

**AFRICAN DEVELOPMENT FUND**



**AFRICAN DEVELOPMENT BANK**



**PORTFOLIO REVIEW MATRIX – CHECKLIST OF GENERIC  
PROBLEMS  
PORTFOLIO REVIEW – COUNTRY SUMMARIES**

**PORTFOLIO REVIEW MATRIX – CHECKLIST OF GENERIC PROBLEMS**

Generic Problems	Burkina Faso	Gabon	Nigeria	Algeria	Egypt	Tunisia	Equatorial Guinea	Zambia	Frequency
Weak technical and management capacities of the executing agencies	X	X	X		X		X	X	6
Frequent changes in PMU management									-
Lengthy communication channels between the Bank and the executing agencies			X	X	X		X	X	5
Long delays in fulfilment of loan conditions			X		X		X	X	4
Long delays in Project Execution	X		X	X			X		4
Non-compliance with Bank procurement and disbursement procedures by the executing agencies		X	X	X	X		X	X	6
Frequent complaints by suppliers and bidders as regards the results of examination of tenders									-
Poor performance when the contracts are awarded to local firms and public entities							X	X	2
Inadequate Government contributions to projects		X	X				X	X	4
Inefficient use of Technical Assistance	X						X		2
Non-compliance with Bank requirements as regards progress and audit reports	X	X	X	X	X		X	X	7
Lack of adequate supervision			X		X			X	3
Lack of adequate preparation			X		X				2
Undisbursed loan balance			X				X	X	3
Frequent sanctions as a result of loan arrears	X	X					X		3

Generic Problems	Burkina Faso	Gabon	Nigeria	Algeria	Egypt	Tunisia	Equatorial Guinea	Zambia	Frequency
Political instability and unusual economic situation							X		1
Unreliability of disbursement ledgers sent to countries				X					1
Difficulties in implementing the participatory approach				X					1

## A COMPARISON BETWEEN OPEV'S FINDINGS (2000-2004) AND THE EIGHT COUNTRIES IN WHICH CPPRs HAVE BEEN UNDERTAKEN.

	Burkina Faso	Algeria	Tunisia	Nigeria	Egypt	Zambia	Equatorial Guinea	Gabon	Average for the 8 countries	OPEV
<b>Indicators</b>										
Delays in Project Effectiveness (months)	7	6	4	8	19	16	21	17	12	15
Delays in Project Execution (Average Age of Projects in months)	42	39	42	65	72	57	108	73	62	57
Non Compliance with the submission of audit and quarterly reports (%)	35	0	20	75	29	33	50	0	30	34
Supervision Ratio	1.5	1.5	1.5	1.75	1.25	2.0	2.0	1.5	1.625	1.5*
Performance Rating	2.0	2.3	2.53	2.1	2.0	2.17	1.36	1.73	2.02	n.a

\*Not given but 1.5 is the recommended ratio by POPR

PORTFOLIO REVIEW MATRIX – CHECKLIST OF CROSS CUTTING ISSUES

	Burkina Faso	Gabon	Nigeria	Algeria	Egypt	Tunisia	Equatorial Guinea	Zambia	Frequency
<u>Cross Cutting Issues</u>									
Poverty reduction	X	X	X	X	X	X	X	X	8
Environmental and Social Protection	X	X	X	X	X	X	X	X	8
Gender mainstreaming	X	X	X	X	X	X	X	X	8
Capacity Building			X				X	X	3
HIV/AIDS			X				X		2
Core labour Standards (child labour)							X		1
Regional Integration	X	X			X		X	X	5
Governance	X	X	X	X		X	X	X	7
Population	X								1
Participatory Approach		X							1

COUNTRY	GENERAL ASSESSMENT	SPECIFIC PROBLEMS IDENTIFIED DURING THE CPPR 2005	MEASURES TAKEN	LESSONS
BURKINA FASO	<p>The last portfolio review conducted in Burkina Faso dates back to 2002. This portfolio review finalised in March 2005 focused on 26 ongoing operations. The 2-point rating awarded Burkina Faso translates a satisfactory performance with a few problems that need to be monitored. Compared to the 2002 review performance which also accounted for an average of 2 points the situation is still stationary with a slight improvement and the number of problem projects falling from 4 to 2. Furthermore, the 2002 review recommended measures whose implementation has been affected by the low capacity of the administrative structures to implement the action plans designed with the Bank to accelerate project implementation. The criteria to monitor are: i) compliance of the general conditions (1.8); ii) goods and services procurement performance; (1.9); and iii) implementation of activities and works (1.7).</p>	<p>The generic problems encountered in the implementation of Bank projects are: i) delay in obtaining instruments to ratify loan agreements and to obtain legal opinion; ii) systematic disregard for the general loan conditions especially regular preparation of quarterly progress and annual audit reports; iii) delay in meeting the conditions for first disbursement; iv) red tape in the public contract system; vi) unfamiliarity with the Bank's rules of procedure for procurement and disbursement; and v) the low administrative capacity of the implementation agencies. By and large the country's performance in managing the Bank's portfolio deteriorated slightly because of the increasing number of projects and of the country's absorptive capacity. Moreover, problems arose in the coordination of external assistance and the fact that they are still not in the computerised expenditure system (CES) partly because of the many accounts and because each donor has its own disbursement procedures and strategy and there is still no formal mechanism for regular donor consultation.</p>	<p>The various measures taken to improve the portfolio's performance have been the subject of an annual portfolio improvement programme (CPIP) which recommended measures that have been implemented for the most part. The concern: i) regular supervision of projects, annual audit of projects, ii) establishment of action plans for problem or potentially problematic projects; iii) acceleration of document processing; iv) greater attention to the fulfilment of conditions for first disbursement; iv) systematic conduct of project launching missions; v) mandatory performance obligations for project management and vi) accelerating the inception of the Bank Group Burkina Country Office (BFCO). It was recommended to the Government: (i) release counterpart funds in time, adopt a standard accounting and management system for Bank-financed projects; and iii) adopt of enabling legislation for ratification by decree.</p> <p>The General Directorate of Cooperation will be commissioned to monitor audit reports to ensure they are submitted within the prescribed deadlines. It will assist the Project Implementation Units in fulfilling the obligation of conducting an audit by preparing and updating the balance score card for use by the project executing agencies. Monitoring the implementation of the audit report recommendations was entrusted to the control structures (IGE, Auditor General's Office) and the Technical Inspectorates, and the function of project monitoring-evaluation to the Directorates of Planning under the Supervisory Departments alongside the DPS. To that end, the Project Implementation Units should familiarise with the project performance indicators by using the project logical framework.</p> <p>The Bank is still expecting the Government to introduce an internal quarterly portfolio review with a view to creating synergy between the project implementation units and preparation by DGCOOP of the balance score card. These reports are produced, monitored and submitted to the DGCOOP in an irregularly manner. The Bank's</p>	<p>The Bank will in future strengthen project follow-up so as to accelerate their implementation because the persistent low disbursement rate could in the long run affect Burkina Faso's rating in the Bank's performance scale. The Bank should in future, improve project quality at entry and ensure that the capacity of the executing agencies is strengthened through training seminars for officers of the Government and of the implementation units. Special attention should now be paid to the submission of project audit reports. On this last point, it will be advisable each time it is possible, to remind the authorities and staff of the executing agencies, of the results and conclusions of these project audits so that they are taken into account for improving the quality of Bank operations. Measures for gender mainstreaming should be set out during project appraisal. The project appraisal missions should comprise multidisciplinary teams conversant with gender issues. The establishment of the Burkina Country Office (BFCO) will help improve project monitoring. The Office should play a lead role in strengthening assistance coordination, especially budgetary support through the signing of a framework agreement in January 2005 and the Bank's participation in the sectoral approaches.</p> <p>Consistent with the guidelines of the 2005-2009 CSP, the Bank will in 2006, appraise a capacity building project designed to build the administrative capacity of the structures in charge of control (IGF and the Auditor General's Office).</p>

			Group's BFCO in Burkina Faso will improve this situati	
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COUNTRY	GENERAL ASSESSMENT	SPECIFIC PROBLEMES IDENTIFIED DURING THE CPPR 2005	MEASURES TAKEN	LESSON
GABON	<p>The last portfolio review finalised in June 2005 is a follow-up to that of January 2002. The review focuses on seven (7) active operations. The overall rating is 1.73, against 1.3 for the previous review, translating an unsatisfactory overall performance of operations although there is a slight improvement as compared with the previous review. Three projects have contributed highly to the portfolio's improvement in performance: SAP III (rated 2.7) which, approved in June 2004, registered a disbursement rate of 75% during the same year and two other active projects since the 2002 review, namely the Education III Project and the Public Enterprise Restructuring and Privatisation Support Programme. A criterion-based analysis reveals an all round improvement; that relating to «Activities and Works» registering as in the 2002 review, the highest score at 1.25.</p> <p>The criterion relative compliance with general and other conditions improved considerably and was rated 2.19, against 1 for the previous review.</p> <p>The evaluation of the development objective is virtually the same with a rating of 2.05, against 2 during the 2002 review. The frequency and quality of the supervisions also improved in line with the recommendations of the previous review.</p> <p>The status of the entire portfolio improved although the proportion of projects at risk is well below the</p>	<p>The persistent generic problems listed hereafter hinder the performance of Bank operations:</p> <ul style="list-style-type: none"> <li>(i) frequent sanctions for debt service payment arrears;</li> <li>(ii) age of the projects which implies that almost all loans have exceeded the grace period;</li> <li>(iii) failure to pay national counterpart funds;</li> <li>(iv) delay in the implementation of recommendations and other decisions which are required;</li> <li>(v) absence of a mechanism to control the physical and financial implementation of projects;</li> <li>(vi) difficulties with the works enterprises and consulting firms within the framework of project implementation;</li> <li>(vii) poor supervision;</li> <li>(viii) unfamiliarity with Bank rules of procedure; and</li> <li>(ix) poor accounting services and lack of financial audit in the six months following the closure of every financial year. .</li> </ul>	<p>In light of the generic problems identified, the Government and the Bank have taken the following measures with a view to improving the portfolio:</p> <ul style="list-style-type: none"> <li>(i) <b>Loan cancellation.</b> actions not yet started for four aging projects or with problems of counterpart funds were all cancelled in 2005. A strict schedule for the implementation of the actions identified was complied with by the PIU managers</li> <li>(ii) <b>Build the capacity of the Bank's Operations Coordination and Monitoring Committee (CCSO).</b> The CCSO's missions have been clearly defined in terms of physical, technical and financial follow-up of projects of the portfolio, by decree of the Minister of Finance and the and the CCSO is implementing its programme in close collaboration with the PIU.</li> <li>(iii) <b>Introduce a project management method according to objective, under the supervision of the CCSO.</b> For the year 2006, the CCSO started the exercise aimed at setting quantitative objectives for each project, in consultation with the PIU, the supervisory ministry, the Bank's officer responsible for monitoring the project and the Technical Secretariat of the Monitoring Committee, with implementation deadlines and objectively verifiable indicators.</li> <li>(iv) <b>Harmonise the period for submission of progress reports for all projects.</b> The quarterly progress report of most of the projects covering the same period reach the Bank not later than the 15 of the month following the end of the quarter. These provisions entered into force on 1st January 2005.</li> </ul>	<p>The review made it possible to draw lessons from the portfolio's implementation; these should guide the discussions which the Bank will hold in the context of its future cooperation with Gabon. These are:</p> <ul style="list-style-type: none"> <li>(i) <b>poor national capacity to plan and apply public resources</b> which precludes efficiency not only in the use of State funds but also in the use of official development assistance.</li> <li>(ii) <b>poor use of external resources that could help reduce poverty in Gabon,</b> and therefore insufficient mobilisation of the Government's counterpart funds for Bank operations and resulting in the cancellation of resources.</li> <li>(iii) <b>laxity vis-à-vis the ethical rules governing accountability:</b> these rules should apply to all guardians of State authority, a situation attendant on inadequate physical and financial follow-up of projects and which reflects poor management of public funds.</li> <li>(iv) <b>non-transparent business environment,</b> which causes repeated disputes with private enterprises, and slow decision-taking.</li> <li>(v) <b>need for more realistic conditions</b> during project</li> </ul>

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	<p>Bank's overall objective. In fact, the proportion of projects at risk fell from 100% in 2002 to 57% in 2005. The country had not accumulated arrears for 2005 at the time of the review in 2005, contrary to 2002 when it had just emerged from a long period of sanctions.</p> <p>The review revealed the low disbursement rate of active operations which stands at 41.41% for a portfolio whose average age is 6.17 years (including the periods of sanctions).</p>		<p>(v) <b>Mobilisation of counterpart funds</b> The Bank and Government held lengthy discussions on this subject and the counterpart resources were released under the 2005 budget. This enabled project implementation in compliance with the Bank's disbursement projections. Funds have also been earmarked and listed by operation in the 2006 investment budget under the Appropriation Law, to enable follow-up.</p> <p>(vi) <b>Debt service payment.</b> The Government has been settling the debt service since the review of November 2004, without excluding the possibility of putting in place an automatic deduction mechanism making payments of debt service obligations secure and timely. This mechanism could be a standing order to BEAC of a deduction without consultation to settle various Bank maturities, from the Treasury.</p> <p>(vii) <b>Sanctions for Defaulting Enterprises.</b> The Committee's Secretariat has been requested to follow-up systematically the files of defaulting enterprises with the General Directorate of Public Contracts which will start to register these defaulters on the black list, thus preventing them from taking part in any bid for public contracts.</p>	<p>appraisal because of the recent long delays for entry into force.</p> <p>(vi) <b>unfamiliarity of project officers with Bank rules of procedure.</b></p> <p>(vii) <b>strengthening GARO's role of portfolio monitoring.</b></p>
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COUNTRY	GENERAL ASSESMENT	SPECIFIC PROBLEMS IDENTIFIED DURING THE CPPR 2005	MEASURES TAKEN	LESSONS
NIGERIA	<p>The last CPPR Report was finalized in June 2005. The detailed review of the 8 on-going operations revealed that there have been improvements in the portfolio's performance since the previous exercise in 1996. The quantitative rating of the portfolio improved from 1.6 points (virtually unsatisfactory) in 1996 to 2.1 points (satisfactory) in 2005, as the impact on development has moved up from 1.8 to 2.6. However, progress in project implementation has remained less than satisfactory at 1.6, demonstrating that many impediments to smooth project implementation continue to persist.</p> <p>Further analysis of the findings of the CPPR 2005 also shows improved performance since the CPPR 1996. The number of operations at risk declined from 6 in 1996 to 5 in 2005, comprising 4 Potentially Problematic Projects (PPP) and 1 Problem Project (PP). The 4 PPPs were as follows: (i) Community-based Agriculture and Rural Development project; (ii) Fadama Agricultural project; (iii) Health Systems Development project; and (iv) Institutional Support project. The only PP was the Community-based Poverty Reduction project. The commitments of the</p>	<p>The CPPR 2005 revealed that the quality of the performance of the Bank's portfolio has been compromised by several implementation problems, including:</p> <ul style="list-style-type: none"> <li>(i) weaknesses in the quality of governance and institutional capacity of the Government;</li> <li>(ii) inadequate coordination and communication between the Bank, the Federal Government, and State Governments, notably the State Ministries of Finance (SmoFs), and executing agencies; SmoFs are not adequately involved in project management activities in their respective States and do not perform adequate supervision and coordinating activities between ministries and the PIUs;</li> <li>(iii) inadequate involvement of the State Auditor General (SAG) in project audit and management; inadequate internal control systems (accounting and audit) at State level;</li> <li>(iv) weak project appraisal and project design;</li> <li>(v) lack of harmonization of Bank interventions and procedures with those of other donors;</li> <li>(vi) delays in fulfillment of Bank loan/grant conditions and general conditions, including the implementation of project audits and regular reporting;</li> <li>(vii) non-conformity by EAs/PIUs with Bank procurement procedures;</li> </ul>	<p><u>Generic Problems identified in the previous CPPR 1996:</u></p> <p>The CPPR 1996 had identified a number of generic implementation problems, including delays in fulfilling loan conditions prior to entry into force; delays in the recruitment of consultants and contractors; inadequacy of counterpart funds; non-adherence to disbursement procedures; non-compliance with Bank rules pertaining to timely submission of audit and quarterly progress reports; inadequate project preparation; weaknesses in project management; unfamiliarity with Bank Group rules, procedures and guidelines, mainly in view of high turnover of PIU staff; application of sanctions on disbursement, as a result of outstanding arrears to the Bank; weaknesses in the coordination of Bank Group operations in the country; weaknesses in planning the Bank's supervision and monitoring, i.e. inadequate duration and skill mix.</p> <p><u>Measures taken:</u></p> <p>In order to tackle these implementation problems, the Bank has taken several measures. The decision to reduce the number of projects - 16 in 1996 as opposed to 8 in 2005 - in recent years was based on the experience that large portfolios have proved difficult to manage, notably due to capacity constraints of executing agencies, thereby contributing to delayed project implementation. The Bank has also started to shift project implementation from State level executing agencies to the Federal level, in order to avoid a multitude of executing agencies per project, which has also adversely affected smooth project implementation. The reduction of the number of projects was also based on the conclusion that available funds should be allocated towards less projects with larger amounts, so as to ensure a greater developmental impact. Whereas these measures are expected to positively</p>	<p>One of the critical lessons learned is to accord greater importance to reviewing potential operations at entry point. In particular, there is a need to undertake thorough analysis of managerial and technical capabilities of the executing agency. Most of the operations in the ongoing portfolio have sustained serious delays in implementation due to weaknesses in managerial and technical capabilities. The need for strong managerial capability is of importance, particularly in the case of operations whose geographical boundaries cut across several States. Administrative capacity at the State level varies significantly with some States being less well endowed than others.</p> <p>An important lesson derived from the on-going portfolio, is the need for the Bank's future projects and programs to have an appropriate package of institutional support and technical assistance elements. These packages should be further supplemented with loan administration workshops, which are specifically designed to serve the particular shortcomings in Nigeria and implemented on a State-by-State basis. The Bank should give due consideration to the recommendations of the last loan administration workshop (14-25 June 2004) and the CPPR Workshop (8-9 December 2004) in Abuja, which underlines the need for continuous capacity building of project staff and sensitization of the political leadership.</p> <p>The role of NGCO is of critical importance in providing technical advice and guidance to executing agencies on the Bank's loan administration procedures, particularly procurement and disbursement procedures. NGCO's presence in Abuja has also been</p>

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<p>operations at risk as a percentage of total commitment of the on-going operations improved significantly, falling from 54% to 36%.</p> <p>Out of the 8 ongoing operations, 2 were ageing as at 31 December 2004, both in the public utilities sector: (i) the Ibadan Emergency Water Supply Project, approved on 23 December 1986; and (ii) the First Multi-State Water Supply Project, approved on 2 October 1992. The average age of these operations is about 15 years and 3 months, whereas the average age of the other six on-going operations is two years and two months.</p>	<p>delays in disbursements;</p> <p>(viii) prevalence of un-disbursed loan/grant balances upon project completion;</p> <p>(ix) difficulties in effective management of multi-state Bank projects, causing significant implementation delays, thus adversely effecting the projects' development effectiveness;</p> <p>(x) inadequate composition (skill-mix) and duration of Bank supervisions; and</p> <p>(xi) inadequate project monitoring/supervision by line ministries/EAs.</p>	<p>impact on the quality of the portfolio in the longer term, the CPPR 2005 found that some of the generic implementation problems identified during the CPPR 1996 persist, particularly relating to the long lapse between loan approval/signature and entry into effectiveness, untimely submission of progress and audit reports, inadequate availability of counterpart funds and ineffective communication channels between the Bank, the Federal Government, and State Governments.</p> <p>The CPPR 2004 also indicates that some of the generic implementation problems have become less frequent and acute than before: sanctions on disbursement for arrears on Bank loans have not recurred over the last few years, and there has been a marked improvement in the country's adherence to the Bank's disbursement and procurement procedures. The latter has mainly been due to the presence to the Bank's Country Office (NGCO) in Abuja, and partly due to the continuation of the Bank's workshops on loan administration. On the part of the Bank, there are certain instances where the Bank's reaction to disbursement and procurement matters has taken more than the two weeks period allowed. However, the temporary relocation of the Bank's headquarters from Abidjan to Tunis and frequent changes of the task managers in charge have contributed to delayed Bank response. Annex VIII of the CPPR 2005 provides an overview on the recommendations made by the CPPR 1996 and their status of accomplishment.</p>	<p>instrumental in building stronger coordination with the donor community, which in turn has helped to sharpen the Bank's position on Nigeria's policy and institutional reforms. The recent strengthening of NGCO by new staff (disbursement/procurement officer) will help the office to more effectively manage routine, administrative and technical issues on the spot. However, in order to further improve its capacity, NGCO should benefit from additional staff and equipment, notably IT.</p> <p>Another important lesson for the Bank's strategy of intervention and program design, is the need for the Bank to have more sector focus. This is recommended in view of the fact that the concessionary resources available for Nigeria are relatively limited, and the Government's prudent policy with regard to non-concessionary borrowing. Given that poverty reduction continues to be the major concern of the Government, future Bank interventions should concentrate on fewer sectors and limit the geographical coverage of a project to a smaller number of States in order to maximize its development impact and in order to facilitate effective management and timely implementation of projects. Prior to the application of this approach, a study in cooperation with other donors should assess the implementation experience of multi-state projects.</p>
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COUNTRY	GENERAL ASSESSMENT	SPECIFIC PROBLEMS IDENTIFIED DURING THE CPPR 2004	MEASURES TAKEN	LESSONS
ALGERIA	<p>The last portfolio review conducted in Algeria dates back to 2002. This portfolio review was finalised in September 2004. Its focus is on 6 ongoing operations. The 2.3 point rating that Algeria earned translates a satisfactory performance although there are some problems that need to be monitored. The 2002 performance review had also given an average of mark of 2.3. In fact, there is an improvement in the performance of projects that were in progress in 2002, but the latest ones have encountered difficulties.</p>	<p>Delays in payment and in the dispatch of disbursement vouchers were pointed out by the client. Moreover, they are not sent systematically to the Algerian Development Bank, even though it is responsible for monitoring most of the projects.</p> <p>For the new telecommunications sector project, the inexperience of the project managers, the fact that the Bank is not always available to respond to their demands and that there is only one telecommunications expert for all the Maghreb countries explains in part the delays encountered.</p> <p>From 2002 to 2003, communication was difficult, the reason being in particular delays in processing correspondence and postponed missions attendant on the Bank's relocation to Tunis. However, communication has improved significantly between the two parties and contacts between the experts are now frequent. The difficulties which persist concern mainly mission planning.</p> <p>The seminar of March 2002 venued in Algiers for IGF auditors and ADB project accounts officers on the "Bank's Guidelines for the Preparation of Financial Statements and Project Account Reviews" had a positive impact on the submission of audit reports. However, although the rate of submission of audit reports is good,</p>	<p>Special attention will be paid to the quality of documents and how frequent they are. It would be also desirable to give the Borrower access to the project-related transactions.</p> <p>Special training sessions on Bank procedures are necessary and warmly requested by both stakeholders (ARPT and Algérie Télécom). The Procurement Department is requested to train locally these executing agencies in Bank procedures.</p> <p>Communication was improved further through the Vice-President's visit to Algiers on 17 and 18 July 2004 and regular contacts should be kept. The opening of the country office will also contribute to strengthening communication. In addition, the organisation of a mission programme in collaboration with DGRFE has been recommended for greater mission efficiency.</p> <p>With regard to the quality of the audit reports, following the AUDT mission to Algeria in September 2004, it was agreed that specific training sessions will be conducted for the IGF but the dates are yet to be determined. To address the problem temporarily, the mission handed standard audit report to the IGF, so as to assist in the preparation of the reports. In addition, the IGF will be associated more closely with portfolio monitoring and management (participation in supervision and review missions).</p>	<p>Pursue and intensify efforts aimed at improving communication between the Bank, Minister of Finance, the Algerian Development Bank and the various executing agencies by (i) accelerating the establishment of the country office in Algiers, (ii) using the support of the Office of the Executive Director if necessary; and (iii) having prior discussions for the planning missions (at the DGRFE for the Algerian party and ONCB for the Bank); negotiations for the opening of the Office have been closed, the President has announced that he will go to Algiers for the signing. The Algerian Authorities are expected to propose a date.</p> <p>Plan a training session on the rules and procedures for the procurement of goods and works for the new agencies (ARPT et Algérie Télécom); more frequent supervision missions address in part this issue.</p> <p>Organise training sessions for employees of the IGF and prepare systematically, the terms of reference of each auditor's mission for Bank-financed projects and ensure IGF is the first addressee, carried out in November 2005.</p>

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		their quality is poor because they fail short of international formatting standards.		
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COUNTRY	GENERAL ASSESMENT	SPECIFIC PROBLEMS IDENTIFIED DURING THE CPPR 2005	MEASURES TAKEN	LESSONS
Egypt	<p>The last CPPR Report was finalized in June 2005. The detailed review of the 7 on-going operations revealed that overall performance in portfolio management is satisfactory. The Implementation Progress (IP) is 2.0 and the Development Objective (DO) is 2.1. The IP is the same as in the 2000 CPPR while the DO is 2.5 in 2000 indicating that in terms of DO, the portfolio has deteriorated. The difference in the DO ratings between the two reviews is that the 2000 CPPR found no projects at risk while two projects in the 2005 CPPR are considered as projects at risk. This portfolio review revealed that two of the seven projects representing about 29% of the current portfolio are projects at risk. These are the Women Economic Empowerment and Health Sector Reform projects. These two projects are unlikely to achieve their development objectives. However, this represents an improvement over the four projects at risk identified in the preliminary findings of the Bank-wide Annual Portfolio Performance Review (APPR) for 2004. The four problematic projects are the Institutional Support to the Ministry of International Cooperation, PBDAC, Social Fund II and Health Sector Reform. The reasons for this improvement</p>	<p>The CPPR 2005 revealed that the quality of the performance of the Bank's portfolio has been compromised by several implementation problems, including:</p> <p><b>Generic Problems:</b> The generic problems observed in the course of the portfolio review include delays in disbursements, reporting, procurement, billing and communication.</p> <p><b>Delays in disbursements:</b> Almost all the Executing Agencies expressed concern over the delay in the disbursement of funds by the Bank. However, it was noted that the delay in disbursement was also due to the Executing Agencies, who in some cases, submit incomplete documents or do not follow the right procedures.</p> <p><b>Reporting:</b> In many instances, disbursements were also delayed as a result of non compliance with reporting requirements. The Bank underscored the importance of submitting annual audit and quarterly reports as well as the need to adhere to the prescribed formats for preparing these reports.</p> <p><b>Procurement:</b> A similar concern was expressed by the Executing Agencies over the delay in procurement, which in turn impedes project implementation. This is, however, also sometimes due to the fact that PIUs do not submit complete supporting documents to</p>	<p><u>Generic Problems identified in the previous CPPR 2000:</u></p> <p>The CPPR 2000 has identified a number of generic implementation problems, including delays in fulfilling loan conditions, delays in appointment of project personnel to PIUs, delays and poor quality of reporting, problems relating to procurement and disbursement and the language barrier which is the result of the delays in translating documents from Arabic into English or French.</p> <p>The major cause of delay in loan effectiveness is the time it takes to obtain parliamentary ratification for a loan. Parliamentary ratification is the prerogative of the National Assembly and is beyond ministerial control</p> <p><u>Measures taken:</u></p> <p>Seminars and workshops have been held to acquaint project personnel with disbursement and procurement procedures.</p> <p>A translation unit has been established from the savings made under the Institutional Support project to facilitate the translation of documents from Arabic into English or French.</p> <p>On delays in declaring loans effective, the Bank has agreed with the government that for future projects, based on experience gained, implementation timetables will be prepared setting realistic targets for loan effectiveness.</p> <p>As part of its decentralization process, the Bank has established a Country Office in Egypt (EGCO) so as to bring it closer to its clients. This office is currently</p>	<p>During the review, the executing agencies expressed the need for technical assistance to enhance capacities in IT, business and human resource development, among others. The Bank may, therefore, wish to consider including TA as a component in future project interventions in Egypt.</p> <p>As an ADB country, the amount of Bank resources for concessional lending to Egypt is limited. The Bank should, therefore, explore opportunities for co-financing of projects, particularly with donors with softer terms. In this way, it will leverage its years of experience in financing projects in Egypt. A particular case in point is the proposed Social Fund III. The MIC Trust Fund will also enhance the ability of the Bank to provide some grant resources to Egypt.</p> <p>Discussions with executing agencies revealed that where the management of multi donor funded projects are concerned, reports (quarterly and audit) are prepared for several donors which is time consuming and often expensive. It is, therefore, important that the Bank simplifies and harmonizes its reporting requirements with other development partners in multi donor funded projects or programmes. Examples of multi donor funded projects include the Health Sector Reform Programme and the Social Fund II. The advantage of this is that it will save time and resources while simultaneously expediting the process of project implementation. It is worth noting, however, that for effective harmonization, the capacity of the Executing Agencies will need to be strengthened to meet this new demand.</p>

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	<p>have been discussed in Section 2.2 of the report.</p> <p>In terms of supervision, the CPPR revealed a supervision ratio of 1.25 which does not compare favourably with 2.0 of the previous portfolio review of 2000, and less than the benchmark of 1.5. In the current portfolio of seven projects, only NBE and EDBE recorded an average supervision rate of 2.5 per year. The supervision ratings of the other projects ranged from 0.5 to 1.0. There is thus a need to increase the frequency of supervision.</p> <p>The average life of ongoing projects is about 6 years. The oldest projects are El Beheira, Social Fund and WEEP (7 years 7 months each), followed by the Health Sector Reform Project (6 years 8 months), PBDAC (6 years 3 months) and NBE and EDBE (2 years 8 months each). The first six projects are, however, approaching the benchmark for aging projects indicating that further extensions of closing dates is not advisable.</p>	<p>facilitate the “no objection” of the Bank on procurement.</p> <p><b>Billing:</b> Executing agencies complained that the current bills do not reflect all the information required by them as it was the case in the past. The PIUs requested that the system be modified to capture all the information that was available in the past. For instance, essential information such as exchange rate and interest rates are missing in bills. In addition, the executing agencies requested the Bank to specify whether interest rate is fixed, floating or variable. The Ministry of International Cooperation requested the Bank to provide the applicable exchange rates and interest rates on a monthly basis.</p> <p><b>Communication:</b> The executing agencies also complained of delays in responses to communications by the Bank, especially those relating to procurement and disbursement issues.</p>	<p>being strengthened with the recruitment of procurement and disbursement assistants, private sector and infrastructure experts, a socio-economist, senior secretary and an IT specialist to enable EGCO to assist in improving portfolio performance. EGCO has been closely monitoring the reporting process and this has resulted in the submission of five audit reports in 2005. Similarly, there is a reduction in the number of projects at risk from 4 as revealed in the 2004 APPR to two as revealed in this report.</p> <p>It is envisaged that the portfolio will continue to improve as EGCO intensifies its supervision on the ground.</p>	<p>Given the frequent changes in project management team, there is need for the Bank to train a core group of trainers who will in turn train executing agencies in loan administration. This approach will also address the problems associated with the changes in project management as it will cater for the needs of both new and old project managers. It is, however, important for the government to avoid constant changes in project management teams to enable the training programme to add value to portfolio management.</p> <p>During the portfolio review, the size of sub projects for LoCs and commitment fees featured prominently in the discussions. The Executing Agencies called for upward revision in the ceilings on sub projects in the light of the devaluation of the Egyptian Pound and the need to revisit the issue of commitment fees as they increase the cost of borrowing and renders the Bank's loan products uncompetitive. In response to client's request, including Egypt, the issue of commitment fees has been addressed within the context of the MIC initiative. The issue of higher ceilings for sub-projects will be addressed in the context of the new LOCs.</p>
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COUNTRY	GENERAL ASSESMENT	SPECIFIC PROBLEMS IDENTIFIED DURING THE CPPR 2005	MEASURES TAKEN	LESSONS
TUNISIA	<p>The last portfolio review carried out in Tunisia dates back to 2002. This portfolio review was finalised in December 2005 and focuses on 17 ongoing operations. The 2.53 points awarded Tunisia translates a satisfactory performance. Compared to the 2002 performance review which had been rated 2.41 on average, there is a slight improvement attributable in particular to the implementation of the 2002 review recommendations.</p>	<p>With the Bank's temporary relocation to Tunis, MDCI's role of coordination and follow-up slackened somewhat. Indeed, this ministry is not systematically notified of the field missions and sometimes has to deal with many parties. If the Bank's project officers, in a concern for efficiency contact the project executing agencies directly they must still inform the ministry of all scheduled missions.</p> <p>For the PDAI, the "Organisation of the Rural Community" component, in particular encountered start-up difficulties due mainly to a problem of design. Actually, despite explicit references on the adoption of a participatory approach, the appraisal report and the implementation manual do not explain how such an approach should be put into practice on the ground. Yet, the Project Team needed methodological guidance and assistance at start-up to apply the participatory approach mentioned in the project documents.</p> <p>Due in part to the renewal of the teams and the arrival of new executing agencies not yet familiar with Bank procedures and the complexity of some projects, there were some mistakes in the application of Bank rules of procedure for disbursement and procurement.</p>	<p>Strengthen communication between this Directorate, the Bank and the executing agencies will make it possible to ensure a better visibility of Bank operations in Tunisia.</p> <p>Strengthen the supervision teams with consultants, depending on project components, in order to provide the project executing agencies with varied technical assistance during supervision, especially of complex and multi-component projects.</p> <p>Include in the Bank's new projects a component on the preparation of an administrative, accounting and financial procedures manual for the implementation of project activities considered complex.</p> <p>Organise workshops on procurement and disbursement procedures and on the Bank's financial products for project executing agencies and the central directorates of the ministries involved in the implementation of Bank-financed projects.</p>	<p>Although substantial progress has been made in the last two years, the Bank has not yet taken full advantage of its temporary relocation to Tunis. Indeed, continued implementation of the balance cancellation policy has enabled acceleration of ongoing projects and more frequent supervision missions.</p> <p>However, in the composition of these missions, account was not taken of the complexity of projects to supervise. Still, the Bank should seize the opportunity of these missions to provide technical assistance to executing agencies especially for complex or multi-component projects</p> <p>The renewal of the management teams for Bank-financed projects has contributed to a slow-down in the implementation of certain projects by the executing agencies. This situation could be addressed rapidly through training seminars for executing agencies on Bank rules and procedures.</p>

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COUNTRY	GENERAL ASSESMENT	SPECIFIC PROBLEMS IDENTIFIED DURING THE CPPR 2003	MEASURES TAKEN	LESSONS
Equatorial Guinea	<p>In 25 years of cooperation with the Republic of Equatorial Guinea, the Bank Group has financed twenty (20) operations, comprising eight (8) studies, eleven (11) projects and one (1) structural adjustment programme, for a total amount of UA 63.42 million. Financing from ADF resources amounts to UA 56.20 million, and ADB resources totalled UA 7.2 million. A sectoral breakdown shows the predominance of the agricultural sector with 41.08% of the total resources, followed by the social sector, which absorbed 21.62%. The transport sector and multi-sector received 17.76% and 14.52% of the total resources respectively. Lastly, the public utilities sector received 5.02% of the total commitments. The disbursement rate of net Bank commitments is 81%, and 40.6% for ongoing projects. It should be noted that three (3) operations were cancelled, and thirteen (13) have been completed. There are four (4) ongoing projects</p> <p>The overall evaluation of the portfolio, after totalling the performance ratings of ongoing projects, is not satisfactory, with an average rating of 1.4 (or 1.36). This rating, which is slightly above the ratings</p>	<p>The problems which continue to impede the normal implementation of Bank operations are mainly:</p> <ul style="list-style-type: none"> <li>(i) lack of familiarity with the Bank's rules of procedure;</li> <li>(ii) the high mobility of senior staff, in particular project managers;</li> <li>(iii) the poor performance of contractor enterprises and consultants;</li> <li>(iv) irregular submission of quarterly progress reports and audit reports;</li> <li>(v) poor keeping of detailed project accounts, and</li> <li>(vi) the problem of communication with the Bank, including the language problem.</li> </ul>	<p>In order to remedy the situation, the Bank and the Government have agreed on very important and promising measures. Firstly, at the request of the Government, it was agreed to strengthen the Bank Operations Monitoring Unit (CCSO), by providing it with qualified and appropriate staff that can ensure proper implementation of Bank-financed projects in Equatorial Guinea, as well as to transfer it to the Ministry of the Economy and Finance, which alone can authorize external disbursements. The CCSO staff will be reinforced by recruiting an international accountant and procuring a software to organize project accounting. The CCSO will help officials of the executing agencies of Bank-financed projects to comply with defined plans of action and implementation schedules, the provisions of loan agreements, and the general conditions and rules of procedure of the Bank, as well as to keep reliable accounts in line with international standards. Secondly, it was decided that the Bank's monitoring mechanism would be reinforced by ensuring greater involvement of the Bank's Regional Office in Libreville. The Office will strengthen project monitoring by increasing the number of supervision missions. All these measures should accelerate the implementation rate of Bank operations in Equatorial Guinea. The Bank will undertake an identification mission to increase its project pipeline.</p> <p>The main recommendations agreed on with the Government to improve the quality of the portfolio concern the following activities:</p> <ul style="list-style-type: none"> <li>(i) regular submission of project progress reports to the Bank on a quarterly basis;</li> <li>(ii) regular auditing of project accounts and submission of audit reports;</li> <li>(iii) enhancing the efficiency of the Bank</li> </ul>	<p>With regard to the lessons drawn, for the future, from the project implementation experience, emphasis should be laid on the strengthening of the country's institutional capacities and on ensuring a greater adhesion of the Government to the design of projects in order to avoid unilateral changes in the configuration of projects. The regulation of government procurements should be strengthened so as to avoid the lapses encountered in the awards. In addition, to enable reliable auditing of accounts, greater attention should be paid to the choice of accounts that will be selected on a competitive basis, with appropriate salaries from the project resources.</p> <p>The current classification of Equatorial Guinea in category C could lead to a greater risk for this country. Therefore, insofar as the country can no longer benefit from ADF funds and, to minimise the risks linked to the country's external debt, the Bank should play an advisory role to assist in improving the credit absorption rate, and thereby improve the positive impact of its operations on the country's economic growth and poverty reduction</p> <p>The action plan drawn up should help: (i) increase significantly the global disbursement ratio, and (ii) improve the physical implementation of the active portfolio. Detailed measures have been adopted to speed up the operations implementation rate. The unit in charge of Bank operations will rigorously monitor this action plan and inform the authorities and project officers in time of any slippages, so that corrective measures may be taken. In view of the difficulties of the portfolio, an annual review mission will be envisaged.</p>

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	<p>obtained in previous portfolio reviews (1.2 and 1.3), shows the alarming status of the Bank's portfolio in REG. To date, all the active projects can be considered as old, problem and high risk projects. In fact, out of the four ongoing projects, two projects are more than ten (10) years old, two others are nine (9) years old, and one five (5) years old respectively.</p>		<p>(iv) Operations Monitoring Unit; and providing new projects with accounting services that possess the required skills, as well as appropriate remuneration for the accountants of the said projects. The Bank, for its part, should contribute to strengthening the institutional capacities of the country by:</p> <p>(v) organizing training seminars on the Bank's rules of procedure for the procurement of goods, services and works, as well as loan disbursements for employees of the administration and officials of the executing agencies of Bank projects;</p> <p>(vi) complying with the statutory duration of at least ten working days for supervision missions;</p> <p>(vii) systematically undertaking project launching missions, and</p> <p>(viii) strictly applying the Bank's rules of procedure for project monitoring and cancellation.</p>	
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COUNTRY	GENERAL ASSESSMENT	SPECIFIC PROBLEMS IDENTIFIED DURING THE CPPR 2005	MEASURES TAKEN	LESSONS
ZAMBIA	<p>The last CPPR Report was finalised in November 2005 that reviewed the performance of the 9 ongoing public sector projects. The review reflected a general satisfactory overall portfolio performance with a rating of 2.17. The average age of the portfolio was 4.8 years, compared with the Bank wide of 4.2 years, while the average duration between loan approval and effectiveness was 16 months. The implementation progress rating in all sectors was 2.1. Although the implementation of the projects in social sectors, water and sanitation and multisector was satisfactory at the time of the review, the historic implementation progress of the whole portfolio has been slow. The impact on development rating was 2.06, with a high satisfactory rating of 3.0 in Social sectors. The Bank Group supervision missions were mixed in terms of frequency across sectors.</p> <p>Only one project was problematic, namely, the Small Scale Irrigation Project, while four projects were potentially problematic projects, namely, the Agricultural Sector Investment Programme, Victoria Fall – Katima Mulilo Interconnection project and the</p>	<p>The 2005 CPPR identified the following generic constraints affecting project implementation:</p> <ul style="list-style-type: none"> <li>(i) Delays in fulfilment of conditions precedent to grant and loan effectiveness or disbursements</li> <li>(ii) Absence of a comprehensive national monitoring and evaluation framework for ongoing projects within Government</li> <li>(iii) Inadequate counterpart funding from the Government</li> <li>(iv) Lengthy procedures for processing contract award, and</li> <li>(v) Non compliance with Bank procurement and disbursement procedures.</li> </ul>	<p><u>Generic Problems identified in the previous 1998 CPPR:</u></p> <p>The main generic common problems that were identified in the 1998 CPPR have not changed significantly from the ones identified in the 2005 CPPR, but, what has changed is the magnitude of the problems and the frequency of occurrence across sectors. They include delays in fulfilment of conditions precedent to grant and loan effectiveness, inadequate availability of counterpart funding, lengthy procedures for processing award of contracts, non adherence to Bank procurement disbursement procedures.</p> <p><u>Measures taken:</u></p> <p>As part of efforts to improve portfolio management, a Bank audit mission to Zambia in March 2004 was followed up by the national project implementation workshop in February 2005. The workshop familiarised implementing agencies and other stakeholders on Bank policies and procedures project implementation, procurement and disbursement procedures, accounting and auditing. 40 key project staff from the nine ongoing projects participated in the workshop.</p> <p>Overall coordination of the Bank portfolio has also improved, largely due to the establishment of a separate Unit under the Ministry of Finance and National Planning, specifically focusing on coordination and management of the Bank portfolio.</p> <p>The Bank also periodically approved the engagement of consultants to augment the capacity problems at the Office of the Auditor General, which resulted in the Government being able to submit regular audits and progress reports in all but one project.</p>	<p>The lessons learnt from the portfolio review addresses issues of portfolio management and future Bank interventions in Zambia.</p> <p>The successful use of Ministry of Education structures in management of the Education III project imply that the Bank should move towards integrating the existing stand alone PIUs into the respective line Ministries. This is also consistent with harmonisation initiatives currently taking place in Zambia.</p> <p>Regarding the delays in fulfilment of conditions precedent to grant and loan effectiveness or disbursements, periodic training workshops are required to constantly familiarise PIUs with Bank rules and procedures, given staff turnover and movement within Government. Coupled with this is the need to reduce the number of conditionalities precedent to loan effectiveness or disbursements</p> <p>The frequency of periodic supervision missions from head office that have characterised the Bank's management of the portfolio, while still relevant, would be diminished as the Bank opens the Country Office in 2006.</p> <p>The problem of counterpart funding, requires a common approach among development partners. The Bank should take the opportunity provided by the Medium Term Expenditure Framework that is becoming increasingly used as the main planning and budgeting tool to project commitments, to ensure that its project coordinators consistently integrate the counterpart funds for its projects in the</p>

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	<p>two Health projects.</p> <p>In comparison with the previous portfolio review undertaken in 1998, the portfolio then consisted of 14 ongoing public sector operations valued UA 185.43 million. It has since declined in both number of operations and value to 9 and UA 109.15 million respectively. There has been no shift in either lending instruments or the structure of project management (predominantly PIU) since the last review. The general performance was satisfactory with no problematic projects identified then. The average duration of loan effectiveness then was 19 months, which has gone down slightly to about 16 months in the present portfolio. The cumulative disbursement rate has also improved from 77.% in the last review to 83% in the 2005 CPPR. The overall performance rating has also improved from 1.98 in the last review to 2.17 in the present portfolio</p>			<p>framework. It also requires the Bank to move towards convergence of intervention instrument with other development partners by increasing use of SWAPs and the Budget Support, to avoid being crowded out in attempts to access limited Government contribution</p> <p>The lengthy procedures for processing contract award does not require improvement of the structure of delivery system for Bank Group funded projects, but an overhaul of the whole Government procurement system</p> <p>Although overall coordination of the Bank portfolio has improved, largely due to the establishment of a separate unit under the Ministry of Finance and National Planning, specifically focusing on coordination and management of the Bank portfolio, there is a need to establish a comprehensive national monitoring and evaluation framework for ongoing projects</p> <p>The average age of the portfolio is 4.8 years, compared with the Bank wide average of 4.2 years. More projects could age in the medium term if both the Bank Group and the Government do not enforce remedial measures and strong supervision.</p>
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