4. MONITORING AND EVALUATION

4.1 INTRODUCTION

4.1.1 OM 600 addresses the need for a sound system of financial monitoring and evaluation of a project and its EA to assist the Borrower in managing the implementation of the project and its continuing financial well being and the Bank’s Task Manager in monitoring the progress of project implementation and operation.

4.1.2 At the design and appraisal stage of a project, financial analysis is used to anticipate the impact of the project on the financial operations of the EA during the project’s implementation and operation. Throughout the actual implementation and commissioning, it is used to monitor, by use of financial indicators, the EA’s operational performance in delivering the intended outputs or benefits, according to design estimates. Monitoring should examine; (i) the implementation of the project and the ongoing operations of the EA during project implementation (where EA operations are present); and (ii) the combined performance of ongoing operations and the new project following commissioning throughout the life of the Bank loan.

4.1.3 Following this introduction, this part of these Guidelines is organized in two sections:

- **4.2 Objective of Performance Monitoring:** This section views monitoring and evaluation as a process by which the Bank reviews the activities of the Executing Agencies and projects/programmes in relation to the stated goals of the Bank’s intervention that are derived from RMC’s national development strategies.

- **4.3 Performance Indicators:** This section provides advice and guidance on the identification of performance indicators that are likely to advance and secure efficient and effective financial viability and financial integrity of EAs and projects/programmes.

4.2 OBJECTIVE OF PERFORMANCE MONITORING

4.2.1 The objective in using performance monitoring techniques as a key element in the management of projects is to:

- Provide the management of the EA, the borrower and the Bank with an effective means of measuring the progress of a project, of its components, and the adequacy and timeliness of the provision and use of funds;

- Regularly assess the achievement of or the potential for achieving the technical, financial, and economic goals of the project;

- Determine the form and nature of corrective actions necessary to achieve goals monitored by performance indicators, and

- Assist in defining new or modified performance measures that may be more effective, and to replace any that may be ineffective.
Compliance with National Development Strategies

4.2.2 Monitoring and evaluation is the process by which the Bank reviews the activities of the EA and the project in relation to the stated goals of the Bank’s intervention. The Bank bases its intervention on the RMC’s national development strategy including its poverty reduction strategy. Since each project is selected on the basis of its ability to contribute to achieving the national development strategy any program of monitoring and evaluation of the project needs to ensure that it includes the project’s contribution to achieving the national development strategy. This involves the systemic collection of data on indicators specified in the Bank’s Results-based Country Strategy Paper (RSCSP) to provide management and the main stakeholders of an ongoing development initiative with feedback on the extent of progress, the achievement of objectives and effectiveness in the use of allocated resources. The financial analyst, therefore, needs to coordinate with other members of the project team in designing the monitoring program for the project. Evaluation involves a systemic and objective assessment of an ongoing program or policy, its design, implementation and results.

4.2.3 The project may have been designed to contribute to a national poverty reduction strategy in a number of different ways. For example a project may have been designed to expand power generating capacity and to extend power supply to rural areas inhabited by poor farmers or to support a private sector company building a new factory resulting in both job creation and technology transfer to the RMC. The project’s progress towards achieving its objectives, therefore, needs to be monitored and evaluated.

4.2.4 Equally important is the financial impact on the EA of the government policy decision to have the EA participate in implementing activities that support national poverty reduction goals. For example, rural electrification projects generally involve high capital costs and relatively low revenue per connection. The financial analyst needs to be aware of the manner in which the EA will be compensated. This may involve a direct subsidy of the capital cost of the project possibly on a percentage of the total project cost basis or possibly on a per connection basis. Such a subsidy should have been included in the FIRR calculation to determine whether the project was financially viable. Receipts by the EA, of the agreed compensation, need to be reported and monitored against set targets. Promised but unpaid subsidies can become problematic during project implementation.

4.2.5 In view of the Bank’s participation in and agreement to harmonize its monitoring, evaluation and covenants with other donors there needs to be an understanding between the EA and all donors to the sector concerned regarding content and distribution of monitoring and evaluation reports. This also means that financial analysts should discuss with the EA monitoring systems and reports that reflect the government’s development strategy and that meet the needs of all donors to the sector and/or the EA rather than that only respond to Bank’s requirements.

4.2.6 Monitoring and evaluation is a process that should be owned by the EA and not by the Bank or other donors. Where the financial analyst determines that the EA’s information systems are not capable of producing the necessary information to properly assist EA
management monitor its achievement of policy or operational goals, the necessary system capacity development initiatives should be incorporated in the project cost estimates. At all times financial analysts should avoid creating unnecessary financial information demands on EAs.

4.2.7 In regards to this determination, financial analysts need to be aware that management of aid funds diverts capacity away from managing the national systems. This is compounded when different donors have different requirements. Capacity development initiatives should support a comprehensive and sustainable capacity-building program that is driven by government. To this end, OECD-DAC has published a paper that describes good practices donors can apply to support capacity development in the area of public financial management (see Knowledge Management, section 7.7). Financial analysts are required to review assessments on Public Financial Management\(^1\) by donors and governments and related actions plans to ensure that the Bank’s capacity building recommendations are consistent with national plans. In particular, this is important for projects or programs that supporting sectoral developmental goals.

**Policy Decisions**

4.2.8 Project implementation goals usually revolve around completing the project on time and within budget. Clear reporting and monitoring of the costs incurred and the progress made should be achieved through the Bank’s normal requirement for quarterly reporting. This should include information on expenditures to date, bid documents issued and contracts entered into, and physical progress. Other financial goals may include ensuring that the EA is able to achieve the development goals set for it and to provide its intended level of service to the public within the cost estimates agreed upon.

4.2.9 The results of policy decisions need to be monitored. As mentioned earlier subsidies of capital costs of projects may be necessary to relieve the EA of the cost of a social program. Equally important in this case would be monitoring of the rural connections, for example for electricity, to determine whether they provide expected revenue. To this regards, the financial analyst will need be aware of whether the government’s policy is to seek cross subsidy of connection costs through the tariff structure of the utility or to pay some or all of the cost of supplying the rural consumers from the national budget. Continued government commitment to deliver on its policy is important to the long-term survival of the EA and its ability to generate adequate funds to either properly maintain the existing facilities or to contribute to the continuing expansion of the utility.

**Project Assumptions**

4.2.10 The assumptions made during project preparation become an essential part of project monitoring. To this end, EA, as part of the project financial reporting requirements,

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\(^1\) Important PFM assessment reports include: the ‘Public Expenditure and Financial Accountability Review (PEFAR)’ and the ‘PFM Performance Report (PFM-PR)’ within the ‘Public Expenditure and Financial Accountability (PEFA) PFM Performance Measurement Framework’ (Knowledge Management, sections 7.10 and 7.11, respectively).
should provide an annual review of critical assumptions used, for example, inflation rate, forecast costs of principal imports-like petroleum products, cement, etc. This would enable the financial analyst to maintain a continued review of the factors on which the financial projections were based, and to be aware of any early warning signals of potential deviations from the forecasts. Management of an efficient EA should be continuously monitoring actual costs and prices as well as physical inputs and outputs and comparing them to the forecasts and should regard the annual review of assumptions by the financial analyst as a support exercise. In the event that the borrower or EA does send to the Bank the necessary data for updating the assumptions, the financial analyst, during project supervision missions, is responsible for obtaining the requisite data and preparing an annual revision to the assumptions.

Operational Goals

Non-revenue-earning Projects

4.2.11 There are good reasons for applying performance indicators to the operations of a non-revenue earning project particularly to measure the efficiency of its use of a project’s resources, including human resources. Indicators for non-revenue-earning projects are more difficult to establish. Usually non-financial information needs to be incorporated to indicate performance. Indicators such as “mortality per million of population under age 45” or “percentage reduction in traffic accidents in urban areas”, are examples that might apply to a rural health project and a road improvement project, respectively.

Revenue-earning Projects

4.2.12 The Bank encourages the application of financial performance monitoring techniques to revenue-earning EAs that implement and operate projects financed using Bank loans, and which typically apply these factors in the designs of their primary cost recovery mechanisms.

4.2.13 In some cases, revenue-earning EAs have benchmarks set for them by governing, regulatory, and advisory bodies. While regulators of utilities for some countries have tried to set national indicators, they have rarely proved to be practical and in some developed countries, government regulators for telecommunications, water, electricity and gas have chosen to determine benchmarks for individual companies or regional groupings of companies. Where regulators have set performance indicators or conversely laws or rules limiting revenue generation the financial analyst should assist the mission in forming an opinion regarding the degree to which the law or rule is consistent with current national development strategy goals and the Bank’s or other interested donors’ policies.

4.2.14 Each sector contains sub-sectors which may not be mutually compatible, either in their fiscal and social objectives, or in detailed aspects of their accounting treatment and financial reporting. Projects in the same sector may have substantially different financial issues that affect the design of an effective monitoring and evaluation program. Financial analysts need to ensure that the monitoring and evaluation program utilized by the EA or...
required by the Bank responds to the specific issues and policy objectives established by the government. Examples from different sectors that explain financial performance measurement techniques are provided below.
4.3 PERFORMANCE INDICATORS

Introduction

4.3.1 Financial Analysts in the private sector have developed various performance measuring techniques to enable management and other stakeholders understand the performance of the enterprises. The use of these techniques is appropriate for public sector enterprises bearing in mind the varying objectives and ownership considerations. The use of ratios and other performance indicators are an effective means of measuring performance, particularly when used to compare time-bound performance goals. An inherent danger in the use of performance ratios and indicators lies in the brevity of the descriptions used, and sometimes of the quality or accuracy of the data used.

4.3.2 Performance indicators are intended to convey information quickly and succinctly, but users may be misinformed unless they are provided with a clear understanding of the technical components of the indicator and the bases of the data used to compile the indicators as well as the nature of any changes that may occur in the data to cause sudden fluctuations. As an example, the term “debt” can mean all debt both long and short term, or only long-term debt; or it can mean the local currency equivalent of foreign debt converted at either historical or current exchange rates. Performance indicators should be displayed on a financial report or in related tables in such a manner that readers can quickly appreciate the significance of the information and are left in no doubt as to the basis of the information used to generate a ratio or an indicator. This means that financial analysts must include in their documents, particularly the financial projections, the assumptions used in compiling financial ratios and indicators.

4.3.3 Financial analysts should encourage EAs to recognize that it is very useful for their management, the borrower and the Bank to develop a set of performance indicators to monitor the performance of the EA and where applicable of the project. Their regular review by EA management, the borrower and the Bank may provide critical information on an entity’s operational progress and financial performance. The most informative of the performance indicators should be used in periodic and annual reports.

Time Frame

4.3.4 Achieving financial viability of project may extend beyond the period of project implementation. Meaningful performance and financial forecasting over extended periods of time is not reliable. Projected financial performance information can only be indicative, rather than precise because of many factors. The designed project content and performance may change. Equally, the prevailing financial and economic conditions in which the project is to be implemented and operated may change. Recognition of the inherent risk means that the Bank and the borrower’s agreed definition of the type of performance indicators and any related financial covenants with their specific measurement criteria at loan negotiations must change as physical, financial and economic conditions change in the future.
Checklist For Selecting Indicators and Covenants

4.3.5 The following checklist should be consulted when selecting performance indicators and covenants:

- What is the basis for the available financial management and financial analysis data?
- Is it transparent, accurate, reliable, and the subject of an auditor’s report and opinion, or prepared by a consultant with a reliable financial management track record?
- What are the current, or in the case of a “greenfield project”, the most likely, financial performance weaknesses that should be given priority for correction (or prevention)?
- What changes are necessary to ensure an adequate capital structure (debt/ equity including reserves) for the EA?
- How can they be affected?
- Which indicators and covenants could be the most appropriate to achieve correction?
- Do the levels of revenue generation and collection need upgrading, prioritise the steps to achieve: (i) short-term improvements; and (ii) long-term improvements?
- Which performance indicators should be included in periodic performance reports (i.e., not subject to covenants)?
- Will the Bank’s sector operational experts or consultants confirm that each level of operating costs are, or will be, operating at optimum efficiency and effectiveness?
- What should be the time scale to achieve correction?
- Which indicators and covenants could be the most appropriate to achieve correction (or prevention)?
- For ongoing operations of an EA, what are the deficiencies in cash management performance for at least the past two years (using audited annual financial statements)?
- How should they be corrected?
- Which indicators and covenants could be the most appropriate to achieve correction?
- If not, what performance levels are they proposing, and which financial performance indicators should be used to support their proposed operational performance upgrading?
- Does (or will) the EA have a financial management system from the date of project start-up capable of accurately reporting the financial performance data required in a timely manner?
- Does the EA have a track record of submitting interim financial reports and audited annual financial statements?
- Should this track record be improved? If so, how?
- Does (or will) the EA have a management system capable of developing and efficiently responding to the results of each proposed financial indicator and financial covenant?
- Does the EA have qualified and experienced personnel who can interpret and monitor performance against the indicators or covenants?

Selecting Performance Indicators

4.3.6 Performance indicators are usually characterized by ratios expressed as relationships (e.g., percentages; relating absolute numbers) between two items of information (e.g., debt- equity). The Bank, focuses its monitoring of an EA’s performance on indicators
drawn from the three categories, namely: operating indicators; capital adequacy indicators; and liquidity indicators.

4.3.7 Where the Bank is processing a project with an EA for which another donor may have either established performance indicators, or may be seeking to do so, the financial analyst, in the interest of advancing the harmonization agenda should agree with the other donor and the EA on the most appropriate indicators to apply. Leadership for this harmonization effort, as well as in linking the indicators to financial goals and objectives of the EA, however, remains the responsibility of the EA’s management.

4.3.8 Among other things, the Paris Declaration emphasised the reliance on borrower systems and a manageable set of indicators derived from the national development strategy. However, it does not expect all donors to use identical sets of indicators but strongly encourages a focus on macro-level development strategy issues rather than micro-level EA issues. The Paris declaration does not preclude agreeing with an EA a program of monitoring and evaluation which will assist the EA in achieving its goals, but the focus is moving away from establishing a set of indicators that responds primarily to the donor’s individual concerns.

4.3.9 The financial performance of an EA should normally be monitored by the use of several indicators. However, the Bank seeks to agree with a borrower on the covenanted use of one or more key indicators. In addition, the borrower/EA should be asked to agree to the use of non-covenanted indicators in periodic financial reporting. This means that if only one indicator from the three categories identified above would be the subject of a loan covenant, the remaining indicators should be the subject of periodic reporting.

4.3.10 Additional indicators should be developed whenever necessary to measure specific performance. To this regards, the financial analyst should:
- Identify all factors that could prevent, or limit the effectiveness of financial sustainability of the project. Use identified factors to determine the most efficient financial and non-financial performance indicators that would reflect increases in exposure to financial failure.
- Recommend financial performance indicators that would give early warning of actual or approaching financial management failures by selecting at least one financial performance indicator from each of the revenue, capital adequacy and liquidity financial indicators referred plus any necessary additional financial performance indicators.
- Establish recommended dates of performance achievement and review where the EA will be required to adjust financial performance during project implementation and operation.
- Recommend those financial performance loan covenants that should cause the borrower and the EA to take action to limit or remove the exposures.
- Insist that all forms of financial management weaknesses be either eliminated or that the financial commitments of the proposed project be scaled down to levels that the EA would be able to sustain beyond project implementation.
- Develop a rationale for the use of each indicator selected.

4.3.11 Recommending a specific monitoring indicator and/or a financial covenant for use in each sector or sub-sector is not feasible due to the wide range of sectors, sub-sectors and country conditions. The section that follow only provides advice and guidance on the identification of performance indicators that are likely to advance and secure efficient and effective financial viability and financial integrity for an EAs that seek funding for
revenue-earning projects. The section, however, does not apply to Financial Intermediaries (FIs), a topic covered in chapter 6 of these Guidelines.

Operating Indicators

4.3.12 The Bank recommends to borrowers that they establish a policy of requiring their public sector revenue-earning enterprises to meet a “reasonable portion” of their investment requirements from internally generated funds, after providing for costs of operation and maintenance, taxes, incremental working capital, debt service and any dividend requirements. The generation of this “reasonable proportion” is heavily dependant on the relationship between operating costs and operating revenues. The smaller the share of revenues consumed by operating expenses, the larger the amount available for meeting taxes, incremental working capital, debt service and any dividend requirements with the residual to provide the “reasonable portion” of investment requirements.

4.3.13 Using the reasonableness of the contribution of investment requirements will be subject to the “lumpiness” of the investment program. In many developing countries there is a continuing need to expand public utilities to meet expanding demand and therefore there is usually a continuously high investment requirement. In a more mature utility annual investment may vary considerably in which case an indicator based on the return on investment generated by operating income may be a more appropriate indicator of the appropriateness of revenue generation and cost control.

4.3.14 It is critical that there should be an effective indicator of performance for the level of operating revenues consumed by operating costs. This indicator is the Operating Ratio; an alternative indicator which should only be used to monitor stability of a financially troubled EA is the breakeven ratio. In addition to seeking an overall reduction in costs, it may be necessary to monitor one or more categories of costs to seek specific reductions. Levels of salaries and wages frequently require specific indicators. There can be other costs, such as fuel, transportation, management and administration, etc., that should be the focus of the EA’s attention through the use of indicators.

4.3.15 Where there is a need for an EA to improve its revenue generation, either in parallel with operating cost improvements, or with respect to improving operating revenues only, the EA should still use the Operating Ratio together with appropriately designed revenue indicators. Revenue indicators should be used to show the performance of each revenue category (e.g. domestic, commercial, industrial, etc. or passenger traffic, freight traffic, etc.). Such indicators include “Percentage Growth in Revenues” and “Gross Profit Margin” together with billing performances (number of consumers billed by billing periods or annually).

4.3.16 Where an EA wished to monitor the level of operating revenues in real terms over a defined period, the indicator may break down revenue on the basis of a price/volume variance. Similarly, a specific or unique indicator may be needed when the determination of and payment of government subsidies are critical to achieving the EA’s contribution to the National Development Strategy.

4.3.17 With regards to the calculation of Rate of Return, this indicator should be based upon the value of assets at depreciated historical cost, unless the economy is hyperinflationary. This issue brings forward the question of what the Bank policy is regarding asset revaluations. The MDBs have, in the past, accepted the use of both historical cost
accounting, and modified historical cost accounting (where assets are revalued on a regular basis). Both these accounting methods are consistent with International Accounting Standards. The MDBs will seek to agree a consistent policy position on the revaluation of assets, or otherwise, as part of the harmonization exercise. In the meantime, and in keeping with general Bank practice, asset revaluations should be undertaken where that is the standard practice of the particular country. However, if asset revaluations are undertaken:

- The whole class of assets should be revalued at the same time (e.g., land);
- A robust methodology should be applied that accords with generally acceptable practices (e.g., as applied by the International Valuers’ Association) – the use of price indices and other less robust revaluation methods should not be used; and
- The assets must be revalued on a regular basis (e.g., every three years).

4.3.18 Examples of the commonly used ratios and the applicability of the following performance indicators is provided in section 7.20 of the Knowledge Management Chapter of these Guidelines: Operating Indicators - Operating Ratio; Break-Even Ratio; The Self-Financing Ratio (SFR); and Rate of Return (ROR).

**Capital Adequacy Indicators**

4.3.19 Public sector and private enterprises need an appropriately balanced and adequate capital structure, even though for the former, the objective of return on capital may be tempered by socioeconomic policy considerations. It would be possible to provide all the capital of revenue-earning public sector enterprises as equity and thus avoid all borrowing risks. This is generally considered undesirable because the additional equity thus provided represents capital the government may have used to fund other high priority projects. Borrowing from others increases the total capital devoted to implementing the government’s National Development Strategy. In addition, borrowing by a public sector enterprise imposes on the enterprise the financial discipline associated with the obligation to service debt. It is also an oversimplification to view the equity capital in a public sector enterprise as having no recognizable financial cost because the funds used have an opportunity cost regardless of where they are invested. Also the cost of capital is a legitimate cost that should be covered by tariffs, regardless of whether there is debt in the structure of the enterprise. Moreover, in a public sector enterprise, earnings must be in excess of debt service obligations (and/or dividend payments on equity) to provide a safety margin, and to provide additional funds for investment.

4.3.20 The public sector enterprise can use internally generated funds for its investment requirements or to pay dividends that the government can apply for other developmental or fiscal needs. Capital structure indicators serve to indicate an assurance (or otherwise) of the continued solvency and financial viability of revenue-earning enterprises by imposing prudent limits on their long-term borrowing. However, these indicators are not designed as revenue-generating indicators and thus cannot be used as operating indicators. Limits on the liability of public sector enterprises to contract additional debt also prevent the use of borrowings to pay for excessive expenses thus postponing cost reductions or an increase in charges/tariff to maintain earnings at an adequate level.

**Capital Structure and Risk Management**

4.3.21 Business risk refers to the inherent uncertainties, or variability of expected returns, related to the nature and type of business activity of a particular enterprise. The financial
risk is the additional risk inherent in the obligations associated with borrowings (interest and debt repayment) which must be met irrespective of the results of operations. Equity investors because they are subject to the prior claims of lenders and have no fixed promises of returns, will usually expect a higher return on their capital than lenders. Like lenders, equity investors will accept lower or higher returns when they judge the risks to be low or high. They will consider their risk to be lower when equity is high in relation to debt, and vice versa.

4.3.22 A well-managed entity with a low business risk will have a fairly dependable cash flow and can assume higher financial risks in the form of a large proportion of debt to equity in its capital structure. This would apply, for example, to a public utility with a relatively steady and increasing demand for its services, little competition from other sources of supply, and fairly dependable production facilities. On the other hand, an entity which may be subject to wide variations in demand and prices, such as a steel company or a coffee estate, is likely to have substantial swings in its cash flow from year to year. It should therefore have a relatively conservative financial structure with low fixed financial obligations.

4.3.23 Thus, when an enterprise is being established, or is raising funds for expansion, the capital invested ideally should be structured to balance the lower financial costs of loan funds against the higher costs of equity capital and provide for long-term financial stability at minimum cost. Differences in the capital structure of enterprises in the same industry or in industries with similar business risks may reflect varying management judgments on the trade-off between security and risk, or an unwillingness to adequately fund replacements or expansion, all subject to limitations imposed by protective covenants agreed with lenders.

Foreign Exchange Risk

4.3.24 The foreign exchange risk is an extension of the financial risk when the obligations associated with borrowings (interest and debt repayment) that must be met irrespective of the results of operations are expressed in a currency other than the local currency. Foreign exchange risk is realized when the local currency declines in value against the foreign currencies in which the obligations must be paid, resulting in the cost (or value) of the obligation being increased in local currency terms by reason of the additional local currency required to purchase the requisite amount of foreign exchange to meet the obligation. If the local currency increases in value against the foreign currency obligation, the borrower requires less local currency to purchase the foreign exchange needed to meet the obligation and a foreign exchange gain occurs.

Inflation and Capital Structure

4.3.25 The risk of inflation is another factor that affects the cost of capital and decisions on capital structure. Although inflation may lower the burden on servicing outstanding debt at fixed terms, it may increase the financial risk associated with loan capital, since the earnings of an enterprise may not keep pace with inflation. The interest payable on long-term loans at fixed terms may include a substantial inflation premium over the returns lenders would otherwise accept for the business and financial risks they are assuming. Alternatively, long-term loans may be available only if loan amounts and repayments are indexed for changes in the value of money, or if the interest rate varies with the current cost of borrowings.
4.3.26 The impact of inflation on financial risk is greatest when only short- or medium-term funds are available, and the enterprise is exposed to the risk of being unable to refinance at maturity or of having to pay higher interest rates for renewal. The risks associated with borrowings under inflationary conditions, therefore, must be carefully appraised in determining a prudent capital structure. Inflation also increases the working capital requirement of enterprises. The negative effects of inflation often outweigh the positive effects of lower debt service, and after a few years, the impact may be one of under-capitalization.

4.3.27 Examples of the commonly used ratios and the applicability of the following performance indicators is provided in section 7.20 of the Knowledge Management Chapter of these Guidelines: Capital Adequacy Indicators - Debt Service Coverage; and Debt-Equity Ratio.

**Liquidity Indicators**

4.3.28 Liquidity indicators are intended to measure the adequacy of an enterprise’s working capital, i.e., an excess of current assets over current liabilities, to meet its current obligations in a timely manner and conduct its operations effectively without financial constraints. These indicators are generally used only when working capital requirements are significant, as in the case of most industrial and agro-industrial projects. However, the inability of many EAs to collect and manage their cash resources has brought these indicators into increased attention and popularity.

4.3.29 While these indicators were not normally used for projects where working capital needs were considered to be relatively small, they are increasing being deployed. The Current Ratio and Quick Ratio define a specified minimum liquidity ratio and corrective actions will be necessary when the actual ratio falls below the prescribed level. The Quick ratio (or acid test) is the preferred indicator because it ignores inventories that are frequently not readily realizable in public utilities (e.g., uninstalled large water main pipes or electrical transformers that are stored for emergency use).

4.3.30 Examples of the commonly used ratios and the applicability of the following performance indicators is provided in section 7.20 of the Knowledge Management Chapter of these Guidelines: Liquidity Indicators - Current Ratio; and Quick Ratio.