

I. INTRODUCTION

1. The semiannual reports on project administration and technical assistance implementation cover the Bank's operations during the periods ending 30 June and 31 December. The objective of the present report is to review the overall performance of the Bank's operational portfolio in the first half of 1998,¹ including actions taken by the Bank to improve the quality of projects and the consequent impact on the project portfolio. The report highlights the actions taken to improve project quality, summarizes the Bank's loan and technical assistance (TA) portfolio performance in the first half of 1998, and discusses the performance of the individual developing member countries (DMCs) in implementing loans and TAs.

II. BANKWIDE PROJECT IMPLEMENTATION PERFORMANCE

A. Project Quality and Implementation

2. To enhance the effectiveness of its assistance to the DMCs, the Bank has been placing greater emphasis on the management and supervision of its projects. This has had a positive impact on the quality of country portfolios. As a result of the traditionally low number of new approvals during the first six months and timely closing of loans, the number of public sector projects under implementation was reduced from 444 (financed by 483 loans) as of 31 December 1997 to 419 (financed by 459 loans) as of 30 June 1998. It is important that timely loan closing continues, to keep the portfolio manageable. The lower number of loans approved during the period also led to the more intensive administration of ongoing loans. The number of unsatisfactory projects decreased to 22 (about 5 percent of the portfolio), compared with 24 such projects at the end of 1997. Even allowing for some underreporting, and taking into account the limitations of the existing project classification system, the 5 percent level is a solid achievement that can be attributed to capacity-building efforts, close monitoring, intensive supervision through regular and midterm reviews, and timely remedial actions. Another positive achievement is the decrease in the number of loans not yet signed or effective, from 74 at the end of 1997 to 39 as of 30 June 1998. A comprehensive restructuring of the portfolios in Indonesia, the Pacific developing member countries (PDMCs), Pakistan, Philippines, and Thailand resulted in the identification of \$1,450 million of surplus loan proceeds from 103 projects, the major part of which will be canceled.

3. The Bank continued its efforts to improve project implementation in selected DMCs through TAs and portfolio reviews. In addition, attention was given to improving project quality at entry by undertaking preparatory activities to ensure beneficiary participation and stakeholder involvement. Formulation of projects was guided by lessons learned from similar earlier or ongoing projects, and attention was given to capacity-building activities through the provision of TAs and capacity-building components in loans to improve project implementation performance. Six public sector loans approved during the period provided for the appointment of project managers and the establishment of project offices prior to Board approval. Of the 14 public sector loans approved, 1 project administration memorandum was prepared during appraisal, 5 were prepared during inception missions already undertaken, and the balance will be prepared during inception missions scheduled for the latter part of 1998.

¹ The third Operations Review Meeting for 1998 to discuss loan and technical assistance performance in the first half of 1998 was held on 3 September 1998. The meeting was chaired by the President and attended by the three vice-presidents and representatives of the departments and offices concerned.

4. Resident/regional missions (RMs) played an important role in improving implementation by assisting executing agencies (EAs) with the Bank's *Guidelines for Procurement* and *Guidelines on the Use of Consultants*, disbursements, audit requirements, and other operational matters. In addition to holding monthly meetings to review implementation of project portfolios, the RMs were actively involved on a regular basis in furthering the implementation of action plans agreed to by the Bank and governments during country portfolio review missions (CPRMs). It is essential, however, that RMs' resources are kept in line with their increasing responsibilities. Besides the usual project implementation reviews, in-depth midterm reviews were undertaken at key points during implementation. These reviews assessed project performance and developed plans where necessary to change the course of projects so that the objectives could be attained.

1. Capacity Building for Project Implementation

5. The Bank attaches importance to governance and capacity-building efforts and to their operational implications. A number of initiatives were undertaken to address these concerns. In addition to the operational support provided by the Resource Group on Governance and Capacity Building, loans and TAs including components for capacity building aimed at improving project implementation were approved. Of the 14 public sector loans and 81 TAs approved during the period, 6 loans had capacity-building components, 7 loans had training components, and 44 TAs included components to strengthen institutional capacities, all targeted at improved project implementation. In addition, 131 seminars and workshops were undertaken to train staff of governments and EAs. Details of these initiatives are given in Appendix 1.

6. As well as conducting project implementation and administration seminars in selected countries and regions, the Bank had earlier provided TAs to Sri Lanka and Viet Nam to strengthen the management capabilities of the EAs of Bank-assisted projects. In view of the successful completion of these TAs and their positive impact on project implementation, a similar TA is under way in Nepal, and four more are in the pipeline for other countries. A country project implementation profile in a revised and expanded format is being prepared for Nepal; it will assist in improving project design and implementation, and identify constraints that need to be addressed to improve the Government's capacity in these areas. Country project implementation profiles will subsequently be prepared for other selected DMCs, and the respective RMs will act as the focal points for following up implementation of the various measures agreed upon.

7. In addition to the TAs to strengthen project implementation, TAs are under way for capacity building and institutional strengthening of the national procurement agencies in Cambodia, Lao People's Democratic Republic (PDR) and Viet Nam, as well as to establish national procurement regulations for the public sector in the People's Republic of China (PRC). A TA was approved to strengthen the policy and regulatory framework for the PRC's construction industry, and another is being processed for Mongolia to develop procurement legislation and guidelines. Following the successful completion of a TA to improve the regulatory framework for procurement and contracting in Bhutan, steps were initiated to provide a further TA to strengthen the capacity of the Construction Development Board.

8. Regional technical assistance (RETA) to improve capacity in project accounting and to expedite disbursements is ongoing in Cambodia, Lao PDR, and Viet Nam, and a similar RETA has commenced in Kazakstan, Kyrgyz Republic, and Uzbekistan. Also, a TA has started in Mongolia to improve the compliance level of submissions of audited project accounts, while another TA was approved for capacity building in project financial management in Viet Nam.

2. Improving Accountability for Portfolio Management

9. More authority, responsibility, and accountability continues to be delegated to the RMs in recognition of their important role in portfolio management. An additional 8 loans and 2 TAs were delegated to the RMs during the period, and efforts are continuing to identify further loans and TAs to be handed over in the future. Care must be taken, however, to ensure that staff resources are made available to all the RMs to match these additional responsibilities. Delegation of project administration to the RMs has provided for more frequent interaction between Bank staff, officials of the EAs, consultants, beneficiaries, and other stakeholders and this interaction provides the opportunity to identify potential problems early, and to avoid or mitigate against them. In-house project administration meetings are held by the RMs on a monthly and quarterly basis that focus on outstanding issues and actions required by the Bank or the Government, and that provide the necessary monitoring mechanism and staff accountability. Quarterly status reports on portfolio performance of Bank-assisted projects are sent to the borrowers and the EAs, highlighting problem areas requiring early action. Management of portfolios has been further enhanced by the greater involvement of national RM staff in project supervision, utilizing their combined technical and country/local experience. Examples of country-specific actions taken to improve portfolio management are shown in Appendix 2.

10. As project processing is closely linked to implementation performance, high-level consultation missions were undertaken by the Bank in conjunction with programming missions to restructure selected country portfolios. Notably, portfolio restructuring during the period occurred in Indonesia, the PDMCs, Pakistan, Philippines, and Thailand, where loan proceeds amounting to \$1,450 million (\$949 million, \$36 million, \$253 million, \$130 million, and \$82 million, respectively) involving 103 projects, were identified; the majority will be canceled. Changes of scope to refocus projects to meet changing conditions also helped with better portfolio management, but there is a need to extend the coverage of portfolio restructuring exercises to all of the DMCs to remove nonessential elements and components of projects, refocus the projects toward achieving their development objectives, and release surplus loan proceeds.

11. Major management problems of the EAs generally relate to limited capacity, high turnover of project staff, delayed or inadequate counterpart funding, and limited ownership. The governments recognize these constraints and are working with the Bank to mitigate them. For example, in Bangladesh, the Bank will directly assist the Government, on a trial basis, in selecting consultants, by evaluating and ranking technical proposals. Another initiative involves the Bank undertaking aid coordination to help governments implement action plans agreed upon during the CPRMs. Such initiatives are expected to improve portfolio management. Also, as a result of the Bank's continuing interventions, positive results are in sight in certain countries. The recently amended Civil Service Act (approved by Parliament in May 1998) of the Government of Nepal contains a provision that project managers should only be changed after a minimum period of two years, and that for externally financed projects the

duration can be extended until implementation of a project is complete. This amendment, if followed, will go a long way to improving portfolio management and ownership. Similarly, in Viet Nam, the issuance of Decree 87/CP concerning the regulations for the management and use of external aid is a welcome development that is already having a positive impact on project implementation.

3. Beneficiary and Stakeholder Participation

12. The Bank continued its efforts to increase the participation of beneficiaries, stakeholders, people's organizations, and nongovernment organizations (NGOs) during loan and TA processing and implementation. Training activities (including training of trainers) were undertaken on the importance of their involvement in project preparation and implementation, and the Bank explained the objectives of projects and roles of stakeholders in attaining them. During the period, 12 loans and 7 TAs for the public sector were approved that incorporated participatory processes, and 26 seminars were undertaken on the importance of stakeholder involvement in project preparation and implementation.

13. In 1996, the Bank approved a RETA for \$0.3 million as a pilot fund for the promotion of capacity-building and participatory activities before fact-finding for project preparatory TAs. This fund has provided the means to consult various stakeholders regarding their development concerns, to build early consensus, and to pilot test different approaches. In less than two years, \$0.26 million was used, the average request being for about \$17,000. These relatively small amounts have catalyzed locally responsive and innovative activities in selected TAs, projects, and country strategies that have potential to impact on long-term project quality. For these purposes, the pilot fund has proved to be very helpful, even though upstream participatory planning may not always anticipate all activities that are needed during the course of implementation. Overall, diverse participatory practices across countries, sectors, and types of activities were supported, covering 11 DMCs and 11 different sectors.

4. Improving Feedback Mechanisms

14. Until recently, the Bank's system of supervision and classification of projects focused on their physical, financial, and policy aspects, without capturing the accomplishment of their development objectives. To improve the reporting format and to harmonize the Bank's project administration with other multilateral development banks like the World Bank, an interdepartmental working group was set up in February 1997. The Group reviewed the Bank's project classification system and recommended replacing the Project Administration Committee Notes with project performance reports (PPRs) that would (i) highlight progress in achieving development objectives, (ii) provide information on potential risks and key assumptions influencing project results, (iii) offer remedial actions for problems encountered during implementation, and (iv) classify projects in terms of both implementation progress and accomplishment of development objectives. The new PPR format was introduced on a trial basis on 1 October 1997. As of 30 June 1998, 281 of the 419 ongoing public sector projects were brought under the PPR system. Experience with the new system is being reviewed by the Group as there are some concerns about the proposed format. PPRs will then be introduced for all projects.

15. The PPR is a component of the Project Performance Management System (PPMS), and will use the concepts and procedures in the PPMS to ensure that PPRs provide

information concerning the attainment of the development objectives of projects. The PPMS is also being introduced on a trial basis with the objective of introducing it Bankwide. Training is being given to staff on the identification of suitable impact and performance assessment criteria. In addition, four TAs are being implemented to prepare DMC officials to use the PPR and PPMS. As a corollary to the PPR and PPMS, guidelines and criteria are being developed to ensure consistency in the assessment and rating of TAs. This is being carried out in conjunction with revisions to the formats for project completion reports (PCRs), project performance audit reports, TA completion reports (TCRs), and TA performance audit reports, and is expected to be introduced in early 1999.

16. Of the 14 public sector loans approved during the period, 9 incorporated lessons learned from earlier and ongoing projects. Logical frameworks were prepared for 12 projects,¹ and, on 1 January 1998, use of the framework became mandatory for all, except small-scale TAs. Of the 17 PCRs circulated during the first half of the year, 11 documented benefit monitoring and evaluation.

B. Project Administration and Management

1. Loans Under Administration

17. The 19 loans approved in the first half of 1998 amounted to \$2,502.7 million: 14 for \$2,398 in the public sector and 5 for \$104.6 million in the private sector (Appendix 3). The comparative figures for loan approvals in the previous years are given in Table 1, and in Figures 1 and 2. The number of loans under administration² decreased from 483 as of 31 December 1997 to 459 as of 30 June 1998 (Appendix 4). This reflected 19 loan approvals (including 5 in the private sector) and 33 loan closures.³ The cumulative number of loans and amounts by sector and by borrower are provided in Appendix 5. Although the number of loans under administration has decreased since the end of 1997, it is essential that loans continue to be closed on time for the portfolio to remain manageable.

Table 1: Loan Approvals^a
(\$ million)

¹ The logical framework prepared for the sector development program for Indonesia embraced three loans, namely, Loan No. 1618-INO: *Financial Governance Reforms Policy*, for \$1,400.0 million; Loan No. 1619-INO: *Financial Governance Reforms Investment*, for \$47.0 million; and Loan No. 1620-INO: *Capacity Building for Financial Governance*, for \$50.0 million, all approved on 25 June 1998.

² Excluding the only existing loan to Myanmar, which is inactive.

³ The number of loans under administration cannot be directly determined by adding approvals and subtracting closed loans from previously reported statistics because of inactive loans and loans closed prior to 31 December 1997 but not reported earlier.

Source		1995	1996	1997	First Half of 1997	First Half of 1998
Ordinary Capital Resources	Number	36	48	42	4	14
	Amount	4,031.0	3,879.5	7,794.4	222.4	2,386.4
Asian Development Fund	Number	37	44	49	10	5
	Amount ^b	1,454.9	1,665.6	1,619.6	320.7	116.3
Total	Number	73	92	91	14	19
	Amount	5,485.9	5,545.1	9,414.0	543.1	2,502.7

^a Including private sector loans.

^b US dollar equivalent at the time of loan signing.

Figure 1: Loan Approvals

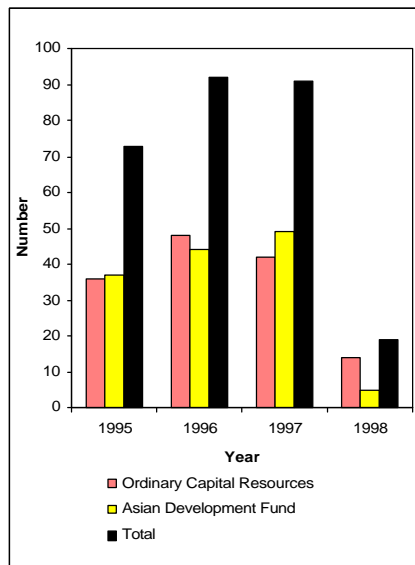
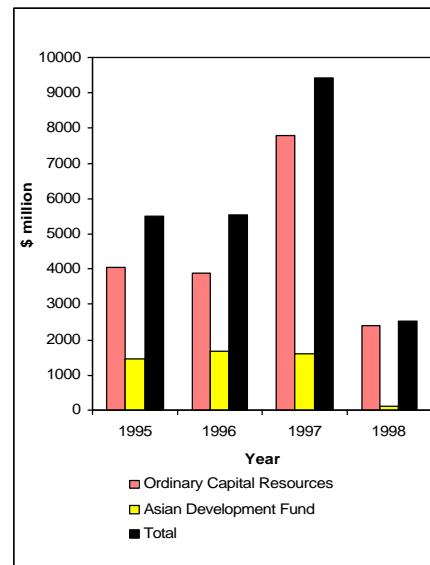


Figure 2: Loan Approvals



2. Loan Classification

18. As a result of the Bank's continuing efforts and support from the DMCs, the number of unsatisfactory loans was reduced to 25 (22 projects) as of 30 June 1998 (5.4 percent of the portfolio of 459 loans) compared with 27 (24 projects) as of 31 December 1997 (5.6 percent of the portfolio of 483 loans). Compared with the situation as of 30 June 1997, however, the number of unsatisfactory loans increased from 23 to 25.

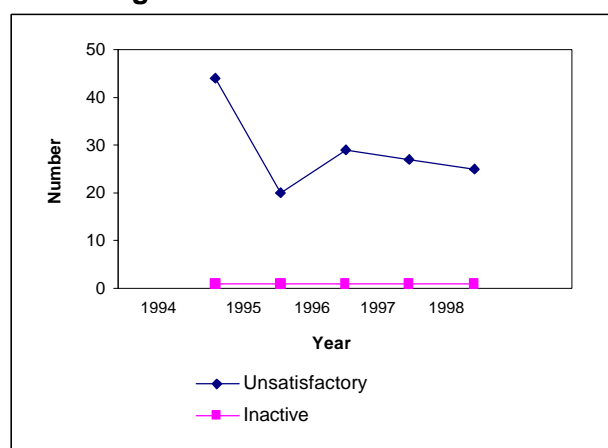
19. Of the 25 unsatisfactory loans, 9 are new and classified as such during the period; the countries concerned were Bangladesh, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka, and Viet Nam. The portfolio in the Philippines, with 5 unsatisfactory loans as of 30 June 1998, remained unchanged during the period. Similarly, Papua New Guinea still has 3 unsatisfactory loans. Portfolios improved in PRC, Cook Islands, and Marshall Islands in Region East; and in Pakistan in Region West. These improvements and continued

satisfactory performances, especially in the DMCs in Group A¹ and projects funded from the Asian Development Fund (ADF), are encouraging. Portfolios deteriorated in India, Sri Lanka, and Viet Nam, while the one loan to Myanmar remained inactive. The comparative figures for the previous years are shown in Table 2 and in Figure 3. A list of unsatisfactory loans, together with their status, is provided in Appendix 6.

Table 2 : Loan Classification

Classification	1994	1995	1996	1997	First Half	First Half
					of 1997	of 1998
Unsatisfactory	44	20	29	27	23	25
Inactive	1	1	1	1	1	1

Figure 3: Loan Classification



3. Loan Effectiveness

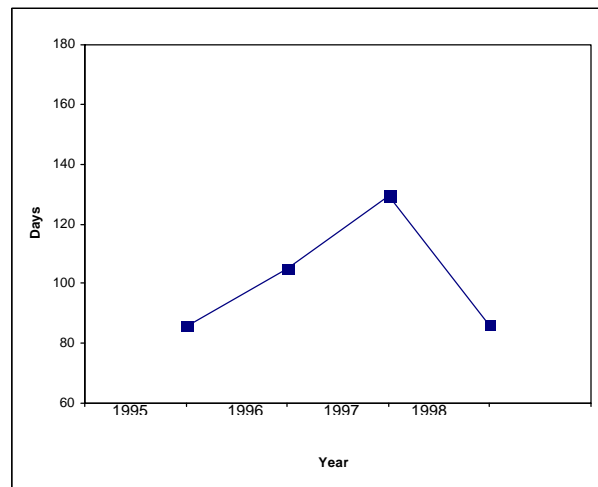
20. As a result of intensive efforts by the Bank and governments, 48 loans became effective during the first half of 1998, 33 of them within the 90-day period stipulated in the loan agreements (Table 3, Figure 4, and Appendix 7). The average time taken for loan effectiveness improved significantly, from 130 days during 1997 to 86 days in the first half of 1998. This is because six program and policy-based loans were declared effective immediately after their approval, and comparatively less time was taken for the other 27 loans to become effective. Loan effectiveness is being increasingly linked to the completion of preparatory activities, such as establishing and staffing project implementation units and inviting proposals for recruitment of consultants. Of the 48 loans that became effective, 4 were approved in 1996, 1 in the first half of 1997, 35 in the second half of 1997, and 8 in the first half of 1998.

Table 3: Loan Effectiveness

¹ The DMCs in Group A had a per capita gross national product (GNP) of \$610 or less in 1990. This group also included seven PDMCs, despite their higher per capita GNP, because of their special economic circumstances.

Item	1995	1996	1997	First Half of 1997	First Half of 1998
Loans Made Effective (No.)	55	64	87	47	48
Amount (\$ million)	4,124.5	5,450.1	9,407.5	2,316.7	4,431.1
Average Time Taken for Loan Effectiveness (days)	86	105	130	155	86

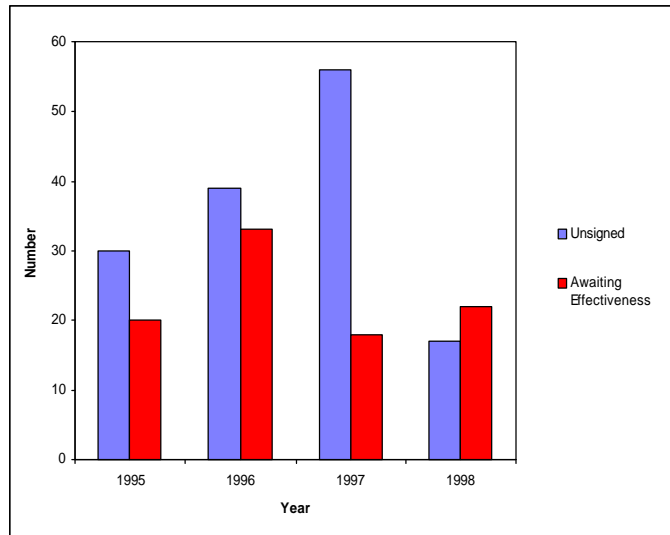
Figure 4: Average Time for Loan Effectiveness



21. The number of signed loans awaiting effectiveness increased to 22 compared with 18 as of 31 December 1997. Of these 22 loans, 14 had not become effective within the 90-day period provided in the loan agreements; all of these were approved during the second half of 1997 except one: for Tonga, which was approved in December 1996. A further 17 loans remained unsigned, 2 of these were approved (to India) in 1996, 12 in 1997, and 3 in 1998, compared with 56 at the end of 1997 (Table 4, Figure 5, and Appendixes 8 and 9). The signing of several ADF loans approved during the second half of 1997 had to be delayed until ADF resources were made available in 1998, and two of the five ADF loans not yet signed are still awaiting this availability.

Table 4 : Loans Not Signed or Awaiting Effectiveness

Status	1995	1996	1997	First Half of 1997	First Half of 1998
Unsigned Loans	30	39	56	19	17
Signed and Awaiting Effectiveness	20	33	18	19	22

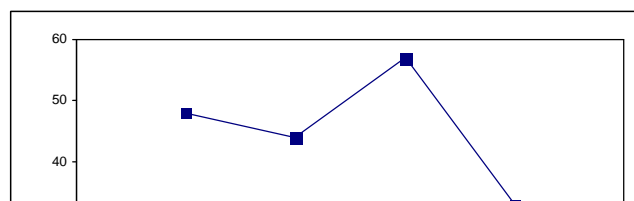
Figure 5: Loans Not Signed or Awaiting Effectiveness

4. Loan Closings

22. Thirty-three loans were closed during the first half of 1998 with disbursements of \$1,558.9 million and cancellations of \$234.3 million, or about 13 percent of the loan amounts, compared with 24 loans closed during the first half of 1997 with disbursements of \$1,032.8 million and cancellations of \$280.6 million, or about 21 percent of the loan amounts (Table 5, Figure 6, and Appendix 10). The loans closed in the first half of 1998 consisted of 15 from ordinary capital resources (OCR) with total disbursements of \$1,065.4 million, and 18 from ADF with total disbursements of \$493.5 million. This encouraging achievement, which helped reduce the number of loans under administration, was a result of close monitoring and prompt action to close loans on schedule.

Table 5: Loan Closures

Status	1995	1996	1997	First Half of 1997	First Half of 1998
Loans Closed	48	44	57	24	33
Total Disbursements (\$ million)	1,756.1	2,015.8	3,250.3	1,032.8	1,558.9
Total Cancellations (\$ million)	303.1	348.8	673.8	280.6	234.3

Figure 6: Loans Closed

1995 1996 1997 1998

5. Loan Cancellations

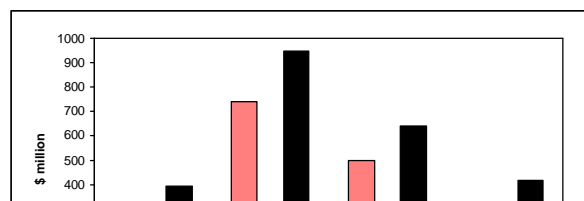
23. During the first half of 1998, loan cancellations, including those from loans not yet closed, amounted to \$416.8 million from 50 loans: \$273.7 million from 24 OCR loans and \$143.1 million from 26 ADF loans. The loan cancellations were brought about by (i) cancellation of undisbursed loan balances at loan closing (\$118.3 million), (ii) cost underruns (\$74.9 million), (iii) changes in project scope (\$71.3 million), (iv) changes in financing arrangements (\$6.0 million), and (v) others (\$146.3 million). Details are given in Table 6, Figure 7, and Appendix 11. For the first half of 1997, loan cancellations amounted to \$222.9 million from 40 loans (\$141.7 million from 19 OCR loans and \$81.2 million from 21 ADF loans). The increase in loan cancellations during the first half of 1998 resulted mainly from portfolio restructuring in Indonesia, the PDMCs, Pakistan, Philippines, and Thailand, although the majority of surplus loan proceeds identified in these countries is expected to be canceled during the second half of 1998.

Table 6: Loan Cancellations
(\$ million)

Item	1995	1996	1997	First Half of 1997	First Half of 1998
OCR	236.9	739.8	497.2	141.7	273.7
ADF	154.1	206.6	142.2	81.2	143.1
Total	391.0	946.4	639.4	222.9	416.8

ADF = Asian Development Fund; OCR = Ordinary Capital Resources.

Figure 7: Loan Cancellations



6. Contract Awards and Commitments

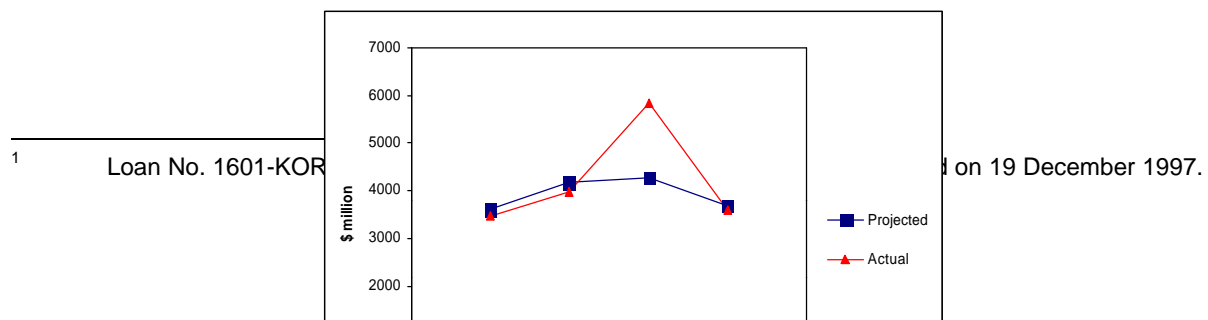
24. Contract awards and commitments for the first half of 1998 amounted to \$3,595 million, or 68 percent of the annual projection of \$5,268 million and 98 percent of the semiannual projection of \$3,687 million. Excluding the commitment of \$1,000 million under Loan No. 1601,¹ the achievement was 61 percent of the corresponding annual projection. As a result of this commitment, OCR contract awards and commitments reached 71 percent of the annual target of \$4,150 million, while the corresponding figure for ADF contract awards and commitments was 58 percent of the annual projection of \$1,118 million. Only Marshall Islands, Micronesia, and Papua New Guinea in Region East; and Bhutan and Lao PDR in Region West remained 20 percent or more below their contract award/commitment projections for the first six months of 1998 (Table 7, Figure 8, and Appendixes 12 and 13).

Table 7: Contract Awards and Commitments
(\$ million)

Loans		1995	1996	1997	First Half of 1997	First Half of 1998
OCR	Projected	2,425.3	2,974.8	2,911.1	1,369.1	3,025.4
	Actual	2,195.2	2,823.6	4,523.5	1,127.1	2,951.1
ADF	Projected	1,185.5	1,193.1	1,364.6	560.0	661.9
	Actual	1,286.5	1,152.8	1,305.3	574.5	643.8
Total	Projected	3,610.8	4,167.9	4,275.7	1,929.1	3,687.3
	Actual	3,481.7	3,976.4	5,828.8	1,701.6	3,595.0

ADF = Asian Development Fund; OCR = Ordinary Capital Resources.

Figure 8: Contract Awards and Commitments



1995 1996 1997 1998

7. Disbursements

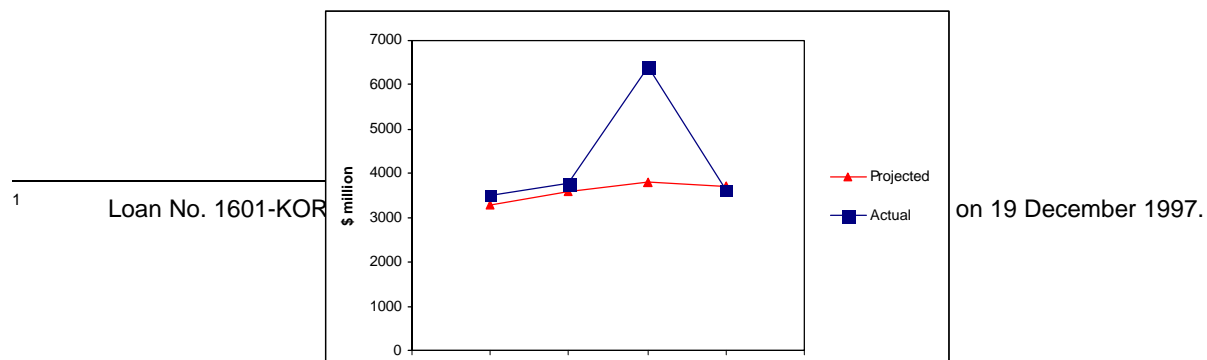
25. Disbursements for the first half of 1998 showed a similarly satisfactory trend with contract awards and commitments reaching \$3,621 million, or 66 percent of the annual projection of \$5,510 million and 98 percent of the semiannual projection of \$3,706 million. Excluding Loan No. 1601¹ from both the actual disbursements and the annual projection, the achievement was 58 percent. OCR disbursements during the first half of 1998 reached 71 percent of the annual projection of \$4,346 million, and ADF disbursements 45 percent of \$1,165 million. Slow disbursements were noted in Marshall Islands, Micronesia, Samoa, and Uzbekistan in Region East; and India, Maldives, and Sri Lanka in Region West for the first six months of 1998 (Table 8, Figure 9, and Appendixes 12 and 14).

Table 8: Disbursements
(\$ million)

Loans		1995	1996	1997	First Half of 1997	First Half of 1998
OCR	Projected	2,213.9	2,352.7	2,615.9	1,265.6	3,127.2
	Actual	2,341.6	2,521.1	5,237.4	1,325.7	3,098.4
ADF	Projected	1,071.3	1,235.0	1,196.4	563.8	578.6
	Actual	1,144.9	1,234.1	1,154.1	556.7	522.6
Total	Projected	3,285.2	3,587.7	3,812.3	1,829.4	3,705.8
	Actual	3,486.6	3,755.2	6,391.6	1,882.4	3,621.0

ADF = Asian Development Fund; OCR = Ordinary Capital Resources.

Figure 9: Disbursements



1995 1996 1997 1998

8. Release of Program Loan Tranches

26. A total of 26 program loans were ongoing during the period, with 11 accounting for disbursements totaling \$2,114 million (Appendix 15). These included the first tranche of all 4 program loans approved during the first half of 1998,¹ the first tranche of another 6 loans approved in 1997,² and the second tranche of Loan No. 1601 that was approved in 1997 as well.³ There were no tranche releases under the remaining 15 program loans, either because of delays in meeting the various conditionalities (3 loans) or because no such releases were due (12 loans).

9. Projects with Cost Overruns

27. No new cost overruns were identified during the first half of 1998. Options are being examined to resolve cost overruns for five previously identified projects.⁴ Where a high percentage of local currency costs is involved, such overruns have been reduced significantly in dollar terms as a result of the regional currency crisis.

10. Projects with Changes in Scope

28. Changes in scope were incorporated in 25 projects (28 loans) to enhance their benefits: 5 in Philippines, 4 in PRC, 3 in Marshall Islands, 2 each in Bangladesh and Papua New Guinea, and 1 each in Cook Islands, Indonesia, Kazakstan, Lao PDR, Micronesia, Nepal, Pakistan, Tonga and Viet Nam (Table 9, Figure 10, and Appendixes 16 and 18). This does not

¹ Loan No. 1618-INO: *Financial Governance Reforms Policy*, for \$1,400.0 million, approved on 25 June 1998; Loan No. 1604-NEP(SF): *Second Agriculture Program*, for \$50.0 million, approved on 22 January 1998; Loan No. 1608-SAM(SF): *Financial Sector Program*, for \$7.5 million, approved on 19 February 1998; and Loan No. 1611-THA: *Social Sector Program*, for \$500.0 million, approved on 12 March 1998.

² Loan No. 1580-BAN(SF): *Capital Market Development Program*, for \$80.0 million, approved on 20 November 1997; Loan No. 1565-BHU(SF): *Financial Sector Intermediation Facility*, for \$4.0 million, approved on 23 October 1997; Loan No. 1589-KAZ: *Pension Reform Program*, for \$100.0 million, approved on 16 December 1997; Loan No. 1554-KGZ(SF): *Education Sector Development Program*, for \$19.0 million, approved on 29 September 1997; Loan No. 1576-PAK: *Capital Market Development Program*, for \$250.0 million, approved on 6 November 1997; and Loan No. 1516-PNG: *Health Sector Development Program*, for \$45.0 million, approved on 20 March 1997.

³ Loan No. 1601-KOR: *Financial Sector Program*, for \$4,000.0 million, approved on 19 December 1997.

⁴ Loan No. 1032-INO: *Power XX*, for \$235.0 million, approved on 25 September 1990; Loan No. 1146-PAK(SF): *Chasma Right Bank Irrigation (Phase III)*, for \$185.0 million, approved on 17 December 1991; Loan No. 1190-LAO(SF): *Rehabilitation and Upgrading of Vientiane Water Supply*, for \$9.5 million, approved on 17 November 1992; Loan No. 1333-PHI: *Airport Development*, for \$41.0 million, approved on 24 November 1994; and Loan No. 1410-THA: *Samut Prakarn Wastewater Management Pollution Control*, for \$150.0 million, approved on 7 December 1995.

yet include various changes in scope resulting from the portfolio restructuring in several DMCs that will take place in the second half of 1998.

11. Projects with Changes in Implementation Arrangements

29. Implementation arrangements were changed for 18 projects/loans—3 each in Bangladesh, Indonesia, Marshall Islands, and Sri Lanka; 2 each in PRC and Pakistan; and 1 each in Malaysia, and Tonga—in accordance with the needs of the projects and to ensure that the objectives of the projects and their benefits will be achieved (Table 9, Figure 10, and Appendixes 17 and 18).

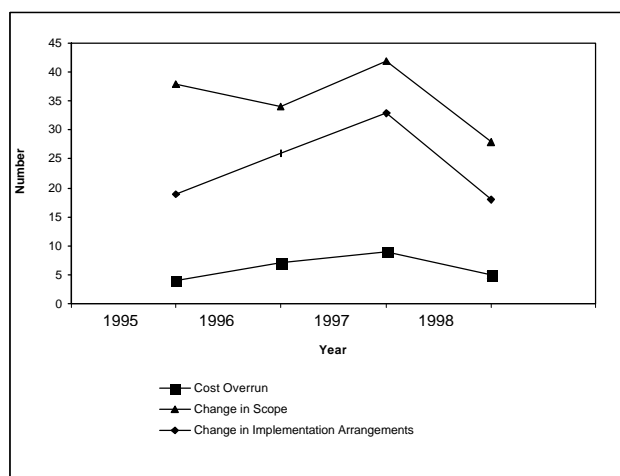
Table 9: Loans with Cost Overruns and Changes in Scope and /or Implementation Arrangements

Projects with	1995	1996	1997	First Half of 1997	First Half of 1998
Cost Overruns ^a	4	7	9	6	5
Changes in Scope	38	34	42	17 ^b	28
Changes in Implementation Arrangements	19	26	33	17 ^b	18

^a Including both newly identified projects and earlier projects for which cost overruns remained unresolved.

^b Including Loan No. 1334-MON(SF): *Power Rehabilitation*, for \$40.0 million, approved on 24 November 1994, unreported during the first half of 1997.

Figure 10: Loans with Cost Overruns and Changes in Scope and/or Implementation Arrangements



12. Submission of Audited Accounts and Financial Statements

30. At 54 percent, full compliance as of 30 June 1998 was lower than the end of 1997 level of 56 percent. Region West performed significantly better with 65 percent full

compliance than Region East with 41 percent (Table 10, Figure 11, and Appendix 19). Despite follow-ups by the projects departments, poor compliance continued in PRC, Indonesia, Kazakhstan, Kyrgyz Republic, Malaysia, Mongolia, Philippines, and some of the PDMCs in Region East; and in Cambodia, India, and Pakistan in Region West. Following the success of the TA to Nepal to improve the submission of audited project accounts, similar assistance is being provided to other DMCs through the training of project accountants at the grassroots level. The Special Disbursement Unit in the Indonesia RM provides such assistance to Indonesia. Other forms of assistance include the strengthening of audit offices in selected DMCs (Cambodia, Lao PDR, Maldives, and Viet Nam), strengthening of project accounts offices, use of private auditors, and financing of translation costs of audit reports.

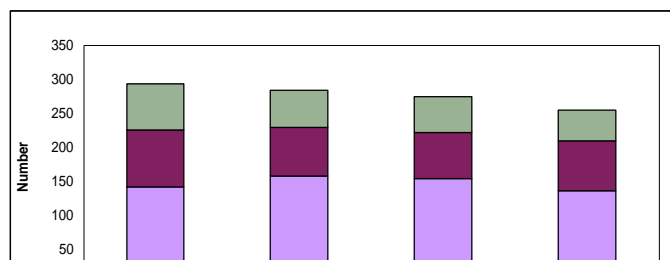
31. Given the persistence of this problem, the lack of significant improvements, and the importance of audited project accounts and financial statements for its anticorruption initiatives, the Bank is seriously considering additional measures. Depending on the cause of noncompliance in each particular case, the measures could include the deferment of disbursements under ongoing loans, a reduction in new lending to the DMC concerned, and acceptance of the detailed audited reports (except the auditor's opinion) in the local language, provided that the RM in the respective DMC has the capacity to review such reports.

Table 10 : Compliance Status on Audited Accounts/Financial Statements

Loans	1995		1996		1997		First Half of 1998	
	No.	%	No.	%	No.	%	No.	%
Compliance Not Due	130		167		201		191	
Compliance Due	294	100	285	100	275	100	256	100
- Fully Complied	143	49	159	56	154	56	138	54
- Partly Complied	83	28	59	21	43	16	34	13
- Delayed Compliance ^a	-	-	12	4	25	9	38	15
- Not Complied	68	23	55	19	53	19	46	18

^a This category was introduced in 1996.

Figure 11: Compliance Status on Audited Accounts/Financial Statements



13. Project Administration Missions

32. With assistance from the projects departments and Central Operations Services Office, the programs departments continue to carry out regular CPRMs. The main objective is to discuss with senior government officials measures needed to overcome country-specific project implementation problems. A total of 19 CPRMs were envisaged in 1998, a significant increase over the level of 14 in 1997. CPRMs were undertaken in Indonesia, Mongolia, Philippines, and Thailand during the first half of 1998 as scheduled, while the one for Papua New Guinea was cancelled. The remaining 14 CPRMs are programmed for the second half of the year. Of the four completed CPRMs, those in Indonesia and Thailand included a comprehensive portfolio restructuring exercise. Also, such exercises were undertaken in the PDMCs, Pakistan, and Philippines. The overall result is impressive—a total of \$1,450 million of surplus loan proceeds was identified under 103 projects, of which the major part will be canceled in the second half of 1998.

33. In addition to the CPRMs, various other missions were mounted to review individual projects as part of their administration. These efforts intensified compared with the first semester of 1997 (Table 11, Figure 12, and Appendix 20), in terms of both the number of projects covered (315 versus 301) and the average staff-days in the field per project (11.3 versus 9.5).

Table 11: Project Administration Missions ^a

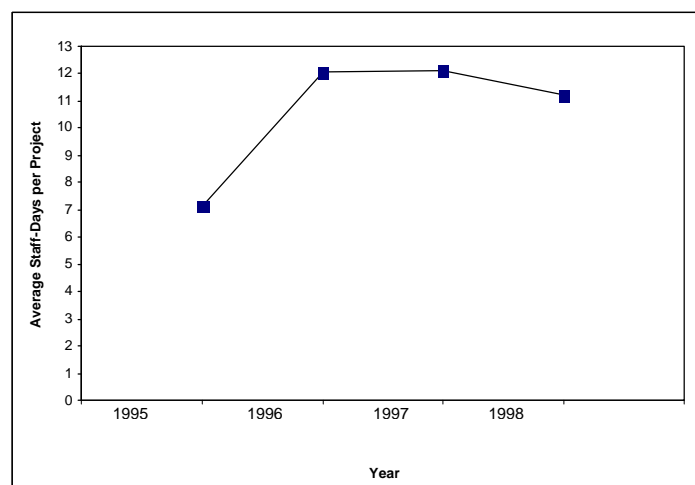
Missions	1995	1996	1997	First Half of 1997	First Half of 1998
Review Missions	426	683	749	286	321

Projects Covered	651	637	651	301	315
Staff-Days ^b	4,645	7,691	7,869	2,866	3,555
Average Staff-Days Per Project	7.1	12.1	12.1	9.5	11.3

^a Country portfolio review, inception, review, midterm, special loan administration, disbursement, and project completion report missions.

^b Since 1996 including support staff of the resident/regional missions and Headquarters.

Figure 12: Project Administration Missions



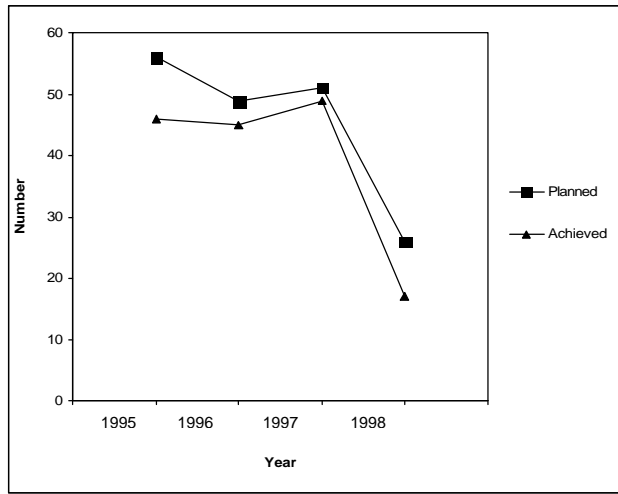
14. Project Completion Reports

34. The 1998 program consists of completing 53 PCRs. Although phasing of the PCR program was more realistic than in previous years, the target of 26 PCRs for the first half of 1998 was not met and only 17 were actually circulated (Table 12, Figure 13, and Appendix 21). One PCR was added to the program during the period, and one was deferred to the year 2000. All PCRs, including the one deferred, will meet the Bank requirement of circulation within two years of project completion. A concerted effort will be required to meet the target of 36 PCRs now required to be circulated in the second half of 1998.

Table 12: Project Completion Reports

Reports	1995	1996	1997	First Half 1997	First Half 1998
Planned	56	49	51	26	26
Achieved	46	45	49	10	17

Figure 13: Project Completion Reports



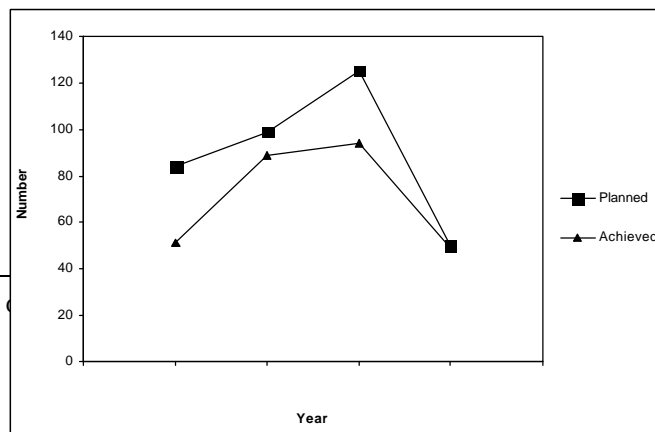
15. Technical Assistance Completion Reports

35. At 128, the number of TCRs proposed by the departments/offices concerned for 1998 is on the high side. Based on the achievements in the past four years, it was agreed with management that about 100 TCRs will be circulated during 1998, and the Audit Committee was advised accordingly.¹ In the first half of 1998, 49 TCRs were circulated, indicating that the scaled-down program is realistic (Table 13, Figure 14, and Appendix 22).

Table 13: Technical Assistance Completion Reports

Reports	1995	1996	1997	First Half 1997	First Half 1998
Planned	84	99	125	65	50
Achieved	51	89	94	38	49

Figure 14: Technical Assistance Completion Reports



¹ Staff summary of e

ACB/SS3-98).

1995 1996 1997 1998

16. Private Sector Operations (Without Government Guarantee)

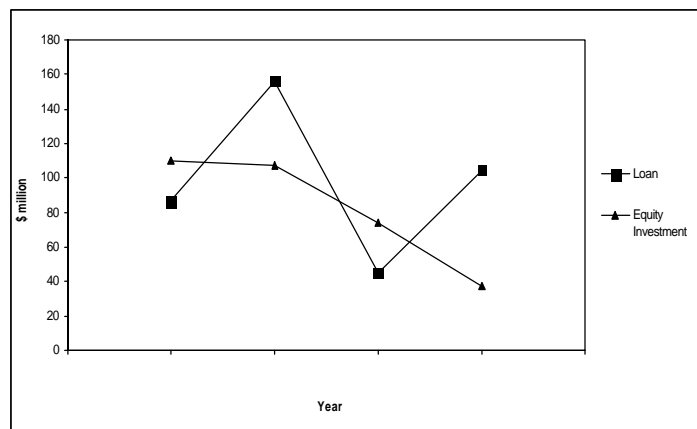
36. With the approval of 10 investments totaling \$142 million in the first half of 1998, the results for the whole of 1997 (8 investments totaling \$119 million) were exceeded. The number of investments awaiting signing of agreements or effectiveness increased to 20 as of 30 June 1998, compared with 12 as of 31 December 1997. During the first half of 1998, one problem investment was fully sold, and three problem investments were written off, reducing the number of unsatisfactory projects to 30. Total arrears (principal, interest, and other charges) increased to \$29 million for 13 projects, compared with \$25 million for 10 projects as of 31 December 1997 (Tables 14 and 15, Figure 15, and Appendixes 23, 24, and 25).

Table 14: Private Sector Operations

Item		1995	1996	1997	First Half of 1997	First Half of 1998
Equity Investments	Number	11	10	6	1	5
Approvals	Amount (\$ million)	110.4	107.3	74.3	3.0	37.4
Loan Approvals	Number	6	6	2	1	5
	Amount (\$ million)	86.5	156.0	45.0	5.0	104.6
Investments Closed/Canceled	Number	5	4	5	3	0
Investments Sold	Number	3	2	3 ^a	2	1
Disbursements	Amount (\$ million)	159.8	68.3	111.7	87.1	38.1

^a Shares in two investments were partly sold.

Figure 15: Private Sector Approvals



1995 1996 1997 1998

Table 15: Private Sector Operations

Item		1995	1996	1997	First Half of 1997	First Half of 1998
Projects under Administration	Number	99	102	104	100	103
Unsatisfactory Projects	Number	22	25	31	24	30
Loans in Arrears	Number	6	7	10	7	13
	Amount (\$ million)	8.9	12.9	25.0	17.4	28.5

37. Under the system adopted to rate the risk of repayment and/or recovery of the Bank's loan and equity investments, 70 of the 103 projects under administration are classified in categories 1 (strongest) to 6 (adequate), while 33 are rated in categories 7 (marginal) to 10 (loss). The corresponding figures at the end of 1997 were 75 and 29, respectively.

17. Technical Assistance Implementation

38. The number of TAs under implementation by operational departments/offices decreased from 577 at the end of 1997 to 496 by 30 June 1998. In addition, there were 204 TAs under implementation by nonoperational departments/offices, bringing the number of ongoing TAs to 700. A total of 236 TA administration missions were fielded in the first half of 1998 covering 229 projects. Average staff-days spent in the field in reviewing TAs decreased marginally from 7.6 as of 31 December 1997 to 7.3 as of 30 June 1998 (Table 16, Figures 16 and 17, and Appendixes 26 and 27).

39. To streamline the portfolio of operational and nonoperational TAs, 438 completed TAs were closed financially during the period; this resulted in savings/cancellations of \$17.8 million of TA funds. There are, however, still over 1,000 TAs that have not been closed financially and 700 ongoing TAs. A concerted effort by all operational and nonoperational departments/offices is required to complete the portfolio restructuring and to free up further TA savings.

Table 16: Technical Assistance Implementation^a

Technical Assistance		1995	1996	1997	First Half of 1997	First Half of 1998
Approved	Number	315	232	235	79	52
Ongoing	Number	599	574	577	543	496

	Amount (\$ million)	338.3	381.9	383.0	351.0	355.0
TAs Not Signed	Number	90	74	91	41	37
TAs Awaiting Fielding of Consultants	Number	114	97	83	78	83

TA = Technical Assistance.

^a Operational TAs under the projects departments, Office of Pacific Operations, programs departments and resident/regional missions.

Figure 16: Ongoing TAs^a

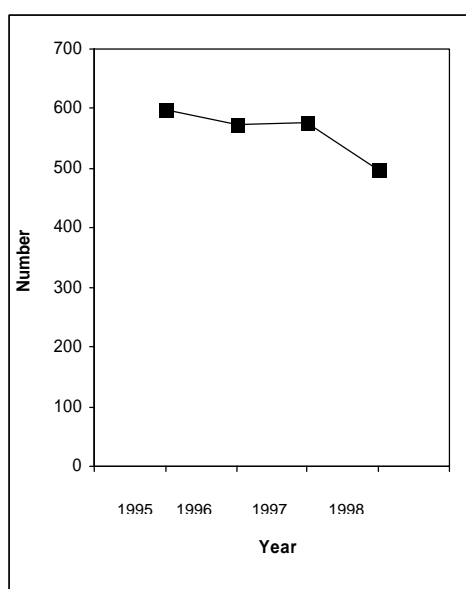
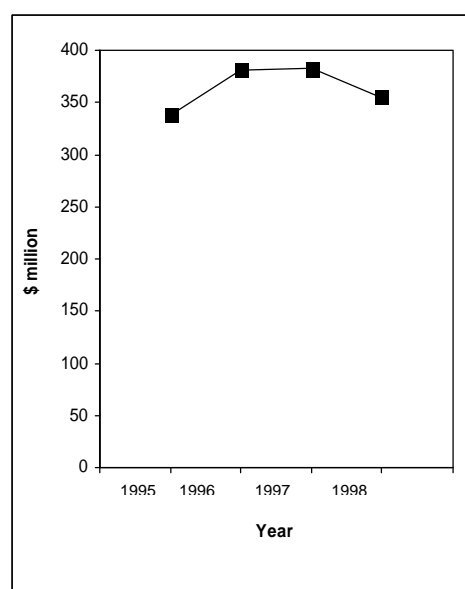


Figure 17: Ongoing TAs^a



^a Operational TAs under the project departments, Office of Pacific Operations, programs departments and resident/regional missions.

III. COUNTRY IMPLEMENTATION HIGHLIGHTS

A. Bangladesh

40. During the first half of 1998, no public sector loans were approved while one loan was closed, bringing the number of ongoing loans to 34 as of 30 June 1998 compared with 35 as of 31 December 1997. All but one¹ of the ongoing loans are classified as satisfactory, owing to close monitoring, intensive supervision, and timely actions in resolving implementation problems.

¹ Loan No. 1289-BAN(SF): *Khulna-Jessore Drainage Rehabilitation*, for \$50.0 million, approved on 14 December 1993.

41. Persistent delays in the recruitment of design and supervision consultants continue to affect project initiation. Other problems impeding project performance are high staff turnover, the lack of delegation of authority to project-level officials, and frequent extraneous interventions for project implementation matters.

42. The Bank continues to work with the Government to resolve these issues; the Government and the Bangladesh RM hold regular meetings to monitor agreed implementation targets. In February 1998, a high-level mission from the Bank discussed with the Government the problem of delays in consultant recruitment. A special arrangement was agreed upon under which the Bank will directly assist the Government, on a trial basis, in recruiting consultants financed from loans to be approved in 1998. The assistance will be limited to the Bank undertaking the selection of consultants, including evaluating and ranking technical proposals. Efforts are also being made to expedite implementation through enhanced emphasis on midterm reviews and repeat review missions.

43. Institution-building efforts were pursued in Bangladesh through various TAs to improve the country's capacity to implement Bank-assisted projects. In addition, the RM held workshops and seminars to train counterpart staff in planning, monitoring, and implementing projects. CPRMs, which endeavor to resolve general issues affecting implementation, are also vigorously pursued. The forthcoming CPRM will focus on high staff turnover, inadequate delegation of authority, and streamlining of procedures for the engagement of nongovernment and community-based organizations.

44. As shown in Table 17, contract awards reached \$224 million as of 30 June 1998, or 105 percent of the semiannual projection and 70 percent of the annual projection, indicating good prospects for achieving or exceeding the projection at the end of the year. With \$127 million, disbursements fell 11 percent short of the semiannual projection, although reaching 49 percent of the annual projection.

Table 17: Bangladesh
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^d
Contract Awards	232.7	302.8	252.2	232.2	258.9	204.8	318.6	224.5
Disbursements	187.4	279.2	299.5	301.4	212.0	193.0	259.6	127.3
Loan Approvals ^a		227.1		256.4	329.9	419.7	276.7	—
Disbursement Ratio ^b (%)		20.6		24.9	19.1	16.2	21.3	10.5
Net Resource Transfer ^c		208.0		226.8		112.7		85.7
No. of TA Approvals		11		13	13	15	17	1
No. of PS Investments:								
Loans				—	1	1	—	1
Equity				—	1	1	—	1

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

- ^a Excluding the private sector .
- ^b Disbursement ratio = disbursement during the period/(undisbursed net loan balance at beginning of year+effective loan amounts approved during the period)
- ^c Net resource transfer = (disbursement from public + private sector loans) – (principal repayments + interest during construction + service charge)
- ^d The first six months.

B. Bhutan

45. The number of ongoing loans decreased from five to four as no loans were approved and one was closed during the period. All four ongoing loans are classified as satisfactory. The shortage of qualified and experienced staff and the difficulties with communications continued to impede implementation. Skilled staff resources are expected to improve through staff development programs under Bank-assisted projects and further training of staff through Bank seminars.

46. Other common issues that have impeded project implementation in nearly all sectors are weak procurement and contracting regulations, weak monitoring and coordination, and delays in the recruitment of consultants. A TA to improve the regulatory framework for procurement and the contracting industry was completed recently, and work is under way to provide another TA to strengthen the capacity of the Construction Development Board. Annual Country Project Implementation and Administration seminars and CPRMs address issues concerning the recruitment of consultants, procurement and implementation, and monitoring and coordination.

47. Contract awards reached only \$0.4 million, or 11 percent of the semiannual projection of \$3.3 million, because of lower than expected awards under the Technical and Vocational Education and Training Project¹ and no further commitment under the Financial Sector Intermediation Facility loans.² Concerted efforts are required by the EAs to process commitments and contract awards. Disbursements were \$3.6 million, or 98 percent of the semiannual projection and 84 percent of the annual projection of \$4.3 million, mainly as a result of disbursements from the Financial Sector Intermediation Facility loans. Table 18 summarizes the data for Bhutan.

Table 18: Bhutan
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	3.6	4.7	6.7	5.7	1.5	1.6	4.1	0.4
Disbursements	4.0	3.5	3.9	2.8	5.6	7.2	4.3	3.6
Loan Approvals	5.0	7.1	0.0	0.0	8.0	8.0	5.7	—
Disbursement Ratio (%)	27.2	23.8	22.1	15.8	38.8	49.7	33.1	40.2
Net Resource Transfer		2.9		2.1		6.3		3.2
No. of TA Approvals		2		4		4		1
No. of PS Investments: Loans						—		—
Equity						1		1

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

¹ Loan No. 1035-BHU(SF), for \$7.13 million, approved on 27 September 1990.

² Loan Nos. 1565-BHU(SF)/1566-BHU(SF), for \$8.0 million, approved on 23 October 1997.

C. Cambodia

48. The number of ongoing loans remained at eight with no loans approved or closed during the first half of 1998. Although all ongoing loans are classified as satisfactory, project implementation has been sluggish due to political developments during the period. In addition, complex Government approval procedures, difficulties in the release of counterpart funds, and inadequate staffing of project offices have adversely impacted on implementation progress.

49. Notable constraints to improving implementation efficiency are (i) shortages of skilled counterpart staff, (ii) inexperience with project preparation and implementation, (iii) inadequate financial resources, and (iv) lack of knowledge of the Bank's operational policies and procedures. The November 1997 CPRM highlighted the need to expedite recruitment of consultants, implement effective release mechanisms for counterpart funds, and identify full-time counterpart staff. Also, it recognized that project designs need to be kept simple and projects need to be continually monitored. Current budget constraints need to be assessed to ensure that sufficient allocations are allotted to Bank-assisted projects. CPRMs are now being convened by the Cambodia RM, and it is anticipated that they will effectively address these concerns.

50. Contract awards reached about \$11 million, or 96 percent of the semiannual projection and 35 percent of the annual projection of about \$30 million. Disbursements of about \$16 million were 150 percent of the semiannual projection and 38 percent of the annual projection of about \$41 million. This was an improvement over the disappointing performance in 1997. Continuous monitoring and intensive supervision will be required for projects in rural infrastructure, and health. Data on Cambodia are summarized in Table 19.

Table 19: Cambodia
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	22.9	28.1	5.4	15.3	54.5	41.5	30.4	10.7
Disbursements	31.7	35.9	18.1	32.1	18.4	10.7	40.8	15.5
Loan Approvals	50.0	43.5	97.5	104.0	88.0	0.0	105.0	—
Disbursement Ratio (%)	40.5	36.6	20.6	20.4	11.8	6.9	29.9	11.3
Net Resource Transfer		35.6		31.7		9.7		15.0
No. of TA Approvals		11		15	13	3	7	0

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

D. The People's Republic of China

51. With the closing of 4 loans and approval of 1 during the first half of 1998, the number of ongoing loans was reduced to 42 as of 30 June 1998. All ongoing loans were classified as satisfactory. Of the 5 loans approved during the second half of 1997, 3 were declared effective during the period and the other 2 are yet to be signed.¹ Generally, physical implementation of the project portfolio is proceeding on or ahead of schedule. The disbursement ratio of 12.6 percent for the period is significantly higher than the 6.4 percent for the corresponding period in 1997.

52. Despite the generally sound performance, some implementation problems and issues are evident. In particular, newly approved loans are not signed and do not become effective for some considerable time after approval. The portfolio also faces several generic difficulties, including (i) difficulty securing counterpart funds in a timely manner; (ii) the high cost of domestic borrowing; and (iii) insufficient coordination and synchronization of the Bank's processing cycle and the Government's internal approval procedures. These constraints are the subject of continuing discussions between the Government and the Bank.

53. The North China Marine Culture and Coastal Resources Management Project² lapsed in June 1998 as 18 months after approval it still was not signed. Also, a TA for Institutional Strengthening for Marine Culture Lending³ lapsed as the agreement was not signed by the Government. In addition, there are serious implementation problems related to the Hainan Agriculture and Natural Resources Project.⁴ The degree to which flooding of the Yangtze River and in the northeast has affected Bank-assisted projects has not been assessed yet. A CPRM will visit the PRC in September-October to review the portfolio and damage incurred.

54. Contract awards reached \$369 million, or 85 percent of the semiannual projection and 45 percent of the annual projection of \$812 million. Disbursements of \$404 million represented 111 percent of the semiannual projection and 53 percent of the annual projection of \$758 million. Further monitoring will be required to achieve the 1998 targets. Data on the PRC are summarized in Table 20.

Table 20: The People's Republic of China
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	767.7	738.7	856.4	750.4	885.5	703.6	812.2	368.6
Disbursements	463.6	558.3	679.4	707.2	685.0	714.7	758.0	404.3
Loan Approvals	1,200.0	1,201.0	1,112.0	1,102.0	656.0	656.0	1,484.0	180.0
Disbursement Ratio	17.3	20.3	20.6	21.6	18.7	19.6	21.7	12.6
Net Resource Transfer		399.7		528.3		376.0		230.5
No. of TA Approvals		45		22	32	30	33	4
No. of PS Investments: Loans		—		—	1		—	1

¹ Loan No. 1544-PRC: *Zhejiang-Shanxi Water Supply (Phase I)*, for \$100.0 million, approved on 24 September 1997; and Loan No. 1553-PRC: *Shenmu –Yanan Railway*, for \$200.0 million, approved on 29 September 1997.

² Loan No. 1498-PRC, for \$70.0 million, approved on 3 December 1996.

³ TA No. 2672-PRC, for \$250,000, approved on 29 October 1996.

⁴ Loan No. 1372-PRC, for \$53.0 million, approved on 7 September 1995.

Equity — 1 1 — 1

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

E. India

55. With no loans approved and one closed during the first half of 1998, the number of loans under administration declined to 27. Of the ongoing loans, three were classified as unsatisfactory.¹ The portfolio quality deteriorated in comparison with the end of 1997 when only one loan was performing unsatisfactorily. Five loans approved during the second half of 1996 and the second half of 1997 have not been signed, and one is being withdrawn by the Government.²

56. The loan portfolio continues to suffer from significant implementation delays caused by systemic problems across most sectors, both at the policy and operational levels. These include prolonged procurement periods, slow physical implementation, weak management and institutions, delays in the recruitment of consultants, slow release of funds, and late submission of audited accounts.

57. During the 1997 CPRM and the Tripartite Portfolio Review Meeting in May 1998, the Government agreed to take a number of actions to improve implementation. Despite this, however, performance as of 30 June 1998 was mixed. Some key targets such as signing of loan agreements and submission of bid evaluation reports were not met. The Bank is continuing its efforts to improve project implementation by fielding frequent review missions and through in-depth discussions with the Government and EAs. The India RM supports these efforts by undertaking field visits, holding regular meetings with EAs, and advising them on Bank guidelines and procedures.

58. As shown in Table 21, the contract award performance during the first half of 1998 was less than satisfactory at \$212 million, or 80 percent of the semiannual projection and 41 percent of the annual projection of \$516 million. Delays in contract awards are attributed to a number of factors, including review and approval by outside agencies, pressure to pursue domestic procurement, and lack of delegation of procurement authority at the project level. The disbursement performance was poor at \$148 million, or only 47 percent of the semiannual projection and 25 percent of the annual projection of \$584 million. Special efforts will be necessary to achieve the annual contract award and disbursement targets.

Table 21: India
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	608.2	668.4	601.1	586.3	495.9	473.2	515.7	211.5
Disbursements	495.4	542.3	562.5	591.5	524.6	645.0	583.8	148.0

¹ Loan No. 1041-IND: *Second Road*, for \$250.0 million, approved on 30 October 1990; Loan No. 1274-IND: *National Highways*, for \$245.0 million, approved on 29 November 1993; and Loan No. 1495-IND: *Rural Telecommunications*, for \$ 113.0 million, approved on 28 November 1996.

² Loan No. 1495-IND: *Rural Telecommunications*, for \$113.0 million, approved on 28 November 1996.

Loan Approvals	630.0	783.0	763.0	826.0	563.0	1,350.0	—
Disbursement Ratio (%)	19.1	20.1	20.8	19.2	24.5	24.8	7.7
Net Resource Transfer	202.3		279.8		342.1		(14.6)
No. of TA Approvals	14		17	11	10	11	2
No. of PS Investments: Loans	—		1	1	—	1	—
Equity	5		1	1	1	1	—

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

F. Indonesia

59. With approval of 5 loans and closure of 5 others during the first half of 1998, the number of loans under administration remained at 76. All loans were classified as satisfactory except two.¹ However, the loan portfolio includes an increasing number of projects in areas where the institutional capacity of the EAs and local governments tends to be weak, such as social infrastructure, poverty reduction, and urban development. This highlights the need for in-depth and continuous monitoring of project implementation. The financial and economic crisis besetting the country calls for reprioritization of the Bank's assistance to focus on the Government's immediate concerns, and for the cancellation of surplus loan proceeds and/or cancellation or postponement of lower priority projects or components to create room for future lending and minimize the budgetary burden of providing counterpart funds.

60. In collaboration with the Government, the Bank carried out a comprehensive three-phase review of all ongoing projects. The objectives of the portfolio restructuring were to (i) reconfirm the relevance and priority of each project in the portfolio in the current economic and social environment; (ii) verify the appropriateness of the original design of the projects in terms of their objectives, scope, and inputs; (iii) find resources to finance the increased provision of social safety nets and the creation of income-generating opportunities, including the increased use of labor-intensive techniques where appropriate; (iv) reestimate the costs of the projects using realistic exchange rates and inflation projections, and review the financing arrangements; and (v) confirm the availability of necessary counterpart funds for the streamlined portfolio.

61. The review will result in the cancellation of \$949 million from 60 projects, with an assurance from the Government that the necessary counterpart funds for the remaining portfolio will be made available. To help the Government meet the counterpart fund requirements in the fiscal year 1998/99, the Bank proposes to finance, on a contract-by-contract basis, up to 80 percent of the total cost (excluding those items for which Bank financing at higher levels is envisaged in the respective loan agreements), with an understanding that appropriate adjustments may be made in subsequent years to maintain Bank financing under each loan category at the levels originally envisaged. A further, substantial contribution to counterpart funds was made with the release of the first tranche (\$550.0 million) of Loan No. 1618.²

¹ Loan No. 1258-INO(SF): *Sustainable Agriculture Development in Irian Jaya*, for \$28.0 million, approved on 26 October 1993; and Loan No. 1339-INO: *Capacity Building Project in the Water Resources Sector*, for \$27.721 million, approved on 6 December 1994.

² Loan No. 1618-INO: *Financial Governance Reforms Policy*, for \$1,400.0 million, approved on 26 June 1998.

62. The Bank has continued to discuss with the Government persistent issues related to project implementation. These include (i) major delays in recruitment of consultants and procurement of goods and works, (ii) insufficient operation and maintenance funding, (iii) ineffective mechanisms for monitoring and evaluating physical progress and development impact of projects, and (iv) weak institutional capacity in the decentralized framework of project implementation. Although the Bank has agreed to the selective use of labor-intensive techniques under Bank-assisted projects to help create productive employment for those who have lost jobs, such arrangements need to be applied cautiously so that project quality will not be compromised.

63. As shown in Table 22, the \$550 million tranche release helped bring contract awards to \$725 million (111 percent of the semiannual projection and 81 percent of the annual projection of \$896 million) and disbursements to \$784 million (111 percent of the semiannual projection and 85 percent of the annual projection of \$923 million). To further facilitate disbursements, the disbursement function for all loans (excluding those in the private sector) was delegated to the Indonesia RM, effective 1 January 1998.

Table 22: Indonesia
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	503.9	421.2	737.8	641.1	828.9	425.3	895.8	725.4
Disbursements	604.9	699.9	615.3	722.3	722.0	676.6	922.6	784.3
Loan Approvals	1,040.0	1,055.4	1,161.6	917.5	1,157.2	1,108.8	1,836.0	1,536.0
Disbursement Ratio (%)	14.2	16.8	12.6	14.7	16.5	14.7	14.8	13.5
Net Resource Transfer		(65.1)		(1,198.1)		(115.5)		545.9
No. of TA Approvals		20		23	31	20	20	5
No. of PS Investments: Loans		—	—	1	1	—	—	—
Equity		—	1	1	1	—	—	1

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

G. Kazakstan

64. The number of ongoing loans decreased to eight with no loans approved and retroclosure of one during the first half of 1998. One of the five loans approved during the second half of 1997 was declared effective, while the other four are still awaiting

effectiveness.¹ Recently, there have been delays by the Government in fulfilling conditions to make loans effective. Because the delays are attributable to internal requirements in obtaining Parliament's approval for individual projects, the Bank has requested that the Government expedite the process so that project implementation will not be adversely affected. Of the portfolio of six projects (eight loans), one is virtually complete, while the others are in the early stages of implementation. The Bank's continuing efforts in the area of capacity building under loans and TAs through the provision of training and consulting services, as well as the establishment of the Kazakhstan RM in January 1998, are contributing to more expeditious project implementation.

65. The country's absorptive capacity, however, is limited by (i) the difficult fiscal situation and the resultant scarcity of local counterpart funds; (ii) a weak administrative structure with limited policy formulation and implementation capacities; (iii) lack of exposure to, and inadequate experience with, policies, procedures, and practices of external funding agencies; and (iv) communication, culture and language barriers. While all loans are classified as satisfactory, the Government's capacity to implement projects needs further strengthening. The Bank, therefore, is continuing its efforts in capacity building and development of human resources such as through a RETA for Capacity Building in Project Accounting.² The severe fiscal difficulties being experienced by the country may continue over the medium term and will impact adversely on project implementation. Although the Government has assured the Bank that it will give high priority to the implementation of ongoing projects and will allocate adequate counterpart funds, this will need to be closely monitored.

66. Contract awards during the first half of 1998 amounted to \$52 million, or 436 percent of the annual projection of \$12 million. Of this \$52 million, \$50 million was a commitment from the Pension Reform Program loan,³ which was inadvertently omitted from the projection. Disbursements of \$57 million during the period were 363 percent of the yearly projection of \$16 million due to the first tranche release of \$50 million from the Program loan. Data on Kazakhstan are summarized in Table 23.

Table 23: Kazakhstan
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	41.5	63.5	43.3	35.1	96.8	99.6	12.0	52.4
Disbursements	38.0	63.7	33.3	32.3	79.5	71.6	15.6	56.7
Loan Approvals	60.0	100.0	70.0	70.0	85.0	185.0	—	—
Disbursement Ratio (%)	63.7	39.9	28.6	27.9	60.0	54.0	6.4	35.5
Net Resource Transfer		62.6		26.9		63.9		50.9
No. of TA Approvals		9		7		8		7
								2
								—

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

H. The Republic of Korea

¹ Loan Nos. 1541-KAZ/1542-KAZ(SF): *Basic Education*, for \$45.0 million, approved on 24 September 1997; and Loan Nos. 1592-KAZ/1593-KAZ(SF): *Water Resources Management and Land Improvement*, for \$40.0 million, approved on 17 December 1997.

² TA No. 5724-REG, for \$450,000, approved on 7 February 1997.

³ Loan No. 1589-KAZ, for \$100.0 million, approved on 15 December 1997.

67. A second tranche of \$1.0 billion was released from the Financial Sector Program loan¹ during the period, bringing total disbursements from the loan to \$3.0 billion. A TA loan for Institutional Strengthening of the Financial Sector² was also approved at the same time. A representative from the Bank will be stationed in the country for an initial period of two years to monitor implementation of the program and TA loans, and to coordinate with the International Monetary Fund and World Bank.

68. The Government indicated that it intended to relend the proceeds of the TA loan to the Korea Development Bank, but the Bank requested the Government to reconsider this relending arrangement and allocate the proceeds through procedures such as supplementary budget provisions. The Government's response to this is awaited. In view of the commitment and disbursement of the second tranche of the program loan, contract awards and disbursements attained 100 percent of the annual projections. Table 24 summarizes the data on the Republic of Korea.

Table 24: Republic of Korea
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	—	—	—	—	—	2,000.0	1,003.0	1,000.0
Disbursements	6.0	6.6	1.2	0.7	—	2,000.0	1,001.0	1,000.0
Loan Approvals	—	—	—	—	—	4,015.0	—	—
Disbursement Ratio (%)	61.5	78.8	67.6	99.9	—	50.0	49.7	49.6
Net Resource Transfer	—	(83.7)	—	(131.0)	—	1,912.3	—	915.0
No. of TA Approvals	—	—	—	—	—	—	—	—

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

I. The Kyrgyz Republic

69. The number of ongoing loans remained at nine as of 30 June 1998 as no loans were approved and none were closed during the period. All ongoing loans are classified as satisfactory. Of the five loans approved during 1997, two were declared effective in 1997, and the remaining three were made effective during the period. The loan for one project completed earlier³ is awaiting closure. Implementation of one project in the road sector that was slow

¹ Loan No. 1601-KOR, for \$4,000.0 million, approved on 19 December 1997.

² Loan No. 1602-KOR, for \$15.0 million, approved on 19 December 1997.

³ Loan No. 1407-KGZ(SF): *Agriculture Sector Program*, for \$40.0 million, approved on 23 November 1995.

initially has improved substantially.¹ The remaining six project and program loans are in their early stages of implementation, and no major problems have been experienced so far. TAs approved earlier to enhance capacity in the areas of economic policy making and monitoring, education planning and administration, and environmental management are proceeding well. In addition, project accounting capabilities have been enhanced through a RETA.²

70. Contract awards of \$24 million represented 142 percent of the semiannual projection and 87 percent of the annual projection of \$28 million. This achievement is mainly due to the first tranche release from the Education Sector Development Program loan.³ Disbursements of \$22 million represented 187 percent of the semiannual projection and 61 percent of the annual projection of \$37 million. Again, this achievement is mainly due to disbursements from the Program loan. On the whole, implementation was satisfactory. Table 25 summarizes the data on the Kyrgyz Republic.

Table 25: The Kyrgyz Republic
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	9.0	28.2	30.0	72.6	46.3	55.2	28.2	24.4
Disbursements	13.0	34.0	25.5	26.2	34.4	51.9	37.0	22.4
Loan Approvals	40.0	39.8	80.0	78.6	87.5	89.2	65.0	—
Disbursement Ratio (%)	33.1	86.4	55.4	27.3	35.5	36.8	28.9	17.6
Net Resource Transfer		33.9		25.8		51.2		21.9
No. of TA Approvals		7	5	4	5	4	7	3

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

J. The Lao People's Democratic Republic

71. With the approval of 1 loan and closing of 1 during the first half of 1998, the number of ongoing loans remained at 19, all of which were classified as satisfactory. Despite the scarcity of skilled human resource, cumbersome Government approval procedures, lack of clear administrative regulations, and a general deficiency in the use of the English language, project implementation progressed satisfactorily. This was achieved through close monitoring by Bank staff and extensive utilization of project management consultants to assist in

¹ Loan No. 1444-KGZ(SF): *Road Rehabilitation*, for \$50.0 million, approved on 13 June 1996.

² TA No. 5724-REG: *Capacity Building in Project Accounting in the Republic of Kazakhstan, Kyrgyz Republic and Republic of Uzbekistan*, for \$450,000, approved on 7 February 1997.

³ Loan No. 1554-KGZ(SF), for \$19.0 million, approved on 29 September 1997.

implementation. To name just two cases of significant implementation achievements, a project in the water supply sector¹ was completed about a year earlier than envisaged at appraisal and another water supply project² is substantially ahead of schedule.

72. The budget availability has been comparatively good; there were no major delays in project implementation caused by the scarcity of counterpart funds. However, the future budget situation will be impaired by the substantial depreciation of the kip caused by the regional economic crisis. The situation will have to be carefully monitored, although the Government has assured the Bank that externally financed projects will receive priority for counterpart funding.

73. Contract awards reached \$43 million, or 79 percent of the semiannual projection and 51 percent of the annual projection of \$83 million, while disbursements of \$32 million represented 87 percent and 42 percent of the corresponding projections. Close monitoring and intensive supervision to expedite contract awards and disbursements will be necessary to meet the annual target. Table 26 summarizes the data on the Lao PDR.

Table 26: The Lao People's Democratic Republic
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	117.8	57.2	106.7	121.1	61.9	65.9	83.3	42.8
Disbursements	63.4	58.1	75.2	85.3	80.3	87.0	75.1	31.5
Loan Approvals		89.4	87.0	91.0	103.0	103.0	45.5	20.0
Disbursement Ratio (%)		18.3	26.8	27.9	29.5	32.0	27.7	11.6
Net Resource Transfer		53.3		80.5		81.7	—	28.3
No. of TA Approvals		13		9	9	8	9	3

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

K. Malaysia

74. With no loans approved and one loan closed during the first half of 1998, the number of ongoing loans decreased to nine. One of these, approved during the second half of 1997, is yet to be signed.³ Implementation of projects is generally reasonable, and all ongoing loans are classified as satisfactory, although there were some delays earlier. Implementation issues encountered related to the excessive time taken to sign loan agreements, delays in procurement, and frequent changes in Government decisions concerning financing arrangements and the scope of projects.

¹ Loan No. 1122-LAO(SF): *Southern Provincial Towns Water Supply*, for \$9.6 million, approved on 19 November 1991.

² Loan No. 1190-LAO(SF): *Rehabilitation and Upgrading of Vientiane Water Supply*, for \$9.5 million, approved on 17 November 1992.

³ Loan No. 1596-MAL: *Technical Education*, for \$40.0 million, approved on 17 December 1997.

75. As a result of the currency turmoil, the Government reduced public expenditure. Although the Government advised the Bank that externally financed projects would not be affected by the budget cuts, some projects have been affected and their implementation delayed. The situation is being kept under review.

76. Contract awards of \$25 million are 137 percent of the semiannual projection and 77 percent of the annual projection of \$32 million. This was achieved through higher than expected award of contracts from the Technical and Vocational Education Project¹ and the Industrial Technology Development and Management Project.² Disbursements of \$34 million were 299 percent of the semiannual projection and 107 percent of the annual projection of \$32 million, for the same reasons. In view of Malaysia's low level of borrowing since the beginning of the decade, the net resource transfer continues to be negative. Table 27 summarizes the data for Malaysia.

Table 27: Malaysia
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	65.4	67.1	77.9	102.7	47.0	60.1	32.4	25.0
Disbursements	53.0	47.4	47.2	43.7	59.5	86.4	31.6	33.8
Loan Approvals	80.0	72.0	30.0	26.3	32.0	40.0	232.0	—
Disbursement Ratio (%)	14.9	14.1	12.4	11.5	17.3	25.8	11.8	14.8
Net Resource Transfer		(59.5)		(59.1)		(8.4)		(11.2)
No. of TA Approvals		6		1	3	4	4	—

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

L. The Maldives

77. With no loans approved and one closed during the first half of 1998, the number of ongoing loans decreased to one as of 30 June 1998. This is in the power sector and was declared effective during the period.³ Contract awards of \$0.9 million achieved 100 percent of the annual target, and disbursements of \$0.3 million represented 69 percent of the yearly projection of \$0.4 million. Data on the Maldives are shown in Table 28.

Table 28: The Maldives

¹ Loan No. 1355-MAL, for \$72.0 million, approved on 30 May 1995.

² Loan No. 1086-MAL, for \$53.0 million, approved on 18 June 1991.

³ Loan No. 1532-MLD(SF): *Third Power System Development*, for \$7.0 million, approved on 9 September 1997.

(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	5.3	5.2	1.2	1.9	0.5	0.3	0.9	0.9
Disbursements	3.0	4.6	8.7	6.0	3.8	2.9	0.4	0.3
Loan Approvals	5.0	0.0	3.6	0.0	7.0	7.0	6.3	—
Disbursement Ratio (%)	18.9	29.1	75.3	52.5	73.6	55.7	5.2	3.7
Net Resource Transfer		4.3		5.7		2.5		0.03
No. of TA Approvals		3		—	3	3	3	1

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

M. Mongolia

78. The number of ongoing loans decreased from 16 to 15 as one was closed and none were approved during the first half of 1998. Two loans approved during the second half of 1997 are still awaiting effectiveness.¹ In view of the weak implementation capacity of the EAs, the use of project management consultants has intensified. This has helped to maintain satisfactory progress, and all loans are classified as satisfactory despite the economic uncertainty, fiscal constraints, and institutional weaknesses in all sectors.

79. Completed TAs have contributed significantly to supporting policy and sector reforms, capacity building, and developing the legal and regulatory framework and human resources in a wide range of sectors. During the recent CPRM, however, further major implementation issues were identified, centering on the Government's general lack of familiarity and experience with the Bank's policies and procedures, delays or noncompliance with the submission of audited accounts, and the absence of assurances regarding the availability of adequate counterpart funds. An action plan was agreed with the Government to address these concerns and, in addition, TAs were approved or are being processed to develop procurement legislation and guidelines, and to enhance capacity in project accounting.

80. Contract awards of \$8.5 million represented 381 percent of the semiannual projection and 62 percent of the annual projection of \$13.6 million, and disbursements of \$11.9 million represented 90 percent and 36 percent, respectively. Considerable efforts are needed to sustain the disbursement ratio at the level of the past three years. Table 29 summarizes the data on Mongolia.

Table 29: Mongolia
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	34.4	74.5	50.8	43.6	48.8	52.3	13.6	8.5
Disbursements	29.3	49.9	40.8	34.1	81.4	67.4	33.3	11.9
Loan Approvals	60.0	81.5	53.0	63.0	61.7	62.7	11.0	—
Disbursement Ratio (%)	26.0	25.4	27.7	23.2	47.5	39.4	21.2	10.7

¹ Loan No. 1548-MON(SF): *Ulaanbaatar Heat Efficiency*, for \$40.0 million, approved on 25 September 1997; and Loan No. 1560-MON(SF): *Provincial Towns Basic Urban Services*, for \$6.8 million, approved on 30 September 1997.

Net Resource Transfer	49.1	33.0	65.9	11.0
No. of TA Approvals	11	15	13	9

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

N. Myanmar

81. No loans have been approved since 1986; the only ongoing loan has been inactive since 1989.¹ As a result, there were no contract awards or disbursements, and the net resource transfer continues to be negative. Table 30 summarizes the data for Myanmar.

Table 30: Myanmar
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	—	—	—	—	—	—	—	—
Disbursements	—	—	—	—	—	—	—	—
Loan Approvals	—	—	—	—	—	—	—	—
Disbursement Ratio (%)	—	—	—	—	—	—	—	—
Net Resource Transfer		(17.2)		(16.7)		(17.2)		(0.3)
No. of TA Approvals		—		—		—		—

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

O. Nepal

82. With 2 loans approved and 3 closed during the first half of 1998, the number of ongoing loans decreased to 21, of which 2 are classified as unsatisfactory because of excessive delays.² One of the 2 loans approved during the period is yet to be signed.³ Overall, although project implementation has improved somewhat, several major issues continue to impede implementation across all sectors. With assistance from the Nepal RM, the Bank reached an agreement with the Government on a time-bound action plan to address these issues, and the RM will play a leading role in monitoring and following up implementation of the plan. The issues include (i) inadequate staffing and frequent transfers of project managers and other project staff; (ii) time-consuming administrative procedures, particularly for consultant selection and contract awards; (iii) the need to improve project coordination and monitoring at the national and project levels; (iv) inadequate counterpart budget allocations; and (v) failure to delegate authority for project-related decisions at an appropriate level. Frequent changes in Government have also affected project implementation. The continuing less than satisfactory performance by the Agricultural Development Bank of Nepal, in both institutional and financial matters, remains an area of concern.

83. On the positive side, Nepal has achieved significant improvements in complying with the submission of audited accounts. Also, a detailed evaluation of the portfolio's performance shows that, on average, loan effectiveness is declared on schedule, with 94

¹ Loan No. 777-MYA(SF): *Edible Oil*, for \$35.0 million, approved on 4 February 1986.

² Loan No. 1512-NEP(SF): *Tribhuvan International Airport Improvement*, for \$27.0 million, approved on 23 January 1997; and Loan No. 1114-NEP(SF): *Upper Sagarmatha Agricultural Development*, for \$13.26 million, approved on 31 October 1991.

³ Loan No. 1609-NEP(SF): *Community Groundwater Irrigation Sector*, for \$30.0 million, approved on 26 February 1998.

percent of the projects becoming effective within three months of the due date. The performance in establishing project implementation offices has been generally good, with offices being established on average 2.3 months before the target date. A major source of delay in project implementation is in the recruitment of consultants. The average delay is 3.8 months, with 20 percent of the projects experiencing delays of over 12 months. A small-scale TA to identify and resolve project implementation issues is ongoing.¹

84. Contract awards of \$51 million represent 145 percent of the semiannual projection and 93 percent of the annual projection of \$54 million. Disbursements of \$65 million represented 82 percent of the semiannual projection and 53 percent of the annual target of \$123 million. With continual close monitoring and follow-up, both annual targets are expected to be exceeded. Table 31 summarizes the data for Nepal.

Table 31: Nepal
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	41.5	37.9	69.6	68.1	163.9	164.2	54.3	50.5
Disbursements	72.2	58.8	78.7	71.8	86.0	100.9	122.6	64.9
Loan Approvals	180.0	38.1	252.4	250.7	112.0	27.0	105.0	80.0
Disbursement Ratio (%)	22.9	18.9	26.6	14.4	19.7	21.8	32.1	17.0
Net Resource Transfer		37.7		55.8		82.2		61.7
No. of TA Approvals		6		7	9	8	10	2
No. of PS Investments: Loans		1		2	—	—	—	—
Equity		1		—	—	—	—	—

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

P. Pakistan

85. The number of ongoing loans decreased to 47 after 4 loans were closed and no loans were approved during the first half of 1998. The number of unsatisfactory loans decreased from 5 to 4.² Of the 6 loans approved during the second half of 1997, 3 had not been signed as of 30 June 1998. The implementation of projects continued to encounter delays, mainly because of generic factors and fiscal constraints. The former include slow

¹ TA No. 2992-NEP: *Improvement in Project Implementation*, for \$65,000, approved on 6 March 1998.

² Loan No. 1185-PAK(SF): *Provincial Highways*, for \$165.4 million, approved on 5 November 1992; Loan No. 1260-PAK(SF): *Urban Water Supply and Sanitation*, for \$72.0 million, approved on 4 November 1993; and Loan Nos. 1314-PAK/1315-PAK(SF): *KESC Sixth Power*, for \$200.0 million, approved on 22 September 1994.

preparation and approval of revisions to Planning Commission-1,¹ and delays in completing such activities as loan signing, compliance with conditions of loan effectiveness, appointment of key project staff, recruitment of consultants, prequalification, procurement and award of contracts, and establishment of project offices and implementation units. Fiscal constraints assume growing importance as the scarcity of resources takes an increasing toll on the development budget, with development expenditures bearing the brunt of fiscal adjustment. Under these circumstances, scarcity of counterpart funds could adversely affect Bank-assisted projects and, with this in view, the Government and the Bank agreed during portfolio restructuring to cancel about \$253 million of loan proceeds from 18 projects.

86. Project implementation performance in Pakistan during the reporting period has been difficult. Budget allocations, release of funds, staff turnover, and poor performance of some contractors had adverse effects on implementation. The situation was aggravated by delays in the signing of procurement contracts, and in the submission of liquidation applications under imprest fund accounts, as well as by late submission of withdrawal applications. Despite these problems, the Government has been making major efforts to ensure that adequate counterpart funds are available, and generally these have been released.

87. With regard to project ownership, the Government recognizes that increased adoption of participatory approaches in project implementation is important to ensure sustainability after completion. These approaches, however, will need more time to develop fully. Also, there have been cases of multiagency projects where lack of proper delineation of responsibilities has led to insufficient ownership by the implementing agencies.

88. Although contract awards reached \$219 million, or 62 percent of the annual projection of \$351 million, they fell slightly short of the projection for the first six months by about 14 percent, mainly because of slow project implementation in the agriculture and social sectors. By contrast, disbursements of \$294 million met the semiannual target and reached 65 percent of the annual projection of \$454 million. Given the impact, however, of counterpart fund scarcity on implementation, it may be difficult to meet the year-end disbursement target. Table 32 summarizes the data for Pakistan.

Table 32: Pakistan
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	449.3	417.1	639.1	502.6	418.4	394.2	351.0	219.3
Disbursements	514.6	488.3	508.6	520.6	415.8	395.8	454.1	293.5
Loan Approvals	400.0	531.8	588.7	583.0	511.7	501.0	820.8	—
Disbursement Ratio (%)	18.8	18.2	16.8	17.6	16.0	15.7	18.8	13.3
Net Resource Transfer		97.5		133.2		82.0		124.0
No. of TA Approvals		8		11	12	12	16	—
No. of PS Investments: Loans		4		1	—	—	—	—
Equity		—		1	—	—	—	—

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

¹ Planning Commission's Proforma I (project proposal) document.

Q. The Philippines

89. With 2 loans approved and 3 closed during the first half of 1998, the number of ongoing loans in the Philippines decreased to 45 as of 30 June 1998. The number of unsatisfactory loans remained at 5.¹ Six loans, 4 of which were approved in the second half of 1997,² were awaiting effectiveness. Although a slight improvement was noticed, project implementation continued to be hindered by (i) delays in loan effectiveness; (ii) lack of counterpart funds; (iii) delays in procurement caused by cumbersome internal procedures, strong lobbying for contracts, and legal impediments; (iv) delays in the recruitment of consultants; (v) delays in land acquisition; and (vi) inefficient project management by some EAs.

90. The CPRM undertaken during the period discussed a number of issues: (i) budget expenditure cuts that could have a negative impact on the provision of counterpart funds; (ii) the peso depreciation and the identification and cancellation of the related surplus loan proceeds; (iii) financing of development projects devolved to local government units; (iv) cumbersome procedures for land acquisition; (v) inconsistency of the prior licensing of contractors with the Bank's *Guidelines for Procurement*; and (vi) delays in loan effectiveness. The Bank and Government agreed upon a time-bound action plan to address these issues, including cancellation of about \$130 million of surplus loan proceeds from 13 projects identified during portfolio restructuring.

91. Because of nonlinear projections, contract awards of \$74 million and disbursements of \$90 million represented only 31 and 39 percent, respectively, of the annual targets. However, the projections for the first six months were exceeded with 112 percent and 133 percent, respectively, and the prospects for meeting the annual targets are good in view of an improved performance in the energy and water supply sectors. Table 34 summarizes the data for the Philippines.

Table 33: The Philippines
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ³
Contract Awards	267.8	159.4	255.6	337.7	90.5	140.3	237.1	74.0
Disbursements	297.2	215.4	266.6	250.3	252.4	389.6	228.6	89.6
Loan Approvals	330.0	571.5	265.6	317.2	459.0	341.6	924.4	24.5
Disbursement Ratio (%)	22.2	16.8	15.7	15.1	15.2	24.5	15.5	6.8
Net Resource Transfer		(240.6)		(124.7)		9.7		(85.6)
No. of TA Approvals		17	14	10	15	13	13	1
No. of PS Investments:								
Loans		—		—		—		2
Equity		1		1		—		1

¹ Loan No. 1106-PHI: *Industrial Forest Plantations*, for \$25.0 million, approved on 17 October 1991; Loan No. 1150-PHI: *Manila South Water Distribution*, for \$31.4 million, approved on 19 December 1991; Loan Nos. 1191-PHI(SF)/1192-PHI: *Forestry Sector*, for \$100.0 million, approved on 19 November 1992; and Loan No. 1254-PHI(SF): *Nonformal Education*, for \$25.2 million, approved on 30 September 1993.

² Loan No. 1536-PHI: *Third Airports Development*, for \$93.0 million, approved on 16 September 1997; Loan Nos. 1562-PHI/1563-PHI(SF): *Fisheries Resource Management*, for \$35.2 million, approved on 16 October 1997; and Loan No. 1599-PHI: *Subic Bay Area Municipal Development*, for \$22.0 million, approved on 19 December 1997.

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

R. The Pacific Developing Member Countries

92. In all the PDMCs, institutional weaknesses and procrastination on the part of the EAs in carrying out procedures continue to hamper the implementation of projects. Specific factors slowing the implementation of projects include initial delays in making loans effective, inadequate staffing resulting in administrative delays in awarding contracts and making disbursements, delays in recruiting consultants, frequent changes in implementation arrangements, and the remoteness of project sites. Also, lack of counterpart funds and land acquisition are problems in some countries. A number of TAs are being implemented in various PDMCs to promote capacity building and to improve service delivery in an efficient manner. Given the generally poor impact of externally provided TA in the region, greater attention is being given to the design and implementation of Bank TAs. With the introduction of using loan or TA funds to recruit full-time project managers, project implementation and portfolio management in the PDMCs have improved. In addition, the delegation of project administration to the South Pacific RM has improved decision-making responsiveness on important matters including procurement and consultant selection. A Regional Project Implementation and Administration Seminar for the PDMCs was conducted in Fiji to help overcome some of the problems being experienced.

1. The Cook Islands

93. The number of ongoing loans decreased to four, with no loans approved and one closed during the period. The country is facing serious economic and budgetary constraints. Shortages of counterpart funds, coupled with poor management of resources, inadequate staffing, and delays in recruiting consultants continue to hamper implementation.

94. Contract awards of \$0.5 million represented 47 percent of the annual target of \$1.0 million. Disbursements of \$0.8 million represented 65 percent of annual projection of \$1.2 million. Table 35 summarizes the data for the Cook Islands.

Table 34: The Cook Islands
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	0.9	0.3	1.1	5.4	3.0	3.9	1.0	0.5
Disbursements	0.8	0.4	0.8	4.0	2.5	2.4	1.2	0.8
Loan Approvals	3.0	2.9	3.0	4.9	—	0.8	—	—
Disbursement Ratio (%)	20.9	12.2	13.4	35.2	37.7	36.6	26.1	16.3
Net Resource Transfer		0.2		3.8		2.2		0.6
No. of TA Approvals		3		2	2	1	2	—

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

2. Fiji

95. With no loans approved or closed during the first half of 1998, the number of ongoing loans remained at two. Project implementation proceeded slowly because of

inadequate staffing, administrative delays in awarding contracts, and delays in land acquisition. Project implementation has also been affected by the poor performance of some contractors and the shortage of counterpart funds. TAs to enhance institutional capacity in several sectors are being implemented.

96. No significant contract awards or disbursements were made. Net resource transfer continues to be negative, indicating weak absorptive capacity. Data on Fiji are summarized in Table 36.

Table 35: Fiji
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	0.9	1.5	0.3	0.9	0.2	—	—	0.2
Disbursements	4.0	9.6	2.7	2.1	1.4	1.8	0.7	—
Loan Approvals	—	—	—	—	40.0	40.0	—	—
Disbursement Ratio (%)	44.0	64.0	49.4	38.6	42.2	53.2	1.7	—
Net Resource Transfer		(3.7)		(4.4)		(4.4)		(2.9)
No. of TA Approvals		4		3		3		1

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

3. Kiribati

97. There were no ongoing loans as of 30 June 1998, but TAs to improve institutional capacity are being implemented for several sectors. There was a small negative net resource transfer. Table 37 summarizes the data for Kiribati.

Table 36: Kiribati
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	—	-0.1	—	-0.1				
Disbursements	—	-0.1	—	-0.1				
Loan Approvals	—	—	—	—	12.0	—	—	—
Disbursement Ratio (%)		—		—		—	—	—
Net Resource Transfer		(0.1)		(0.1)		(0.08)		(0.04)
No. of TA Approvals		2		2		2		1

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

4. Marshall Islands

98. The number of ongoing loans decreased to four, with no loans approved and one closed during the first half of 1998. Of the four ongoing loans, one was classified as unsatisfactory¹ because of excessive delays owing to a lack of counterpart funds and the frequent turnover of key staff, resulting in poor management. The Bank agreed with the

¹ Loan No. 1249-RMI(SF): *Basic Education Development*, for \$8.0 million, approved on 9 September 1993.

Government to reduce the scope of this project and to reallocate loan proceeds to facilitate its completion. The Fisheries Development Project¹ was closed during the period, and the undisbursed loan balance was canceled. Under the Public Sector Reform Program loan,² the Government has been slow in reducing the size of the civil service. This has led to withholding of the release of the second tranche since October 1997.

99. Contract awards of \$1.3 million represented 25 percent of the semiannual projection and 13 percent of the annual projection of \$9.8 million. Disbursements of \$3.0 million were equivalent to 67 percent of the semiannual projection and 43 percent of the annual projection of \$7.0 million. The disbursement performance on the whole continued to improve compared with previous years, resulting in an improvement of the net resource transfer. Table 38 summarizes the data for the Marshall Islands.

Table 37: The Marshall Islands
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	2.9	0.7	10.8	9.5	9.1	7.6	9.8	1.3
Disbursements	4.1	2.8	3.1	3.0	11.7	10.1	7.0	3.0
Loan Approvals	10.0	9.0	10.0	—	12.0	12.0	2.0	—
Disbursement Ratio (%)	20.0	13.6	11.5	11.1	33.2	28.6	36.1	15.5
Net Resource Transfer		2.8		3.0		10.0		2.9
No. of TA Approvals		4		2		7		1

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

5. Federated States of Micronesia

100. The number of ongoing loans remained at three as no loans were approved or closed during the period. The three loans under implementation are for fisheries,³ water supply and sanitation,⁴ and the Public Sector Reform Program.⁵ The procurement of secondhand fishing vessels under the fisheries project is still in progress. The water supply and sanitation project is progressing slowly, with ongoing issues concerning internal financing agreements related to conditions for disbursement and the transfer of water and sewerage facilities. The second tranche release is expected soon from the Public Sector Reform Program loan, but it is likely to be partial as one of the states has not fully complied with the conditions for release.

101. Contract awards of \$0.7 million were only 13 percent of the semiannual projection and 9 percent of the annual projection of \$7.9 million, mainly because of the delay in

¹ Loan No. 1102-RMI(SF), for \$6.95 million, approved on 26 September 1991.

² Loan No. 1513-RMI(SF), for \$12.0 million, approved on 30 January 1997.

³ Loan No. 1257-FSM(SF): *Fisheries Development*, for \$6.5 million, approved on 19 October 1993.

⁴ Loan No. 1459-FSM(SF): *Water Supply and Sanitation*, for \$10.6 million, approved on 19 September 1996.

⁵ Loan No. 1520-FSM(SF): *Public Sector Reform Program*, for \$18.0 million, approved on 29 April 1997.

commitment of the second tranche release from the Public Sector Reform Program loan. Similarly, disbursements of \$0.9 million were only 11 percent of the semiannual projection and 8 percent of the annual target of \$11.3 million. Table 39 summarizes the data for the Federated States of Micronesia.

Table 38: Federated States of Micronesia
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	2.4	—	3.2	0.9	13.1	14.9	7.9	0.7
Disbursements	1.0	0.3	0.8	0.1	12.7	11.3	11.3	0.9
Loan Approvals	10.0	—	9.0	10.4	18.0	18.0	—	—
Disbursement Ratio (%)	14.8	5.0	12.2	1.7	76.6	32.7	51.6	3.9
Net Resource Transfer		0.3		0.1		11.3		0.8
No. of TA Approvals		5		3	4	4	2	2

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

6. Nauru

102. The Bank's financial assistance to Nauru consisted of one small-scale TA¹ to formulate national reform programs and identify policy and strategic options available to the Government. The TA was completed during 1997 and may lead to a program loan for fiscal and financial reform. No TAs or loans were approved in the first half of 1998.

7. Papua New Guinea

103. The number of ongoing loans remained at nine, with no loans approved or closed during the first half of 1998. Three loans are classified as unsatisfactory because of substantial delays in implementation.² Procurement and civil works are also behind schedule for most projects due to the slow release of counterpart funds. In addition, due mainly to protracted audit procedures, compliance with the submission of audited accounts is poor. Moreover, changes in leadership positions and key personnel have disrupted the functioning of several departments, leading to delays in decision making, including those concerning implementation. Delays in implementation are due to weak institutional capacities, inadequate number of staff, shortages of skilled staff, and shortages of counterpart funds. To address the problem of weak institutions, the Bank provided further TAs aimed at specific sectors.

104. Drought and poor commodity prices contribute to the problems the country is facing. The decline in export earnings has also caused the value of the kina to fall. The 1998 budget passed in March was very tight, but revenues are expected to fall well short of budget projections, and line agencies are not receiving sufficient funds to sustain activities. The Bank has maintained close communication with the Government and EAs, and as a result portfolio restructuring resulted in project scopes being scaled down to match budget appropriations.

¹ TA No. 2617-NAU: *National Reform Program*, for \$100,000, approved on 25 July 1996.

² Loan Nos. 1153-PNG/1154-PNG(SF): *Transport Infrastructure Development*, for \$69.0 million, approved on 14 January 1992; and Loan No. 1097-PNG(SF): *Third Rural Health Services*, for \$21.0 million, approved on 5 September 1991.

105. Contract awards of \$12 million were only 61 percent of the semiannual projection and 43 percent of the annual projection of \$28 million. They relied heavily on the Health Sector Development Project,¹ where contract awards exceeded projections. Disbursements of \$17 million are 89 percent of the semiannual projection and 57 percent of the annual target of \$30 million. These levels continued the deteriorating trend. Table 33 summarizes the data for Papua New Guinea.

Table 39: Papua New Guinea
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	36.5	9.6	14.6	5.6	40.6	28.8	28.2	12.3
Disbursements	43.8	17.6	11.6	11.9	34.6	24.3	29.9	17.0
Loan Approvals	30.0	0.0	22.5	—	60.0	60.0	51.9	—
Disbursement Ratio (%)	30.5	12.7	10.2	10.9	36.8	15.7	31.6	18.0
Net Resource Transfer		(14.7)		(14.9)		(1.2)		4.8
No. of TA Approvals		2		6	5	5	10	5

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

8. Samoa

106. With the approval of the Financial Sector Program loan² and the closure of one loan³ during the period, the number of ongoing loans remained at one.

107. The Government introduced a performance budgeting system aimed at a more streamlined and output-focused public service as part of its policy of public sector reform and fiscal consolidation. This system is expected to become fully operational during 1998.

108. Contract commitments of \$4.3 million under the Financial Sector Program loan, for which no semiannual projection was made, represented 107 percent of the annual target of \$4.0 million. Disbursements of \$1.3 million represented 31 percent of the semiannual and

¹ Loan Nos. 1516-PNG/1517-PNG(SF), for \$50.0 million, approved on 20 March 1997.

² Loan No. 1608-SAM(SF): *Financial Sector Program*, for \$7.5 million, approved on 19 February 1998.

³ Loan No. 1193-SAM(SF): *Cyclone-Damage Rehabilitation*, for \$8.64 million, approved on 19 November 1992.

annual projection of \$4.2 million. The net resource transfer during the period was marginally positive. Table 40 summarizes the data for Samoa.

Table 40: Samoa
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	0.8	0.5	0.5	0.4	1.2	0.9	4.0	4.3
Disbursements	1.1	5.1	1.3	1.6	0.8	0.9	4.2	1.3
Loan Approvals	0.0	—	—	—	6.5	—	7.5	7.5
Disbursement Ratio (%)	14.0	64.9	41.5	51.9	57.9	66.0	53.8	16.7
Net Resource Transfer		2.6		(1.0)		(1.5)		0.3
No. of TA Approvals		4		2	3	1	5	2

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

9. Solomon Islands

109. There are no ongoing loans, and none were approved during the period. The net resource transfer continues to be negative for the fourth consecutive year. Table 41 summarizes the data for Solomon Islands.

Table 41: Solomon Islands
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	0.04	—	—	—				
Disbursements	0.1	0.1	—	—				
Loan Approvals	0.0	—	—	—	—	—	26.0	—
Disbursement Ratio (%)	90.9	100.6	—	—	—	—	—	—
Net Resource Transfer		(0.4)		(0.3)		(0.02)		(2.2)
No. of TA Approvals		—		—	—	—	3	2

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

10. Tonga

110. The number of ongoing loans remains at four, with no loans approved or closed during the first half of 1998. The Second Power Development Project,¹ approved during the second half of 1996, has not been declared effective in view of the proposal to privatize one of the EA's power plants. Implementation of the other three projects has been generally satisfactory.

¹ Loan No. 1497-TON(SF), for \$4.9 million, approved on 3 December 1996.

111. Contract awards of \$2.2 million represented 107 percent of the semiannual projection and 90 percent of the annual target of \$2.5 million. Disbursements of \$3.4 million were equivalent to 188 percent of the semiannual projection and 103 percent of the annual projection of \$3.3 million. Table 42 summarizes the data for Tonga.

Table 42: Tonga
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	9.8	6.3	1.9	2.5	3.7	3.0	2.5	2.2
Disbursements	7.4	5.5	2.0	2.9	1.8	2.1	3.3	3.4
Loan Approvals	3.5	3.6	5.0	4.9	—	—	—	—
Disbursement Ratio (%)	37.1	27.6	10.5	16.2	9.2	10.8	21.8	32.1
Net Resource Transfer		5.1		2.4		1.6		3.1
No. of TA Approvals		2		2	3	1	—	—

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

11. Tuvalu

112. The Bank has not made any loans to Tuvalu. During the period, one TA, approved in 1997 to strengthen economic and financial management,¹ was being implemented, while two TAs were completed and no new ones approved. The TAs have furthered policy dialogue with the Government, which may lead to a program loan supporting wide-ranging reforms. Staffing of Government agencies with qualified people remains a problem.

12. Vanuatu

113. The number of ongoing loans remained at two as no loans were approved or closed during the period. A TA in support of the Comprehensive Reform Program² was approved during the period.

114. Contract awards of \$0.8 million reflect an achievement of 158 percent of the semiannual projection and 53 percent of the annual projection of \$1.5 million. Disbursements of \$1.2 million fully met the projection for the whole year. Table 43 summarizes the data for Vanuatu.

Table 43: Vanuatu
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	3.3	1.0	1.1	0.6	0.4	0.9	1.5	0.8
Disbursements	3.7	1.0	1.3	0.5	0.5	0.3	1.2	1.2
Loan Approvals	—	—	10.0	9.9	—	—	20.0	—

¹ TA No. 2628-TUV, for \$600,000, approved on 16 August 1996.

² TA No. 2984-VAN, for \$630,000, approved on 29 January 1998.

Disbursement Ratio (%)	78.7	21.6	34.4	20.0	4.3	2.5	11.8	11.4
Net Resource Transfer		0.8		0.2		—		1.0
No. of TA Approvals		—		3	2	1	3	1

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

S. Sri Lanka

115. While the number of ongoing loans decreased to 23 as a result of no loans being approved and the closing of 2 during the first half of 1998, the number of unsatisfactory projects increased from 1 to 2.¹ The major constraints that continued to impede implementation were (i) delays in the staffing of project implementation units; (ii) high turnover of project staff; (iii) inadequate delegation of authority; (iv) delays in the recruitment of consultants; (v) time-consuming Government procurement procedures; and (vi) the security situation in both the northern and southern parts of the country.

116. The Government has taken measures to improve the performance of externally financed development projects, including improvement of the quality of projects at entry and more rigorous monitoring of projects under implementation. The latter measures include convening monthly project review meetings and preparing quarterly reports. The recently established Sri Lanka RM has played an active role in this regard, by organizing regular performance review meetings and taking up identified problems with the responsible authorities. With the full implementation of the action plan agreed under a recent TA,² and the TA³ to strengthen the Government's procurement processes, improved performance of the project portfolio is expected.

117. Contract awards of \$51 million represented 152 percent of the semiannual projection and 62 percent of the annual projection of \$82 million. Disbursements of \$40 million were equivalent to 73 percent of the semiannual projection and 33 percent of the annual projection of \$120 million. Disbursements in energy, roads, and finance need to be monitored to achieve the annual target. Table 44 summarizes the data for Sri Lanka.

Table 44: Sri Lanka
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	109.0	164.9	130.4	114.8	115.4	129.7	82.1	50.6
Disbursements	97.1	87.3	139.9	148.9	112.8	95.5	119.7	39.8
Loan Approvals		140.0	89.0	44.0	156.5	161.6	180.0	—
Disbursement Ratio (%)	16.2	15.4	21.3	24.2	24.2	20.8	24.3	10.0
Net Resource Transfer		66.5		126.9		71.0		26.7
No. of TA Approvals		9		6	8	8	10	2
No. of PS Investments: Loans		—	—	—	—	1	1	—
Equity		—	—	—	—	—	1	—

¹ Loan No. 1312-SRI(SF): *Third Road Improvement*, for \$55.0 million, approved on 15 September 1994; and Loan No. 1414-SRI(SF): *Second Power System Expansion*, for \$80.0 million, approved on 14 December 1995.

² TA No. 2745-SRI: *Improvement of Project Implementation*, for \$45,000, approved on 7 January 1997.

³ TA No. 2950-SRI: *Establishing the Sri Lanka Tender Support Bureau*, for \$1,000,000, approved on 12 December 1997.

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

T. Thailand

118. With the approval of 2 loans and the closure of 1 during the first half of 1998, the number of ongoing loans increased to 19, all of which were classified as satisfactory. Project implementation performance has been generally reasonable. The Government's austerity policy and budget cuts have not yet seriously delayed ongoing projects. Expenditure allocations were released recently, and the Government is committed to making adequate counterpart funds available for ongoing projects.

119. The CPRM, which visited Thailand in May 1998, identified about \$82 million in surplus loan proceeds from a total of 9 projects, of which \$19 million has been canceled already. The balance of \$63 million has also been approved for cancellation but this has not yet been effected. It was also noted that some implementation problems have started to emerge and need to be addressed. The Government indicated that it would make all necessary efforts to maintain smooth implementation of Bank-assisted projects. For this purpose the Government established a project implementation unit and agreed to hold monthly meetings with concerned agencies to identify and resolve any problems. The Government also requested Bank assistance in establishing an effective monitoring system for ongoing projects.

120. Contract awards of \$364 million represented 81 percent of the semiannual projection and 70 percent of the annual projection of \$519 million, while disbursements of \$398 million amounted to 82 percent of the semiannual projection and 64 percent of the annual projection of \$621 million. The satisfactory performance was attributable to the energy and transport sectors, as well as to the recently approved major program loan in the social sector.¹ Table 45 summarizes the data for Thailand.

Table 45: Thailand
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	156.2	85.3	236.6	282.3	393.3	602.5	518.6	364.1
Disbursements	197.5	162.4	132.1	123.3	228.7	592.9	621.2	397.6
Loan Approvals		330.0	380.0	330.0	270.0	550.0	630.0	550.0
Disbursement Ratio (%)	24.5	20.3	11.8	12.0	21.2	38.3	40.4	26.8
Net Resource Transfer		(62.5)		(20.2)		457.0		321.4
No. of TA Approvals		12		7	7	9	6	4
No. of PS Investments:								
Loans		—	—	—	—	—	1	—
Equity		—	—	—	—	—	1	—

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.

^a The first six months.

U. Uzbekistan

¹ Loan No. 1611-THA: *Social Sector Program*, for \$500.0 million, approved on 12 March 1998.

121. The number of ongoing loans remained at three with no loans approved or closed during the period. The two loans for basic education textbook development,¹ approved during the second half of 1997, were yet to be made effective.

122. Contract awards of \$2.1 million represented 82 percent of the semiannual projection and 28 percent of the annual projection of \$7.5 million. Disbursements of only \$0.4 million were very low and represented only 8 percent of the semiannual and 3 percent of the annual target of \$12.0 million. The Uzbekistan RM became operational toward the end of 1997 and is assisting with project implementation. Also, a seminar was conducted during the period to familiarize Government officials with the Bank's procedures and requirements for procurement and implementation. Table 46 summarizes the data for Uzbekistan.

Table 46: Uzbekistan
(\$ million)

Item	1996	1997		1998	
		Proj.	Actual	Proj.	Actual ^a
Contract Awards		—	7.3	7.5	2.1
Disbursements		—	—	12.0	0.4
Loan Approvals		90.0	40.0	120.0	—
Disbursement Ratio (%)		—	—	13.4	0.8
Net Resource Transfer					0.4
No. of TA Approvals	5	6	5	7	—

— = magnitude zero. TA = Technical Assistance.

^a The first six months.

V. Viet Nam

123. No new loans were approved during the first half of 1998. With the closing of 1 loan during the period, the number of ongoing loans decreased to 18, all in their early or middle stages of implementation. Two loans were classified as unsatisfactory.² There was a general slowdown in project implementation. This trend is likely to continue during the remaining six months of the year, given the delays experienced in the bidding for civil works, and in the submission of bid evaluation reports and signed contracts. The 1997 CPRM raised the following main issues with the Government: (i) the need for better management of externally financed projects by streamlining the project processing cycle and delegating the decision-making authority to line ministries and provincial governments; (ii) the need to

¹ Loan Nos. 1594-UZB/1595-UZB(SF): *Basic Education Textbook Development*, for \$40.0 million, approved on 17 December 1997.

² Loan No. 1273-VIE(SF): *Ho Chi Minh City Water Supply and Sanitation Rehabilitation*, for \$65.0 million, approved on 29 November 1993; and Loan No. 1358-VIE(SF): *Power Distribution Rehabilitation*, for \$80 million, approved on 8 June 1995.

expedite preparatory activities such as counterpart staffing and consultant selection; (iii) improvement of the national budget and fund-flow systems; (iv) more efficient utilization of TAs for institutional strengthening and capacity building; and (v) the need to use consultants' services more effectively.

124. In the light of discussions with Bank missions and other aid agencies, the Government has taken important steps affecting implementation. In particular, the issuance of Decree 87/CP on the regulations for the management and utilization of external aid is a welcome development that has already started to have a positive impact. The main cause of weak implementation, as noted earlier, is cumbersome decision-making procedures: there are still too many layers of checks and balances prior to approving the financing of project-related activities. The Government's tightly controlled financial management system also hampers project implementation but gradual easing of Government controls and stronger accountability mechanisms at the local level will help expedite this. In June 1998, the Government issued an interministerial circular on disbursement procedures for externally financed projects giving the concerned EAs direct access to imprest accounts. Effective implementation of the new procedures will help accelerate disbursements.

125. The Bank is supporting the need for greater decentralization under the Rural Infrastructure Sector Project.¹ TAs are being provided to strengthen the State audit functions, improve project accounting systems, and, in collaboration with the World Bank, strengthen management of public finances through the development of a better budget allocation process and improvement of fund-flow mechanisms. The Viet Nam RM holds monthly project implementation meetings with the concerned EAs and the Ministry of Planning and Investment to monitor progress and resolve any pending issues on individual projects. Increased numbers of review missions have been fielded and a major procurement problem resolved, with the Government awarding the contract to the lowest evaluated bidder.² The Bank will conduct the 1998 CPRM in September 1998 to identify major generic and cross-sector issues in project implementation and agree with the Government upon an action plan to further improve the overall portfolio performance.

126. Contract awards of \$117 million and disbursements of \$68 million reached 55 percent and 52 percent of the respective annual projections of \$212 million and \$130 million. In terms of semiannual projections, they represented 88 and 114 percent, respectively. Close monitoring and supervision will continue to be required to ensure satisfactory project implementation. Table 47 summarizes the data for Viet Nam.

Table 47: Viet Nam
(\$ million)

Item	1995		1996		1997		1998	
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual ^a
Contract Awards	116.9	137.2	33.6	37.3	196.4	147.1	212.2	117.1
Disbursements	47.8	48.2	27.5	28.7	143.9	149.3	130.4	68.3
Loan Approvals		225.4	353.0	300.6	359.0	359.6	290.0	—
Disbursement Ratio (%)		8.4	4.7	4.8	17.1	15.8	13.1	8.6
Net Resource Transfer		45.3		25.8		145.9		66.6

¹ Loan No. 1564-VIE(SF), for \$105.0 million, approved on 23 October 1997.

² Under Loan No. 1273-VIE(SF): *Ho Chi Minh City Water Supply and Sanitation Rehabilitation*, for \$65.0 million, approved on 29 November 1993.

No. of TA Approvals	15		13	12	14	11	2
No. of PS Investments: Loans	—	1	1	—		1	—
Equity	—	—	1	—		1	—

— = magnitude zero. PS = Private Sector; TA = Technical Assistance.
^a The first six months.