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Briefing Report to Congressional Requesters

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MULTILATERAL DEVELOPMENT

Status of World Bank Reforms

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National Security and
International Affairs Division

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The Honorable John R. Kasich
Ranking Minority Member
Committee on the Budget
House of Representatives

The Honorable Hank Brown
United States Senate

As requested, we have reviewed issues concerning the World Bank's portfolio management. Specifically, you asked that we (1) determine the status of the Bank's efforts to institute reforms, (2) assess the extent to which the United States influenced the reforms, and (3) describe the process used by the United States to evaluate loan proposals. On May 20, 1994, we briefed your staff on the results of our work. This report presents the information provided at that briefing.

BACKGROUND

In February 1992, the President of the World Bank appointed the Portfolio Management Task Force (also known as the Wapenhans Task Force) to review and make recommendations for improving the Bank's portfolio management. Audits conducted by the World Bank's Operations and Evaluations Department had shown a growing decline in the Bank's project success rate for the past decade, particularly over the last 3 years.

The Wapenhans Task Force reported in October 1992 that the primary causes of the decline were poor project design, management, and implementation. Underlying the decline in the project success rate was the Bank's pervasive preoccupation with new lending, described by some as the loan approval culture, which often took precedence over effective project management once new loans were approved. The task force also noted that factors outside of the Bank's control, such as the debt crisis, declining terms of trade, macroeconomic policies, and political instability, contributed to the decline.

Even though the Wapenhans Task Force did not provide a detailed program of action, it called on the Bank to bring about changes in the Bank's internal values and incentives by focusing attention on the central objectives of achieving sustainable development impact and the critical role of portfolio performance management. The task force's principal recommendations were to (1) link the concept of country portfolio management to the Bank's core business processes; (2) provide for country portfolio restructuring, including the reallocation of undisbursed balances; (3) improve the quality of new projects; (4) strengthen project performance management; (5) enhance the role of the Operations and Evaluations Department as an instrument of independent accountability and refocus evaluations of completed projects on sustainable development impact; and (6) create an environment more conducive to better portfolio management.

The United States is the largest contributor to the Bank and consequently controls the largest share--17 percent--of the member country votes in the Bank. The Secretary of the Treasury is on the World Bank's Board of Governors and exercises U.S. influence through this high-level policy-making body. Day-to-day U.S. participation in the World Bank is exercised through the U.S. Executive Director, who receives instructions from the Department of the Treasury. The Executive Director is a member of the 24-member Board of Executive Directors from member countries and performs duties on a full-time basis at the Bank's headquarters. The executive directors oversee the Bank's operating programs, determine the direction of Bank policies, and approve the Bank's lending operations.

RESULTS IN BRIEF

In April 1993, the Bank incorporated the task force's recommendations into a reform plan. However, this initial plan was rejected by the Board of Executive Directors because it was not sufficiently action oriented. The Bank's June 1993 revised plan was approved by the Board. That plan identified 86 specific actions, the staff responsible for implementation of the actions, and specific time frames for each action. The actions listed in the report were intended to progressively reorient the Bank toward more effective and consistent emphasis on the sustainable development impact of Bank-financed projects. Bank officials responsible for oversight of the implementation process stated that the June 1993 action plan should be seen as an overall framework to begin the long-term process of improving Bank operations. They said that the Bank expects to have at least three more annual action plans to continue to follow through on portfolio management issues raised by the task force.

World Bank documents show that progress has been made in accomplishing many of the specific actions called for in the June 1993 reform plan, although the initial target dates for some critical actions have been missed. Bank officials said that they had underestimated the complexity of, as well as the time required for, designing and developing some of the critical actions. Also, many of the actions called for by the reform plan, such as conducting country portfolio performance reviews, disseminating "best practices" information, and efforts to create an internal environment supportive of better portfolio management are, by their very nature, a continuous process. Consequently, it is too early to assess the impact of the reforms on the quality of the Bank's loan portfolio management. U.S. officials, executive directors from other member countries, and Bank officials were generally supportive of the Bank's reform efforts. However, many of these officials indicated that it was important for the Bank to maintain the current momentum and commitment if the desired changes in culture at the Bank are ultimately to succeed. (App. I provides additional information on these issues, and App. II provides the detailed status of the Bank's actions.)

The United States played an important role in the World Bank reforms. With support from other countries, the United States succeeded in influencing the Bank to develop a reform plan in a timely manner. On the basis of its review of the initial reform plan, the United States joined other donor countries in pressing the Bank to develop the more action-oriented plan that is currently being implemented by the Bank.

U.S. support for, or opposition to, Bank loan proposals is based on an interagency staff review process. The interagency group, chaired by the Department of the Treasury, reviews the proposals based on legislative requirements and economic and policy considerations. The United States has supported most Bank proposals, and its opposition to others has stemmed primarily from legislatively imposed requirements. These loans were approved by the Bank's Board of Executive Directors despite U.S. opposition. The United States has been able to influence the design of Bank proposals through the interagency review process. The Bank reforms, similar reforms at other development banks, and the growing volume and complexity of development bank loans may require a reexamination of the current interagency review process to focus more on country development strategies and country portfolio performance as well as individual projects.

SCOPE AND METHODOLOGY

To evaluate the World Bank's progress in implementing reforms in portfolio management, we obtained and analyzed the Bank's draft March 1994 status report. Because the March report did not make explicit linkages to each step called for in the reform plan, we compared the status of actions discussed in the interim report with the tasks and timetable documented in the Bank's reform plan. During our review, we had access to Bank documents that were available to the U.S. Executive Director, and we interviewed Bank officials in the presence of an official from the U.S. Executive Director's office. We believe this access was sufficient for us to meet our review objective of assessing the status of the Bank's reform efforts. However, we did not validate the quality of the actions taken by the Bank to respond to the reform plan, nor did we draw specific conclusions about the status of each step.

To assess the U.S. role in the reform process and identify concerns about Bank implementation of the reforms, we interviewed representatives of and reviewed documents from the Department of the Treasury, the Office of the U.S. Executive Director, the Department of State, the Agency for International Development, and the Office of Management and Budget. We also discussed these issues with World Bank executive directors from five other countries as well as others involved in the reform process.

To determine the basis of U.S. support for or opposition to Bank loans, we obtained Treasury and State guidance on the loan review process and discussed the guidance with officials from those departments. We also analyzed the U.S. voting record from October 1990 through December 1993 to determine how often and why the United States voted against World Bank loans or abstained from voting. To identify how the United States influences Bank policy and specific proposals, we reviewed records from and interviewed officials participating in the Working Group on Multilateral Assistance from the Departments of the Treasury and State and the Agency for International Development. To assess the impact of World Bank reforms on the U.S. interagency process, we compared the current interagency process with planned changes in the Bank's portfolio management processes.

We did not obtain written agency comments on this report. However, we discussed our findings with officials from the World Bank, the Office of the U.S. Executive Director, the Department of the Treasury, and the Agency for International Development and incorporated their comments where appropriate. We conducted our work from November 1993 to May 1994 in accordance with generally accepted government auditing standards.

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Harold J. Johnson

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International Affairs Issues

STATUS OF WORLD BANK REFORMS

Objectives

* Determine the status of the World Bank reform efforts

* Determine the extent to which the U.S. influenced the reforms

* Describe the process used by the U.S. to evaluate loan proposals

Background on World Bank Reforms

* After a decade-long drop in the performance of its development projects, the World Bank President appointed a task force to determine the causes of the decline.

Task Force Findings

Task force attributed the decline to

* poor project design,

* inadequate management,

* poor implementation,

* a culture that rewarded new loans rather than effective management of existing projects, and

* political and economic factors beyond the Bank's control.

According to the Wapenhans Task Force, many factors contributed to the decline in the performance of its development projects. The task force reported that (1) the emphasis on loan approval was unmatched by implementation planning or the identification of major risks to project performance, (2) the Bank's role in supporting project implementation was inadequately identified, (3) the Bank's portfolio management was based on a project-by-project approach, and (4) the Bank did little to evaluate the sustainability of projects.

The task force found that because the Bank generally managed its portfolio on the basis of individual projects, countrywide or sector-specific problems were often not identified. Furthermore, the Bank did not take portfolio performance into account when determining country assistance strategies and new lending decisions. As a result, these decisions were not based on realistic appraisals of success.

As a result of the Bank's preoccupation with new lending (described as the Bank's approval culture), Bank staff were being rewarded for new loans approvals instead of the effective management of existing projects. Specifically, the task force found that Bank staff often promoted new loans instead of providing the Bank and its Board of Executive Directors an objective assessment of the new projects' chance for success. Bank officers promoting these loans often included project features that were conducive to approval by the Bank and Board, even if these features would complicate projects to the point of jeopardizing their successful implementation. As a result, the Bank did not adequately determine whether the projects could be effectively implemented or whether the borrower had the necessary commitment to sustain the project after its approval.

The task force also noted that factors outside of the Bank's control contributed to the decline in portfolio performance. These factors included the debt crisis, declining terms of trade, inefficient macroeconomic policies, and political instability.

Task Force Recommended Solutions

Task force called for improvements in

* portfolio management on a countrywide basis,
* country portfolio restructuring,
* the quality of new projects entering the portfolio,
* project management through improved borrower commitment and procurement practices,
* the evaluation of the development impact of Bank projects, and
* the Bank's internal environment necessary to support improved portfolio management.

To improve the Bank's portfolio performance management, the task force called for the Bank to make improvements in the following six areas:

-- the Bank should manage its loan portfolio through a countrywide approach rather than a project-by-project basis. A countrywide approach affords the Bank the ability to address generic problems that may affect an entire country portfolio. Furthermore, the design, composition, and size of future country lending strategies must reflect the current implementation experience of all projects in a country's loan portfolio.

-- When a country experiences financial problems that impact the performance of its projects, the Bank should be prepared to consider restructuring the entire country portfolio. When appropriate, undisbursed balances could be reallocated--subject to Board approval--to high-priority projects remaining in the country portfolio.

-- The Bank needs to improve the quality of new projects by (1) having the borrowing country take the preeminent role in project identification and design, (2) giving more systematic attention to factors that may impact project implementation, and (3) developing loan documents that reflect agreements that can be implemented by the country's executing agencies.

-- The Bank should improve its project performance management by (1) ensuring that it takes an advisory and not a managerial role in project implementation, (2) tracking project performance through data identified and collected by the borrowing country, (3) standardizing procurement bid documents, and (4) allowing for third-party verification and certification of procurement procedures of the borrowing countries.

-- The role of the Operations and Evaluations Department as an instrument of independent accountability should be enhanced. The Department should avoid involvement in managerial problem resolution for individual projects or country portfolios, but should place a greater emphasis on impact evaluation and project sustainability after the Bank has completed making disbursements to a borrowing country.

-- The Bank needs to create an internal environment supportive of better portfolio performance management. Specifically, the Bank should (1) recognize and reward portfolio management; (2) ensure that country directors know that they are as accountable for managing existing country portfolios as they are for new lending; (3) enhance its personnel skills through such measures as recruiting more staff with experience in financial and general management, public administration, and institutional development and providing more advanced training for existing staff; (4) aim to have a resident field presence in every country with an active and significant country portfolio; (5) use more effective information management technology; and (6) use savings realized from efficient measures for portfolio performance management.

World Bank Reform Plan

* The April 1993 reform plan was rejected as insufficient.

* The June 1993 reform plan was approved by the Board.

* The plan included

  * 86 specific actions
  * an ambitious implementation schedule.

In response to the Wapenhans Task Force recommendations, the World Bank published a reform plan in April 1993. That plan was rejected by the Board of Executive Directors because it failed to adequately identify the staff responsible for the plan's implementation or provide specific time frames for completion of tasks.

In June 1993, the World Bank developed a more detailed reform plan that was accepted by the Board. The reform plan identified 86 specific actions, the staff responsible for the actions' implementation, and time frames for each action. The actions are intended to progressively reorient the Bank culture toward more effective and consistent emphasis on the sustainable development impact of Bank-financed operations. The office of the U.S. Executive Director said that the reform plan represented a critical step toward improving the quality of the Bank's portfolio management.

Some of the actions in the reform plan call for the Bank to link new lending to the current performance of country portfolios, draw up country portfolio restructuring plans as needed, identify and develop reliable sector performance indicators, develop and use review mechanisms to identify problem projects, standardize a greater borrower/beneficiary role in project design and implementation, identify risk factors that can impact project implementation, include a reliable assessment of the status of the completed project, match staff skills and training with the changing emphasis in Bank projects, improve staff incentives for project management, assist borrowing countries to build their institutional capacity to implement projects, and improve the accountability and transparency through an independent inspection panel.

Status of World Bank Reform Plan

* Reform plan generally on schedule, but some key actions are behind schedule, including actions on how to assess
  * borrower commitment
  * project performance.
* Bank officials attributed schedule slippage to difficulty of reform process.
* It is too early to determine the impact of initial reforms on portfolio performance.
* Bank expects to have additional action plans over the next several years.

According to Bank officials, as part of its reforms, the Bank has begun to manage its loan portfolio through country assistance strategies that link future lending to the current strength of a country's entire loan portfolio. The country assistance strategy reports include (1) an appraisal of recent external events that have had a significant impact on the country's economy, (2) the country's development objectives and policies, (3) an overview of the Bank-country dialogue pertaining to the country loan portfolio, (4) specific actions to improve the implementation of problem projects, (5) a discussion of a borrowing country's role in project design and implementation, and (6) a discussion of the Bank's relationship with other multilateral institutions and bilateral donors. According to Bank officials, country portfolio management reviews will be conducted annually for countries with large portfolios, and less frequently but at regular intervals for countries with smaller portfolios. Bank officials said that such reviews would be conducted for all large country portfolios and some smaller country portfolios during the Bank's fiscal year 1994--which ends June 30; however, detailed information on the reviews and their outcome was not provided to the Board of Executive Directors and was therefore unavailable for our evaluation.

The Bank did not meet its target dates for issuing an operational directive on appraising a borrowing country's commitment to a project during its design phase. The borrower appraisal directive was originally scheduled for publication by September 1993 but is now expected to be published in June 1994. Also, the Bank has not yet fully developed indicators to measure the performance of projects in sectors such as education and poverty reduction. Development of these indicators was expected to be completed by March 1994. The Bank now expects to have performance indicators developed for all sectors by September 1994.

Bank officials said they were unable to complete some critical actions by the scheduled due date because they underestimated the complexity of the actions required. For example, officials said the operational directives on borrower appraisal and risk assessment took longer to produce than expected because of the difficulty in determining who should be held accountable for performing specific actions. Bank officials said that because of the complexity of some of the sector indicators, they needed additional time to allow outside experts to review and comment on them. (See app. II for additional information on the status of the Bank's June 1993 reform plan.)

Perspectives on the Bank's Reform Effort

U.S. and other officials told us that

* the Bank reform effort is a critical and ambitious effort and

* it was important the Bank maintain its commitment to reform during the multiyear improvement process.

U.S. officials and other Bank authorities praised the Bank for its candid criticism of its past practices and supported its reform plan. Many viewed the reform as part of a critical, long-term effort that was necessary to improve the quality of the Bank's portfolio management. Although the officials we spoke with supported the Bank's efforts, many emphasized the importance of the Bank maintaining the momentum and effort needed to bring about the necessary cultural changes. One official close to the reform effort said he was concerned that the institution had not yet sent a clear message to the staff that they would be rewarded for sound portfolio management. He expressed concern that the current culture encouraged staff to take control of the project design process, causing Bank staff, not borrowers, to take ownership of the projects. Because Bank staff have historically taken primary responsibility for project design, they have been reluctant to cancel bad projects.

U.S. Influence in the Reform Process

The U.S. played a key role in the reform process by

* highlighting portfolio problems

* linking funding to reform plans

* rejecting the first reform plan

* demanding an improved plan with

    * timetables for reforms
    * staff responsible for reforms

* requesting monitoring reports

The United States has long expressed concern with the performance of the World Bank's loan portfolio. U.S. officials believed that they were able to exert influence on this matter during the International Development Association's replenishment negotiations in 1992.[1] U.S. officials developed a position paper calling for the Bank to demonstrate adequate plans to improve operational procedures that had led to a decline in the quality of the Bank's development projects, prior to seeking donor agreement to the replenishment agreement. Specifically, the United States recommended that the Bank (1) improve its skills mix, (2) increase borrower participation in project design and implementation, (3) link new lending to country portfolio performance, (4) focus on institutional capacity development activities, and (5) provide more timely feedback on project progress.

[1]The World Bank Group includes the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD makes long-term loans at market-related rates principally to middle-income developing countries. IDA provides credits to the poorer developing nations on more concessional terms than IBRD rates. IDA is separate from IBRD but shares the same staff and facilities. The IFC lends to and invests in private firms in developing countries, and MIGA provides guarantees to protect private investment in those countries against noncommercial risk such as war or national invasion.

According to U.S. officials, other donor countries supported the U.S. position on the need to improve project performance. A provision was subsequently included in the replenishment agreement that called on the Bank to develop a reform plan in response to the recommendations of the Wapenhans Task Force. U.S. officials said the United States called on the Bank to develop a reform plan before it would commit funds for the replenishment.

According to officials we interviewed, the United States also played an important role in influencing the development of an effective reform plan. The United States supported other donors' efforts to insist that the Bank develop a more detailed plan after the first plan was rejected by the Board. The Bank responded with a new plan, which was approved.

The United States and other donors also raised concerns about the need to monitor the implementation of the reform plan. In response, the Bank agreed to provide an interim status report to the Board of Executive Directors in March 1994 and another update in July 1994.

U.S. Loan Review Process

* World Bank loans are reviewed by the Working Group on Multilateral Assistance (WGMA).

* WGMA is chaired by Treasury and includes State, AID, and others.

Loan documents from the Bank are reviewed by each agency, and comments are prepared on how the U.S. Executive Director should vote or comment on each loan proposal. The Executive Director brings issues to the attention of the Bank's Board of Executive Directors based on instructions from Treasury with input from other agencies. In the event that other agencies disagree with Treasury, the issue can be escalated to senior officials for resolution.

U.S. Loan Review Criteria

WGMA supports or opposes Bank loans based on

* legislative requirements

* economic and policy guidance.

The criteria for loan review fall into two general categories: legislative requirements and economic and policy criteria. There are currently 10 congressionally mandated requirements on U.S. voting in the World Bank. These include restrictions on U.S. approval of loans to countries that have expropriated U.S. property, engaged in a pattern of gross violations of human rights, failed to take adequate steps to prevent the sale or transport to the United States of illegal drugs, or been involved in acts of international terrorism. Others include restrictions on U.S. approval of projects that could lead to the production of commodities in surplus on world markets or injury to U.S. producers of the same or similar commodities or projects that have not met environmental reporting requirements.

Economic and policy criteria include ensuring that there is adequate conditionality for economic reform of inappropriate borrower policies, the project has a sufficient economic rate of return and will be viable without the need for trade barriers, and the borrower has sufficient funds to cover project operating costs. The review of the loan also takes into account the ability of the borrower to implement the project, the complexity of project design, and the adequacy of attention to other donor programs. In addition, the United States may oppose loans when other commercial financing is available, cost overruns are excessive, or projects have already been partially completed without World Bank financing.

Results of Loan Reviews

* The Bank approved 866 loans from October 1990 through December 1993.

* The U.S. opposed 120 loans (mostly abstentions due to legislation).

* The Bank approved all 120 loans.

The United States has supported the vast majority of the 866 World Bank loans approved from October 1990 to December 1993. The U.S. Executive Director voted no on only 22 proposals but abstained on another 98 during this period. Most of these negative votes (10 no-votes and 75 abstentions) stemmed primarily from legislative requirements on the observance of human rights and the performance of environmental impact assessments. U.S. officials noted that the number of negative votes due to environmental reporting requirements had fallen since the Bank has been increasingly meeting those requirements. The remaining negative votes (12 no votes and 23 abstentions) were the result of U.S. economic and policy concerns.

Even though the 22 loan proposals for which the United States voted no and the 98 for which it abstained were approved by the Board of Executive Directors, according to Treasury officials, these votes highlighted U.S. concerns. According to U.S. officials, the Bank and its Board may take these concerns into consideration in developing future loan proposals. The United States does not have sufficient voting rights by itself to prevent Board approval of a loan.

U.S. Influences Bank Proposals at Various Phases

* The Early Project Notification System allows AID to influence proposals during preliminary design in-country and alert the U.S. Executive Director to potential problems needing resolution.

* Periodic meetings between U.S. and Bank staff can influence proposals.

U.S. influence on proposed loans is exercised initially by Agency for International Development (AID) staff when projects are being designed. AID officials told us that mission staff do not always have sufficient information on World Bank proposals or sufficient time to devote attention to them. Nevertheless, they have been able to alert Bank staff to a loan's potential problems before it goes before the Board of Executive Directors. For example, in one financial sector loan to Guinea, U.S. mission personnel were able to discuss the proposal at length with the Bank's project appraisal team and raise concerns about the need for more technical assistance and the host government's ability to fund part of the project. These concerns were subsequently presented to the Bank through the U.S. Executive Director's office so that technical assistance needs and host government project financing could be addressed by the Bank.

U.S. officials can also influence loan proposals through other means before they are approved. Although WGMA agencies formally review loan proposals only days or weeks before the Board of Executive Directors' vote--when project negotiations have been largely completed and there is little time left for substantive changes--Treasury and U.S. Executive Director staff meet periodically with Bank staff to voice U.S. concerns on specific projects. The United States may also place these concerns before the Board when voting. For example, on one transport loan to Venezuela, the United States urged close supervision of the project to ensure that a range of problems affecting the transport sector in that country be resolved.

Reforms and Loans Impact Review Process

* Bank reforms may impact the interagency review process.

* Other development banks are also undertaking reforms.

* Treasury requests State and AID help on Country Assistance Strategies.

* Increased lending raises demands on review process.

* New interagency priorities may be needed.

Changes in the World Bank's system for portfolio management, including the increased use of county assistance strategies, portfolio restructuring, and efforts to improve loan proposal quality, may impact on the interagency loan review process. Some of the other regional development banks, whose loans are also reviewed by WGMA member agencies, are undergoing reform programs similar to the one undertaken by the World Bank.

The Department of the Treasury has recently requested that both the Department of State and AID review the Bank's country assistance strategies. The Department of the Treasury noted that the Bank's Board discussions of country assistance strategies are important for influencing the formulation of the Bank's country programs as well as for ensuring that U.S. portfolio management objectives are being adequately addressed. Department of the Treasury officials have noted that the United States has placed priority on establishing the new Bank practice of providing the Board of Executive Directors regular briefings of the Bank's country assistance strategy.

AID officials said their comments on the Bank's country assistance strategies had been ad hoc and sporadic. This was due in part to the general nature of the Bank's country assistance strategies and the limited time available for their review.

Social sector projects, which are more complex in some ways than typical infrastructure projects, have increased from 6 to 16 percent of World Bank lending in the past 5 years. From 1987 to 1993, the annual volume of financing proposals approved by the World Bank and other institutions increased from 515 to 890 transactions--a 72.8 percent increase. This increase is placing additional demands on the staff of the reviewing agencies.

AID officials believe that the sheer number of loan proposals makes it impractical for any one agency to review the financial and developmental implications of each proposed loan. To promote more effective reviews, AID officials said the U.S. agencies involved with reviewing Bank country assistance strategies should prioritize the sectors or countries for review. With such priorities established, U.S. reviews could more effectively comment on the Bank's country assistance strategies. AID could then focus on the development impact of important sectors and countries when reviewing Bank proposals and strategies. AID and Treasury officials stated that such changes to the process should be performed among the key agencies involved to facilitate interagency deliberations on overall Bank portfolio management as well as the WGMA project review process.

OUR ANALYSIS OF THE STATUS OF THE WORLD BANK REFORM PLAN

Table II.1 shows the 86 actions identified in the World Bank's reform plan in response to the recommendations of the Wapenhans Task Force report. Also shown are the implementation date stated in the reform plan and the status as of May 1994. World Bank officials stated that, in addition to these 86 actions, two additional tasks--reports on resettlement and governance--have been added to the list of reform actions. The resettlement report was issued in April 1994, and the governance report was issued in November 1993.

Table II.1: The 86 Actions Listed in the World Bank's June 1993 Reform Plan

Action	Due date	Status
1. Conduct Country Portfolio Performance Reviews (CPPR) for large country portfolios	Annually starting fiscal year 1994[a]	Reviews were conducted in fiscal year 1994[b]
2. Hold CPPRs at regular intervals for smaller portfolios	Less frequent than annually	Reviews were conducted in fiscal year 1994[c]
3. Identify and disseminate best CPPR practices	Annually	CPPR best practice report due in October 1994[d]
4. Review experience with CPPRs	June 1994	Review to be released by March 1995[e]
5. Reflect CPPRs in the design of Country Assistance Strategies (CAS)	In accordance with agreed Board schedule	Ongoing
6. Ensure that resource needs identified in CPPRs are explicitly used as inputs to Bank Business Planning and Budgeting process	Annually	Ongoing

7. Identify and disseminate best CAS practices	Ongoing	CAS best practice report to be prepared by December 1994
8. Prepare CAS status report	Board review by August 1993	Report was approved by Board in December 1993
9. Produce table of contents and requirements for annual report on portfolio performance (ARPP)	Annually in June	Table of contents and requirements were produced as scheduled
10. Produce regional ARPP submissions	Annually in late November	Regional ARPP submissions were produced as scheduled
11. Produce ARPP	Annually in March	ARPP was produced as scheduled
12. Independent review of ARPP process by Bank's Operations and Evaluations Department	Per Joint Audit Committee (JAC) guidelines	Report was published in March 1994
13. Produce sector reviews focusing on best practices and lessons of experience	In accordance with Board schedule	Reviews were completed for fiscal year 1993
14. Produce report on Bank's poverty reduction efforts	Annually in April	Report was published in March 1994
15. Produce report on Bank's environmental policies and activities	Annually in September	Report was published as scheduled
16. Identify, as appropriate, portfolios in need of restructuring	As part of CPPR/CAS process	Ongoing

17. Draw up restructuring plans and take actions with borrowers and co-financers on redesign, cancellation, or closure of problem projects	As appropriate	Ongoing
18. Report progress of project restructuring plans	Annually in ARPP	Progress reported in fiscal year 1993
19. Issue new operational directive on how to assess country commitment to project objectives and role of stakeholder	Operational directive to be revised by September 1993	Draft completed; publication due by June 1994[f]
20. Identify borrower participation best practices	Ongoing	Final draft was produced in April 1994
21. Adopt new information disclosure policy	July 1993	New policy was approved by Board in August 1993[g]
22. Consider establishing a borrower Participation Fund	Under review	Fund was established in June 1993
23. Produce handbook on borrower participation	April 1994	Handbook is partially completed[h]
24. Develop new training module on commitment building and participatory work	Spring 1994	Two workshops were held in February and May 1994
25. Produce new operational directive on risk/sensitivity analysis	December 1993	Directive was completed in April 1994
26. Issue staff guidance on risk/sensitivity analysis at sector level, including social sectors and environment	Fiscal year 1994	Guidance is due by December 1994[i]
27. Give more attention to risk/sensitivity analysis and ability to implement it	During project preparation	Ongoing

28. Develop workshop on risk/sensitivity analysis	Spring 1994	Workshop was held in October 1993[j]
29. Assist borrowers and implementing agencies in preparation of appropriate implementation plans, including procurement	Ongoing	Ongoing
30. Form task force to review Bank's approach to co-financing	December 1993	Report was published in March 1994
31. Complete economic and sector reviews and review and disseminate best practice report	December 1994	On schedule
32. Include explicit implementation plans in loan documents	Ongoing	Ongoing
33. Issue new operational guidelines on project preparation and appraisal	September 1993	Draft completed; publication due in June 1994
34. Create a Bank-wide loan covenant database	December 1993	Database was created in December 1993
35. Design a task manager training workshop on legal aspects of Bank operations	June 1994	New design due by June 1994
36. Form task force to review accounting, financial reporting, and auditing requirements, including financial covenants	December 1993	Report was completed in October 1993; will be sent to Board in June 1994
37. Prepare handbook on financial accountability	December 1993	Final draft was issued in April 1994; report will be issued in September 1994

38. New operational directive on accounting, financial reporting, and auditing	April 1994	Directive will be issued in September 1994
39. Revise training program on financial analysis	April 1994	Program is in place for use in fiscal year 1995
40. Review regional initiatives to increase borrower participation in project design and implementation and disseminate findings	Ongoing	Ongoing
41. Review project rating methodology and performance rating system	December 1993	Document to be issued in July 1994
42. Develop macro and sector specific performance indicators	March 1994	Drafts or final documents for all 12 sectors will be issued by September 1994[k]
43. Form task force to review how to improve tracking of portfolio data	September 1993	Report submitted to Bank management in November 1993
44. Assess effectiveness of midterm reviews and formulate Bank-wide approach	September 1994	Assessment will be completed by December 1994
45. Increase attention to supervision planning	Ongoing	Ongoing
46. Establish a review mechanism for projects in problem status for more than 12 months and develop country or project specific triggers for follow-up actions	Develop mechanism in fiscal year 1994	Ongoing[l]
47. Mandate use of standard bidding documents for international competitive bidding procurement	May 1, 1993	Documents were mandated as scheduled

48. Review procurement guidelines to address issues in social sectors, adjustment operations, and projects with substantial private sector participation	June 1994	Draft will be sent to the Board in September 1994
49. Establish Advisory Procurement Review Committee	April 1, 1993	Committee was established as scheduled
50. Assess feasibility of introducing procurement certification/verification by third party	December 1993	Broad study is expected to be completed by December 1994
51. Strengthen procurement training for borrowers	Fiscal year 1994 onward	Ongoing
52. Issue guidelines on implementation completion reports (ICR)	July 1993	Guidelines were released in April 1994[m]
53. Implement new ICR guidelines	July 1993 onward	ICRs will be compulsory for any project completed after July 1, 1994
54. Send ICRs directly to Board	July 1993 onward	ICRs will be sent to the Board after July 1, 1994
55. Enhance evaluation through impact studies and country assistance reviews	Fiscal year 1994 onward	Outline was reviewed by the JAC in February 1993[n]
56. Identify personnel skills gap	Ongoing	Ongoing[o]
57. Introduction of career tracks for procurement professionals	December 1992	Procurement tracks were introduced as scheduled
58. Recruitment to focus on identified skills gap	Fiscal year 1994	Ongoing

59. Review experience with staffing groups	Fiscal year 1994	Ongoing
60. Broaden Young Professional Program (YPP) recruitment to include technical and social sciences	Ongoing	Ongoing[p]
61. Redesign executive development program to emphasize quality management and effectiveness	June 1994	Program was developed in April 1994[q]
62. Introduce a new training module on negotiation skills	September 1993	Module is expected to be completed by June 1994
63. Strengthen mandatory orientation program for new staff	September 1993	Program was introduced in January 1994
64. Introduce new 3-week orientation program for participation in YPP	October 1993	Orientation program was introduced as scheduled
65. Develop an integrated curriculum for portfolio management (Bank skills)	June 1994	Curriculum is expected by fiscal year 1995
66. Introduce workshops on innovative approaches and best practices	Fiscal year 1994	Workshops were given in January 1994
67. Strengthen professional skills training	Ongoing; new courses to be offered by the beginning of fiscal year 1994	Ongoing[r]
68. Introduce new performance evaluation for managers	Fiscal year 1993	Performance evaluation for managers was introduced as scheduled
69. Assess efficiency of managers' performance evaluation	Fiscal year 1994	Assessment was conducted in fiscal year 1994

70. Develop and introduce new performance evaluation system for operational staff	Fiscal year 1994	Performance evaluation for staff was introduced as scheduled
71. Give proper weight to portfolio management in revised promotion criteria	Fiscal year 1994 onward	Proper weight was given in fiscal year 1994[s]
72. Examine and introduce new internal staffing process to enhance staff continuity on projects	November 1992	New process introduced as scheduled
73. Form a study group to assess efficacy of the project review process	November 1993	Scheduled for completion in December 1994
74. Form a study group to examine how to simplify and streamline business practices	Ongoing	Ongoing; first report was issued in February 1994[t]
75. Streamline and simplify operational directives	Revision of directives to be completed by the end of fiscal year 1995	New system has been established; however, all directives will not be revised until the end of fiscal year 1995
76. Assess efficiency of new operations	End of fiscal year 1994	Report is due by November 1995[u]
77. Assess comparative advantage and roles of field offices in portfolio management	September 1993	Broader strategy paper due in December 1994[v]
78. Form task force to review improvements in technical assistance management and effectiveness of Bank's efforts to build borrower commitment and ownership of projects	September 1993	Report is due for release in June 1994

79. Produce Institutional Development Fund report	Annually in September	Report was produced as scheduled in fiscal year 1993
80. Produce technical assistance report	Annually in January	Report was produced as scheduled in fiscal year 1993
81. Prepare Development Assistance Committee report on technical assistance effectiveness with the United Nations Development Program	January 1994	Report was produced in March 1994
82. Review independent inspection practices and assess their potential relevance and utility for the Bank	Board approval of recommendations due by August 1993	Board approval was given in September 1993[w]
83. Incorporate in fiscal year 1994 budget-specific resource needs and plan of actions of all units	June 1993	Resource needs were incorporated as scheduled
84. Review funding requirements for fiscal year 1995 and future years during budget preparation	Annually in June	On schedule
85. Provide leadership in implementing the reform plan	Continuously	Ongoing
86. Assess implementation status of the reform plan	June 1994	On schedule

[a]The World Bank's fiscal year runs from July 1 to June 30 of the following calendar year.

[b]According to information provided by Bank officials, CPPRs are expected to be conducted for all large country portfolios during fiscal year 1994; however, detailed information on the outcome of selected CPPRs for large and small countries is not provided to the Board of Executive Directors.

[c]According to information provided by Bank officials, some CPPRs have been conducted for small country portfolios in fiscal year 1994.

[d]World Bank officials stated that they wanted to collect enough data to provide a representative sample in the annual report. Currently, the Egyptian CPPR has been disseminated as a best practice example.

[e]As with the CPPR best practice report, World Bank officials stated that they would like to collect more data to produce a report on the Bank's experience with CPPRs.

[f]Bank officials stated that operational directives are difficult and time-consuming to produce. Operational directives require the Bank to (1) assess the staff's judgment and (2) clearly define performance decisions for the purpose of accountability.

[g]As mandated by the new policy, a Project Information Center was opened by the World Bank at headquarters in January 1994, making available to the public previously restricted operational and economic and sector work documents. Examples of documents that can now be requested by the public through the center are environmental assessments, proposed project appraisals (after projects are approved by the Board), and summaries of evaluation reports.

[h]According to World Bank officials, 11 chapters were completed in April 1994. An additional 8 chapters, including an overview, will be added to the handbook by August 1994.

[i]According to World Bank officials, the guidance documents are currently in draft form.

[j]This subject has now been integrated into the portfolio management training curriculum.

[k]According to Bank officials, the time frame of this task was delayed to give nongovernmental organizations an opportunity to comment on World Bank drafts in the social, poverty, and environmental sectors. They also stated that producing sector performance indicators was a complex evolutionary process and that, in the future, some indicators would be modified and expanded. The World Bank issued indicators for the agricultural sector in April 1994.

[l]According to World Bank officials, all six regions have implemented a problem project review mechanism. Three regions review projects on a quarterly basis (Africa, East Asia and Pacific, and Europe and Central Asia), and the other three review projects on a semiannual basis (South Asia, Middle East and North Africa, and Latin America and the Caribbean).

[m]The ICR is a project evaluation conducted by both the Bank and the borrowing country after the final Bank disbursement has been made; it also contains information on the prospects for the project's sustainability and a plan for the project's future operation. According to World Bank officials, the ICR guidelines took longer to produce than originally anticipated because the ICRs were more extensive and complicated than their predecessor, the project completion reports.

[n]The Bank will issue 9 impact evaluations by June 1994, 20 in fiscal year 1995, and 10 in fiscal year 1996.

[o]World Bank officials gave us a memorandum that provided an overview of the skills gaps identification process that took place in the fall of 1992. They stated that this would be an annual exercise that would be conducted again in July 1994.

[p]The Bank has historically recruited staff for the YPP with economic backgrounds, although it is beginning to recruit more staff from other disciplines. Bank officials stated that in 1988-89 approximately 90 percent of the YPP recruits were economists, whereas data for fiscal year 1994 showed that 63 percent of the YPP recruits had economics backgrounds.

[q]World Bank officials stated that the redesigned executive development program would be carried out by June 1994.

[r]The framework for the new professional skills training has been developed. The framework will be assessed and course content designed for the work program for January 1994 through July 1995.

[s]A World Bank official stated that assessment panels placed a greater weight on portfolio management carried out by management officials.

[t]World Bank officials stated that the business practice review would be conducted on an annual basis. The findings would be reported again in December 1994.

[u]World Bank officials stated that an assessment of the new operational directive system was delayed until November 1995 because the new system needed to be in place long enough to collect sufficient data.

[v]The Board of Executive Directors rejected a field office assessment published by the World Bank on October 12, 1993. The Board asked the Bank to conduct a broader assessment of the role of field offices.

[w]World Bank officials stated that the Bank had hoped to have selected the inspection panel members by January 1, 1993; however, the process has been delayed because some candidates turned down the offer after it was made to them.

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