

## **ADB's Enhanced Portfolio Management Efforts in 2003**

PRM initiated the quarterly Provincial Portfolio Review Meeting (PPRM) with the provincial governments since the middle of 2001. The PPRM provides the opportunity for ADB and provincial governments to discuss and address issues affecting individual projects in the ADB-assisted portfolio in each province.

The PPRMs are an integral part of PRM's portfolio management processes, which have been intensified over the last two years with the introduction of quarterly PPRMs to replace the annual review meeting.

The meetings are preceded by the circulation of detailed briefing papers to the provincial governments and the Federal Government, outlining the status of portfolio performance in each province, and highlighting issues for discussion. The agendas of the PPRMs are then structured in accordance with the issues highlighted in the briefing paper, as well as the issues raised by the Government. The minutes of the PPRMs prepared on the basis of the PPRM meetings are widely circulated, and specific areas for further action are highlighted accordingly to ensure adequate and intensive follow up of problem projects. The PPRMs feed into the annual Country Portfolio Review Mission (CPRM), in which ADB's entire portfolio in Pakistan is reviewed in consultation with the Federal and Provincial Governments. In addition to these Review Meetings, project review missions are fielded from time to time to deal with project-specific issues.

These quarterly review meetings are proving to be a useful means of improving the portfolio performance. Issues relating to the audit paras, loan account closing, imprest accounts, disbursements, staffing, procurements, implementation, coordination, covenants, and consulting services are discussed in detail for all ADB projects. Status of follow-up activities agreed in previous PPRMs are also discussed. Measures for improvement and cut off dates for completing various activities are agreed upon.

The PPRM have had a positive impact on the overall portfolio of ADB projects in Pakistan, which can be gauged by comparing the performance indicators for 2001, with the year ending on 31 December 2002. On average about 33 percent of the Pakistan portfolio was in the "at risk" category in 2000 and 2001. In 2002, "at risk" projects have been reduced to 17 percent of total projects, which is a major improvement in one year and compares well with the ADB-wide average of 16 percent for 2002. As of 31 December 2002, nine projects were "at risk". Four out of 5 ongoing loans in the energy sector, 3 out of 15 loans in the agriculture and natural resource sector and 2 out of 12 loans in the social sector were "at risk".

The problem projects were reduced from 32.6 percent and 25.5 percent of the total number of loans in 2000 and 2001 respectively to 17 percent in 2002 (ADB-wide average was 14.1 percent). The potential problem projects were reduced to zero compared to 7.8 percent in 2001. Out of 53 ongoing projects, seven were rated as Partially Satisfactory (PS) and one as Unsatisfactory (U) in terms of Implementation Progress (IP) while only four projects were rated as PS for Development Objectives (DO). The rest were in either Highly Satisfactory (HS) or Satisfactory (S) categories. The pro-activity index, which measures success in reducing problem projects, was 58.8 percent for 2002 compared with 64.3 percent for 2001. This shows that

significant efforts have been made both in 2001 and 2002 to improve portfolio performance and PPRMs have played a significant role in this effort.

The last (PPRMs) with the Provincial Governments were held in January and February 2003. The process began with a meeting in Balochistan on 31 January, and in Sindh, Punjab, and NWFP on 6, 8, 10 February respectively. Meetings were chaired by Senior Ministers for Finance and Planning in Balochistan, the Minister for Planning and Development in Sindh, Chairman Planning and Development Board in Punjab, and Minister for Finance, Planning and Development, and Environment in NWFP. The Country Director PRM Mr. M. Ali Shah led the ADB team comprising PMU staff. Senior officers of all relevant government departments/EAs and staff of Project Management Units also attended the meetings.

*Senior Ministers of the Government of NWFP meeting with ADB staff during the PPRM.*

