" has a pejorative connotation: if it was necessary to cancel part of a loan, especially a substantial part, something must surely have gone wrong with the operation. Some cancellations do reflect design faults and serious implementation difficulties, and when the Bank and the borrower agree that an operation cannot be rescued, the Bank is now willing to consider early cancellation. But often the operation has in fact fully or substantially achieved its objectives and only the relatively small amounts remaining undisbursed are cancelled. Sometimes the factors leading to cancellation are beyond the control of the Bank or the borrower, or are unrelated to the particular loan.

3.55 It is the Bank's policy that when funds are no longer required for an operation they should be cancelled. This policy is in the interests of the borrower, who is relieved of the obligation to pay a commitment charge on funds that cannot usefully be disbursed; of the other members, since the cancelled funds return to the pool of resources available for lending; and of the Bank as an institution concerned with the efficient use of its available capital. Under this policy, two-thirds of the cohort operations have been subject to cancellation to some extent.

3.56 While a borrower may request cancellation of any undisbursed commitment, the Bank does not cancel unilaterally. Borrowers have sometimes sought to have loan amounts identified as savings, particularly where these result from significant exchange rate adjustments, used for a project-related purpose. The Bank's position is that the initial amount of a loan is not an entitlement and that savings, no less than other amounts not required for the project, are normally to be cancelled. Where savings are substantial and could themselves finance a new operation or where the additional components proposed were not previously appraised, the Bank has not acceded to the request. Its policy does, however, permit agreement, with approval at senior management level, where certain criteria including previous appraisal and high priority are met.

3.57 The 28 operations for which at least 40 percent of the loan was cancelled provide ample demonstration of the variety of factors behind cancellation, as well as evidence that these cut across both sectors and regions. The 28 are composed of nine operations in agriculture, five each in transport and energy, four in industry, two in education, and one population, one FI and one multi-sector. The largest number, 12, are in Asia. LAC and Africa have six each, and four are in EMENA.

3.58 The principal factors accounting for most cancellations are cost savings, country financial difficulties, the macroeconomic situation and, of course, serious implementation problems. Almost invariably it is the concerted effect of several factors that results in cancellation. and the cause of cancellation identified in the illustrations cited later in this section should be understood to refer to the predominant, rather than to the sole, factor.

Cost Savings

3.59 Cost savings may be realized in several ways. As noted above, undisbursed funds may remain in the loan account after an operation has been satisfactorily completed; the amounts are relatively small and generally represent contingency allowances. Many operations realized larger cost savings because of the sustained strength of the US dollar until 1985; this reduced the cost of goods and services procured under Bank financing, leaving undisbursed commitments. In addition, inflation was

lower than expected in some borrowing countries, and exchange rate adjustments following policy reforms produced savings on local expenditures.

3.60 Some projects benefited from exceptionally keen competition, under international competitive bidding, among suppliers of investment equipment. These circumstances produced genuine cost savings. Other projects were brought in under the cost estimates reflected in the loan amount after the project was restructured or a component dropped because the project was complex or too ambitious for effective implementation, budgetary allocations were inadequate, or funding for a component (generally technical assistance) was available on more favorable terms from other sources.

3.61 Because of the strength of the US dollar, substantial cost savings were realized under a $20 million loan to Botswana for construction and equipment of primary schools and a teachers' training college. The government sought the use of the savings for construction of an additional 250 primary schools, but under the policy referred to above, the Bank withheld agreement on the grounds that the project had already achieved its objective; the additional schools could be (and were) financed under a subsequent loan. The Bank did agree to the use of some part of the savings for additional facilities for the teachers' training college. The balance of the loan, 52 percent, was cancelled.

3.62 The bid prices for equipment required for the first transport operation in China were much lower than prevailing world prices, presumably in an effort to gain entry into what was seen as a potentially large new market, and about 60 percent below the appraisal estimates. The Bank agreed that the savings might be used to purchase additional equipment of the type previously acquired. The remaining 45 percent of the loan was cancelled. (The additional equipment costs were about 60 percent higher than those for similar items acquired earlier and delivery lags delayed project completion by two years.)

3.63 Depreciation of the borrower's currency was a prime factor in the cost savings realized under a $35 million loan to Yugoslavia to replace or establish agro-industrial plants. The Bank was urged to approve use of the surplus funds to finance additional investments within existing subprojects or new subprojects. But none of the proposals was shown to be viable or to have the priority that is one of the necessary criteria under the policy on use of savings. Accordingly, 43 percent of the loan was cancelled. In Indonesia, 46 percent of a $46 million loan was cancelled after a revision of project costs following devaluation of the rupiah.

Country Financial Difficulties

3.64 Financial difficulties in the Philippines, resulting in severe domestic budgetary constraints, led to cancellation of 90 percent of a $157 million loan for restructuring the textile industry, 48 percent of a $45 million loan for livestock and fisheries, and 56 percent of a $12 million loan for rainfed agricultural production.

3.65 Sixty-five percent of a $17 million population loan to Malaysia was cancelled after the government adopted an essentially pro-natalist population policy, and its prior commitment to family planning and its support for the project accordingly weakened. A $35 million loan to Portugal for restructuring the textile industry was cancelled in its entirety before the effective date when the government's industrial strategy, formerly sector-specific, changed to the broad-based promotion of industrial technology development and innovation.

3.66 A change in the government's priorities following a drop in oil prices, and a consequent lack of commitment to the project, led to cancellation of 91 percent of a $6.5 million petroleum exploration loan to Panama. Eighty-eight percent of a $47 million loan to Thailand to expand facilities at the port of Bangkok was cancelled, at the government's request, when the government decided not to continue implementation of the project with Bank financing; it took private sector financing for one project component and turned to grant aid for the technical assistance element.

3.67 Forty-nine percent of a $10 million credit to Kenya for small-scale industry was cancelled because of the disappointing approach to resolution of its financial and operational problems taken by the government corporation beneficiary of the credit.

Macroeconomic Situation

3.68 The macroeconomic situation, specifically the drop in oil prices, was responsible for the cancellation of 57 percent of a loan to the Ivory Coast for petroleum exploration and development, intended in part to enable the government to increase its share in an oil company consortium. The loan had been signed when the US dollar was at its peak (and at a high rate of interest, before the Bank's adoption of a variable rate). The oil field involved was developed when petroleum equipment costs were at their highest; by the time of production, oil prices had fallen sharply. In these circumstances, the government decided not to increase its participation in the consortium.

3.69 A project financed by a $122 million loan to Korea for coal and cement distribution facilities was premised on rising oil prices and the continued importation of coal. When oil prices fell instead, and a drop in coal imports was projected, the project was restructured and 56 percent of

the loan was cancelled. Forty-nine percent of a $7.5 million loan to Jamaica was cancelled when the oil company showed no significant interest in participating in the drilling of prospects identified by a survey partially financed by the loan, or in the exploration of other prospects.

Implementation Problems

3.70 Serious implementation difficulties as a cause of cancellation are illustrated by a $50 million credit to assist the Pakistan Railways to adjust to road competition. Inordinate delays in implementation, coupled with inadequate compliance with important provisions of the credit agreement and failure to meet the project's overall objectives, led to cancellation of 47 percent of the credit.

3.71 An exceptional cause of cancellation, suspension of disbursements, affected three operations out of the 28. Suspension for delinquency in payment of debt to the Bank was responsible for the cancellation in full of a $15.6 million loan to Syria for education and for partial cancellation of two credits to Liberia: 72 percent of a $2.6 million credit to promote off-shore petroleum exploration and 53 percent of an $11.4 million credit for highways.

Box 3.1: Asian Irrigation Projects Evaluated in 1989

I. Satisfactory

Country	Project Name	
China	North Plain Agriculture	Excavation of 70 km of canals and construction of canals, pumping stations and various other water improvement subprojects. Other agricultural sector improvement related subprojects.
India	Punjab Irrigation	Modernizing of existing canals and water courses and several pilot studies for testing of new irrigation technologies.
Indonesia	Fourteenth Irrigation	Four separate irrigation improvement and expansion operations on the island of Java.
Philippines	Second National Irrigation Systems Improvement	Rehabilitation and upgrading of 26 existing irrigation systems throughout the Philippines and strengthening of related institutions.
Philippines	First Magat River Multipurpose	Rehabilitation and upgrading of irrigation systems to about 52,000 ha. and construction of new systems for 22,800 ha.
Philippines	Second Magat River Multipurpose	Construction of the Magat and Balagaten dams and resettlement of 308 families.
Philippines	Third Magat River Multipurpose	Rehabilitation and construction of systems to serve 26,770 ha., hydroelectric equipment for the Balagaten power station and the construction of 3 pumping stations.

II. Unsatisfactory

Country	Project Name	
Indonesia	Tenth Irrigation	Expansion and improvement of irrigation schemes on Java and Sumatra.
Indonesia	Fifteenth Irrigation	Two irrigation expansion and improvement operations on the outer island of Sulawesi.
Indonesia	Sixteenth Irrigation	Construction of second stage of Sitiung irrigation system with training and support components.
Malaysia	Second Muda Irrigation	Tertiary development of irrigation, drainage and general improvements to systems supporting some 72,000 ha.
Nepal	Babai Irrigation Engineering	Engineering and design studies for future irrigation system improvements.
Philippines	Chico River Irrigation Stage I	Rehabilitation and upgrading of irrigation systems covering 7,500 ha. and construction of new irrigation networks to serve 12,200 ha.
Thailand	Mae Kong Irrigation Phase 1	Improvement and expansion of irrigation facilities through the construction of main, lateral and sublateral canals and service roads.
Thailand	Phitsanulok Irrigation	Provide for irrigation and drainage for 97,000 ha. within a total area of 148,000 ha. on the banks of the Nan River.
Thailand	Chao Phya Irrigation Improvement I	Rehabilitation of irrigation, drainage and road networks, on farm development works to improve water control.
Vietnam	Dau Tieng Irrigation	Construction of a gravity irrigation system for about 42,000 ha. of rainfed land and training of support personnel.

4. IMPACT EVALUATIONS: IRRIGATION DEVELOPMENT

4.01 This chapter reports on the findings of a group of impact evaluation studies of irrigation projects. Thirty percent of the Bank's agricultural lending has been for irrigation, in 392 loans and credits t talling about $15 billion. Irrigated agriculture has played a major role in achieving food security and alleviating poverty in the developing world. More than half the world's wheat and rice is currently produced on irrigated lands, and this share is expected to increase to 65 percent by the end of the century.

4.02 OED impact evaluation studies are "second look" studies that revisit Bank-supported operations some five to twelve years after completion. As instruments of evaluation, these studies are uniquely placed to measure trends and effects that are outside the purview of audits undertaken at the time of completion. They examine, for example, the social impact of fairly large development projects, the distributional consequences (i.e. poverty alleviation) of the design and implementation, what has happened to the infrastructure created under the operation, the experience with the production of goods and services aided by the operation, the longer-term performance of the implementing organizations, and the ultimate effects of the operation on the environment and natural resources. By analyzing these long-term effects, and their causes, impact evaluation studies can give important insights into what is needed to sustain flows of benefits from development investments over the long term. (For an illustration of methods and procedures, see Box 4.1.)

A. Irrigation Projects at Full Development

4.03 Conclusions about the technical and economic efficiency of irrigation projects are still speculative at the time when the Bank makes its final disbursements. At this stage, the irrigation infrastructure financed is newly completed and agricultural production in the project area has not yet reached its full potential. An assessment of the projects' institutional, social, or environmental impact would be even more problematic. A series of impact evaluations by OED reviews the experience of 21 irrigation projects at the stage when their optimal development was expected to be reached: five to twelve (in most cases, six to eight) years after the Bank made its final disbursements. Of the 21, nine were in Asia, six in LAC; three in EMENA, and three in Africa. This is a group reasonably typical of the public irrigation projects financed by the Bank. Seventeen, or 80 percent, of the 21 were judged satisfactory at completion--the same percentage as in the whole group of irrigation projects OED evaluated in the period 1974-88. (Box 4.2; Annex 3, Table 3-1.)

Agricultural and Economic Performance

4.04 Most of the 21 projects had made an important contribution to national food supplies. Projects in Korea, Malaysia, Mexico, Peru, Morocco, the Philippines, and Sudan were the largest, or among the largest, irrigation schemes in their respective countries. Indeed, in the Philippines, the two projects under review contributed about 10 percent of national rice production.

4.05 While generally beneficial the overall performance of these projects has been significantly poorer than was expected at the time of their completion. (Annex 3, Table 3-4.) In nine of the 21 projects reviewed, agricultural production declined in the years after the Bank made its final disbursements. The physical infrastructure financed also appears to be less durable than was expected. At appraisal and completion, the useful life of the civil works in these irrigation projects was estimated at 50 years for seven projects, 40 years for three projects, and 30-35 years for ten projects. But at the impact evaluation stage, when the poor quality of construction, and poor maintenance had become apparent, it seemed likely that without major rehabilitation only a few projects will reach the term of their expected useful life.

4.06 At the time of impact evaluation, the irrigated area in 11 of the 21 projects was smaller than at completion. The reasons included water shortages, flooding, soil waterlogging or salinization, incomplete construction of irrigation networks, and the use of inadequate topographic maps at the preparation and construction stage.

4.07 The cropping intensity was lower than at the time of completion in 18 projects (about 85 percent), higher in two, and about the same in one project. Crop yields were lower than at completion in ten projects, higher in nine, and about the same in two projects.

4.08 As a result of changes in irrigated area, cropping intensity, and yields, agricultural production was lower than at completion in 15 projects, higher in four, and about the same in two projects.

4.09 At completion, the unweighted average economic rate of return of the 21 projects was estimated at 14.8 percent, compared to 17.7 percent at appraisal, with the difference mostly due to cost overruns and/or shortfalls in agricultural production. Seven projects had a higher ERR than projected at appraisal.

4.10 At the time of impact evaluation, the unweighted average ERR for the 21 projects was 9.3 percent, or 53 percent and 63 percent of the ERRs estimated at appraisal and completion, respectively. Fifteen projects (70 percent) were yielding a lower ERR than had been estimated at completion; three had a higher ERR, and three achieved the ERRs that had been expected.

4.11 Comparing the experience of different regions, the rates of return, at the impact evaluation stage, of the three projects in EMENA were close to or higher than estimated at appraisal. In LAC, two projects yielded a satisfactory ERR, two had ERRs slightly below 10 percent, and two were unsuccessful. Five projects in Asia had a satisfactory ERR, two projects had failed, and two were marginally successful. In Africa, one project was successful and two yielded negative ERRs.

4.12 The impact evaluations found that changes in commodity prices had had a positive impact on ERRs in six projects and a negative impact in seven. (There was no correlation between the ERR and investment cost per hectare or the type of project works, new construction, or rehabilitation.) The analysis did show that over the long term larger projects performed somewhat better than small projects.

4.13 About half of the 21 projects were judged sustainable at the time of impact evaluation, having successfully maintained an adequate flow of benefits for a reasonable period after donors' disbursements were completed. About 25 percent had failed to sustain the minimum flow of benefits needed for continued success and the sustainability of the other 25 percent appeared to be marginal. It is worth noting that these outcomes compare favorably with those of 18 rainfed agriculture projects which were the subject of impact evaluations in 1985.[1] Of the latter group, 20 percent had achieved sustainability, 40 percent clearly had not, and the sustainability of the other 40 percent was considered uncertain or marginal.

Social Impact

4.14 Five to twelve years after loan closing, projects had generally achieved, or even exceeded, their main social goals of generating employment, containing rural-urban migration, and raising the incomes of low-income farmers (Annex 3, Table 3-5). In several projects the numbers of beneficiaries were higher than expected, as population movements and land tenure had evolved in response to the projects in ways that were not foreseen at appraisal, and whose implications for per capita incomes and income distribution in the project areas were not always benign.

4.15 In 13 projects, the number of beneficiaries increased considerably during and after project completion, whether as a result of resettlement or agrarian reform programs (projects in Colombia, Mexico, Peru, the Philippines, and Sri Lanka), a spontaneous influx of population (projects in Colombia, Madagascar, Peru, and Sudan), or subdivision of land among family members (mainly in projects in Morocco and the Philippines). In some cases, national programs to redistribute land in irrigated areas had caused population increases in the areas affected by projects (six-fold in the case of Colombia-Atlantico and three-fold in the case of Mexico-Panuco and San Lorenzo in Peru).

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1 "Sustainability of Projects: A First Review of Experience", Operations Evaluation Department Report No. 5718, June 1985.

4.16 Before the projects, average farm size in the areas to be irrigated was generally small, at less than 5 hectares (except in LAC where the proportion of large farms was higher than in other regions). As a result of population increases in project areas, average farm size at the time of impact evaluation had decreased significantly in 13 (62 percent) of the 21 projects. Typical cases were the two projects in the Philippines and the two in Morocco, where average farm size had decreased by 40 percent and 60 percent, respectively, since project appraisal, as farms were subdivided among family members.

4.17 In Morocco, where the projects provided incentives to slow the process of urban migration, many farmers returned from urban areas and Europe to take up land rights. The introduction of irrigation increased the land value five-fold, but the reduction in farm size resulted in the need to further increase the productivity of land to provide adequate incomes from agriculture.

4.18 In Thailand-Lam Pao I and II, the impact evaluation found that decreases in farm size had been reversed, as rapid growth elsewhere in the economy had increased off-farm employment opportunities and reduced pressure on land. In the Lagunera and San Juan projects in Mexico, the goal of increasing the average size of smallholdings was achieved through the development of newly irrigated land.

4.19 Most of the projects created new employment opportunities. In those in EMENA and LAC, as well as projects in the Philippines, Sudan, and Thailand, demand for seasonal labor--mostly for land preparation and harvesting--increased considerably.

4.20 In all projects except one (Madagascar), impact evaluations found that average family incomes and standards of living had improved significantly, although by less than was anticipated on a per capita basis, since output turned out to be lower, and farm sizes smaller, than expected.

4.21 In ten projects, the distribution of benefits was relatively even across all segments of the population (Annex 3, Table 3-5). However, in nine projects (in the Gambia, Indonesia, Madagascar, Malaysia, Mexico, the Philippines, and Sudan) large farmers were found to have captured the bulk of the benefits. In Mexico and the Philippines, equity objectives had not been fully met, as the larger and more progressive landowners often leased extra land from the smallest and less efficient farmers.

4.22 The effects of the projects on women and children were mixed. Better social infrastructure and better access to social services benefited farm families in a number of projects. Projects increased women's workload in the Gambia and Morocco. In the Gambia, where families cultivated rice as a cash crop on irrigated land, and subsistence crops on rainfed land, irrigation development led women to give up cultivating their subsistence plots, because of the greater demands on their time for work in family rice fields. Unfortunately, for most families the incomes from rice production were not high enough to make up for the decline in subsistence

production. In Morocco--Doukkala, the increased demands on family labor for farming worked against efforts to improve children's literacy and education. In project areas in Thailand, women's agricultural workload increased significantly after the introduction of irrigation. Women now supply about 40 percent of total family labor and more than 70 percent of the hired labor; women hired as laborers in the project areas receive the same wages as do men.

4.23 By contrast, women's participation in on-farm work decreased in Turkey--Seyhan and remained stable in project areas in the Philippines and LAC. Women interviewed in the Seyhan project in Turkey noted that irrigation had brought increased prosperity, and increased the time they could spend on household activities, in improved houses--a change that was a source of pride to them.

Impact on the Environment

4.24 At appraisal, only ten of the 21 projects were expected to have any significant impact on the environment. Most of them were expected to improve the environment by providing village infrastructure, preventing periodic flooding, or controlling water-borne diseases. Adverse environmental effects from increases anticipated in the use of fertilizers and chemicals were expected to be insignificant.

4.25 At the time of impact evaluation, the construction of village infrastructure had had a positive impact in a number of projects (Annex 3, Table 3-6). However, more than half the projects had had some degree of adverse impact on the environment. Increasing waterlogging problems found in 11 projects, and soil salinity in four, were caused mostly by poor drainage. The drainage network was insufficient or incomplete in half the 21 projects. The most striking cases were the Sinaloa project in Mexico and the San Lorenzo project in Peru where 17 percent and 20 percent, respectively, of the project area was no longer cultivable at the time of impact evaluation.

4.26 At the appraisal of the Panuco and Sinaloa projects in Mexico, project investments were expected to benefit the environment by reducing the risks of flooding and by propagating fish and wildlife in the reservoirs. At the impact evaluation stage, the Panuco project had achieved these goals; though the project's drainage system was incomplete, water use had remained far below expectations, and no salinity or waterlogging had been encountered. In the Sinaloa project, by contrast, the impact evaluation found a typical case of damage due to poor drainage. The area affected by salinity and waterlogging was about 800 ha in 1973 but had grown to about 11,000 ha in 1987. About 850 families were found to have incurred losses as a result. The situation in the Sinaloa project is not irreversible, however, as demonstrated by the Yaqui project which was affected by soil salinization in the 1960s and has since been rehabilitated.

4.27 No adverse impact on the environment was found in the Morocco-Doukkala projects, where the drainage system successfully accumulates excess water in natural depressions where water evaporates and soaks away. It is worth noting that the density of the drainage canals is much higher in Doukkala (about 40 meters/hectare) than in Sinaloa (about 6 meters/hectare).

4.28 The impact evaluations of five projects noted problems with erosion and sedimentation, often caused by deforestation in the watershed. At appraisal, the project in the Philippines was not expected to have adverse effects on the environment, but the impact evaluation found that heavy siltation of the dam and canals had occurred, reflecting heavy deforestation in the catchment area. This was partly the result of poor planning for the resettlement of the people displaced by the dam; lacking other ready means of earning a livelihood, they had turned to logging and other forest exploitation. Useful lessons have been learned from this experience and successful resettlement plans have been designed in follow-on projects. Bank guidelines on involuntary resettlement now reflect these concerns and provide more guidance for the preparation, negotiation, and implementation of resettlement plans.

4.29 Experience in the Madagascar and Philippines projects showed the need for early planning and implementation of erosion control works in reservoir catchment areas.

4.30 In Thailand, the two irrigation projects in the Northeast had reduced forest clearing and cultivation on marginal land in the watershed by raising agricultural productivity and cash incomes in the irrigated areas.

4.31 Another environmental problem noted in the Turkey-Seyhan project was the resurgence of malaria. This was a consequence of indiscriminate use of agricultural insecticides, which built up the tolerance of the malarial mosquito to the chemical that had previously controlled it. The incidence of malaria also increased in the Sudan-Roseires project.

B. Determinants of Performance

4.32 Drawing on the impact evaluations of the 21 irrigation projects, this section discusses the main determinants of project performance at full development, including the effectiveness of irrigation and drainage systems and the ability of project agencies to provide the necessary support services for agriculture.

Effectiveness of Irrigation and Drainage Systems

4.33 In projects whose agricultural and economic performance was poorer than expected at the time of project completion, part of the reason was often a combination of water shortages and drainage problems. Water supply was found to have been adequate and dependable in ten projects, but short in 11. The water supply record was good in the three projects in

EMENA, and in about half the projects in LAC, but only in three of the nine projects in Asia, and in none in Africa. Drainage systems were effective in only about half of the projects; poor drainage was noted mostly in the projects in Asia and LAC. (Annex 3, Table 3-2.)

4.34 Water Resources and Water Demand: Impact evaluations found that water resources and water demand had been adequately estimated in most projects at the preparation and appraisal stages. For surface water irrigation projects, however, they stressed the need to assess water resources and climatic data carefully before design and implementation, and to undertake comprehensive river basin planning and management so that the needs of both urban and rural water users are adequately taken into account. Irrigation systems in the Philippines and in Peru--San Lorenzo turned out to be overdesigned, relative to the availability of water; the hydrology data used for design proved to have been unreliable. In Malaysia--Kemubu, water requirements had been underestimated, for lack of sufficient soil reconnaissance surveys. Water demand had been overestimated in the two projects in Sudan and Turkey.

4.35 Engineering: Major engineering flaws were the main reason for the failure of three projects: Mexico-San Juan (where there were large water infiltration losses from the reservoir), Sri Lanka (where canals were too small) and Madagascar (where canals sank in peat soils). Engineering flaws in the Kemubu project in Malaysia and the Lam Pao project in Thailand meant that parts of the command area could not be irrigated because the distribution system was lower than the adjacent land. In Mexico-Panuco, the total irrigable area at the impact evaluation stage was below expectations, because the secondary and tertiary canals had not been completed.

4.36 Water control and water efficiency is different depending on the type of irrigation system and one the agroclimatic zone. The group of operations revised were, the impact evaluations found that water control and water efficiency were generally more satisfactory in the EMENA and LAC projects than in Asia, where obsolete structures for controlling water meant that canals were generally poorly regulated. Water efficiency, which measures the volume of water actually used, was lower than anticipated in 13 projects (60 percent), and higher only in three. In projects where crops were to be diversified (the Philippines and Thailand), the irrigation systems could not meet the requirements for flexibility in water distribution.

4.37 More than half the projects under review included the rehabilitation of existing irrigation schemes, but project works mostly consisted of restoring and repairing existing infrastructure rather than correcting the original deficiencies and modernizing the water control systems.

4.38 The impact evaluations found that incompleteness or insufficient density of the drainage network had adversely affected 11 projects, resulting in increasing waterlogging or salinization or both. They

stressed that at the planning stage of projects, drainage is as important a consideration as irrigation; the drainage network should be an integral part of the basic design for all systems. The drainage system should be completely designed before irrigation starts. Changes in the watertable must be monitored from the time irrigation starts and evaluations routinely made to be certain that timely adjustments in irrigation water management and infrastructure are made. Measures such as surface drainage additions, canal seepage control measures, and changes in extension to improve on-farm irrigation efficiency will often be needed to control water table rise.

4.39 Quality of Construction: Impact evaluations found that the main factor adversely affecting the performance of irrigation and drainage systems was the premature deterioration of civil works and water control structures. This problem was noted in the three projects in Africa, five projects in Asia, and four in LAC (altogether, 60 percent of the group of 21). Construction was more durable in the three projects in EMENA and most projects in LAC than in projects in the two other regions.

4.40 Good construction is a prerequisite for adequate maintenance--if infrastructure collapses early on, it is difficult or impossible to maintain. In several projects, low construction standards made it difficult to operate and maintain the irrigation systems, caused higher water losses than anticipated, and substantially reduced the likely life of the projects.

Institutional Performance

4.41 In some projects, all services were provided by the same project authority; in others, they were provided by several ministries and agencies. In all the projects, public institutions provided services to farmers that included operation and maintenance of the irrigation and drainage infrastructure, extension services, and agricultural credit. Agricultural inputs and marketing services were mostly provided by the private sector, but also by government agencies in a few cases. (Box 4.3, Annex 3, Table 3-3.)

4.42 Operation and maintenance: In most projects, the agencies responsible for O&M had long experience with the construction and management of public irrigation schemes. At full development, operation of the irrigation and drainage systems was satisfactory in 11 projects (50 percent).

4.43 Systems designed to provide water at users' convenience, common in EMENA and LAC projects, were found to have worked quite efficiently. In the Sinaloa project in Mexico, for example, the simple and conventional gravity scheme had been remarkably well operated, with an arranged-demand delivery system that required a high degree of training and dedication on the part of project staff.

4.44 In contrast, central control and rotation systems, where delivery of irrigation water was rigidly scheduled by the project authority, had resulted in poorly timed, inflexible water distribution. Operation was hampered by the poor design of water control structures in the projects in the Philippines and Thailand. Pumping systems in projects in Sri Lanka and the Gambia had proved extremely difficult to operate; the continual breakdown of pumps and lack of spare parts were major reasons for project failure.

4.45 Maintenance was poor at the impact evaluation stage in 14 projects (65 percent), and satisfactory in four (it was not commented on in the impact evaluations of the other three projects). Poor construction standards, insufficient funding, and lack of systematic maintenance plans were the main reasons for poor maintenance.

4.46 Cost recovery: In most projects, O&M and investment costs were expected at appraisal to be partly or fully recovered through water charges from project beneficiaries. Cost recovery systems and recovery rates at the time of full development were reviewed for 17 of the Bank-supported projects and four other irrigation projects not supported by the Bank. All the projects except those in Thailand used direct cost-recovery systems, which varied from volumetric water charges (Morocco) to service fees payable in kind or in cash (most countries), and land and water taxes (Sudan).

4.47 Though recovery systems were generally sound, recovery rates had remained too low to cover O&M costs in 11 projects. In the Philippines, the recovery rate had declined over time, reflecting farmers' dissatisfaction with the inequitable distribution of water. In the Mexico Sinaloa and Panuco projects, poor maintenance and noncompletion of the drainage system had led farmers to resist any substantial increase in water charges--which at the time of the impact evaluation covered only 37 percent of O&M expenditures. Cost recovery had also been insignificant in projects in Colombia, the Gambia, Madagascar, and Sri Lanka, reflecting farmers' dissatisfaction with poor water delivery.

4.48 In contrast, impact evaluations found that recovery rates had been excellent in projects where water management and O&M of the infrastructure had been entrusted to water users: Korea-Pyongtaek and Peru-San Lorenzo, as well as two non-Bank supported projects- -Yaqui in Mexico and Coello in Colombia. Cost recovery had also been excellent in Morocco-Doukkala, where the government's policy was to recover the full cost of O&M and up to 40 percent of irrigation investment costs, and to deduct water charges from farmers' revenues on sugar beet, the main cash crop. In Mexico-Lagunera, the project authority's strong commitment to cost recovery and farmers' satisfaction with water delivery had resulted in the collection of water charges covering all O&M expenditures and part of the investment costs.

4.49 Water user associations: Eleven of the 21 projects established water user associations to participate in O&M, ensure equitable water distribution among beneficiaries, and, in some instances, recover water

charges from their members. Such associations were found to have been particularly efficient in Korea and the Philippines, though in the two projects in the Philippines, water shortages had led members to use the associations as means for protest and pressure on the project authority. In Mexico-Yaqui, farmers had successfully taken over the maintenance of the irrigation system at the secondary level; in Colombia-Coello and Peru-San Lorenzo, the impact evaluations found the irrigation systems fully operated and maintained by self-supporting water user associations.

4.50 Water user groups were less successful in the other countries. In Morocco-Doukkala, for example, lack of government policy to establish water user groups and poor cooperation between farmers had resulted in poor maintenance of the sprinkler irrigation equipment, even though this was communally owned by farmers.

4.51 Support services: At appraisal, all projects contained components to strengthen support services to farmers. Three fourths of the projects introduced new cropping systems and technologies. In a number of projects however, cropping intensity stabilized, or declines occurred in cropping intensity, yields, and production soon after project completion, where one might have expected continued increases.

4.52 At the impact evaluation stage, agricultural extension services were found satisfactory in seven projects, mixed in two, unsatisfactory in ten, and unrated in two projects. Agricultural extension efforts had been curtailed or discontinued prematurely in a number of projects, resulting in increasing incidence of agricultural technical problems (mostly related to pest control), lower crop productivity, and less crop diversification than had been anticipated.

4.53 Provision of agricultural credit was satisfactory in most projects, though hampered by poor loan recovery rates in some. In the two projects in the Philippines, the decreasing availability of institutional credit and increasing reliance on informal credit at extremely high interest rates had held back the adoption and use of new agricultural inputs.

4.54 Impact evaluations noted the growing role played by the private sector in introducing new technologies in Colombia, Mexico, and Thailand. In Mexico, progressive farmers took the lead in research and extension activities. Farmer associations in the Muda and Kemubu projects in Malaysia successfully organized the provision of production credit, seeds, fertilizers, and tractor services among their members. Farmer groups in Korea effectively introduced improved farming practices, and a number of water user associations in the Philippines had successfully developed marketing activities for their members.

4.55 Farming systems. Though individual family farms were the norm in the project areas before construction started, several of the projects made efforts to organize farmer groups and cooperatives to help with land preparation, the provision of agricultural inputs, and marketing of outputs.

4.56 Most of the projects in LAC introduced collective farming in large production cooperatives, but by the time of impact evaluation, all these efforts had failed. In Colombia-Atlantico, where the collapse of the cooperative system was the main reason for project failure, settlers had ultimately been given individual farms. In Peru-San Lorenzo and Mexico-Panuco, too, collective farming had gradually been abolished in favor of individual plots.

4.57 In Morocco, land consolidation of the smallest farms into joint holdings was considered very successful at project completion, but the impact evaluation found that the process had not been fully sustained and that illegal land fragmentation had continued.

C. Conclusions and Future Directions

4.58 Impact evaluations show that although the 21 projects have contributed much to national food supplies, their overall performance in economic terms has been less satisfactory at full development than at the completion of the investment phase. Most of the projects under review will not reach their expected useful life and already require rehabilitation and modernization. Some of them achieved their best agricultural/economic performance at, or just after, the time of completion and declined thereafter. However, many of the projects appear to have raised incomes for more people than initially projected.

4.59 The fact that about half of the projects under review have performed well below expectations should be of concern within the Bank. The results at full development point to a number of design flaws that are attributable to insufficient project preparation, inadequate attention to the improved technologies that have become available in both irrigation and drainage, and a deliberate policy to build simple and cheap systems as rapidly as possible to insure food security.

4.60 The results also show that the Bank and the governments concerned have disengaged too early from a number of projects, leaving the irrigation and drainage systems incomplete and the land development unfinished. Experience has shown that projects left unfinished do not sustain their benefits. If financing is not secure, it is better to phase a project in stages, and fully complete each stage before moving to the next, rather than to disengage from incomplete investments.

4.61 New irrigation technologies developed in some countries have found little place in others where they might have been beneficial. In this respect, the Bank's recent initiative for an internationally supported program to enhance exchange of information and research on irrigation and drainage technology is undoubtedly a step in the right direction.

4.62 The poor quality of construction in a number of projects illustrates the need for the Bank and governments to promote better construction standards through a more careful review of final design and bidding documents, better selection of contractors, and better supervision during construction.

4.63 The possible adverse effects of irrigation projects on the environment should be carefully assessed at the project preparation stage. The elevation of the water table should be monitored continuously. The drainage system should be designed at the time the irrigation network is designed. The elevation of the water table should be monitored and evaluated on a routine basis to be certain water cropping is being controlled. If water table levels are increasing, timely infrastructure and/or management changes can be made before the productivity or sustainability of the project is affected. Soil erosion control and reforestation programs in reservoir catchment areas should be an integral part of project design. When the construction of a dam will unavoidably displace people, resettlement plans should be carefully prepared and implemented, with close attention to income opportunities in the resettlement area.

4.64 Project experience emphasizes how difficult it is to operate and maintain large public irrigation schemes. The lesson is the need, now widely recognized within the Bank, to incorporate a plan for operation and maintenance in the project design, and for the Bank to attach as much importance to operation and maintenance as it does to engineering.

4.65 The poor and declining performance of some irrigation systems has been the main reason for poor cost recovery, which in turn has caused financial difficulties for project authorities and poor O&M, a vicious circle which can only be broken by the rehabilitation, and possibly the redesign, of the irrigation and drainage systems. Some projects have successfully transferred the responsibility for O&M to water user associations; this should be encouraged in project areas where progressive farmers predominate. Project experience also suggests that small-scale irrigation schemes managed by farmers themselves, and private pumping irrigation, may be good alternatives to large public schemes in some areas. In this respect, new Bank guidelines have been issued and it is expected that most of the difficulties encountered will be reduced.

4.66 Agricultural technical problems encountered by farmers a few years after project completion emphasize that it is often necessary to continue research and extension efforts well after project civil works have been completed. Farmers take up new techniques more readily if the project uses a development approach and institutional arrangements cognizant of local farming practices and consistent with local traditions of organization. Where project-related services are the responsibility of a number of different agencies, the agencies need to maintain solid arrangements for coordinating their work well beyond the time of project construction and completion. Public agencies that plan to phase themselves out of providing services need to withdraw gradually, with careful attention to

the arrangements that will succeed them and the arrangements for the transfer of responsibility. In this respect, the Bank's insistence on quick government disengagement and privatization of public enterprises could be applied more selectively.

4.67 Indirect benefits of irrigation projects, including the reduction of rural-urban migration and employment generation, have been underestimated at appraisal. The findings on the evolution of population and land tenure in project areas have important implications for planning future projects. First, though at appraisal it is often assumed that population density and land tenure will remain unchanged, irrigation projects in countries with high unemployment may not only retain but attract population, resulting in the subdivision of land and lower per capita income (and per capita benefits from the project) than anticipated. Further, if the migrants into the project area are not familiar with irrigated agriculture, agricultural development may be slower than anticipated.

4.68 Second, agrarian reform programs supported by projects may successfully narrow the asset differentials among farmers in the project area. But to achieve a sustained improvement in income distribution, vigorous efforts must be made to increase smallholders' productivity (through research and extension, credit) and to sustain these efforts after the investment phase of the project is finished.

4.69 An important lesson of this series of impact evaluations is that the period immediately following the completion of donors' disbursements is crucial for the long-term sustainability of irrigation projects. This period, which coincides with the start of agricultural development, but also with donors' disengagement, indeed often requires a more vigorous effort from project agencies than during project construction. This suggests that the Bank should not abruptly terminate its support for irrigation projects at the completion of the civil works, but should allocate a portion of its irrigation loans specifically to post-completion activities.

Box 4.1: Impact Evaluations: Methods and Procedures

OED has been undertaking impact evaluation studies since 1979; most of the studies have been in agriculture and education.

For these studies, OED reviews a wide range of parameters and indicators of performance, covering the engineering, agricultural, economic, social, environmental, and institutional aspects of the projects being evaluated. Staff making an impact evaluation usually begin with a review of the project completion report or project performance audit report before making a field visit to the project site. On this visit, they discuss conditions in the project area with local authorities at various levels and collect information from them--for example on the progress of agricultural extension work, experience with the operation and maintenance of physical facilities, the number of students graduating from project-assisted schools, or the volume of agricultural output being marketed.

Staff address the same themes as in the PCR/PPAR, but also document and analyze developments that have acquired unexpected importance since the time of project completion. Farm or household surveys are taken in most impact evaluation exercises, with questions closely tailored to the specific circumstances. These surveys allow both a measurement of a project's impact at the beneficiary level and an analysis of the constraints on productivity as perceived by beneficiaries. Where possible, households or farms surveyed at the project appraisal and/or project completion stage are resurveyed. All these activities are carried out with the help of local institutions and of consulting firms.

Box 4.2: The Irrigation Projects Reviewed at Full Development

The 21 projects reviewed were approved between 1961 and 1973 and completed in 1970-86. Typical of the Bank's lending for irrigation in the 1960s and 1970s, they supported medium- and large-scale public irrigation systems. All were designed to: (1) raise food production to meet the demand of growing populations, and (2) earn or save much-needed foreign exchange, by reducing the need for food imports and/or by creating surplus food for export. Most of the projects also aimed to contain rural-urban migration by creating additional employment opportunities and increasing the incomes of the project beneficiaries.

The projects involved total investments of some $1.8 billion, of which $492 million (28 percent) were provided by the Bank. Average project cost was estimated at $61 million at appraisal and $85 million at completion, a 40 percent cost overrun. The Bank's loans/credits amounted on average to $23.4 million per project, varying from $1.3 million to $102 million. The projects included fourteen gravity schemes, four pumping systems, and three sprinkler irrigation systems. Eleven of them involved the construction of new irrigation and drainage infrastructure; nine rehabilitated and extended existing schemes; and one rehabilitated an existing system. The areas developed varied from 1,200 ha to 281,000 ha, with an average of about 50,000 ha. The actual cost per developed hectare varied from $1,460 to $14,012 in 1988 constant dollar terms.

Box 4.3: Organizing Support Services in Irrigation Projects

In about half of the 21 irrigation projects reviewed, support services were the responsibility of several different agencies, with committees established to coordinate project activities during the implementation period. Most of these projects suffered from poor coordination among institutions after project completion: water authorities remained engineering-oriented with little knowledge of agriculture, while agricultural services were ill-prepared to advise farmers on irrigation techniques, and the coordination committees set up during construction were no longer operating. Within ministries of agriculture, poor coordination also prevailed between research, extension, and other agricultural services. A remarkable exception is the Seyhan project in Turkey, where cooperation among project agencies remained good after project completion.

Multi-service agencies operated in 11 projects, mostly in EMENA and LAC, as well as in Malaysia and two projects in Africa. In Morocco this approach was successful in rapidly transferring technology to farmers with no prior experience with irrigation. In Mexico, where water distribution and extension services are the responsibility of irrigation districts, an applied research and extension program in the Sinaloa project resulted in rapid and widespread adoption of high-yielding varieties and sound agricultural practices. In Malaysia, project-specific agricultural development authorities were established with their own boards, general managers, and staff directly hired--or seconded--from other government agencies to operate the irrigation systems and provide extension and other services to farmers. The achievements of these authorities have been considerable.

Although multi-service agencies have been generally successful during the first years of development, they have been criticized on two grounds: (1) they are more costly and less efficient than the private sector in a number of services; (2) they encourage farmers' continuing dependence on the project authority, resulting in low levels of community participation and self-help.

Integrated institutions are now withdrawing from a number of their past activities, in favor of government line agencies and/or the private sector. The results are mixed. In the Sinaloa project in Mexico, for example, farmers have reacted positively by taking over services such as agricultural research and extension, storage, marketing and processing activities. In the Panuco project in the same country, where project farmers are mostly small settler families with no experience in irrigation and agricultural management, the project agency disengaged itself too early.

5. ADJUSTMENT LENDING FOR TRADE POLICY REFORM

5.01 This chapter presents the findings of an OED overview of 35 trade-oriented adjustment operations in nine countries: Colombia, Côte d'Ivoire, Ghana, Indonesia, Jamaica, Mexico, Morocco, Pakistan, and Turkey. Many of the trade adjustment programs supported by the Bank were undertaken in the context of other structural adjustment programs and supply-side policy reforms, as well as stabilization programs supported by the IMF. In analyzing how policies and economies changed, it is difficult to assign effects to causes, or, sometimes, to isolate the effects of one program from those of another. Nonetheless, documenting the experience from evaluations provides very useful insights--supplementing theory and the results of research studies--about the progress of adjustment and about its pitfalls in different country circumstances.

5.02 In response to the balance of payments problems facing many developing countries in the 1980s and the need for policy reforms, the Bank increased its lending for trade policy reform through structural adjustment loans (SALs) and sector adjustment loans (SECALs). During 1980-89, trade policy adjustment loans accounted for 27 percent of total adjustment lending and about 5 percent of overall Bank lending. Table 5.1 shows the growth of these operations over the decade. (See also Annex 4, Table 4-1).

Table 5.1: World Bank Adjustment Lending for Trade Policy Reform, 1980-89

Loan	1980-82	1983-85	1986-89	1980-89
SALs				
No.	17	17	37	71
$ millions	2,238.6	2,727.3	3,500.8	8,466.7
Trade SECALs				
No.	3	15	22	40
$ millions	118.5	2,093.4	5,196.6	7,408.5
Other SECALs				
No.	2	15	58	75
$ millions	115.0	1,577.2	9,885.4	11,577.6
Total World Bank Loans and Credits				
No.	740	714	905	2,359
$ millions	36,788.4	44,385.6	74,580.2	155,754.2
Trade SECALs as % of Adjustment Lending				
By No.	13.6	31.9	18.8	21.5
By Amount	4.8	32.7	28.0	27.0
Trade SECALs as % of total Bank Lending				
By No.	0.4	2.1	2.4	1.7
By Amount	0.3	4.7	7.0	4.8

Source: World Bank data.

A. Methodology

5.03 Case studies were prepared for the nine trade adjusting countries. The individual case studies took into account the initial conditions; prevailing in the country, design and implementation of the program, and their impact and sustainability. The objective was to ascertain to what degree the trade policy design took into account existing macroeconomic conditions, or was consistent with stabilization policy, and to what extent the Bank was aware of problems of interaction of trade policy reform and macroeconomic stabilization. The micro level analysis examined the internal consistency and effectiveness of the program. This evaluation ascertained whether the design of trade adjustment was consistent with initial conditions of the country; whether the links between trade reform and domestic reforms were recognized; whether the incentives that were installed were compatible with forward movement, i.e., sustainability of the reforms, and whether appropriate countervailing policies, contingency solutions, and feedback mechanisms, were in place.

B. Performance and Achievements

5.04 Underlying most trade reform programs is the premise that inter alia trade expansion promotes efficiency, and therefore growth and employment. Such programs typically contain measures to improve the efficiency of resource allocation, to liberalize trade by reducing or abolishing quantitative restrictions and taxes on imports and exports, and to reform and make more transparent the system of regulations governing production. Since trade policy reforms by themselves may not succeed if there are major imbalances in the macroeconomy, most trade adjustment programs also provide for policies and measures to address such distortions.

5.05 Trade policy adjustment was made necessary by such factors as structural weaknesses in the economy, poor economic management, and--as for Colombia, Indonesia, Jamaica, Mexico, and Morocco--also the onset of adverse external conditions. In Côte d'Ivoire, Ghana, Mexico, Pakistan, and Turkey, adverse international factors exacerbated the consequences of failure to address inherent structural distortions.

Openness of Trade

5.06 All trade-adjusting countries in the sample reduced non-tariff barriers in the first phase of reforms. This was followed by tariff reductions in a number of cases. However, there was a great deal of variation across the adjusting countries. Ghana, Indonesia, Morocco, Mexico and Turkey succeeded in reducing effective tariff rates significantly (i.e., tariffs and import surcharges); the reductions were less in Colombia, Côte d'Ivoire, Jamaica, and Pakistan. On balance, therefore, most trade-adjusting countries made substantial progress in opening up their trade regimes. Other indicators such as import to GDP ratios also show increased openness of the economy with the exception of Côte d'Ivoire. This positive trend in trade openness was slowed down,

however, by several constraints, e.g., the desire to protect selected state economic enterprises, to strengthen budgetary revenues, and to protect a segment of special interest groups.

Improved Growth Rates

5.07 A look at the experience of the nine countries in three periods--pre-adjustment, in 1978-82; adjustment, in 1982-85; and post-adjustment, in 1986-89--shows that during the adjustment period and subsequently, most of the countries maintained real GDP growth rates of at least three percent annually (Annex 4, Table 4-2). Both Ghana and Jamaica made a dramatic turnaround from their negative growth rates of the pre-adjustment era. Côte d'Ivoire, however, has experienced negative growth since 1986, largely because it was unable to cope with the deterioration in its terms of trade. Likewise, Mexico has failed to recover its high rates of growth of the pre-adjustment period.

5.08 For the countries that adjusted successfully, the improvement in growth can be attributed to better policies; greater transparency in the regulatory framework; access to imports of raw materials and capital goods; greater private sector access to credit, often as a result of reduced government budget deficits; improved productivity as a consequence of better pricing policy, and above all sustained export growth.

Investment Efficiency

5.09 Another measure of the success of adjustment programs is the efficiency of investment. In the nine countries on average, the level of investment declined, but the substantial rise that took place in their aggregate output shows that on the whole the efficiency of resource use improved.

5.10 The sluggishness in investment had several causes. First was the stringent macroeconomic and fiscal stabilization that accompanied the programs. In most countries, and particularly in Indonesia and Turkey, severe cuts were made in public investment programs while private entrepreneurs, particularly in Mexico, were satisfied with exploiting excess capacity built up in earlier years. In several countries, and particularly in Colombia, investment plans were slowed down by persistent inflation, which raised questions about the sustainability of the reforms. In others, such as Côte d'Ivoire, national savings were pre-empted by debt service. In Turkey and Jamaica, failure to balance budgets led governments to large-scale borrowing, which drove up interest rates and hence deterred private investment.

5.11 Since trade adjustment depends on robust export performance, the fact that investment has not picked up as expected in a number of cases has potential adverse consequences for long-term growth. The systemic causes of the fiscal imbalance therefore need to be identified and appropriately addressed.

Savings Performance

5.12 The increases in investment efficiency were matched by improvements in levels of savings, as a result of: the slowdown in inflation stemming from contractionary monetary and fiscal strategies, positive real interest rates, establishment of realistic exchange rates, and an improved investment climate that derived from the more neutral trade regime, better access to industrial inputs, and greater transparency in the regulations affecting production and trade.

Trade, Balance of Payments

5.13 The marked upsurge in trade that followed the reforms essentially vindicated the trade adjustment strategies implemented. Exports and imports expanded, facilitating production and consumption previously repressed by administrative fiat or restrictive trade regimes. In many of the countries studied, goods previously consumed locally became viable exports for the first time as the result of exchange rate depreciation, export incentives, and reductions in domestic absorption. The effects of exchange rate improvements were felt most in Colombia, Indonesia, Morocco, and Turkey, while changes in supply-side policies coupled with a competitive exchange rate policy contributed to improvements in Ghana's export performance. In most of the nine countries a combination of policies (monetary and fiscal) to reduce domestic absorption, and trade and exchange incentives to improve resource allocation, helped to improve the current account of the balance of payments.

5.14 In most cases, competitive exchange rates stimulated foreign demand for exports, facilitating the use of excess capacity (Turkey), and export diversification and the rapid growth of non-traditional exports (Indonesia and Mexico). Imports grew in response to the relaxation of controls, but were restrained in some countries by stringent demand management policies and by the removal of subsidies in conjunction with realistic pricing policies for inputs and outputs.

Sources of Difficulty

5.15 Not all countries shared equally in this success. Some, notably Côte d'Ivoire and Jamaica, suffered from severe deterioration in their terms of trade, and droughts, which constrained them from exploiting new opportunities for trade. These countries responded by re-imposing surcharges or quantitative restrictions on imports, to guard against a sudden drain on foreign exchange reserves.

5.16 Countries that were hardest hit were those with high debt and debt service burdens, and in those such as Côte d'Ivoire where export growth was slow to respond to adjustment measures the hardship was especially severe. Debt service payments syphon away resources needed for widening and deepening the industrial base and for building up supporting economic and social infrastructure. The nine countries dealt with debt service burdens in two ways. Countries with high debt service burdens directed a large part of

export earnings away from domestic investments that could have provided the sinews of future economic growth. In other countries, where exchange depreciation exacerbated the fiscal difficulties of governments, the debt service burden was alleviated through cuts in the capital budget, to the detriment of longer-term growth.

5.17 Though trade adjustment programs promoted measures that contributed to internal and external balance and higher levels of economic growth, they were not without costs. Adjustment policies required cuts in real wages, reductions in producer and consumer subsidies, and reductions in outlays for social development and infrastructure needs. These costs were exacerbated in cases where high external debt service, or deteriorating terms of trade, or natural disasters, complicated the adjustment process. In Indonesia, adjustment and poverty alleviation were reconciled. Both wages and employment continued to grow during the adjustment period, although the growth of real wages was slower than increases in productivity.

C. Issues in Design and Implementation

Sequencing Stabilization and Trade Policy Adjustment

5.18 Experience confirms that trade policy adjustment succeeds best in a stable economic environment. The issue concerns the appropriate timing and sequencing of reform. Trade liberalization policies without macroeconomic adjustment may result in an expansion of imports which--if there is no corresponding rise in exports--can lead to a fall in foreign exchange reserves. The higher the domestic inflation rate and the greater the overvaluation of the exchange rate, the greater the chances of such an outcome. Similarly, the liberalization of imports may encourage outward capital transfers through over-invoicing, when domestic real interest rates are lower than international interest rates. To illustrate ways of addressing the sequencing issue, two contrasting country experiences with macroeconomic stabilization and trade policy adjustment are discussed here.

5.19 In Indonesia, macroeconomic adjustment preceded trade liberalization. Adjustment was undertaken when the collapse of oil prices in the early 1980s suddenly diminished export earnings and tax revenues from the oil sector (see Box 5.1). During 1983-86, Indonesia devalued its exchange rate and made it flexible, implemented a major tax reform, and streamlined public administration. It reduced real capital spending and rephased large capital- and import-intensive projects. A major financial reform in June 1983 removed interest-rate and credit ceilings and led to improvement in monetary management. In 1988, measures were introduced to promote financial sector efficiency and capital market development. They were paralleled by extensive trade reforms, undertaken in 1985-88, which consisted of across-the-board reductions in nominal tariffs, combined with measures to provide internationally-priced inputs to exporters, significant reductions in import licensing, and measures to reduce the anti-export bias of trade policy and regulatory restrictions for exporters. Customs, ports, and shipping operations were also reorganized, and a variety of steps were

taken to reduce investment and capacity licensing, relax foreign investment regulations, reduce the local content requirement for manufactures, and encourage development of private industry.

5.20 The economy responded very positively, with high GDP growth, lower inflation, reduced budgetary and external deficits, marked diversification of the export base, and stronger foreign exchange reserves. It should be noted, though, that Indonesia benefited from (1) export constraints in two of its competitors, Taiwan (China) and Thailand; (2) favorable terms of trade; and (3) concessional resource transfers that it partly used to change the composition of its external debt, lowering the debt-service burden. Overall, however, Indonesia's successful adjustment experience can be ascribed to proper sequencing of policy instruments and to the establishment of a favorable macroeconomic environment for subsequent trade policy changes and regulatory reforms.

5.21 Mexico executed trade reforms and macroeconomic stabilization concurrently: the July 1986 stabilization program coincided with the first trade policy loan. Mexico's stabilization policies were executed in two phases: (1) a tightening of fiscal policy from 1986 onward, combined with exchange rate devaluation, and (2) introduction, in 1987, of an incomes policy, with restrained monetary policy.

5.22 Mexico is a good example of a successful trade adjustor with an uneven record in monetary and fiscal stabilization. This, combined with the fact that a package of measures to free up the regulatory system was not put in place, to some extent offset the beneficial aspects of the trade adjustment measures. (Mexico's economic experience was also complicated by continued deterioration of its terms of trade during 1982-88.)

5.23 Trade adjustment required a commensurate export expansion in order to sustain a healthy balance of payments and foreign exchange reserves. This, inter alia, required a competitive exchange rate. Mexico carried out a substantial devaluation of the peso in the early phase of the adjustment program. However, this was not sustained in the later phase, given that controlling inflation gained importance as a policy objective. The resulting deterioration in the current account balance was offset by increasing real interest rate to attract short-term capital inflows and to deter capital flight. High real interest rates adversely affected private investment, thus constraining the longer term growth of exports.

5.24 Although Mexico succeeded in carrying out substantial trade reforms, its experience demonstrates the importance of pursuing macroeconomic stabilization prior to trade liberalization. However, mobilizing domestic support for trade liberalization can be a time-consuming process, making it difficult to always sequence reforms.

Trade Liberalization and Fiscal Balance

5.25 Experience shows that trade liberalization may make fiscal balance difficult to attain where a large proportion of government revenue comes from import taxes. For countries that depend on trade taxes, especially import duties, for a significant portion of budgetary revenue, major tax reform is probably a sine qua non for successful trade adjustment. There are two issues here. First, should trade liberalization policies be synchronized with: (1) countervailing domestic taxes (such as a value added tax) to offset the decline in trade taxes; (2) excise taxes that do not discriminate between imports and domestic substitutes for imports; and (3) major structural reforms in the tax system to ensure tax buoyancy? Second, should tax reforms precede trade liberalization within the framework of macroeconomic stabilization? To illustrate how these questions have been dealt with, two evaluation case studies are discussed here.

5.26 Pakistan derives almost 40-50 percent of its tax revenue from levies on imports. Its tax base is narrow, low-yielding, and combined with poor administrative capability. The Government has been reluctant to impose direct taxes on agricultural incomes. Pakistan implemented a macroeconomic adjustment program during FY81-84, which was supported by an IMF extended arrangement and by a Bank structural adjustment loan. Subsequent structural reforms were supported by two sectoral adjustment loans from the Bank, one of which was the export development loan in 1986. The trade components of the adjustment focused on import liberalization, by: (1) establishing a negative list for imports, (2) reducing the proportion of domestic industry that was protected by "import bans" from 65 percent to 40 percent, and (3) considerably reducing the number of items subject to licensing requirements. Tariff reductions were modest and virtually no progress was made in reducing protection in highly protected and inefficient subsectors.

5.27 Movement toward tariff liberalization was pre-empted by a deterioration in Pakistan's fiscal balance during the adjustment period, and a build-up of external debt and debt service liabilities. The fiscal gap was bridged by a combination of domestic borrowing and import taxes, the share of the latter peaking at almost 45 percent of total revenue in 1987. Moderate inflation and an active exchange rate policy enabled Pakistan to sustain GDP growth rates of 6-7 percent. But the country did not achieve the sought-for improvement in allocative efficiency; the system continued to be characterized by an anti-export bias and significant barriers to trade. Pakistan's experience reveals the potential dilemma involved in reconciling the political economy of fiscal reform with trade liberalization.

5.28 Côte d'Ivoire's trade adjustment was hampered by its inability to adjust its exchange rate. In 1981, Côte d'Ivoire launched an adjustment program to reduce internal and external deficits, along with liberalization of the trade regime and diversification of exports. The trade reform which began in 1984 continued through 1987 and included (1) removal of quantitative restrictions and reference prices for imports; (2) rationalization of

the tariff structure; and (3) an export subsidy scheme for manufactured and some primary exports, financed from the central budget. Major exchange rate adjustments were constrained by the pegging of the Ivorian currency to the French franc; Ivorian currency became overvalued with the appreciation of the French franc against the US dollar in 1985-88, making its exports uncompetitive vis-à-vis those of Ghana and Nigeria. The export subsidy scheme, which proxied exchange rate devaluation lacked credibility because of limited scope for fiscal maneuver.

5.29 By 1989, the Ivorian government reversed the trade adjustment process by re-introducing non-tariff barriers, retaining import taxes, and suspending export subsidies. This led to declines in investment and little export diversification. Côte d'Ivoire's experience underscores the importance of synchronizing tax structure reforms and neutral export incentive policies with supply-side measures, in the design of trade and macroeconomic adjustment programs.

Trade Reforms and Industrial Policies

5.30 The introduction of a more neutral trade regime is the essential first step in a strategy for improving resource allocation and achieving a more competitive production structure. But typically, the full benefits from trade liberalization can only be realized when corresponding changes have been made in the industrial policy framework.

5.31 Domestic barriers to competition stifle industrial development in several ways. Types of barriers to entry and expansion include licensing of new capacity, limits on the size of firms, and restrictions on ownership. Entry barriers protect incumbent enterprises in domestic markets from the challenge of new entrants. Limits on firm size introduce substantial inefficiencies by preventing firms from operating at their optimal scale. Further, keeping basic industries and services as the preserve of parastatal bodies often creates monopolies that are not justified by scale arguments.

5.32 Types of barriers to exit include anticlosure regulations, inadequate bankruptcy and foreclosure regulations, government subsidies for failing enterprises, and low-cost loans to prop up bad investments. Entrepreneurs become excessively cautious in their investment plans when they know they will be unable to exit. By creating constraints on labor mobility, asset transfer, financial restructuring and bankruptcy, and by making firms more risk-averse in undertaking new activities, exit barriers block a more decisive approach to efficient resource allocation.

5.33 Through its trade adjustment loan program and complementary project/sector adjustment loans, the Bank has supported industrial policy reform in Ghana, Indonesia, and Morocco. But the reforms are not broad enough and they are confined to a few countries with a strong policy focus on trade adjustment (Annex 4, Table 4-3). Indonesia has proceeded furthest in reforming its industrial policy framework, and has followed up on trade policy adjustment with a private sector development program.

5.34 To reinforce changes in industrial policy a focus on institution building is needed. Enterprises need to access the latest industrial technology, better managerial and marketing systems, and new ideas in product development. Often this calls for changes in the laws governing patent rights as well as the creation of a healthier climate for foreign private investment.

5.35 Bottlenecks have already begun to emerge with respect to infrastructure in some of the nine countries. As capacity utilization increases and is followed by investment in new plant and equipment, demands for power, telecommunications, and transport increase. Where possible, governments should help satisfy these demands by encouraging private enterprise development, rather than through their own direct investment.

Conditionality

5.36 The conditions attached to trade policy adjustment operations reviewed in this chapter are given in Annex 4, Table 4-3. They fall into three broad groups:

- measures to promote a more open economy through the expansion of foreign trade;
- policies to improve macroeconomic management; and
- policies to remove price distortions and impediments to efficient resource allocation.

On the subject of loan conditions, the evaluation experience of the nine countries leads to conclusions very similar to those of recent studies undertaken elsewhere in the Bank (see, for example, "Report on Adjustment Lending II: Policies for the Recovery of Growth", R90-51, March 1990).

5.37 In Indonesia, the conditions attached to the trade policy loans and the private sector development loan were anchored within a medium-term framework already being implemented by the government. Besides reflecting a good balance between trade policy and macroeconomic stabilization and regulatory reforms, the timing and sequencing of the reforms was geared to the evolving policy dialogue and the capacity of the administration to implement. For example, the first two trade adjustment loans concentrated on reinforcing the macroeconomic policy framework and trade incentives, while the subsequent private sector development loan broadened this effort to also include reforms in investment licensing, the financial sector and support services (e.g., maritime transport).

5.38 In Ghana, the conditions attached to the trade and import sector loan and the export rehabilitation credits addressed macroeconomic distortions as well as calling for supply-side measures to relieve bottlenecks to production and trade (for example, by removing distortions in agricultural pricing and marketing policies).

5.39 Conditions in the Jamaican loans, by contrast, focused almost exclusively on trade policy reforms, leaving questions of macroeconomic stabilization entirely to the IMF. The goals of the Fund-supported and the Bank-supported programs, as embodied in performance criteria and loan conditions, were not always coordinated satisfactorily as to timing and sequencing.

5.40 Experience shows that loan conditionality is no substitute for political, bureaucratic, and private sector support for reforms. Consensus-building has to begin with operationally-oriented economic and sector work and the development of a close policy dialogue, sometimes over several years. Morocco undertook a well-orchestrated information campaign to build a consensus for its reform effort. In Jamaica, the sustainability of the gains from trade liberalization depended on the support of a new "constituency" of entrepreneurs involved in export-oriented activity.

5.41 Conditions are most likely to be met when the borrower has a sense of ownership of the program and the program is designed to take account of country-specific circumstances--such as Pakistan's low tax base, Jamaica's vulnerability to adverse movements in its terms of trade, or Côte d'Ivoire's constraints on the use of the exchange rate as a vehicle for promoting exports.

5.42 These elements also underscore the importance of building flexibility into program design to allow for midstream corrections. Otherwise, conditions may have to be postponed or excised during tranche review.

Social Dimensions

5.43 In general, growth-oriented economic reforms which improve the climate for investment, remove distortions, and revitalize the incentive structure ultimately benefit a country's whole population, but during the adjustment period the transitional costs to vulnerable groups can be high. Policymakers then face the challenge of protecting the interests of the vulnerable without jeopardizing efficiency goals.

5.44 The fiscal stabilization that is necessary for successful adjustment may necessitate increases in taxes as well as reductions in public expenditure. This could exacerbate the declines in employment that may occur in industries newly exposed to competition from liberalized imports. Over the longer-term, however, the improvement in resource allocation promoted by trade liberalization and exchange rate adjustment should lead to increased labor absorption. While support policies to retain labor, develop skills, and improve information technology can help longer-term adjustment, shorter-term measures to ameliorate any adverse social impacts may be necessary. They should be backed up by well-designed monitoring systems to assist in the design of future programs.

5.45 Several countries did undertake measures to safeguard or compensate vulnerable groups. Indonesia focused most of its cuts in public spending on capital investments and import-intensive programs, permitting

modest growth in consumption. Ghana introduced a program consisting of credit schemes, food-for-work programs, community aid, cooperatives, and provision for start-up capital/equipment/training, targeting the urban poor, small farmers, and retrenched workers. Jamaica introduced a Human Resources Development Program, to protect the most vulnerable groups through a combination of employment schemes, food subsidies, and improved delivery of social services.

Sustainability

5.46 Evidence from evaluation work suggests that the policy restructuring and economic benefits accruing to trade adjustment programs taking root. The economic statistics are encouraging on this score. But much more needs to be accomplished in the liberalization process itself as well as in the modernization and improvement of tax regimes and administrative efficiency. Policy reversals have occurred in a few cases in response to budgetary and balance of payments exigencies. The adverse social dimensions of adjustment have deterred many borderline adjustors from continuing with their programs. Even governments that have evinced strong political commitment to a program may occasionally concede to vested interests, and threaten a reversal of reform measures. In Turkey, for example, state economic enterprises (SEEs) partially offset the beneficial effects of trade liberalization and fiscal reform by imposing extra-budgetary levies on imports. Many of the critical supply side policies needed to strengthen the reform process and improve the efficiency of industry have also yet to be put in place.

5.47 For trade policy reforms to be sustained countries would need to reduce their dependence on trade taxes for revenue. This requires domestic tax reforms and strengthening of tax implementation capability.

5.48 Another important factor in a program's sustainability is the extent to which the borrower feels the program is its own. As discussed above, the borrower's sense of ownership depends significantly on the knowledge that is acquired about the adjustment process, and on the robustness of the policy dialogue with the Bank. A program's credibility depends on accurate diagnosis of problems, realistic policy prescriptions, willingness to admit failure and modify one's stance, and to engage in the difficult task of consensus-building at all levels, private and public. The Bank has made progress in understanding this chemistry.

5.49 Experience also shows that program sustainability depends on good supply-side policies, including programs for retraining and skill development, which can significantly help to absorb redundant workers as well as deepening and strengthening export-oriented activity. To have their full impact, policy changes affecting the structure of production will need to be complemented by investments in infrastructure. For this support, the Bank should draw both on its own resources and on cofinancing and cooperation with other United Nations agencies and non-governmental organizations.

5.50 Other actions are needed at the policy level to dismantle the regulations that most hinder efficient production and trade. In many countries deregulation may be the hardest aspect of the reform process, since it strikes at the power base of the bureaucracy.

5.51 To ensure that the trade reform process is sustained, the Bank will need to make the reduction of the burden of debt service an integral element of its adjustment lending focus over the next few years.

Role of the Bank

5.52 A prerequisite for successful dialogue with the Borrower on trade policy adjustment was the availability of properly targeted economic and sector analysis. This was the bedrock for the diagnosis of key problems and the design of the policy package. In most of the cases examined, this interaction had proceeded for several years and in some (e.g. Indonesia) with the same administration. Yet it was "windows of opportunity" which were in a major sense, the triggers which opened up possibilities for successful trade adjustment.

5.53 Windows of opportunity varied as between countries. For example, in Indonesia it began with the oil shock in 1983 and subsequently in 1986, reinforced by the government's own feelings that radical changes in the trade regime and regulatory framework were necessary to put the economy on a longer-term growth path. Indonesia, therefore, provided the best example of a program that had Borrower ownership, which itself was the result of structured economic and sector work and a policy dialogue that extended over almost two decades. The external debt crunch that led to a severe curtailment of commercial bank credit offered the Bank a window of opportunity in Colombia. Two trade oriented adjustment loans performed a catalytic role in attracting support from international banks. However, the Bank had little success in effecting a major shift in the country's trade regime. In general, however, the Bank's support for trade adjustment policies elicited complementary financial support from other bilateral and multilateral donors.

5.54 The sustainability of trade policy adjustment reforms hinged on the ability and willingness of Borrowers to implement the supporting supply-side policies. These included infrastructure investments as well as institutional strengthening. In most cases, the Bank provided logistic support in the context of its country assistance strategy. For example, in the case of Turkey this was achieved through supporting sector adjustment loans. In Jamaica, as the adjustment process continued, the relationship between adjustment lending and project lending became close. In some areas, the adjustment loans created frameworks that made project lending possible, e.g. through improvements in the viability of important public enterprises: in others, the adjustment process identified project lending needs, such as the public administration reform project.

5.55 Trade policy adjustment programs also contributed to institution building. Examples range from strengthening of staff capability for public investment program evaluation and external debt and fiscal management, as well as improvements in the banking system and the development of capital markets (Turkey). Sector components in a number of adjustment programs contributed to an upgrading of the analytical and policy making skills of planning agencies. In Cote d'Ivoire, the first adjustment loan strengthened and intensified the Bank's policy dialogue on institutional reforms and helped resolve issues in investment programming and rice pricing policy which could not be addressed within the context of conventional project work. In Indonesia, the trade policy adjustment loans contributed to strengthening of the institutions and agencies formulating trade policies.

5.56 The Bank's adjustment loans have also indirectly played a role in promoting the goals of its project assistance strategy by creating a proper environment for project implementation. While the fundamental aim has been the strengthening of macroeconomic policies and institutional frameworks, four specific areas may be identified. First, improvements in the efficiency of resource allocation through the process of injecting greater neutrality into the trade regime and the regulatory framework. Second, strengthening of the apparatus for financial resources mobilization through emphasis on fiscal stabilization. Third, revitalization of the incentive framework for investment and production through increased reliance on flexible exchange rate management. Fourth, improvements in the efficiency of the policy planning machinery at the macroeconomic and sector levels.

5.57 In sum, there have been valuable direct efficiency improving contributions as well as indirect benefits associated with trade policy loans. Many of the intangible benefits can be linked to changes in attitudes at the government and private sector levels. They have stemmed from a better understanding of the working of the economic process and an improved capability to make decisions on economic strategy and policy. These intangibles do not lend themselves to easy measurement. The true measurement of the Bank's contribution lies in the extent to which the Borrower is prepared to own the program and give it a momentum of its own.

Bank-IMF Cooperation

5.58 In general, IMF programs of assistance and Bank trade adjustment programs have complemented one another both financially and in the policy orientations they have supported. The financial support provided by IMF programs has played a key role in sustaining import liberalization processes. And since trade adjustment succeeds best when harmonized with good macroeconomic strategies, IMF stabilization programs have played an important role in supporting the goals of the Bank's assistance strategy. IMF demand management programs, when properly structured, can also serve as proxies for revenue-increasing measures to improve budgetary balance, contain inflation, improve competitiveness, and increase the prospects for export growth.

D. Conclusions

5.59 The experience of the 35 trade adjustment operations surveyed in this chapter confirms that appropriately-tailored trade policy reforms, implemented in a stable macroeconomic environment, help to enhance productivity, increase economic growth, and expand international trade. However, the experience also emphasizes that it takes time for policies to take root, institutions to be built up, and attitudes to change. The principal inferences for the Bank's future programs are summarized below.

Timing and Sequencing of Policies

- It is easier to implement trade liberalization policies when the monetary and fiscal situation is under control. For example, if inflation persists and export competitiveness is impaired, the pressure on imports will lead to a drain of foreign exchange reserves. This could trigger a reversal of trade liberalization.

- During the adjustment period, a drop in the investment rate is to be expected; meanwhile, the focus should be on increasing the use of existing capacity and improving productivity. To realize growth in the longer run, however, the investment rate needs to pick up.

- Once macroeconomic imbalances have been corrected, the borrower has sufficient leeway to introduce supply-side policies, to expand capacity, develop skills, and reconstruct industry. Such policies need to be supported by an expansion of savings and may involve some drawdown of foreign exchange reserves. They will need to be accommodated and supplemented by appropriate project and program support.

- In countries with high debt service requirements, action is necessary to reduce the outstanding volume of debt as well as to make annual debt service payments manageable. This underscores the need to maintain positive net resource transfers. It is important not to view these resource transfers in terms of balance of payments support. Rather, they should be productivity-enhancing, so that future debt service will be made easier.

Trade Liberalization and Fiscal Balance

- In countries that have depended heavily on trade taxes for budgetary support, excise taxes which do not discriminate between imports and domestic substitutes may be a better source of government revenue than trade

taxes. They may also be a way of protecting the balance of payments against a sudden upsurge of demand for imports.

- To smooth the path of trade adjustment, a reduction in quantitative restrictions should be followed by a move to tariffs with reduced tariff dispersion, with subsequent reduction in the average level of import tariffs. This provides ample time for fiscal adjustment.

Trade Adjustment and Industrial Reform

- Industrial policy reform is the next logical step to trade liberalization. In many countries the regulatory framework governing entry and exit barriers in industry needs to be freed up to allow the more dynamic enterprises to improve performance. The slow response of private investment to trade liberalization has been partly a result of a failure to move faster on this front.

- A stronger focus on institution building is necessary. Firms need to access the latest industrial technology, improved managerial and marketing systems, and product development ideas.

- Bottlenecks in industrial infrastructure need to be eased. The imposition of deflationary macroeconomic and fiscal policies has led to a pause in investment, but as capacity utilization increases, demands increase for power, telecommunications, and transport.

Conditionality

- The adjustment program must have political and administrative support if it is to be implemented satisfactorily. Careful preparation is necessary and the focus should be on a few key variables that are easy to monitor. The design of conditionality should however take into account any possible countervailing actions that may vitiate the objective of the conditionality. Pragmatism is needed in the design of conditionality since, in the final analysis, "ownership" of the program must lie in the hands of the borrower.

Sustainability of Benefits

- Ultimately, success will hinge on reduced dependence on trade taxes for budgetary revenue. This will require restructuring the tax system and efficiency in tax administration.

- The more extreme distortions in the regulatory framework for industry need to be reduced and an incentive framework put in place that encourages savings and investment.

- The Bank's relationship and policy dialogue with the borrower will determine how consistently reform policies are followed. This strengthens the case for operationally-focused economic and sector work and a country assistance strategy that has a longer-term focus.

Box 5.1

Indonesia: Diversifying Away From Dependence on Oil

The rapid growth of income, consumption, and investment associated with Indonesia's enhanced oil revenues in the 1970s--and the concomitant agricultural, industrial, and social development of the country--received a major setback with the collapse of oil prices in the early 1980s. The emerging economic difficulties, stemming essentially from the suddenly-diminished export earnings, were also to reveal the inherent structural weaknesses of the Indonesian economy.

Program Design and Implementation

Beginning with a major devaluation of its currency in 1983, Indonesia contended with the declining export income in two ways: (i) by reducing expenditure through monetary and fiscal restraint; and (ii) by liberalizing the complex trade and regulatory environment. Both measures aimed at improving resource allocation and promoting private sector development.

The trade policy adjustment program was anchored within a medium-term framework of adjustment and growth. TPAL (I) in 1987 supported the first phase, identifying the priority areas for government investment and maintenance expenditures. Improved external balance was promoted through further exchange rate devaluation, reinforced by improvements in the trade regime. TPAL (II) in 1988 supported the second phase, and was designed to consolidate the policies the Government had undertaken in the earlier years. Reforms in production sector and in the regulatory environment were to be complemented by commensurate changes in the financial sector.

Throughout its adjustment program, the Indonesian Government had adhered to sound exchange rate, fiscal and monetary policies, financial and trade policy changes, and regulatory reform. Importantly, in Indonesia macroeconomic stabilization preceded structural adjustment.

Indonesia's adjustment process was also facilitated by the availability of concessionary resource transfers that helped change the composition of external debt and alleviated the debt servicing burden.

Program Impact

Indonesia has accomplished major progress in addressing structural disequilibria in the economy through the removal of several pricing policy distortions and the dismantling of a complex regulatory environment. As a consequence, the country's economic performance in recent years has manifested itself in high growth, restrained inflation, reduced budgetary and external deficits, and strengthened foreign exchange reserves. Although debt service remains high, there is an improvement in debt/GDP ratio in recent years. Significantly, there has been important sectoral shifts in terms of the rapid development of a non-oil economy characterized by: (i) the manufacturing sector being the fastest growing sector (in contribution both to GDP and exports); and (ii) a striking diversification of the export base.

Nevertheless, while the first steps in trade and investment liberalization have been relatively easy to take, allocative efficiency and financial stability still need to be improved especially regarding tariff rationalization, the investment licensing system, and operations of state economic enterprises. Additionally, bottlenecks remain in physical infrastructure, with growing requirements for operations and maintenance (O&M) expenditures.

In the context of the social costs of adjustment, a feature of Indonesia's adjustment experience has been the continued reduction of poverty in urban and rural areas. The shift of resources away from capital intensive activities toward export-oriented labor intensive activities combined with the focus on social development has enabled Indonesia to successfully pursue the twin goals of adjustment and poverty alleviation.

6. COUNTRY STUDIES: THE EVOLUTION OF BANK-COUNTRY RELATIONSHIPS

A. Introduction

6.01 In the past five years OED has carried out reviews of the Bank's interactions with four of its borrowing member countries over periods of roughly a quarter century each. These country studies concern Pakistan over the period from Independence to 1984, but chiefly after 1960; Sri Lanka, from 1954 to 1984; Senegal, from 1960 to 1987; and Tanzania, from 1961 to 1987.[1]

6.02 Requested by the Bank's Joint Audit Committee in 1983, the reviews examine the interactions at the macroeconomic, sector policy, and institutional levels; their impact on the Bank's operational strategy and the economic advice it has provided; and the effects of that strategy and advice on the four countries. They bring out issues of policy and patterns of performance that may be missed in individual project and sector reviews. In planning these studies, OED hoped that:

> Taken together, the group of studies...[would] catch the broader dynamics of the aid relationship and some signposts that would point the way to making it more effective. Taken singly, each study, with its longer and therefore less stressful time perspective, ...[would] help identify for the Bank and the borrowing country the continuities and discontinuities in a cooperative development effort, that which was missed and that which came to fruition, and why.

6.03 Pakistan, Senegal, Sri Lanka, and Tanzania are four widely different countries and societies. Each has followed its own path, affected of course by common worldwide factors, but deeply influenced by its particular history, culture, and policy dynamic. Each underwent political and economic changes during the period studied.

6.04 A particularly noteworthy change concerned the higher civil service, especially in the African countries. At the beginning of the period, few had adequate training and experience in governance. With experience, however unprepared they were, came knowledge and sophistication in dealing with the First World. At the end of the period, technical qualification may have been less an obstacle than were political structure and policy.

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1 "World Bank in Pakistan: Review of a Relationship, 1960-84", Report 6048, January 27, 1986; Sri Lanka and the World Bank: A Review of a Relationship, 1954-84, Washington, DC: World Bank, 1987; "The World Bank and Senegal, 1960-87", Report 8041, August 31, 1989; and "World Bank/Tanzania Relations, 1961-87", Report 8329, January 16, 1990.

6.05 The Bank, too, underwent changes. Its conception of the development process and its policies and operational strategies evolved, partly as the result of its own broadening experience and partly under the influence of the changing intellectual climate and fashions in development economics and policy. The Bank's management changed several times while the increase in the Bank's staff, and the widening reach of their activity, called for organizational evolution and for new relationships between staff and management and between each of them and the Bank's borrowers. Overall, the weight of the Bank in the world changed. The small and low-profile Bank of the relatively simple 1950s was transformed into the large and high-profile Bank in the more politically diverse, nationally aggressive and complicated world of the 1980s.

6.06 In the circumstances it is not surprising that the relationships between the Bank and the four countries changed in the periods studied, nor that they changed in a variety of ways.

6.07 The studies themselves followed a common approach, though one whose particulars were modified to reflect the circumstances of the particular countries. Although the individual studies reflect the differences in the countries and, in the interests and styles of the four teams that produced them, and of the fact that the two later studies could learn from the experience the earlier ones it is possible to draw some useful generalizations and lessons from them--fcr example on the impact of economic and sector work, lending, advice, aid coordination, and on the effects of the Bank's organization and administration on its ability to pursue its mission. This chapter scans the highlights of each of the country relationships as seen in the individual studies.

6.08 It is important to note that neither the Bank nor the countries were waiting for the completion of the four studies before taking account of their experience. However, many changes along the lines of the recommendations of the studies are underway or have been implemented. This is especially true in the case of countries which were studied first. Still, it appears worthwhile to draw some lessons of more general applicability for the benefit of the Bank's staff working on other countries.

B. Four Country Cases

Pakistan

6.09 Pakistan got off to a slow start after its Independence. Aside from the normal problems of a newly independent, very poor country, it suffered the tumultuous aftermaths of the partition of India and its own division into two wings a thousand miles apart. Its economic performance in the 1950s was modest, partly because of the poor human, physical, and financial infrastructure. The growth of industry was the only bright spot in those years. A key factor in the poor performance was that development was not high among the priorities of the five successive governments, which

were unstable at best. A turnaround occurred after a coup in 1958. Despite its poverty and problems, Pakistan subsequently experienced a growth of GDP that was the highest in the Asian subcontinent.

6.10 The Bank began lending to Pakistan in 1952. From the start it emphasized the one element--water, with its implications for the development of agriculture and electric power--that could make a crucial difference to Pakistan's future, as well as to relations with Pakistan's most important neighbor, India. Over the period 1952-58, the Bank mediated the division of the Indus waters. This was followed in 1963 by a six-year study of the water and power resources of West Pakistan, which provided the framework for development planning in those sectors for many years to come. These sectors became the objects of Bank lending and of Bank efforts to mobilize resources from other donors. More important, the mediation established, and the Indus Valley Study, reinforced the overall friendly and fruitful tone of Bank/Pakistan relations for many years to come.

6.11 Another factor underlying the relationship was the establishment in 1960 of the Consortium of aid donors to Pakistan, led by the Bank. The Bank thus became, on the one hand, the authoritative analyst of economic developments in Pakistan and the mobilizer of resources for the country and, on the other, the principal spokesman for the providers of aid in their group relations with Pakistan. The importance of these roles differed over time, but they were crucial in such activities as the mobilization of resources for many components and aspects of Indus development and in the negotiation of the first multi-year debt relief exercise to be sponsored by the Bank.

6.12 The same year--1960--also saw the establishment of IDA, and Pakistan became its second-largest beneficiary.

6.13 Another factor should be added. Close personal relationships existed between senior Bank staff and a few key civil servants, and some ministers, in Pakistan. On the Pakistani side, a few outstanding officials with long experience held crucial positions for long periods. Moreover, there was some movement of Pakistanis between the Bank and ministerial positions in Pakistan.

6.14 This combination of factors--Indus, the Consortium, loan and credit resources, and the interaction between senior Bank staff and government officials--made for a stability in the relationship which coups, tensions, wars, and, later, the application of religious orthodoxy to economic matters, did not seriously disturb.

6.15 The study links the course of the Bank's relations with Pakistan to the three major governmental changes in the period of the study. Overall, the Bank's views on Pakistan and its actual performance conformed closely to the views and policies of the government.

6.16 The government that followed the 1958 coup (and held power until 1971/72) sought to promote development, though not aggressively, and had Bank support. Represented in the country's leadership were advocates of market orientation and others who advocated market-management and planning. The Bank's staff was fortunate in having close relations with both groups. Despite differences between Pakistan and the Bank on liberalization and trade policies, and some hesitancy in the leadership the Bank might have been expected to exercise in water management and in agriculture (until the 1969 report on water and power resources), the Bank's annual commitments to Pakistan grew from $30 million in 1955-60, to $90 million in 1960-65, and to $350 million in 1965-70.

6.17 The perception developed that equity among the social classes worsened in the 1960s. This perception was probably true as between the East and West wings of Pakistan, and it ultimately led to their political separation. The 1960s government decided as a matter of policy that growth was the essential goal and that equity (and democracy) could follow in due course. Though it recognized the explosive nature of this officially acknowledged divide--rich versus poor and East versus West--the Bank did not make this a factor in its lending. Not until the end of the 1960s did the Bank mount a study of water and agriculture in the East, as it had done earlier in the West, as a preliminary to deeper involvement.

6.18 During the turmoil that preceded and accompanied the Independence of Bangladesh and the establishment of a new government in 1972, Bank project lending to Pakistan stopped for two years and relations with the new Pakistani government were poor. This seems anomalous, in view of the apparently populist orientation of the government, whose proposals might have been seen to conform to the newly emerging equity orientation of the Bank. The study identified several factors which in its view underlay the anomaly.

6.19 First, Bank staff efforts may have focussed more on Bangladesh, perhaps reflecting the feeling that East Pakistan had not benefited as much as it should have, either from Bank lending or government policy. As a result the Bank mounted a substantial program for Bangladesh which eventually squeezed resource availabilities for Pakistan, already receiving less (the study argues) than its situation called for. Second, the division of the country raised the knotty issue of creditworthiness, such as how Pakistan's external debt was to be divided and the need for a multi-year moratorium.

6.20 Third, to these two factors should be added the Bank's concern about various elements of government policy: the new stress on industry, especially heavy industry, at the expense of agriculture; weak land reforms; nationalization of large enterprises in basic industry and commercial banking; the abandonment of multi-year planning; and the pursuit of expansionist policies without measures to eliminate subsidies, increase savings, and protect against excessive debt.

6.21 Increasingly, the Bank stipulated macroeconomic measures as conditions for lending. In this same period, the Bank helped negotiate the debt rescheduling, completed its major review of the agricultural sector, and continued its conventional lending for agriculture and power projects. But missing, as they were also in the government's programs, were the initiatives in the social sectors--education, anti-poverty, rural development--that one might have expected from a populist government.

6.22 A change in government policies aften the 1977 coup in Pakistan, followed shortly by the impact of events in Afghanistan, and the evolution of the Bank's own policies, all contributed to a change in Bank relations with Pakistan. The turn of the 1980s was a period in which Pakistan was threatened by the cost of the influx of Afghan refugees, and the Bank turned increasingly to policy-based adjustment lending. The government reverted to less centralized planning, improved incentives in both agriculture and industry, denationalized some enterprises, and took on a more market-oriented complexion. Moreover, it introduced a system of Islamic banking.

6.23 Recognizing the agreement of the key officials with its macroeconomic recommendations but also the political problems of adjustment, the Bank moved from more general adjustment policies to a focus on adjustment policies in the key sectors of agriculture, industry, and energy. The policy dialogue on these sectors produced one SAL in FY82 and one Export Development Loan in FY86. From 1980 to 1984, the Bank made 37 project loans, a third of them in agriculture. While criticizing some aspects of these loans, the study concluded that the Bank's work in the productive sectors was "strategically sound, technically competent, and constructive in its interaction with Pakistan policy and operations." Overall, the tension-ridden 1970s were replaced by a more sympathetic relationship, exceeding in mutual respect even that of the 1960s.

6.24 Despite the changes in government and the corresponding shifts in Bank approach over the years covered by the study (1960-1984), there were important continuities in the Bank's relations with Pakistan. The underlying developmental goals of both government and Bank remained the same: growth, equity and self-reliance, with precedence always given to growth.

6.25 The differences arose mainly in the Bank's choice of instruments for furthering those goals. The basic instrument had always been project lending--an area in which the Bank's standards, performance, and effectiveness had been high. A second instrument had been development analysis, both to support the Bank's dialogue with government and to inform the Consortium. The third had been the policy dialogue itself and its links to lending operations--a connection which was a key factor in the Bank's movement toward nonproject lending.

6.26 The total credit package available to Pakistan, and its tightness, had a strong influence on the Bank's relationship with Pakistan and on the effectiveness of policy dialogue. When lending volume was constrained,

whether because of overall resource shortages or as a result of a deliberate Bank decision, the Bank had been least able to play an effective role. Thus leverage, in the view of the study, required weight.

6.27 Against a record characterized as one of solid achievement, the study drew attention to some worrying factors. These, in effect, are some lessons of the first 30 years:

- While the whole of the Consortium's contribution is important, the Bank's contribution to the whole has a weight greater than its volume, because of the link to policy dialogue and to the Bank's sectoral lending programs. The rotation of senior Bank personnel dealing with Pakistan was frequent enough in the early and middle 1970s (four Vice Presidents and four Department Directors) to have had some impact on the continuity of the Bank's approach.

- The study also pointed to the advantage of having a strong resident representation, both in numbers and skills. More senior standing would permit more continuous policy analysis on the spot, facilitate the policy dialogue, and reduce the large number of mission from Washington.

- The study also emphasized the desirability of involving the government more in the preparation of the Consortium, and for the Chairman to enhance the cooperative relationship with other donors.

6.28 The study also felt the need for increased attention to population, human resource development, to issues of local participation and governmental decentralization, and to mobilization of domestic resources.

Sri Lanka

6.29 Sri Lanka's Independence dates from 1947. Long before that date, Sri Lanka had a freely-elected legislature and an executive authority with considerable autonomy. More important is the fact that Sri Lanka had a more highly literate, skilled, and politically aware population than did the rest of low-income Asia.

6.30 Since Independence, freely elected governments have changed from time to time, but their fundamental economic goals have remained the same: growth, equity, and self-reliance. Government periodically changed hands between two parties. The primary emphasis among the three goals changed from one government to another, but equity always loomed large and the population came to expect, under whatever government, public expenditures for social purposes as a right.

6.31 Two principal factors tended to undermine the effect of these otherwise auspicious background circumstances: ethnic competition which occasionally burst into prolonged and bloody conflict, and the continuing stagnation of Sri Lanka's treecrop exports, which were the mainstay of its external earnings.

6.32 Overall, the Bank's interaction with Sri Lanka has been fruitful. Its course, however, has not been smooth. Differences arose over the relative priority of growth and equity and the means of achieving them, with the Bank's views and recommendations generally corresponding with those in government that emphasized growth. Since policies in this regard shifted several times the Bank's relationship with Sri Lanka underwent substantial changes, with periods of confrontation and of little or no lending. As the study described the policy discussions in Sri Lanka:

> [Both parties] were committed to welfare, equality and the alleviation of poverty. Both parties saw also economic growth as an important objective, but their strategies to achieve growth differed. The periods of SLFP control (1956-65 and 1970-77) were characterized by a less open economy, emphasis on import substitution, a diminished role for foreign aid and advice, nationalization, public enterprises and an expansion of the government control apparatus.... The UNP (1951-55, 1965-70, 1977 to the present) relied more on private enterprise and price incentives, and opened up the economy. It stressed exports, and tried to attract foreign resources--aid, foreign private investment and foreign loans--and gave more emphasis to agriculture.

6.33 One of the Bank's earliest actions in Sri Lanka was to mount, in 1951, a general survey mission. Like two dozen other such missions launched between the end of the 1940s and the mid-1960s, this one was designed to provide a comprehensive though general design for development, within whose framework investment policies might be determined and projects identified and appraised. Its recommendations provided a rationale for government actions and for Bank activity until a political shift occurred in 1956. The report of the 1951 mission remained a general guide for policymakers, thus exercising a sort of zamisdat influence, both institutionally and in project identification, so long as project lending continued.

6.34 The Bank's orientation in Sri Lanka was affected not only by the policies of the government but also by its view of its own role. Until the early 1970s, Bank operations were dominated by lending in a few specific sectors, the primary concern of the Bank was efficient project execution, and policy discussion was largely limited to matters affecting the projects being financed. The support of a market-oriented policy was based mainly on intuitive reactions, rather than on economic analysis. Although the Bank's moved toward equity in the 1970s, the attitude toward Sri Lanka remained

the same, justified by the conviction that welfare transfers could not be sustained in the long run without growth, a view perhaps reinforced by a succession of nationalizations and an enhancement of government controls. The Bank stopped lending to Sri Lanka just as basic needs and poverty came to the forefront of its own development strategy. However, the Bank's shutdown of lending was more than offset by an increase in assistance from other members of the Aid Group for Sri Lanka (which the Bank chaired), perhaps because of their reluctance to cut off potentially fruitful dialogue with Sri Lanka. The shutdown therefore had little immediate significance.

6.35 Since 1977, the same party has governed Sri Lanka, making this the longest period under a single party in Sri Lanka's history. One result of this considerable continuity in policies was a substantial growth in Bank lending, as well as in assistance from other Aid Group members, and the economy expanded rapidly. At the start of the 1980s, the Bank turned, as it did elsewhere, to support for economic adjustment and to other aspects of growth-oriented policy.

6.36 The study concluded that the Bank had a significant role in Sri Lanka's achievement of increased growth and economic efficiency in the periods when those were the primary goals of the government, and, in particular, in the period since 1977. Its role was essentially supportive--backing government policy when that policy was congenial to the Bank and minimizing advice and assistance when it was not. Fortunately, Sri Lanka had a good number of experienced and sophisticated (though overburdened) civil servants, who maintained a continuing interaction with the Bank and were able to take quick advantage when the policies of the political leadership opened or re-opened the opportunity for effective relationship with the Bank. In such periods, all the instruments of Bank interaction came into play.

6.37 One such instrument was the size and composition of Bank lending. As noted, lending was interrupted or slowed down for lengthy periods, as the result of mutual distrust. Such discontinuity had the effect of thinning out the pipeline of desirable projects and, more seriously, once lending was resumed, of financing projects that had not been adequately prepared and appraised. Another consequence was that the Bank did not maintain a close enough link with the leadership of the party with whose views it found itself out of sympathy, and thus remained insufficiently aware of the nature of opposing views and unable to avoid confrontation.

6.38 As for the composition of lending, the report of the 1951 mission remained as a general guide. Not until the mid-1970s, the study reports, after the Bank's reorganization of 1972, was a systematic effort made to relate Bank lending to a "coherent country-oriented" strategy, based on adequate economic and sector work, to focus on public investment priorities, or to give attention to the most effective areas for Bank activity. Discussion of macroeconomic issues tended to focus on budgetary and external payments balance, and project work was not explicitly linked to policy dialogue, either sectoral or macroeconomic.

6.39 The study acknowledged the appropriateness and value of many Bank projects in the earlier period, but it was critical of the Bank's choices, which involved ignoring some sectors of high priority and lending for some sectors from which the Bank's absence would have made little difference. After more effective country programming had been introduced, the primary emphasis shifted from infrastructure to the more directly productive sectors.

6.40 Nonproject lending to Sri Lanka was hardly noticeable, with two quick-disbursing program loans in 1974 and 1975 but no structural adjustment lending. The reason for this, in the new policy-oriented environment of the 1980s, was both the government's conviction that the Bank's conditions were politically too onerous, given the small size of adjustment loans proposed, and the Bank's recognition that quick-disbursing loans were being made by other donors.

6.41 The Bank's second instrument of interaction has been policy dialogue. Such dialogue and the conditionality linked to it had always existed in connection with the Bank's project lending. It varied in nature from direct confrontation on some issues to a cooperative relationship, and its effectiveness varied accordingly.

6.42 Only since the late 1970s has more general policy dialogue, designed to produce solutions to crucial development problems, become part of the Bank's arsenal. Economic and sector work thus acquired a new purpose, to support this dialogue. By and large, Sri Lanka has not viewed the Bank's economic and sector work favorably. The general economic reports were considered valuable in educating the Bank, and especially other donors, rather than senior Sri Lanka staff. The government's reaction to sector reports varied with the sector, depending on Sri Lanka's priorities within the sector and the specificity of the recommendations the reports made.

6.43 These reactions stemmed from the high level of economic knowledge among senior Sri Lankan officials, combined with the heavy burden of dealing with the excessive number of Bank missions, not all of them well prepared. The study's recommendations, therefore, included: (1) more selectivity in deciding which sectors to study; (2) ensuring that the results are of practical use for Sri Lanka; and (3) reducing the number of visits from Washington and strengthening the Bank's resident mission.

6.44 The Bank's third instrument of interaction has been aid coordination, both through the formal Aid Group and otherwise. Like some other governments, Sri Lanka's preferred to deal with donors on a one-to-one basis. Still, the Aid Group meeting was seen as more or less inevitable, and of value at least in informing donors on Sri Lankan affairs.

6.45 The Aid Group took on greater importance after 1977 when, at the government's request, the Bank agreed to coordinate the financial arrangements for the Mahaweli project. Sri Lanka's most important and most

high-profile development project, Mahaweli accounted for a third of Aid Group commitments; contributions for it were supposed to be additional to normal assistance. This, as well as the magnitude of other aid from the Group (10 times larger in 1978-84 than in 1965-69), raised Sri Lankan opinion of the Aid Group meetings and allowed these to become a more effective forum of policy discussion as well as of sector analysis. The study finds a consensus on the value of the Aid Group in general terms. But to what extent the Aid Group increased the flow of external resources, or affected government policy, remains a matter of speculation.

6.46 Aside from the formal Aid Group meetings, there was much informal contact among donor staff on technical matters, much of it in Colombo. Nevertheless, the study found, there remained evidence of duplication of effort and conflicting project objectives. More effective leadership of the Aid Group was needed, and also more effective government participation in it. The study made recommendations in both areas.

6.47 The study also recommended Bank actions in areas that in its opinion were neglected, such as mobilization of domestic resources, tree crops, industry, agricultural diversification and land settlement, government machinery, and low-end poverty. It stressed adjustments in Bank procedures that should be made to improve the effectiveness of policy reform, such as:

- focus its economic and sector work and its lending on major future problems of Sri Lanka and reduce loans to some traditional areas;

- obtain additional donor support in areas of concentration;

- relate the total size of lending to policy changes in targeted areas, adjusting the volume of lending to the government's response;

- reduce the number of macroeconomic conditions for Bank lending.

To strengthen the Bank's interaction with Sri Lanka, the study proposed:

- developing the Bank's contact and interaction with the highest political levels of the government;

- strengthening the resident mission, in order to keep the Bank in better touch with domestic developments, to permit it to play a larger role in policy analysis and in relations with the government, and to reduce the burden of excessive and ill-prepared Bank missions;

- maintaining contact with the political party in opposition, so as to be aware of its objections to Bank actions and to be in a position to resume fuller activity when power changes hands;

- continuing a low-keyed relationship even in periods of tension, when Bank initiatives are not considered advisable;

- evaluating economic and sector work in terms, not of producing documents and loans, but of its relevance and utility to key Sri Lankan officials; and

- reducing the rotation of Bank staff dealing with Sri Lanka.

Senegal

6.48 Per capita income in Senegal has declined since 1960 despite substantial external aid. Thanks to its political stability and continuity of administration, Senegal was considered an African model, and it developed close relations with the aid community generally, although a large proportion of aid continued to come from France. Annual per capita aid reached one of the highest levels in the developing world, and in the 1980s aid amounted to a fifth of Senegal's GDP. Nevertheless, in the quarter century following Independence, despite substantial annual fluctuations, GDP growth averaged barely 2.4 percent a year. With population growing at 3 percent a year, real per capita income is now below that of a quarter century ago.

6.49 Agriculture has continued to have a dominant influence on the development process. Since 1960, wide fluctuations in agricultural output, largely as a result of weather conditions, have pulled GDP up and down. The effect of rainfall, which, though highly variable has shown a sharply downward trend, was compounded by a very fragile resource base, soil degradation, swings in the international terms of trade, and a poor domestic policy environment. Agricultural output grew little in spite of all development efforts, and so did GDP. Some of the most basic constraints on Senegal's development--the fragile resource base, uncertain rainfall, and high population growth--have become even more binding over time. To support investment, and at times even consumption, Senegal accumulated an increasing debt burden. The efforts to Senegalize public administration and enterprise were accompanied by increasing inefficiency of state enterprises and services and by a reduced supply of entrepreneurial and technically qualified population.

6.50 These depressing circumstances forced a generous and diversified aid community, in the 1980s, to rethink the policies and procedures that determined their aid in the 1960s and 1970s. Among them was the Bank, whose approach to Senegal underwent a significant transformation around 1980.

6.51 The Bank has provided only 8.5 percent of the aid to Senegal, compared to France's 40 percent. But Senegal has been favored by the Bank; with a population of 2.5 percent of that of "low-income" African countries, it has received 4.7 percent of the Bank's lending to those countries.

6.52 The Bank's influence on policy making in Senegal was not significant in the early years. But the importance of its advisory role and of its dialogue with the government, both supported by economic and sector work, grew substantially as the unhappy results of 1960-80 became evident, as the Bank shifted its focus toward adjustment lending, and as consultative machinery developed under its leadership.

6.53 The Bank's involvement with Senegal started slowly in the 1960s, for well-conceived and satisfactorily prepared projects were difficult to find. By 1970 a Bank program had begun to emerge, but a program uninformed by a clear perspective and an articulated strategy for the country. The decision was taken early to disperse lending among a large number of sectors so as to determine by "experiment" Senegal's comparative advantage. The program was based less on intimate knowledge of and experience with Senegal than on internal Bank pressure to produce and to carry out a lending program for a politically attractive country in high-priority Africa.

6.54 The unavailability of important basic data was one important factor. Perhaps more serious was the lack of appreciation of how binding, if not intractable, were the geophysical, sociopolitical, and cultural constraints. These included continuing state encroachment in the economy, which affected efficiency, competitiveness and entrepreneurship; the secular worsening of agro-climatic conditions; low domestic savings and investment performance; and the increasing burden of external debt.

6.55 Such constraints were often given short shrift, or considered temporary or cyclical phenomena. To these factors might be added the unwillingness to deal with the doubts that were occasionally expressed in the Bank's economic and sector work, perhaps because doing so risked slowing the rate of commitment and of disbursement. As a result, the Bank judged, by 1970, that Senegal had largely overcome the structural problems that followed Independence and faced a promising future.

6.56 This unjustified optimism about the country's prospects continued throughout the 1970s. It is difficult to avoid the inference that the priority given to Africa as a whole and to the Sahel in particular, and the desire to take advantage of Senegal's perceived stable environment, were the crucial factors in the continued support of Senegal while its performance was declining. Indeed, it is difficult to decide whether the African priorities resulted in downplaying crucial issues or whether, conversely, the lack of appreciation of those issues helped produce the optimism about Senegal. The deeply systemic and stubborn factors that inhibited Senegal's progress did indeed lead to a marginal reduction of growth projections each time they were revised; but the upbeat assessment continued until around 1980.

6.57 Agriculture, which has received the largest number and volume of loans, has two overriding limitations: poor resource endowment and deteriorating climate. The Bank's principal focus in the sector (on the vital groundnut production and on the promotion of rice and the irrigation it required) was distorted by inadequate information, by the avoidance of exchange rate, price, and taxation issues, and by inconsistencies in the approach to rice and irrigation development.

6.58 These crucial matters were often alluded to in economic and sector reports, the study notes, but critical views did not affect lending. Even if climate, research, and technical packaging had been appropriately dealt with, agricultural progress would still have been constrained by equally stubborn cultural and institutional factors.

6.59 Transport was a close second to agriculture in the Bank's lending. In general, the approach to that sector has been sound, but the record has been marred by occasionally inadequate appraisals, poor operational performance, and efforts to press for institutional change more rapidly than was feasible in Senegal's circumstances.

6.60 In industry, the Bank adopted the government's policy of diversification without, however, tackling the underlying problems of incentives, exchange rate policy, and lack of domestic entrepreneurship and technical experience. Indeed, as the need for these grew, the policy environment influencing them worsened. The particular focus of Bank lending in the industrial sector became a new institution, SOFISEDIT, established with Bank technical and financial assistance. This action was apparently taken at the behest of the government despite consistent Bank staff recommendations over several years against the creation of the new institution, because with appropriate policies existing institutions would meet the need effectively and efficiently. Although SOFISEDIT continued to have Bank support, its subsequent history was one of growing irrelevance, ineffectuality, and wasted resources.

6.61 Education projects have generally been effective. The Bank was quick to identify the two major weaknesses of the education system, which themselves posed binding constraints on development generally--poor adaptation to the needs of the modern economy, and low primary enrollment rates. Bank projects in the 1970s successfully strengthened the infrastructure for technical, agricultural, vocational, and secondary training. But not until 1986, after fiscal difficulties forced Senegal to a review of priorities in the sector, did the Bank lend for primary education.

6.62 Around 1980, the focus of the Bank's strategy shifted from projects to structural adjustment, under the pressure of the macroeconomic evidence, the generally poor results of previous lending, and the Bank's general change in orientation toward policy-based lending. The study reports that the focus now was on seeking to achieve stabilization and to avoid external default, while establishing the basic environmental conditions for longer-term growth--an effective incentives structure and more efficient public sector and a stronger private sector.

6.63 The introduction of structural adjustment policies was supported by three Bank operations. By 1987 the Senegalese economy had been transformed significantly, away from excessive state intervention. Nonetheless, the study views the plethora of conditions that accompanied the adjustment loans as difficult to achieve in an environment of limited economic expertise and political will, especially in view of the stubborn physical, cultural, and institutional obstacles previously alluded to, which were not fully or appropriately addressed in the programs. The Bank's advice and recommendations were often based on inadequate information and less-than-full understanding of the relationships between policy measures and objectives. This gave rise to a continuing tendency to overestimate likely future performance and to underestimate the negative impact of constraints on development.

6.64 The focus on structural adjustment intensified attention to aid coordination. Coordination should have been increasingly important in the 1960s and 1970s, given the large volume and many sources of aid flows and the absence of policy and investment coordination in the government itself. It was largely lacking, however, in the early years of project-oriented lending.

6.65 Coordination began to improve in the 1980s, as Senegal's situation deteriorated and the aid community turned to adjustment. That shift called for a common view of macro- and microeconomic policies and the choice and design of investments to conform to those policies. The new situation resulted in the creation of some coordinating machinery in the government, a request to the Bank to organize and take a lead role in donor coordination, and the establishment in 1984 of a formal Consultative Group and of other instruments of donor consultation.

6.66 This was, however, only the beginning. There continued to be a need for exchange and dissemination of information at both the macroeconomic and project levels, including technical assistance. While wanting Bank leadership, other providers of aid seek closer participation with the Bank in the formulation of policy and investment programs and in their supervision, rather than having to acquiesce in and conform to what has already been decided in the Bank, or between the Bank and the government.

6.67 The principal conclusion drawn in the study was that a Bank program, whether in the area of lending or of macroeconomic advice, needs to be based on a solid foundation of knowledge and should be developed and pursued in the context of a clear strategy. Yet the Bank's staff was often inadequately informed of or--in the rush to lend--paid too little attention to such issues as the physical conditions that decisively limited agricultural prospects and to the social and cultural conditions that constrained economic development.

6.68 A second conclusion was that coordination among donors, between donors and the government, and within the government is essential both to an effective development program and to effective provision of aid. Mechanisms for such coordination have only recently begun to be put in place.

Tanzania

6.69 The course of the Bank's relations with Tanzania closely followed political and ideological developments in Tanzania and the degree of the Bank's sympathy for them. In the 1960s, following Independence, Tanzania pursued a strategy emphasizing economic growth and following the broad lines recommended by a Bank general survey mission report in 1961. Until roughly 1967, annual per capita growth was 6 percent; the Bank's relations with the new nation were close and cordial.

6.70 In 1967, the Tanzanian government opted for a socialist economy, in which top priority was given to national economic independence and equity in the distribution of benefits from development. Those basic priorities, articulated in the Arusha Declaration, dominated the economy for the next 15 years, determining sectoral strategy and investment choices.

6.71 The shift coincided with the Bank's own change in orientation toward meeting basic needs and eliminating poverty, and toward giving greater priority to lending to Africa. The views and actions of other donors evolved similarly, and Tanzania was generally accepted as providing a new African model for equitable development. Meanwhile, though the Bank's lending programs gave priority to Africa, the conditions prevailing in some African countries made lending to them difficult. This increased the Bank's resources available for Tanzania, a country that also had the advantage of political stability. The impact of these circumstances was reinforced by the close relationship that developed between the Presidents of Tanzania and the Bank. The result made for continuation of the cordial relationship between Bank and country that had been established at Independence.

6.72 In the first several years after the 1967 Declaration, growth slowed perceptibly, but there were perceptible advances in the social sphere. Then, in the early 1970s, a series of measures was enacted to speed up the reforms heralded in 1967. These included the decentralization of public administration, the enforcement of the " Villagization" program, and the Basic Industry Strategy, which included the development of heavy industry. The attempt to rush the reforms provided increasing evidence of anomalies and contradictions in the Tanzanian program; of its lack of attention to stubborn obstacles to economic independence, equity, and growth; and of its focus on principles and neglect of economic analysis. The realities were reflected in a declining, and then negative, rate of per capita growth.

6.73 Bank policy toward Tanzania began to change around 1980. By then the economic decline in Tanzania had become unmistakable, the constraints on its absorptive capacity had become more obvious, and the Bank and other donors had become increasingly concerned with the need to achieve growth as the basis for sustainable improvements in living conditions. The result was a hiatus in the Bank's relations with Tanzania, simultaneously with a decline in aid to Tanzania from all sources, and hence an increase in the leverage the Bank could exercise on behalf of the policies it considered conducive to sustainable development. The pressure of economic decline in Tanzania, combined with a greater appreciation of the need to shift toward growth and export-oriented policies and to set development goals consistent with the lower level of donor support, led Tanzania in the mid-1980s toward structural adjustment. The result has been a significant change in the character of the Bank's dialogue with Tanzania and an improvement in relations between them.

6.74 Tanzania's development strategy stemmed from the general principles held by its political leadership, which tended to ignore the binding economic, social, and natural resource constraints on development, outrunning the absorptive capacity of the country. There was little pressure to listen to the facts, thanks to the availability of resources from donors, including the Bank, until the 1980s.

6.75 Nor was the Bank's decision making much affected by the realities. Its early economic and sector reports tended (as did the Bank generally) to concentrate attention on the availability of resources to achieve Tanzania's goals, rather than on assessing the appropriateness and feasibility of those goals. Though there were indications that the country's absorptive capacity was limited, it was assumed this could be readily increased through technical assistance. Later Bank missions called attention, from time to time, to the inadequacies of the parastatal entities, to issues concerning prices, protection, and competitiveness, to the circumstances--including shortages of skills--that compromised the sustainability and often the execution of investment projects, and, in due course, to the ideological basis of Tanzania's development strategy--and made recommendations accordingly.

6.76 The Bank staff's economic analysis and advice had little influence, however, on the Bank's strategy. This may have been the result of unwillingness to act on fragile data and limited experience with Tanzania and to argue with the orientation of a country which was widely accepted as a symbol of the new Africa. The Bank's dialogue thus tended to focus narrowly on resource requirements, on the execution of Bank-financed projects, and on the need for disbursement. For the Bank, the lessons of experience in Tanzania include some related to internal management and communication. Instructions moved downward easily and effectively; information and analysis did not move upward as readily.

6.77 In the directly productive sectors, such as agriculture and rural development and industry, the comments of economic and sector work on Tanzania's ideologically determined development strategies had little

impact on Bank operations. In other sectors, where plans depended more on technical requirements and less on ideology, and where strong institutions already existed, economic and sector work had a greater influence on the Bank's programs and the Bank had a greater influence on Tanzania's.

6.78 The Bank's dialogue with Tanzania varied similarly. Particularly in agriculture, industry, and education, the Bank preferred to steer clear of policy issues, to limit its dialogue to problems of lending and execution, and to keep the dialogue at the level of civil servants rather than to escalate it to the political level where the fundamental decisions were made. In infrastructure development, which was relatively unaffected by ideology, the Bank was more forceful in advancing the views that emerged from economic and sector work. The result was a fruitful dialogue and the presence of few investments of doubtful economic worth. In industry and agriculture by contrast, most of the Bank-supported projects failed to realize the economic returns expected of them. Integrated rural development projects proved too complicated to be implemented and did not generate sustained benefits.

6.79 The effectiveness of Bank lending thus varied with the intensity of the dialogue. Other factors were at play, however, aside from the character of the dialogue itself. One of them was the strength and independence of the operating institutions in infrastructure. Thus the highway program worked less effectively than did those dealing with ports and railways, which had a long tradition of freedom from political interference and which, from the mid-1960s to the mid-1970s, were protected by arrangements under the East African Community of which Tanzania was a member.

6.80 Another factor was the transferability of technology and the design assumptions brought to Tanzania from the Bank's experience elsewhere. Programs in agriculture and rural development, where local physical and cultural factors are paramount, were far less effective than those in the infrastructure sectors. A third factor was the sensitivity of the assumptions made about inputs and market demand, which were much more prone to error in agriculture and industry than elsewhere.

6.81 In 1974 the Bank began to provide program assistance, with important components of conditionality. The second such loan, in 1977, was undertaken in the absence of an agreement with the IMF and was followed by a substantial outflow of resources. One result was the emergence of a serious disagreement between the Bank and the government and the deterioration of communications between them. Meanwhile, a succession of external shocks laid bare the vulnerability of Tanzania's development strategy and the weaknesses in the management of economic policy.

6.82 The worsening of the relationship was slowed, then reversed, following discussions between the Tanzanian and Bank presidents in 1980-81. The resulting agreement was that Tanzania would move toward structural adjustment on the basis of a program to be formulated by the government.

6.83 Unfortunately Tanzania's effort to formulate an adjustment program was frustrated by its inability to devise and manage economic policy reform. Continued discussion led the Bank to approve an interim program loan and to offer the assistance of a small independent team of experts in developing the program. The government accepted this offer, as well as the main conclusions that were reached by the team; and by the mid-1980s the Bank's dialogue with Tanzania had intensified. The government adopted a succession of adjustment programs, each designed to deal with weaknesses in the conception or the execution of the previous one. A turnaround in policies had begun, and a turnaround in donor support followed. The future seemed brighter than the past had been.

6.84 Tanzania has received substantial aid from more than 40 sources, about $7 billion in 1983 dollars between 1970 and 1984. It is one of the largest aid recipients in the world, and aid has financed the bulk of its development budget. The terms of aid have been very favorable. By the late 1970s, however, providers of aid became increasingly fearful that aid was in effect shoring up a pattern of development that was not sustainable and that drastic adjustment measures were needed. In the circumstances, aid coordination became increasingly important. Some coordination among the donors had long been in existence; indeed a Consultative Group for East Africa has existed since 1968, with some of its meetings specifically devoted to Tanzania. But arrangements for strengthening coordination in the 1980s developed only slowly.

6.85 In the past decade intragovernmental coordination, a condition for effective external aid coordination, has improved. Coordination between the government and donors was in the earlier years entirely, and still is mainly, on a bilateral basis, largely because of the government's fear that donors might combine to bring pressure on it. In the 1980s, however, this gave way to more or less general meetings under government chairmanship, primarily on project issues, that proved reasonably effective.

6.86 Since the early 70s and particularly in the 1980s, other donors have pressed the Bank to increase its involvement in coordination. Consultative Group meetings took place under Bank chairmanship in 1986, 1987, 1988 and 1989; and there have been fairly regular but unstructured and informal meetings at the Bank's office in Dar es Salaam. Until 1986 the Bank's leadership in this process was not exactly dynamic, perhaps partly because it focused on mobilizing donor resources, rather than developing an agreed view of appropriate government policy and allocating donor action, and partly because of unwillingness to confront a sensitive government with a common donor position. The government's recent establishment of mechanisms for its relations with donors may reduce the need for Bank leadership in this respect.

6.87 The major lessons drawn by the Tanzania study include the following:

- Country knowledge provides the essential background for understanding and evaluating development strategies

and their implications. It provides the framework for effective economic and sector work.

- National absorptive capacity, for ideas and policies as well as for investments, should determine the size and composition of the lending program, rather than regional targets.

- Policy dialogue, which should be on a continuing basis, rather than in response to crises, should be carried on, on the Bank's side, by persons of stature and rank comparable to those of the Tanzanian officials with whom they engage. The size and diversity of the Bank's resident mission should be increased.

- Improved coordination among donors is needed, through more regular and more structured meetings and through involvement in policy and project issues at an early stage.

- Conditions of lending, whether for projects or for adjustment, should be kept simple; components of loans, whether for projects or for adjustment, should be few; and measures of progress should be clear and precise.

Finally, the study faults the Bank for avoiding the all-important question of population growth and concludes that no vital subject should be beyond the Bank's concern even if it is not a likely object of lending.

C. Some Conclusions and "Lessons"

When are "Lessons" Learned?

6.88 The four country studies analyze historical relationships. The stories they tell and the "current" situations they describe were to some extent outdated by the time the studies were issued, both because the studies took 18 months or more to complete and because their emerging findings were discussed with both Bank staff and governments as the studies proceeded. Both these audiences therefore had the opportunity to learn what they considered valid and useful well before the findings and lessons were recorded and disseminated. It is arguable that the process of evaluation is considerably more important than the final product.

6.89 The importance of the ongoing process is evident from the comments of the relevant operational departments of the Bank. Regarding the Pakistan study (issued at the start of 1986 but begun at the end of 1984), for example, the Bank staff said:

> ...many of the [study's] recommendations have been adopted. The report has had a particularly strong

> influence on increasing the Bank's involvement and support for social sector development in Pakistan. Its recommendations in the industrial, agriculture, trade, and energy sectors coincide with Bank programs and initiatives that were underway, or being contemplated. In so doing, however, they have reinforced the Bank's actions in these areas.

6.90 The comments on the Sri Lanka study are similar. As for that on Senegal (completed in August 1989), staff stated that:

> [During] the preparation of the report, there was a very fruitful exchange of views between the staff of the two departments on development policy and operational strategy. Consequently, many of the findings of the report have been incorporated in the recent Country Strategy Paper for Senegal and in the formulation of recent policy-based lending programs, namely SAL IV, the Financial Sector Adjustment Program, and a series of SECALS currently under preparation.

6.91 It should not be thought, however, that the modifications of and improvements in Bank policy and practice in the four cases are the result only of the process and the findings of the studies. As noted in para. 6.08, both the Bank and the countries were learning from and reacting to their own experience and are often quicker to do so; but they may not be as adept at self-criticism as at criticism, nor as apt to react to the evidence until an independent group lays it out.

The Sociopolitical Framework

6.92 The studies suggest that the Bank knew the two Asian countries much more thoroughly than the two African countries. Those on Senegal and Tanzania stressed the Bank's lack of adequate knowledge of the cultural and social heritage that inevitably provides the framework for a country's development goals, policies, and programs. The Senegal study also remarked on the Bank's limited knowledge of basic facts about the physical environment; and the Tanzania study pointed to an inadequate appreciation of the political posture and aims of the country's sole political party. Perhaps nothing better epitomizes the lack of knowledge in the African cases than the Bank's explicitly experimental approach to lending in Senegal. No such fundamental lack of knowledge emerges from the studies of Pakistan and Sri Lanka.

6.93 Whatever the reasons for the difference, the lesson is sharply drawn in the Tanzanian study: solid knowledge of the history and situation of the country is essential to an appreciation of its development goals and strategies, and of their feasibility. This lesson has implications for the Bank's economic and sector work, which form the building blocks of its strategy and programs, as well as for the Bank's operational programs and

administration. It is particularly important for the credibility of the Bank's development analysis in the country concerned.

6.94 A second observation from a consecutive reading of the studies concerns the impact of the politics of the four countries on the Bank's activities. The Bank may appear to have been influenced by the political orientation of successive governments in Pakistan and Sri Lanka where the lending program was very much affected (at least, in volume) by the orientation of the party in power. That would, however, be a careless reading. From its earliest years, the Bank has stressed political stability and political will as essentials for a policy that promotes and sustains growth and thus enhances absorptive capacity and creditworthiness. The Bank's view of what constitutes such policy might well coincide with the view of one political party but not with that of another. There is thus a fine though in practice not always clear line between political involvement and the conclusions of economic and policy analysis, which the Bank must be conscious of. Indeed, implicit support of the groups or individuals whose views of development correspond to those of the Bank is an indispensable condition of Bank influence on policy and performance.

6.95 In Senegal and Tanzania, both with one-party rule, stability was the feature of governance that the Bank found attractive; these were oases of calm in a generally unstable continent. In the case of Senegal, stability alone was enough to establish its position. In Tanzania's case, as noted earlier in this chapter, the national development strategy articulated at Arusha appeared to fit well with the Bank's new orientation toward basic needs and the eradication of poverty.

6.96 Senegal and Tanzania also benefited from the Bank's difficulty in lending to other African countries in the 1970s. The wish to achieve overall lending targets for Africa led to neglect of crucial constraints on absorptive capacity in both Senegal and Tanzania; of history and culture (also in both countries); of physical limitations (especially in Senegal); and of the implications of party ideology (in Tanzania). By turning a blind eye to such matters, the Bank could sustain or increase lending to both stable countries--often with unhappy consequences.

Goals and Instruments

6.97 Despite the changes in the Bank's lending policies over the 25 years, and despite the differences among the four countries studied and the changes in them, the goals of the Bank and of the countries have remained essentially the same: growth, equity, and economic independence, the latter in the sense not of autarky but of becoming economically self-sustaining. What has varied from time to time has been the relative priority accorded to those goals.

6.98 The Bank's main priority has always been growth and reduction of poverty. How far and under what conditions the poverty reduction goals and other socially-oriented features that are grafted on to a capital investment project become effective is related to a large extent to the politics of the borrowing country.

6.99 In the Bank's member countries, important differences of view on priorities exist among the groups that compete for power, where competition is acceptable. Priorities may shift as power shifts; where competition for power exists, the Bank needs to maintain at least a minimum of contact with parties or groups outside the government, so as to promote broad understanding of the Bank's views, to understand the views of those who might next wield or share power, and to prevent a serious hiatus in its program with the country if power shifts.

6.100 Since it began operations, the Bank has exercised its influence through the volume and composition of lending, development analysis and related policy dialogue, and--since the late 1950s--through the mobilization and coordination of external resources. The interrelationships among these instruments have changed with the passage of time.

6.101 Lending, economic analysis, and an effort to influence policy have always been present in the Bank. But they have not always been closely linked. In Sri Lanka and Tanzania, the Bank sponsored extensive multisector studies which laid out relatively comprehensive programs of policy measures and investment even before Independence. These studies laid the basis of administrative action and lending for about a decade. In Pakistan, where the Bank was the Indus mediator and where it carried out intensive studies of water resources and their use over a period of several years, these studies not only provided a framework for government and Bank programs; they also established a climate of cooperation that generally sustained the Bank/Pakistan relationship even in times of trouble.

6.102 The link between economic analysis and the Bank's lending program has not been consistently strong or long-lasting, however. Aside from those early and large-scale efforts, analysis seems to have been linked primarily to issues of creditworthiness (the narrow conception of which gradually broadened after the mid-1960s). Economic analysis did not play a major role in the design of lending programs or in the identification and appraisal of investments. Indeed, as already noted, the Senegal and Tanzania studies suggest that issues highlighted and problems discussed in economic and sector reports were on occasion downplayed or ignored, because the results might slow down lending and interfere with the achievement of overall regional lending targets.

6.103 Since the end of the 1970s, however, the Bank's economic and sector work has become more important and more closely linked to lending programs. This trend reflects the worsening economic situation of many member countries, growing misgivings about the sustainability of some investment programs and projects, and the realization that the borrower's policy environment is at least as important as the physical and institutional framework in inducing desirable activity.

6.104 The four country studies raise questions about the number and specificity of the conditions applied to the Bank's loans, but especially to adjustment loans. They counsel fewer conditions in the area of macroeconomic performance, and conditions that are both simple and readily measurable.

6.105 The studies consider the impact not only of the composition but also of the total volume of Bank lending as a major source of influence. The point is made strongly in the studies on Pakistan and Sri Lanka, where the small size of the total lending package and its volatility are seen as having limited the Bank's ability to influence policy. This view must be considered in the light of the Bank policy of linking total lending volume to macroeconomic performance. The studies differ in their conclusions on the effectiveness of the "incentive" of cutting back lending volume. The Pakistan study suggests that cutting volume undermined influence. The other studies suggest the reverse. It is possible that in both situations it is less the action and advice of the Bank than the imperatives of the country's economic situation that impel government action.

6.106 The policy of varying total lending volume in response to macroeconomic performance has inherent risks. It can produce apparently erratic lending packages, unless careful attention is given to the nature of the conditions imposed and to assuring that the government is fully cognizant of the policy, and of the conditions placed on lending and their implications. In any event, in recent years the Bank's volume of lending to each of the four countries has risen and been maintained on a steadier course than previously.

6.107 Each of the studies commented on sectors emphasized or neglected in Bank study and action. Among them, population loomed large; it can be, after all, a crucial factor in constraining economic growth and welfare. Sri Lanka is the only country of the four to have achieved a declining population growth rate--thanks to the growth of economic opportunities, education, participation of women in the work force, and voluntary family planning, aided largely by NGOs.

6.108 In Pakistan, Senegal, and Tanzania, on the other hand, rates of population growth increased in the period covered by the studies and in Senegal or Tanzania, at least until recently, were equal to or faster than rates of economic growth. The Pakistan study dealt with this matter at some length, noting the "blend of socioeconomic, religious, and cultural conditions" which inhibited government action and the effectiveness of such actions as may be taken. After numerous Bank initiative taken over the years the first Bank loan for a population project in Pakistan was finally committed in 1983. But the study, issued three years later, is pessimistic about its impact.

6.109 In Africa, population growth rates are crucial. Yet the Senegal study referred only in passing to high population growth as a "basic constraint" which has "become even more binding over time." Its silence reflected the Bank's own silence, which in turn reflects the sensitivity of this subject in Senegal. Not until 1986 did the Bank produce a sector study on population in Senegal.

6.110 The Tanzania study is more forthcoming, in an environment no less hostile, citing population as an "issue not discussed" in the Bank's economic and sector work. It attributes the silence to the unlikelihood of

Bank operations in that environment and to the "willingness of other donors to provide cheaper support in this area." The study concluded, appropriately, that "the Bank cannot continue to ignore population issues, for the decision whether or not to discuss a subject must turn on its importance to the countries and not on whether a lending operation is in the offing."

Consultative Donor Arrangements

6.111 Consultative donor arrangements, which took on a formal character only in the late 1950s, have been of two kinds: fundraising, and coordination of donors' views and lending programs. The first two such arrangements, for India and Pakistan, were mainly for mobilizing resources, and hence each was labeled a "consortium". Since then, development of a consensus of views on the economy and consultation on aid programs have been more important goals, giving rise to "consultative groups". In fact, the difference between the two types of donor coordination has virtually disappeared.

6.112 The four studies emphasize the importance of coordinated action among donors, and of Bank leadership, though not control, of such action. The views of the recipient countries have varied. Consultative groups have sometimes been seen as a means of ganging up on the borrower and of allowing the Bank to dominate such action. But, some earlier and some later, recipient countries have seen the importance of coordination and, especially, the value of the Bank's economic and sector studies as guides to country policies, programs, and projects and to donor activity. Donors, too, have expressed the desire for Bank leadership.

6.113 The evidence of the four studies suggests the following:

- Other donors should have greater involvement in the consultative groups the Bank chairs, especially as regards advice in policy formulation.

- There might be advantages to have more recipient involvement in the preparation of group meetings.

- Donor coordination calls for more than annual formal meetings; occasional sectoral and project meetings are at least as useful, both in satisfying donors' wish for involvement and in assuring coordination at the practical level of financing.

- Above all, donor coordination can be facilitated, if not actually made feasible, by coordination within the government itself. Adequate administrative capacity to plan and carry out national development policies and programs is indispensable to the effective use of external financial and technical assistance.

6.114 On this last matter, each of the four countries has made progress, and in some, donor coordination at the local country level is underway. Donor participation and recipient involvement in consultative group leadership raise more difficult issues. The former might make the discussion of important issues with government more complicated and time-consuming. The latter might change the character of consultative group meetings and introduce into the discussion a larger element of lobbying than may now be the case. Nevertheless, both proposals could enhance the value of consultative groups by increasing recipient countries' responsibility for the groups' effectiveness and ensuring readier donor cooperation.

6.115 The foregoing proposals were most clearly articulated in the Pakistan and Sri Lanka reports at the beginning of 1986. They were, in effect, elaborated and approved at a DAC High-Level Meeting in December 1986 and were explicitly endorsed by the Bank's Senior Vice Presiden Operations. The need to rehearse those recommendations three years late , in the Senegal and Tanzania studies, suggests that those conclusions may not yet have been fully institutionalized.

Bank Administration and Procedures

6.116 The studies criticized the Bank's administration in several respects. One concerns field representation. Higher-level representation in resident Bank missions, they considered, would facilitate more effective and more continuous interaction with the policy levels of governments, and thus produce more effective policy dialogue. The need for such continuity in contact with top officials has grown, now that policy-oriented lending has become a key element in Bank lending.

6.117 A second aspect concerned the number of missions. The reported frequency of missions to Pakistan in the period covered in the study was substantial, but the other country cases are not far behind. Another concern was the discontinuity in mission staffing (a characteristic also of Washington staff responsible for dealing with the countries), and the degree of preparation of staff on these missions. Obviously, a stronger field staff, longer assignments for headquarters staff working on countries, and a greater reliance on country experience and not only on technical experience, would permit higher-level and more continuing dialogue with governments, reduce the number (and expense) of missions from Washington, and thus reduce the burden on officials and civil services.

6.118 These findings involve issues that go beyond individual country relationships and have been reviewed, therefore, on a Bank wide basis, e.g., last year by the Task Force on Resident Missions, which resulted in new guidelines. It is clear that the allocation of responsibility between headquarters and field staff is a problem and political source of tension characteristic of every large organization that operates in the field as well as at headquarters. It cannot be resolved in the relationship with particular countries. Nor can the assignment of staff, which must take into account such institutional imperatives as staff development.

Nevertheless, the member country is the focus of the Bank's mission, and the facilitation of that mission must be taken account of in any organizational structure the Bank adopts, and in the way in which it is administered. Even though "country focus" was an objective in the Bank's reorganizations of 1972 and 1987, Bank policy with respect to staff rotation may need to be made still more sensitive to the Bank's underlying mission.

Human Resources

6.119 All the studies comment on the need to enhance human resources. The specific proposals range from basic education to governmental and enterprise management, from public health to fuller enlistment of women into the economic life of the community outside the home. Although investment in the development of human potential has the longest gestation period and is thus the most costly in the short run, it is also the most important investment for the enhancement and sustainability of national development over the long run. Not so explicit, but clear nonetheless, are the recommendations for strengthening institutions to enable improved human resources to work effectively and to execute policies and programs. It may be desirable therefore to consider the feasibility of a larger sharing of the Bank's burden of dealing with such a wide range of issues with other appropriate institutions, intergovernmental, governmental and nongovernmental.

Summary of "Lessons"

6.120 The lessons for the Bank from the four studies do not strike new ground or provide new advice. But that does not impair their validity. They may be summarized as follows:

- Economic and sector work constitutes an essential foundation for the Bank's country strategies and lending programs, as well as for policy dialogue and influence. Its targets are the specific country and other donors, as well as the Bank itself.

- An intimate knowledge of the social and political background of a country is as important as knowledge of physical facts and economic conditions. The former, perhaps even more than the latter, is vital to an appreciation of the constraints on development and therefore of the country's capacity to change and to absorb investment.

- The Bank needs not only to be familiar with the programs of the competing parties or groups in a member country, but also to maintain a low-keyed contact with them all, to assure broader understanding of the Bank's views, appreciate the views and programs of the country's competitors for power, and help assure continuity in the lending program.

- Regional lending targets should be set consistent with the results of economic and sector work and the national potential and performance.

- With the increasing shift in the Bank's attention from projects to policy environment, satisfactory performance becomes more difficult, but more important, to measure and evaluate. Policy conditions should be within the capacity of the member country to carry out, and the results sought by the conditions should be capable of ready assessment.

- As development programs have become more complex, the number of donors has grown, their contributions have become more diverse, and their coordination has become more important. While an annual exchange of views on the Bank's reports and proposals is an important aspect of coordination, even more important are coordination within the recipient government, inter-donor coordination at the local level, and collaboration among donors and recipients in policy and program formulation.

- Among the manifold requirements of member countries, none is more important than human resource development in all its forms, individual and institutional. It therefore merits the highest priority among the Bank's interests.

- The sensitivity of an important subject, such as high population growth, should not prevent the Bank from dealing with it in economic work or from engaging in dialogue on it, even if it is not part of the Bank's lending program.

6.121 Some of these lessons have counterparts in lessons for member countries. The findings on absorptive capacity, on development analysis, on sectoral priorities, and on aid coordination lead to suggestions for recipients as well as for the Bank and other donors. Though the Bank can influence the development strategies of its member countries through various instruments, the choice of a strategy and of the related policies and programs must finally be made by governments.

ANNEX 1

Table 1-1: DISTRIBUTION OF OPERATIONS EVALUATED IN 1989, BY YEARS OF APPROVAL AND CLOSING

Year	Number /a approved	Number /b closed
1971	-	-
1972	-	-
1973	2	-
1974	1	-
1975	5	-
1976	5	-
1977	14	-
1978	28	1
1979	60	-
1980	49	1
1981	35	4
1982	33	4
1983	11	7
1984	8	16
1985	5	50
1986	1	73
1987	3	74
1988	1	30
1989	-	2
Total	261	262

- No operations.

/a Excludes one operation approved in 1964.

/b The formal closing date normally occurs shortly after the final disbursement of the loan or credit.

Table 1-2: DISTRIBUTION OF ALL EVALUATED OPERATIONS, BY YEARS OF APPROVAL AND EVALUATION, 1974-89

Year of evaluation	Approval Year																												
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	Total
1974	6	1	1	6	2	7	11	4	6	3	2																		50 /a
1975			1	1	2	7	7	17	11	7	2	1	1																57
1976			1	1	5	4	6	13	14	12	7	5		2															70
1977				2	3	5	6	11	30	22	14	10	3	1	2														109
1978	1				1	2	1	9	13	26	12	15	7	7		3													97
1979				2	1	1	1	5	10	22	24	31	22	5	4	1	1												130
1980							2	2	3	11	14	15	16	11	7	2	3	1											87
1981							1	3	2	7	14	21	24	10	15	6	2	1											108
1982								1	4	2	10	11	37	23	15	7	8	5	2	2									127
1983				1				1	2	4	13	16	23	16	32	31	7	8	2	2									176
1984									1		3	8	16	30	34	34	21	15	6	4	1								173
1985												5	10	26	24	41	43	19	11	6	3	3	1						192
1986								1			2	3	8	17	26	43	49	44	28	16	7	3	1						248
1987												1	1	8	14	19	33	45	24	17	17	3	5						187
1988											1				3	10	19	31	27	34	20	13	10	2					170
1989				1									2	1	5	5	14	28	60	49	35	33	11	8	5	1	3	1	262
Total projects evaluated	7	1	3	14	14	26	35	69	96	116	118	142	170	177	181	203	200	187	160	130	83	55	28	10	5	1	3	1	2,245
Total projects approved				60	54	65	64	85	120	136	125	156	206	204	220	245	240	261	264	287	246	272	286	235	236	228	235	217	
Projects evaluated as a % of projects approved				23	26	40	55	81	80	85	94	91	83	87	82	83	83	72	61	45	34	20	10	4	2	0	1	0	

/a Includes one operation approved in 1958.

Table 1-3: NUMBER OF PROJECTS EVALUATED IN 1989, BY SECTOR AND REGION /a

Sector/Operation	Audit	Pass-Through	Total Projects	% Audited
Agriculture and rural development	29	53	82	35
Area development	6	5	11	55
Livestock	0	2	2	55
Irrigation	11	13	24	46
Agroindustries	1	3	4	25
Other /b	11	30	41	27
Industry and energy	27	60	87	31
Industry	2	11	13	15
DFCs	15	12	27	56
Energy	1	21	22	5
Power	5	11	16	31
Telecommunications	4	5	9	44
Infrastructure and urban development	17	42	59	29
Transport	10	25	35	29
Urban	4	8	12	33
Water supply and waste disposal	3	7	10	30
Tourism and other	0	2	2	0
Human resources and technical assistance	2	21	23	9
Education	2	14	16	13
Population, health and nutrition	0	3	3	0
Technical assistance	0	4	4	0
Program and policy lending	10	1	11	91
Program loans and import support	8	1	9	89
Emergency reconstruction	-	-	-	-
SALs	2	0	2	100
Total	85	177	262	32
Region				
Africa	17	45	62	27
Asia	35	66	101	35
EMENA	15	36	51	29
LAC	18	30	48	38
Total	85	177	262	32

/a Includes the 3 projects that are excluded from most other tables because they were not implemented.

/b Includes perennial crops, credit, fisheries, land settlement, extension and research, forestry, and agricultural program loan/credit services projects.

- No operations.

Table 1-4: DISTRIBUTION OF OPERATIONS EVALUATED DURING 1987-89, BY SECTOR AND REGION

Sector/Operation	1987 No.	1987 %	1988 No.	1988 %	1989 No.	1989 %
Agriculture and rural development	67	36	62	37	82	31
Area development	15	8	14	8	11	13
Livestock	9	5	1	1	2	2
Irrigation	19	10	18	11	24	29
Agroindustries	8	4	5	3	4	5
Other /a	16	9	24	14	41	50
Industry and energy	42	22	36	21	87	33
Industry	5	3	12	7	13	15
DFCs	15	8	8	5	27	31
Energy	7	4	6	4	22	25
Power	12	6	6	4	16	18
Telecommunications	3	2	4	2	9	10
Infrastructure and urban development	49	26	43	25	59	23
Transport	22	12	20	12	35	59
Urban	12	6	7	4	12	20
Water supply and waste disposal	15	8	16	9	10	17
Tourism and other	0	0	-	-	2	4
Human resources and technical assistance	22	12	26	15	23	9
Education	16	9	17	10	16	70
Population, health and nutrition	0	0	4	2	3	13
Technical assistance	6	3	5	3	4	17
Program and policy lending	7	4	3	2	11	4
Program loans and import support	0	0	0	0	9	82
Emergency reconstruction	0	0	0	0	0	-
SALs	7	4	3	2	2	18
Total	187	100	170	100	262	100
Region						
Africa	49	26	44	26	62	24
Asia	50	27	39	23	101	39
EMENA	49	26	45	27	51	19
LAC	39	21	42	25	48	18
Total	187	100	170	100	262	100

- No operations.

/a Includes perennial crops, credit, fisheries, land settlement, research and extension, forestry, program loan/credit and agricultural services projects.

Table 1-5: APPRAISED AND RE-ESTIMATED ECONOMIC RATES OF RETURN FOR OPERATIONS EVALUATED IN 1974-89

Evaluation year	Number of operations	Average ERRs /a		ERR Slippage /b
		at Appraisal (%)	at Completion (%)	(%)
1974	31	16.1	16.8	-0.7
1975	25	18.0	16.7	1.3
1976	39	15.4	14.7	0.7
1977	69	17.9	16.2	1.7
1978	55	19.6	18.9	0.7
1979	84	19.6	17.8	1.8
1980	52	21.3	16.0	5.3
1981	69	18.9	14.0	4.9
1982	76	19.5	14.1	5.4
1983	97	21.0	12.8	8.2
1984	107	21.1	11.6	9.5
1985	107	24.5	15.9	8.6
1986	134	21.4	15.6	5.8
1987	98	29.0	15.3	13.7
1988	86	25.7	16.5	9.2
1989	116	23.0	16.0	6.0

Note: Excludes agricultural credit and DFC projects, projects for which an ERR is inappropriate, and projects for which ERRs were not available at both appraisal and completion.

/a Unweighted average of ERRs for individual operations.

/b Appraisal value minus completion value.

Table 1-6: UNWEIGHTED AVERAGE RE-ESTIMATED ECONOMIC RATES OF RETURN FOR OPERATIONS EVALUATED IN 1987-89, BY SECTOR AND REGION

Sector/Operation	1987		1988		1989	
	Number of operations	ERR (%)	Number of operations	ERR (%)	Number of operations	ERR (%)
Agriculture and rural development	55	12	46	15	55	12
Area development	11	4	10	8	4	20
Livestock	7	15	1	36	2	17
Irrigation	18	15	17	11	21	11
Agroindustries	8	12	4	16	4	3
Other /a	11	13	14	22	24	14
Industry and energy	19	15	21	14	28	16
Industry	4	7	8	13	4	16
Energy	3	16	3	21	2	36
Power	12	13	6	11	13	12
Telecommunications	na	na	4	20	9	18
Infrastructure and urban development	27	25	25	22	33	23
Transport	16	25	14	20	24	24
Urban	8	32	5	15	8	15
Tourism and other	-	-	-	-	1	22
TOTAL	101	16	92	17	116	16
Region						
Africa	22	10	16	13	27	20
Asia	34	20	22	20	55	13
EMENA	27	14	28	15	21	20
LAC	18	16	26	19	13	14
Total	101	16	92	17	116	16

Note: ERRs are not applicable to development finance corporations, human resources, and technical assistance operations, or to program and policy lending. These operations are not covered by this table.

- No operations.

na = Not available.

/a Includes perennial crops, fisheries, land settlement, forestry.

Table 1-7: PERFORMANCE OF OPERATIONS EVALUATED IN 1974-89

Evaluation year	Percentage of projects rated as having satisfactory performance
1974	86.0
1975	87.7
1976	85.7
1977	89.9
1978	90.7
1979	87.7
1980	88.5
1981	85.2
1982	80.3
1983	84.8
1984	74.1
1985	70.2
1986	81.8
1987	72.4
1988	73.8
1989	70.0

Notes: OED's traditional method of assessing satisfactory performance is based on achievement of at least a 10 percent ERR, or other significant benefits if the ERR was lower, or an evaluator's qualitative judgment about performance if no ERR was calculated.

Excludes 11 operations not implemented and 6 operations for which data were unavailable.

Table 1-8: DISTRIBUTION OF SATISFACTORY/UNSATISFACTORY OPERATIONS, BY SECTOR AND REGION, 1989 /a
(number of operations)

Sector/Operation	Africa		Asia		EMENA		LAC		Total	
	S	U	S	U	S	U	S	U	S	U
Agriculture and rural development	7	8	27	20	10	1	2	7	46	36
Area development	0	1	4	3	0	0	0	3	4	7
Livestock	1	1	0	0	0	0	0	0	1	1
Irrigation	0	1	7	10	3	0	1	2	11	13
Agroindustries	0	1	0	2	0	0	1	0	1	3
Other /b	6	4	16	5	7	1	0	2	29	12
Industry and energy	9	7	22	6	19	3	14	4	64	20
Industry	1	1	3	2	1	1	0	1	5	5
DFCs	1	5	5	2	7	0	6	1	19	8
Energy	7	1	2	0	4	2	4	2	17	5
Power	0	0	6	2	5	0	3	0	14	2
Telecommunications	0	0	6	0	2	0	1	0	9	0
Infrastructure and urban development	17	5	12	5	9	1	7	3	45	14
Transport	12	3	9	3	3	1	5	1	29	8
Highways	10	0	6	3	3	0	3	1	22	4
Railways	2	2	1	0	0	1	1	0	4	3
Ports	0	0	2	0	0	0	0	0	2	0
Tourism and other	0	1	0	0	0	0	1	0	1	1
Urban	4	1	2	0	1	0	2	2	9	3
Water supply and waste disposal	1	1	1	2	5	0	0	0	7	3
Human resources and technical assistance	7	1	4	2	4	0	4	0	19	3
Education	7	0	2	0	3	0	3	0	15	0
Population, health and nutrition	0	0	2	1	0	0	0	0	2	1
Technical assistance	0	1	0	1	1	0	1	0	2	2
Program and policy lending	0	0	3	0	2	0	1	4	6	4
Program loans and import support	0	0	3	0	2	0	1	2	6	2
Emergency reconstruction	0	0	0	0	0	0	0	0	0	0
SALs	0	0	0	0	0	0	0	2	0	2
Total	40	21	68	33	44	5	28	18	180	77

S = Satisfactory; U = Unsatisfactory.

/a Excluding the three projects not implemented and two for which data was unavailable.

/b Includes perennial crops, credit, fisheries, land settlement, research and extension, and agricultural services projects.

Table 1-9: DISTRIBUTION OF PERFORMANCE EVALUATIONS FOR OPERATIONS EVALUATED IN 1989, BY SECTOR AND REGION, 1989 /a
(percent of operations rated satisfactory, unsatisfactory)

Sector/Operation	Africa		Asia		EMENA		LAC		Total	
	S	U	S	U	S	U	S	U	S	U
Agriculture and rural development	47	53	57	43	91	9	22	78	56	44
Area development	0	100	57	43	-	-	0	100	36	64
Livestock	50	50	-	-	-	-	-	-	50	50
Irrigation	0	100	41	59	100	0	33	67	46	54
Agroindustries	0	100	0	100	-	-	100	0	25	75
Other /b	60	40	76	24	88	13	0	100	71	29
Industry and energy	56	44	79	21	86	14	78	22	76	24
Industry	50	50	60	40	50	50	0	100	50	50
DFCs	17	83	71	29	100	0	86	14	70	30
Energy	88	13	100	0	67	33	67	33	77	23
Power	-	-	75	25	100	0	100	0	88	13
Telecommunications	-	-	100	0	100	0	100	0	100	0
Infrastructure and urban development	77	23	71	29	90	10	70	30	76	24
Transport	80	20	75	25	75	25	83	17	78	22
Highways	100	0	67	33	100	0	75	25	85	15
Railways	50	50	100	0	0	100	100	0	57	43
Ports	-	-	100	0	-	-	-	-	100	0
Tourism and other	0	100	-	-	-	-	100	0	50	50
Urban	80	20	100	0	100	0	50	50	75	25
Water supply and waste disposal	50	50	33	67	100	0	-	-	70	30
Human resources and technical assistance	88	13	67	33	100	0	100	0	86	14
Education	100	0	100	0	100	0	100	0	100	0
Population, health and nutrition	-	-	67	33	-	-	-	-	67	33
Technical assistance	0	100	0	100	100	0	100	0	50	50
Program and policy lending	-	-	100	0	100	0	20	80	60	40
Program loans and import support	-	-	100	0	100	0	33	67	75	25
Emergency reconstruction	-	-	-	-	-	-	-	-	-	-
SALs	-	-	-	-	-	-	0	100	0	100
Total	66	34	67	33	90	10	61	39	70	30

S = Satisfactory; U = Unsatisfactory.

/a Excludes the three projects not implemented and two for which data was unavilable.

/b Includes perennial crops, credit, fisheries, land settlement, research and extension, and agricultural services projects.

Table 1-10: PERFORMANCE EVALUATIONS FOR OPERATIONS EVALUATED IN 1989, BY SECTOR AND REGION

Sector/Operation	Satisfactory No.	Satisfactory %	Unsatisfactory No.	Unsatisfactory %	Total No.
Agriculture and rural development	46	56	36	44	82
Area development	4	36	7	64	11
Livestock	1	50	1	50	2
Irrigation	11	46	13	54	24
Agroindustries	1	25	3	75	4
Other /a	29	71	12	29	41
Industry and energy	64	76	20	24	84
Industry	5	50	5	50	10
DFCs	19	70	8	30	27
Energy	17	77	5	23	22
Power	14	88	2	13	16
Telecommunications	9	100	0	0	9
Infrastructure and urban development	45	76	14	24	59
Transport	28	80	7	20	35
Urban	9	92	3	8	12
Water supply and waste disposal	7	70	3	30	10
Tourism and other	1	50	1	50	1
Human resources and technical assistance	19	86	3	14	22
Education	15	100	0	0	15
Population, health and nutrition	2	67	1	33	3
Technical assistance	2	50	2	50	4
Program and policy lending	6	60	4	40	10
Program loans and import support	6	75	2	25	8
Emergency reconstruction	-	-	-	-	-
SALs	-	-	2	100	2
Total	180	70	77	30	257
Region					
Africa	40	66	21	34	61
Asia	68	67	33	33	101
EMENA	44	90	5	10	49
LAC	28	61	18	39	46
Total	180	70	77	30	257

Note: Excludes the three operations not implemented and two for which data was not available.

- No operations.

/a Includes perennial crops, credit, fisheries, land settlement, research and extension, forestry, program loan/credit, and agricultural services projects.

Table 1-11: PERCENTAGE OF SATISFACTORY OPERATIONS, BY APPROVAL YEAR AND REGION, 1958-89
(based on numbers of operations)

	AFRICA			ASIA			EMENA			LAC			TOTAL		
YEAR	Unsatisfactory	Satisfactory	% Sat.	Unsatisfactory	Satisfactory	% Sat.	Unsatisfactory	Satisfactory	% Sat.	Unsatisfactory	Satisfactory	% Sat.	Unsatisfactory	Satisfactory	% Sat.
58	-	-	-	0	1	100.0	-	-	-	-	-	-	0	1	100
59	-	-	-	-	-	-	-	-	-	-	-	-	0	0	NA
60	-	-	-	-	-	-	-	-	-	-	-	-	0	0	NA
61	1	0	0.0	0	2	100.0	-	-	-	0	4	100.0	1	6	85.7
62	-	-	-	-	-	-	-	-	-	0	1	100.0	0	1	100.0
63	0	1	100.0	-	-	-	0	1	100.0	0	1	100.0	0	3	100.0
64	1	3	75.0	1	2	66.7	1	4	80.0	0	2	100.0	3	11	78.6
65	1	2	66.7	0	2	100.0	1	2	66.7	0	6	100.0	2	12	85.7
66	0	8	100.0	0	3	100.0	0	3	100.0	1	11	91.7	1	25	96.2
67	0	9	100.0	0	7	100.0	3	4	57.1	3	8	72.7	6	28	82.4
68	6	19	76.0	1	10	90.9	1	9	90.0	3	20	87.0	11	58	84.1
69	4	31	88.6	0	23	100.0	6	12	66.7	0	18	100.0	10	84	89.4
70	9	25	73.5	2	27	93.1	4	18	81.8	6	21	77.8	21	91	81.3
71	9	22	71.0	2	25	92.6	5	21	80.8	3	25	89.3	19	93	83.0
72	10	34	77.3	4	32	88.9	2	24	92.3	4	29	87.9	20	119	85.6
73	10	40	80.0	6	48	88.9	4	29	87.9	6	24	80.0	26	141	84.4
74	24	34	58.6	8	38	82.6	8	34	81.0	6	22	78.6	46	128	73.6
75	22	45	67.2	6	39	86.7	6	30	83.3	8	22	73.3	42	136	76.4
76	19	29	60.4	7	48	87.3	6	41	87.2	9	42	82.4	41	160	79.6
77	22	35	61.4	8	54	87.1	6	38	86.4	10	26	72.2	46	153	76.9
78	20	29	59.2	13	49	76.6	9	35	79.5	12	25	67.6	56	138	71.1
79	14	24	63.2	8	34	81.0	6	34	85.0	9	27	75.0	37	119	76.3
80	8	21	72.4	8	36	81.8	1	29	96.7	9	16	64.0	26	102	79.7
81	3	20	87.0	6	17	73.9	0	18	100.0	6	11	64.7	15	66	81.5
82	5	6	54.5	5	14	73.7	1	16	94.1	2	5	71.4	13	41	75.9
83	2	7	77.8	1	5	83.3	3	3	50.0	2	4	66.7	8	19	70.4
84	0	2	100.0	1	1	50.0	1	3	75.0	1	0	0.0	3	6	66.7
85	1	0	0.0	0	1	100.0	0	3	100.0	-	-	-	1	4	80.0
86	-	-	-	-	-	-	-	-	-	0	1	100.0	0	1	100.0
87	-	-	-	0	2	100.0	0	0	0.0	-	-	-	0	2	100.0
88	-	-	-	0	1	100.0	-	-	-	-	-	-	0	1	100.0
89	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
All Years	191	446	70.0	89	521	85.4	74	411	84.7	100	371	78.8	454	1749	79.4

Table 1-11: (Cont.) PERCENTAGE OF SATISFACTORY OPERATIONS, BY APPROVAL YEAR AND REGION, 1958-89

	AFRICA			ASIA			EMENA			LAC			TOTAL		
YEAR	Unsatisfactory	Satisfactory	% Sat.	Unsatisfactory	Satisfactory	% Sat.	Unsatisfactory	Satisfactory	% Sat.	Unsatisfactory	Satisfactory	% Sat.	Unsatisfactory	Satisfactory	% Sat.
1958-62	0.2	0.0	0.0	0.0	0.6	40.0	0.0	0.0	0.0	0.0	1.0	40.0	0.2	1.6	57.1
1963-65	0.7	2.0	80.6	0.3	1.3	55.6	0.7	2.3	82.2	0.0	3.0	100.0	1.7	8.7	88.1
1966-68	2.0	12.0	92.0	0.3	6.7	97.0	1.3	5.3	82.4	2.3	13.0	83.8	6.0	37.0	87.5
1969-71	7.3	26.0	77.7	1.3	25.0	95.2	5.0	17.0	76.4	9.0	21.3	69.0	16.7	89.3	84.5
1972-74	14.7	36.0	72.0	6.0	39.3	86.8	4.7	29.0	87.0	5.3	25.0	82.2	30.7	129.3	81.2
1975-77	21.0	36.3	63.0	7.0	47.0	87.0	6.0	36.3	85.6	9.0	30.0	76.0	43.0	149.7	77.6
1978-80	14.0	24.7	64.9	10.3	39.7	79.8	5.3	32.7	87.1	10.0	22.7	68.9	39.7	119.7	75.7
1981-83	3.3	11.0	73.1	4.0	12.0	77.8	1.3	12.3	81.4	3.3	6.7	67.6	12.0	42.0	75.9
1984-86	0.3	0.7	33.3	0.3	0.7	50.0	0.3	2.0	58.3	0.3	0.3	33.3	1.3	3.7	82.2
1987-89	0.0	0.0	0.0	0.0	1.0	66.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	66.7

Note: Excludes operations not implemented and for which information was not available.

Table 1-12: TRENDS IN AGRICULTURAL SECTOR OPERATIONS EVALUATED IN 1974-89, BY APPROVAL YEAR AND REGION

	AFRICA			ASIA			INDIA			LAC			ALL REGIONS		
Year	Satisfactory	Unsatisfactory	% Sat.	Satisfactory	Unsatisfactory	% Sat.	Satisfactory	Unsatisfactory	% Sat.	Satisfactory	Unsatisfactory	% Sat.	Satisfactory	Unsatisfactory	% Sat.
61	0	1	0.0	-	-	-	-	-	-	-	-	-	0	1	0.0
62	-	-	-	-	-	-	-	-	-	-	-	-	0	0	NA
63	-	-	-	-	-	-	-	-	-	-	-	-	0	0	NA
64	1	0	100.0	-	-	-	-	-	-	-	-	-	1	0	100.0
65	-	-	-	1	0	100.0	-	-	-	1	0	100.0	2	0	100.0
66	-	-	-	-	-	-	-	-	-	1	0	100.0	1	0	100.0
67	3	0	100.0	2	0	100.0	1	2	33.3	3	3	50.0	9	5	64.3
68	4	4	50.0	2	1	66.7	1	0	100.0	1	2	33.3	8	7	53.3
69	9	3	75.0	7	0	100.0	3	2	60.0	5	0	100.0	24	5	82.8
70	6	3	66.7	11	2	84.6	3	0	100.0	4	2	66.7	24	7	77.4
71	6	4	60.0	8	1	88.9	5	1	83.3	4	2	66.7	23	8	74.2
72	9	7	56.3	9	2	81.8	4	0	100.0	4	3	57.1	26	12	68.4
73	13	7	65.0	14	2	87.5	6	0	100.0	6	4	60.0	39	13	75.0
74	13	15	46.4	18	3	85.7	5	2	71.4	7	1	87.5	43	21	67.2
75	11	11	50.0	12	3	80.0	10	1	90.9	7	2	77.8	40	17	70.2
76	6	12	33.3	20	5	80.0	10	3	76.9	9	2	81.8	45	22	67.2
77	8	10	44.4	25	5	83.3	14	2	87.5	6	4	60.0	53	21	71.6
78	6	13	31.6	20	11	64.5	9	3	75.0	7	3	70.0	42	30	58.3
79	6	5	54.5	11	7	61.1	9	2	81.8	7	3	70.0	33	17	66.0
80	4	6	40.0	14	2	87.5	4	1	80.0	2	2	50.0	24	11	68.6
81	1	2	33.3	5	4	55.6	3	0	100.0	3	0	100.0	12	6	66.7
82	-	-	-	2	3	40.0	1	0	100.0	0	1	0.0	3	4	42.9
83	0	1	0.0	2	0	100.0	1	0	100.0	1	1	50.0	4	2	66.7
84	-	-	-	0	1	0.0	-	-	-	-	-	-	0	1	0.0
85	-	-	-	1	0	100.0	1	0	100.0	-	-	-	2	0	100.0
Totals	106	104	50.5	184	52	78.0	90	19	82.6	78	35	69.0	458	210	68.6

Excludes operations not implemented or for which data was not available at completion

Table 1-13: PERFORMANCE RATINGS: COMPARISON OF 1987-89 COHORT WITH 1989 COHORT, BY SECTOR

Sector	1987 - 89 Satisfactory	1987 - 89 Unsatisfactory	1987 - 89 % Unsat.	1989 Satisfactory	1989 Unsatisfactory	1989 % Unsat.
Agriculture	123	87	41.4	46	36	43.9
DFC	37	13	26.0	19	8	29.6
Education	40	7	14.9	15	0	0.0
Energy & Public Utilities	103	19	15.3	47	10	17.5
Industry	15	12	44.4	5	5	50.0
Multisector	6	2	25.0	6	2	25.0
Non Sector Specific	18	9	33.3	2	4	66.7
Public Health & Nutrition	5	2	28.6	2	1	33.3
Transportation & Tourism	70	16	18.6	29	8	21.6
Urban	19	5	20.8	9	3	25.0

Subsector	1987 - 89 Satisfactory	1987 - 89 Unsatisfactory	1987 - 89 % Unsat.	1989 Satisfactory	1989 Unsatisfactory	1989 % Unsat.
Ag-Ind/Proc	11	6	35.3	1	3	75.0
Area Development	13	27	67.5	4	7	63.6
Credit	16	6	27.3	5	4	44.4
Energy	30	5	14.3	17	5	22.7
Fisheries	2	3	60.0	1	2	66.7
Forestry	12	2	14.3	8	1	11.1
Highways	51	6	10.5	22	4	15.4
Irrigation & Drainage	36	24	40.0	11	13	54.2
Livestock	6	6	50.0	1	1	50.0
Others/IM/CR/REC	1	3	75.0	0	1	100.0
Perennial Crops	12	5	29.4	7	2	22.2
Ports	6	2	25.0	2	0	0.0
Power	30	4	11.8	14	2	12.5
Program Loan/Credit	1	2	66.7	1	0	0.0
Railways	7	5	41.7	4	3	42.9
Research & Extension	10	1	9.1	6	0	0.0
SAL	9	3	25.0	0	2	100.0
Settlement	3	2	40.0	1	2	66.7
Sites & Services/Urban	5	2	28.6	-	-	-
Technical Assistance	9	6	40.0	2	2	50.0
Telecomm	15	1	6.3	9	0	0.0
Tourism	1	1	50.0	1	1	50.0
Water Supply	30	9	23.1	7	3	30.0

Totals	1987 - 89 Satisfactory	1987 - 89 Unsatisfactory	1987 - 89 % Unsat.	1989 Satisfactory	1989 Unsatisfactory	1989 % Unsat.
All Sectors	438	172	28.2	180	77	30.0

- No Operations

Note: Excludes operations not implemented or operations for which data was not available at completion

Table 1-14: PERFORMANCE RATINGS: COMPARISON OF 1987-89 COHORT WITH 1989 COHORT, BY REGION

1987-89

Region	Satisfactory	Unsatisfactory	% Satisfactory
Africa	90	64	58.4
Asia	144	46	75.8
EMENA	118	22	84.3
LAC	86	40	68.3

1989

Region	Satisfactory	Unsatisfactory	% Satisfactory
Africa	40	21	65.6
Asia	68	33	67.3
EMENA	44	5	89.8
LAC	28	18	60.9

Note: Excludes operations not implemented or for which data were not available.

Table 1-15: AVERAGE COST OVERRRUN OF OPERATIONS EVALUATED IN 1989, BY SECTOR AND REGION

Sector/Operation	No. of operations	Average completion cost: Appraisal	Average completion cost: Re-estimated	Average cost overrun: million US$	Average cost overrun: % /a
		million US dollars			
Agriculture and rural development	24	67.5	77.4	10.0	14.3
Area development	4	39.4	41.5	2.1	5.9
Livestock	1	46.3	46.5	0.2	0.4
Irrigation	8	110.5	133.2	22.7	19.9
Other /b	11	48.3	52.9	4.5	14.5
Industry and energy	13	168.0	211.5	43.6	35.1
Industry	2	257.1	288.4	31.3	11.4
Energy	2	43.4	59.1	15.7	35.8
Power	4	182.7	216.0	33.3	36.9
Telecommunications	5	170.3	238.2	67.8	42.7
Infrastructure and urban development	16	131.0	159.1	28.1	16.1
Transport	6	240.7	299.3	58.6	22.2
Urban	4	51.7	53.1	1.4	2.8
Water supply and waste disposal	6	74.2	89.5	15.3	19.0
Human resources and technical assistance	2	66.7	76.6	9.9	32.8
Education	2	66.7	76.6	9.9	32.8
Total	55	109.7	132.9	23.2	20.4
Region					
Africa	11	44.7	61.1	16.4	14.7
Asia	23	110.3	125.0	14.7	13.4
EMENA	13	68.7	85.0	16.3	24.8
LAC	8	263.9	331.9	68.0	41.2
Total	55	109.7	132.9	23.2	20.4

/a Unweighted average of the percentage cost overrun for individual operations.

/b Includes perennial crops, credit, fisheries, land settlement, research and extension, forestry, program loan/credit, and agricultural services projects.

ANNEX 2

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data			Date of		Report ref.		
		Loan No.	Credit No.	Amount (US$M)	Approval	Closing	Report No.	Report Type/a	Performance Rating
		Agriculture and Rural Development							
Agricultural Credit									
Brazil	Agricultural Credit & Export	2348		303.0	04-Oct-83	31-Mar-87	7922	A	Unsatisfactory
Hungary	Grain Storage & Mech.	2316		169.2	14-Jun-83	31-Dec-86	7924	A	Satisfactory
India	4th ARDC	2095	1209	329.0	23-Feb-82	30-Jun-84	7923	A	Unsatisfactory
Korea	4th Agricultural Credit	2549		25.0	21-May-85	19-Feb-88	8275	P	Satisfactory
Madagascar	1st Agricultural Credit		1064	11.5	09-Sep-80	31-Dec-86	7768	P	Unsatisfactory
Mexico	7th Agricultural Credit	1891		325.0	07-Aug-80	31-Dec-84	7931	P	Unsatisfactory
Morocco	Vegetable Production	1757		58.0	11-Sep-79	31-Dec-85	7821	P	Satisfactory
Philippines	3rd Livestock & Fisheries	1894		45.0	15-Jul-80	30-Jun-86	7871	P	Satisfactory
Turkey	2nd Fruit & Vegetable	1967		40.0	31-Mar-81	30-Jun-86	8157	P	Satisfactory
Agro-Industries									
India	Jammu & Kashmir Horticulture		806	14.0	18-May-78	30-Jun-86	8187	P	Unsatisfactory
Nepal	Grain Storage		1062	6.2	26-Aug-80	30-Sep-85	8137	P	Unsatisfactory
Kenya	Smallholder Coffee		914	27.0	24-May-79	31-Mar-87	7805	A	Unsatisfactory
Yugoslavia	Yugoslavia-Bosnia	2136		35.0	04-May-82	31-Mar-88	7989	P	Satisfactory
Area Development									
Brazil	Pernambuco Rural Development	1728		40.0	14-Jun-79	31-Dec-86	7910	A	Unsatisfactory
Brazil	Paraiba Rural Development	1537		24.0	28-Mar-78	30-Sep-86	7910	A	Unsatisfactory
Brazil	Ceara Rural Development	1488		17.0	13-Sep-77	31-Dec-85	7910	A	Unsatisfactory
Ethiopia	2nd Minimum Package		1088	40.0	23-Dec-80	30-Jun-85	7835	P	Unsatisfactory
India	Integrated Cotton Development		610	18.0	27-Jan-76	31-Mar-84	7863	P	Satisfactory
Laos	2nd Agriculture Rehabilitation		924	10.4	15-Jun-79	31-Dec-86	8084	P	Unsatisfactory
Papua New Guinea	Enga Provincial Development	2125	1227	8.0	06-Apr-82	30-Sep-88	8104	P	Unsatisfactory
Philippines	Rural Infrastructure		790	28.0	11-Apr-78	30-Jun-86	7936	A	Satisfactory
Philippines	Rainfed Ag. Dev. (ILOILO)	1815		12.0	20-Mar-80	30-Jun-86	7949	A	Satisfactory
Sri Lanka	Kurunelegala Rural Development		0891	20.0	29-Mar-79	31-Dec-85	8273	P	Satisfactory
Thailand	National Rural Development	2402		50.0	29-Mar-84	30-Jun-88	7958	A	Unsatisfactory
Fisheries									
Bangladesh	Oxbow Lakes Fisheries		890	6.0	29-Mar-79	30-Jun-86	7882	A	Unsatisfactory
Tunisia	2nd Fisheries	1746		28.5	28-Jun-79	31-Dec-86	7772	P	Satisfactory
Yemen PDR	2nd Fisheries		932	10.0	12-Jun-79	30-Jun-87	7959	A	Unsatisfactory

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data			Date of		Report ref.		
		Loan No.	Credit No.	Amount (US$M)	Approval	Closing	Report No.	Report Type/a	Performance Rating
Forestry									
Burundi	1st Forestry		918	4.3	24-May-79	31-Dec-83	7839	P	Satisfactory
Cote d'Ivoire	1st Forestry	1735		18.0	19-Jun-79	30-Jun-86	7952	A	Satisfactory
India	Uttar Pradesh Forestry		925	23.0	05-Jun-79	31-Dec-84	7780	P	Satisfactory
India	Gujarat Forestry		961	37.0	11-Dec-79	31-Dec-85	7789	P	Satisfactory
Liberia	1st Forestry		839	6.0	07-Nov-78	30-Jun-87	7769	P	Unsatisfactory
Malawi	2nd NRDP		992	13.8	13-Mar-80	31-Dec-87	7739	P	Satisfactory
Mali	1st Forestry		883	4.5	06-Mar-79	30-Jun-85	7953	A	Satisfactory
Nigeria	Forestry Plantation	1679		31.0	29-Mar-79	30-Jun-86	7829	P	Satisfactory
Turkey	Northern Forestry	1585		85.2	01-Jun-78	30-Jun-87	8274	P	Satisfactory
Irrigation									
Brazil	2nd Lower Sao Francisco	1729		35.7	19-Jun-79	30-Jun-88	8158	P	Unsatisfactory
Burkina Faso	Hiena Diokale Rice Dev.		1013	6.5	29-Apr-80	31-Dec-86	7904	P	Unsatisfactory
China	N. Plain Agriculture		1261	54.0	15-Jun-82	31-Dec-87	7736	A	Satisfactory
Cyprus	Vasilikos-Pendaskinos	1658		11.0	06-Feb-79	31-Dec-86	7837	A	Satisfactory
Dominican Rep.	Hisao Irrigation	1655		27.0	23-Jan-79	31-Dec-87	7747	P	Satisfactory
India	Punjab Irrigation		889	129.0	29-Mar-79	30-Jun-86	7834	P	Satisfactory
Indonesia	16th Irrigation	2118		37.0	30-Mar-82	31-Dec-88	8199	P	Unsatisfactory
Indonesia	14th Irrigation	1811		116.0	18-Mar-80	31-Jul-87	7956	A	Satisfactory
Indonesia	10th Irrigation	1578		140.0	25-May-78	31-Dec-86	7956	A	Unsatisfactory
Indonesia	15th Irrigation		995	45.0	18-Mar-80	31-Jan-87	7956	A	Unsatisfactory
Malaysia	2nd Muda Irrigation	1717		31.0	05-Jun-79	31-Dec-87	7832	P	Unsatisfactory
Mexico	Ocoroni Irrigation	1908		23.0	14-Oct-80	31-Dec-86	7782	P	Unsatisfactory
Nepal	Babai Irrigation Engineering		1093	3.5	06-Jan-81	31-Mar-86	7669	P	Unsatisfactory
Pakistan	Khairpur Tile Drainage		0648	14.0	24-Jun-76	31-Jul-85	7806	P	Satisfactory
Philippines	1st Magat River Multipurpose	1154		42.0	22-Jul-75	30-Jun-83	7923	A	Satisfactory
Philippines	3rd Magat River Multipurpose	1639		21.0	12-Dec-78	31-Dec-85	7923	A	Satisfactory
Philippines	Chico River Irrigation	1227		50.0	23-Mar-76	31-Dec-85	7923	A	Unsatisfactory
Philippines	2nd Nat'l Systems Improvement	1526		65.0	28-Feb-78	31-Dec-86	7820	P	Satisfactory
Philippines	2nd Magat River Multipurpose	1567		150.0	25-Apr-78	31-Dec-85	7923	A	Satisfactory
Thailand	2nd Chao Phya	1468		55.0	28-Jun-77	30-Jun-84	7935	A	Unsatisfactory
Thailand	Phitsanulok Irrigation	1149		95.0	15-Jul-75	30-Jun-85	7953	A	Unsatisfactory
Thailand	Mae Klong Irrigation	2022		57.0	25-Jun-81	30-Jun-88	8240	P	Unsatisfactory
Vietnam	Dau Tieng Irrigation		0845	60.0	08-Aug-78	31-Dec-86	8239	P	Unsatisfactory
Yugoslavia	Croatia Sava Drainage	1756		51.0	04-Sep-79	30-Jun-86	8136	P	Satisfactory

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data			Date of		Report ref.		
		Loan No.	Credit No.	Amount (US$M)	Approval	Closing	Report No.	Report Type/a	Performance Rating
Livestock									
Somalia	Central Rangelands Development		906	8.0	25-Apr-79	31-Dec-87	7804	P	Unsatisfactory
Sudan	Livestock Marketing		782	23.0	20-Mar-78	31-Dec-86	7836	P	Satisfactory
Others									
Kenya	Wildlife & Tourism	1304		17.0	01-Jul-76	10-Jun-85	7727	P	Unsatisfactory
Perennial Crops									
India	Kerala Development		680	30.0	17-Feb-77	30-Sep-86	7684	P	Satisfactory
Indonesia	1st Nucleus Estate	1499		65.0	15-Nov-77	30-Jun-84	7794	A	Satisfactory
Indonesia	2nd Nucleus Estate	1604		65.0	29-Jun-78	31-Dec-86	7794	A	Satisfactory
Indonesia	3rd Nucleus Estate	1751		99.0	23-Jul-79	31-Dec-87	7955	A	Satisfactory
Indonesia	Smallholder Coconut	1898		46.0	05-Aug-80	30-Jul-87	8135	P	Satisfactory
Nigeria	Imo Oil Palm	1191		19.0	17-Jun-75	31-Dec-86	7833	P	Unsatisfactory
Nigeria	Rivers Oil Palm	1591		30.0	06-Jun-78	31-Dec-85	7839	P	Satisfactory
Thailand	2nd Tree Crop	2078		142.0	07-Jan-82	02-Feb-87	8173	P	Satisfactory
Western Samoa	1st Agricultural Development		951	8.0	18-Sep-79	30-Jun-88	7856	P	Unsatisfactory
Program Loan/Credit									
Morocco	Agriculture Sector Adjustment	2590		100.0	20-Jun-85	24-Jun-87	7868	A	Satisfactory
Research & Extension									
Brazil	Agricultural Research 2	2016		60.0	16-Jun-81	31-Dec-87	8162	P	Satisfactory
India	Kerala Ag. Extension		1028	10.0	01-May-80	30-Jun-86	8258	P	Satisfactory
India	Maharashtra Ag. Extension		1135	23.0	21-Apr-81	30-Jun-87	8258	P	Satisfactory
India	Tamil Nadu Ag. Extension		1137	28.0	23-Apr-81	30-Jun-87	8258	P	Satisfactory
Indonesia	Nat'l Ag. Extension 2		0996	42.0	28-Feb-80	31-Mar-87	7770	P	Satisfactory
Sri Lanka	Ag. Extension & Research		0931	15.5	12-Jun-79	30-Jun-86	7684	P	Satisfactory
Settlement									
Indonesia	Swamp Reclamation	1958		22.0	19-Mar-81	31-Dec-87	7930	P	Unsatisfactory
Indonesia	2nd Transmigration	1707		157.0	29-May-79	31-Jul-87	7771	P	Unsatisfactory
Indonesia	3rd Transmigration	2248		101.0	22-Mar-83	30-Jun-88	8241	P	Satisfactory

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data: Loan No.	Credit No.	Amount (US$M)	Date of: Approval	Closing	Report ref.: Report No.	Report Type/a	Performance Rating
		Human Resources							
Education									
Bahamas	Vocational & Tech. Train.	1962		7.0	26-Mar-81	30-Jun-88	7748	P	Satisfactory
Botswana	Education 2	1828		10.0	01-Apr-80	30-Jun-87	8236	P	Satisfactory
Botswana	Education 3	2057		20.0	10-Nov-81	31-Mar-87	8237	P	Satisfactory
Brazil	Northeast Basic Education	1867		32.0	10-Jun-80	30-Sep-87	8266	P	Satisfactory
Brazil	Vocational Training	1452		32.0	09-Jun-77	30-Jun-85	7750	P	Satisfactory
Egypt	Education 3		1069	40.1	07-Oct-80	31-Dec-87	8183	P	Satisfactory
Indonesia	Education 7		869	49.0	19-Dec-78	30-Jun-83	7847	A	Satisfactory
Lesotho	Education 3		1148	10.0	21-May-81	30-Sep-87	8238	P	Satisfactory
Malawi	Education 3		910	14.5	17-May-79	31-Dec-85	8196	P	Satisfactory
Malawi	Education 4		1123	41.0	26-Mar-81	31-Dec-86	8195	P	Satisfactory
Malaysia	Education 5	1657		38.0	30-Jan-79	30-Jun-85	7749	P	Satisfactory
Mauritius	Education 2	1343		15.2	30-Mar-78	31-Dec-85	7874	A	Satisfactory
Pakistan	Vocational Training 1		1109	25.0	17-Mar-81	31-Dec-87	8212	P	Satisfactory
Syria	Education 2	1975		15.6	23-Apr-81	30-Jun-88	8182	P	Not Implemented
Uganda	Education 3		1329	32.0	24-Feb-83	31-Dec-88	7793	P	Satisfactory
Yemen AR	Education 3		915	10.0	22-May-79	31-Jul-88	8257	P	Satisfactory
Population, Health and Nutrition									
Bangladesh	2nd Population & Family Health		921	32.0	29-May-79	31-Dec-85	7792	P	Satisfactory
Korea	1st Population	1774		30.0	11-Dec-79	31-Dec-87	8115	P	Satisfactory
Malaysia	2nd Population	1608		17.0	06-Jul-78	31-Dec-84	7875	P	Unsatisfactory
		Program & Policy Lending							
Multisector									
Costa Rica	Export Development	2274		25.2	03-May-83	31-Dec-85	7779	A	Satisfactory
India	Drought Assistance	2886	1852	350.0	24-Nov-87	15-Jul-88	8145	P	Satisfactory
Indonesia	2nd Trade Policy Adjustment	2937		300.0	10-May-88	31-Mar-89	7947	A	Satisfactory
Indonesia	Trade Policy Adjustment	2780		300.0	03-Feb-87	30-Jun-87	7947	A	Satisfactory
Jamaica	2nd Export Development Fund	1978		37.0	30-Apr-81	31-Dec-83	7850	A	Unsatisfactory
Jamaica	3rd Export Development Fund	2320		30.1	16-Jun-83	31-Dec-86	7850	A	Not Implemented
Jamaica	Export Development Fund	1715		31.5	31-May-79	31-Dec-82	7850	A	Unsatisfactory
Morocco	2nd Trade Policy Adjustment	2604		200.0	16-Jul-85	20-Nov-86	7938	A	Satisfactory
Morocco	Trade Policy Adjustment	2377		150.4	31-Jan-84	30-Jun-85	7938	A	Satisfactory

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data: Loan No.	Credit No.	Amount (US$M)	Date of: Approval	Closing	Report ref.: Report No.	Report Type/a	Performance Rating
Structural Adjustment Loans									
Jamaica	2nd Structural Adjustment Loan	2315		60.2	14-Jun-83	31-May-84	8018	A	Unsatisfactory
Jamaica	3rd Structural Adjustment Loan	2478		55.0	20-Nov-84	26-Apr-85	8018	A	Unsatisfactory
Technical Assistance									
Bangladesh	4th Technical Assistance Credit		1124	12.9	26-Mar-81	30-Apr-86	8154	P	Unsatisfactory
Ecuador	2nd Technical Assistance Loan	S-6		11.0	02-Aug-77	30-Jun-83	7628	P	Satisfactory
Pakistan	Technical Assistance Credit		1256	7.0	11-May-82	31-Dec-86	7896	P	Satisfactory
Sudan	2nd Technical Assistance Credit		1153	6.0	26-May-81	01-Mar-87	8153	P	Unsatisfactory
		Infrastructure and Urban Development							
Highways									
Argentina	4th Highway	1384		105.0	24-Mar-77	31-Dec-83	8211	P	Satisfactory
Bangladesh	1st Highway		53	53.5	09-Jun-64	31-Dec-86	7954	A	Satisfactory
Bangladesh	2nd Highway		954	10.0	31-Dec-79	31-Mar-87	7954	A	Satisfactory
Brazil	2nd Feeder Roads	1730		110.0	19-Jun-79	31-Dec-86	8160	P	Satisfactory
Cameroon	4th Highway	1723	926	48.0	07-Jun-79	30-Jun-87	7828	A	Satisfactory
Cameroon	Feeder Roads	1494	749	11.1	15-Nov-77	31-Dec-86	7828	A	Satisfactory
Colombia	Rural Roads	1966		33.0	21-Sep-81	30-Jun-87	7740	P	Satisfactory
Cote d'Ivoire	Highway Sector	1914		100.0	04-Nov-80	31-Dec-86	7811	P	Satisfactory
Ecuador	5th Highway	1429		17.5	19-May-77	30-Jun-83	8161	P	Unsatisfactory
India	Bihar Rural Roads		1072	35.0	11-Nov-80	31-Dec-85	8256	P	Unsatisfactory
India	Calcutta Urban Transport		1033	56.0	30-Jun-80	31-Dec-85	7912	A	Unsatisfactory
Indonesia	5th Highway	1696		130.0	15-May-79	31-Dec-85	7743	A	Satisfactory
Indonesia	Rural Roads Development	2083		100.0	12-Jan-82	31-Dec-87	8170	P	Satisfactory
Liberia	5th Highway		1449	11.4	20-Mar-84	31-Dec-87	7846	P	Satisfactory
Liberia	Feeder Roads	1664		10.7	04-Mar-79	31-Dec-87	7846	P	Satisfactory
Mali	Road Maintenance		1104	17.0	03-Mar-81	30-Dec-86	7810	P	Satisfactory
Mauritania	4th Highway		1231	4.0	13-Apr-82	30-Jun-88	8068	P	Satisfactory
Niger	Feeder Roads		886	10.0	20-Mar-79	30-Jun-87	7739	P	Satisfactory
Oman	2nd Highway Maintenance	2084		15.0	01-Dec-82	31-Dec-88	8110	P	Satisfactory
Pakistan	3rd Highway		974	50.0	15-Jan-80	30-Jun-86	7741	A	Satisfactory
Philippines	4th Highway	1661		100.0	06-Mar-79	30-Jun-87	8053	P	Satisfactory
Portugal	2nd Highway	1700		40.0	17-May-79	31-Mar-87	8184	P	Satisfactory
Senegal	4th Highway	1810	993	38.0	18-Mar-80	30-Jun-86	8171	P	Satisfactory
Senegal	5th Highway		1448	10.8	13-Mar-84	31-Dec-88	8171	P	Satisfactory
Sri Lanka	Road Maintenance		900	16.5	01-May-79	30-Sep-85	8000	P	Satisfactory
Sri Lanka	Road Passenger Transport		994	53.0	18-Mar-80	30-Nov-85	8011	P	Unsatisfactory

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data			Date of		Report ref.		
		Loan No.	Credit No.	Amount (US$M)	Approval	Closing	Report No.	Report Type/a	Performance Rating
Ports									
China	Three Ports	2207		124.0	02-Nov-82	30-Jun-88	8085	P	Satisfactory
Thailand	Bangkok & Sattahip Ports	1918		47.0	18-Nov-80	31-Dec-86	7761	A	Satisfactory
Railways									
Argentina	2nd Railway	1677		96.0	26-Mar-79	30-Jun-85	7855	P	Satisfactory
Cameroon	4th Railway	1734	936	47.0	19-Jun-79	30-Jun-86	7828	A	Satisfactory
Congo	2nd Railway	1228	1047/S-45	68.0	23-Mar-76	31-Dec-81	8117	P	Unsatisfactory
Korea	Coal & Cement Distribution	2267		122.0	26-Apr-83	31-Dec-88	8265	P	Satisfactory
Pakistan	11th Railway		1278	30.0	01-Jul-82	31-Dec-85	7781	P	Unsatisfactory
Zambia	3rd Railway	1790	973	40.0	27-Dec-79	30-Sep-86	7957	A	Unsatisfactory
Zimbabwe	Transport Rehabilitation	1994		42.0	19-May-81	30-Jun-86	8068	P	Satisfactory
Tourism									
Honduras	Tourism Development	1673		19.5	20-Mar-79	31-Dec-87	8052	P	Satisfactory
Tanzania	Tourism Rehabilitation		860	14.0	12-Dec-78	30-Jun-85	7913	P	Unsatisfactory
Urban Development									
Bahamas	Urban Development	2089		5.8	16-Feb-82	31-Dec-87	7766	P	Satisfactory
Botswana	2nd Urban Development	1584		8.0	30-May-78	30-Jun-85	8303	P	Satisfactory
Brazil	Medium-Sized Cities	1720		70.0	07-Jun-79	31-Dec-86	8302	P	Satisfactory
Burundi	Urban Development		1049	15.0	24-Jun-80	31-Dec-87	7898	P	Satisfactory
Ecuador	Guayaquil Urban Development	1776		31.0	11-Dec-79	30-Jun-87	8262	P	Unsatisfactory
Jordan	Urban Development	1893		21.0	15-Jul-80	31-Dec-87	7866	P	Satisfactory
Korea	2nd Gwangju Regional Development	1758		65.0	11-Sep-79	30-Jun-85	8304	P	Satisfactory
Lesotho	Urban Development		1036	6.0	03-Jun-80	30-Jun-87	7884	P	Satisfactory
Liberia	Monrovia Urban Development		1223	10.0	01-Apr-82	30-Jun-87	7865	P	Unsatisfactory
Mali	Urban Development		943	12.0	26-Jun-79	30-Dec-86	7880	P	Satisfactory
Panama	Colon Urban Development	1878		35.0	19-Jun-80	30-Jun-87	8305	P	Unsatisfactory
Philippines	3rd Urban Development	1821		72.0	23-Mar-80	31-Dec-87	7897	P	Satisfactory

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data: Loan No.	Credit No.	Amount (US$M)	Date of: Approval	Closing	Report ref.: Report No.	Report Type/a	Performance Rating
Water Supply & Sewerage									
India	Rajasthan Water & Sewerage		1046	80.0	19-Jun-80	31-Dec-88	8090	P	Unsatisfactory
Jordan	Amman Water & Sewerage	2483		30.0	08-Jan-85	13-Jan-88	8092	P	Satisfactory
Jordan	Eight Cities Water Supply	2425		30.0	24-May-84	17-Dec-87	8092	P	Satisfactory
Korea	Water Supply	2072		90.0	17-Dec-81	30-Jun-87	8174	A	Satisfactory
Madagascar	Water and Sanitation		1002	20.5	01-Apr-80	30-Jun-86	8091	P	Unsatisfactory
Morocco	2nd Water Supply	1724		49.0	07-Jun-79	31-Dec-87	8129	P	Satisfactory
Nepal	3rd Water Supply & Sewerage		1059	27.0	29-Jul-80	30-Jun-88	8089	P	Unsatisfactory
Tunisia	2nd Urban Sewerage	1675		26.5	22-Mar-79	31-Dec-87	7917	A	Satisfactory
Tunisia	Nat'l Rural Water Supply	2134		30.5	27-Apr-82	31-Dec-87	8128	P	Satisfactory
Zaire	2nd Water Supply		1241	18.0	27-Apr-82	13-Jun-87	7914	A	Satisfactory
		Industry and Energy							
Development Finance Corporations									
Argentina	Industrial Credit	1463		100.0	16-Jun-77	31-Dec-81	8299	P	Unsatisfactory
Costa Rica	Industrial Credit	1599		15.0	17-Jun-78	30-Jun-85	7791	P	Satisfactory
Ecuador	Small-Scale Enterprise	1879		20.0	19-Jun-80	31-Dec-84	7885	A	Satisfactory
Ecuador	2nd Small-Scale Enterprise	2221		41.0	16-Dec-82	30-Jun-87	7885	A	Satisfactory
Haiti	Industrial Credit	1131		7.0	14-Apr-81	31-Mar-87	8061	P	Satisfactory
India	13th ICICI	1843		100.0	13-May-80	31-Dec-85	7858	P	Satisfactory
Indonesia	Small Enterprise Development		785	40.0	30-Mar-78	29-Jul-85	7852	P	Unsatisfactory
Indonesia	2nd Small Enterprise	2011		106.0	02-Jun-81	31-Dec-85	7852	P	Unsatisfactory
Kenya	Small-Scale Industry		750	10.0	22-Nov-77	30-Sep-86	7937	P	Unsatisfactory
Mexico	3rd Industrial Equipment Fund	1560		100.0	02-May-78	16-Nov-82	7859	A	Satisfactory
Mexico	4th Industrial Equipment Fund	1712		175.0	31-May-79	30-Jun-86	7859	A	Satisfactory
Morocco	9th BNDE	2037		70.0	14-Jul-81	30-Jun-88	8132	A	Satisfactory
Nepal	Cottage & Small Industries		1191	6.5	24-Nov-81	31-Dec-86	7710	P	Satisfactory
Pakistan	2nd IDB		1186	30.0	03-Nov-81	31-Dec-86	7778	P	Satisfactory
Philippines	5th PDCP	1514		30.0	31-Jan-78	31-Mar-84	7997	P	Satisfactory
Philippines	2nd SMI	1727		25.0	12-Jun-79	30-Jun-83	7940	P	Satisfactory
Tanzania	TDFL	1745		11.0	28-Jun-79	31-Dec-84	7744	A	Unsatisfactory
Tanzania	2nd TIB	1172		15.0	28-Oct-75	31-Dec-81	7744	A	Unsatisfactory
Tanzania	3rd TIB	1498		15.0	06-Dec-77	30-Jun-83	7744	A	Unsatisfactory
Tanzania	4th TIB	1750		25.0	24-Jul-79	30-Jun-86	7744	A	Unsatisfactory
Thailand	4th IFCT	1956		30.0	19-Mar-81	31-Dec-84	7660	P	Satisfactory
Turkey	Labor Intensive Industry	1952		40.0	03-Mar-81	30-Jun-86	7883	A	Satisfactory
Turkey	Private Sector Textiles	1754		65.0	04-Sep-79	31-Dec-85	7883	A	Satisfactory
Turkey	2nd Private Sector Textiles	1755		15.0	04-Sep-79	31-Dec-85	7883	A	Satisfactory
Turkey	13th TSKB	1748		60.0	21-Jun-79	30-Sep-83	7883	A	Satisfactory
Turkey	14th TSKB	2093		100.0	23-Feb-82	30-Jun-87	7883	A	Satisfactory
Zambia	2nd DBZ	1923		15.0	02-Dec-80	30-Jun-87	8050	D	Satisfactory

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data			Date of		Report ref.		
		Loan No.	Credit No.	Amount (US$M)	Approval	Closing	Report No.	Report Type/a	Performance Rating
Energy									
Argentina	Coal Exploration	S-20		10.0	09-Dec-80	28-Feb-87	7909	P	Satisfactory
Bolivia	Gas and Oil Engineering		S-25	16.0	26-Feb-86	31-Dec-84	8127	P	Satisfactory
Congo	Petroleum Sector T.A.		971	5.0	27-Dec-79	31-Dec-86	7886	P	Satisfactory
Cote d'Ivoire	Petroleum Exploration	S-13		101.5	29-Jun-82	30-Jun-86	8201	P	Satisfactory
Guinea-Bissau	Petroleum Exploration		1095	7.0	13-Jan-81	31-Dec-86	7907	P	Satisfactory
Honduras	Petroleum Exploration	1861		3.0	29-May-80	31-Dec-85	8010	P	Unsatisfactory
Indonesia	Coal Exploration	2153		25.0	20-May-82	30-Jun-88	7894	P	Satisfactory
Jamaica	Petroleum Exploration	2017		7.5	16-Jun-81	30-Jun-85	8096	P	Satisfactory
Liberia	Petroleum Exploration	1907		5.0	07-Oct-80	30-Jun-87	8126	P	Satisfactory
Liberia	Petroleum Sector T.A.		1580	2.6	11-Apr-85	01-Jun-87	8126	P	Unsatisfactory
Mali	Petroleum Exploration		1134	3.4	21-Apr-81	30-Jun-86	7908	P	Satisfactory
Pakistan	Second Toot Oil	2374		30.0	10-Jan-84	30-Jun-88	8306	P	Unsatisfactory
Panama	Energy Planning	1954		6.5	17-Mar-81	31-Dec-84	8125	P	Unsatisfactory
Papua New Guinea	Petroleum Exploration		1279	3.0	01-Jul-82	30-Jun-88	8069	P	Satisfactory
Peru	Petroleum Production Rehab.	1806		32.5	11-Mar-80	31-Aug-85	7944	A	Satisfactory
Portugal	Industrial Energy Conserv.	2168		30.0	03-Jun-82	30-Jun-87	7755	P	Satisfactory
Turkey	Bati Raman Enhanced Oil	1917		62.0	18-Nov-80	31-Dec-87	7916	P	Satisfactory
Turkey	Oil Recovery Engineering		S-13	62.0	18-Nov-80	31-Dec-87	7916	P	Satisfactory
Turkey	Petroleum Exploration	1916		25.0	18-Nov-80	31-Dec-85	7941	P	Satisfactory
Turkey	Thrace Gas Exploration	2327		55.2	28-May-83	31-Dec-87	7845	P	Unsatisfactory
Zambia	Petroleum Exploration	2152		6.6	20-May-82	31-Dec-86	8175	P	Satisfactory
Zimbabwe	Petroleum Fuels Supply		1296	1.2	30-Sep-82	30-Jun-86	8301	P	Satisfactory
Industry									
Bangladesh	Chittagong Urea Fertilizer		1204	15.0	02-Feb-82	31-Dec-86	8189	P	Unsatisfactory
Bangladesh	Fertilizer Industry		1023	29.0	20-May-80	30-Jun-86	8188	P	Satisfactory
Brazil	Sao Paulo Pollution	1822		58.0	27-Mar-80	30-Jun-86	7720	A	Not Applicable
Burundi	Local Construction Industry		1230	5.2	07-Apr-82	31-Jan-87	7677	P	Unsatisfactory
Egypt	Industrial Imports	1062	0524	70.0	12-Nov-74	31-Dec-80	8113	P	Unsatisfactory
Indonesia	Fertilizer Distribution	2120		66.0	30-Mar-82	30-Jun-86	7851	P	Satisfactory
Korea	Technology Development	2112		50.0	25-Mar-82	31-Dec-86	7906	A	Satisfactory
Peru	Bayovar Phosphate Engineering	1888		7.5	26-Jun-80	30-Jun-86	7722	P	Unsatisfactory
Philippines	Textile Restructuring	2127		157.4	20-Apr-82	31-Dec-88	8107	P	Unsatisfactory
Portugal	Textile Restructuring	2424		34.7	24-May-87	31-Dec-89	7719	P	Not Implemented
Senegal	Phosphate Industry Development		1360	7.7	10-May-83	31-Mar-88	8307	P	Satisfactory
Turkey	Erdemir Stage II Steel	1606		95.0	29-Jun-78	31-May-87	7905	P	Satisfactory
Uganda	Phosphate Engineering		1228	4.0	14-Mar-82	15-Jan-86	7860	P	Not Applicable

Table 2-1: OPERATIONS EVALUATED IN 1989, BY SECTOR AND COUNTRY

Country	Name of Operation	Loan/Credit Data			Date of		Report ref.		
		Loan No.	Credit No.	Amount (US$M)	Approval	Closing	Report No.	Report Type/a	Performance Rating
Power									
Dominican Rep.	Itabo Coal Terminal	2369		3.8	20-Dec-83	30-Jun-86	7638	P	Satisfactory
Guatemala	Aguacapa Power	1426		59.0	17-May-77	31-Oct-81	7890	P	Satisfactory
Honduras	El Cajon Power	1805	989	125.0	11-Mar-80	28-Feb-87	7901	A	Satisfactory
India	3rd Power Transmission		377	85.0	03-May-73	30-Sep-78	7652	P	Unsatisfactory
India	4th Power Transmission		604	150.0	23-Dec-75	30-Jun-83	7652	P	Unsatisfactory
Indonesia	10th Power	1950		300.0	02-Oct-84	30-Jun-87	7902	A	Satisfactory
Indonesia	8th Power	1708		175.0	29-May-79	31-Dec-86	7902	A	Satisfactory
Indonesia	9th Power	1872		253.0	12-Jun-80	31-Dec-86	7902	A	Satisfactory
Jordan	4th Power	1986		25.0	07-May-81	30-Sep-86	7688	P	Satisfactory
Jordan	5th Power	2162		35.0	27-May-82	31-Dec-88	7888	P	Satisfactory
Malaysia	9th Power	1808		50.0	13-Mar-80	31-Aug-87	7637	P	Satisfactory
Pakistan	3rd WAPDA Power		968	45.0	20-Dec-79	31-Dec-85	7942	A	Satisfactory
Thailand	2nd Accelerated Electric	1871		75.0	12-Jun-80	30-Jun-87	7756	P	Satisfactory
Thailand	Power Subsector	2000		100.0	21-May-81	30-Jun-85	7887	P	Satisfactory
Yemen PDR	2nd Power		1268	8.0	17-Jun-82	31-Dec-86	7816	P	Satisfactory
Yemen PDR	Wadi Hadramaut Power		829	5.0	14-Jun-78	31-Dec-87	7816	P	Satisfactory
Telecommunications									
Colombia	4th Telecommunications	1430		60.0	07-Jun-77	31-Mar-86	7893	P	Satisfactory
Egypt	2nd Telecommunications		774	53.0	12-Mar-78	30-Jun-84	7889	P	Satisfactory
Egypt	3rd Telecommunications	2041		64.0	21-Jul-81	30-Jun-88	7889	P	Satisfactory
India	7th Telecommunications	1592		120.0	08-Jun-78	31-Mar-82	7915	A	Satisfactory
India	8th Telecommunications		1112	314.0	17-Mar-81	31-Dec-84	7915	A	Satisfactory
Nepal	2nd Telecommunications		397	5.5	26-Apr-73	31-Dec-82	7737	P	Satisfactory
Nepal	3rd Telecommunications		799	14.5	11-May-78	30-Jun-85	7737	P	Satisfactory
Thailand	3rd Telecommunications	1620		90.0	12-Sep-78	04-Jun-85	7943	A	Satisfactory
Thailand	4th Telecommunications	2143		150.6	20-Dec-82	31-Dec-87	7943	A	Satisfactory

a/ A = project perfcrmance audit report; P = project completion report.

ANNEX 3

Irrigation Projects

Table 3-1: IRRIGATION PROJECTS FEATURED IN IMPACT EVALUATIONS

Loan Or Credit #	Region	Country	Project Name	Year of Loan/Credit Agreement	Year of Project Completion	Year of Impact Evaluation	Project Costs (US$ M) SAR	Project Costs (US$ M) PCR	Ln/Cr Amount (US$ M) SAR	Ln/Cr Amount (US$ M) PCR
C214	Africa	MADAGASCAR	LAKE ALAOTRA IRRIGATION	70	75	81	8.2	8.1	5.0	5.2
C333	Africa	GAMBIA	AGRICULTURAL DEVELOPMENT	72	77	84	1.4	1.8	1.3	1.3
LC2848&2	Africa	SUDAN	ROSEIRES IRRIGATION	61	72	80	88.7	82.1	32.5	31.2
C121	Asia	SRI LANKA	LIFT IRRIGATION	68	76	85	3.3	5.1	2.0	2.0
C127	Asia	INDONESIA	FIRST IRR. REHABILITATION	68	77	83	8.8	54.0	5.0	5.0
C461	Asia	THAILAND	NORTHEAST IRRIGATION I	74	81	90	12.2	30.3	7.0	7.0
L1630	Asia	THAILAND	NORTHEAST IRRIGATION II	78	85	90	80.0	80.5	17.5	15.3
L434	Asia	MALAYSIA	MUDA IRRIGATION	65	70	81	83.1	90.1	45.0	45.0
L500	Asia	MALAYSIA	KEMUBU IRRIGATION	67	72	81	18.5	23.4	10.0	10.0
L600	Asia	KOREA	PYONGTAEK-KUMGANG IRRIGATION	69	76	85	89.9	130.1	45.0	45.0
L637	Asia	PHILIPPINES	UPPER PAMPANGA IRRIGATION	69	77	90	62.5	127.9	34.0	34.0
LC9848472	Asia	PHILIPPINES	AURORA-PENARANDA IRRIGATION	74	81	90	40.0	57.6	19.0	18.9
L1201	EMENA	MOROCCO	DOUKKALA I	76	80	89	94.4	85.0	30.0	27.3
L1416	EMENA	MOROCCO	DOUKKALA II	77	86	89	121.0	77.4	41.0	38.0
LC587&143	EMENA	TURKEY	SEYHAN IRRIGATION	69	79	85	63.0	74.4	24.0	24.0
L418	LAC	PERU	SAN LORENZO IRR & LAND SETT.	65	76	82	81.7	61.5	11.0	6.4
L450	LAC	MEXICO	THIRD IRRIGATION, Reg. San Juan	66	72	79	7.1	14.7	3.8	4.07
L450	LAC	MEXICO	THIRD IRRIGATION, Reg. Lagunera	66	72	79	56.6	71.1	15.2	14.3
L502	LAC	COLOMBIA	ATLANTICO IRRIGATION	67	75	82	15.7	17.2	9.0	8.7
L969	LAC	MEXICO	PANUCO IRRIGATION	74	84	89	197.4	446.7	77.0	102.0
L970	LAC	MEXICO	RIO SINALOA IRRIGATION	74	82	89	145.6	250.0	47.0	47.0
						Average	60.9	85.2	22.9	23.4
						Total	1,279	1,789	481.3	491.7

Table 3-2: IRRIGATION AND DRAINAGE PERFORMANCE INDICATORS

Country	Project	Type of Irrigation System	Type of Works	Expected Project Life (Years)	Project Cost per Ha (Constant 1988 Dollars)	Water Shortages	Overall Water Efficiency (Evl./App. Est.)	Status of the Irrigation System	Status of the Drainage System	Equity in Water Distribution
MADAGASCAR	LAKE ALAOTRA IRRIGATION	Gravity/Lake	Rehab. & Ext.	16	1,915	Yes	Worse	Unsatisfactory	Unsatisfactory	Poor
GAMBIA	AGRICULTURAL DEVELOPMENT	Pump Irrigation	New	30	9,172	Yes	Worse	Unsatisfactory	Unsatisfactory	Poor
SUDAN	ROSEIRES IRRIGATION	Gravity/Dam	Rehab. & Ext.	50	1,460	Yes	Better	Unsatisfactory		
SRI LANKA	LIFT IRRIGATION	Pump Irrigation	New	30	1,844	Yes		Unsatisfactory		
INDONESIA	FIRST IRR. REHABILITATION	Gravity (ROR)	Rehabilitation	50	2,147	Yes	Better	Satisfactory	Satisfactory	Good
THAILAND	NORTHEAST IRRIGATION I	Gravity/Dam	Rehab. & Ext.	33	2,413	No	Worse	Unsatisfactory	Satisfactory	Good
THAILAND	NORTHEAST IRRIGATION II	Gravity/Dam	New	33	3,959	No	Worse	Unsatisfactory	Unsatisfactory	Poor
MALAYSIA	MUDA IRRIGATION	Gravity/Dam	Rehab. & Ext.	50	3,632	No	Same		Unsatisfactory	
MALAYSIA	KEMUBU	Pump Irrigation	New	50	1,[illegible]49	Yes	Worse		Unsatisfactory	Poor
KOREA	PYONGTAEK-KUNGANG IRRIGATION	Pump Irrigation	New	30	10,786	No	Same	Satisfactory	Satisfactory	Good
PHILIPPINES	UPPER PAMPANGA IRRIGATION	Gravity/Dam	Rehab. & Ext.	30	3,504	Yes	Worse	Unsatisfactory	Unsatisfactory	Poor
PHILIPPINES	AURORA-PENARANDA IRRIGATION	Gravity/Dam	Rehab. & Ext.	30	4,140	Yes	Worse	Unsatisfactory	Unsatisfactory	Poor
MOROCCO	DOUKKALA I	Sprinkler/Dam	New	30	5,876	No	Worse	Satisfactory	Satisfactory	Good
MOROCCO	DOUKKALA II	Sprinkler/Dam	New	30	7,925	No	Worse	Satisfactory	Satisfactory	Good
TURKEY	SEYHAN IRRIGATION	Gravity/Dam	New	50	2,647	No	Same	Satisfactory	Unsatisfactory	Good
PERU	SAN LORENZO IRR & LAND SETT.	Gravity/Dam	New	30	5,124	Yes	Worse	Unsatisfactory	Unsatisfactory	Good
MEXICO	THIRD IRRIGATION, Reg. Laguneru	Gravity/Dam	Rehab. & Ext.	50	2,642	No	Better	Satisfactory	Satisfactory	Good
MEXICO	THIRD IRRIGATION, Reg. San Juan	Gravity/Dam	Rehab. & Ext.	50	5,371	Yes				
COLOMBIA	ATLANTICO IRRIGATION	Pump Irr./Sprinkler	New	40	14,012	Yes		Unsatisfactory	Unsatisfactory	
MEXICO	PANUCO IRRIGATION	Gravity/Dam	New	40	4,672	No	Worse	Unsatisfactory	Satisfactory	Good
MEXICO	RIO SINALOA IRRIGATION	Gravity/Dam	Rehab. & Ext.	40	6,218	No	Worse	Satisfactory	Unsatisfactory	Good

Table 3-3: INSTITUTIONAL PERFORMANCE INDICATORS

Country	Project	Integrated Agency	Interagency Coordination Problem	Irrigation System		Extension Service	Agricultural Credit	Water User Groups	Cost Recovery
				Operation	Maintenance				
MADAGASCAR	LAKE ALAOTRA IRRIGATION	Yes		Unsatisfactory	Unsatisfactory	Unsatisfactory		No	Unsatisfactory
GAMBIA	AGRICULTURAL DEVELOPMENT	No		Unsatisfactory	Unsatisfactory			Yes	Unsatisfactory
SUDAN	ROSEIRES IRRIGATION	Yes		Satisfactory	Unsatisfactory	Unsatisfactory	Satisfactory		Satisfactory
SRI LANKA	LIFT IRRIGATION	No	Yes	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	No	Unsatisfactory
INDONESIA	FIRST IRR. REHABILITATION	No		Satisfactory	Satisfactory	Satisfactory	Satisfactory	Yes	
THAILAND	NORTHEAST IRRIGATION I	No	Yes	Unsatisfactory	Unsatisfactory	Mixed	Satisfactory	Yes	None
THAILAND	NORTHEAST IRRIGATION II	No	Yes	Unsatisfactory	Unsatisfactory	Mixed	Satisfactory	Yes	None
MALAYSIA	MUDA IRRIGATION	Yes				Satisfactory	Satisfactory	Yes	Unsatisfactory
MALAYSIA	KEMUBU	Yes		Satisfactory	Satisfactory	Satisfactory	Satisfactory	Yes	
KOREA	PYONGTAEK-KUMGANG IRRIGATION	No		Satisfactory	Satisfactory	Satisfactory		Yes	Satisfactory
PHILIPPINES	UPPER PAMPANGA IRRIGATION	No	Yes	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	Yes	Unsatisfactory
PHILIPPINES	AURORA-PENARANDA IRRIGATION	No	Yes	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	Yes	Unsatisfactory
MOROCCO	DOUKKALA 1	Yes		Satisfactory	Unsatisfactory	Unsatisfactory	Satisfactory	No	Satisfactory
MOROCCO	DOUKKALA II	Yes		Satisfactory	Unsatisfactory	Unsatisfactory	Satisfactory	No	Satisfactory
TURKEY	SEYHAN IRRIGATION	No		Satisfactory	Satisfactory	Satisfactory	Satisfactory	Yes	Unsatisfactory
PERU	SAN LORENZO IRR & LAND SETT.	No		Satisfactory	Unsatisfactory	Unsatisfactory	Satisfactory	Yes	Satisfactory
MEXICO	THIRD IRRIGATION, Reg. Lagunera	Yes		Satisfactory		Satisfactory	Satisfactory		Satisfactory
MEXICO	THIRD IRRIGATION, Reg. San Juan	Yes						No	Unsatisfactory
COLOMBIA	ATLANTICO IRRIGATION	Yes		Unsatisfactory	Unsatisfactory	Unsatisfactory		No	Unsatisfactory
MEXICO	PANUCO IRRIGATION	Yes		Satisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	No	Unsatisfactory
MEXICO	RIO SINALOA IRRIGATION	Yes		Satisfactory	Unsatisfactory	Satisfactory	Satisfactory	No	Unsatisfactory

Table 3-4: AGROECONOMIC INDICATORS

Country	Project	Main Crops	Estimated Irrigated Area (Ha)			Estimated Cropping Intensity (%)			Crop diversification Objective	Impact/PCR Estimates			Estimated Economic Rate of Return		
			SAR	PCR/PPAR	Impact	SAR	PCR/PPAR	Impact		Yields	Production	Price	SAR	PCR/PPAR	Impact
MADAGASCAR	LAKE ALAOTRA IRRIGATION	Rice	10,000	10,000	7,621	150	150	76	Not Achieved	Lower	Lower	Higher	11.0	22.0	-3.4
GAMBIA	AGRICULTURAL DEVELOPMENT	Rice	1,200	800	800	200	120	20	None	Higher	Lower	Higher	30.0	22.0	-5.0
SUDAN	ROSEIRES IRRIGATION	Cotton, Groundnut, Wheat	281,400	224,700	186,060	100	75	100	None	Higher	Higher	Lower	14.0	11.0	14.0
SRI LANKA	LIFT IRRIGATION	Chillies, Onions	6,500	6,357	5,150	133	28	28	None	Higher	Lower		25.0	6.0	1.3
INDONESIA	FIRST IRR. REHABILITATION	Rice	27,000	57,800	65,000	145	131	185	None	Higher	Higher		52.0	30.0	30.0
THAILAND	NORTHEAST IRRIGATION I	Rice, Groundnut, Vegetables	18,200	18,600	18,720	150	150	115	Partly Achieved	Lower	Lower	Lower	22.0	18.0	15.0
THAILAND	NORTHEAST IRRIGATION II	Rice, Groundnut, Vegetables	31,560	29,990	29,939	160	148	115	Partly Achieved	Lower	Lower	Lower	25.0	11.0	9.0
MALAYSIA	MUDA IRRIGATION	Rice	104,800	98,000	98,000	200	197	185	None	Higher	Higher		10.0	18.0	18.0
MALAYSIA	KEMUBU	Rice	47,000	47,000	42,000	200	179	162	None	Lower	Lower	Higher	13.0	10.5	10.5
KOREA	PYONGTAEK-KUNGANG IRRIGATION	Rice, Barley	35,190	27,730	27,730	132	182	119	Partly Achieved	Higher	Lower	Higher	14.0	14.0	12.4
PHILIPPINES	UPPER PAMPANGA IRRIGATION	Rice	77,000	77,000	73,000	193	193	155	Not Achieved	Lower	Lower	Lower	13.0	14.0	9.0
PHILIPPINES	AURORA-PEMARANDA IRRIGATION	Rice	25,300	25,300	21,000	200	173	139	Not Achieved	Lower	Lower	Lower	17.0	8.6	2.6
MOROCCO	DOUKKALA I	Sugarbeet, Wheat, Fodder	15,400	15,820	15,820	133	146	125	Partly Achieved	Mixed	Similar	Lower	11.4	20.5	11.7
MOROCCO	DOUKKALA II	Sugarbeet, Wheat, Fodder	16,600	16,045	16,400	141	144	107	Partly Achieved	Lower	Lower	Lower	11.6	18.7	10.5
TURKEY	SEYHAN IRRIGATION	Wheat, Cotton	48,250	45,700	45,700	142	120	79	Achieved	Higher	Similar	Higher	16.0	15.0	14.2
PERU	SAN LORENZO IRR & LAND SETT.	Cotton, Rice	32,000	27,590	22,000	90	80	65	Achieved	Higher	Lower		16.0	17.5	14.5
MEXICO	THIRD IRRIGATION, Reg. Lagunera	Cotton, Maize	85,000	89,062	89,062	100	100	96	None	Higher	Higher	Higher	11.0	21.0	17.3
MEXICO	THIRD IRRIGATION, Reg. San Juan	Cotton, Maize	10,000	9,059	6,400	100	100	79	None	Lower	Lower		16.0	5.0	-5.0
COLOMBIA	ATLANTICO IRRIGATION	Maize, Fodder, Fruits	3,300	2,100	900	146	133	46	Not Achieved	Lower	Lower		13.0	2.2	1.7
MEXICO	PANUCO IRRIGATION	Wheat, Maize, Soybean	137,000	144,000	83,078	118	106	87	Partly Achieved	Lower	Lower		19.0	15.8	8.0
MEXICO	RIO SINALOA IRRIGATION	Wheat, Maize, Soybean, Safflower	60,000	60,000	49,800	126	163	135	Achieved	Mixed	Lower		12.0	11.0	9.0
		Average	51,081	49,172	43,056	146	135	106					17.7	14.8	9.3
		Total	1,072,700	1,032,613	904,180										

Table 3-5: SOCIAL INDICATORS

ANNEX 3

Country	Project	Increase in Number of Beneficiaries (Evl./App. Est.)	Average Farm Size (Evl./App. Est.)	Family Income (w/w.o. Prj.)	Equity in Income Distribution
MADAGASCAR	LAKE ALAOTRA IRRIGATION	Yes	Smaller	Lower	Unsatisfactory
GAMBIA	AGRICULTURAL DEVELOPMENT	No	Same	Higher	Unsatisfactory
SUDAN	ROSEIRES IRRIGATION	Yes	Smaller	Higher	Unsatisfactory
SRI LANKA	LIFT IRRIGATION	Yes	Smaller	Higher	Satisfactory
INDONESIA	FIRST IRR. REHABILITATION		Same	Higher	Unsatisfactory
THAILAND	NORTHEAST IRRIGATION I	No	Larger	Higher	Satisfactory
THAILAND	NORTHEAST IRRIGATION II	No	Larger	Higher	Satisfactory
MALAYSIA	MUDA IRRIGATION	Yes	Smaller	Higher	Unsatisfactory
MALAYSIA	KEMUBU	Yes	Smaller	Higher	Unsatisfactory
KOREA	PYONGTAEK-KUMGANG IRRIGATION	No	Same	Higher	Satisfactory
PHILIPPINES	UPPER PAMPANGA IRRIGATION	Yes	Smaller	Higher	Unsatisfactory
PHILIPPINES	AURORA-PENARANDA IRRIGATION	Yes	Smaller	Higher	Unsatisfactory
MOROCCO	DOUKKALA I	Yes	Smaller	Higher	Satisfactory
MOROCCO	DOUKKALA II	Yes	Smaller	Higher	Satisfactory
TURKEY	SEYHAN IRRIGATION	No	Same	Higher	Satisfactory
PERU	SAN LORENZO IRR & LAND SETT.	Yes	Smaller	Higher	Satisfactory
MEXICO	THIRD IRRIGATION, Reg. Leguvera	No	Larger	Higher	Satisfactory
MEXICO	THIRD IRRIGATION, Reg. San Juan	No	Larger	Higher	
COLOMBIA	ATLANTICO IRRIGATION	Yes	Smaller	Higher	Satisfactory
MEXICO	PANUCO IRRIGATION	Yes	Smaller	Higher	Unsatisfactory
MEXICO	RIO SINALOA IRRIGATION	Yes	Smaller	Higher	Unsatisfactory

ANNEX 3

Table 3-6: ENVIRONMENTAL INDICATORS

Country	Project	Flooding	Salinization	Deforestration Erosion & Sedimentation
MADAGASCAR	LAKE ALAOTRA IRRIGATION			Increased
GAMBIA	AGRICULTURAL DEVELOPMENT	Increased		
SUDAN	ROSEIRES IRRIGATION			
SRI LANKA	LIFT IRRIGATION			Decreased
INDONESIA	FIRST IRR. REHABILITATION	Increased		
THAILAND	NORTHEAST IRRIGATION I			Decreased
THAILAND	NORTHEAST IRRIGATION II	Increased		Decreased
MALAYSIA	MUDA IRRIGATION	Increased		Increased
MALAYSIA	KEMUBU	Increased		
KOREA	PYONGTAEK-KUMGANG IRRIGATION	Increased	Increased	
PHILIPPINES	UPPER PAMPANGA IRRIGATION	Increased		Increased
PHILIPPINES	AURORA-PENARANDA IRRIGATION	Increased		Increased
MOROCCO	DOUKKALA I			
MOROCCO	DOUKKALA II			
TURKEY	SEYHAN IRRIGATION	Increased	Increased	
PERU	SAN LORENZO IRR & LAND SETT.		Increased	
MEXICO	THIRD IRRIGATION, Reg. Lagunera			
MEXICO	THIRD IRRIGATION, Reg. San Juan			
COLOMBIA	ATLANTICO IRRIGATION	Increased		
MEXICO	PANUCO IRRIGATION			Increased
MEXICO	RIO SINALOA IRRIGATION	Increased	Increased	

ANNEX 4

Table 4-1: Details of Adjustment Lending in the Nine Countries

Country		Board Date Bank Program IMF Program FY	Loan Type	Loan No.	Amount ($millions)	Date of Effectiveness	Date of Closure
Colombia	WB	85	Trade & Export Divers. Loan	2551	300.0	85-06	88-06
Colombia	WB	86	Trade & Ag. Policy Loan	2677	250.0	86-06	90-01
Colombia	WB	88	Energy Sector Loan	2889	300.0	88-06	90-01
Côte d'Ivoire	IMF		Extended Fund Facility			81-02	84-02
Côte d'Ivoire	WB	82	SAL I	2058	150.0	81-12	82-12
Côte d'Ivoire	WB	84	SAL II	2332	250.0	83-08	84-12
Côte d'Ivoire	IMF		Stand-by Arrangement			84-08	85-05
Côte d'Ivoire	IMF		Stand-by Arrangement			85-06	86-06
Côte d'Ivoire	IMF		Stand-by Arrangement			86-06	88-06
Côte d'Ivoire	WB	86	SAL III	2711	250.0	87-02	87-12
Côte d'Ivoire	IMF		Stand-by Arrangement			88-03	89-04
Ghana	IMF		Stand-by Arrangement			83-08	84-08
Ghana	WB	83	Trade & Import Sector Loan	1393	40.0	83-08	86-03
Ghana	WB	84	Export Rehab. Loan	1435	76.0	84-06	88-12
Ghana	WB	84	Export Rehab. and Tech. Assistance	1436	17.1	84-06	88-12
Ghana	IMF		Stand-by Arrangement			84-08	85-12
Ghana	WB	85	2nd Trade & Import Sector Loan	1573	87.0	85-08	88-12
Ghana	WB	86	Industrial Sector Loan	1672	53.5	86-06	90-12
Ghana	IMF		Stand-by Arrangement			86-10	87-10
Ghana	WB	87	Educational Sector Loan	1744	34.5	87-04	90-12
Ghana	WB	87	SAL I	1777	115.0	87-05	90-06
Ghana	IMF		Extended Fund Facility			87-11	90-11
Ghana	IMF		Structural Adj. Facility			87-11	88-11
Ghana	WB	88	Financial Sector Loan	1911	100.0	88-08	90-09
Ghana	IMF		Enhanced Structural Adj. Facility			88-11	91-11
Ghana	WB	89	SAL II	2005	120.0	89-06	91-03
Indonesia	WB	87	Trade Policy Loan	2780	300.0	87-03	87-06
Indonesia	WB	88	2nd Trade Policy Loan	2937	300.0	88-08	89-03
Indonesia	WB	89	Private Sector Develop. Loan	3080	350.0	89-09	90-03
Jamaica	IMF		Extended Fund Facility			78-06	81-08
Jamaica	IMF		Extended Fund Facility			79-06	81-06

Country		Board Date Bank Program IMF Program FY.	Loan Type	Loan No.	Amount ($millions)	Date of Effectiveness	Date of Closure
Jamaica	WB	79	Export Develop. Fund Loan	1715	31.5	79-08	82-12
Jamaica	IMF		Extended Fund Facility			81-04	84-04
Jamaica	WB	81	2nd Export Develop. Fund Loan	1978	37.0	81-08	83-12
Jamaica	WB	82	SAL I	2105	76.2	82-03	83-03
Jamaica	WB	83	SAL II	2315	60.2	83-06	84-05
Jamaica	IMF		Stand-by Arrangement			84-06	85-06
Jamaica	WB	85	SAL III	2478	55.0	84-11	85-06
Jamaica	WB	83	3rd Export Develop. Fund Loan	2320	30.1	85-04	86-12
Jamaica	IMF		Stand-by Arrangement			85-07	87-05
Jamaica	IMF		Stand-by Arrangement			87-03	88-05
Jamaica	WB	87	Trade & Finance Sectors Loan	2848	40.0	87-06	88-12
Jamaica	WB	87	Public Enterprise Sector Loan	2849	20.0	87-06	88-12
Jamaica	IMF		Stand-by Arrangement			88-09	90-05
Mexico	IMF		Extended Fund Facility			83-01	85-12
Mexico	WB	83	Export Development Loan	2331	352.0	83-12	89-06
Mexico	IMF		Stand-by Arrangement			86-11	88-04
Mexico	WB	87	Trade Policy Loan	2745	500.0	86-11	90-11
Mexico	WB	87	2nd Export Development Loan	2777	250.0	87-03	90-09
Mexico	WB	88	2nd Trade Policy Loan	2882	500.0	88-01	88-12
Mexico	WB	88	Agricultural Sector Loan	2918	300.0	88-03	90-11
Mexico	IMF		Extended Fund Facility			89-05	92-05
Mexico	WB	89	Financial Sector Loan	3085	500.0	89-06	91-06
Mexico	WB	89	Industrial Sector Loan	3087	500.0	89-06	90-06
Mexico	WB	89	Public Enterprises Reform Loan	3086	500.0	89-07	91-06
Mexico	WB	89	Industrial Restructuring Loan	3047	250.0	89-09	94-12
Mexico	WB	88	Fertilizer Sector Loan	2919	265.0	89-11	93-12
Morocco	IMF		Stand-by Arrangement			83-09	85-03
Morocco	WB	84	Trade & Industry Policy Loan	2377	150.4	84-05	85-06
Morocco	IMF		Stand-by Arrangement			85-09	87-02
Morocco	WB	85	Agricultural Sector Loan	2590	100.0	85-10	87-12
Morocco	WB	86	2nd Trade & Industry Loan	2604	200.0	85-10	87-05
Morocco	WB	86	Educational Sector Loan	2664	150.0	86-09	89-12
Morocco	IMF		Stand-by Arrangement			86-12	88-03
Morocco	WB	87	Public Enterprises Reform Loan	2820	240.0	87-12	90-06

Country		Board Date Bank Program IMF Program FY	Loan Type	Loan No.	Amount ($millions)	Date of Effectiveness	Date of Closure
Morocco	WB	88	Agricultural Sector Loan	2885	225.0	88-07	90-03
Morocco	IMF		Stand-by Arrangement			88-08	89-12
Morocco	WB	89	SAL I	3001	200.0	88-12	89-12
Pakistan	IMF		Extended Fund Facility			80-11	83-11
Pakistan	WB	81	Fertilizer Sector Loan	1066	50.0	80-12	82-09
Pakistan	IMF		Extended Fund Facility			81-12	83-11
Pakistan	WB	82	SAL I	2166	140.0	82-09	83-12
Pakistan	WB	85	Energy Sector Loan	2552	178.0	85-09	88-12
Pakistan	WB	86	Export Development Loan	2701	70.0	86-08	88-12
Pakistan	WB	89	Agricultural Sector Loan	2986	200.0	88-11	90-06
Pakistan	IMF		Stand-by Arrangement			88-12	90-03
Pakistan	IMF		Structural Adj. Facility			88-12	91-12
Pakistan	WB	89	2nd Energy Sector Loan	3107	250.0	89-06	91-12
Pakistan	WB	89	Financial Sector Loan	3029	150.0	89-07	90-12
Turkey	IMF		Stand-by Arrangement			79-07	80-07
Turkey	WB	80	SAL I	1818	200.0	80-04	81-09
Turkey	IMF		Stand-by Arrangement			80-06	83-06
Turkey	WB	81	SAL I Supplement	1915	75.0	81-01	81-08
Turkey	WB	81	SAL II	1987	300.0	81-07	82-11
Turkey	WB	82	SAL III	2158	304.5	82-07	83-12
Turkey	IMF		Stand-by Arrangement			83-06	84-06
Turkey	WB	83	SAL IV	2321	300.8	83-09	85-03
Turkey	IMF		Stand-by Arrangement			84-04	85-04
Turkey	WB	84	SAL V	2441	376.0	84-07	86-03
Turkey	WB	85	Agricultural Sector Loan	2585	300.0	85-08	89-06
Turkey	WB	86	Financial Sector Loan	2714	300.0	86-06	90-06
Turkey	WB	87	Energy Sector Loan	2856	325.0	87-07	90-09
Turkey	WB	88	2nd Financial Sector Loan	2964	400.0	88-06	90-12

Source: World Bank, Adjustment Lending Conditionality and Implementation Database

Table 4.2: Key Performance Indicators of Trade Policy Adjustors, 1978-89

	COLOMBIA			COTE D'IVOIRE			GHANA			INDONESIA		
	1978-82	1983-85	1986-89	1978-82	1983-85	1986-89	1978-82	1983-85	1986-89	1978-82	1983-85	1986-89
Real GDP growth rate (at 1980 US$)	4.2	2.8	5.0	4.4	1.2	-1.9	-0.2	3.0	5.1	5.8	3.9	4.3
Exports as % of GDP	14.2	12.1	17.3	35.4	42.7	34.6	7.2	7.7	19.5	27.5	25.7	24.8
Imports as % of GDP	14.7	12.7	15.0	39.4	35.0	27.4	7.7	9.6	23.5	22.1	23.7	22.7
Gross domestic investment as % of GDP	19.8	19.1	17.0	23.5	12.1	10.1	5.5	5.0	6.0	31.2	34.7	30.2
(Public sector investment)	(7.6)	(9.2)	(8.4)	(16.4)	(8.7)	(4.3)	n.a.	(3.4)	(0.3)	(11.7)	(10.6)	(8.7)
(Private investment)	(11.7)	(10.1)	(10.6)	(9.7)	(6.0)	(6.7)	n.a.	(5.0)	(3.6)	(13.4)	(11.0)	(11.4)
Gross domestic savings (% of GDP)	18.8	18.6	23.6	23.1	22.2	21.4	4.7	4.9	6.8	33.1	28.1	25.1
External debt as % of GDP	23.7*	33.9	44.8	79.0*	125.2	132.9	32.9*	43.5	55.8	26.5*	39.0	67.5
External debt as % of exports	164.0*	266.2	226.5	220.4*	291.0	339.5	159.8*	321.2	327.2	103.3*	157.9	267.7
Debt service ratio (%)	22.5*	36.7	44.2	39.0*	44.9	43.6	13.6*	28.7	47.2	15.4*	23.7	39.1
Fiscal balance (% of GDP)	-5.4*	-5.8	-1.3	-13.9*	-3.8	-6.4	-9.3*	-2.2	0.3	-0.6*	-2.0	-3.2
Annual inflation (%)	24.2	20.0	24.0	12.1	4.0	3.3	63.3	57.6	27.3	13.8	9.2	7.1
Current account balance (% of GDP)	-3.9	-7.8	0.3	-9.6	-4.9	-2.9	-2.1	-2.7	-2.9	-0.6	-4.1	-3.4
Net foreign reserves (US$ millions)	4232.0	1898.7	12210.0	-403.4	-1011.1	-1151.9	68.1	-364.3	-630.3	5021.0	6489.9	5291.1

	JAMAICA			MEXICO			MOROCCO			PAKISTAN			TURKEY		
	1978-82	1983-85	1986-89	1978-82	1983-85	1986-89	1978-82	1983-85	1986-89	1978-82	1983-85	1986-89	1978-82	1983-85	1986-89
Real GDP growth rate (at 1980 US$)	-3.1	3.0	2.7	6.8	0.7	0.4	4.6	3.5	5.4	7.3	6.4	6.3	2.1	4.9	6.3
Exports as % of GDP	45.4	49.6	52.8	10.9	17.3	17.5	18.0	23.3	22.8	11.1	11.4	13.4	8.2	18.4	20.7
Imports as % of GDP	50.3	59.3	54.8	11.7	9.8	13.5	31.3	32.8	26.5	21.8	22.4	19.5	12.5	22.3	21.7
Gross domestic investment as % of GDP	18.1	18.4	10.5	24.8	17.3	15.4	25.4	23.0	24.2	18.7	19.5	18.8	20.9	19.7	20.5
(Public sector investment)	n.a.	n.a.	n.a.	(10.3)	(6.6)	(5.4)	(6.8)	(5.4)	(4.8)	(10.7)	(9.1)	(8.8)	(11.4)	(10.5)	(13.2)
(Private investment)	n.a.	n.a.	n.a.	(13.5)	(11.6)	(13.9)	(18.1)	(18.2)	(15.9)	(5.9)	(6.1)	(6.2)	(9.8)	(8.3)	(10.6)
Gross domestic savings (% of GDP)	13.4	13.7	20.8	25.3	29.3	24.0	12.5	16.1	19.9	7.8	7.5	12.5	15.7	16.1	23.6
External debt as % of GDP	83.9*	167.2	152.6	36.8*	56.3	70.9	67.1*	110.3	100.7	39.1*	41.1	47.1	34.6*	44.1	57.5
External debt as % of exports	157.7*	260.6	262.0	284.1*	313.8	367.4	270.1*	363.6	334.6	203.4*	201.2	235.3	251.2*	199.8	238.1
Debt service ratio (%)	22.8*	34.9	42.1	52.7*	52.8	47.9	37.6*	32.9	34.5	15.2*	21.1	25.5	28.5	32.0	38.3
Fiscal balance (% of GDP)	-13.6*	-14.4	-10.1	12.8*	-8.9	-12.6	12.3*	-9.8	-4.0	-5.8*	-6.9	-7.8	-8.1*	-6.1	-6.3
Annual inflation (%)	22.1	21.7	11.1	29.5	75.0	88.6	10.1	8.8	4.0	8.8	6.2	6.1	56.3	42.1	48.9
Current account balance (% of GDP)	-8.0	-13.3	-1.4	-4.1	2.2	-0.8	-10.4	-6.9	0.4	-4.5	-3.5	-3.5	-3.1	-2.8	-0.6
Net foreign reserves (US$ million)	-574.6	-1201.8	-1083.7	3118.9	4101.0	3631.4	-159.6	-1070.7	-630.6	232.7	141.5	100.6	-4139.3	-5255.0	-8613.0

* - 1980-82 figures; n.a.-not available; in some cases, 1989 figures are preliminary

Source: World Bank data

ANNEX 4

Table 4-3: MAJOR POLICY MEASURES AND FREQUENCY OF CONDITIONALITIES

INSTRUMENTS	COLOMBIA [2]	COTE D'IVOIRE [3]	GHANA [6]*	INDONESIA [2]	JAMAICA [7]	MEXICO [4]	MOROCCO [3]	PAKISTAN [2]	TURKEY [6]	TOTAL COND.	AS % OF TOTAL
A. TRADE POLICY											
Import/Export	18	3	3	7	10	13	9	4	11	78	7.8
Import duties/subsidies	3	4	10	6	4	9	24	4	2	66	6.6
Export duties/subsidies	11	5	0	1	3	1	1	2	0	24	2.4
Import/Export Financing and credit	3	3	2	0	17	7	1	2	0	35	3.5
Other export incentives and regime	5	2	9	2	10	0	9	0	13	50	5.0
Other export institutions and promotion	1	0	2	2	7	8	10	2	9	41	4.1
Other trade policies	3	1	5	4	5	1	10	3	1	33	3.3
SUB-TOTAL	44	18	31	22	56	39	64	17	36	327	32.8
B. MACRO/FISCAL											
Exchange rate policy	1	2	14	7	1	5	4	4	3	41	4.1
Tax policy	0	5	25	6	5	0	19	2	16	78	7.8
Wage and employment policy	0	2	17	0	0	8	0	0	0	27	2.7
Debt management	0	10	2	2	0	2	4	0	6	26	2.6
Budget deficit (targets: efficient resource/use types of expend.)	0	4	3	5	1	0	1	0	4	18	1.8
Public recurrent Expenditures (general or sectoral)	0	0	11	0	0	0	3	6	0	20	2.0
Public capital/investment expend. (general or sectoral)	1	5	18	1	4	0	5	4	16	54	5.4
Subsidies:	0	3	0	1	0	0	1	1	2	8	0.8
Other macro/public sector policies	2	2	2	3	0	3	3	0	3	18	1.8
PUBLIC ENTERPRISE SECTOR/ FIRM RESTRUCTURING:											
Organization, planning management systems	0	6	13	0	0	0	0	1	6	26	2.6
Financial management	1	3	7	0	13	0	1	0	10	35	3.5
Labor, employment policies	0	0	2	0	2	0	0	0	2	6	0.6
Operional policies	0	3	1	1	0	0	0	0	1	6	0.6
Privatization, divestiture	0	0	10	0	4	0	0	0	1	15	1.5
Other public enterprise restructuring measures	0	0	2	0	0	0	0	0	0	2	0.2
SUB-TOTAL	5	45	127	26	30	18	41	18	70	380	38.2

ANNEX 4

Table 4.3: MAJOR POLICY MEASURES AND FREQUENCY OF CONDITIONALITIES

INSTRUMENTS	COLOMBIA [2]	COTE D' IVOIRE [3]	GHANA [6]*	INDONESIA [2]	JAMAICA [7]	MEXICO [4]	MOROCCO [3]	PAKISTAN [2]	TURKEY [6]	TOTAL COND.	AS % OF TOTAL
C. FINANCIAL POLICY											
Interest rate policy	1	1	1	2	1	4	4	0	5	19	1.9
Money supply	0	2	0	1	2	0	0	1	2	8	0.8
Financial intermediation policies	0	0	0	1	4	0	6	0	6	17	1.7
Financial institutions	0	0	0	3	4	0	4	0	0	11	1.1
Other financial policies	0	1	0	2	1	0	1	0	13	18	1.8
PUBLIC INSTITUTIONS AND REGULATIONS:											
Education systems	0	0	0	0	0	0	0	0	0	0	0
Training institutions	0	2	3	0	0	0	0	1	2	8	0.8
Labor regulations	0	0	0	0	0	0	0	0	0	0	0
Technology development	0	0	0	0	0	0	0	0	0	0	0
Investment promotion and regulation	0	0	9	3	0	0	1	0	0	13	1.3
Price control systems	0	0	0	0	0	0	0	0	0	0	0
Civil service (organization, inst. reform)	0	0	0	0	0	0	0	0	0	0	0
Project appraisal and monitoring	0	3	1	0	1	0	0	0	0	5	0.5
Other institutions	0	0	15	0	0	0	0	0	0	15	1.5
SUB-TOTAL	1	9	29	12	13	4	16	2	28	114	11.4
D. INDUSTRIAL POLICY											
Pricing and subsidies	0	0	9	0	0	1	0	0	0	10	1.0
Entry/exit/expansion	0	0	1	2	0	1	0	0	0	4	0.4
Other regulatory	0	0	0	0	0		0	2	0	2	0.2
Subsector/firm restructuring (INDUSTRY)	0	4	5	0	2	0	2	0	0	13	1.3
Investment promotion/incentives	0	0	1	2	0	0	0	0	0	3	0.3
Technology	0	0	0	0	0	0	0	0	1	1	0.1
Supply/demand issues	0	0	0	0	0	0	0	0	0	0	0
Marketing	0	0	0	0	0	0	0	0	0	0	0
Other policies & Institutions	0	1	0	0	0	0	0	0	0	1	0.1

Table 4-3: MAJOR POLICY MEASURES AND FREQUENCY OF CONDITIONALITIES

INSTRUMENTS	COLOMBIA [2]	COTE D' IVOIRE [3]	GHANA [6]*	INDONESIA [2]	JAMAICA [7]	MEXICO [4]	MOROCCO [3]	PAKISTAN [2]	TURKEY [6]	TOTAL COND.	AS % OF TOTAL
AGRICULTURE POLICIES											
Pricing and subsidies	2	4	16	0	3	2	0	0	4	31	3.1
Entry/exit expansion	0	0	2	0	0	0	0	0	0	2	0.2
Other regulatory	0	0	4	0	1	0	0	0	1	6	0.6
Subsector/firm restructuring	0	4	0	0	3	1	0	0	2	10	1.0
Investment promotion/incentives	0	1	0	0	0	1	0	0	0	2	0.2
Subsector planning	1	2	1	0	2	0	0	0	3	9	0.9
Marketing	0	0	0	0	1	0	0	3	1	5	0.5
Other sector-specific policies institutions	0	2	2	0	1	0	0	2	2	9	0.9
MARKETING POLICIES											
Pricing and subsidies	0	5	3	1	0	2	0	2	4	17	1.7
Entry/exit expansion	0	1	0	0	1	0	0	1	0	3	0.3
Other regulatory	0	0	5	0	0	0	0	3	2	10	1.0
Subsector/firm restructuring	0	0	0	0	1	0	0	0	2	3	0.3
Investment promotion/incentives	0	3	0	0	0	2	0	0	4	9	0.9
Agriculture technology	0	1	0	0	0	0	0	0	0	1	0.1
Subsector planning	0	0	0	0	1	1	0	1	0	3	0.3
Marketing	0	1	0	0	0	0	0	0	2	3	0.3
Other sector-specific policies and institutions	0	1	1	0	0	1	0	0	1	4	0.4
SUB-TOTAL	3	30	50	5	16	12	2	14	29	161	16.2
E. OTHER REFORMS											
Privatization, divestiture	0	0	0	0	0	1	0	1	0	2	0.2
Labor regulations	0	0	0	0	0	0	0	0	0	0	0
Investment promotion/regulations	0	0	0	0	0	0	0	0	0	0	0
Organization, Planning, management systems	0	0	0	0	0	0	1	0	0	1	0.1
Other sector-specific reforms	0	1	0	0	0	0	1	0	0	0	0
Financial Management	0	0	0	0	0	0	8	0	0	8	0.8
SUB-TOTAL	0	1	0	0	1	1	10	1	0	14	1.1
GRAND TOTAL	53	103	237	65	116	74	133	52	163	996	100.0

*Includes Technical Assistance Credit 1436-GH

Source: World Bank data