Cofinancing between the Netherlands and the World Bank, 1975–1996

Policy and Operations Evaluation Department, Ministry of Foreign Affairs

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Preface

This report presents the findings of the evaluation of cofinancing between the Netherlands and the World Bank between 1975 and 1996. During that period over Dfl. 4.2 billion was disbursed as programme and project aid in nearly 60 developing countries, and also for regional and global development-related activities.

The evaluation pursued two main objectives. It sought, firstly, to evaluate the policy relevance and compatibility, effectiveness and efficiency of cofinanced activities, and also the sustainability of results; secondly, to evaluate the use of cofinancing as an aid instrument and to answer the question: what was gained by cofinancing with the World Bank?

The report comprises two volumes. This volume (Volume II) contains the main report. Volume I consists of Main Findings & Recommendations, and a Summary of the Main Report.

IOB is an independent unit within the Ministry of Foreign Affairs, responsible for evaluating the Ministry's policies and operations. A more detailed description of IOB is presented in Annex 1. The evaluation was directed and coordinated by Fred van der Kraaij (IOB) and Lucien Bäck (independent consultant), whilst advisory groups of external and internal experts in the Netherlands, Ghana, Pakistan and Uganda advised on methodology and commented on draft reports. World Bank staff in Washington DC were also consulted on various occasions and briefed on the progress of the research. The Main Findings were discussed at the World Bank in December 1998.

Although many individuals have contributed to the evaluation study, IOB bears sole responsibility for the contents of the report.

Director, Policy and Operations Evaluation Department,
Ministry of Foreign Affairs

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PART VI COFINANCING AS AN AID INSTRUMENT

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Abbreviations

ADB	Asian Development Bank
ADF	African Development Fund
AfDB	African Development Bank
AFRC	Armed Forces Revolutionary Council (Ghana)
AgSAP	Agricultural Structural Adjustment Programme
AIDS	Acquired Immunity Deficiency Syndrome
ARDC	Agricultural Refinance and Development Corporation (India)
ARPP	Annual Reviews of Portfolio Performance (WB)
ASTAE	Asia Alternative Energy Unit (WB)
BCIAP	Baluchistan Community Irrigation and Agricultural Project (Pakistan)
Bemo	Beoordelingsmemorandum (NL appraisal document)
BMIADP	Baluchistan Minor Irrigation and Agricultural Development Project (Pakistan)
BMZ	German Ministry of Economic Cooperation and Development
BOP	Balance of Payments
BOU	Bank of Uganda
BWDB	Bangladesh Water Development Board
BWI	Bretton Woods Institutions
CAP	Community Action Programme (Uganda)
CAPOC	Cofinancing & Project Finance Department-Official Cofinancing (ex-CFS;WB)
CAPPF	Cofinancing & Project Finance Department-Project Finance (WB)
CAS	Country Assistance Strategy (WB)
CC	Commercial Cofinancing
Cebemo	Dutch NGO
CFS	Cofinancing and Financial Advisory Services (WB)
CFSOC	CFS-Official Cofinancing (WB)
CFSPF	CFS-Project Finance (WB)
CG	Consultative Group
CGE	Computable General Equilibrium
CIDA	Canadian International Development Agency
CLRC	Credit and Loan Related Cofinancing
CMBL	Coffee Marketing Board Ltd (Uganda)
CMDT	Compagnie Malienne de Développement des Textiles
CMEU	Central Monitoring and Evaluation Unit (Uganda)
COL	Committee on Developing Countries (NL)
CPI	Consumer Price Index
CPP	Convention’s People Party (Ghana)
CSR	Civil Service Reform (Uganda)
CSRP	Civil Service Reform Programme (Uganda)
CTA	Chief Technical Advisor

CTFP	Consultants Trust Fund Programme
CTR	Controller (WB)
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DAPCB	Departed Asians' Properties Custodian Board (Uganda)
Dfl.	Dutch florin (guilder)
DGIS	Directorate-General for International Cooperation (NL MFA)
DM	Deutsch Mark
DP	Democratic Party (Uganda)
DTF	Debt Service Trust Funds
EC	European Community (predecessor of European Union)
ECC	Export Credit Cofinancing
ECG	Electricty Corporation of Ghana
ECO	Expanded Cofinancing Operations (WB)
ECTF	Environment Consultant Trust Fund
EDI	Economic Development Institute (WB)
EDMO	External Debt Management Office (Uganda)
EEC	Economic European Community (merged into the EC)
EFMP	Economic and Financial Management Project (Uganda)
EIU	Economist Intelligence Unit
EPADP	Egyptian Public Authority for Drainage Projects
ERC	Economic Recovery Credit (Ghana)
ERP	Economic Recovery Programme
ERTAC	Export Rehabilitation Technical Assistance Credit (Ghana)
ESAF	Enhanced Structural Adjustment Facility
ESAP	Energy Sector Assessment Programme
ESMAP	Energy Sector Management Assistance Programme
EU	European Union
EXCEL	Export Credit Enhanced Leverage (Programme)
FATA	Federally Administered Tribal Areas (Pakistan)
FINESSE	Financing Energy Services for Small-Scalle Energy Users
FIS	Social Investment Fund (Bolivia)
FOS	Financial Overview Development Cooperation (NL MFA)
FSE	Social Emergency Fund (Bolivia)
FSTF	Free-Standing Trust Fund
FTA	Free-Standing Technical Assistance
FY	Fiscal Year/Financial Year
GDI	Gross Domestic Investments
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GEF	Global Environment Facility
GNP	Gross National Product
GPT	Ghana Post and Telecommunications Corporation
GRC	Ghana Railway Corporation
GTZ	Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
HIPC	Highly Indebted Poor Country
HIV	Human Immunity Virus

IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICCO	Dutch NGO
ICR	Implementation Completion Report (WB)
ICSID	International Center for Settlement of Investment Disputes
IDA	International Development Association
IDB	Inter-American Development Bank
IDBP	Industrial Development Bank of Pakistan
Idmo	Identification Memorandum (NL)
IFC	International Finance Corporation
IFI	International Financial Institution
IGPRA	Income Generating Project for Refugee Areas (Pakistan)
IHDP	Integrated Health Development Project (Bolivia)
ILO	International Labour Organisation
IMF	International Monetary Fund
IOB	Policy and Operations Evaluation Department (MFA)
IOV	Operations Evaluation Department (DGIS)
ISRP	Irrigation Systems Rehabilitation Project (Pakistan)
JC	Joint Cofinancing
JEM	Joint Evaluation Mission
KfW	Kreditanstalt für Wiederaufbau
LCL	Low-Concessional Loan
LDC	Least Developed Country
LIC	Low-Income Country
MC	Mixed Credit
MEP	Micro Enterprises Project (Pakistan)
MFA	Ministry of Foreign Affairs (NL)
MIC	Middle Income Country
MIDAS	Management Information and Documentation of Activities (NL)
MIGA	Mutual Investment Guarantee Agency
MLW	Minimum Living Wage
n.a.	not available
NABARD	National Bank for Agriculture and Rural Development (India)
NCB	Nationalised Commercial Banks (Pakistan)
NCE	Non-Conventional Energy
NCM	Nederlandse Credietverzekering Maatschappij/Netherlands Credit Insurance Company
NCTF	Netherlands Consultant Trust Fund
NEP	National Electrification Project (Ghana)
NERC	National Economic Review Committee (Ghana)
NGO	Non-Governmental Organisation
NIC	Newly Industrialialised Country
NIO	Nederlandse Investeringsbank voor Ontwikkelingslanden /Netherlands Investment Bank for Developing Countries
NKF	Nederlandse Kabel Fabrieken BV
NL	Netherlands
NLC	National Liberation Council (Ghana)
NLG	Netherlands Guilder

NNI	Net National Income
NOVIB	Dutch NGO
NPV	Net Present Value
NRA	National Resistance Army (Uganda)
NRC	National Redemption Council (Ghana)
NRM	National Resistance Movement (Uganda)
NRP	Northern Reconstruction Project (Uganda)
NSSF	National Social Security Fund
NURP	Northern Uganda Reconstruction Programme
NWFP	North West Frontier Province (Pakistan)
NWSC	National Water and Sewerage Corporation
OAU	Organisation of African Unity
ODA (UK)	Overseas Development Administration (United Kingdom)
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department (WB)
OGL	Open General License (System)
OPEC	Organisation of Petrol Exporting Countries
ORET	Development Related Exports Programme
PA	Poverty Assesment(s)
PAMSCAD	Programme of Action to Mitigate the Social Costs of Adjustment (Ghana)
PAPSCA	Programme for the Alleviation of Poverty and the Social Costs of Adjustment (Uganda)
PATF	Poverty Assessment Trust Fund
PC	Parallel Cofinancing
PCR	Project Completion Report (WB)
PEC	Presidential Economic Council (Uganda)
PEP-ILE	Primary Education Project-Improving the Learning Environment (Pakistan)
PEP-CO	Primary Education Project-Coordination Unit (Pakistan)
PEP	Primary Education Project (Pakistan)
PEQIP	Primary Education Quality Improvement Project (Pakistan)
PER	Public Expenditure Review
PERD	Public Enterprise Reform and Divestiture
PFP	Policy Framework Paper
PIP	Public Investment Programme
PIU	Project Implementation Unit (Uganda)
PNDC	Provisional National Defence Council (Ghana)
PNP	People’s National Party (Ghana)
PPA	Priority Programme Area
PPAR	Project Performance Audit Report (WB)
PROS	Project Overview Development Cooperation (NL MFA)
PSRRC	Public Sector Review and Reorganisation Commission (Uganda)
RC	Reconstruction Credit (Uganda)
RIC	Reconstruction Import Credit (Ghana)
RNE	Royal Netherlands Embassy
ROM	Result-Oriented Management
RPF	Rwandese Patriotic Front
RPTES	Review, Policies, Strategies and Programme for the Traditional Energy Sector

SAC	Structural Adjustment Credit
SAF	Structural Adjustment Facility
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Programme
SAPP	Social Action Programme Project (Pakistan)
SAR	Staff Appraisal Report (WB)
SDA	Social Dimensions of Adjustment
SDR	Special Drawing Right
SECAL	Sectoral Adjustment Loan
SIDA	Swedish International Development Agency
SILIC	Severely-Indebted Low-Income Country
SIP	Sectoral Investment Programme
SIP	Special Import Programme
SMC	Supreme Military Council (Ghana)
SNV	Netherlands Development Organisation
SOE	State-Owned Enterprise
SPA	Special Programme of Assistance for Low-Incomed Debt-distressed Countries of Sub-Saharan Africa
SPAAR	Special Programme for African Agricultural Research
SSA	Sub-Saharan Africa
SSI	Small-Scale Industries Project (Pakistan)
TA	Technical Assistance
TAGPE	Technical Assistance Grant Programme for the Environment
TF	Trust Fund
TFC	Trust Fund and Cofinancing Department (ex-CAPOC; WB)
UCDA	Uganda Coffee Development Authority
UEB	Uganda Electricity Board
UIA	Uganda Investment Authority
UK	United Kingdom
UMDF	Uganda Multilateral Debt Fund
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNLA	Uganda National Liberation Army
UNLF	Uganda National Liberation Front
UPC	Uganda People's Congress
UPDF	Uganda People's Defence Forces
UPM	Uganda Patriotic Movement
UPTC	Uganda Post & Telecommunications Corporation
URA	Uganda Revenue Authority
URC	Uganda Railway Corporation
US$	United States Dollar
USA	United States of America

USAID	United States Agency for International Development
Ush.	Ugandan Shilling
UVAB	Uganda Veterans Assistance Board
UVAP	Uganda Veterans Assistance Programme
VAP	Veterans Assistance Programme (Uganda)
VAT	Value Added Tax
VRA	Volta River Authority (Ghana)
WAMU	West-African Monetary Union
WB	World Bank
WHO	World Health Organisation

Glossary

Adjustment programme: economic reform programme, strictly speaking of the stabilisation type; however, very often used to designate a structural adjustment programme.

Appreciation: a market-dictated increase in the value of a currency with respect to other countries' currencies; see also: *revaluation*.

Balance of payments: systematic overview of all economic transactions between the residents of a country with the rest of the world in a given period.

Bilateral: between one party and another.

Bretton Woods Institutions (BWI): the two organisations commonly referred to as the Bretton Woods Institutions are the *International Monetary Fund (IMF)* and the *World Bank (WB)*; the naming of these organisations is based on their creation in Bretton Woods, USA, in 1944; see also: *International Bank for Reconstruction and Development; International Development Association*.

Cofinancing: cofinancing with the World Bank refers to any arrangement under which WB funds or guarantees are associated with funds provided by a public or private source for a particular project or programme; see also: *Official Cofinancing*; *Private Cofinancing*; *Joint Cofinancing*; *Parallel Cofinancing*; *Credit and Loan Related Cofinancing*; *Free-Standing Trust Funds*; *Export Credit Cofinancing*; *Commercial Cofinancing*.

Commercial Cofinancing: cofinancing with commercial means from private sources.

Countervalue funds: the local currency equivalent of the foreign exchange provided under programme aid (balance-of-payments support) which the local importer of goods is expected to pay to the recipient government (calculated at the official exchange rate); also called: counterpart funds.

Country Assistance Strategy (CAS): World Bank document outlining the envisaged support of economic development in recipient countries.

Credit and Loan Related Cofinancing (CLRC): the use of (bilateral/multilateral) aid funds and/or commercial loans in relation with IDA credits or IBRD loans.

Debt service: repayments of loans plus interest payments.

Debt service ratio: the ratio of the scheduled total debt service payments for the current year (e.g. 1996) to annual export earnings from goods and services plus workers' remittances, averaged over the preceding three years (e.g. 1993–95).

Debt overhang: a debt overhang exists when the debt stock exceeds debt which could reasonably be serviced by the debtor country in the medium to long term.

Deflation: a decrease in the total amount of money that circulates in a country ('money supply') relative to production volume; also used to designate a general decrease of the price level.

Demand side: refers to the goods and services that people, i.e. consumers and investors, are willing/prepared to buy; usually a distinction is made between individual and collective (i.e. aggregate) demand.

Depreciation: a market-dictated decrease in the value of a currency with respect to other countries' currencies; see also: *devaluation*.

Devaluation: an official decrease in the value of a currency with respect to other countries' currencies; see also: *depreciation*.

Effectiveness: effectiveness pertains to the extent to which objectives have been achieved; in other words, how actual results relate to intended results. A distinction is made between the immediate *output* (specific short-term objectives), *effects* in the middle and long term, and the actual *impact*, i.e. the ultimate change in living conditions of the poor in the recipient country as a result of the activity.

Efficiency: efficiency is a measure of the extent to which the greatest possible result is achieved at a given cost or a specific result is achieved at the lowest possible cost. In certain cases efficiency is understood to be the timely delivery of project results, i.e. within the foreseen timeframe.

Enhanced Structural Adjustment Facility (ESAF): loans on soft terms, provided by the International Monetary Fund for stabilisation purposes; the recipient countries pay an annual interest rate of only 0.5 percent, the loans have a five-year grace period, the principal being repayable over a period of 5.5 to 10 years; see also: *grace period*.

Export Credit Cofinancing: official cofinancing with export credits.

Fiscal policy: strictly speaking, a policy with respect to the National Budget; often confused with tax regime and public expenditure variations, deliberately introduced by the government.

Foreign exchange: foreign currencies (fully convertible or hard currencies only).

Formal sector: the official economy; all officially registered economic activities.

Free-Standing Trust Fund (FSTF): joint cofinancing which is not related to IBRD loans or IDA credits.

General Equilibrium Model: a model that is based on the simultaneous existence of equilibrium on the different markets in an economy (whereby the economy is seen as being composed of a system of interrelated markets for final products, intermediate products and factors of production).

Grace period: period during which no repayments of the principal are due but only interest payments.

Gross Domestic Product (GDP): all goods and services produced in a country, also by foreigners.

Gross National Product (GNP): all goods and services produced by a country's nationals, including those residing abroad and sending remittances.

Human Development Index (HDI): an index of development based on income, life expectancy and education.

Implementation Completion Report (ICR): Evaluation report after the closure of a Project prepared by the World Bank Task Manager/Country Desk; formerly called: Project Completion Report; see also: *Project Completion Report*.

Informal sector: the total of all non-registered, usually small-scale, economic activities in a country.

International Bank for Reconstruction and Development (IBRD): created together with the International Monetary Fund in 1944 in Bretton Woods (USA); lends money for development purposes at commercial terms to relatively well-developed countries; see also: *World Bank*; *World Bank Group*.

International Competitive Bidding (ICB): standard procedures to tender contracts, used by the World Bank.

International Development Association (IDA): one of the five components of the World Bank Group, created in 1960; lends money for development purposes on non-commercial ('soft') terms, especially to least developed countries: a 10-year grace period, no interest (only a small amount for administrative costs is due), repayment after 45–50 years; see also: *World Bank*; *World Bank Group*.

International Finance Corporation (IFC): belonging to the World Bank Group; created in 1956. See also: *World Bank Group*.

International Financial Institutions (IFIs): the most important are: IMF, World Bank, the major regional development banks (Interamerican Development Bank, African Development Bank, Asian Development Bank, the European Bank for Reconstruction and Development), the Paris Club; see also: *International Monetary Fund* and *World Bank*.

International Monetary Fund (IMF): one of the Bretton Woods institutions whose main task is to promote international trade by helping member countries to achieve equilibrium in the international balances of payments; supports Stabilisation programmes through stand-by credits, Structural Adjustment Facility and Enhanced Structural Adjustment Facility; see under individual headings.

Joint Cofinancing: Joint Cofinancing involves the transfer of aid funds to Trust Funds administered and managed wholly by the World Bank; the World Bank is in charge of, and has overall management responsibility for, the activity concerned. The contribution of the cofinancier is used to finance a usually unidentifiable part of the whole project/programme. The activity is contracted out and implemented in keeping with World Bank procedures, i.e. the aid is untied and the project/programme is put out to international tender (ICB). Joint Cofinancing is always documented by Trust Fund Arrangements (between the cofinancier/Ministry of Foreign Affairs and the World Bank).

Laissez-faire: a kind of economic policy with the least possible intervention of government in economic life.

Liberalisation: deregulation; retreat of government from economic life; sometimes confused with ‘laissez-faire’.

Macroeconomics: a component of Economics that deals with totals (aggregates), obtained by adding-up individual (micro-)data.

Meso: intermediate level between macro and micro.

Microeconomics: a component of Economics that deals with the individual behaviour of producers and consumers.

Monetary policy: economic policy with respect to the total amount and value of money in the country.

Monoeconomics: a school of thought in Economics that treats all economies alike, thereby excluding cultural and other specific influences.

Multilateral Investment Guarantee Agency (MIGA): belonging to the World Bank Group; created in 1988; see also: *World Bank Group*.

Multilateral organisation: an organisation whose membership covers more than two nations.

Non-tradeables: goods and services that mostly cannot be traded (inter)nationally.

Official Cofinancing: official cofinancing is provided by bilateral donor agencies and/or multilateral financing institutions.

Official Development Aid (ODA): concessional Official Development Assistance with a grant element of at least 25 percent.

Parallel Cofinancing: in the case of parallel cofinancing the cofinancier finances a separate, identifiable part of the project/programme; bilateral aid procedures are followed.

Parallel exchange rate: non-official exchange rate that exists on the non-official market (‘black market’).

Policy compatibility: consideration is given to the extent to which the policies of (i) the recipient country and (ii) the World Bank, were compatible with those of the cofinancier (the Government of the Netherlands).

Policy Framework Paper (PFP): economic policy document containing the agreement between IMF and World Bank on the one hand and the recipient country on the other hand with respect to the envisaged economic reforms.

Policy relevance: refers to the degree to which cofinanced activities reflect the priorities of the Government of the Netherlands and of the respective recipient country and the extent to which they address the problems of the latter.

Poverty Alleviation Programme (PAP): programme aiming at cushioning the negative effects of economic reforms on the poor; examples are Social Dimensions of Adjustment Measures, Social Action Programmes, Social Safety Nets and Targeted Public Expenditures.

Private Cofinancing: involves cofinancing from private sources such as commercial banks, insurance companies or other private lenders.

Privatisation: the transfer, mostly by selling, of state-owned assets to the private sector.

Project aid: well-defined development activities that are limited in time and space.

Project Completion Report: (PCR): Evaluation report written after closure of a Project by the World Bank Task Manager/Country Desk; see also: *Implementation Completion Report*.

Project Performance Audit Report (PPAR): Evaluation report after closure of a project, made by the World Bank’s Operations Evaluation Department (OED). In the past some of these were called Project Performance Audit Report, some Program Performance Audit Report. Nowadyas (1999) they are called Performance Audit Report (PAR).

Programme aid: all contributions made available to a recipient country for general development purposes, i.e. balance-of-payments support, general budget support and commodity assistance, not linked to specific project activities.

Public Expenditure Review (PER): WB/IMF-led review of public sector performance under adjustment in recipient countries.

Rents: economic rents are the excess of total payments to a factor of production over and above its total transfer earnings, i.e. the earnings that are just sufficient to keep it in its present employment; commonly understood as income that is hard to justify from a moral, legal or official point of view; usually associated with abuse of power.

Revaluation: an official increase in the value of a currency with respect to other countries' currencies; see also: *appreciation*.

Sectoral Adjustment Programme (SECAP): reform programme involving a particular sector of the economy, usually supported by the World Bank through a Sectoral Adjustment Loan (SECAL).

Sector Investment Programme (SIP): comprehensive multi-year investment plan for a particular sector; in combination with or following a Sector Adjustment Programme (SECAP).

Social Action Programme: poverty alleviation programme aiming at cushioning the negative effects of economic reforms on the poor.

Social Dimensions of Adjustment (SDA): social consequences of economic reforms, usually focusing on educational and health sectors and on the distribution of income (employment).

Social Safety Net (SSN): poverty alleviation programme aiming at cushioning the negative effects of economic reforms on the poor.

Special Drawing Rights (SDR): in 1970 artificially created, non-tangible international paper money of member-countries of the International Monetary Fund.

Stabilisation Programme: economic reform programme principally aimed at restoring the equilibrium of balance of payments, often also involving the public sector (National Budget); usually supported by the International Monetary Fund.

Staff Appraisal Report (SAR): World Bank-drafted project document outlining the design, conditionalities, objectives, finance etc. of a project to be implemented;

Stand-By credits: the IMF's stand-by arrangements provide recipient countries with foreign exchange with which to deal with short-term balance-of-payments problems; these arrangements therefore do not serve exclusively for the purpose of stabilisation; reimbursement takes place within a period of three to five years; non-concessional loans;

Structural Adjustment Facility (SAF): loans on soft terms, provided by the IMF for stabilisation purposes; the recipient countries pay an annual interest rate of only 0.5 percent, the loans have a five-year grace period, the principal being repayable over a period of 5.5 to 10 years; see also: *grace period*.

Structural Adjustment Programme (SAP): economic reform programme covering the economy as a whole, usually supported by the World Bank (IBRD or IDA) through a Structural Adjustment Loan (SAL); see also: *International Bank for Reconstruction and Development* and *International Development Association*.

Supply side: refers to the goods and services that people, i.e. producers, are prepared/willing to sell; usually a distinction is made between individual and collective (i.e. aggregate) supply.

Sustainability: refers to the extent to which a development project or programme is able to deliver an appropriate level of benefits for an extended period of time *after* the termination of major financial, managerial and technical assistance from an external donor.

Targeted Public Expenditures (TPE): poverty alleviation measures aiming at cushioning the negative effects of economic reforms on the poor.

Tradeables: goods and services that mostly can be traded (inter)nationally.

Trust Fund: special account for cofinanciers' contributions under joint arrangements kept by the World Bank.

World Bank (WB): one of the Bretton Woods institutions whose main task is to assist developing countries in the (re-)construction of their national economies; supports structural adjustment programmes through structural adjustment loans and sectoral adjustment loans; consists of five organisations: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Center for Settlement of Investment Disputes ICSID); World Bank or 'Bank' refers to IBRD and IDA only; see also: *World Bank Group*.

World Bank Group: The World Bank Group comprises IBRD, IFC, IDA, ICSID and MIGA; see also: *World Bank*.

Exchange rates

Exchange rates Dutch Guilder to US Dollar 1975–96

1975	1 US$ = Dfl. 2.5290	1986	1 US$ = Dfl. 2.4500
1976	2.6439	1987	2.0257
1977	2.4543	1988	1.9766
1978	2.1634	1989	2.1208
1979	2.0061	1990	1.8208
1980	1.9881	1991	1.8696
1981	2.4952	1992	1.7581
1982	2.6702	1993	1.8572
1983	2.8541	1994	1.8197
1984	3.2087	1995	1.6500
1985	3.3214	1996	1.6861

Sources: DAC/OECD.

Main findings and recommendations

1 Overview of cofinancing

Cofinancing between the Netherlands and the World Bank (IBRD and IDA) totalled approx. Dfl. 5 billion (almost US$ 2.5 billion) in committed aid funds between 1975 and 1996, of which about Dfl. 4.2 billion (US$ 2.1 billion) had been disbursed by the end of 1996. Programme aid accounted for slightly more than half of all cofinancing, and project assistance for a little less than half. Virtually all official cofinancing (i.e. with public funds) was provided as a grant.

Trends in the volume of cofinancing show that annual commitments increased steadily during the period under review (see Figure 1), more than quadrupling from Dfl. 66 million in 1975–84 to Dfl. 279 million in 1984–90. They increased further to Dfl. 379 million in the 1990s, representing on average 14 percent of bilateral ODA in that period.[1] Cofinancing in the 1990s in particular showed an important rise in so-called Free-Standing Trust Funds.[2] Commitments for this type of cofinancing rose from Dfl. 65 million in the 1980s to over Dfl. 1 billion in the 1990s, most of which was actually disbursed. In the period 1994–96 average annual expenditures increased to about Dfl. 450 million, mainly due to Relief, Resettlement and Reconstruction activities, notably in Bosnia, and to Debt Relief.

Another trend concerns the shift from parallel cofinancing (1980s) to joint cofinancing (1990s). The Government of the Netherlands preferred the former during the 1980s in view of domestic economic interests. The practical outcome, i.e. a relatively high proportion of joint cofinancing during that decade (see Figure 1), was the result of important 'end-of-the-year' transactions, notably in 1984 and 1986. In the period 1975–96, the ratio of joint vs. parallel cofinancing was 60:40.

[1] Reference is made to budget category I, 'Special Programmes', and category II, 'Country Programmes' (replaced in 1997).
[2] These trust funds refer to joint cofinancing not related to World Bank loans or credits.

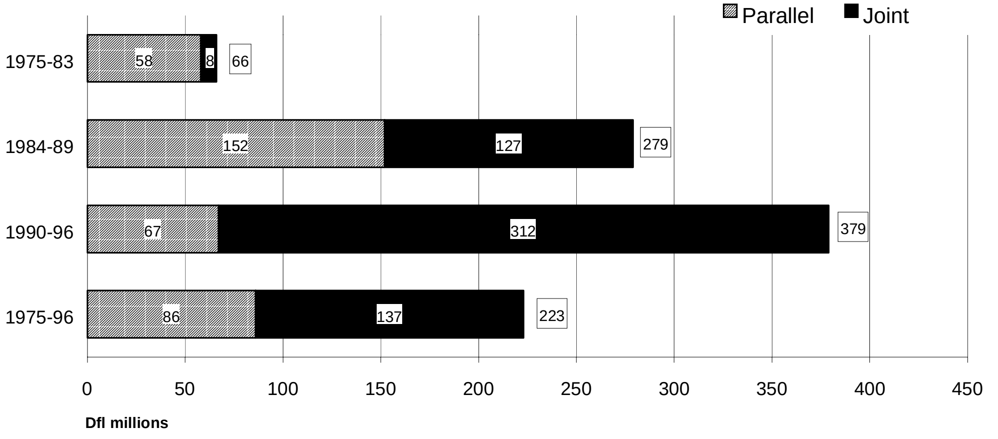


Figure 1 Average yearly commitments 1975–96 (in millions of Dfl.)

At the end of the period under review, the Netherlands was the World Bank's second largest bilateral donor of Trust Funds and one of the largest contributors to the World Bank's Credit and Loan Related Cofinancing Programme.

2 Programme aid

Main findings

The World Bank proved to be an appropriate channel for the support of structural adjustment programmes in recipient countries and the only suitable partner through which bilateral funds for programme aid in support of economic reforms could be channelled. Since the late 1980s the social dimensions of economic reform programmes have received increasing attention. Lack of data on the poverty situation, however, has had a negative influence on the design of such programmes. Social funds in Bolivia, Egypt and Ghana were relatively effective but suffered targeting and monitoring problems. In individual cases, the human rights situation in recipient countries, notably with respect to political and civil liberties, has been given insufficient attention.

In countries where government's ownership of the adjustment programme was highest, economic reform programmes have been more effective than in those where government was less committed to reform measures. In some cases donor support to economic reform and the political liberalisation process collided with one another. In this respect a major dilemma arose, particularly because it appeared that economic reform programmes under an authoritarian government were generally more effective than those in countries that had a properly functioning democratic system. The former were more free to commit themselves, without having to take (possible) dissent into consideration, than democratic governments. Consequently, economic reform in countries that also introduce political reform needs more time.

Debt relief has not always been effective and efficient. Assessments of the debt situation focused on traditional indicators, such as debt service/exports and overall debt/GDP ratios, without addressing more fundamental issues such as the impact of new loans. In particular, the ability to pay the debt service on new loans (sustainable level of borrowing) by recipient countries was not taken into consideration. Hence, overall debt continued to grow in the majority of cases despite changes in its composition: bilateral and commercial debt decreased but multilateral debt increased.

In all cases the sustainability of results proved to be problematic, even when recipient governments acquired a high level of ownership of the reform programmes. Such programmes failed to pay off in terms of foreign private investments, while private and public national savings remained too low to finance the needed investments. Consequently, virtually all recipient countries showed an increased aid dependency.

Recommendations

The granting of programme aid should be conditional upon the recipient country's good macroeconomic policies, preferably linked to World Bank-supported adjustment programmes that are usually formulated in a Policy Framework Paper (PFP). In practice, this means that a World Bank-supported structural adjustment programme constitutes a condition for the granting of programme aid.

Joint cofinancing of programme aid should become the preferred form of cofinancing economic reforms since it best serves the purpose of donor coordination. Adjustment programmes, however, will have to give far more attention to poverty alleviation, gender and the environment. Social funds should be better targeted towards the poor and more efficiently monitored. The design of the reform programme should also bear in mind the consequences of simultaneously introducing economic reform measures and political liberalisation, in particular their sequence and timing.

If a more effective input of Dutch views and expertise is to be realised, greater Dutch involvement in the formulation, implementation and monitoring of PFPs, as well as more timely involvement in the preparation of the Bank's Country Assistance Strategy papers, is necessary. Recipient countries should be required to provide insight into the creation and use of countervalue funds during Public Expenditure Reviews (PERs), which should also give more attention to the problem of fungibility of programme aid. To realise a stronger involvement, Dutch participation in PERs will have to be intensified.

Debt relief can be positive when debt stock is reduced, public resources are freed for spending in priority areas, and the balance-of-payments deficit is reduced. More attention should be given to the specific situation in respective countries and to determining their sustainable level of borrowing, while experiences with various types of debt relief should be taken into account.

To realise this, macroeconomic and financial-technical expertise both in The Hague (the Ministry) and abroad (the embassies) should be increased. Simultaneously, capacities in the respective areas in recipient countries should be enhanced in order to support their ownership of the reform process.

3 Project aid

Main findings

Most evaluated cofinanced project aid addressed genuine problems and was in line with the declared policies of recipient countries and the Netherlands. Macroeconomic, social and political conditions beyond the projects' scope were given insufficient consideration, however, which had a negative influence on the projects' effectiveness. Moreover, most cofinanced projects did not give adequate attention to gender as an issue. This also applied to the dimension of environmental sustainability.

In many projects the poor were not reached because they were insufficiently targeted, particularly poor women. Most evaluated project aid proved not to have yielded sustainable results, especially in institutional and financial terms. Cofinanced projects that were linked to economic reform programmes such as civil-service reform, and infrastructural projects, performed better than so-called Stand-Alone Projects. The latter were less embedded in recipient countries' budgetary priorities and institutional frameworks and were less subject to World Bank conditionalities. The quality of project aid in the areas of Consultant Trust Funds and Trust Funds in the energy sector was fairly adequate.

Recommendations

Cofinanced project aid can be more successful when linked with macroeconomic and sectoral reforms, particularly in the field of human and institutional development and physical infrastructure. Apart from its linkage to World Bank-supported Structural or Sectoral Adjustment Programmes, when applicable, cofinanced project aid should also be in conformity with Sectoral Investment Programmes, thus avoiding the financing of so-called Stand Alone Projects.

Moreover, the poor should be better targeted in the design of the project since the present evaluation has clearly shown the difficulties encountered in reaching the poor, particularly poor women. When committing funds for the cofinancing of new activities, the Netherlands will need to be assured that an adequate and independent assessment of proposed activities and strategies intended to reach the poor, particularly women, has been carried out. In the case of ongoing projects this should be made a condition for cofinancing.

The question of whether joint or parallel cofinancing is more appropriate for project aid requires consultation with recipient countries on a case-to-case basis.

4 Cofinancing and the Dutch private sector

Main findings

Tripartite transactions involving the World Bank (IBRD and/or IDA), the Ministry of Foreign Affairs and the Dutch private sector have never reached any important level. They focused solely on the promotion of Dutch exports for development objectives. The number and size of commercially-cofinanced projects also remained moderate throughout the period under review.

The most important factors explaining the modest level of export credit cofinancing and commercial cofinancing were: (i) an unfavourable macroeconomic context characterised by economic recession and a precarious debt situation in many developing countries; (ii) the resulting low creditworthiness of potential recipients; (iii) the limited geographical coverage of instruments at the disposal of the Ministry of Foreign Affairs, the frequent changes in those instruments, and time-consuming procedures; (iv) the limited number of countries covered by the Netherlands Credit Insurance Company (NCM), and (v) internal factors within the World Bank (IBRD).

Recommendations

More attention should be given to promoting investment, e.g. by financial support to the mitigation of risks related to political instability. The change in focus from export to investment promotion may lead to an increase in the number of partners within the World Bank Group (IFC, MIGA) as well as to a changed composition of the representation of the Dutch Committee on Developing Countries (COL) in annual consultations between the Netherlands and the World Bank.

5 The added value of cofinancing

Main findings

Cofinancing has responded to some Dutch expectations and motivations, but could never respond to all, since some conflicted with one another.

The objective of reducing the workload for the Ministry of Foreign Affairs was certainly realised, particularly in joint cofinancing. The price paid for this, however, was that, with few exceptions, the Ministry failed to achieve two other objectives, i.e. to influence World Bank policy and to benefit from new experiences.

Cofinancing with the World Bank allowed both the Netherlands and recipient countries to benefit from the opportunity to participate in large projects and programmes. For recipient countries an additional advantage was the grant character of Dutch aid. The quality of programme aid was found to be good. Joint cofinancing in particular had a positive impact on donor coordination both at the level of recipient countries and of the donor community. Cofinancing was not effective in mobilising additional resources beyond ODA and/or increasing access to international capital markets for developing countries. The interests of the Dutch private sector were only served directly under partially untied parallel cofinancing and in some specific projects.

The added value of cofinancing could have been higher if the instrument had benefited from a consistent set of Dutch policy objectives, clear criteria for the selection of activities and of the form of cofinancing (joint or parallel cofinancing), and had been better managed.

Recommendations

In view of its grant character, Dutch bilateral cofinancing should focus primarily on Severely Indebted Low Income Countries and other developing countries that have reached the limits of their sustainable level of borrowing, in order to reduce the growth of their indebtedness resulting from new World Bank loans.

6 Management

Main findings

The management of cofinanced activities showed serious shortcomings throughout the period under review with regard to the registration of cofinanced activities, monitoring, reporting and evaluation. This applies to both the Netherlands and the World Bank. The 1990s have shown some improvements as compared to the 1980s.

Neither the Dutch Ministry of Foreign Affairs nor the World Bank were able to produce a comprehensive list of all activities cofinanced between 1975 and 1996. It should be noted that the World Bank's lack of a comprehensive overview of cofinanced activities not only relates to Dutch cofinancing. It represents a general problem that also involves other bilateral (and multilateral) cofinanciers.

Dutch decisions to cofinance have frequently been taken on an ad hoc basis, often motivated by the desire to spend quickly yet undisbursed amounts of the overall aid budget at the end of a fiscal year through joint cofinancing. This has jeopardised a careful and independent assessment of proposed cofinanced activities. Substantial amounts of Dutch aid funds transferred to the World Bank remained unspent for considerable periods of time due to their premature transfer and to slow project implementation, often caused by over-ambitious programme objectives or underestimation of the recipient country's major constraints. This had a negative influence on the efficiency of cofinanced activities. The World Bank's practice of not monitoring the creation and use of countervalue funds resulted in lack of transparency regarding the impact on recipient countries' revenues and expenditures, thus constituting a threat to the overall efficiency of cofinanced programme aid, notably import support.

On the Dutch side, the efficiency of cofinancing was hampered by (i) the absence of an adequate information system; (ii) an inadequately-defined coordination function resulting in lack of insight into cofinancing, and lack of an overview of the size and results of cofinancing; (iii) frequent changes of staff; and (iv) insufficient expertise in the 1980s and, in the area of macroeconomics, also in the 1990s. On the World Bank side, internal communication problems had a negative effect on the flow of information and contributed to the persistence of inadequate working methods based on estimated rather than realised cofinancing data. The expansion of so-called Free-Standing Trust Funds after the mid-1980s resulted in a large area not being covered by standard World Bank procedures with respect to monitoring and evaluation. This problem has only been addressed since the mid-1990s.

Recommendations

To improve the management of cofinancing the following recommendations are made.

A complete list of all cofinanced activities and regular updating of the database will be required to enable their monitoring and evaluation.

Furthermore, it would be useful to examine the consistency and clarity of existing considerations for cofinancing in general and the cofinancing mode (joint/parallel) in particular. The selection of cofinanced activities will need to reflect priorities established in Country and Regional Policy Plans as well as thematic policy documents. There is also a need to improve legal arrangements with respect to mutual information and consultation, particularly in the field of parallel cofinancing. This also applies to monitoring and evaluation. Procedures regarding the assessment of proposed cofinanced activities are also in need of improvement. Disbursements should be based on realistic expenditure expectations in order to prevent untimely disbursements. The financial management of all accounts maintained under the 1995 General Arrangement on Cofinancing will have to be improved, e.g. with respect to the monitoring of outstanding balances.

Sufficient macroeconomic and financial expertise should be available both at the central level (the Ministry) and abroad (the embassies). Finally, taking into account the ongoing process of decentralisation of the Ministry of Foreign Affairs and of the World Bank, it will be necessary to strengthen central coordinating functions on both sides for the purpose of such issues as general policy formulation and consultation, and overall monitoring and evaluation. In the case of the Netherlands this should involve both the Ministry of Foreign Affairs in The Hague and the Royal Netherlands Embassy in Washington.

Introduction

The relationship between the Netherlands and the World Bank can be divided into two parts. Firstly, the Netherlands participates as a shareholder in the World Bank's general policy making through membership of the latter's Board of Directors. Dutch multilateral aid funds contribute to the five agencies that together comprise the World Bank Group: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Center for Settlement of Investment Disputes (ICSID). Most Dutch multilateral aid funds go to IDA, which re-lends them to developing countries on soft terms.

Secondly, since 1975, together with the World Bank, the Netherlands has cofinanced activities in developing countries from bilateral funds. Cofinancing thus forms part of the bilateral aid programme. Similarly to other forms of Dutch bilateral aid, developing countries receive cofinancing funds in the shape of grants.

Cofinancing with the World Bank is best described as an arrangement under which World Bank funds or guarantees are linked to funds provided by a public or private source for a particular project or programme. In fact, cofinancing is a complicated method of financing which may take various forms: joint or parallel, official or private, etc. In order to simplify matters, the various types and forms of cofinancing are described in the Glossary to this report, together with other basic concepts and definitions.

Dutch cofinancing with the World Bank has never before been subjected to evaluation, and it was considered essential that some insight should be acquired into the use of the World Bank as a channel through which to finance bilateral development activities. In 1995 it was therefore decided that an evaluation should be carried out by the Ministry of Foreign Affairs' Policy and Operations Evaluation Department (IOB). The evaluation covers the 1975–96 period.

The initial year was devoted almost entirely to a provisional inventory of all cofinanced activities, to collecting primary documents and to drawing-up the Terms of Reference for the evaluation. At the start, neither the Ministry of Foreign Affairs in The Hague nor the World Bank in Washington had any overall picture of the number, sectoral nature, geographic destination or total value of cofinanced activities. On completion, the inventory showed that in the period 1975–96 almost five billion guilders had been committed to cofinancing, Dfl. 4.2 billion of which had been expended on 31 December 1996. This equalled the amount that the Netherlands had transferred to the World Bank (IDA) in the form of voluntary multilateral contributions in the same period.

Cofinancing with the World Bank was able to reach such a magnitude even though it had never formed a separate item in the aid budget, because in practice it was financed from numerous budgetary categories (balance-of-payments support programme, country and regional programmes, theme directory budgets, etc.). This set particular demands on efficient coordination which, as will be seen later, was no simple task. A significant role in this coordination was fulfilled by the twice-yearly consultations in Washington, at which delegates of the World Bank and the Netherlands (including representatives from the industrial sector) exchanged policy data and discussed current and future (co)financing activities.

Cofinancing was evaluated from various angles in seven sub-studies. The evaluation covered Dfl. 1.8 billion, i.e. more than 40 percent of total expenditures, and concerned multiple activities in 22 countries and some that were worldwide. Particular attention was given to three countries: Ghana, Pakistan and Uganda, which were studied in depth and were also visited.

Before any further discussion of this report's structure and contents, mention should be made of one aspect to which little if any consideration is given, i.e. that of fungibility. All discussions of fungibility reach deadlock on the problem of definition, have to deal with the problem of proving causality, and eventually never achieve a satisfactory unanimous viewpoint and/or conclusions. Therefore, it was deliberately decided not to include this issue in the evaluation. In the case of programme aid, however, attention is given to the issue of the creation and use of countervalue funds, a related problem which has been given new life by international developments during the second part of the 1990s, particularly the wars in Central and Eastern Africa.

In Part I of this study we present the background against which the evaluation results should be considered. In Chapter 1 the objectives, magnitude and scope are explained, together with the methodology used in the evaluation. In this chapter too, the various types and forms of cofinancing are discussed, together with the evaluation's key questions and the organisation of the study. This chapter should be read in combination with Annex 2, in which the organisation and progress of the study are discussed more extensively.

Chapter 2 draws attention to World Bank policy with regard to cofinancing in general and to the significance of cofinancing for the Bank. For every US dollar the Bank has lent in the 1971–95 period, it has mobilised 42 cents from cofinanciers. This is a not insignificant fact in view of the difficulties encountered in recent years with regard to replenishments of voluntary IDA contributions by bilateral donors. In Annex 3, more background material and insight into the functioning of the World Bank will be found.

The policy adopted by the Government of the Netherlands with respect to cofinancing is examined in Chapter 3. After a discussion of policy principles as laid down in official documents, attention is given to the legal basis of cofinancing. The cofinancing realised in the period under review, i.e. 1975– 96, is briefly surveyed in the last section of this chapter. A surprising fact is that, while cofinancing funds were destined for 57 countries, 50 percent of those funds went to 10 countries only. Seven of these maintained a structural development relationship with the Netherlands during the entire period under review. More general information about the Dutch development aid policy is given in Annex 4. Special attention is given in that annex to features that were considered important to the evaluation, such as multilateral versus bilateral policy, the significance of Dutch industry, policies with regard to International Financial Institutions, the organisation of the Ministry of Foreign Affairs, and the political-financial targets set by the Dutch government in view of international agreements on Official Development Assistance (ODA).

Finally, Chapter 4 provides the background to the three country case studies. Insight is provided into the particular characteristics of each of these countries that were considered relevant to the evaluation, into the development relationship with the Netherlands, and into cofinanced activities.

Part II of this study is devoted to cofinanced programme aid. The economic recovery of two countries, Ghana and Uganda, is analysed in depth, and a detailed examination is attempted of the spread of the effects of improved economic conditions among the various population groups (Chapters 5 and 6). A number of other countries are reviewed in Chapter 7. The evaluation of cofinanced programme aid was concerned with more than 20 countries in all, and covered a total amount of Dfl. 1.2 billion, i.e. roughly 50 percent of all cofinanced programme aid. The principal conclusions reached in this respect are presented in Chapter 8.

The evaluation's findings with regard to cofinanced project aid are presented in Parts III and IV. Total expenditure in this respect was Dfl. 600 million, i.e. one-third of all cofinanced project aid. Part III concerns project aid in ten countries, three of which are presented as case studies: Ghana, Chapter 9; Pakistan, Chapter 10; Uganda, Chapter 11. Evaluated project aid in the other seven countries is presented in Chapter 12.

Chapters 13, 14 and 15 in Part IV are concerned with a specific category of cofinancing activities, i.e. the so-called Free-Standing Trust Funds. These are jointly cofinanced activities that are not related to particular World Bank loans/credits. In particular, attention is given to those activities that entailed considerable involvement on the part of the Dutch consultancy sector (Chapter 14).

In Chapter 16, the conclusions with regard to all project aid are summarised (Parts III and IV).

The private sector in the Netherlands is the focal point in Part V. Chapter 17 discusses the question of why the mobilisation of Dutch industry did not follow the course anticipated in 1984. Chapter 17 also explains why the cofinancing instrument did not succeed in providing developing countries with better access to the international capital market.

Part VI gives extensive attention to management aspects, and provides an answer to the question: what was gained by cofinancing with the World Bank? Chapter 18 discusses a number of serious shortcomings on the side of the Netherlands and of the World Bank, and examines their causes. Chapter 19 is concerned with the added value of cofinancing for the Netherlands, for the receiving countries, and for the World Bank. The evaluation's findings are examined together with the results of a questionnaire distributed to more than 150 Dutch staff of the Ministry of Foreign Affairs. The response given by more than 80 percent of those approached graphically illustrates the interest shown in the subject of Cofinancing with the World Bank by employees of the Ministry.

This evaluation study is made up of two volumes. In addition to the Main Report described above, a less sizeable volume comprises a Summary Report as well as the Main Findings and the Recommendations arising therefrom.

PART I CONTEXT

1 Objectives, scope and methodology of the evaluation

1.1 Background

The decision to undertake an evaluation of cofinancing between the Netherlands (Ministry of Foreign Affairs) and the World Bank, in particular the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD), was taken by the Dutch Minister for Development Cooperation in 1996. The focus was to be on the use of bilateral development aid provided by the Ministry of Foreign Affairs, implying that cofinancing funds provided by the Dutch Ministry of Economic Affairs were not to be taken into account. Furthermore, the exercise was to refer only to cofinancing with IDA and IBRD.[1]

The evaluation was to be carried out by the Operations Review Unit (IOV) of the Directorate General for International Cooperation (DGIS) at the Ministry of Foreign Affairs. In September 1996 IOV was re-named the Policy and Operations Evaluation Department (IOB). IOB evaluates Dutch foreign policy, including development aid, with regard to: (i) policy relevance and policy compatibility, (ii) effectiveness, and (iii) efficiency, as well as (iv) the sustainability of results. IOB is independent and its reports are submitted to the Dutch Parliament by the Minister for Development Cooperation together with his/her response (cf. Annex 1).

The decision to evaluate cofinancing between the Ministry of Foreign Affairs and the World Bank was inspired by a number of factors: (i) the length of time during which cofinancing has been practiced (since 1975); (ii) the considerable financial resources of the Government of the Netherlands that were involved; (iii) the value of the World Bank as a partner in development cooperation; (iv) the special nature of arrangements that involved cooperation with the Dutch private sector in order to promote national economic interests; and (v) a comprehensive evaluation of such cofinancing had never been carried out.

[1] Cofinancing with other agencies of the World Bank Group was not to be taken into account. The World Bank Group comprises, besides IBRD and IDA, the International Finance Corporation (IFC), the International Center for the Settlement of Investment Disputes (ICSID), and the Multilateral Investment Guarantee Agency (MIGA). IBRD and IDA are commonly referred to as the World Bank (cf. Annex 3).

1.2 Classification and identification of cofinanced activities

Classification

Cofinanced activities are distinguished by their respective forms of administrative management and by a contextual typology. Two distinctions contained in the terms of reference of the present study describe the following features:

– In the administrative sense, there is joint and parallel cofinancing. *Joint cofinancing* involves the transfer of aid funds to trust funds administered and managed wholly by the World Bank, whereas *parallel cofinancing* concerns the use of Dutch bilateral aid funds in relation with World Bank activities, but administered and managed through other modalities than trust funds (cf. Glossary).

– In the contextual sense there are four types of cofinancing: (i) *Credit and Loan Related Cofinancing* (CLRC), i.e. the use of Dutch funding in relation with IDA credits or IBRD loans; (ii) *Free-Standing Trust Funds* (FSTF) that are *not* related to credits and loans of the Bank; (iii) *Export Credit Cofinancing* (ECC) that comprises the use of Dutch bilateral aid funds for the purpose of promoting exports of the Dutch private sector, and (iv) *Commercial Cofinancing* (CC) with private funds of the Dutch private sector.

Joint cofinancing is always documented by Trust Fund Arrangements between the Ministry of Foreign Affairs and the World Bank. Parallel cofinancing is confirmed when there is a specific reference in this sense in the Ministry's Appraisal Memorandum and/or in the Ministry's files. When the activity is mentioned as parallel cofinancing in Bank documents (e.g. Staff Appraisal Reports, Project or Implementation Completion Reports and/or Project Performance Audit Reports) or in the minutes of the Annual Consultations between the Government of the Netherlands and the World Bank this is considered as additional information. Such references by themselves, however, are not considered to be sufficiently firm evidence for cofinancing. Technical Assistance is taken into consideration to the extent that it is covered by a budget that meets these requirements. Consequently, technical assistance (bilateral experts, bilateral and multilateral associate experts) directly financed by the Ministry of Foreign Affairs and directly linked to the cofinanced project but not included in the approved budget is excluded.

Free-Standing Trust Funds are either global or single-purpose. Global Free-Standing Trust Funds include the Netherlands Consultant Trust Funds, Debt Relief Trust Funds and various thematic Free-Standing Trust Funds. Single-purpose Free-Standing Trust Funds cover a variety of relatively small ad-hoc activities (cf. Chapter 13).

Figure 1 shows the relationship between the different forms and types of cofinancing. Projects covered by IDA credits or IBRD loans may thus be accompanied by Dutch funding under joint or parallel arrangements. All Free-Standing Trust Funds involve joint cofinancing, whereas all Export Credit Cofinancing is parallel.

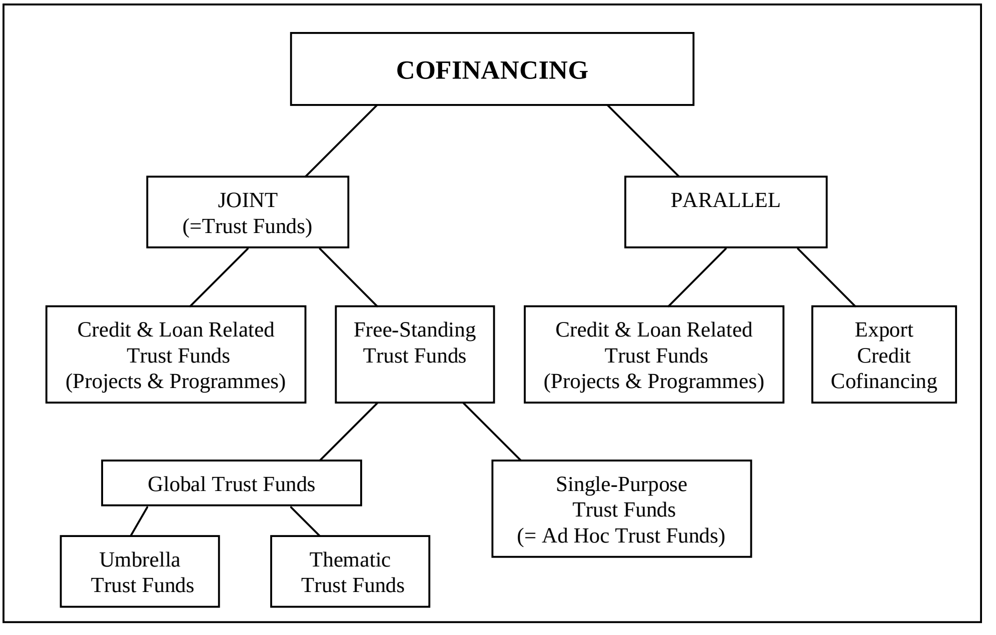


Figure 1 Overview of official cofinancing between the Dutch Ministry of Foreign Affairs and the World Bank

Identification

At the outset of this evaluation, neither the Netherlands nor the World Bank could produce a comprehensive list of all activities cofinanced between 1975 and 1996. Even a limited attempt—undertaken in connection with a new General Arrangement on cofinancing signed on 24 May 1995—to inventarise activities that had been cofinanced since 1991 did not come to a satisfactory conclusion within a timeframe that would have allowed it to become relevant to this evaluation.

The identification of cofinanced activities thus required considerable effort during an initial phase of the evaluation process. It involved in-depth research in the Ministry's files and database systems and also, for joint cofinancing, in information systems of the Trust Fund Administrator of the World Bank. That research was time-consuming due to several factors, in the Ministry of Foreign Affairs in particular.

– The Ministry of Foreign Affairs was re-organised several times between 1975 and 1996, and the coordination of cofinancing with the World Bank was entrusted to various sections at different times. As a result, there was no central record keeping of cofinancing as such.

– The Ministry started to use computerised database systems in 1987. The system for project registration (PROS) and its financial equivalent (FOS) only included activities that were ongoing at that time. For the purpose of ex-post analyses, major limitations in subsequent years proved to be that, at any given time, the systems only covered the previous four years and that commitments were eventually always adjusted to agree with actual expenditures. A comparison of disbursements and initial commitments was thus very difficult. Nevertheless, in the inventory underlying the present evaluation an attempt was made to trace initial commitments as far as possible. The listing given in Annex 5 makes systematic mention of the distinction between initial and actual (final) commitments.

– In 1992, PROS was replaced by the Management Information and Documentation of Activities System (MIDAS), but data from the old system were not systematically converted into the new database. The MIDAS database concentrated on new commitments and was therefore not reliable as a source of information as to total expenditures on specific programmes or projects, especially those in progress at the time of its introduction. Another shortcoming was that the MIDAS database was not integrated with, or used by, the filing systems of the Legal Department or the Project Appraisal Committee.

– The most important source of information proved to be the files. Since cofinancing with the World Bank was not a systematic search entry, files had to be identified by the names of the respective programmes/projects (whereby identical or related projects of the Bank and the Ministry sometimes had different names) and/or by commitment numbers pertaining to cofinanced activities (files on related activities were not necessarily kept together or related to the corresponding programme or project). Other major handicaps for the file research included the fact that all files covering the period prior to 1990 were purely chronological and that the principles of analytical filing introduced in 1990 had not been applied systematically. Older files in particular were sometimes incomplete. All in all, around 2,000 files had to be consulted in preparing the inventory contained in Annex 5.

– A key document in the Dutch project cycle is the Project Appraisal Memorandum (*Beoordelingsmemorandum* or BeMo) introduced in principle in 1982, but not systematically produced until 1986. BeMos have had to meet substantive requirements only since the early 1990s, and were often difficult to trace in the purely chronological files compiled before then.

With regard to activities under parallel cofinancing in particular, the lack of central record-keeping and adequate tracing systems proved a major handicap. The situation was less problematic regarding jointly cofinanced activities after 1986 because the Ministry's Legal Department had copies of signed amendments to the Arrangements of 1986 that were prepared for each activity. Moreover, the Trust Fund Administrator of the World Bank was able to produce copies of amendments as well as lists from the Bank's database system that could be matched with the Dutch data. The Bank's lists, however, did not always make clear which trust funds had been fed by Dutch funding directly and which were in fact 'sub-funds' that had to be eliminated to avoid double counting (cf. Annex 2).

1.3 Analysis of cofinanced activities

Analytical categories

Cofinanced activities are not only distinguishable by their respective forms and types but also by their nature (i.e. if they pertain to programme or project aid) and according to parameters of sectoral affiliation. Both categories place the respective activities in specific contexts that are important for the evaluation.

Nature (programme vs. project aid)

The present evaluation distinguishes between programme and project aid. The document *DAC Principles of Effective Aid* (OECD 1992) provides the following definitions of the two types:

- Programme assistance "...consists of all contributions made available to a recipient country for general development purposes, i.e. balance-of-payments support, general budget support and commodity assistance, not linked to specific project activities" (OECD 1992:67). A broader definition used by some donors, including the Government of the Netherlands, describes as programme assistance all aid instruments that contribute to the support of well-defined policy objectives and programmes at the macroeconomic and/or sector levels of a developing country.

- Project assistance involves well-defined development activities that are limited in time and space. A distinction may be made between investment and technical cooperation projects (OECD 1992:33–47).

MIDAS categorises cofinanced development activities as either programme or project aid, but in practice the affiliation is not always accurate and consistent. For the purpose of the present evaluation, adjustments have sometimes been made.

Sectors

Within programme aid and project aid development activities may further be categorised by sector. The present evaluation basically follows the CRS classification ('Creditor Reporting System') of the Development Assistance Committee of the Organization of Economic Cooperation and Development (DAC/OECD). The grouping of categories has been adjusted for our purpose and limited to six headings, as follows.

– *Rural development* comprises all activities related to agriculture (including agricultural research, extension, credit, input supply, processing and marketing), drainage and irrigation, food production and distribution, (agro-)forestry, livestock breeding, fishery, and environmental activities related to agriculture (e.g. erosion control, marine protection). Activities related to rural energy supply (fuelwood, small-scale hydro-power etc.) also belong to this group.

– *Social sector activities* are all those carried out in health, nutrition, supply of essential drugs, population control, domestic water supply, community development, land survey, housing, sewerage and waste management/disposal, urban sector development/ slum improvement, as well as in education and vocational training.

– Activities under the heading of *Physical infrastructure* involve major construction works, e.g. ports, dams, roads and bridges, as well as telecommunications.

– The *Energy and Industry sector* comprises the extraction of raw materials, oil, natural gas, generation of energy (electricity, gas, water), as well as manufacturing (including industrial export promotion) and small enterprise development.

– Some cofinanced activities cannot be categorised under a single sectoral heading and may be described as *multisector activities*. Major examples are forms of programme assistance that are not linked to a specific sector (e.g. economy-wide adjustment support and debt relief), but also development activities such as humanitarian assistance and contributions to the Global Environment Facility (GEF).

– Activities that cannot be grouped under any of the above headings are described as other activities. This group is relatively small.

The sectoral affiliation applies not only to Credit and Loan Related Cofinancing but also to Free-Standing Trust Funds and Export Credit Cofinancing. Details are given in Annex 5. The distinction between programme and project assistance as well as the sectoral affiliation is systematically applied in the various evaluative chapters of this report.

1.4 Objectives of the evaluation—Key questions

1.4.1 *General*

The overall terms of reference for this evaluation mention the following key questions: (i) How *relevant* was cofinancing with the World Bank to policies of the Dutch Government and those of recipient countries? To what extent were the policies of the World Bank and the recipient country compatible with Dutch policy? To what extent were problems of the developing countries addressed? (ii) How *efficient and effective* were the selected activities and how *sustainable* were the results?

Specific criteria are used that are compatible with the general standards of IOB and the Bank's Operations Evaluation Department (OED). This applies in particular to notions such as policy relevance, policy compatibility, effectiveness and efficiency, as well as sustainability of results.

Policy relevance

In this study, policy relevance refers to the degree to which the cofinanced activities reflect the priorities of the Government of the Netherlands and of the respective recipient country and the extent to which they address the problems of the recipient country. The evaluation focuses in particular on the general objectives of Dutch development policy: structural poverty alleviation, economic self-reliance, environmental sustainability and improvement of the position of women (cf. Chapter 3 and Annex 4).

Policy compatibility

Consideration is given to the extent to which the policies of (i) the recipient country and (ii) the World Bank were compatible with those of the Government of the Netherlands. Policies of the Netherlands and of the World Bank at different periods are detailed in Annexes 3 and 4. Policies of those recipient countries that have been subjected to special studies (Ghana, Pakistan, Uganda) are highlighted in Chapter 4 and in the pertinent chapters.

Effectiveness

Effectiveness pertains to the extent to which objectives have been achieved; in other words, how actual results relate to intended results. A distinction is made between the immediate output (specific short-term objectives), effects in the middle and long term, and the actual impact, i.e. the ultimate change in living conditions of the poor in the recipient country as a result of the activity.

Efficiency

Efficiency is a measure of the extent to which the greatest possible result is achieved at a given cost or a specific result is achieved at the lowest possible cost.

Sustainability

Sustainability refers to the extent to which a development project or programme is able to deliver an appropriate level of benefits for an extended period of time after the termination of major financial, managerial and technical assistance from an external donor.

1.4.2 *The added value of cofinancing*

Another key question mentioned in the terms of reference concerns the added value of cooperation on a cofinancing basis with the World Bank and with the recipient countries as compared with other methods of spending the bilateral aid budget. Reference is made to policy statements that reflect Dutch expectations and motivations regarding cofinancing with the World Bank in terms of its value as an aid instrument (cf. Chapter 3).

These expectations and motivations include the following: (i) the use of World Bank know-how; (ii) reducing the workload for the Government of the Netherlands; (iii) participation in projects that are too large to be financed with Dutch funds only; (iv) better donor coordination; (v) improving quality/output; (vi) enhancing the interests of the Dutch private sector; (vii) facilitating access to international capital markets for developing countries; (xiii) acquiring new experience for the Dutch Government ('learning process'); (ix) providing additional support to development activities that correspond to Dutch policy goals (as from 1990), and (x) the opportunity to influence World Bank policy (as from 1990).

In practice, this evaluation of cofinanced activities takes into account the periods and context of specific statements as applicable (cf. Chapter 3). New policy statements did not necessarily invalidate the policies of previous documents, and moreover have not been applied uniformly to all cofinanced activities. Reference had to be made to Appraisal

Memoranda and other relevant documents in order to determine how policy statements had been translated in specific cases.

1.4.3 *Additional questions*

The terms of reference included additional questions for two areas of investigation (special studies, cf. 1.5), i.e. that related to Free-Standing Trust Funds (FSTF) and to Export Credit Cofinancing & Commercial Cofinancing. During implementation of the evaluation, moreover, it was found appropriate to submit programme aid in the country-specific special studies (cf. 1.5) to additional questions.

- The additional questions concerning Free-Standing Trust Funds were the following: (i) Why have so many Free-Standing Trust Funds been set up although not provided for by the Administrative Arrangement of 1984? (ii) Has this type of cofinancing allowed the Dutch Government to influence World Bank policies and procedures?

- With regard to Export Credit Cofinancing & Commercial Cofinancing, the following additional questions were asked: (i) Have these types of cofinancing contributed to better access to the capital market for developing countries? (ii) Have they served Dutch economic interests? (iii) Why has the uptake of the 1984 Administrative Arrangement remained so modest in this respect?

- Questions raised concerning programme aid in country-specific special studies were the following: (i) In the general framework of reconstruction or economic reform programmes, has the input of aid funds been an influential or decisive instrument in obtaining the consent of the government of the recipient country and in ensuring its collaboration with the adoption and implementation of the policy measures? (ii) What have been the effects of the input of aid funds under the reconstruction and economic reform programmes on the macroeconomic performance of the country in question? (iii) What have been the effects of the policy reform measures on the macroeconomic performance of the country?

1.5 *Organisation of the study*

The overall research was organised in seven studies, each of which had a specific geographical or thematic focus. The aim was to provide maximum coverage of cofinanced activities in terms of their financial input, number and variety, as well as timespan. For the sake of efficiency, existing evaluation material was used as much as possible, provided it was compatible with the aims and criteria of this study. Special studies were undertaken as follows.

- Three studies involved comprehensive and in-depth research into cofinanced activities in countries that had been major recipients of cofinancing, i.e. Ghana, Pakistan and Uganda. The evaluation involved the full range of all key questions as well as the additional questions concerning programme aid (cf. 1.4.3).

- One study used existing evaluation material, especially IOB Country Studies dealing with bilateral aid provided to the following six countries: Bangladesh, Bolivia, Egypt, India, Mali and Tanzania, which provided information on Credit and Loan Related Cofinancing in particular. The evaluation was to examine policy relevance, policy compatibility, the effectiveness and efficiency of activities, and the sustainability of results.

- In another study on all other countries a selection of relevant OED material was used insofar as Project Performance Audit Reports related to cofinanced activities were available and contained evaluative statements applicable to Dutch cofinancing. Accordingly, the selection covered cofinanced activities in the following 13 countries: The Gambia, Guinea-Bissau, Jamaica, Kenya, Malawi, Mauritania, Mozambique, Senegal, Sri Lanka, Togo, Tunesia, Zambia and Zimbabwe. This evaluation was concerned with the same aspects as the study using IOB material, but was restricted to activities prior to 1993.

- One study that dealt specifically with Free-Standing Trust Funds contained an in-depth evaluation of selected umbrella and thematic trust funds, i.e. the Netherlands Consultant Trust Fund and various Trust Funds in the energy sector. This evaluation addressed the full range of key questions as well as some additional questions (cf. 1.4.3).

- Another study investigated the areas of Export Credit Cofinancing & Commercial Cofinancing. It examined all key questions as well as some additional issues. Special attention was paid to relevant cofinanced activities in one of the country case studies (Ghana).

The criteria underlying the choice of three country case studies (Ghana, Pakistan, Uganda) were based partly on estimates of actual disbursements (in principle at least Dfl. 100 million of bilateral aid) and partly on the principle of negative selection. Countries that had already been covered by IOB Country Studies were excluded. Moreover, it was not deemed appropriate to include countries in which no major activities had been cofinanced before 1992 (e.g. Eastern Europe and Central Asia) and the one country in which a major aid programme had been discontinued (Indonesia). The choice of the three countries was also considered interesting because Ghana was seen to have benefited largely from programme aid, Pakistan mainly from project aid, and Uganda from both programme and project assistance. In actual fact, cofinancing in Uganda proved to have been mainly programme aid, cofinancing in Pakistan mainly project aid, and cofinancing in Ghana a mix of programme and project aid as well as Export Credit Cofinancing.

Methodology of Special Studies

All the Special Studies involved extensive database and file research in the Ministry of Foreign Affairs (headquarters and embassies) and the World Bank (headquarters and field offices), literature research and study, as well as interviews with relevant resource persons. One or more specialised consultants recruited at the international level and in Ghana, Pakistan or Uganda respectively were responsible for the country-specific studies which involved extensive field trips and visits to project sites (cf. Annex 2).

1.6 Scope of the evaluation

The inventory of all cofinanced activities worldwide was meant to be as complete as possible. Despite the difficulties mentioned above, at least 95 percent of all commitments and disbursements (from 1975 upto and including 1996) are listed in Annex 5.

The present study has subjected 14 percent of the total amount disbursed by the Ministry of Foreign Affairs during the period under review to direct in-depth evaluation (Dfl. 589 million). The activities thus reviewed are the following (cf. Table 1.1).

- All activities (programme and project aid) cofinanced in Ghana (disbursements worth Dfl. 198 million), Pakistan (Dfl. 133 million) and Uganda (Dfl. 159 million). These three rank among the Top Ten recipient countries in terms of disbursed cofinancing (cf. Annex 5, Table 6). Cofinancing in Ghana comprises Export Credit Cofinancing totalling Dfl. 61 million, corresponding to 27 percent of all Export Credit Cofinancing worldwide. Total disbursements in the three countries (Dfl. 489 million) amount to 12 percent of all disbursed cofinancing (Dfl. 4,226 million).

- Some Free-Standing Trust Fund activities, i.e. the Netherlands Consultant Trust Fund Programme NCTFP (disbursements Dfl. 79 million) and Trust Funds in the energy sector, ESMAP etc., (Dfl. 21 million). The sum of these disbursements (Dfl. 100 million) constitutes 11 percent of total disbursements on Free-Standing Trust Funds (Dfl. 912 million) and 2.4 percent of the total of disbursed cofinancing (Dfl. 4,226 million).

Table 1.1 Scope of the evaluation (in millions of Dfl.)

Case	Programme Aid	Project Aid	Total aid
Ghana	125	73	198
Pakistan	36	96	133
Uganda	131	28	159
NCTFP		79	79
ESMAP etc.		21	21
Total direct	**292**	**297**	**589**
IOB studies	666	289	956
WB/PPARs	248	15	263
Total IOB & WB evaluation	**914**	**305**	**1,219**
OVERALL TOTAL EVALUATION	**1,206**	**602**	**1,808**
TOTAL DISBURSEMENTS COFINANCING	2,397	1,829	4,226

Almost 30 percent of all disbursed cofinancing has been subjected to indirect evaluation (Dfl. 1,219 million), i.e. use was made of existing evaluation material: Country Studies of IOB and Project Performance Audit Reports of the World Bank's OED. Four of the six countries for which overall bilateral aid was evaluated by IOB (India, Tanzania, Mali, Bangladesh) rank among the Top Ten of countries that benefited from cofinancing.

The disbursed cofinancing evaluated, whether directly or indirectly, totals Dfl. 1,808 million, corresponding to 43 percent of all disbursed cofinancing. As shown in Table 1.1, half of all programme aid and almost one-third of all project aid was thus evaluated.

All types of joint and parallel cofinancing as well as programme and project aid have been taken into consideration. The overall findings and conclusions of this study may therefore claim to be based on a representative sample of cofinanced activities during the period under review.

2 The World Bank and cofinancing

2.1 Sources and types of cofinancing in the World Bank

From the perspective of the World Bank, cofinancing refers to any arrangement under which Bank funds or guarantees are associated with funds provided by third parties for a particular project or programme. From that same perspective, there are two main sources of cofinancing: *Official Cofinancing* which comes from bilateral donor agencies or multilateral financing institutions, and *Private Cofinancing* which involves financing from private sources such as commercial banks, insurance companies or other private lenders. There is also *Export Credit Cofinancing* which may come from official or private sources, and is linked to the export of specified goods or services from a particular country (WB, Cofinancing Handbook 1995:5).

A distinction is made between *parallel cofinancing* and *joint cofinancing*. Under parallel arrangements, the Bank and the cofinancier finance different goods and services or different parts of a project with separate administrative arrangements. Joint cofinancing involves expenditures from a common list which are jointly financed by the Bank and the cofinancier. The Bank administers these resources as Trust Funds, which are disbursed in agreed proportions. When the cofinancier's funds are provided on more concessional terms than those of the Bank, they may be disbursed first in order to maximise benefits to the recipient (*ibid*.:5).

In a general way, cofinancing may be in the form of a *loan* or a *grant*. In the case of the former, the cofinancier enters into a loan agreement with a borrower and will normally disburse funds directly. In certain cases, the Bank can provide services related to procurement and disbursement. Cofinancing funds as grants are considered by the Bank as Trust Funds and administered under Trust Fund Agreements with the cofinancier. The Bank, as administrator of the funds on behalf of the cofinancier, enters into a Grant Agreement with the recipient and disburses the funds according to the terms of the Grant Agreement (*ibid*.:5).

2.2 Objectives of cofinancing

Official cofinancing

The World Bank has been involved in cofinancing virtually from its inception. A policy document on cofinancing with sources of official development assistance issued in 1984 mentions that though cofinancing does not necessarily create additional resources for low-income countries (since concessionary funding by individual donors is usually fixed by budgetary allocations), "... cofinancing arrangements can help guide assistance to high priority investments, enable investments to be financed which are beyond the resources of any single development agency, and more generally provide an important vehicle for inter-agency cooperation on development activities" (WB, Cofinancing 1984:1).

During the 1980s, the World Bank did not develop a coherent and systematic policy framework for cofinancing. It was only from 1991/92 that the Bank, as part of the portfolio management review which resulted in the *Wapenhans Report* in 1992, set up a task force on cofinancing which attempted to redefine policies and procedures governing cofinancing and to formulate explicit objectives. The Review of Cofinancing of 1994 mentions that one of the Bank's primary objectives in seeking official cofinancing was that this could lead to increased resource flows to developing countries. The two predominant motives of official cofinancing were "(a) to fill a financing gap in a particular project or to increase the available financing in order to expand the project scope...; and (b) the desire to establish common policies and/or investment priorities among the donors at the project and sector level and thus improve policy coordination" (WB, Review of Cofinancing 1994:10).

The *Cofinancing Handbook* of 1995 contains OP 14.20 of the *World Bank Operational Manual* of March 1995. This mentions three objectives of the Bank in encouraging official cofinancing: (i) to mobilise resources with which to fill a financing gap in a specific project; (ii) to coordinate the financing for recipient countries' development programmes and help establish common policies or investment priorities among financial sources at the project and sector level; and (iii) to assist donors that wish to link their own aid programmes with the Bank's capacity to support the development and implementation of projects (provided the incremental costs to the Bank are covered) (WB, Cofinancing Handbook 1995:3).

Although explicitly formulated only in 1994/95, resource mobilisation and donor coordination have been consistent objectives of cofinancing for the World Bank throughout the years. What official documents do not mention is that the Bank itself may have an interest in resource mobilisation in connection with its assistance to borrowing countries, e.g. to offset a potential or actual shortfall of IDA replenishments and to demonstrate to shareholders of the Bank that other financiers consider it to be trustworthy.[1]

Private and Export Credit Cofinancing

With regard to private cofinancing and export credit cofinancing, the Review of Cofinancing states that their significance arises from the fact that they represent additional sources of funds for the Bank's borrowers, but are dictated largely by country creditworthiness considerations (WB, Review of Cofinancing 1994:15).

The Cofinancing Handbook of 1995 mentions as Bank objectives in encouraging private cofinancing: (i) to catalyse financing for individual projects and increase overall private resource transfers for development; and (ii) to facilitate borrowing countries' access to international capital markets (WB, Cofinancing Handbook 1995:3).

The Bank's policy instruments with respect to private and export credit cofinancing consisted of the B-Loan Programme, the Expanded Cofinancing Operations (ECO) Programme, and the Export Credit Enhanced Leverage (EXCEL) Programme (cf. Chapter 17).

2.3 The importance of cofinancing in the World Bank

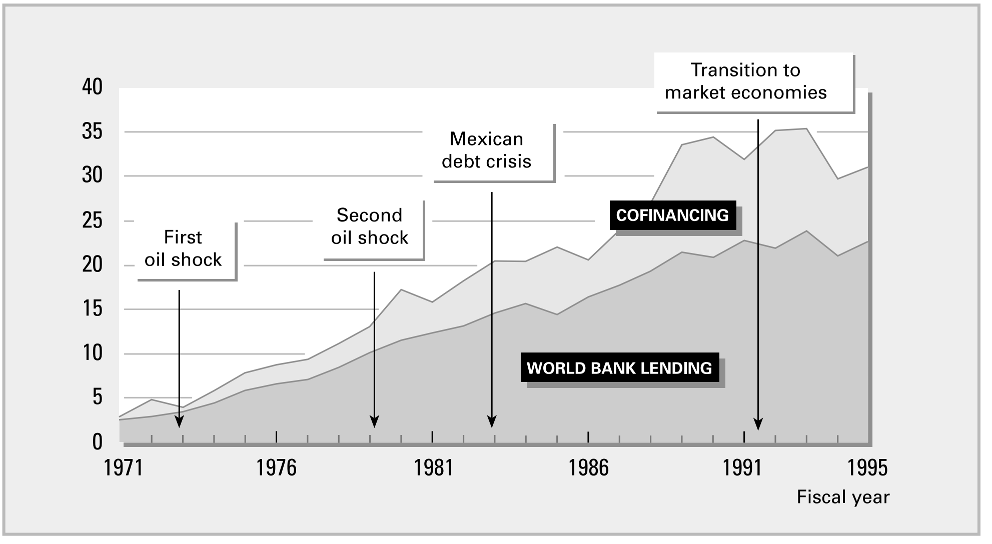
Volume

According to World Bank sources, the overall volume of cofinancing in the Bank has been quite substantial over the period between 1971 and 1995. For every US dollar the Bank has lent, it has mobilised 42 cents from cofinanciers (WB/CFS, Cofinancing with the World Bank 1996:2). During this period, the overall amount raised in this way totalled US$ 142.0 billion, rising from US$ 300.0 million in FY71 to US$ 8.2 billion in FY95. The average annual growth rate was thus 15 percent. This exceeded that of Bank lending which grew at an average rate of 10 percent over the same period, from US$ 2.5 billion in FY71 to US$ 22.5 billion in FY95.

Figure 2.1 illustrates the increasing importance of the volume of cofinancing in absolute and relative terms. As the volume expanded the number of projects cofinanced also

[1] Cf. internal Memorandum 351/85 of 3 July 1995 sent by CDa (Balance-of-Payment Support Section) of the Ministry of Foreign Affairs, reporting on a visit by senior cofinancing advisers of the World Bank during which these objectives were mentioned.

increased, from a mere 19 percent in FY71 to 47 percent in FY95. The growth is particularly accounted for by a steady increase of official cofinancing, whereas private cofinancing and export credits were substantial during the 1980s only and have since shown a considerable decrease (WB, Review of Cofinancing 1996:2–3).



Source: World Bank, *Cofinancing with the World Bank: Twenty-Five Years of Cooperation 1971–95*, CFS 1996:3.

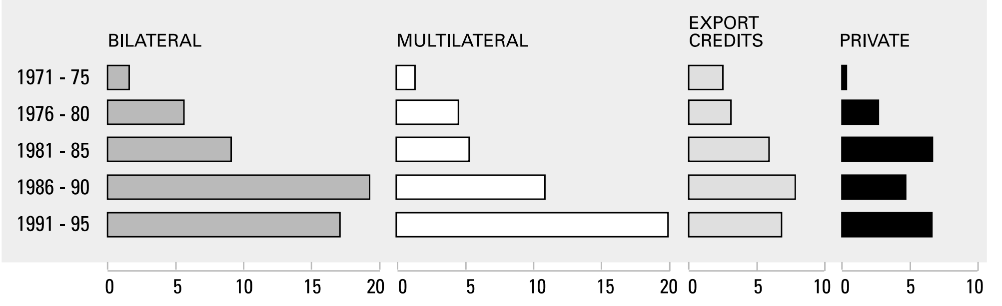
Figure 2.1 Cofinancing with the World Bank 1971–95 (in billion US$)

Official and private cofinancing

During the period 1971–96, according to World Bank sources, two-thirds of total co-financing came from official sources, with bilateral donors accounting for 37 percent and multilateral financial institutions for 30 percent. The other third came from Export Credit Agencies (18 percent) and other private sources (15 percent). Figure 2.2 shows the variations over time (WB/CFS, Cofinancing with the World Bank 1996:3–4).

Official cofinancing was provided by 28 bilateral donors with a total volume of US$ 35.2 billion between 1984 and 1993. Japan was the largest single source of cofinancing (US$ 16.4 billion) followed by Germany (US$ 2.5 billion), USA (US$ 2.0 billion), France (US$ 1.8 billion), UK (US$ 1.6 billion) and the Netherlands (US$ 1.1 billion—see below). Cofinancing by Japan increased rapidly in the mid-1980s, peaked in 1989 and declined thereafter until 1992 before showing a new increase in 1993.

The volume of multilateral cofinancing amounted to US$ 25.9 billion during the same period, with the Inter-American Development Bank, the Asian Development Bank and the African Development Bank/African Development Fund being the most important contributors. The European Bank for Reconstruction and Development started its cofinancing programme in 1991 and has shown a considerable increase of funding since that date (WB, Review of Cofinancing 1994:5–8).



Source: World Bank, *Cofinancing with the World Bank: Twenty-Five Years of Cooperation 1971–95*, CFS 1996:4.

Figure 2.2 Cofinancing sources 1971–95 (in billion US$)

Private cofinancing and export credits have accounted for about one-third of total cofinancing in recent years, but with significant variations in different periods. Between 1983 and 1989, private cofinancing showed an increase because of the B-loan Programme. This was replaced by the Expanded Cofinancing Operations (ECO) which apparently did not get off the ground as anticipated. It resulted in only one consummated operation and another that was nearing completion in 1993. Export credits have shown considerable fluctuations in levels of financing (WB, Review of Cofinancing 1994:15–17).

Use of cofinancing

Between 1971 and 1995, overall cofinancing mostly benefited the Latin American and Caribbean Region (US$ 38.4 billion or 27 percent), followed by the Africa Region (US$ 32.0 billion or 22 percent), the East Asia and Pacific Region (US$ 26.0 billion or 18 percent) and the South Asia Region (US$ 20.0 billion or 14 percent). The Europe and Central Asia Region and the Middle East and North Africa Region each attracted around 10 percent of total cofinancing (WB/CFS, Cofinancing with the World Bank 1996:5–6). According to the Review of Cofinancing of 1994, which refers to the period 1984–93, private cofinancing mostly went into East Asia and the Pacific as well as Latin America and the Caribbean.

The infrastructure sector has overall received the largest share of cofinancing, i.e. more than 50 percent between 1971 and 1996. However, its share fell from 62 percent in the 1970s to 57 percent in the 1980s and 51 percent in the 1990s. Within infrastructure, energy and power projects accounted to over half of all infrastructure cofinancing. The share of transportation projects in cofinancing fell from 19 percent in the 1970s to 10 percent between FY90 and FY95. Cofinancing in projects in the agriculture and industry sectors accounted for 30 percent in the 1970s but fell to a mere 8 percent in the 1990s. By contrast, the share of social sector projects (including environmental activities) rose from 2 percent in the 1970s to 13 percent in the 1990s. Similarly, multisector projects that were closely associated with the Bank's quick disbursing adjustment lending rose sharply during the 1980s but fluctuated in the 1990s (WB/CFS, Cofinancing with the World Bank 1996:7–8).

2.4 Institutional and managerial issues related to cofinancing

The institutional framework

The rapid expansion of the cofinancing programme, its overall volume and relative importance as well as its specific nature and complexity, have faced the World Bank with major challenges in institutional and managerial terms. A special unit headed by a Vice-President was established in 1983 to facilitate and promote cofinancing, later named Cofinancing and Financial Advisory Services (CFS). The Bank's Regional Offices established Regional and Departmental Cofinancing Coordinators who were to work closely with Project Task Managers and serve as linkages to CFS. The various levels formally assumed the responsibilities described below (WB, Review of Cofinancing 1994:22–24).

The CFS supported and promoted both official and private cofinancing. In 1983, it took over from the Central Advisory Unit for Cofinancing which was then attached to the Senior Vice President, Operations. There were two divisions within CFS: the Official Cofinancing and Trust Funds Group (CFSOC) and the Project Finance Group (CFSPF), the former dealing with official and the latter with private cofinancing. Both divisions maintained relations with their respective partners, carried on a dialogue with them on emerging policies and procedures affecting their cofinancing relationships with the Bank, and identified cofinancing if requested (WB, Review of Cofinancing 1994:24–25).

The Regional Offices each designated Regional Cofinancing Coordinators. These were full-time positions in the Regional Office for Africa and that for the Middle East and

North Africa, whereas in other offices the function was combined with other responsibilities. Most Country Departments also had mostly part-time Departmental Cofinancing Coordinators. Their role was essentially to serve as intermediary between CFS and Task Managers.

Starting in 1987, Task Managers assumed the bulk of responsibility for identifying cofinanciers, contacting them to determine their interest, providing them with necessary project information, and generally working with them from the initial expression of interest until the cofinancing was finalised. Until 1992, in fact, cofinancing was mostly handled at this level with CFS and Regional and Departmental Coordinators playing a supportive role for the purpose of information and global donor contacts. As from 1992/93, mobilisation of cofinancing has again been entrusted to CFS (cf. 'Managerial issues' below).

Trust Fund Administration was not handled by CFS but by the Controllers Vice-President's Office (CTR), an arrangement that still existed in 1997. It is noteworthy that the cofinancing operational procedures described in the Bank's Operational Manual (Statement No. 1.24 of August 1977) remained valid all through the period of considerable growth and diversification of the programme. It has only recently been updated with the publication of the Cofinancing Handbook in October 1995 (cf. 'Managerial issues' below).

A major reorganisation of the World Bank in early 1996 brought the creation of the Cofinancing and Project Finance Department (CAP), which was to comprise the Official Cofinancing and Trust Funds Group (CAPOC) and the Project Finance and Guarantees Group (CAPPF)[2]. For the purpose of the present evaluation, reference is made to the arrangement which prevailed during most of the period under review.

Managerial issues

Several World Bank reports have been critical of the Bank's handling of the cofinancing programme and have questioned its effectiveness and efficiency for borrowers and recipients, lenders and donor agencies as well as for the Bank itself. The following aspects have been highlighted.

– In March 1991, the Bank's Internal Auditing Department issued a report entitled *Report on an Audit of the Bank's Cofinancing Activities on Lending Operations*, which found

[2] Recently re-baptised in Trust Fund and Cofinancing Department (TFC)

that while the Bank had been successful in obtaining cofinancing, it did not have a clear policy of allocation of responsibilities among Bank staff, dispose of an adequate flow of information concerning cofinanciers' policies, or provide adequate information to cofinanciers. Cofinancing arrangements were not initiated and firmed-up early enough and monitoring and data collection was inadequate.

– An OED Report of April 1992 entitled *Bank Experience in Project Supervision* pointed out that "multidonor projects can lead to supervision difficulties for the Bank and for the borrower" (1992:35). The report states: "When the Bank has primary responsibility for project supervision (on behalf of itself and other donors), serious problems are uncommon . . . . Where cofinanciers maintain responsibility for supervising their own component, difficulties can arise if there is a divergence of views on items which influence components supported by both parties" (1992:35). The statement refers to joint and parallel cofinancing respectively.

– In November 1992, the *Wapenhans Report* drew attention to cumbersome practices in the process of cofinancing and a decrease of chances for successful project implementation for projects with more than one cofinancier. The Report recommended selective use of cofinancing, e.g. in cases where funding requirements cannot be met from one source, where there is a desire to share the risk, or where the cofinancier does not have the institutional capacity to prepare or supervise the project and prefers to leave this to the Bank.

In 1993, a Cofinancing Task Force was established by the Bank management as part of the *Portfolio Management: Next Steps* in the wake of the Wapenhans Report (cf. Annex 3). The Task Force was to review past cofinancing practices and recommend improvements for future operations. The Task Force was supported by a Steering Committee that comprised selected Bank managers and senior staff.

The report of the Task Force, which was presented in March 1994 (World Bank, *Trust Fund Management Issues* 1994), endorsed the practice of Task Managers carrying primary responsibility for mobilising and implementing cofinancing for individual projects, but suggested an increase of staffing at that level for cofinanced projects. The recommendation of a staff increase was not endorsed by Bank Management. The report also stressed the need for a more forward-looking and effective role of CFS and the Regional Coordinators. For this purpose, CFS should inform itself better of cofinanciers' policies and financial capabilities and play a more active role in assisting the Regions and restructuring donor consultations and Framework Agreements. The Bank should develop a strategy with a clear statement of objectives of cofinancing, which are necessarily different for official, private and export credit financing, a focus on improving the efficiency of the process for official cofinancing, more active promotion of private cofinancing, and improvement of current cofinancing practices.

Another document, prepared by the Bank's Controller at the same time contains more explicit findings and recommendations. It mentions "... a general feeling that this is a 'problem area,' something which is unusual and treated outside of normal Bank procedures" (WB/CTR 1994:3). The report establishes the basic principle that the Bank is just as accountable for Trust Funds as for Bank funds, if not more so, and that Trust Funds must be complementary to and directly supportive of Bank work programmes and development policies. It also explicitly mentions that "[Trust Funds] are not a vehicle to compensate for unit specific budget shortfalls" (*ibid*.:2). The document suggests in more or less explicit terms that there is room for improvement in the Bank definition of selection criteria on which to accept or reject a Trust Fund, in its decision-making procedures, as well as in the supervision and monitoring of Trust Funds. The fee structure should also be made more transparent and more consistent with objectives and services.

The WB/CTR document resulted in a *Decision Memorandum on Trust Funds* from the Controller's which stated that the Bank "should return to the principle that trust funds are not to be used to cover expenses that have been funded traditionally by the Bank's administrative budget .... Therefore, we should move as expeditiously as possible to have beneficiaries (borrowers) implement all country-specific trust funded tasks" (WB/CTR Decision Memorandum, 26 May 1994). This implied that task managers were not to mobilise individual or ad hoc trust funds to supplement administrative resources as this was to be the task of CFS.

The review process resulted in the publication of the *Cofinancing Handbook* in 1995 containing new Operational Policies and Bank Procedures regarding cofinancing.[3] The follow-up to the Decision Memorandum of 26 May 1994 was reported on in the *Status Report on Trust Funds* of 29 March 1996. This states that the trust fund mobilisation function had been centralised as foreseen, but that the Bank had not succeeded in promoting the administration of country-specific trust fund activities by the recipient countries themselves. Efforts had been made to avoid trust fund resources being used for Bank expenses that pertain to the Bank's administrative budget. Attempts were underway to review the cost recovery policy, negotiate umbrella agreements with donors, enhance internal auditing and monitoring, set up a pilot trust fund evaluation programme (WB, Evaluation of Trust Funds 1996), and enhance financial administrative systems to meet evolving and new trust fund reporting requirements.

[3] The Handbook contains extracts from the World Bank Operational Manual on Operational Policies Cofinancing (OP 14.20 March 1995) and Bank Procedures on Cofinancing (BP 14.20 March 1995). These documents should be read in conjunction with OD/BP 14.40 on Trust Funds.

2.5 Concluding remarks on World Bank policies and procedures regarding cofinancing

As from 1991/92, internal audits and reviews of the World Bank have highlighted the fact that the Bank did not have a comprehensive and coherent policy by which to mobilise and administer resources emanating from cofinancing arrangements. The substantial increase of trust funds based on official cofinancing during the second half of the 1980s had apparently been the result of donor agencies' desire to make use of the Bank as a channel for their aid funds to developing countries rather than the outcome of a deliberate policy declared by the Bank.

The Bank had therefore failed to develop a comprehensive policy framework for cofinancing, to adapt administrative procedures on a regular basis, to elaborate reporting patterns and to ensure adequate monitoring and evaluation. Between 1987 and 1992, the mobilisation and administration of trust funds was largely ensured by task managers with CFS playing but a supportive role and CTR not having a full overview of trust funds. The Wapenhans Report of 1992 stated that cofinancing was a complicating factor for project management, substantially increasing the probability of poor project performance (Wapenhans Report 1992:8).

As from 1991 the various audits and reviews resulted in a considerable strengthening of the role of CFS (later called CAPOC) and of Trust Fund Administration within CTR. The mobilisation of cofinancing and overall contacts with public and private donor agencies became the central task of CFS. The Bank undertook to reformulate policies and procedures (laid down in the Cofinancing Handbook of 1995), to renegotiate framework agreements with cofinanciers, to improve on reporting and to develop a pilot programme of monitoring and evaluation as a joint effort between CAPOC and OED.

3 The Netherlands and cofinancing 1975–96

3.1 Cofinancing policies

This section focuses on policy documents that have been discussed and approved by the Dutch Parliament. The documents show great variety as to the ways and depth cofinancing is treated as well as in the wording used regarding the advantages, reasons or objectives of cofinancing with the World Bank.

The 1976 policy document *Bilateral aid. The quality of the Netherlands development cooperation* was the first to mention cofinancing. The document briefly mentions the World Bank and cofinancing when stating that cofinancing with World Bank, the UN Development Programme and the European Development Fund will be promoted. No objectives for such cofinancing and hardly any reasons are formulated. It is merely stated that some approaches with which to improve the situation of the poorest countries necessitate measures and instruments that are too complex to be introduced or supported by the Netherlands alone (1976:19).

The 1983 policy document *Efficiency of multilateral channels* acknowledges as advantages of channelling aid through multilateral institutions: (i) the 'objective' character of such institutions; (ii) their competence and ability to enter into policy dialogue with recipient countries; (iii) the increased opportunity such a system offers for improved donor coordination; (iv) the absence of specific national commercial interests; (v) economies of scale from which benefit can thus be derived; and (vi) a reduced workload for institutions in donor countries involved in the preparation, commitment, monitoring and evaluation of projects etc. (1983:9). Expectations with regard to the World Bank focused particularly on the facilitation of developing countries' access to international capital markets and on policy dialogue in view of the structural adjustment in these poor countries (1983:15).

Multi-bi financing and cofinancing are treated for the first time in the 1984 policy document *Review of Bilateral Policy*. This recognises that such financing offers opportunities: (i) to participate in projects that are too large for the Netherlands to finance alone; (ii) to influence the international aid process; and (iii) to become involved in the spending and monitoring of funds. In this respect the document explicitly mentions the objective to enhance the effectiveness of Dutch aid to developing countries which is being coordinated notably by UNDP and the World Bank (1984:45). Cofinancing with the World Bank, either through joint or through parallel cofinancing, formalised in an Administrative Agreement signed in 1984 (see below), was to have as an objective a sufficient share of Dutch companies in the supply of goods and services, for which purpose the existing preference for parallel cofinancing would be continued. Selection of the project component to be cofinanced would therefore take into consideration the supply potential of Dutch companies (1984:46–47).

Another aspect of the policy re-orientation of the Government as from 1984 was the increased interest shown in the mixture of aid funds and commercial means (introduced in 1981). This formula lies at the origin of the use of export credits in cofinancing arrangements and of the component of commercial cofinancing in the 1984 Administrative Agreement with the World Bank. It is interesting that the 1984 *Review of Bilateral Policy* already signalled the importance of closer coordination among the public sector, industry and financial institutions in the Netherlands for the successful implementation of this formula on the one hand, and the willingness of recipient countries to increase the share of cooperation with the private sector in aid funds, on the other hand (1984:18). The document emphasised the Dutch policy of actively supporting cofinancing with the World Bank using export credits. At the time, these were the so-called 'Mixed Credits', under a programme launched in 1978. In 1987 this was substituted by the 'Low Concessional Loans Programme', which in turn was replaced in the early 1990s by the 'Development-Related Exports Programme' (ORET). This will be further discussed in Chapter 17 on 'Cofinancing and the Dutch Private Sector'.

A new Dutch Government was formed before the 1989 policy document *Quality in the 1990s: The First Steps* could be implemented. The document stresses the central role of the Bretton Woods Institutions in the structural adjustment process in developing countries, however, while it explicitly states the importance of bilateral donors in providing financial support and in influencing adjustment policies. Cofinancing and the creation of consultancy trust funds are considered to be important instruments through which to influence World Bank policies and to realise other objectives such as employment opportunities for Dutch civil servants (Ministry of Foreign Affairs), though the latter objective focuses more on the UN and the European Community than on the World Bank (1989:8–12, 49–54).

The policy document *A World of Difference* (1990) mentions five reasons for cofinancing (some of which already existed): (i) to reduce the workload of the civil service; (ii) to provide additional support for development-oriented activities that correspond with Dutch policy goals; (iii) to use the specific experience of International Financial Institutions (IFI); (iv) to influence the policy of the IFI; and (v) to reduce the number of aid relations of recipient countries. The supply-oriented character of Dutch aid was replaced by a demand-oriented position. Hence, joint cofinancing was now to be preferred. The decision as to whether joint or parallel cofinancing was preferable would depend on development criteria such as environmental concerns, the position of women, poverty orientation, popular participation and the necessity to use specific knowledge/experience available in the Netherlands in attaining development goals (1990:306).

The 1991 policy document *Multilateral cooperation—An evaluation of the multilateral organisations as channel for Dutch aid* generally reiterates the positive view on the World Bank shown in previous policy documents. It attaches great importance to the Bank's role in the adjustment process in developing countries and in donor coordination. It repeats, however, in conformity with the position taken in A World of Difference, the importance of influencing the World Bank through cofinancing. The document does not contain explicit objectives of cofinancing with the World Bank (1991:71–74).

The most recent view of the Government of the Netherlands on the World Bank is expressed in the 1995 policy document *Bretton Woods Institutions*. Though rather descriptive in nature, the document confirms the official policy to enhance the role of multilateral institutions in general and of the World Bank in particular. With respect to the latter, the government favours (i) a broadening of the activities of the Bank, thereby including the social sectors (education, health, housing), and (ii) more cooperation and partnership (though cofinancing is not explicitly mentioned). On the subject of relations between the two Bretton Woods institutions, IMF and World Bank, the Netherlands in general finds the existing division of labour between the two to be satisfactory.

The most recent view of the Dutch Government on Cofinancing with the World Bank can be found in the 1997 Budget of the Ministry of Foreign Affairs, presented to Parliament in late 1996. A major policy shift that was then announced concerns increased possibilities for parallel cofinancing in order to enhance the involvement of the Dutch commercial private sector. Since this was to be effective from 1997, however, it is not relevant to the present evaluation.

Conclusion

The foregoing clearly shows that a set of clear and consistent objectives of cofinancing was not available during the period under review. For the purpose of the present evaluation the 'advantages', 'reasons' and 'objectives' given for cofinancing with the World Bank have been grouped in a set of expectations and motivations which has been used to measure the value added of such cofinancing (cf. Chapter 1, section 4.2).

3.2 Legal arrangements

Origin and legal base

The Government of the Netherlands' cofinancing with the Bank dates from 1975/76. As we have seen in the preceding section, the policy intention to promote such cofinancing was announced in 1976 in *Bilateral aid. The quality of the Netherlands development co-operation*. In that same year an exchange of letters between the Minister for Development Cooperation and the President of the World Bank formalised the cofinancing of projects and programmes. The first cofinancing project had already started, in India, the previous year.

Subsequent policy papers of the Government of the Netherlands (1983, 1984—see above) elaborated on the subject. In 1984 an Administrative Agreement on Cofinancing between the two parties was signed, followed by the 1986 Arrangements for the Administration of certain Funds to be made available by the Minister for Development Cooperation.

The evolution of the cofinancing programme during the 1980s and early 1990s gradually warranted a major revision of its legal base. This occurred in 1995 when the General Arrangement between the Dutch Minister for Development Cooperation and the World Bank was concluded, after being preceded by policy documents (1989, 1990, 1991, 1995—see above) on the same subject.

Legal provisions

Cofinancing refers to any arrangement under which World Bank funds or guarantees are associated with funds provided by other external donors for a particular project or programme. Both Official Cofinancing and Private Cofinancing occur (cf. Chapter 2).

In the present evaluation Official Cofinancing refers to the use of aid funds from the Development Budget of the Government of the Netherlands, whether or not in combination with Bank loans/credits, as well as to export credit financing from official aid funds, always on a grant basis (except for the Mixed Credit and Low Concessional Loan Programme—cf. Chapter 17). Private Cofinancing, by its very nature, implies that it takes place on a loan basis. In the present evaluation it includes loans by Dutch commercial banks and export credit assurance provided by the Netherlands Credit Insurance Company (Nederlandse Credietverzekering Maatschappij).

The letter written by the Minister for Development Cooperation to the President of the World Bank in 1976 confirmed the mutual desire to cofinance projects from official aid funds, but did not include any specific arrangement on such issues as the procedures governing this cofinancing, the forms of cofinancing, the terms and conditions of cofinancing, monitoring or reporting. It distinguished joint and parallel cofinancing.

The 'Administrative Arrangement on Cofinancing between the Minister of Finance and the Minister for Development Cooperation of the Kingdom of the Netherlands, the International Bank for Reconstruction and Development and the International Development Association', was signed on 16 May 1984. Its most important provisions were the following.

General. Aid funds will be made available through the Netherlands Bank for Investment in Developing Countries (Nederlandse Investeringsbank voor Ontwikkelingslanden, NIO), and the World Bank;

Parallel cofinancing. When cofinancing through NIO (parallel cofinancing), goods and services would be procured in accordance with Dutch guidelines on procurement; the World Bank may, if requested by the Government of the Netherlands, give technical advice (not binding) with respect to such goods and services;

Joint Cofinancing. When cofinancing through the World Bank (of a specific project):
- the Bank will be solely responsible for the administration of the Dutch aid funds and will carry out such administration in accordance with its normal practices and standards;
- the Bank will enter into an agreement with the intended beneficiary of the Dutch aid funds, as administrator on behalf of the Netherlands;
- the Government of the Netherlands and the Bank will conclude a participation agreement which will provide for the rights of the Netherlands (i) to be kept informed of the progress of disbursement of its participation, and (ii) to be furnished with such other information as the Netherlands may reasonably request;
- the Bank will keep the Netherlands informed of the progress of the jointly cofinanced projects, e.g. by furnishing supervision reports and by providing the opportunity to participate in supervision missions;
- the Bank will provide a detailed statement of account of the aid funds provided by the Netherlands and disbursed by the Bank, annually or upon request, together with an opinion of its external auditors;

– aid funds provided in the form of a grant participation will bear no service charge or interest and will be transferred to the recipient country as a grant;
– the Bank will be permitted to cover the costs incurred in administering, disbursing and accounting for aid funds, and in carrying out other activities on behalf of the Government of the Netherlands pursuant to the Agreement;
– the unused balance-of-aid funds will be used for purposes to be mutually agreed upon.

Export credits. The Government of the Netherlands announced its intention to facilitate the cofinancing of Bank projects through export credits tied to the procurement of goods and services from Dutch enterprises (in the form of export credit assurances or a blend of concessionary and insured export-credit financing).

Commercial cofinancing. Cofinancing with commercial banks (‘Private cofinancing’) was mentioned as a possibility, but since commercial banks were not signatory to the Arrangement, this option was not further considered.

Consultations. Consultative meetings were to be held, at least once a year in November.

It is noteworthy that the arrangement did not contain any provision regarding evaluation of the cofinanced project.

To sum up, the 1984 Administrative Arrangement distinguished the following types of cofinancing:
1. cofinancing with aid funds, which is linked to Bank loans/credits and may be joint or parallel cofinancing (official cofinancing);
2. export-credit cofinancing, with aid funds (triangular; parallel cofinancing);
3. commercial cofinancing (private cofinancing).

The modalities of joint cofinancing were further elaborated in 1986 when the earlier Administrative Arrangement was amended with ‘Arrangements for the Administration of Certain Funds to be made available by the Minister for Development Cooperation of the Netherlands’ dated 11 December 1986. These applied to a specific number of projects, listed in an annexed Schedule of Grants to be administered by the Bank and to be amended from time to time in the case of additional cofinancing.

The main provisions of the 1986 Arrangements were:
– The Bank will act as Administrator of the Dutch grants;
– In that capacity, the Bank will enter into a Development Grant Agreement with the relevant recipient for each jointly cofinanced project;

– To finance the costs of administration and other expenses incurred, the Bank may (re)invest Dutch aid funds pending their disbursement, and retain the income from any such (re)investment;
– The Bank will keep the Dutch authorities informed of the progress of each cofinanced project, including the prompt sending of a copy of the Project Completion Report.

The 1986 Arrangements did not fundamentally change or add important new elements to those of 1984. File research and interviews have not provided further elucidation.

Between the mid-1980s and mid-1990s cofinancing between the Government of the Netherlands and the World Bank increased to very substantial levels (see 3.3). One type in particular, though not foreseen in 1984 or 1986, grew in importance. This concerned the joint cofinancing of development-oriented activities that are not linked to World Bank loans or credits. They are called 'Free-Standing Trust Funds' in this evaluation. These and other reasons justified revision of the legal framework governing the cofinancing relationship between the two parties. This was realised in 1995.

The 'General Arrangement between the Netherlands Minister for Development Cooperation and the International Bank for Reconstruction and Development and the International Development Association' was signed on 24 May 1995. Called the 'General Arrangement', this does not replace the 1984 Arrangement which had also been signed by the Dutch Minister of Finance. The 1986 Arrangements also remain valid for cofinanced projects prior to the 1995 General Arrangement.

It was agreed that parties to the General Arrangement would draw up a joint list of operational projects (prior to 24 May 1995) and would lay down the conditions under which the General Arrangement would apply to these cofinanced projects (in legal documents all development projects, programmes and activities are referred to as Projects, unless otherwise specifically mentioned). The envisaged time needed for drawing-up this list, i.e. three months, was not met due to the inability of both the Ministry of Foreign Affairs and the Bank to produce it. Eventually, a Protocol was signed on 30 September 1996 which included several lists:

(i) 'Ended Projects': projects started after 1 January 1991 and ended before 24 May, 1995.
(ii) 'Ongoing Projects': projects operationalised on or after 1 January 1991 and still ongoing on 24 May 1995.
(iii) Projects closed in 1995, and
(iv) Projects started in 1995.

Differences of opinion as to the status of projects continued to exist between the two parties, mainly due to:

1. the lack of an inventory of all cofinanced projects, both in the Bank and in the Ministry of Foreign Affairs;
2. the use of different definitions as to the status of projects, notably ended projects;
3. the lack of information at the Ministry of Foreign Affairs as to the level of actual disbursements by the Bank of the Dutch contribution to cofinanced projects.

Parties agreed to review the lists of operational and completed projects in March 1997. By 31 December 1997, however, this had not yet taken place.

Types of cofinancing. The 1995 General Arrangement explicitly mentions the following forms of cofinancing:

1. Joint Cofinancing (JC)[1];
2. the Consultants Trust Fund Programme (CTFP)[2];
3. Debt Service Trust Funds (DTF)[3];
4. Free-standing Technical Assistance (FTA)[4];
5. Parallel Cofinancing (PC).

It was stipulated that, unless otherwise agreed, all projects other than parallel cofinancing projects would be administered by the Bank. The two parties convened to sign a specific Arrangement for each project jointly cofinanced under the General Arrangement. In the case of parallel cofinancing (whether directly or through the NIO), an arrangement with the recipient would be signed of which a copy would be furnished to the Bank by the Minister for Development Cooperation.

Administration by the World Bank. The Dutch contribution is transferred to Washington where it is administered by the Bank as a Trust Fund. Where feasible, the Bank will give precedence to disbursements of the Dutch contribution to the project. This formalises long-standing practice. Contrary to previous arrangements, income earned by the Bank on the (re)investment of Dutch funds pending their disbursement, will from now on be credited to a special Balance Account. The Bank may deduct from this account an agreed percentage of the jointly cofinanced projects to cover administrative costs incurred under this General Arrangement. Furthermore, the Bank will maintain a separate sub-account and records for each project with regard to funds deposited by the Government of the Netherlands.

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[1] Both Credit and Loan Related Cofinancing and Free-Standing Trust Funds (cf. Chapter 1).
[2] Free-Standing Trust Funds (cf. Chapter 1).
[3] Free-Standing Trust Funds (cf. Chapter 1).
[4] Free-Standing Trust Funds (cf. Chapter 1).

Reporting. The General Arrangement specifies the reporting obligations of the Bank as follows:

– for each jointly cofinanced project or Debt Service Trust Fund: supervision and/or progress reports, as applicable;
– for each Free-standing Technical Assistance project: a brief annual progress report, as well as an annual financial statement;
– a final report upon completion of each project;
– a quarterly financial statement with respect to each project;
– a consolidated semi-annual financial statement on funds provided by the Netherlands;
– a specified quarterly financial statement with respect to the Balance Account;
– within 90 days after 1 January each year the parties will consult on: (i) a list of all projects covered by the General Arrangement and operational as per 1 January, and (ii) a list of all projects completed during the past year;
– semi-annual reports on individual Consultant Trust Funds.

The General Arrangement does not contain any provision requiring the Minister for Development Cooperation to report to the World Bank in any manner on the parallel cofinanced projects, other than sending a copy of the arrangement convened with the recipient.

Consultations. Finally, on the subject of consultations, it was agreed that:

– the two parties will hold general consultations at least once a year;
– the two parties will hold discussions, on the request of either party, with regard to the progress of individual projects;
– representatives of the Minister will be invited to participate in missions relating to cofinanced projects.

3.3 Overview of cofinancing 1975–96

This section discusses only official cofinancing since this concerns the spending of aid funds, contrary to private cofinancing.

3.3.1 *The volume of cofinancing*

Overall volume

Official cofinancing between the Government of the Netherlands (Ministry of Foreign Affairs) and the World Bank from 1975 until 1996, which has been identified, amounted to Dfl. 4,917,418,000 (initial commitments), or Dfl. 4,226,319,000 (actual disbursements).[5] Assuming that at least 95 percent of all cofinancing has been traced (cf. 1.6), it may be concluded that overall official cofinancing in the period 1975–96 may have amounted to well over Dfl. 5 billion (commitments) of which approximately Dfl. 4.5 billion had been disbursed at 31 December 1996.

Forms of cofinancing: Joint vs parallel

The first case of parallel cofinancing that has been identified dates from 1975. Joint cofinancing occurred for the first time in 1977, the second only in 1981. From then on both forms of cofinancing were practised. During the period under review, however, preference for joint or parallel cofinancing varied. Prior to 1984 it was not specified, but for the rest of the 1980s the Government of the Netherlands officially preferred parallel cofinancing (cf. 3.1). In 1984 and 1986, however, the amount of joint cofinancing considerably exceeded that of parallel cofinancing. In 1984 it was decided to eliminate the 'reservoir' of unspent aid funds accumulated from previous years and to end the practice of transferring unspent funds to the next fiscal year (cf. Annex 4, section 4.2). Motivated by the wish to spend quickly large amounts of the overall aid budget before the calender year (=fiscal year) terminated, the Ministry of Foreign Affairs transferred Dfl. 100 million and Dfl. 227 million to the World Bank before the end of 1984 and 1986 respectively. Official policy was reversed in the 1990s, as is demonstrated by actual performance (cf. Table 3.1).

In general, the ratio of joint vs parallel cofinancing was 60:40 in the 1975–96 period. During the first ten years parallel cofinancing dominated (75 percent), but this was completely reversed in the 1990s, when joint cofinancing accounting for over 80 percent of total cofinancing.

The picture also differs when specifying by type of cofinancing. During the entire period under review, about 55 percent of Credit and Loan Related Cofinancing was joint cofinancing, and some 45 percent was parallel cofinancing, both in terms of commitments and disbursements. Free-Standing Trust Funds by definition concern only joint cofinancing, and Export Credit Cofinancing takes place only under parallel cofinancing arrangements. The annual amounts of cofinancing, by type and by form (joint or parallel), are presented in Table 3.1. Since yearly disbursements for the entire period under review are not available, Table 3.1 is based on commitments. Details can be found in Annex 5, Table 1.

[5] Equivalent to US$ 2.4 billion (commitments) resp. US$ 2.1 billion (disbursements) calculated at yearly DAC Dollar exchange rates. The average yearly exchange rate for the 1975–96 period was US$ 1 = Dfl. 2.02. This average may be used in calculating the US dollar equivalent of amounts in Dutch guilders which are commonly used in the text.

Table 3.1 Joint and parallel cofinancing by type, 1975–96, per year (commitments, in millions of Dfl.)[1]

Year	Credit & Loan Related Cofinancing			Free-Standing Trust Funds	Export Credit Cofinancing	Totals		
	Parallel	Joint	Total	Joint	Parallel	Joint	Parallel	Overall
1975	10	–	10	–	–	–	10	10
1976	61	–	61	–	–	–	61	61
1977	23	13	36	–	–	13	23	36
1978	48	–	48	–	–	–	48	48
1979	29	–	29	–	–	–	29	29
1980	74	–	74	–	7	–	81	81
1981	84	35	119	–	–	35	84	119
1982	95	5	100	–	18	5	113	118
1983	69	21	90	–	m,–	21	69	90
1984	50	121	171	m,–[2]	13	121	62	183
1985	180	57	238	31	9	88	189	277
1986	210	266	476	27	–	293	210	503
1987	107	98	205	6	63	103	171	274
1988	140	111	252	–	12	111	153	264
1989	124	44	169	2	–	46	124	171
1990	96	153	249	19	–	172	96	269
1991	47	114	161	178	64	292	111	403
1992	61	227	288	62	–	288	61	349
1993	41	159	200	82	21	241	62	303
1994	9	136	145	234	24	370	33	404
1995	40	185	225	214	15	399	55	454
1996	24	189	213	232	24	421	48	470
Total	1,625	1,935	3,560	1,086	272	3,021	1,897	4,917

[1]Rounded to nearest million.
[2]Less than Dfl. 500,000.

Type of cofinancing

Table 3.2 shows a breakdown by type of cofinancing. In the 1975–96 period Credit and Loan Related Cofinancing constituted approximately 75 percent of all official cofinancing, with commitments totalling Dfl. 3,600 million and disbursements Dfl. 3,100 million (rounded figures). Free-Standing Trust Funds rank second, with some 20 percent of all cofinancing: Dfl. 1,100 million (commitments) resp. Dfl. 900 million (disbursements). A relatively small share concerns Export Credit Cofinancing, 5 percent, with Dfl. 270 million (commitments) and Dfl. 230 million (disbursements).

Table 3.2 Total cofinancing by type, 1975-96 (commitments and disbursements, in millions of Dfl.)[1]

Type of Cofinancing	Commitments	%	Disbursements	%
Credit and Loan Related Cofinancing	3,560.0	72.4	3,087.4	73.1
Free-Standing Trust Funds	1,085.8	22.1	911.7	21.6
Export Credit Cofinancing	271.6	5.5	227.1	5.4
Total	4,917.4	100.0	4,226.3	100.0

[1]Figures may not add up to 100 percent due to rounding.

Trends in the volume of cofinancing

During the 1975–96 period yearly commitments have steadily increased, as can be observed from Table 3.1. For purposes of analysis, the period under review has been subdivided as follows: 1975–84, 1984–1990, and 1990–96. The first period covers the years prior to the signing of the 1984 Arrangement, the second refers to the remaining years of the 1980s, whereas the third period covers the 1990s. Average yearly commitments (all types of cofinancing combined) quadrupled from Dfl. 66 million during 1975–84 to Dfl. 279 million in 1984–90 and increased further to Dfl. 379 million in the 1990s. During the last three years of the period under review annual cofinancing oscillated between Dfl. 400 and 470 million.

In relation to the foregoing, the 1990s showed an important rise in commitments for Free-Standing Trust Funds, from Dfl. 65 million in the 1980s to over Dfl. 1 billion in the 1990s, i.e. almost a sixteen-fold increase. To a large extent this was due to Relief, Resettlement and Reconstruction activities, notably in Bosnia, and Debt Relief transactions during 1994–96 (see below). Export Credit Cofinancing also increased over the years, amounting to Dfl. 25 million, Dfl. 98 million and Dfl. 149 million respectively in the three sub-periods.

Figure 3.1 illustrates the rise in average yearly commitments (all types of cofinancing combined) during the period under review. It also shows the spectacular increase of joint cofinancing during the three sub-periods. As explained above, for the 1990–96 period this was due in particular to the financing of Free-Standing Trust Funds.

3.3.2 *Cofinancing by sector*

Table 3.3 shows all cofinancing (disbursements) by sector and by project, or programme aid in general. Full details of disbursements and committed amounts, according to the different types of cofinancing, are presented in Annex 5, Tables 2 and 3.

Table 3.3 All cofinancing by sector, programme and project aid, 1975-96 (disbursements, in millions of Dfl.)[1]

Sector	Programme aid	Project aid	Total	%
Rural development	679.8	515.6	1,195.3	28.3
Social sectors	123.7	389.6	513.3	12.1
Physical infrastructure	16.4	420.8	437.2	10.3
Industry, energy, etc.	101.8	211.4	313.2	7.4
Multi sector	1,453.6	282.2	1,735.8	41.1
Others	22.1	m9.4	31.5	0.7
Total	2,397.4	1,828.9	4,226.3	100.0

[1]Figures may not add up to 100 percent due to rounding.

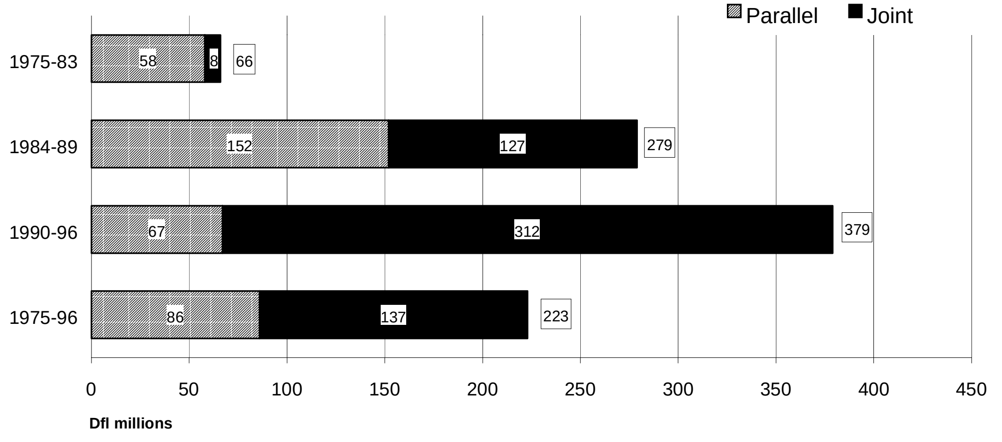


Figure 3.1 Average yearly commitments 1975–96 (in millions of Dfl.)

Cofinancing by sector

Contrary to the impression given by Table 3.3, the sectoral repartition of cofinancing is not the outcome of a planned process but is rather the result of a series of individual ad hoc decisions. The single most important sector of cofinancing was multisectoral, accounting for over 40 percent of all disbursements (Dfl. 1.7 billion). This mostly concerned so-called ‘quick disbursing funds’, realised through joint cofinancing arrangements with the Bank. The Rural Development sector constituted the second most important sector of disbursements (28 percent) with Dfl. 1.2 billion, in which a single activity accounted for one-third of this amount (the National Bank for Agriculture and Rural Development, NABARD, India—Dfl. 400 million). The Social Sector ranks third (12 percent or Dfl. 513 million) but has recently received increasing attention (since the Copenhagen Summit 1993). About 10 percent was spent on activities in the Physical Infrastructure sector, most commitments originating from the second half of the 1980s. One-third of expenditures in this sector emanated from Export Credit Cofinancing. Another third was used for harbour development and improvement (including technical assistance). The most important single beneficiary in this regard was Mozambique, where rehabilitation of Beira Port accounted over Dfl. 100 million. Finally, the most important activities cofinanced in the Industry and Energy sector concerned minerals and energy. With less than 8 percent of all cofinancing, this sector ranks last.

Programme vs project aid

During the period under review 57 percent of all disbursements, i.e. Dfl. 2.4 billion, was spent on programme aid, mostly in support of economic reform programmes. Programme aid constituted the same share of Credit and Loan Related Cofinancing (57 percent) but was significantly higher for Free-Standing Trust Funds: 71 percent (cf. Table 3.4). This means that programme aid increased significantly during the 1990s when most Free-Standing Trust Funds (particularly benefitting Bosnia and for debt relief in various countries) were financed.

Table 3.4 Cofinancing by type, programme and project aid 1975–96 (disbursements, in millions of Dfl.)[1]

	Programme aid	Project aid	Total	%
Credit and Loan Related Cofinancing	1.751,009	1.336,430	3.087,439	73.1
Free-Standing Trust Funds	646,418	265,316	911,734	21.6
Export Credit Cofinancing	–	227,147	227,147	5.4
Total	2.397,427	1.828,892	4.226,319	100.0
in %	56.7%	43.3%		

[1]Figures may not add up to 100 percent due to rounding.

In the case of Credit and Loan Related Cofinancing, programme aid totalled Dfl. 1.8 billion. This was due to multisector support (Dfl. 807 million), notably for Structural Adjustment Programmes, as well as to rural development activities (Dfl. 680 million), although it should be kept in mind that a single activity accounted for Dfl. 400 million (NABARD, India).

In the case of Free-Standing Trust Funds, programme aid totalled Dfl. 646 million. Most of this was for Debt Relief (Dfl. 352 million) and Relief, Resettlement and Reconstruction activities (Dfl. 194 million), the latter mainly in Bosnia (Dfl. 127 million, cf. Annex 5, Table 16).

Project assistance accounted for 43 percent of all cofinancing, or Dfl. 1.8 billion. Half of this was for activities in two sectors only: Rural Development (28 percent) and Physical Infrastructure (23 percent), most of the latter being Export Credit Cofinancing.

3.3.3 *Cofinancing by region and country*

Cofinancing by region

Cofinancing occurred all over the world: individual projects in 57 developing countries, regional projects in the four regions grouping these countries, as well as a number of ‘worldwide projects’. The first category covered more than 90 percent of all cofinancing, regional projects 3 percent, and worldwide projects 4 percent (disbursements).

Table 3.5 All cofinancing by region, programme and project aid, 1975–96 (disbursements, in millions of Dfl.)[1]

Region	Programme aid	Project aid	Total	%
Africa	1,122.3	867.0	1,989.3	47.1
Asia (excl. Central Asia)	699.0	703.2	1,402.1	33.2
Latin America and Caribbean	189.7	126.2	315.9	7.5
Eastern Europe and Central Asia	285.4	57.7	343.1	8.1
Worldwide	101.0	74.8	175.9	4.2
Total	2,397.4	1,828.9	4,226.3	100.0

[1]Figures may not add up to 100 percent due to rounding.

The largest share of (disbursed) cofinancing benefited Africa: almost 50 percent, followed by Asia (excluding Central Asia) with 33 percent. Remaining funds went to Latin America and the Caribbean (7 percent), Eastern Europe and Central Asia (8 percent) and to worldwide projects (4 percent). This is shown by Table 3.5. Full details are presented in Annex 5, Table 4. Figures on a commitment basis vary slightly and are presented in Annex 5, Table 5.

The geographical distribution of cofinancing funds varied with the type of cofinancing (cf. Annex 5, Table 4). Africa still ranks first for Credit and Loan Related Cofinancing (50 percent) as well as for Export Credit Cofinancing (81 percent), but has a much smaller share of Free-Standing Trust Funds (29 percent). This is due to the strong position of the Eastern Europe and Central Asia region (mainly because of Bosnia) and to worldwide projects (notably the Global Environment Facility, GEF). These expenditures also reduce the share of Asia in Free-Standing Trust Funds. Export Credit Cofinancing is virtually limited to Africa (81 percent).

It is interesting to note that more than 25 percent of all cofinancing was for purposes of programme aid in Africa (Dfl. 1.1 billion), making it the largest single item. Most of the aid was linked to Structural Adjustment Loans and Credits of the World Bank (Dfl. 953 million). The remainder was used mainly for debt relief (Free-Standing Trust Funds) which, in the majority of cases, was also related to Structural Adjustment Programmes carried out under supervision of the World Bank.

Cofinancing by country

Individual projects were cofinanced in 57 developing countries, the majority being African (30, of which two North African). The Latin American & Caribbean region counted nine beneficiary countries (seven Latin American countries, Jamaica and Haiti) and Asia nine beneficiaries (including Yemen and the Occupied Territories). Finally, Eastern Europe and Central Asia: seven recipient countries in Eastern Europe and two in Central Asia.

Despite the considerable dispersion of funds, 50 percent of all disbursed cofinancing (Dfl. 2.1 billion) went to 10 countries only (Table 3.6). The list of all recipient countries is presented in Annex 5, Table 6 (ranked on basis of disbursements) and Annex 5, Table 7 (ranked on basis of commitments).

Credit and Loan Related Cofinancing took place in 45 countries, but the concentration on a few recipients is in this case even more significant. Seven countries accounted for 50 percent of all cofinancing, with one country, India, receiving one-third of that share. The list of the ten most important recipient countries almost coincides with that of the main beneficiaries of all cofinancing (see above), with the exception of Zambia and Pakistan which are substituted by Mozambique and Kenya. Tables 8–10 in Annex 5 provide more details.

The category of Free-Standing Trust Funds shows a similar picture as to the uneven geographical distribution of cofinancing funds, particularly when focusing on disbursements. In all, 25 countries benefited from FSTF with nine countries sharing more than 50 percent of all funds. The Top Ten list shows some new beneficiaries, notably Bosnia, Nicaragua, the Occupied Territories, Peru and Burkina Faso. This is mainly caused by the Trust Funds created for ‘Relief, Resettlement and Reconstruction’ and for ‘Debt Relief’. Full details with respect to individual recipients can be found in Annex 5, Table 11 (ranking based on disbursements) and Table 12 (ranking on basis of commitments).

Export Credit Cofinancing in the 1975–96 period occurred in 10 countries: seven in Sub-Saharan Africa, one in North Africa, and two in Asia. One-quarter of all cofinancing was realised in one country only: Ghana (cf. Chapter 17). The list and ranking of recipients of commercial cofinancing on a disbursement respectively commitment basis is presented in Annex 5, Tables 13 and 14.

Table 3.6 All cofinancing 1975-96—The top ten beneficiaries (disbursements, in millions of Dfl.)[1]

Ranking	Country/region	Disbursements	As % of total	Cum. %
Countries				
1	India	599.4	14.2	14.2
2	Tanzania	229.9	5.4	19.6
3	Ghana	197.7	4.7	24.3
4	Mali	182.6	4.3	28.6
5	Yemen	182.5	4.3	32.9
6	Bangladesh	177.6	4.2	37.1
7	Uganda	158.9	3.8	40.9
8	Indonesia	144.3	3.4	44.3
9	Zambia	133.8	3.2	47.5
10	Pakistan	132.6	3.1	50.6
	Sub-total	2,139.3	50.6	50.6
	Other countries	1,776.1	42.6	92.6
	All countries	3,915.4	92.6	92.6
Regions				
1	Worldwide	175.9	4.2	96.8
2	Africa	84.1	2.0	98.8
3	Eastern Europe and Central Asia	41.9	1.0	99.8
4	Asia (excl. Central Asia)	7.9	0.2	100.0
5	Latin America and Caribbean	1.3	0.0	100.0
	Overall total regions	311.0	7.4	100.0
	Total	4,226.3	100.0	100.0

[1]Figures may not add up to 100 percent due to rounding.

About 20 countries benefited from more than one type of cofinancing but no explanation could be found for this phenomenon. The fact that only two countries received cofinancing funds from all three categories, i.e. India and Zimbabwe, seems to be coincidental.

3.3.4 *The number of cofinanced activities*

During the identification phase of this evaluation over 2,000 files were consulted. This resulted in the identification of nearly 200 Credit and Loan Related Cofinanced Projects, almost 100 (Free-Standing) Trust Funds projects/activities, and 15 projects cofinanced with export credits.

Credit and Loan Related Cofinanced Projects

During 1975–96 the Ministry of Foreign Affairs/DGIS cofinanced 198 World Bank Loans and Credits. These were linked to 256 Dutch-funded projects for which 443 commitments were made totalling Dfl. 3,600 million. Several projects thus benefited from more than one commitment. The relatively large number of commitments compared to World Bank loans/credits (more than double) is striking. The explanation lies in the fact that, whereas the World Bank finances a well-defined activity which takes place in a determined period of time, the Netherlands often selects one or more components of that activity for periods shorter than the corresponding World Bank project.

Despite the relatively fragmented character of the Dutch commitments, the average amount of Dfl. 8 million for cofinancing with the World Bank in the 1975–96 period can be considered high. In fact, it is considerably higher than the average amount of commitment for development activities approved by the Ministry in general. Information on average commitment throughout the period is not available, but the average for all projects under implementation on 31 December 1995 and financed from Budget Categories I and II (also providing funds for cofinancing), was Dfl. 2.6 million.

Annex 5, Table 15 provides a list of all Credit and Loan Related Cofinanced Projects, by country, in alphabetical order.

Free-Standing Trust Funds

This category includes Global or Umbrella Trust Funds, Thematic Trust Funds, and Ad Hoc or Single Trust Funds, and thus does not consist of a homogeneous group of activities (cf. Chapter 1). Some of these Trust Funds are based on single commitments of over Dfl. 100 million (e.g. the Global Environment Facility, the Bosnia Reconstruction Trust Fund), whereas others are very small (mostly Ad Hoc Trust Funds). In all, there have been 97 Free-Standing Trust Fund activities identified, for which 158 commitments were made. Hence, the average commitment is Dfl. 7 million. The FSTF are presented in detail in Annex 5, Table 16. The largest single sub-category concerns 31 Debt Relief operations, with a total value of Dfl. 337 million, approximately one-third of all commitments (Dfl. 1,100 million).

Export Credit Cofinancing

With only 15 identified projects (18 commitments) this category is the smallest. Two commitments date from before 1984. One country, Ghana, benefited from four commitments for two projects (cf. Chapter 17). The average amount of commitment for this category is the largest of the three types of cofinancing: Dfl. 15 million. Details can be found in Annex 5, Table 17.

3.3.5 *Concluding remarks*

Officially, the Government of the Netherlands was the World Bank's sixth largest cofinancier in 1995, but there are strong indications that this is an underestimation. Identification of cofinanced activities during the initial stage of this evaluation has shown that, by the mid-1990s, in terms of commitments and disbursements, the Government of the Netherlands was;

- the Bank's second largest bilateral donor of Trust Fund contributions;[6]
- the largest bilateral cofinancier of the Consultants Trust Fund Programme;[7]
- the largest bilateral cofinancier of ESMAP;[8]
- the second largest bilateral cofinancier of EDI;[9]
- the second largest bilateral cofinancier of the Bosnia Reconstruction Trust Fund.[10]
- one of the largest contributors to the World Bank's Credit and Loan Related Cofinancing Programme.

6 Japan ranks No. 1.
7 Including cofinancing from the Dutch Ministry of Economic Affairs, see Chapter 15.
8 Energy Sector Management Assistance Programme, see Chapter 16.
9 Economic Development Institute (a World Bank Institute).
10 Disbursement in 1996–97.

Map 1 Ghana

4 Background to the country studies

4.1 Ghana

4.1.1 *Historical, political, economic and social context*

Historical background

Regional and intercontinental trade have always played an important role in the history of the area which comprises present-day Ghana. From the 1400s onwards the growth of trade provided a major impetus to the development of early Akan states, whose Akan-speaking people constitute the largest ethnic group in the area. From the mid-17th century the most powerful of these Akan states has been that of Asante, also known as Ashanti. Under the rule of *asantehene* (king of Asante) Osei Tutu in the early 18th century, the confederacy of Asante states developed into an empire with its capital at Kumasi. By the mid-18th century, the state of Asante was one of the best organised in Sub-Saharan Africa, with trading networks extending across the Sahara desert in the north and well into Hausaland to the east (present-day Nigeria). In the south, Asante had trade relations with the coastal Fante, Ga-Adangme and Ewe peoples as well as with Europeans (Ghana: a country study, 1994:5–8).

The first Europeans to arrive were the Portuguese, in the second half of the 15th century. After the loss of their principal fortress, Elmina, to the Dutch in 1637, the Portuguese left the area. The Dutch on the coast, with the Asante as their allies in the interior, played an important role in the slave trade, although this reached its zenith under their principal European rival on the coast, the British, in the 18th century. The Dutch were to play a leading role on this portion of the Guinea coast for nearly 250 years, despite rivalries and struggles with other Europeans. The British only gained definite control over all Dutch possessions, castles and fortresses on the coast in 1872, thus becoming the dominant European power in the area. During the 'scramble for Africa', the British successfully invaded Asante in 1874. In the same year the coastal protectorate was proclaimed a Crown Colony, to which Asante was annexed in 1902. The position of *asantehene* was abolished and the Asante empire fell to pieces. Also in 1902, the Northern territories were proclaimed a British protectorate (*ibid*.:8–16).

On 6 March 1957 the Gold Coast became the independent state of Ghana after multi-party elections that were won by the Convention People's Party (CPP) led by Kwame Nkrumah, who had been Prime Minister since 1952. The newly independent country also included the former British-administered Mandate Territory of Togoland, the present-day Volta region, which had been linked to the Gold Coast since 1919. It thus covered an area of approx. 240,000 sq. km. or 92,000 sq. miles. In 1960 Ghana was declared a republic and the special relationship between the British Crown and Ghana was discontinued.

The political and economic context

Since independence Ghana has had four republican governments, interspersed with five military regimes. There have also been countless foiled *coup d'états*. Each government has pursued its economic policy based on its main political ideology, varying from Marxism–Leninism to economic liberalism. Similarly, economic policies have varied with the different governments from 'dirigiste' socialist to 'laissez-faire' capitalism.

Thus, the CPP's socialist government led by Dr Kwame Nkrumah (1957–66) was pre-occupied with creating a government-led welfare state. Using reserves that had mainly been accumulated in the colonial period, Nkrumah engaged in the provision of free social services such as education and health, and in establishing a basic infrastructure including electricity and water. This set the stage for massive government involvement, with the State playing the major role in non-primary sectors. The supply of essential consumption and investment goods soon became insufficient, partly due to inadequate import substitution industries, and government took resort to price controls and other rationing mechanisms. Nkrumah was overthrown in February 1966.

At the time of the National Liberation Council (NLC) military coup in 1966, the CPP government had introduced measures by which to arrest the poor performance of the economy, but their implementation was prevented by the coup. The NLC, initially under the chairmanship of General Joseph Ankrah who was replaced in April 1969 by Brigadier (later Lieutenant-General) Akwasi Afrifa, introduced some makeshift measures by which to alleviate economic hardship. However, the new military government's concentration on consolidating its position rather than on the economy led to a slump in real output. In its 1966/67 budget, however, the NLC introduced some austerity measures. Supported by the IMF, the NLC embarked on a stabilisation policy which saw real Gross Domestic Product (GDP) grow at an average of 6 percent per annum for the remaining two years of their stay in power.

In 1969 multi-party elections were held, resulting in a smooth handover to a civilian government led by Dr Kofi Busia. The Progress Party government was supported by the military regime from which it had taken over, and there was only weak opposition from the remnants of the former CPP government. Hence, with its power consolidated, the Progress Party continued with NLC's economic policies.

Another military coup occurred in 1972, led by Lieutenant-Colonel (later General) Ignatius Acheampong. GDP immediately started to fall. The 1972 coup may partly be attributed to economic misjudgment and indecision by the Busia government. The cocoa boom of 1970 had given it a false incentive for relaxing some of the stabilisation measures inherited from the NLC. By late 1971 Ghana experienced severe problems with both the budget and the balance of payments, and there were shortages of most essential commodities. The announcement of a controversial devaluation of almost 50 percent triggered the 1972 National Redemption Council (NRC) coup.

In 1975, the NRC metamorphosed into the Supreme Military Council (SMC), still led by Lt-Col Acheampong but now including all Service commanders. A palace coup in 1978 brought in Lieutenant-General (later General) Frederick Akuffo as Head of State. In the mid-1970s attention shifted again from the economy to internal security. GDP continued to decline, e.g. by almost 13 percent in 1975.

By 1979 the economy was in shambles and corruption was rife, particularly among the power-wielding top brass of the military. In June of that year the Armed Forces Revolutionary Council (AFRC) staged a successful coup, led by Major Boakye-Djan. Flight Lieutenant Jerry Rawlings was later invited to take over given his charismatic appeal shown in his attempted coup in May 1979. The AFRC's main stated aim was to purge the army of corruption. Former heads of military governments Afrifa (NLC), Acheampong (NRC) and Akuffo (SMC) and some of their associates were executed by firing squad. There was some danger that the situation would develop into total anarchy, but this was forestalled by the handover of power to the elected civilian regime of Dr Hilla Limann.

Limann's People's National Party (PNP) which took over in September 1979 had two things which diverted attention from the economy: internal party squabbles and the perceived internal security threat from former AFRC members. Throughout this period the economy performed poorly. By the beginning of the 1980s it reeled under declining per capita output, three-digit inflation rates, ever-tightening foreign exchange constraints, and massive underemployment and unemployment. The country was so starved of foreign exchange that imports of both intermediate and finished products suffered. The officially registered export of cocoa declined, with the country losing its place as the world's largest producer. The mining sector also suffered through the lack of new capital.

In December 1981 the military again intervened. A Provisional National Defence Council (PNDC) seized power, again under the leadership of Flight Lieutenant Jerry Rawlings. In 1982/83, conditions were worsened by the drought which hit the Sahel region and by the expulsion of about a million Ghanaians from Nigeria. The economy hit rock-bottom and the new leadership anxiously sought external assistance with which to rebuild the economy. Given the leftist, socialist, orientation of the new government it was hoped to obtain funds from Eastern bloc countries and from Libya. When this was not forthcoming, however, attention turned to the Bretton Woods Institutions, IMF and World Bank.

Structural economic issues

Ghana's economy relies heavily on the primary sector (agriculture) in terms of its contribution to output, employment, domestic revenue and foreign exchange. At independence in 1957, the share of the primary sector in GDP was about 57 percent. Within a decade this had dropped to 40 percent, with a similar though less severe decrease in its share of labour force (from 65 to 59 percent). The loss in the primary sector was picked up by the tertiary sector (services) which expanded its share from 28 to 45 percent following the post-independence increase of public services. The Nkrumah government increased state participation in almost every sphere of the economy, and established hospitals and schools in various parts of the country.

The share of the secondary sector (industry, i.e. mining and manufacturing) as a whole did not decline between 1957 and 1969; in fact, manufacturing increased its share from two to nine percent. On the advice of most development economists of the time and in consonance with his own socialist ideology, Nkrumah established a number of import-substituting industries. By 1969 the manufacturing sub-sector was contributing about 14 percent directly to exports with another 11 percent indirectly through processed cocoa and timber exports.

These sectoral shifts reflect the CPP's strong emphasis on stimulating social and economic development through industrialisation, and its lack of emphasis on agriculture. Cocoa dominated exports, but was not growing. There was no clear policy to develop agriculture in order to feed the newly-established industries, most of which relied on imported raw materials. Hence, the attempt to make the country self-reliant through import substitution made it foreign exchange-dependent. In many other Sub-Saharan African countries the same industrialisation strategy had similar results.

Agriculture and cocoa remained relatively low productivity sectors: although they were the largest employers of labour they contributed proportionately less to GDP. Cocoa, for example, employed 17 percent of the labour force to produce only 8 percent of GDP in 1969. As the nation's major foreign exchange earner and a major contributor to tax revenue, the neglect of cocoa, compounded by the growing disincentive from the producer price and the failure to diversify into appropriate substitutes, contributed immensely to the decline in Ghana's economy.

Governments subsequent to CPP and NLC did little to change the structure of the economy. By 1983, agriculture's share of GDP had increased to 57 percent but the nation was not producing enough to feed itself. The increased share of the agricultural sector was due mainly to a decline in the industrial sector. Faced with severe foreign exchange constraints, the country could not import the necessary spare parts and raw materials for her industries. By 1983, industrial capacity utilisation had fallen to less than 25 percent and the sector's share in GDP was a mere 8 percent. Gross domestic investment was just 4.6 percent of total domestic absorption. Only the service sector showed no decline in its share.

Table 4.1 Ghana: Basic indicators of economic performance 1960–83 (percentages)

	1960–70	1970–83
Real GDP growth	2.2	–0.8
Investment rate	3.1	5.9
Export growth	0.1	–4.4
Import growth	–1.5	–7.2
Change in terms of trade	1.1	–1.3
Agricultural growth	2.6	–0.5
Population growth	2.3	2.4
Labour force growth	1.6	2.3

To sum up, the structural weaknesses inherent in the Ghanaian economy were: (i) over-reliance on agriculture as the leading sector without any conscious policy by which to increase productivity; (ii) non-diversification of exports from cocoa, thus subjecting the country to world price fluctuations of a single cash crop; (iii) a large government and service sector; and (iv) inadequate mobilisation of internal resources for domestic capital formation.

Internal and external factors also contributed to the decline in the Ghanaian economy up to 1983. The internal factors included:

(i) *The maintenance of a fixed and highly overvalued exchange rate* which discouraged exports and produced huge profits for traders of imported goods;

(ii) *Large government deficits* that were mostly financed by the printing of money; this resulted in inflationary pressures which further distorted real exchange rates;

(iii) *The imposition of price controls* at the manufacturing stage which discouraged production while giving excessive profits to the unregulated small-scale trading sector;

(iv) *Misallocation and misuse of import licenses* which created further inefficiencies and denied critical inputs and equipment to high priority areas;
(v) *The political instability* resulting from a power struggle that was highly motivated by rent seekers who put personal gain and patronage above national development.

External factors included: adverse weather in 1978–79 and 1982–83, which seriously reduced agricultural output; sharp increases in oil prices in 1973 and 1979, followed by a world recession; deterioration in the terms of trade; and the expulsion of over one million Ghanaians from Nigeria in 1983.

Social context: the people

On independence in 1957, Ghana's population numbered only some 6 million. A population census carried out in 1984 registered 12.3 million, and by 1996 the population was estimated at well over 18 million.

Population density was estimated at 65 persons per sq. km. in the early 1990s but distribution is very uneven due to differences in economic potential of the regions. Population density is high in the coastal zone with the highest concentration in the Accra–Kumasi–Takoradi triangle. There is a high concentration of modern sector activity in this zone, partly due to the seat of government and major ports, and partly to historical factors. The savannah regions are generally far less populated, while large areas of the Volta basin are infested by the tse-tse fly. The exception is Upper East Region, which has the second highest population density after Greater Accra.

With almost half the population under 14 years of age and four percent over 65 years (1984), Ghana has the highest ratio of dependents to working people among low-income countries. The highest densities of dependents are recorded in urban areas, covering about 30 percent of the population, and in cocoa farming areas. The country's first poverty assessment (in present-day terms), the *Ghana Living Standard Survey* (1987), showed that most people classified as poor lived in rural areas (80 percent). The poorest regions are in the north, the northern savannah, in the east of the country around Lake Volta, and in the mid-coast.

The country's first population census (1960) recorded about 100 linguistic and cultural groups, each more or less associated with a distinct ethnic group, but the people can be classified into four major groups: the Akan, the Mossi, the Ewe and the Ga-Adangme, representing 52, 16, 12 and 8 percent of the population respectively (1991), i.e. almost 40 percent. Ethnic rivalries and tensions are present but are not dominant in social life. The differences between the various peoples are marked more by modern history: the southern peoples have come more under the influence of European life and the Christian religion than their northern neighbours, whose more traditional modes of life and Islamic religion have undergone relatively little change, largely due to their remoteness from the coast and the lack of an infrastructural network (Ghana: a country study, 1994:73–109).

4.1.2 *Official Development Assistance*

Data on aid are available from five main sources (OECD/DAC, World Bank, UNDP, donor representations in the country and the Government of Ghana), none of which are entirely satisfactory. Each source has its limitations as to quality, reliability, completeness, sectoral and/or functional classification, and type; i.e. grants or loans.

Volume and trends

Figure 4.1 shows the trend in Official Development Assistance (ODA) for the period 1970–94. Aid rose steadily in the last part of the 1970s, but declined until 1983 when the Economic Recovery Programme (ERP) was introduced. Initial progress was slow until 1986 when multilateral aid rose sharply. These figures reflect the fact that during the early part of the reform programme (1983–86) the IMF was the main external agency involved (IMF funds are not sufficiently concessional to qualify as ODA). The bulk of the increase in multilateral funding in 1986 (approximately 80 percent) came from IDA, which has remained the largest multilateral lender, followed by the Economic Union and the African Development Bank. In 1988 bilateral aid rose to a level comparable to that of multilateral aid, and the two sources of funds have since retained a roughly equal share. The main bilateral donors have been Canada, Germany, Japan, UK and USA.

Between 1983 and 1995 Ghana received more than US$ 6.3 billion, averaging almost US$ 490 million a year, compared to US$ 120–130 million a year in 1976–83.

The yearly average fluctuated during the period under review. From 1983 to 1986 Ghana received US$ 0.9 billion or some US$ 225 million/year. From 1987 until 1990 ODA inflows amounted to more than US$ 2.1 billion or more than US$ 530 million/year, i.e. more than double the amount of the preceding four years. Between 1991 and 1995 total net ODA amounted to US$ 3.3 billion, or US$ 664 million/year, representing an average of US$ 1.8 million each day.

For a full understanding of the importance of foreign aid for the Ghanaian economy, a comparison can be made with the country's exports earnings. In the mid-1990s these amounted to approximately US$ 1500 million (on a yearly basis), i.e. averaging some

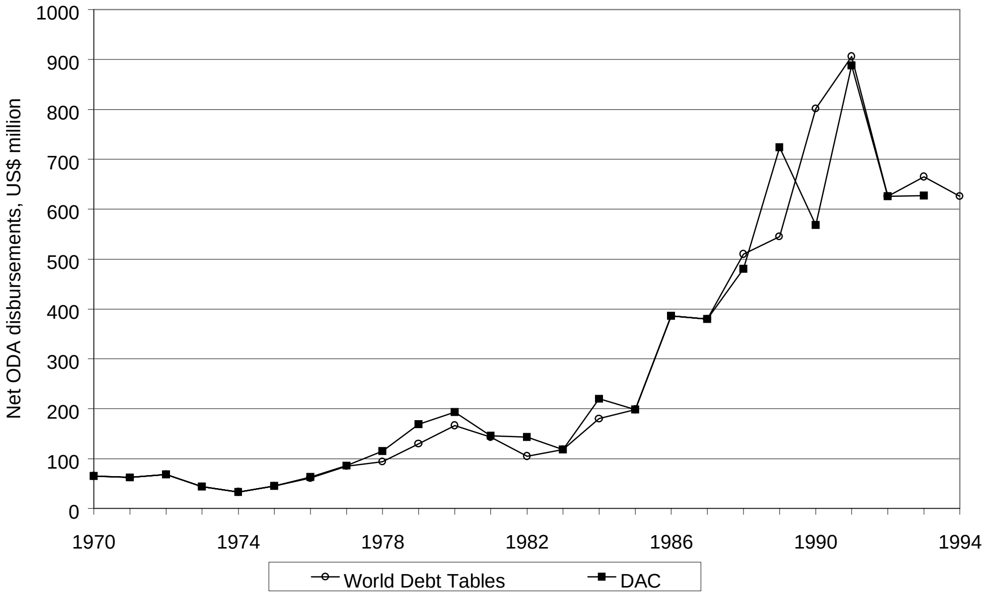


Figure 4.1 Net disbursements of ODA (data from different sources), 1970–94 (in US$ million)

US$ 4 million a day. By 1994 aid as a percentage of Ghanaian GNP had reached 11 percent. Although high, this is still below the average for Sub-Saharan Africa (12.5 percent).

Aid and the debt stock

Whilst the bilateral-multilateral shares of aid inflows are roughly 50–50, the less concessional nature of the latter means that they account for a much greater share of debt. In March 1996, the overall external debt structure was 69 percent multilateral (including 13 percent for the IMF), 20 percent for all bilateral agencies and 11 percent for others. More alarming was the rise in overall debt stock. At the end of 1982, Ghana's total external debt amounted to US$ 1.5 billion. By 1996 Ghana had joined the ranks of severely indebted low income countries, with a total debt of over US$ 5 billion.

This rise was almost entirely due to increased indebtedness to the World Bank and IMF. Debt to the IMF was modest until 1982, after which it rose steadily to reach US$ 870 million in 1987. Since then it has fluctuated around US$ 750 million with no apparent trend. More striking still is the near exponential growth in debt to IDA, from US$ 125 million at the end of 1982 to over US$ 2 billion by 1994. By comparison with the patterns displayed by IMF and IDA debt, growth in all other aid-related debt in the 1980s has been modest. An upturn in the 1990s is probably largely due to borrowings from the African Development Bank.

4.1.3 *Dutch aid*

Aid relations between Ghana and the Netherlands have had a fairly long history, notably the aid channelled through church-related non-governmental organisations. Also, cooperation between universities in the two countries dates back to the early years after Ghanaian independence. Export credits have also traditionally occupied an important place in Dutch–Ghanian aid and trade relations. The earliest direct official Dutch aid to Ghana on a bilateral basis appears to have been in 1975 when some small projects were financed.

Aid relations between the two countries gained momentum in the early 1980s, when Ghana became an important recipient of balance-of-payments support provided by the Netherlands under a new scheme created after the second oil price hike in the late 1970s. A very substantial portion of this balance-of-payments support was channelled through the World Bank to support the Economic Recovery Programme (ERP).

Until 1991 Ghana's position as a so-called 'sector-country' in the Netherlands' development cooperation policy allowed it to benefit only from aid funds for the promotion of rural development and industrialisation, the balance-of-payments support scheme having been abolished at the end of the 1980s. Yearly amounts involved in the two areas of cooperation averaged some Dfl. 5 million (approximately US$ 2.5 million).

Ghanaian–Dutch development cooperation relations since 1991 are described in a policy document which outlines Dutch relations with Sahelian and other West African countries (1992–96), enabling Ghana to benefit from both programme and project aid. The latter focuses on food security and the health sector. These policy guidelines allowed the cofinancing of the Agricultural Sector Adjustment Programme as well as debt relief (both bilateral and multilateral), in addition to specific projects.

Dutch aid to Ghana is partially untied and, since 1991, has been composed of grants only. An important component is financed through the 'Development-Related Export Transactions Programme' (the ORET Facility) of which Ghana recently became the most important beneficiary. In general, ORET is geared towards the supply of capital goods by Dutch companies and to the implementation of infrastructural works.

Since 1991 official Dutch aid to Ghana has totalled some Dfl. 37 million (US$ 20 million) a year. Exceptionally, in 1992 it was doubled to Dfl. 73 million (US$ 40 million) as a result of a very substantial contribution from the ORET Facility which financed notably in the following sectors: transportation, telecommunication, drinking water supply, energy and road construction.

In addition to the bilateral programme, assistance is channelled through the Netherlands Development Organisation (SNV), which is an independently-operating component of the Ministry of Foreign Affairs. Until the end of the 1980s SNV was responsible for implementing the Dutch volunteer programme. It has been active in Ghana since the 1980s with activities covering rural development projects in the Volta and Western Regions, and some minor activities in the Brong Ahafo and Ashanti Regions. Expenditures total approximately Dfl. 1 million (US$ 0.6 million) a year.

All these activities have involved bilateral Dutch aid to Ghana between 1976 and 1996 totalling an estimated Dfl. 400–500 million (approximately US$ 250 million), or some 4 percent of all ODA flows to Ghana in that period. Between 40 and 50 percent of Dutch bilateral assistance to Ghana has been spent through cofinancing with the World Bank.

4.1.4 *Cofinancing between the Netherlands and the World Bank: an overview*

Cofinancing between the Netherlands and the World Bank in Ghana in the period under review consisted of a mix of programme and project aid (Credit and Loan Related Cofinancing, CLRC, as well as Export Credit Cofinancing). With disbursements totalling almost Dfl. 200 million (US$ 90 million)[1] Ghana is the third most important recipient of Dutch cofinancing funds, after India and Tanzania. For Export Credit Cofinancing, Ghana occupies a lead position (cf. Chapter 17).

Table 4.2 shows the yearly commitments and disbursements in the 1984–96 period. It will be observed that commitments took place on a case-by-case basis, as demonstrated by the yearly fluctuations. This is explained by the fact that Ghana was neither a so-called ‘concentration country’ of Dutch aid, nor a so-called ‘programme country’ (cf. Annex 4), and was not integrated into the official aid policy of the Netherlands for West Africa until 1991.

Table 4.3 presents a detailed breakdown of all cofinancing by sector and by form, type and nature of the cofinanced activities. It shows a strong concentration on the support of economic reform programmes through programme aid and on the support of physical infrastructure projects (project aid). It also shows a slight preference for parallel cofinancing:

– Nearly two-thirds of all cofinancing concerned programme aid (Dfl. 125 million), used entirely in the support of economic reforms.

[1] According to Dutch files. Due to real disbursement patterns and exchange rate fluctuations World Bank data are slightly higher.

Table 4.2 Dutch cofinancing with the World Bank in Ghana 1984–96 (commitments and disbursements, 31 December 1996, in Dfl. millions and US$ millions)

Year	Amount committed		Amount disbursed	
	Dfl.	US$[1]	Dfl.	US$[1]
1984	37.1	11.6	37.1	11.6
1985	18.0	5.4	18.0	5.4
1986	10.0	4.1	10.0	4.1
1987	33.8	16.7	33.8	16.7
1988	20.0	10.1	20.0	10.1
1989	6.9	3.3	6.9	3.3
1990	–	–	–	–
1991	15.0	8.0	15.0	8.0
1992	20.0	11.4	20.0	11.4
1993	12.0	6.5	12.0	6.5
1994	34.5	19.0	24.9	13.7
1995	–	–	–	–
1996	–	–	–	–
TOTAL[2]	207.3	96.1	197.7[3]	90.8

1 Converted at the official DAC Dutch Guilder to US Dollar exchange rate.
2 Figures may not add up to 100 percent due to rounding.
3 Since disbursement figures for each year are not available, aggregate expenditures at 31 December 1996 have been presented on a fictitious yearly basis to enable comparison with commitments. As the table shows, all commitments but one have been disbursed. The exception concerns the National Electrification Project for which Dfl. 24.5 million was committed in 1994 whereas disbursements at 31 December 1996 stood at Dfl. 14.9 million.

– About one-third of all cofinancing concerned project aid (Dfl. 73 million) for physical infrastructure purposes.

– The greater part of all cofinancing was Credit and Loan Related (70 percent), mainly in support of economic reform programmes. Export Credit Cofinancing accounted for the remaining 30 percent and was spent in the infrastructure sector.

– Officially, the predominant form of cofinancing was parallel (57 percent), being all Export Credit Cofinancing and a portion of the macroeconomic support of reforms. Joint cofinancing accounted for the remaining 43 percent. In practice, however, some parallel cofinancing of reforms turned into joint cofinancing, raising the latter to slightly under 50 percent.

– All activities but one had ended by 31 December 1996, making them very suitable for evaluation purposes. The exception was the National Electrification Project.

Table 4.3 Overview of Dutch–World Bank cofinancing in Ghana 1984–96 (disbursements at 31 December 1996, in Dfl. millions)

Sector	**Credit or loan number**	**Project title**	**Years of commit-ment**	**FORM**		**TYPE**		**NATURE**	
				Joint	Parallel	CLRC	Exp.Cr. Cofin.	Project aid	Programme aid
Multisector (Economic reforms)	C1393	Reconstruction Import Credit I	1984	27.1	10.0	37.1			37.1
	C1573	Reconstruction Import Credit II	1985–86	28.0		28.0			28.0
	C2005	Structural Adjustment Credit II	1987–88		30.0	30.0			30.0
Sub-total				*(55.1)*	*(40.0)*	*(95.1)*			*(95.1)*
Rural development (Agricultural reforms)	C2345	Agricultural Adjustment Credit	1992–94	30.0		30.0			30.0
Sub-total (Economic reforms)				(85.1)	(40.0)	(125.1)			(125.1)
Physical infrastructure	C1946	Telecommunications Project II	1987–93		50.8	5.0	45.8	50.8	
	C2192	Transport Rehabilitation Project II	1989		6.9	6.9		6.9	
	C2467	National Electrification Project	1994		14.9		14.9	14.9	
Sub-total					*(72.6)*	*(11.9)*	*(60.7)*	*(72.6)*	
Total				85.1	112.6	137.0	60.7	72.6	125.1
Overall total				*197.7*		*197.7*		*197.7*	
In %				43.0%	57.0%	69.3%	30.7%	36.7%	63.3%

4.2 Pakistan

4.2.1 *Political, economic and social context*

Political history

Pakistan was created in 1947 on the participation of British India, to form a homeland for the Muslims of the Indian sub-continent. The country originally consisted of two geographical units separated by Northern India, of which the eastern seceded after a war in 1971 to become Bangladesh. Political power in (West) Pakistan relied heavily on traditional landlords, especially of the Provinces of Punjab and Sindh. After the secession, government at first adhered to more or less liberal principles but later, faced by a growing opposition movement, it resorted to repressive measures such as restrictions on the right of assembly and detention without trial of people considered to be a threat. These measures were unable to quell the unrest, however; martial law was consequently introduced in 1977 and lasted until 1986.

Under martial law, major changes were made to the Constitution of 1973, including the 8th Amendment which shifted much of the power from the Prime Minister to the President. This was followed in 1983 by elections at local, provincial and national levels, in which political parties were not allowed to participate. At the same time, a number of measures were introduced to further the Islamisation of society, including the nomination of Islamic scholars as judges of the High Courts and the reform of the financial system (abolition of interest-bearing deposits, introduction of Islamic modes of financing, i.e. on an interest-free basis).

After the death of General Zia, the then President, in a plane crash in 1988, the amendments to the Constitution and some features of Islamisation were maintained. New elections, however, resulted in a considerable power struggle between major political movements, a state of affairs that continues even today. The period has been characterised by vindictive quarrels between President and Prime Ministers and conflicts between central and provincial governments. Several governments have fallen, accused of inefficiency and corruption. There has also been a high level of political unrest and violence, especially in the provinces of Sindh and Punjab, prompting ruthless repression by the respective provincial governments. Since 1988, in fact, serious violations of human rights have been a common occurrence in Pakistan.

Pakistan's foreign policy has largely been influenced by its uneasy relationship with India, which has given rise to three full-scale wars since Independence and to a number of smaller skirmishes and covert operations in the disputed territory of Kashmir. Military

Map 2 Pakistan

expenditure has been predominant in Pakistan's public spending and partly explains the country's high level of external debt. Both India and Pakistan have built up their nuclear weaponry and negotiations on a Nuclear Non-Proliferation Pact have not yet reached a conclusion.[2]

Pakistan, a member of the Non-Aligned Movement, has been involved in international attempts to bring peace and stability to Afghanistan, so far without success. Between the mid-1950s and 1990 it received substantial military and economic aid from the USA, but this was suspended in 1990 under the terms of the USA's nuclear non-proliferation legislation. In 1995 there were indications that these restrictions would be lifted. On the international scene, Pakistan entertains friendly relations with China and increasingly with Islamic countries.

Economic and Social Development

GDP growth rates since Independence have fluctuated considerably. At first, growth was slow and per capita incomes were more or less stagnant. Fast economic growth was then recorded between 1958 and 1969, mostly due to favourable economic conditions worldwide. Growth rates flattened during the early 1970s due to internal and external factors (nationalisations, oil crises in 1973 and 1979) to recover again during the 1980s as a result of domestic policies that favoured private sector development.

Table 4.4 shows the sectoral distribution of GDP between 1985/86 and 1995/96. About one-quarter of total GDP is on average derived from agriculture, but the relative importance of this sector has decreased gradually. Manufacturing and trade each account for about one-sixth of GDP. Ten percent was generated in transport and communications. All in all, commodity-producing sectors produced approximately half of total GDP. In 1995/96, Pakistan's GDP was estimated at about US$ 6.75 billion, equivalent to nearly US$ 500 per capita (with a total population of around 128 million).

Directly or indirectly, the national economy largely depends on *agriculture*. In addition to food products for Pakistan's large population, cotton has been of crucial importance. One of Asia's major rivers, the Indus, flows from northern Pakistan to the Arabian Sea, and has been the basis for irrigated agriculture since ancient times. During British rule over the sub-continent, an extensive system of dams, canals and diversions was constructed in the Indus and its tributaries which enhanced irrigated agriculture as the basis for development. In the 1970s the system was supplemented by two major storage dams, Tarbela and Mangla, which further increased its capacity and reliability. More than

[2] This section covers political developments until the end of 1996. It may be mentioned, however, that India and Pakistan engaged in nuclear tests in 1998.

Table 4.4 Sectoral composition of GDP of Pakistan (1985/86—1995/96) (percentages based on GDP market prices)*

Sector	1985/86	1991/92	1995/96
I *Commodity producing sectors*	*51.0*	*51.5*	*51.3*
1 Agriculture	27.3	25.7	24.8
2 Manufacturing	16.7	17.7	18.0
3 Mining and quarrying	0.5	0.6	0.5
4 Construction	4.1	4.1	3.9
5 Electricity and gas	2.4	3.5	4.1
II *Service sectors*	*49.0*	*48.5*	*48.7*
6 Wholesale and retail trade	16.2	16.5	16.5
7 Transport and communications	10.0	9.6	9.8
8 Finance and insurance	2.6	2.2	2.4
9 Ownership and dwellings	5.5	5.4	5.9
10 Public administration and defence	7.4	7.1	6.5
11 Other services	7.3	7.6	8.2
Total	*100.0*	*100.0*	*100.0*

* Totals do not add up to 100 percent due to rounding.

Source: Economic Survey 1995/96.

90 percent of the total agricultural area of about 21 million hectares is irrigated, with the remainder being rain-fed.

The rural areas of Pakistan, where the majority of its population live, has always been feudal, as can be seen from the distribution of landholdings. Large portions of farmland belong to wealthy landowners who have their fields cultivated by tenants on a share-cropping basis with contracts of one-year duration. Shares differ by area and according to the responsibilities assumed by owner and farmer. A typical arrangement is for the owner to cover water charges and levies on the land, while the farmer is responsible for all agricultural inputs (seeds, fertilisers, pesticides, labour and equipment hire). The crop is then divided equally between the owner and farmer.

With regard to *industrial production*, cotton-related manufacturing accounted for between one-fifth and one-fourth of all manufacturing activities and for between 40 and 55 percent of total export value between 1969/70 and 1995/96. Whereas the share of raw cotton in exports decreased over time, the relative importance of finished cotton-based products increased. Other important industries included chemical and petrochemical plants, cement production, engineering companies and vegetable oil processing.

Poverty issues

Poverty has always been widespread in Pakistan, but reliable data showing trends are not available. According to the most recent household survey carried out in 1990/91, about half of total income went to 20 percent of households with the highest incomes, whereas less than six percent went to the 20 percent that were the poorest. About one in ten persons in urban agglomerations and one in seven in rural areas lived below the poverty line that society believes to be the absolute minimum standard of private consumption.

The *Poverty Assessment Study* of the World Bank published in 1995 relied heavily on surveys carried out prior to 1990/91. It observes that trends showed a reduction of consumption poverty. The same study states that other dimensions of poverty, e.g. early mortality, a high rate of disease and illiteracy, had not shown significant decreases and that there had been only slow progress in access to health and education services for large segments of the population.

Since the various household income and expenditure surveys used different methodologies, it may be questioned whether the observation of a downward trend of consumption poverty corresponded to reality. It should also be noted that the *Poverty Assessment Study* made use of relatively old data.

A comparison of poverty levels at the provincial level shows Baluchistan and the North West Frontier Province (NWFP) to have been the poorest but, according to Census data of 1981, they were inhabited by only 5 and 13 percent of the total population respectively. There are signs that poverty has been much more widespread in parts of the larger provinces of Punjab and Sindh (inhabited by 56 and 23 percent respectively[3]) than is shown by the averages. In large areas of Southern Punjab up to one-third of the population lived below the poverty line.

There is considerable disparity in terms of poverty levels between men and women. Fewer than ten percent of rural women are literate. They have less access to food and health care than men, and their levels of morbidity and mortality are particularly high. Pregnancies are closely spaced and nutrition is inadequate during pregnancy and breastfeeding. Although women bear the brunt of productive and reproductive household tasks, they often have no direct access to monetary income due to restrictions on their movements and social contacts. Their rights to property and inheritance are also severely curtailed.

[3] An additional three percent lived in Federally Administered Tribal Areas (FATA) and one percent in the Federal Capital Area (Islamabad). Totals do not add up to 100 percent due to rounding.

Development policies 1983–96

Development policies in Pakistan have centred on a series of Five-Year Plans, the first three of which, in the 1950s and 1960s, aimed at growth and the transformation of the economy with an initial emphasis on industrialisation. At a later stage, the focus shifted to agriculture. The economy grew rapidly, but the benefits of growth remained in the hands of a small section of the population. The Fourth and Fifth Plans (1970–74 and 1978–82 respectively) showed greater stress on social justice and on improvement of the situation of the poorer sections of society.

The Sixth Plan (1983–87) emphasised the development of human resources, with special attention for the participation of women in development programmes. Improvement of the physical infrastructure would improve electricity supply overall, and particularly in rural areas. To reduce inequalities among different parts of the country, special programmes for Baluchistan and the tribal areas of NWFP were instituted. Private initiative was promoted through deregulating the economy. National savings were expected to increase as a result of this liberalisation and of such policy measures as (i) revision of the tax system; (ii) increased self-financing of state-owned enterprises; (iii) enhancement of cost recovery through changes in fees for government services; and (iv) an overall reduction in subsidies.

The major thrust of the Seventh Plan (1988–92) was on the twin objectives of achieving efficient growth of output on the one hand, and improving the quality of life on the other. The private sector was to be encouraged and employment generation to be maximised. Much greater emphasis than before was placed on private sector investment in all sectors of the economy and on measures of privatisation and deregulation. The quality of life during the Seventh Plan was to be further improved by (i) the provision of infrastructure in rural areas; (ii) the provision of public services like education and health to all sections of society; and (iii) the creation of employment opportunities for the weakest groups of the population.

The overall objectives announced in the Eighth Plan (1993–98) still pivoted around the enhancement of social and economic welfare. *Good governance* was explicitly recognised as a fundamental aspect of development. Per capita income was to be increased substantially through a GDP growth of seven percent, coupled with efforts to restrain population growth. Equity was to be achieved through the establishment of a *Social Action Programme* that would receive major support from the donor community.

Although the shifts in development policies of the various Plans are broadly reflected in the national accounts, it is not clear to what extent qualitative and quantitative targets were actually met. In the social sectors in particular, the level of implementation of policies remained relatively low throughout the period under consideration.

4.2.2 *Official Development Assistance*

Over the years, Pakistan has been a major recipient of Official Development Assistance (ODA), most of it from the *Aid-to-Pakistan Consortium* organised in 1960 and comprising both bilateral donors (Australia, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States of America) and multilateral organisations (the European Union, the United Nations, the World Bank Group and the Asian Development Bank). Non-member countries (e.g. Islamic countries, China and the USSR) have also been active donors for shorter periods.

From an annual level of about US$ 80 million in the first half of the 1950s, disbursements increased steadily to reach about US$ 2.5 billion per annum in the 1990s. Over the entire period up to 1995/96, a total of almost US$ 45 billion has been disbursed. About US$ 28 billion has been related to project aid, US$ 6 billion was provided as food aid, US$ 2 billion went to balance-of-payments support and the same amount to relief operations (especially for Afghan refugees in Pakistan). The remainder (about US$ 7 billion) was spent on other programme assistance.

Pakistan's external debt increased from about US$ 16 billion in 1985/86 to around US$ 32 billion in 1995/96, but remained more or less constant at around 50 percent of GDP. Table 4.5 provides an overview of outstanding external debt by major lenders as at June 1995. The proportion of undisbursed debt (about 30 percent of the total) is partially due to slow implementation of projects for which loans and credits were provided.

A large share of the outstanding external debt is owed to multilateral agencies that grant longer grace and repayment periods. Over the decade 1985/86—1995/96 the relative share of IDA and other concessional credit decreased, whereas relatively more loans were given by IBRD and ADB at commercial rates. The overall level of borrowing increased substantially during that period. Taken together, these factors resulted in an increase of debt service payments as compared to GDP (from 2.8 in 1985/86 to 3.2 percent in 1995/96).

Table 4.5 Outstanding external debt of the Government of Pakistan (30 June 1995)

Lender	Disbursed (millions US$)	Undisbursed (millions US$)	Total (millions US$)
Consortium of which:	*20,696*	*9,043*	*29,739*
I. Japan	4,087	2,415	6,502
II. ADB	4,001	2,633	6,634
III. IBRD	2,822	1,356	4,178
IV. IDA	3,032	1,602	4,634
Non-Consortium (except Islamic countries)	*847*	*534*	*1,381*
Islamic countries	*574*	*231*	*805*
Total	*22,117*	*9,808*	*31,925*

4.2.3 *Dutch aid*

Dutch development assistance to Pakistan started in 1957/58[4] in the form of loans. As from 1969/70 onwards it has partly been provided as grants. The provision of loans was discontinued as from 1988/89. Dutch official development aid to Pakistan totalled US$ 570 million for the period upto 1995/96 (of which almost 38 percent in loans and 62 percent in grants). The grant component represented about 3.3 percent of all grant aid received by Pakistan from the donor community during that period.

Dutch bilateral aid to Pakistan averaged between Dfl. 50 and 60 million each year between the early 1960s and 1995/96. Initially, the larger part was in the form of programme aid (mostly balance-of-payments support); the share of project aid has gradually increased since the early 1980s. The Ministry of Foreign Affairs published *Country Policy Plans* for Pakistan, the first of which appeared in 1985/86.

I The first Country Policy Plan (1985–88) recognised a high degree of policy compatibility between Pakistan's Sixth Plan (1983–87) and Dutch development policies. It prescribed the shift from programme to project aid (which would receive around 70 percent of the budget) and defined sectoral allocations: 50 percent for rural development, 40 percent for the industrial sector and 10 percent for other activities (e.g. training and institutional strengthening). Support would be directed especially to the poorest provinces, i.e. Baluchistan and NWFP.

[4] According to Pakistani sources quoted in the Economic Surveys. Most data on Dutch development assistance to Pakistan are quoted from the Economic Surveys or from UNDP's Development Cooperation Report. They are mostly expressed in US$ for the sake of easing comparisons with other donor support.

II The second Plan (1989–92) endorsed the sectoral and regional allocations practised hitherto, but also opened-up the possibility of intervening in the small-scale industry sector of Punjab. A number of special themes were introduced which should receive attention, e.g. women and development, energy, ecology and Afghan refugees. With regard to implementation modalities, the Plan recognised the importance of cofinancing with the World Bank and indicated that parallel cofinancing would be the preferred mode.

III The third Plan (1992–95) confirmed earlier policy priorities but shifted the focus further towards women and development and the environment. The share of programme aid was to be reduced to a maximum of 20 percent of the budget. The regional focus on Baluchistan and NWFP was to be maintained. The sectoral allocation was to benefit rural development (50 percent), small-scale industries (25 percent), institutional development (10 percent), social sectors (10 percent) and the environment (5 percent). The social sector would involve activities related to rural water-supply and sanitation, health, (women's) education, population activities and culture.

The first Country Policy Plan of 1986, written in the immediate aftermath of martial law in Pakistan and during a period of growing Islamisation (see above), did not address human rights issues. The second Plan of 1988/89 reported on human rights violations but stressed that the situation had improved since martial law had been lifted in 1986 and the Constitution of 1973 had been restored. It was thought that there was no reason in this regard not to further strengthen development relations with Pakistan. The third Plan of 1992 contained an extensive treatment of the human rights situation. It stressed that, after a brief improvement of the situation between 1988 and 1990, political violence had again increased and that there was proven unlawful involvement of regional authorities in particular. Islamic laws contained discriminatory provisions regarding the testimony of women and of religious minorities. Regulations curtailed the freedom of the press. Legal prohibitions on child labour (under the age of 15) and especially of *bonded labour* (children working as slaves to pay off their parents' debts) were hardly enforced. Policy intentions expressed in the Dutch Ministry's country policy document did not explicitly refer to the human rights situation, but the emphasis on the empowerment of women in particular could be seen as an indirect attempt to tackle some of the issues in this regard.

4.2.4 *Cofinancing between the Netherlands and the World Bank: an overview*

Table 4.6 provides an overview of cofinancing between the Netherlands and the World Bank (1983–96). In terms of disbursements, a little more than 72 percent was spent on project aid. Cofinancing in Pakistan during the period was characterised by the following overall features.

Table 4.6 Overview of Dutch–World Bank cofinancing in Pakistan 1983–96 (disbursements at 31 December 1996, in Dfl. millions)

Sector	Credit or loan number	Project title	Years of commit-ment	FORM		TYPE		NATURE	
				Joint	Parallel	CLRC	FSTF	Project aid	Programme aid
Rural development	C1375	Fourth Drainage Project (Drainage-IV)	1983–87		9.7	9.7		9.7	
	C1888	Second Irrigation System Rehab. Project (ISRP-II)	1988–94	8.1		8.1		8.1	
	C1243	Baluchistan Minor Irrigation and Agricultural Development Project (BMIADP)	1983–95	21.1		21.1		21.1	
	C2780	Baluchistan Community Irrigation and Agricultural Project (BCIAP)	1995	2.7		2.7		2.7	
Social Sector	C2593	Social Action Programme Project (SAPP)	1993–95	30.9	6.4	36.4	0.9	0.9	36.4
	C2482	Baluchistan Primary Education Project	1995		1.3	1.3		1.3	
	C2687	NWFP Primary Education	1996		1.5	1.5		1.5	
Industry	C1499	Second Small-Scale Industries Project (SSI-II)	1985		5.0	5.0		5.0	
	L2839	Third Small-Scale Industries Project (SSI-III)	1987	8.2		8.2		8.2	
	L3318	Micro Enterprises Project (MED)	1991	4.9		4.9		4.9	
Multisector		First, Second and Third Income Generating Project for Refugee Areas (IGPRA)	1984–92	32.7			32.7	32.7	
Total				108.6	23.8	98.9	33.6	96.1	36.4
Overall total				*132.5*		*132.5*		*132.5*	
In %				82.0%	18.0%	75.0%	25.0%	73.0%	27.0%

- During the 1980s, cofinanced activities evolved principally in rural development (irrigation schemes), the industry sector (small-scale industrial development), and assistance to refugee areas which was a multisector activity. During the 1990s the focus shifted to the social sector and, within the industry sector, to micro-enterprise development.

- Most funding belonged to the Credit and Loan Related Cofinancing type (Dfl. 98.9 million or 75 percent). The category of Free-Standing Trust Funds (25 percent) comprised principally Income Generating Projects for Refugees which were administered by the World Bank but did not entail a lending programme by the Bank.

- Most cofinancing in Pakistan was joint, i.e. Dfl. 108.6 million or 82 percent. Parallel cofinancing totalling Dfl. 23.8 million (18 percent) concerned principally the supply of equipment for the Drainage-IV Project between 1983 and 1987, one contribution to the Small-Scale Industries Project (1985), and contributions to the Social Action Programme Project (1994, 1995 and 1996).

Several projects and programmes started after 1992 and were not completed when the present evaluation took place: the BCIAP, the MED Project, as well as all activities in the social sector. Within these limitations an attempt has been made to subject all projects to a thorough evaluation, the findings of which are presented in Chapter 10.

4.3 Uganda

4.3.1 *Historical, political, economic and social context*

Historical background

The region now known as Uganda has been inhabited by cultivators and cattle-raisers since the fourth century B.C., with Bantu-speaking agriculturalists occupying the south and Nilotic-speaking pastoralists the north. In the fifteenth century, three states emerged in the area: (i) the Hima or Tutsi state comprising pastoralists who later moved south to what is now Rwanda and Burundi; (ii) the Bito state established in Bunyoro (now Uganda), displacing the influential Hima, which for several centuries was the dominant power in the region; and (iii) the Buganda state which originated on the northern shores of Lake Victoria but gradually expanded its territory to cover the entire southern part of present-day Uganda by the mid-nineteenth century (*Uganda: a country study*, 1992:6–9).

Coastal Arab traders based on Zanzibar, who sought ivory and slaves, reached Lake Victoria in the mid-nineteenth century and introduced the religion of Islam. In the second

Map 3 Uganda

half of that century the arrival of Europeans including explorers (Speke, Stanley), missionaries (protestants, catholics) and representatives of imperialist powers (Great Britain, Germany), caused fierce religious and nationalistic rivalries in the Buganda Kingdom (*ibid*.:9–13).

Eventually, the British secured control over the area, formally colonising Uganda in 1894; territorial consolidation under British rule was completed in 1912. From then on, the territory was controlled by a British Governor assisted by a well-organised and disciplined civil service. After nation-wide and multi-party elections Uganda became independent on 9 October 1962. A year later it became a republic, with the King of Buganda, Muteesa II, as non-executive president. Uganda is a landlocked country with a total area of approximately 240,000 sq. km. or 92,000 sq. miles (land area: 197,000 sq. km.).

The political background

The political history of Uganda since 1962 has been turbulent with eight changes of government since Independence, four of them violent. The political turmoil has been blamed on religions and ethnic divisions and on the socially divisive politics encouraged by the British during the colonial era.

Uganda’s first government was based on the Westminster model, with Dr Milton Obote as Prime Minister. However, power struggles between Obote and King Muteesa II led to the forceful ouster of the latter. In 1967, the Unitary Republican Constitution was promulgated, making Obote the Executive President and replacing the federal constitution that had given considerable autonomy to various Kingdoms and districts. Obote became a dictator dependent on the army, whose pivotal role in politics was soon exploited by Army Commander Idi Amin in a successful military coup in January 1971.

President Amin’s government was initially popular. The mass expulsion of Asians in 1972 was welcomed by the African population but Amin gradually lost support. Asian properties and businesses were allocated to regime favourites, but these proved incapable of keeping the businesses going and, by mid-1973, there was a shortage of most manufactured goods. The regime retained power by brutalising major segments of the population, targeting the educated elite in particular. Following a territorial dispute, Amin invaded Tanzania in 1978. After a short but intense war, the Tanzanian Army removed Amin from power in April 1979.

The Uganda National Liberation Front (UNLF) government, installed by the Tanzanians, was made up of exiled Ugandan politicians under the leadership of Dr Yusuf Kironde

Lule. Confusion followed, lasting just over a year, during which the ethnic friction that had plagued the country in the past resurfaced. In June 1979 President Lule was replaced by another civilian, Godfrey Binaisa, but the latter was deposed by the army in May 1980 when a military commission assumed power under the leadership of Paulo Muwanga, a staunch ally of Obote. In December 1980 multi-party elections were won by Milton Obote's Uganda People's Congress (UPC), although the result was widely disputed. The Democratic Party (DP) decided to fight on as parliamentary opposition, but the Uganda Patriotic Movement (UPM) chose to go to the bush in 1981 and operate as a guerrilla opposition under the leadership of Yoweri Museveni.

Obote, supported by the Uganda National Liberation Army (UNLA), again failed to unify the various factions in the country. Museveni's National Resistance Army (NRA), the military wing of the National Resistance Movement (NRM), increasingly became the main opposition force. The civil war caused many casualties, notably among the Baganda and especially in the famous 'Luwero Triangle'. Dissent grew between the Acholi and Langi ethnic groups within the army. In July 1985 the Acholi marched on Kampala and mounted a successful military coup, causing Obote to flee to Zambia.

Obote's government was replaced by a short-lived military council led by General Tito Okello Lutwa, who also became president. During the second half of 1985, a series of peace talks were held in Nairobi, chaired by Kenyan President Daniel Arap Moi, between delegates of the Military Council and the NRA. When these failed, the National Resistance Movement (NRM) took power in January 1986. Yoweri Museveni, leader of the NRM and NRA, became the new president.

The economic background

At Independence, Uganda inherited a buoyant mixed economy which was one of the strongest in Sub-Saharan Africa. From the early 1960s up to 1971, the country's economic development showed steady growth. Real Gross Domestic Product (GDP) grew at approximately 5 percent, domestic investment at 7.5 percent, and a high rate of domestic savings averaging 13 percent helped to finance internal investment. All sectors had positive growth rates (cf. Table 4.7) and the economy was not seriously constrained by balance of payments or inflationary pressure. Prices were relatively stable with annual inflation not exceeding 10 percent.

The agricultural sector, dominated by smallholders, produced sufficient food to meet domestic needs and a surplus for export. The main export commodities were coffee, cotton, tea, tobacco, and hides and skins. The country was self-sufficient in essential manufactured commodities like salt, sugar and beverages. There was external and internal

Table 4.7 Uganda: National Accounts Summary 1963–80

	1963–70	1971–78	1979–80
GDP growth rate (% p.a. at 1966 prices)	4.8	–0.2	– 9.7
Monetary economy	5.2	–2.0	– 6.8
– Agriculture	4.6	–1.6	–10.2
– Industry[1]	6.5	–5.9	–17.0
– Other sectors	5.3	–1.4	– 3.2
Subsistence production	3.9	3.4	–14.3
– Agriculture	4.0	3.4	–16.3
– Other sectors	3.7	3.4	– 1.3
	1963–70	**1971–78**	**1979–80**
Composition of GDP (% at 1966 prices)	100.0	100.0	100.0
Monetary economy	69.1	65.7	62.7
– Agriculture	24.8	23.2	22.2
– Industry	8.2	7.3	4.2
– Other sectors	36.1	35.2	36.3
Subsistence production	30.9	34.3	37.3
– Agriculture	27.1	30.0	31.4
– Other sectors	3.8	4.3	5.9
Gross investment rate (% at current prices)[2]	12.7	8.6	3.0
National savings rate (% at current prices)[3]	13.0	7.7	2.6

[1]Agricultural processing and manufacturing only.
[2]Gross domestic investment as a percentage of GDP at market prices.
[3]Gross national savings as a percentage of GDP at market prices.

Source: *Uganda Country Economic Memorandum (A World Bank Country Study)*, 1982.

balance as well as internal financial stability. Fiscal discipline was good, and although the exchange rate was fixed, the Uganda shilling was not overvalued, Uganda's exports were competitive, and external debt was relatively small and manageable. The country had an excellent road and rail network, a reliable communications infrastructure and relatively good health and educational systems.

The sustained pace of economic development in the period 1962–71 was due to a number of factors. Most significant was the growth of rural production, particularly agriculture, forestry, livestock and fisheries. Rural production contributed over 50 percent of total GDP and there was a significant increase in the diversification of rural economic activities. The growth of manufacturing industries played a major role in sustaining economic development in the 1960s. By 1971, industrial output accounted for 14 percent of monetary GDP. Manufacturing enterprises in woven textiles, light agricultural tools, cement and sugar had developed beyond the import substituting stage and found export markets in other East African Countries. Mining, notably copper, contributed significantly to exports.

Uganda’s economic prospects were shattered by the Amin regime, and the economy experienced external shocks in the same period. The 1970s were characterised by the 1972 ‘economic war’ against Ugandans of Asian origin; neglect of the productive sector of the economy; macroeconomic mismanagement; lack of investment and maintenance of capital goods; the destruction of administrative and management infrastructure; the growth of illegal economic transactions (*magendo*); difficult economic and political relations with the outside world; rising prices of petroleum products from 1973 onwards, and the collapse of the East African Community. Real recorded GDP was persistently negative, with a virtual collapse at the end of the decade.

This poor economic performance was due to a number of factors. The rate of capital formation fell rapidly. Gross Domestic Investment, 12 percent of GDP in 1972, was less than 3 percent at the end of the decade. The fall in investment was partly due to the reduced flow of aid disbursements during the Amin regime. Furthermore, the Ugandan business class, traditionally of Asian origin, was expelled from the country in 1972 and replaced by people (e.g. soldiers) who had little if any technical or managerial experience. Negative real interest rates under high inflation and fixed nominal rates were also not conducive to increased investment. Finally, the most productive areas of the country were affected by insecurity and general lawlessness.

Industrial plants were either destroyed or rendered unworkable by the lack of spare parts, raw materials and maintenance. The social infrastructure was in a sorry state due to neglect or destruction, giving rise to rampant problems of disease and the breakdown of law and order. The agricultural sector reverted to pre-colonial subsistence farming in lieu of commercial farming. Annual output levels of major export crops declined significantly, although the production of main food crops was maintained at a high level.

The sustenance of these high levels of food production in the 1970s reflects a resource shift from export production to food crop production for local consumption. After 1972 the economy suffered from persistent inflation, due mainly to the acute shortage of supplies caused by a sharp drop in production and the non-unavailability of foreign exchange for imports. Many individuals shifted their resources from productive activities to petty trade and services. Another major contributory factor was the unprecedented expansion of the money supply. As production declined the tax base narrowed, and government was forced to rely on borrowing from the banking system and other debts, thereby fuelling inflation and weakening the Ugandan shilling. Soaring inflation was the result.

The budget

The budgetary position remained one of the most unsatisfactory areas in the economy throughout the 1970s. Apart from exceptionally large revenues from coffee export taxes which turned the recurrent budget into a surplus, the ratio of overall deficit reached almost 100 percent in 1973/74. The poor budgetary performance on the revenue side was the result of declining production in the monetary economy, reduced levels of exports and imports, price controls on certain taxable goods, ineffectiveness of the tax administration and revenue collection procedure, and poor financial performance and tax compliance by the parastatal sector, requiring heavy subsidies from the Treasury. On the expenditure side, a large proportion of public funds was used for unproductive expenditures by service ministries. Most of the financing was based on domestic borrowing.

The balance of payments

Uganda's current account of the balance of payments during the 1970s reflected the underlying weakness of the economy and the unfavourable effects of over-dependence on coffee exports. The first sharp reversal in the current account followed the oil crisis of 1973 and the following worldwide economic recession. This was aggravated by the substantial smuggling of coffee out of the country[5] in reaction to domestic inflation. Although Uganda benefited from favourable world market coffee prices in the mid-1970s, the end of the decade showed further deterioration of the current account. The real value of exports fell from 19 percent in 1970 to 2 percent in 1980, by which time exports consisted of coffee only. The value of imports tripled in the same period, mainly due to the quadrupling of oil prices. As a result, the volume of non-oil imports drastically decreased. Uganda's external payments position suffered severe pressure throughout most of the 1970s, resulting in yearly balance-of-payments deficits which depleted the country's foreign exchange reserves.

Social context: the people

The 1969 population census showed a population of approximately 9.5 million. By 1997 this had risen to approximately 20 million. The population's growth rate of over 3.2 percent a year is higher than the average for Sub-Saharan Africa. Population density is also relatively high in comparison with that of most parts of black Africa, about 100 per sq. km.; this masks regional differences, however, the southeast and southwest being more heavily populated than the north. Migratory flows have always been a particular demographic

[5] It is estimated that 27,000 tonnes of coffee were smuggled in FY 1975/76; 51,500 tonnes in 1976/77; 47,500 tonnes in 1977/78; 50,000 tonnes in 1978/79 and 10,000 tonnes in 1979/80. In monetary terms, it is estimated that Uganda lost US$ 382 million in the period 1976–78 and US$ 139 million in 1978–79.

characteristic, often in association with political upheaval, with many immigrants coming from Rwanda, Burundi and Sudan, and sizeable numbers of Ugandans reported to reside in neighbouring Congo and Sudan.

Opposition to discrimination on the basis of ethnicity prevented the 1969 and 1980 censuses from registering ethnic identity. Nevertheless, ethnic affiliation constitutes a major factor in the country's cultural and political life, with much of Uganda's internal politics being explained by historical differences among the forty or more distinct ethnic groups. This ethnic diversity is illustrated by the fact that the Baganda constitute the largest ethnic group although they represent less than 20 percent of the population (Uganda: a country study, 1992:49–70).

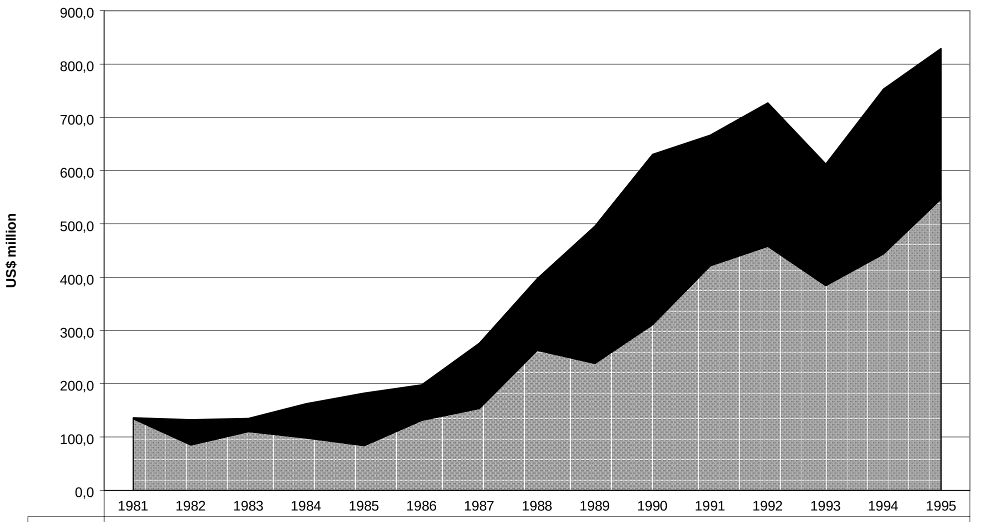
Apart from tribal affiliation, religious identity has always had important economic and political consequences. About two-thirds of the population is Christian, roughly divided on a 50/50 basis between Roman Catholics and Protestants. Muslims represent some 15 percent, and the remaining 20 percent of the population consist of adherents of traditional religions (*ibid*.:70–77).

4.3.2 *Official Development Assistance*

A preliminary remark should be made concerning the availability and reliability of aid statistics. Until 1997 there was no regular Ugandan publication of such statistics. All information in this respect came from international organisations, notably the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) and the World Bank. The OECD/DAC's *Geographical Distribution of Financial Flows to Developing Countries* gives the most detailed breakdown of individual donor contributions to recipient countries, although agency staff sometimes disagree as to the accuracy of these data. The World Bank's *World Debt Tables* allow calculations of total external aid but give limited insight into the volume of grants. The data presented below are based on DAC/OECD sources.

Volume and trends

Firgue 4.2 presents total net ODA received by Uganda and clearly shows the increasing amounts of aid in the 1981–96 period (originating from DAC countries, OPEC countries, and multilateral institutions including the EU).



	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Net ODA	135,8	132,8	134,7	162,6	182,1	197,8	275,9	397,4	495,7	630,8	666,8	727,2	612,4	753,3	829,7
Loans	1,6	47,6	24,7	64,1	98,1	66,3	122,5	134,7	257,9	319,7	245,6	269,1	228,4	309,7	282,5
Grants	134,2	85,2	110,0	98,5	84,0	131,5	153,4	262,7	237,8	311,1	421,2	458,1	384,0	443,6	547,2

Source: OECD/DAC.

Figure 4.2 Total Net ODA to Uganda 1981–96 (disbursements, in millions of US$)

Uganda received more than US$ 7 billion[6] over the period, i.e. a yearly average of US$ 450 million, but showing considerable fluctuations. From 1981–85 it amounted to US$ 150 million/year, from 1986–90 US$ 400 million/year and from 1991–95 US$ 656 million/year. In recent years net ODA has totalled some US$ 700–900 million or more than US$ 2 million a day. Grants represent 61 percent of total net ODA (1981–96): in other words, more than one-third of net ODA adds to the country's official debt (cf. Chapter 6). Moreover, donor assistance accounts for over 65 percent of overall budgetary expenditures and provides virtually all funds for the Investment Budget.

4.3.3 *Dutch aid*

Dutch church-related NGO's have traditionally been active in Uganda, since well before bilateral aid relations were established between the two countries. The Netherlands occasionally granted project aid and technical assistance, and provided financial aid from 1969/70 when Uganda became a 'concentration country'. In 1972 this status was revoked, however, due to deterioration of the human rights situation under the Amin regime. From 1972 until 1979 only emergency relief operations were supported by the Government of the Netherlands.

[6] Net ODA in 1996 was estimated at between US$ 700 and 900 million.

The fall of the Amin regime cleared the way for renewed bilateral cooperation relations. After much internal discussion in the Ministry of Foreign Affairs on whether or not to participate, the Government of the Netherlands sent an official to the Consultative Group meeting held in November 1979 in Paris, with the status of observer. It was then that the foundations were laid for the real take-off of official Dutch aid to Uganda and of cooperation with the World Bank through cofinancing.

The early 1980s saw an impressive start of Ugandan–Dutch cooperation in terms of aid funds. Within a short period Dutch aid, all given as a grant, passed the Dfl. 100 million mark. Cofinancing with the World Bank formed an important component: Dfl. 80 million or almost 80 percent. Deterioration in the human rights situation during President Milton Obote's second term (1981–85) and the civil war (1981–86) caused stagnation, only overcome after the change of leadership in 1986. From then on, bilateral development cooperation relations between the Netherlands and Uganda intensified, although it was not until 1991 that Uganda was again granted special status in official Dutch bilateral aid policy. A few years earlier, in 1987, the Netherlands Development Organisation (SNV) had decided to resume the support of development activities with technical and financial aid, while in 1989 three NGOs (NOVIB, Cebemo and Icco) had decided to intensify their cooperation with Uganda.

In 1991 the Government of the Netherlands presented its policy intentions and objectives regarding bilateral development cooperation relations with Uganda in a policy document covering the East Africa region (1992–95):

– import support or budget support was made dependent on the macroeconomic policies pursued by the Government of Uganda;

– the northern part of the country was given privileged status;

– part of the bilateral aid was to be channelled through multilateral organisations and NGOs;

– bilateral aid was to be concentrated on the following areas and sectors: primary health care with special attention for family planning, AIDS prevention, water and sanitation; education; rural development; gender; and the environment.

The possibility of cooperation with the World Bank was explicitly mentioned, notably through import support (in relation to the economic reform programme) and in the Northern Ugandan Reconstruction Programme (NURP).

Aid to Uganda increased considerably during the 1990s, averaging between Dfl. 35 million and Dfl. 40 million (almost US$ 20 million) a year during 1991–96 as compared to some Dfl. 10 million (less than US$ 5 million) a year in the second half of the 1980s (cf. Table 4.8). This increase was accompanied by the opening of a Royal Netherlands Embassy in Kampala in 1993.

Table 4.8 Dutch bilateral aid to Uganda 1981–96 (disbursements, in millions of US$)

Year	Net ODA	Year	Net ODA
1981	21.1	1989	5.4
1982	2.1	1990	3.8
1983	7.3	1991	22.9
1984	4.6	1992	15.1
1985	1.9	1993	23.1
1986	6.3	1994	25.5
1987	2.2	1995	31.8
1988	6.3	1996	n.a.
Total			**179.4**

Source: OECD/DAC.

In the 1990s, Uganda's debt problems gave rise to Dutch support for debt relief. Since 1992 the Netherlands has granted nearly Dfl. 140 million (approximately US$ 70 million) for that purpose (including 1997). As in other Severely Indebted Low Income Countries (SILICs), a large part of Uganda's external debt was/is owed to International Financial Institutions (IFIs), notably the IMF, World Bank and the African Development Bank (cf. Chapter 6). Nearly 95 percent of Dutch contributions for debt relief supported Uganda in servicing its debt vis-à-vis the IFIs; since 1995 this has been done through the Multilateral Debt Fund. The Netherlands also contributed to a debt relief scheme for Highly Indebted Poor Countries (HIPC) created in 1997.

Total Dutch aid to Uganda between 1981 and 1996 amounted to Dfl. 400–450 million (approximately US$ 210 million), representing slightly more than 3 percent of all Official Development Assistance (ODA) flows to that country in that period. About one-third of Dutch bilateral assistance to Uganda has been spent through cofinancing with the World Bank.

4.3.4 *Cofinancing between the Netherlands and the World Bank: an overview*

The Dutch–World Bank cofinancing programme concentrates on supporting reconstruction and economic reform programmes undertaken since the early 1980s. Since 1981 almost Dfl. 160 million (over US$ 70 million) has been committed and disbursed, as is

Table 4.10 Overview of Dutch–World Bank cofinancing in Uganda 1981–96[1] (disbursements at 31 December 1996, in Dfl. millions)

Sector	Credit or loan number	Project title	Years of commit-ment	FORM Joint	FORM Parallel	TYPE CLRC	TYPE FSTF	NATURE Project aid	NATURE Programme aid
Multisector (economic reforms)	C 983	First Reconstruction Credit	1979–81	45.6		45.6			45.6
	C1252	Second Reconstruction Credit	1983	15.0		15.0			15.0
	C1474	Third Reconstruction Credit	1984	20.0		20.0			20.0
	C2087-0 C2087-1 C2087-2	Second Economic Recovery Credit	1991	35.0		35.0			35.0
	C2314	First Structural Adjustment Credit[2]	1992	10.0		10.0			10.0
		Comm. Debt Buy-Back	1992	4.9		4.9			4.9
	C2418	Economic and Financial Management Project/Civil Service Reform	1993	7.5		7.5		7.5	
Social Sector	C2088	Veterans Assistance Programme	1992–95	9.8		9.8		9.8	
Sub-total				*(147.8)*		*(142.9)*	*(4.9)*	*(17.3)*	*(130.5)*
Rural Development	C2362	Northern Uganda Reconstruction Programme/Comm. Action Programme	1992		11.1	11.1		11.1	
Total				147.8	11.1	154.0	4.9	28.4	130.5
Overall total				*158.9*		*158.9*		*158.9*	
In %				93.0%	7.0%	96.9%	3.1%	17.9%	82.1%

[1]The first Dutch commitment dates from 1979, the agreement to cofinance with the World Bank was concluded in 1980, the first disbursement took place in 1981.
[2]Debt relief transactions.

shown in Table 4.9.[7] This places Uganda as seventh on the list of main beneficiaries of Dutch cofinancing funds.

Table 4.9 Dutch cofinancing with the World Bank in Uganda 1981–96 (commitments and disbursements, 31 December 1996, in Dfl. millions and US$ millions)

Year[1]	**Amount committed**		**Amount disbursed**[3]	
	Dfl.	US$[2]	Dfl.	US$[2]
1981	45.6	18.3	45.6	18.3
1983	15.0	5.3	15.0	5.3
1984	20.0	6.2	20.0	6.2
1991	35.0	18.7	35.0	18.7
1992	30.8	16.6	30.8	16.6
1993	10.0	5.4	10.0	5.4
1995	2.5	1.5	2.5	1.5
1996	0.5	0.3	–	–
Total	159.4	72.3	158.9	72.0

[1]Year of commitment.
[2]Official DAC Dutch Guilder to US Dollar exchange rate.
[3]Disbursement figures for each year and each commitment are not available. Aggregate expenditures are presented on a fictitious yearly basis to enable comparison of commitments with final disbursements as at 31 December 1996. At that date, two projects were still ongoing.

Table 4.10 shows the details of cofinanced activities by sector and by form, type and nature. In all, nine activities have been cofinanced.[8]– The majority of activities were financed through programme aid in support of the reconstruction and economic reform programmes (over 80 percent), totalling Dfl. 130 million.

- Project aid, totalling Dfl. 28 million, constituted less than 20 percent, and concerned three projects, two of which were directly related to economic reforms.
- All but one activity related to joint cofinancing (over 90 percent); the Community Action Programme, linked to the Northern Uganda Reconstruction Programme (NURP) was the only case of parallel cofinancing.
- All but one activity concerned Credit and Loan Related Cofinancing (over 90 percent). The exception is one of the two cofinanced debt relief transactions, i.e. the 1992 commercial debt buy-back transaction—a Free-Standing Trust Fund arrangement.
- Two projects were ongoing on 31 December 1996 (the Community Action Programme and the Economic and Financial Management project/Civil Service Reform project; all other cofinanced activities had been ended.

[7] According to Dutch files. Due to real disbursement patterns and exchange rate fluctuations, World Bank data may differ.
[8] Excluding a number of relatively small ad hoc Free-Standing Trust Funds of which eight Energy Assessments (ESMAP studies) and two Poverty Assessments.

PART II PROGRAMME AID

5 Ghana

5.1 Introductory remarks related to the methodological approach

The Government of the Netherlands has cofinanced four adjustment credits with programme aid totalling Dfl. 125 million. This formed part of massive donor support for the Ghanaian economic reforms amounting to over Dfl. 6 billion (over US$ 3 billion). The Netherlands has also cofinanced three investment projects (cf. Chapter 4, Table 4.3)

In general, evaluations of project aid in response to queries concerning policy relevance and compatibility, effectiveness, efficiency and sustainability of results, are not confronted with methodological problems. This is not the case with programme aid. Given the overlapping effects of numerous operations of many multilateral and bilateral donors (programme aid) and the simultaneous changes of other variables (policy measures, climate), methodological problems arise when an attempt is made to determine how much of the observed improvement in economic performance can be ascribed to a particular funding or to other variables.

The methodology used here in evaluating Dutch programme aid is made up of three elements. First, IDA Credits to which Dutch aid was related. Second, an evaluation based on three specific questions. Third, an evaluation pertaining to basic ('traditional') evaluation questions.

1. The evaluation of IDA Credits focused largely on an examination of their design and implementation, using criteria generally related to project success rather than any measure of impact on variables usually applied as indicators of economic performance. The main source for this part of the present evaluation consisted of World Bank evaluation reports. To avoid problems of misinterpretation or misrepresentation, the original text has been used as much as possible.

2. Furthermore, an independent macroeconomic evaluation was carried out, culminating in three major questions: (i) has the input of aid funds been an influential or decisive

instrument in obtaining the Government of Ghana's consent and collaboration with the adoption and implementation of policy measures? (ii) what have been the effects of aid funds on Ghana's macroeconomic performance? (iii) what have been the effects of policy reform measures on that performance?

3. Moreover, the policy relevance and compatibility of the programme aid granted, its effectiveness and efficiency and the sustainability of results have been subjected to independent assessment. Most of Dutch aid in this respect was joint cofinancing, while the parallel financing component was hardly distinguishable from joint cofinancing. Therefore, since these Dutch aid funds cannot be identified or separated from the related IDA Credit, evaluation of the spending of Dutch funds has focused on the objectives of related IDA Credits.

5.2 The Recovery Programme 1983–96: an overview

General

Ghana's Economic Recovery Programme (ERP) was formally launched in 1983, with an initial three-year period devoted to stabilising the economy. The second phase, sometimes referred to as the Structural Adjustment Programme (SAP), started in 1987 and still ongoing at the end of 1996, was a plan for restructuring the economy towards growth and development. Generally, the terms ERP and SAP are used interchangeably to refer to the recovery programme since 1983, although ERP refers to the stabilisation phase while SAP refers to the restructuring and structural adjustment phase.

ERP objectives

The ERP sought to remove distortions introduced into the economy by the control regime and thereby to reverse the decline in the economy. The Government of Ghana formulated the objectives as follows (*Economic Recovery Programme 1984–86*, Vol. 1:15–16):

1. to restore incentives for production of food, industrial raw materials and export commodities and thereby increase their output to modest but realistic levels;
2. to increase the availability of essential consumer goods and improve the distribution system;
3. to increase the overall availability of foreign exchange in the country, improve its allocation mechanism and channel it into the selected high priority activities;
4. to lower the rate of inflation by pursuing prudent fiscal, monetary and trade policies;
5. to rehabilitate the physical infrastructure of the country in support of directly productive activities; and

6. to undertake systematic analyses and studies leading towards a major restructuring of economic institutions in the country.

Various fiscal, monetary, incomes, trade and exchange rate policies were initiated with which to attain these objectives.

ERP financing

The IMF supported ERP financially with three standby arrangements and with resources from its Compensatory Financing Facility, totalling over SDR 500 million (approx. US$ 525 million). The World Bank (IDA) contributed to ERP with four credits, i.e. Reconstruction Import Credit I, Reconstruction Import Credit II, an Export Rehabilitation Credit and an Export Rehabilitation Technical Assistance Credit. In total, IDA provided US$ 250 million in this way. In addition, the African Development Fund (ADF) provided approximately US$ 30 million and bilateral donors more than US$ 340 million to ERP. Cofinancing was provided by Canada, France, Germany, Japan, the Netherlands, Switzerland and the UK. The Government of the Netherlands cofinanced Reconstruction Import Credits I and II with funds totalling Dfl. 65.1 million (or US$ 21.1 million).

Total direct donor support for ERP thus amounted to about US$ 620 million (ODA only). It should be emphasised that total ODA to Ghana in this period (1983–87) amounted to US$ 900 million. This also included some macroeconomic support which, however, was not directly linked to the World Bank financing just mentioned.

All four IDA Credits shared more or less the same objectives, namely:
– to support ERP by financing imported inputs to revive agriculture,
– to remove bottlenecks to the recovery of traditional exports, and
– to begin the liberalisation of controls on, and access to, resources by the private sector.

Moreover, it was intended to mobilise substantial donor support for ERP, particularly but not exclusively in the Ghana Consultative Group, which was reactivated at the end of 1983.

Under a joint effort by the Government of Ghana, IMF and the World Bank, the emphasis of ERP shifted towards structural adjustment from 1986 onwards. The Structural Adjustment Programme (SAP) was implemented in 1987, its first phase covering the period 1987–88.

SAP objectives

The objectives of the Structural Adjustment Programme (first phase) were the following:
- to establish an incentive framework that would stimulate growth, encourage savings, and strengthen the balance of payments, and
- to improve resource use, particularly in the public sector, and to direct resources to key areas of adjustment, while ensuring fiscal and monetary stability.

The second phase covered the period 1989–90. Two central concerns of this phase were to create productive employment opportunities and to alleviate poverty. To ensure that the second phase of SAP included measures to alleviate the negative impacts of economic decline and the implementation of ERP on vulnerable groups, the Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) was introduced.

SAP financing

SAP (during the first and second phases) attracted IMF support of more than US$ 600 million, World Bank financing of about US$ 480 million, and substantial donor aid including US$ 215 million in cofinancing for IDA's Structural Adjustment Credits I and II (SAC I and II), thus totalling some US$ 1.3 billion. The Government of the Netherlands cofinanced SAC II with Dfl. 30 million. Total ODA in this period, 1987–90, amounted to US$ 2.1 billion.

Sectoral reforms

The WB/donor support for the adjustment process not only included general adjustment financing, but also covered sectoral reforms. In the 1983–96 period the World Bank provided a series of sectoral adjustment credits, for industry (ISAC), education (ESAC I and II), the financial sector (FINSAC I and II), agriculture (AgSAC) and the private sector (PSAC). Disbursements under these credits totalled more than US$ 500 million as at the end of 1996. The Government of the Netherlands cofinanced the Agricultural Sector Adjustment Credit (1992–94) with an amount of Dfl. 30 million.

Summary of Dutch cofinancing of economic reforms

The Government of the Netherlands has cofinanced four adjustment credits: Reconstruction Import Credit I and II, one Structural Adjustment Credit (SAC II) and one sectoral adjustment, i.e. the Agricultural Sector Adjustment Credit (AgSAC). Overall Dutch cofinancing of economic reforms totalled Dfl. 125 million (approx. US$ 60 million) through programme aid. Table 5.1 presents an overview of cofinanced activities.

Table 5.1 Overview of Dutch–World Bank cofinancing in Ghana 1984–96: Programme aid (disbursements at 31 December 1996, in Dfl. millions)

Sector	**Credit or loan number**	**Project title**	**Years of commit-ment**	**FORM** Joint	Parallel	**TYPE** CLRC
Multisector (Economic reforms)	C1393	Reconstruction Import Credit I	1984	27.1	10.0	37.1
	C1573	Reconstruction Import Credit II	1985–86	28.0		28.0
	C2005	Structural Adjustment Credit II	1987–88		30.0	30.0
Sub-total				*(55.1)*	*(40.0)*	*(95.1)*
Rural development (Agricultural reforms)	C2345	Agricultural Adjustment Credit	1992–94	30.0		30.0
Total				85.1	40.0	125.1

5.3 Reconstruction Import Credits (1983–88)

General: objectives

The World Bank's support for the Economic Recovery Programme included Reconstruction Import Credit (RIC) I (1983 through 1986) and RIC II (1985 through 1988). Its objectives were to provide quick disbursing foreign exchange with which to finance urgently needed spare parts, tires and batteries to relieve the transport bottleneck, and to buy fertilizer and agro-chemicals with which to increase the production of cocoa and domestic food. The two other credits in support of ERP, the Export Rehabilitation Credit (ERC) and the Export Rehabilitation Technical Assistance Credit (ERTAC), were to finance the capital and technical assistance requirements for the rehabilitation of export sectors through physical investment, policy reform and the upgrading of institutions in cocoa, gold mining, timber, and ports.

The difference between these two groups of credits is important. ERC and ERTAC were more supply-oriented than RIC I and II which were more demand-oriented. All four were policy-based lending with disbursements depending on policy reform measures to be taken by the Government of Ghana.

Design

The upfront conditionality for RIC I was the important prior agreement with the IMF on a stabilisation package involving exchange rate adjustment, reduction in the public sector deficit and monetary restraint. In addition, cocoa prices paid to producers as well as freight tariffs were to be adjusted periodically to maintain incentives; and a programme for removal of the fertilizer subsidy was to be reviewed with the Bank. RIC II involved a wider range of conditionality: liberalisation of price and distribution controls, preparation of a medium-term investment programme, the review of foreign exchange allocation mechanisms, etc. Rapid disbursement was accorded highest priority.

The World Bank lacked confidence in the Ghanaian procurement agencies and successfully insisted on the appointment of an external procurement agent. RIC II benefited from the same implementing arrangements, but differed from RIC I in that resources were provided mainly for the private sector, and the positive list of eligible imports was replaced by a negative list of ineligible ones (e.g. luxury goods, military equipment).

The foreign financing was to generate countervalue funds (Cedis) to be used to finance part of the recurrent and capital costs of projects included in ERP. A special account was set up in the Bank of Ghana for the purpose, and a mechanism created to ensure that importers made the payments to the Bank. Under this scheme an importer's application to open Letters of Credit had to be accompanied by a guarantee from the importer's (commercial) bank that the Bank of Ghana might debit it for the full Cedi equivalent of the costs of the imported goods.

Following the establishment of a foreign exchange auction in September 1986, the World Bank changed the procurement and disbursement procedures and used the balance of its outstanding credit to fund the auction system (PPAR 1991:5–8).

Implementation[1]

Implementation of the RICs is reported by the World Bank to have been smooth, apart from some initial problems with RIC I, notably the shortage of local funds (Cedis) and the Ghanaian lack of familiarity with procedures and processing of documentation, both at the general administration level and in the banking system. The favourable experience was due in large measure to the efficiency of the external procurement agency and of the staff assigned to the project unit in the Bank of Ghana. It is also reported, however, that limitations on the availability of ocean transport and on cargo handling in Ghanaian ports

[1] This assessment of the implementation of the two projects focuses on disbursements. Realisation of overall, broad targets, i.e. the support of ERP, is treated in under 5.6.

caused delays in the arrival of imports under RIC I. This was aggravated by the priority that had to be given to large scale food imports in the aftermath of the 1983/84 drought.

Implementation of RIC II was favoured by a more liberal design compared to RIC I (see above), including the provision of retroactive financing. The introduction of the foreign exchange auction in 1986 also contributed to speedy implementation.

Cofinancing proved to be not without difficulties and may have slowed the disbursement of RIC I. Tight time limits for the use of some of these funds made it necessary to delay the commitment of IDA funds in order to speed commitment under others, e.g. those provided by the Government of the Netherlands. Moreover, the matching between goods and sources became more difficult in the case of tied aid (cofinancing).

There was less than prompt satisfaction of the conditionalities, notably the preparation of a three-year development programme for the public sector (under RIC II), but the World Bank accepted a much simplified version. Where conditionality had to be met by simple policy decisions by the Government of Ghana these were taken promptly, e.g. the reduction in price and distribution controls.

Notwithstanding all this, the World Bank acknowledged that the main effects of encountered problems were delays in disbursement. RIC I should have been disbursed in one year but took four years. RIC II was disbursed in four years rather than three (PPAR 1991:vii, 9–14).

Financing of RIC I and II

RIC I amounted to SDR 37 million (US$ 39.2 million). Cofinancing totalled US$ 78.5 million and was provided by ADF, Canada, the Netherlands (US$ 14.6 million),[2] Switzerland and the UK. Total financing for RIC I amounted to US$ 117.7 million.

RIC II of SDR 87.7 million (including SDR 26.1 million from the Special Facility for Africa), equivalent to US$ 104.6 million, was cofinanced by France, Germany, Japan, the Netherlands (US$ 10.1 million),[3] Switzerland and the UK (US$ 134.6 million), bringing the total for RIC II to US$ 239.5 million. Thus, financing for RIC I and RIC II totalled US$ 357.2 million.

[2] As reported by the World Bank (PPAR 1991). Tables 4.2, 4.3 and 5.1 mention an amount of Dfl. 37.1 million equivalent to US$ 11.6 million. The difference is due to exchange rate fluctuations. See also ‘Cofinancing by the Government of the Netherlands’ (below).

[3] As reported by the World Bank (PPAR 1991). Tables 4.2, 4.3 and 5.1 mention an amount of Dfl. 28 million equivalent to US$ 9.5 million. The difference is due to exchange rate fluctuations. See also ‘Cofinancing by the Government of the Netherlands’ (below).

Cofinancing by the Government of the Netherlands—RIC I

The Government of the Netherlands contributed a total amount of Dfl. 37.1 million. A first grant of Dfl. 27.1 million was part of a 1984 commitment of Dfl. 100 million for the joint cofinancing of WB projects in Bangladesh, Ghana, Tanzania and Togo. The second contribution of Dfl. 10 million was part of a grant of Dfl. 15 million committed as early as 1981, but not disbursed completely by 1984. In December 1983 it was agreed that the remaining amount of Dfl. 10 million would become a parallel cofinancing arrangement with the World Bank. In practice, however, the Bank also administered these Dutch funds, making the arrangement hardly distinguishable from a joint cofinancing arrangement. The funds were used for the purchase of agricultural and transportation equipment as well as fertilizers. Due to the Ghanaian Government's inability to supply sufficient counterpart funds in Cedis part of the Dfl. 10 million grant could not be disbursed as planned before the end of 1984. Full utilisation took until 1987/88.

Cofinancing by the Government of the Netherlands—RIC II

The Government of the Netherlands contributed Dfl. 28 million. A first grant of Dfl. 18 million was part of a December 1995 commitment of Dfl. 36 million for the joint cofinancing of WB projects in Zambia and Ghana. The contribution to ERP was initially meant to be a parallel cofinancing allowing for the purchase of Dutch trucks. The obligation to spend the Dutch contribution in 1995, however, eventually resulted in a joint cofinancing arrangement. The grant was used for the purchase of spare parts, commodities, equipment, medical drugs and lubrificants under International Competitive Bidding (ICB).

The second contribution of Dfl. 10 million was part of a Dfl. 20 million balance-of-payments support (March 1986), initially meant to be parallel cofinancing but changed into joint cofinancing in late 1986 in response to the wish of the Dutch Minister for Development Cooperation that spending be speeded-up. The amount of Dfl. 10 million was then made available for the foreign exchange auction within RIC II categories.

Evaluation

The Project Performance Audit Report (PPAR) of RIC I and RIC II states that although disbursement was slower than expected, the objectives of the RICs were largely achieved. Conditionality attached to the credits was found to be generally consistent with the objective of rapid disbursement and with the ability of government to quickly implement changes in policies and procedures. Considerable additional funding had been raised with other donors, although the basis on which bilateral donors became involved was essentially ad hoc. Consistency between the credits' objectives and the stabilisation programme supported by the IMF, however, was not perfect. Notably the fiscal contraction, the curtailment of credit, and the redirection of credit from the public to the private sector, which formed the essence of the Fund stabilisation programme in 1984, conflicted in timing with RIC I, which was oriented toward the public sector.

The World Bank concludes that the evaluation of the RICs, based on their likely contribution to the resurgence of growth in output, on the (modest) recovery in export earnings, the reduction in the overall balance of payments, the mitigation of inflation, and on of the absence of significant costs over and above the direct financial cost, is highly positive. As the report states, however, earlier and more effective involvement of donors could have allowed Ghana to take greater advantage of their contributions (PPAR 1991:ix, 32–33).

The positive evaluation of the RICs distinguishes these credits from ERC/ERTAC, which were rated as only moderately successful. In other words, the performance of the export rehabilitation components was less satisfactory than the import support operations. This is hardly surprising since stabilisation measures and related activities (RICs) are easier to implement than structural adjustment-type interventions (ERC/ERTAC). The Bank therefore concluded that the basic shortcoming of the package of four credits was that it included quick disbursing import support, i.e. RICs, and project/sector adjustment-type rehabilitation operations, i.e. ERC/ERTAC, in one package (PPAR 1991:34–35).

On the sustainability of results, the Bank mentioned that this depended on the continued commitment of the Government of Ghana to reform policies. Since the activities financed represented but the first phase of a more comprehensive programme, sustainability of the results of this first phase was considered to depend also on the continuation of external support (PPAR 1991:34).

5.4 Structural Adjustment Credits (1987–90)

General: objectives

The Economic Recovery Programme shifted toward a Structural Adjustment Programme (SAP) which included a macroeconomic stabilisation component (essentially continuing the demand management begun in 1983) and a growth component (containing measures to expand exports and to improve the mobilisation and efficiency of resource use). Given the dominance of the public sector in resource use, the SAP called for (i) the reform of taxation to reduce distortions associated with past protectionist policies, (ii) reforms to improve public sector management: better planning, budgeting and monitoring of expenditures, and (iii) more efficient use of manpower, not only in its central administrative apparatus but also in the large state-owned enterprise sector.

The World Bank supported this with two structural adjustment credits, several sector adjustment credits, and project and technical assistance credits. The objectives of SAC I were to support:

1. trade liberalisation by (i) merging the two-tiered market for foreign exchange and using the auction-determined rate for all officially-funded transactions, and (ii) the removal of quantitative restrictions on imports, and related tax and tariff reforms;
2. an incentive framework to stimulate growth through the payment to cocoa growers of a larger share of the f.o.b. price, to be financed mainly by cost-cutting improvements in the Cocoa Marketing Board, and
3. improved resource use in the public sector through (i) changes in public expenditures and tax policy, (ii) state-owned enterprise reform, and (iii) better public sector management.

An additional objective was to facilitate and coordinate support by other donors, by sponsoring meetings of the Consultative Group for Ghana.

SAC II supported a programme with essentially the same objectives, except that there was greater emphasis on tax reform and on the promotion of private sector development than under SAC I (PPAR 1992:xi–xii).

Design

In quantitative terms, it was projected that economic growth would be sustained at about 5 percent per annum over the 1987–89 period. Investment was predicted to increase from about 10 percent of GDP in 1986 to 23 percent in 1989, whilst national savings would rise from 7 to 15 percent of GDP over the same period.

It was recognised that the ambitious strategy and objectives involved considerable risk, notably the Government's weak implementation capacity, an inadequate supply response to the restructured incentives framework, political pressure by losers in the adjustment process (economic rent-seekers, the urban poor and unemployed, laid off civil servants), and adverse exogenous shocks (climate, commodity prices).

The preparation of SAC II was far less intensive. As SAC I was monitored, the preparation of SAC II increasingly became an integral part of that process. The process of preparation was also assisted by the formulation of the first Policy Framework Paper (PFP), in 1987, the Bank's 1989 Country Economic Memorandum, and the annual Public Expenditure Reviews.

The declared purpose of SAC II did not differ from that of SAC I. In quantitative terms, however, SAC II was less ambitious. Although growth was still projected to average 5 percent per annum, investment was projected to rise to only 16 percent of GDP by 1990 and national savings to only 8.5 percent by the same year. The risks identified were similar to those for SAC I (PPAR 1992:36–45 and PCR 1991:40–48).

Implementation

The implementation experience under SAC I and II was very positive. Notably, important measures were taken in the fields of the exchange regime and rate, trade liberalisation, the gradual removal of price controls, and the stimulation of private investment, e.g. by updating the Investment Code, lowering the corporate tax rate and reducing import duties. Public sector management improved significantly. On the revenue side, improvements were characterised by a shift toward consumption-based taxes and better administration. On the expenditure side, improvements included the preparation of a detailed Public Investment Programme and its linkage to the regular Capital Budget. Public expenditure management benefited from the creation of a core group of trained budget preparation officers. Furthermore, a civil service reform was started and resulted in the retrenchment of 60,000 staff in the period 1987–91 and increased real pay for those who remained. Finally, 15 state-owned enterprises (SOEs) were sold to the private sector, 23 were closed, while 15 out of a core group of 17 SOEs to remain in the public sector, which had formerly lost money, now became profitable.

The impact of SAP on the poor and other vulnerable groups induced the Government of Ghana to create PAMSCAD in 1987. The Bank helped to organise a meeting of donors in 1988, and US$ 85 million including a US$ 10 million IDA credit was pledged (PPAR 1992:xii–xiv).

Financing of SAC I and II

The First Structural Adjustment Credit amounted to US$ 133.9 million. Cofinancing funds were also provided by Canada, Germany, Japan, Saudi Arabia, Sweden and the UK totalling US$ 60.1 million.

The Second Structural Adjustment Credit of US$ 134.1 million attracted almost an equal amount in cofinancing funds (US$ 131.5 million) granted by the EU, Canada, Germany, Japan, the Netherlands (US$ 16.8 million[4]), Sweden, Switzerland and the UK. Thus, total financing for SAC I and II amounted to US$ 459.6 million.

[4] As reported by the World Bank (PPAR, 1992). Tables 4.2, 4.3 and 5.1 mention an amount of Dfl. 30 million equivalent to US$ 15.0 million. The difference is due to exchange rate fluctuations. See also ‘Cofinancing by the Government of the Netherlands’ (below).

Cofinancing by the Government of the Netherlands—SAC II

The Government of the Netherlands did not cofinance SAC I but contributed to SAC II with two grants totalling Dfl. 30 million. The first grant of Dfl. 15 million was offered to Ghana as balance-of-payments support in 1987 for disbursement in 1988. Disbursements were to be made for the financing of commodity assistance (partly untied aid, i.e. parallel cofinancing). At the end of 1987 the Government of Ghana asked the Netherlands to place an initial amount of Dfl. 5 million (part of the Dfl. 15 million grant) into the auction facility. The Netherlands agreed (December 1987). The unspent balance of Dfl. 10 million was disbursed in 1989 through retroactive financing of crude oil imports.

The second grant of Dfl. 15 million was also committed as a partially untied grant in February 1988 for disbursement in 1989 (parallel cofinancing). In reality, disbursements were made in 1988, 1989 and 1990. Dfl. 7.5 million was contributed to the auction facility fund (in three annual tranches during 1988–90). In 1989 another Dfl. 7.5 million was disbursed for the purchase of agricultural equipment (fertilizers, pesticides and protective clothes).

Countervalue funds created with the Dutch contribution were credited to the PAMSCAD account in Accra without any conditions or restrictions by the Government of the Netherlands.

Evaluation

The PPAR of SAC I and II mentions both strong and weak features of the design of the credits. The strong elements included the timely nature of SAC I given Ghana's SAP which had both succeeded and formed a logical continuation of ERP. SAC I's timeframe was thought optimistic, however. SAC II was considered to be designed around more modest targets.

Other important positive elements included extensive consultations held during the preparations with the Government of Ghana, which resulted in a strong sense of ownership of the programme by the Ghanaians and a high level of commitment to its implementation; consultations with IMF, other donors and with the Ghanaian private sector; the fact that the SACs were an integral part of a much larger World Bank lending programme comprising sectoral adjustment credits and investment credits; and a number of important, preparatory studies carried out jointly with the Government of Ghana in 1985 and 1986.

The report states that a number of side effects were not given adequate attention, notably the cost of severance benefits associated with the massive retrenchment; the revision of roles of institutions made obsolete by the liberalisation of the regulatory framework; and the solution of the problem of unemployment/job creation.

The PPAR of SAC I and II evaluated Ghana's structural adjustment effort as highly successful—the major factor being the extremely high commitment of the Government. The Bank concludes, however, as in the cases of RICs and ERC/ERTAC, that the pace of implementation was markedly slower where adjustment required changes in the structure of institutions and the recruitment of skilled staff rather than mere changes to rules.

The pace at which changes could be made in the field of SOEs and their divestiture was also slower than expected. This was due to the paucity of up-to-date financial and other information for proper management decisions on the one hand, and to the World Bank's lack of experience in the reform of SOEs and misjudgment of the policy and institutional constraints that faced private investment, on the other.

The Bank's staff handling of financial support (monitoring, advisory services) was appreciated by the Government of Ghana because of the close hands-on supervision; it was also regarded as disruptive to the adjustment process due to the frequent turnover of Bank staff involved in the supervision of IDA credits.

On the consequences of the adjustment programme for the poorest groups, the PPAR states that these appear to have been only moderately negative in the early stages and positive over the longer term as the economy grew and real incomes increased, and Government improved social services and targeted health and education more towards the poor. Although with mixed results, PAMSCAD has served to mitigate the negative impact of adjustment on vulnerable groups, even if these have not been the poorest segment of the population.

On the sustainability of results, the Bank judged that the benefits from SACs were likely to be sustained.The reforms were considered to have been so comprehensive and the Government's commitment so firm, that a reversal of policy directions was thought highly improbable as long as the administration remained in control. It was also thought unlikely that a new government would easily restore the regulatory and control mechanisms that had been removed. Nevertheless, Ghana would remain dependent on foreign exchange inflows to bridge the gap between domestic investments and savings (PPAR 1992:xiv–xvi, 12–15, 21–23).

5.5 Agricultural Sector Adjustment Credit (1992–95)

General: objectives

In 1990 the Government of Ghana presented a Medium-Term Agricultural Development Strategy (1991–2000) that had been developed with substantial support of the World Bank. This formed the basis of the Agricultural Sector Adjustment Programme which aimed at the liberalisation of agricultural pricing, marketing and input supply, and the strengthening of agricultural sector coordination and management. The World Bank supported this with a Agricultural Sector Adjustment Credit (AgSAC).

The main objectives of AgSAC were to eliminate the public sector role in input and produce price determination (except for cocoa), to allow competitive trading for all agricultural inputs and outputs, to remove external trade restrictions for all agricultural commodities except cocoa and thereby to create conditions for increased private investment in storage, input and output marketing, and processing. It was also to provide for more efficient allocation of public resources and increase the focus of the public sector on poverty alleviation and natural resource management (ICR 1997:v).

Design

The project design was in line with the programme objectives, which were found to be clear, realistic and highly relevant to the country and the sector. The IDA Credit was to be released for disbursement in three tranches: the first tranche upon effectiveness (June 1992), the second tranche in June 1993, and the third in June 1994. Release of the second and third tranches was conditional on performance reviews. The Dutch contributions were to be released along with the first and second tranches of the IDA Credit; the German contribution (see below) was to be released in three tranches parallel with the IDA Credit.

The proceeds of AgSAC were to be used to finance the foreign exchange costs of eligible imports through the foreign exchange auctions of the Bank of Ghana. With the exception of military equipment, luxury goods and environmentally hazardous products, any imports were eligible for financing (ICR 1997:vii, 2–3).

Implementation

Overall implementation is reported by the World Bank to have been successful in supporting actions to attain the broad objectives of the sectoral adjustment programme, although private sector response to the liberalisation measures fell short of expectations.

With respect to the liberalisation of produce pricing and marketing, the focus was on foodgrains, cotton, palm oil and cocoa.[5] At the time of presentation of the Credit to the Bank's Board (March 1992), the Ghanaian Government had already met the conditions regarding the pricing of certain products' (cotton lint and palm oil) and export liberalisation, and had partially fulfilled the requirements for public sector withdrawal from grain marketing, milling and price fixing.

Further conditionalities concerning the cocoa sector (ceasing input distribution to cocoa growers, the divestiture of cocoa processing facilities and plantations, staff retrenchment, the abolition of subsidies on inputs) were met prior to release of the second tranche. Conditions for the second and third tranche releases, including the opening-up of the internal cocoa trade to the private sector, were successfully though partially met due to slower than expected participation of the private sector.

The divestiture process of the state-owned Ghana Cotton Company proved to be a lengthy process which contributed to the delay in release of the second tranche, The divestiture of parastatals responsible for the marketing of agricultural inputs in the Upper and Volta regions also proved difficult and resulted in delays.

The divestiture of five parastatal-owned rice mills was a condition to be fulfilled prior to release of the second tranche, but also caused some problems as buyers could not be found. In the end, the Bank accepted the sales advertisement as fulfilment of the condition. Two mills were eventually sold as scrap and the other three were closed.

On the other hand, progress towards strengthening agricultural sector coordination and management was satisfactory, particularly in streamlining the budget formulation and review process for the sector as a whole.

It is further reported that in 1992 the Ghanaian Government started to increase the focus of public spending on poverty alleviation. In 1994, in collaboration with the World Bank and other donors, the Government initiated a detailed study into the spatial distribution of poverty and started to formulate a poverty reduction strategy. One outcome of this effort has been a series of studies profiling the incidence of poverty in the rural sector.

On the issue of natural resource management the Ghanaian Government started to address a number of problems, notably on the prevention of further land degradation (ICR 1997:v–vii, 7).

[5] For cocoa the aim was to liberalise 40 percent of internal marketing.

The Implementation Completion Report concludes that both the Bank and the Borrower, generally, performed satisfactorily throughout the programme cycle, although the second and third tranche releases were delayed, necessitating an overall extension of the Credit's closing date by one year to December 1995.

Financing of AgSAC

AgSAC originally amounted to SDR 57 million (US$ 80 million equivalent at the time of the appraisal). Two supplementary IDA Credits of SDR 4.13 million and SDR 3.6 million were subsequently made available from IDA reflow resources, bringing total IDA funds in support of the programme to SDR 64.7 million (approx. US$ 93.9 million). Cofinancing was provided by the Netherlands (Dfl. 30 million or US$ 17.1 million[6]) and by the German Government (a KfW credit of DM 25.7 million or approx. US$ 16 million), bringing total financing for AgSAC to roughly US$ 127 million.

Cofinancing by the Government of the Netherlands

The Government of the Netherlands jointly cofinanced the Agricultural Sector Adjustment Credit (AgSAC) with Dfl. 30 million. In December 1992 it contributed Dfl. 20 million, used to finance retroactively the first tranche of the IDA-Credit which had been released by the Bank in June of that year. A second contribution, initially Dfl. 5 million, was made in December 1994 and eventually amounted to Dfl. 10 million. This was also used to finance retroactively expenditures already made by the World Bank, i.e. the second tranche of the IDA-credit which had been released in April 1994. All Dutch funds were used to finance the importation of goods.

Evaluation

AgSAC has not yet been subjected to a Project Performance Audit Report. The 1997 ICR states that the programme of public sector withdrawal from commercial activities has progressed to the expected stage, and that agricultural sector coordination and management have considerably improved. However, the opportunities created by the liberalisation of cocoa marketing and public sector withdrawal from input marketing have not yet been taken up by the private sector to the extent envisaged at appraisal. The report considers that, unless supporting programmes and measures are taken to facilitate and support private sector entry, Government might come under pressure to step back in. This risk appears to be smaller with regard to cocoa marketing.

[6] As reported by the World Bank (ICR 1997). Tables 4.2, 4.3 and 5.1 include an amount of Dfl. 30 million equivalent to US$ 16.9 million. The difference is due to exchange rate fluctuations. See also 'Cofinancing by the Government of the Netherlands' (below).

The Government of Ghana showed high overall commitment. It adhered to all conditions of the credit agreement and its amendments and to those of the cofinanciers. It was slow, however, in initiating actions required to facilitate the restructuring and divestiture of the Ghana Cotton Company and of some other SOEs (ICR 1997:vii, 7–10).

To sum up: The project objectives were highly relevant to the country and the sector. The effectiveness of the project was considered satisfactory but not highly so due to the inadequate response by the private sector to liberalisation. The objective of increasing efficiency in marketing through increased competition has not yet been fully achieved. On sustainability, mention has to be made of the Government's commitment and willingness to continue with the reform programme on the one hand, and of the continued dependence on external financial support on the other.

5.6 Macroeconomic evaluation

5.6.1 *Policy changes 1983–96*

The Economic Reform Programme

Ghana's acceptance of the International Monetary Fund/World Bank sponsored Economic Recovery Programme (ERP) came as a surprise. The Provisional National Defence Council (PNDC), which had taken power at the end of 1981, used radical rhetoric and contained some strongly socialist elements. However, it set up its own National Economic Review Committee (NERC), which became a vocal advocate of reform and the architect of the Economic Recovery Programme. The position of the radical elements was undermined in that they had no help from potential allies such as Libya and the Eastern bloc; in fact, the latter pressurised the government to adopt the recovery programme.

The stated objectives of ERP have been described elsewhere (cf. 5.2). Various sector policies that were initiated are briefly presented below.

External sector policies

Under ERP a conscious effort was made to move towards liberalised trade and exchange rate systems. Starting in April 1983 a series of devaluations of the Cedi was introduced which devaluated the currency from C2.75/US$1 to C90/US$1 in January 1986. In September 1986 Government introduced a foreign exchange auction system with government transactions going through one window at a fixed rate of C90/US$, while all other transactions went through another window at an auction-determined rate.

The move towards foreign exchange liberalisation was intensified in September 1988 when Government legalised activities in the parallel market by permitting private individuals to establish foreign exchange bureaux. In 1990, the auction market was unified (the auction and foreign exchange bureau markets). In 1992, the auction system was replaced by an interbank wholesale system in which banks retail to the public. The foreign exchange bureaux were explicitly excluded from participating in the interbank market, being expected to mobilise and trade foreign exchange on the open market. Liberalisation of the foreign exchange market was thus fully achieved.

There was also a conscious policy to liberalise trade. Together with exchange rate adjustments, government continued the foreign exchange retention schemes that had existed before ERP. Exporters were allowed to keep retention accounts abroad into which they paid a percentage of their export earnings, dependent on the kind of exports. As foreign exchange became more easily available, the retention scheme was no longer necessary and was withdrawn in 1988. As part of the liberalisation, restrictions on payments and transfers with regard to international transactions were also removed. The trade liberalisation also involved the removal of quotas and taxes on certain imports (intermediate as well as consumer goods).

An important aspect of efforts to revitalise the external sector concerned changes in policy regarding the cocoa sector. Since Independence, real producer prices received by cocoa farmers had been in almost continuous decline. To reverse this situation was one of the first structural reforms of ERP. Between 1983 and 1986 the nominal producer price was raised each year well in excess of the domestic inflation rate, so that the real price rose rapidly: by 1986 it had regained levels last seen in the early 1960s. The fall in international prices since then has undermined these gains somewhat, although the real price index has remained above its 1977–83 level.

Monetary policy

A major objective of ERP was to bring down the high rate of inflation. Consequently, a contractionary policy involving restrictions on credit expansion was adopted: the central bank began to take measures concerning interest rates and liquidity requirements in order to squeeze credit.

The first distinctive move towards financial liberalisation was the abolition, in September 1987, of maximum and minimum deposits, with the exception of the minimum savings deposit rate. In February 1988 minimum lending rates for commercial banks were also abolished, and by March 1989 commercial banks had been given the right to determine their own rates and to display them in their banking halls. In November 1990 further liberalisation was introduced by abolishing the 20 percent mandatory lending to agriculture. Thus, by early 1991, interest rate determination was almost completely liberalised. In addition to policy reforms, some legal and institutional changes were also made in the financial sector.

Fiscal policy and public sector management

Under ERP, government expenditure was subjected to strong restraints in both nominal and real terms. Several 'cost-saving' and 'cost recovery' measures were introduced in public departments and services. Subsidies on health and education were removed. Hospital fees were introduced in government hospitals, and parents were required to pay more for the education of their children. Since ERP, government expenditure has consistently been kept at 14 percent of GDP. The programme expected government to increase capital expenditures from 8 percent of GDP in 1987 to 10.6 percent. This was not achieved and was reprogrammed to rise from 7.4 percent of GDP in 1990 to 9 percent in 1993. As part of the measures to maintain the restraint on expenditure, the public sector wage bill was pegged at 5 percent of GDP, forcing government to reduce the number of public servants.

On the revenue side, efforts at tax collection were intensified and the tax net widened. Restrained government spending and enhanced revenue collection resulted in elimination of the deficit (narrowly defined, i.e. including external grants) after 1986.

The Divestiture Programme

Since Independence, the state had played the role of entrepreneur and invested in all kinds of ventures. Most state enterprises, however, proved to be liabilities rather than assets. Under the adjustment programme, about 300 state enterprises were slated for divestiture. In 1988 about 32 were advertised for sale, some being put up for joint-ventures while others were for outright sale. Whereas the ERP maintained that 'government has no business doing business', the private sector was not always prepared to play the role of entrepreneur, leading to problems in meeting conditionalities. Factors that have hampered private involvement have included lack of finance and of managerial expertise. Furthermore, uncertainties surrounding the supply of raw materials and the marketing of finished products drove the few people with capital into commerce.

Continuing donor pressure accelerated the divestiture programme during the first half of the 1990s: almost half the divestitures that had been completed at December 1995 were carried out in 1994 (42 SOEs) and 1995 (31 SOEs). Forty-two of the 159 SOEs divested by that date had been liquidated. By the end of 1996 the programme was moving toward completion.

5.6.2 *Economic development 1983–96*

Overview

The initial years of Ghana's structural adjustment programme, involving mainly the stabilisation of the macro economy, were very successful. GDP, which had previously been in decline, began to show positive growth rates with an annual average of about 5 percent between 1984 and 1989. By 1986 the budget had started to show a surplus, although this included foreign programme grants. Expansions in domestic credit were severely curtailed, although external inflows kept the growth of aggregate money supply at a high level. Nonetheless, inflation was brought down from its three-digit level to an annual average of about 25 percent. Favourable climatic conditions also played an important role in this respect since good harvests have a positive effect on rates of inflation.

The severe foreign exchange constraints faced by the economy were eased with the support of massive external inflow. External support for the balance of payments and the budget, together with budgetary discipline, caused the rationalisation of the exchange rate to be successful. Adjustment policies helped the stabilisation effort, but were assisted in this regard by the high level of external assistance. The Government's commitment to the programme and the latter's initial success restored Ghana's external credibility and ensured that high aid levels continued. Ghana has succeeded not only with stabilisation, however, but also with growth.

During the period 1983–95 the primary sector (agriculture) grew at a moderate rate: less than 3 percent a year. But the secondary sector (manufacturing) and tertiary sector (services) both grew at just under 7 percent per year. Given the relative importance of each of these sectors in GDP, however, this means that of the roughly 80 percent cumulative growth of GDP in the period, nearly 60 percent came from the service sector, less than 20 percent from agriculture and 14 percent from industry.

The primary sector

The cocoa sub-sector has shown the strongest growth in the agricultural sector, most notably in 1985 and 1986. It has been speculated that this was (partly) due to the return to the official market of production that had previously been smuggled. However, following the bush-fires of 1983, there was considerable replanting which began to yield fruit from about 1987 onwards.

Annual growth rates in agricultural sub-sectors other than cocoa are not clear. Figures from the Ghana Statistical Services indicate that they were low and less than the growth in population. Food production data derived from the national accounts, however, differ from those of the Ministry of Agriculture which show a more positive picture. Whilst the latter report a growth of cocoa output comparable to the national account figures (4 to 5 percent per year), the growth rates for starchy crops and cereal output (about 12 percent a year) are much higher and greatly exceed that of the agriculture sub-sector.

The secondary sector

The increase in manufacturing output was most marked in the 1983–88 period, exceeding 10 percent each year. By 1988, industrial capacity utilisation, which had been reduced to 25 percent in 1983, had more than doubled. In industries such as breweries, capacity utilisation rose to over 90 percent. These large initial gains were made as capacity utilisation increased and foreign exchange constraints were relaxed by the availability of funds from foreign donors. During the same period the mining sub-sector contributed about 20 percent of total GDP growth (5 percent average) each year; but this has since fallen to 10 percent or less. Other sub-sectors under industry, such as construction and electricity, have performed strongly under the recovery programme.

The tertiary sector

Within the service sector, the most consistent growth has been in the trade and catering (i.e. hotels and restaurants) sub-sector, equalling that of the whole agricultural sector (and sometimes exceeding it). Growth was also high in the transport sub-sector, especially during the 1980s, but with a more limited impact on overall output. The other two service sectors (finance and business services; government, personal and community services) have maintained reasonable to high growth rates, contributing over 10 percent of the total increase in GDP between 1983 and 1995.

The conclusion must be that the Ghanaian economy has been recovering since 1983 but that the level of the 1960s has not yet been attained. This is illustrated by Figure 5.1.

5.6.3 *A regional profile of development*

Ghana is conventionally divided into three ecological zones: coast, forest and savannah. Five of the country's ten regions are situated in two of these zones and one (Volta Region) stretches across all three. The three northern regions (Upper West, Upper East and Northern) are entirely savannah, the Ashanti Region entirely forest,while Greater Accra is situated wholly within the coastal belt.

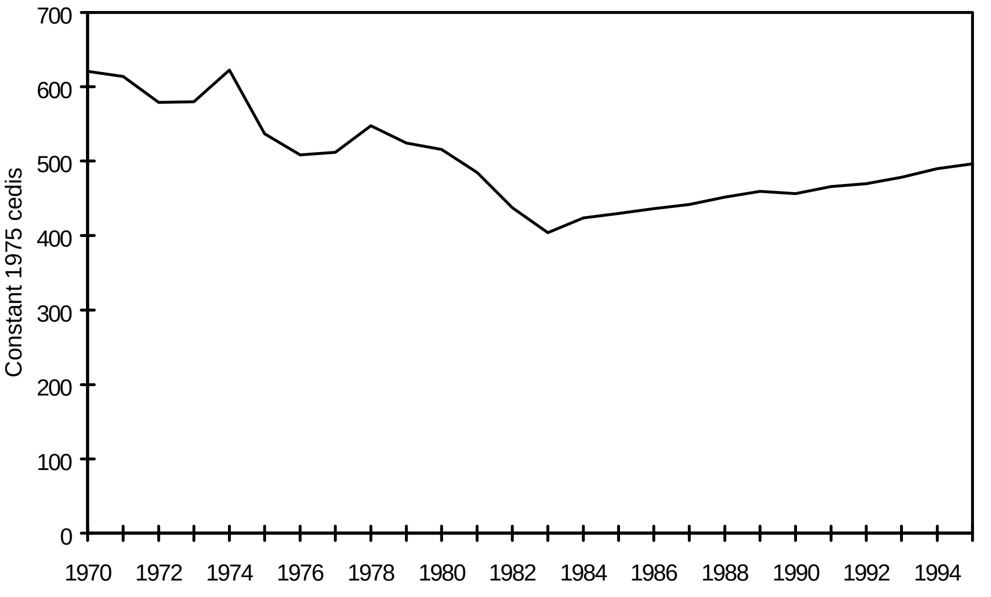


Figure 5.1 Ghana: Real GDP per capita (constant 1975 credits), 1970–95

The main agricultural areas are in the forest zone. Ashanti Region was for long the main producer of cocoa, though this position has now been taken over by Western Region. Ashanti and Western region together produce much of the rest of the country's agricultural output (taken together with Brong Ahafo, they produce the vast bulk of it), and are also the location of most of the country's mineral wealth, notably gold. Western Region is also the main diamond-producing area and is the source of all of Ghana's bauxite. Other regions are being prospected for minerals, but apart from the few areas now being mined by small-scale miners in Upper East Region, these efforts have yet to yield anything substantial. Data from the Third Ghana Living Standards Survey (1991/92) are used to compare Ghana's ten regions using the following four indicators: school enrolment for 6–25 year olds, mean per capita household expenditures, food expenditures as share of total household expenditures, and time spent to fetch water.

– Greater Accra is the top ranked region by all four indicators. Two-thirds of all children aged 6–25 are enrolled at school, 12 percent more than the average for the country as a whole and over double that of Upper East Region. Mean per capita expenditure is over one-third greater than the average, and well over double that in Upper West. Since expenditure data may be unreliable, food share is used as a poverty indicator, i.e. a higher share on food expenditures out of the total indicates a greater degree of poverty. In Greater Accra and Ashanti Region households on average spend one-half or less of their budget on food, compared with two-thirds in many other regions and over three-quarters in the two upper regions. The average time each family member spends on fetching water each day is also lowest in Greater Accra—just 15 minutes compared to over an hour in Upper East. These figures are an average for the whole family, but as most adult males do not fetch water, women and girls in Upper East spend two hours a day on doing so.

– The three northern regions (Northern, Upper West and Upper East) occupy the bottom three positions for enrolment and food share and two of the bottom three for mean expenditure, while Upper East takes bottom position for the time spent on fetching water. These three regions are therefore firmly placed at the bottom of the rankings. A comparison of the three shows that the two Upper Regions are relatively disadvantaged compared even to the Northern Region.

– The pattern for other regions is less clear, although Ashanti Region is ranked second on the expenditure-related indicators. The position of other regions is complicated by the great diversity within the regions themselves. Most extreme is the Volta Region, the southern parts of which are one hour's drive from Accra while its northern parts are among the most remote parts of the country. In Western Region educational enrolments range from over 80 percent in one southern district to less than a third in one of its northern districts.

This picture can be supplemented with data from the community survey undertaken at the same time as the Third Ghana Living Standard Survey (*Rural Communities in Ghana* 1993). These data confirm that the level of educational facilities and attainment is worse in northern regions, especially at the post-primary level. Female enrolments in rural areas of Upper East appear to be less than 10 percent according to recent evidence. Access to health appears to be more evenly distributed, but economic infrastructure is markedly more accessible to those in coastal and forest zones.

Adjustment has also caused some migratory flows. A striking factor is that there is not a drift to the towns in Ghana; instead, there is net migration from urban to rural areas. The largest part of migration (just over one-third) is rural–rural, with urban–rural accounting for nearly another third and urban–urban about one-quarter of total migration—leaving just under 10 percent of the migrant population as being rural–urban. The destination for over half of all migration is therefore to rural areas, suggesting that perceived opportunities in agriculture will be an important driving force behind migration patterns. This is not to imply that migration had been driven entirely by pull factors: the situation of redundancy and rising living costs in urban areas may also have given a considerable push to migration.

5.6.4 *Poverty and gender issues*

Poverty

In most developing countries, infant and child mortality has been on a downward trend for the last 30. Data since the mid-1970s suggest that Ghana is no exception: under-five mortality fell by one-third between 1974–78 and 1989–93. Data on infant mortality show some increase in the period 1984–88, however. This is consistent with the extreme deprivation suffered in 1982–83 and indicates that the benefits of growth were by no means immediately felt by all.

Surveys and studies in other African countries have demonstrated that, in the short run, the process of structural adjustment may have some negative effects on the poor. As gains are realised under adjustment, however, a 'trickle-down' effect may be felt. It has been very difficult to carry out a 'before and after' analysis of the poverty situation in Ghana due to the lack of any comprehensive data for the period preceding the adjustment programme. Moreover, while the adjustment process started in the early 1980s, insight into the poverty situation was only gradually obtained in the late 1980s and early 1990s.

Three surveys provide data on the degree, spread and evolution of poverty (*Ghana Living Standard Surveys* 1987/88, 1988/89, and 1991/92), although it should immediately be added that, for methodological reasons, comparison between them is not without difficulties. For the country as a whole, the percentage of the population classified as poor dropped from about 56 percent in 1987/88 to 51 percent in 1991/92 after hitting a high of 61 percent in 1988/89.

The adjustment programme has affected the various zones in different ways. Poverty levels in Accra have worsened substantially over the adjustment period, perhaps due to the fact that most adjustment policies had a direct impact on the urban public sector. The retrenchment policies, as well as the pegging of increases in the wage bill to only 5 percent of GDP, reduced the income of the urban public sector worker. Other urban areas as well as rural–coastal and rural–forest localities also suffered declines in poverty levels. Rural–savanna continues to be the poorest zone in the country, with more than half its population classified as poor and more than one-third as very poor in 1992. In spite of its poverty levels, Accra remains the locality with the least poor, although it is gradually declining to the national average.

Structural adjustment has produced more dramatic changes in the poverty profile of the various socioeconomic groups. The first five years of the programme saw poverty levels rising for all socioeconomic groups, but by 1991 they had dropped overall. A comparison of poverty levels in 1987 and 1991 shows that public sector workers were the group with the least reduction in poverty. Retrenchment exercises worsened people's standard of living, while the persistently high inflation rate and marginal increases in salary scales reduced real incomes for fixed wage earners. Public sector poverty, however, still compares relatively well with the national average.

Adjustment measures such as devaluation are generally supposed to stimulate the export sector. The data show, however, that poverty has fallen as much amongst food farmers as export producers. Cocoa farmers in particular have been among SAP's beneficiaries. The improvement in the position of food farmers needs further consideration. Those who have benefited are those producing for the market, particularly in the forest zone, and may have included people who have moved into agriculture, such as retrenched public sector workers.

Workers in the private sector seem to have improved their living standards over the adjustment period. This may be a direct result of the removal of trade and foreign exchange restrictions under the adjustment programme. Establishments that were grossly under-utilised before SAP because of lack of foreign exchange now have easy access to it for the purchase of spare parts and raw materials. Furthermore, those in commerce have had their trade boosted by the trade liberalisation.

PAMSCAD

In addition to leading the way amongst adjusting countries in Africa, Ghana was one of the first to adopt a programme designed explicitly to protect the poor against adverse consequences of the adjustment process. This was the Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD). The issue was first raised at the 1985 Consultative Group meeting. In that same year UNICEF discussed with the Ghanaian government the preliminary results of research that was to lead to the influential publication *Adjustment with a Human Face* (1987). In 1986 a special social sector donors' meeting was organised by the World Bank, and PAMSCAD was formally presented by the Government of Ghana to the Consultative Group Meeting in Paris in May 1987. The final agreed programme was formulated by a multi-agency team led by the World Bank. Eventually, PAMSCAD became a model for World Bank-sponsored Social Funds. It was not part of the initial adjustment programme, nor was it designed as part of the overall policy framework. Rather it was an afterthought added when the international community became concerned about the *Social Dimension of Adjustment* issue.

A total of US$ 85 million was to be spent during 1988–89, including the countervalue funds from the Dutch contribution to SAC II. PAMSCAD financing represented about 6–8 percent of the estimated annual cost of donor support for SAP.

PAMSCAD was to cover 23 projects in five main areas: (a) community initiative, (b) employment generation, (c) actions to help the redeployed, (d) basic needs of vulnerable groups, and (e) education. As at March 1990, only eight projects were reported to have progressed satisfactorily.

PAMSCAD faced several problems, including lack of logistical support, lack of staff, strict and cumbersome accounting procedures leading to slow disbursement of available funds. Hence, when it was wound up in 1990 (those projects still running became the responsibility of their implementing agencies) a multidonor evaluation found that PAMSCAD had not shown significant benefits in terms of mitigating the social costs of adjustment (World Bank 1995a:99). An assessment based on community-level fieldwork concluded that the effect of PAMSCAD on communities in which the surveys were carried out has been very limited (Brydon *et al*. 1996:110). In fact, most of the funds have gone to the non-poor and over 90 percent of the poor did not benefit at all. This poor performance has been attributed to the 'supply oriented' nature of the programme (Stewart 1995). In other words, it arose out of the wishes of donors with little real ownership by the government.

Gender issues

Women's restricted access to assets limits their potential as winners in the adjustment process. Women have restricted access to credit. The spread of cocoa production (a predominantly male activity) pushes women onto increasingly marginal land for food production, a problem exacerbated by their neglect shown by agricultural extension services. They are further disadvantaged by their unequal access to education. As a result, literacy among women is less than among men and the disparity widens as we move down the income distribution scale. This partly explains women's unequal access to formal sector employment and the fact that where they have attained it, they are concentrated in the lower pay scales. The distribution of health service subsidies and the use made of various facilities, also evinces a gender-bias against women in health service spending amongst the lowest income groups.

An important exception to these general remarks is that women play a key role in trading activities in Ghana, while the household structure allows them to retain control over these resources. Best known are the market women, but women traders operate at all levels of society, including many who are by no means well off. The growth of trading since 1983 will have benefited these women and may help explain the fall in poverty amongst female-headed households observed in the 1991/92 Ghana Living Standard Survey results. This is important in that about one-fifth of all households are female-headed.

It is often claimed that adjustment will impose extra demands on women's time, as services previously provided by the state are no longer available. Whilst the 1991/92 Ghana Living Standard Survey data show the extremely unequal burden of household work, they do not allow any observation as to whether adjustment policies have exacerbated the situation. Hence, the main conclusion regarding gender-specific effects of adjustment policies in Ghana must be that these are not known, although there is reason to believe that some groups of women have benefited (traders) whilst others (food producers for domestic consumption) have suffered.

5.6.5 *Three specific questions*

Question One: Have foreign aid funds been an influential or decisive instrument in obtaining the Government of Ghana's consent and collaboration with the adoption and implementation of policy measures?

Ghana's adjustment is remarkable both as one of the earliest examples in Africa of decisive reform (and that by a government espousing a leftist ideology) and because the reforms have been sustained over a far longer period than in any other country. Some commentators have argued that the Provisional National Defence Council was pressurised into accepting reform because the Bretton Woods Institutions were the only possible source of the foreign exchange that the country so desperately needed. While this has some degree of truth, several factors lend support to the alternative view that PNDC adopted ERP out of its own conviction that such policies were the right ones. The main reasons for accepting the latter view are the following.

1. The Economic Management Team of PNDC (National Economic Review Committee, NERC), conducted its own analysis during 1982 which led it to conclude that devaluation of the Cedi was necessary. Some members of the team were to become long-serving members of government, while opponents of market-oriented policies were removed from the team.
2. Control policies clearly exacerbated the economic situation during 1982—by which stage the situation in the country was so bad that people were visibly undernourished, and the left-wing of PNDC had no alternative economic policies.
3. Last but not least: rent seekers were among the few who continued to prosper, and there is evidence that the PNDC leader, Jerry Rawlings, may have been impressed

by arguments that the removal of price controls and devaluation was the best way to undercut income from rents, so to achieve the anti-corruption policy of PNDC.

These reasons do not change the fact that the availability of resources from the Bretton Woods Institutions was yet another contributory factor in initiating reform. It is instructive to note, however, that Ghana has sustained the reform programme although, as the experience of many other SSA-countries shows, such dedicated efforts are not actually necessary to enjoy continued donor support. Donors have elsewhere tolerated high degrees of slippage, i.e. non-compliance with conditionalities or reform objectives.

Other factors behind the sustained reform effort include: (i) PNDC's strong ideological stance against rent seekers and government officials, who often form the main constituency against reform; (ii) Ghana has enjoyed a turnaround in fortunes since undertaking adjustment, thus justifying a continuation of reform policies, and (iii) foreign aid has played a crucial role.

Question Two: What have been the effects of aid funds on macroeconomic performance?

Aid has affected macroeconomic performance in various ways, the main ones being the following.

1. Programme aid funds provided by the international donor community provided the resources necessary to relax foreign exchange constraints which had driven capacity utilisation in manufacturing down to less than 25 percent by 1983. The result was rapid growth in that sector's output in the early years of reform.
2. Government used aid largely to increase public expenditures which, combined with improved tax efforts, allowed a climb in social expenditures and, importantly, high government investment (see below).
3. Imports increased by more than what would have been permitted by aid alone due to rises in other sources of foreign exchange (e.g. exports, remittances and other capital inflows). Aid can claim some credit for the increases in these other sources of foreign exchange. Specifically, policy changes supported by aid have stimulated higher exports and remittances.
4. In addition, aid-financed investment has facilitated export response.
5. The large increase in aid from 1986 onwards coincided with a fall in the price of Ghana's two major exports (cocoa and, from 1988, gold) and so softened a potential external shock which might have knocked reform off course.
6. Continued high aid, combined with favourable export performance and the growth of remittance income, has prevented debt servicing from seriously eroding imports. The growing aid-related debt is a source of concern, however, as is Government's recently increased resort to commercial sources of external finance.

7. In a liberalised foreign exchange market, aid inflows will cause exchange rate appreciation (the phenomenon known as *Dutch disease*). Hence, an economy liberalising from a highly overvalued exchange rate will require a smaller degree of depreciation to achieve a market-clearing exchange rate. This is a very important effect since it may reinforce the political base for sometimes unpopular policy reforms. The phenomenon may also turn against its beneficiaries, however, in that domestic terms of trade may negatively affect the tradeables sector, limiting its expansion and escalating inflation.

Question Three: What have been the effects of policy measures on Ghana's macroeconomic performance?

The reform programme has been accompanied by a marked turnaround in economic performance, with growth of real GDP reported at about 5 percent a year since 1983. Success has also been achieved in bringing inflation down from its pre-adjustment levels of over 100 percent, although this has faltered under the new fiscal laxity (associated with the multi-party elections in 1992). There are good reasons to attribute a large part of Ghana's recovery to the reform programme, although good fortune with the weather has also played a part. In support of this position it can be observed that:

1. Macroeconomic performance since implementation of the reform programme has greatly exceeded the previous level, even though external factors, such as the trend in terms of trade, have been less advantageous since 1983.
2. Ghana has not been particularly favoured by external circumstances compared to many African countries (although aid has risen, it is still a smaller percentage of GNP than the average for Sub-Saharan Africa). This gives support to the notion that it is the combination of reform and the judicious use of aid funds (notably for government investment) which has contributed to the good growth record.
3. Studies of the effect of pricing policy on the cocoa sector in Ghana, and of a range of reforms on macroeconomic variables for both Ghana and Sub-Saharan Africa more generally, all point to the conclusion that policy measures undertaken since 1983 have improved economic performance.[7]

5.6.6 *Final remarks on the macroeconomic evaluation*

Three important points limit this generally favourable impression. First, 1983 is a very particular base year as the economy had hit rock bottom. If an earlier base is taken there is still evidence of recovery, though of somewhat reduced magnitude. Second, as measured by a range of indicators, recovery has only brought welfare back to a level comparable

[7] See e.g. Frimpong-Ansag (1991), Jebuni *et al*. (1991), Durdunoo (1992), Roe *et al*. (1992), and Kusi (1992).

with that achieved in the mid-1970s. Third, the benefits of growth have been unevenly spread—both regionally and with respect to the various socioeconomic groups.

Another important observation concerns government expenditures and investments. The former rose rapidly in the early years of reform and again during the 1990s. This was financed by higher taxes and increased aid flows, but in larger part by the former. Analysis of spending patterns has shown that, in the period under review, government investment increased and also the shares of spending on social sectors and the economic infrastructure.

It should be noted, however, that while government investment has been high, the extent to which it has facilitated supply response has remained limited because substantial parts of the country remain under-served. This situation has been exacerbated by an urban-bias in the provision of roads and other forms of infrastructure, although roads and bridges should be the main priority to stimulate GDP growth.

5.7 Conclusions

The favourable assessment of policy reforms undertaken by Ghana since 1983, and of the part played by international aid, leads to the following, generally positive, assessment of programme aid cofinancing.

Policy relevance and compatibility

In view of the political instability and economic decline on the one hand, and widespread corruption, rent-seeking and other economic malpractices on the other (cf. Chapter 4), programme aid was very relevant and even crucial to policies undertaken by the Government of Ghana in 1983 and later. Donors became increasingly concerned about the economic and political state of affairs in Ghana, notably during the 1970s. The Government of the Netherlands formed no exception in this respect. It can be concluded, therefore, that the policy relevance and compatibility of aid was high.

Effectiveness

It has been shown that policy reforms and aid inflows contributed to the positive performance of the Ghanaian economy, although certain sectoral responses to policy changes are slow, notably in the agricultural sector (cf. 5.5 above). The overall conclusion regarding aid's effectiveness is positive (RIC I and II, SAC II). The effectiveness of the Agricultural Sector Adjustment Credit is rated as moderate due to lack of adequate response by the private sector.

Efficiency: general

It is impossible to assess the efficiency of programme aid. In fact, the question of whether the same results could have been achieved at less cost, i.e. aid funds, cannot be answered. The counterfactual simply does not exist. Given the Government's proven commitment it may be argued that it would have implemented the economic policy reforms in any case, but it would not have been able to finance the economic revival purely from its own sources.

Important delays in implementation occurred, however. RIC I should have been disbursed in one year but took four years. RIC II was disbursed in four years instead of three. SAC II was closed one year later than originally planned, as was AgSAC. It is uncertain whether these delays can be attributed to poor design of the Credits, including incorrect assessment of the necessary implementation periods, or, in general, to insufficient familiarity with Ghana's administrative, institutional and political problems. A number of actual implementation problems have been identified and mentioned (cf. 5.3). Also, it cannot be ruled out that implementation periods were shortened for strategic reasons. This was certainly not the case with RIC I and II in that quick disbursement was accorded highest priority in their design.

Efficiency: Dutch cofinancing

If the speed of disbursement is a yardstick of efficiency, it must be noted that the Dutch cofundings of RIC I, RIC II, SAC II and AgSAC show mixed performances. The two commitments for RIC I made and disbursed in 1984 were only fully utilised by 1987/88 (as reported by the World Bank). In both cases the Bank administered the Dutch funds and was therefore accountable for their spending. In the case of RIC II, the first Dutch contribution was disbursed in the year of commitment, 1985, following the change of the initial parallel cofinancing arrangement into joint cofinancing. This also applies more or less to the 1986 disbursement of the amount committed that year (cf. 5.3). Information on the speed of disbursement by the World Bank of these Dutch contributions is unfortunately not available.

The cofinancing of SAC II was on a parallel basis, which explains the disbursement in tranches over a 2–3 year period (1987–90) of commitments dating from 1987 resp. 1988 (cf. 5.4). Finally, the two contributions to AgSAC were transferred to the World Bank in their years of commitment, 1992 and 1994 (joint cofinancing). Here also, it is not known when the Dutch funds were disbursed by the World Bank, although in principle grant contributions are given priority over credit monies in disbursing the financial support of the World Bank and its cofinanciers to (co)financed activities.

The overall conclusion is that joint cofinancing meant quick disbursement for the Dutch Treasury, whereas parallel cofinancing showed a slower rate. The decision to cofinance jointly in 1992 and 1994 (AgSAC) stemmed from official policy to favour joint cofinancing with the Bank. The decision to do so in 1985 and 1986 did not accord with the Dutch preference for parallel cofinancing in the 1980s, but was motivated by the wish for undisbursed amounts of the overall development budget in those years to be paid out quickly. Changes in budget procedures and management introduced in late 1984 (cf. Annex 4) also formed the background to this decision.

Efficiency: the creation and use of countervalue funds

Practices with regard to countervalue funds have evolved along with the development of programme aid granted to Ghana. Collection rates were low under the allocative system (RIC I and part of RIC II), but rose under the auction system from 1986 onwards. Under that system, foreign exchange was sold on an open market This increased transparency and should have ensured full payment of the countervalue. The creation of countervalue funds was no longer an issue when the interbank market was established and foreign exchange provided by donors was again paid to the Central Bank. The latter had full discretion to sell the funds (thus creating countervalue funds), to add them to its reserves, to use them for Government's own imports or to pay the country's external debt.

Most donors did not earmark countervalue funds (the EU being the only formal exception and USAID a practical one). Countervalue funds from Dutch contributions to SAC II were earmarked for PAMSCAD with no strings attached, which was found commendable by PAMSCAD Secretariat.

Sustainability of results

The sustainability of results can be viewed from two angles. One angle is the commitment of the Government of Ghana to policy reforms and whether or not a reversal of the actual policy directions is likely; the other focuses on whether the structural adjustment programme has reached the stage of putting Ghana on the path to sustainable development.

(1) ERP was a 'home grown' adjustment programme despite the fact that the support of external donors has been crucial. This is one reason why the economic reforms have been sustained over a 15-year period. Political factors also account for that success. The most vocal lobby against economic reform is usually the rent-seeking class in the public and private sectors. But PNDC's major platform was anti-corruption, and it was supported in

this by the majority of the population 'outside the system'. This anti-corruption stance enhanced the political feasibility of the reform programme. As long as PNDC's image is not tarnished by corrupt elements at its top, this will remain the case.

It will be very difficult for any future leadership to restore the anti-economic mechanisms that have now been removed, although slippage of the reform programme may recur. It will depend on the scale and degree of such slippages whether a reversal of actual policy directions will result. Especially worrying in this respect is the fiscal indiscipline which first made its appearance in 1990, resulting in the re-emergence of fiscal deficits in 1994 and out-of-control inflation in 1995. This was partly politically motivated, e.g. the wage increases granted to civil servants prior to the 1992 presidential elections.

(2) It is questionable whether the structural adjustment programme in Ghana has reached the stage of putting the country on the path to sustainable development. The Government of Ghana seems to have been more pre-occupied with macroeconomic management than with measures to stimulate growth in the productive structure (cf. Chapter 4). Two major constraints remain on future development: the failure of private sector investment response, and the related continuation of infrastructural constraints on much potential agricultural production.

Since 1990 the economy has struggled to keep up with the 5 percent growth average of the 1984–89 period. Supply responses to adjustment policies have been particularly weak in the primary sector. Agriculture appears to have been left to the vagaries of the weather and starved of measures to induce the necessary supply response, and has generally performed poorly. Industry, having responded to the initial impetus generated by the improved availability of imported inputs, is now hampered by the tight credit squeeze which has withheld finance for working and replacement capital, and by a trade liberalisation which has subjected the sector to increased competition from abroad. The service sector has consistently outstripped the other main sectors but cannot in itself provide sufficient impetus to the whole economy.

Structural adjustment policies were implemented without the government first making sure that the private sector would respond. Although industrial capacity utilisation increased in the initial years of the programme, it was only with respect to existing old and obsolete equipment. The manufacturing sector cannot expand in a sustained way unless genuine capital formation occurs. National savings, at about 15 percent of GDP in 1995, are still too low to generate sufficient local investment. While private savings have improved over the years, government savings have dwindled, reflecting the poor fiscal position. At about 16 percent of GDP in 1995, investments have greatly increased from their low level of less than 3 percent at the beginning of the adjustment period, but much of this recovery has been concentrated in the extractive sector, particularly gold mining. Gold has performed well under structural adjustment, overtaking cocoa as the largest single export earner, due to massive foreign investments.

These facts, combined with the growing debt stock, lead to a very real danger that Ghana's growth will become increasingly dependent on external aid resources.

6 Uganda

6.1 Introductory remarks related to the methodological approach

The Government of the Netherlands has cofinanced five adjustment credits with programme aid totalling Dfl. 130 million (approx. US$ 65 million), forming part of an estimated Dfl. 4 billion (US$ 2 billion) donor support for the economic reforms undertaken by the Government of Uganda. Table 6.1 provides an overview of this cofinancing by the Netherlands.

The Netherlands has also cofinanced three projects, two of which were related to the economic reform programme (cf. Chapter 4, Table 4.11). Evaluation of those projects, answering questions related to policy relevance and compatibility, effectiveness, efficiency and sustainability in general, does not present methodological problems. This is not the case in evaluating programme aid. Given the overlapping effects of numerous operations of many multilateral and bilateral donors (programme aid), and the simultaneous changes of other variables (policy measures, climate), methodological problems arise in determining how much of the observed improvement in economic performance can be ascribed to a particular funding or to other variables. The methodology used in evaluating Dutch programme aid to Uganda has therefore followed the same three lines of approach used in the Ghana case study (cf. Chapter 5, section 1).

6.2 Reconstruction Credits (1981–87)

Project background

Against a background of pervasive distortions in the economy and following the overthrow of the military regime (1971–79), a Commonwealth Team of Experts was invited by the Government of Uganda to review the economy and to advise on appropriate reconstruction measures. The team recommended a phased programme of rehabilitation based on improved import supply and administrative and policy reforms. The lack of foreign

Table 6.1 Overview of Dutch–World Bank cofinancing in Uganda 1981–96: Programme aid[1] (disbursements at 31 December 1996, in Dfl. millions)

Sector	Credit or loan number	Project title	Years of commit-ment	FORM		TYPE	
				Joint	Parallel	CLRC	FSTF
Multisector (economic reforms)	C 983	First Reconstruction Credit	1979–81	45.6		45.6	
	C1252	Second Reconstruction Credit	1983	15.0		15.0	
	C1474	Third Reconstruction Credit	1984	20.0		20.0	
	C2087-0 C2087-1 C2087-2	Second Economic Recovery Credit	1991	35.0		35.0	
	C2314	First Structural Adjustment Credit	1992	10.0		10.0	
		Comm. Debt Buy-Back	1992	4.9			4.9
Total				130.5		125.6	4.9

[1]The first Dutch commitment dates from 1979, the agreement to cofinance with the World Bank was concluded in 1980, the first disbursement took place in 1981.

exchange, needed to improve the supply of basic consumer goods, inputs and vehicles and to support rehabilitation, was identified as the most critical bottleneck in the short run (Seers *et al*., 1979).

In the first phase lasting six months, the key areas identified for urgent government action were to improve export performance by increasing producer prices, to improve the availability of foreign exchange by strengthening foreign exchange budgeting and import licensing procedures, and to reduce leakages into the *Magendo* (black market) economy by relaxing price controls, devaluating the currency, or by a combination of foreign exchange auctioning and higher taxes. It was estimated that imports totalling about US$ 670 million would be required for the first phase.

The second 18-month phase of reconstruction was to consist of medium-term investments to rehabilitate key productive sectors and social infrastructure to levels that had prevailed in 1970. This phase was estimated to cost US$ 1.5 billion, of which US$ 1.2 billion would be foreign exchange.

During the programme of rehabilitation and reconstruction of the economy covering Fiscal Years 1980/81–1983/84,[1] the Government of Uganda drew up four major programmes: *Reconstruction, Financial, Recovery and Revised Recovery Programmes*.

Objectives

The First Reconstruction Credit, which was supposed to support the *Reconstruction Programme* of the Government of Uganda, had three objectives:

1. to provide a quick-disbursing source of assistance to help meet Uganda's urgent short-term foreign exchange needs;
2. to support the revival of the productive sector of the economy, by re-establishing the flow of essential imports of inputs, and thus lead to increases in the output of agricultural export crops and basic consumer goods for domestic consumption; and
3. to support the Government's reconstruction programme by strengthening its capacity to carry out further policy reforms.

The Second Reconstruction Credit was to support the Government's *Financial and Recovery Programme*. Specifically, the objectives of this credit were:

1. to increase agricultural exports and domestic production in high priority areas;
2. to strengthen the Government's capacity to formulate and implement policies and programmes in areas critical for the country's economic recovery: (i) the planning and budgeting of foreign exchange; (ii) the pricing and marketing of export crops; (iii) the parastatal organisations; and (iv) the managing of the external debt.

The Third Reconstruction Credit was initiated in support of the *Revised Recovery Programme* and its major objectives were:

1. to provide financing for the import of essential raw materials, intermediate goods, spare parts, minor capital equipment and drugs for high priority sectors in line with the revised recovery programme;
2. to continue support for policy and institutional reforms initiated under the Second Reconstruction Credit; and
3. to generate counterpart resources for the Government Budget (PPAR 1990:3, 11, 15).

Design

The three Reconstruction Credits had limited policy goals, reflecting the emergency nature of the situation. The programme supported focused primarily on institutional development and on the preparation of policy measures, rather than on their implementation, in view

[1] Government Fiscal Year: July 1–June 30.

of the limited capacity for policy formulation and implementation prevailing at that time. The World Bank relied on the IMF to support the objective of macroeconomic stabilisation.The three World Bank Credits were aimed primarily at providing foreign exchange with which to finance the importation into the country of essential capital and intermediate goods and raw materials (*ibid*.:3, 15).

Implementation: First Reconstruction Credit

The Credit was declared effective on 1 May 1980. Almost immediately, however, the civil government was overthrown by a military coup and on 23 May 1980 the IDA suspended disbursements. This poor start heralded a long and difficult implementation period for the credit. It had been planned to disburse all funds during FY 81/82. In reality, disbursements were slower because of the unforeseen political changes, and also because original expectations had been unrealistic and the procurement procedures chosen for the credit were not conducive to rapid disbursement. Nevertheless, the credit succeeded in providing resources faster than was achieved through resumed project lending, and was fully disbursed by June 1983 after two extensions.

Most goods financed under the financing package were procured under local competitive bidding procedures and over 60 percent of goods procured under the First Reconstruction Credit (including cofinancing) were supplied by only three countries (U.K., Germany and Kenya). The credit financed a variety of recurrent imports including spare parts, packing materials, agricultural tools, educational materials, telecommunications equipment. The proceeds of the financing package were allocated to 61 beneficiaries in the private and public sectors, principally the food-processing, beverages, clothing, wood and paper, construction and metal industries. In general, about 50 percent of funds were used to import spare parts and capital goods and about 50 percent to finance raw materials and other inputs (PPAR 1985:7–9).

Implementation: Second Reconstruction Credit

The Second Reconstruction Credit became effective on 28 July 1982. Its closing date after the 18-month extension was 30 June 1985, almost two years later than originally expected. The credit, which supported Uganda's Financial and Recovery Programmes, was in two tranches. It was intended to be fast disbursing, but the agreed allocation procedures resulted in a series of delays. The second tranche, expected to be released in September 1982, was formally released only in November 1983, partly because of delays in disbursing the first tranche and in part to seek improvements in the two Programmes which were release conditions.

At the time the Second Reconstruction Credit was being negotiated, foreign exchange was allocated by the Bank of Uganda, on the basis of priorities set by an inter-ministerial External Resources Mobilisation Committee, which had identified priority end-users. The procurement and disbursement arrangements under the Credit were fitted into this framework. End-users were required to use international competitive bidding for procurement of US$1 million or more, and to utilise the competitive bidding procedures of the Central Tender Board for procurement of less than US$ 1 million. The funds made available were used to finance imports of spare parts, capital goods and raw materials, primarily for the agricultural and industrial sectors (PPAR 1990:12–14, 81–82).

Implementation: Third Reconstruction Credit

The Third Reconstruction Credit, which became effective in November 1984, was designed to support reunification of the exchange rate on the basis of the auction, complementary pricing adjustments, institutional development of the core economic management agencies, and resolution of the ownership of expropriated (ex-Asian) properties. The credit was not tranched. Disbursements were expected to be completed by December 1985, but actually were completed only in September 1987.

Imports financed by the credit were purchased through the foreign exchange auction system. At least 80 percent of funds were reserved for firms not needing Government support, with no more than 20 percent reserved for government ministries or parastatals. Capital equipment and agricultural inputs were excluded from Reconstruction III since they were being financed under other credits. To ensure a spread of imports among important industrial, transportation and social sector activities, ceilings were established for ten import categories, some of which were broadly defined (spare parts; raw and semi-processed materials for manufacture), and others of which were more narrowly defined (pharmaceutical; tires and tubes).

Soon after the credit was approved (June 1984), the domestic credit ceiling under the (IMF-financed) Standby arrangement was exceeded and as a consequence the Standby became inoperative. The 1984/85 budget provided for a quadrupling of Government wages, but without any reduction in Government employment.[2] During this period there was poor budgetary performance due to overspending, much of it military-related,[3] on the recurrent budget, and underspending on the development budget, resulting in low absorption of aid commitments. The amount and composition of budget deficit financing

[2] The Bank and IMF recognised the need for a substantial increase in Government wages, but believed that this should be implemented as part of a package including reduction in Government employment.
[3] Combat between the Government forces and the National Resistance Army intensified. In July 1985 Obote was ousted but the civil war continued.

led to rapid increases in the money supply. Inflation accelerated, reaching 126 percent in 1985, and the exchange rate depreciated sharply.

In a small number of cases, the Government entered into joint ventures with private firms for the ownership and operation of expropriated properties, but ownership of the great majority remained unresolved. During 1985 the civil strife diminished the availability of export receipts, and Government responded with increased interference in the management of the auction. In February 1986, the new administration suspended the auction and set up a Foreign Exchange Allocation Committee to allocate foreign exchange (PPAR 1990:81–83).

Financing

Overall financing of the three Reconstruction Credits amounted to US$ 225 million of which the Government of the Netherlands cofinanced US$ 32.5 million or 14.4 percent.

The First Reconstruction Credit (1980–82) amounted to US$ 95 million. The IDA lent US$ 55 million, cofinanciers (CIDA/Canada, the European Union/EEC, OPEC and the Netherlands) provided US$ 40 million, of which the Government of the Netherlands US$ 17.5 million. The Second Reconstruction Credit (1982–85) was financed by IDA (US$ 65 million) and cofinanced by the Government of the Netherlands only (US$ 5 million), totalling US$ 70 million. The Third Reconstruction Credit (1984–87) amounted to approx. US$ 60 million (IDA: US$ 50.3 million and the Government of the Netherlands: approx. US$ 10 million).

Furthermore, Uganda was allowed two Standby arrangements of SDR 112.5 million in FY81 and FY 82 respectively by the IMF (equivalent to approx. US$ 130 million), while the World Bank granted several more credits (including a Technical Assistance project supporting the Reconstruction Credits) totalling more than US$ 100 million. This brings the total external financing to approx. US$ 500 million (excluding direct contributions of other bilateral and multilateral donors).

Cofinancing by the Government of the Netherlands

(a) First Reconstruction Credit (1980–82)

Following Dutch participation (observer status) in a November 1979 Consultative Group meeting on Uganda, the Government of the Netherlands in December 1979 offered a grant of Dfl. 35 million to Uganda in support of the Reconstruction Programme. An agreement with the World Bank to cofinance the First Reconstruction Credit was reached through an exchange of letters in September 1980. No specific reasons were given for this decision.

The first tranche of the Dutch contribution in the amount of Dfl. 17.7 million was made in March 1981. Due to (i) slow disbursements in Uganda caused by political events and (ii) exchange rate fluctuations—the legal obligation of the Netherlands vis-à-vis the World Bank and Uganda being US$ 17.5 million—an additional Dfl. 10 million was committed in July 1981. The second and final tranche amounting to Dfl. 27.9 million was paid in August 1981, bringing the total Dutch contribution to Dfl. 45.6 million.

It took at least a year before the Dutch funds were disbursed by the Bank. The Government of the Netherlands criticised this in correspondence to the Bank. Another issue of contention concerned the deficient flow of information, notably of supervision reports, from the World Bank to the Dutch Ministry of Foreign Affairs. While it cannot be stated with certainty that this lack of information was responsible for the limited Dutch involvement, it is a fact that in practice this hardly exceeded the transfer of funds to Washington/the World Bank. Likewise, neither file research nor the Project Completion Report (1984) and Project Performance Audit Report (1985) show any Dutch involvement in evaluation of the First Reconstruction Credit.

(b) Second Reconstruction Credit (1982–85)

The Government of the Netherlands was invited by the World Bank as early as January 1982 to participate in cofinancing the Second Reconstruction Credit. This resulted in a Dutch commitment of Dfl. 15 million in November 1983. No explanation has been found in the files for the delay of almost two years. The decision to cofinance with the Bank was, without any details, motivated by the experience with Reconstruction Credit I. After the commitment had been made, the amount of Dfl. 15 million was immediately transferred to the World Bank *in view of the wish to spend the money before the end of 1983* (internal memo, MFA), even before a Grant Agreement with the Government of Uganda and a Cofinancing Arrangement between the Government of the Netherlands and the World Bank were formalised.

In a memorandum dated 18 May 1984 a Dutch Task manager complained that the delay in reaching agreement on the text of the Cofinancing Arrangement with the World Bank prevented the Dutch funds (transferred to Washington in December 1983) from being used effectively. In November 1984 the World Bank informed the Government of the Netherlands that all legal procedures were completed and that the Dutch cofinancing grant *will be fully disbursed as part of the next replenishment for the revolving fund which we expect to take place before December 30, 1984*. The Netherlands expressed dissatisfaction with the delay caused by the slow legalisation of documents by the Bank (internal memo, MFA, November 1984).

Though files on the Dutch cofinancing of the Second Reconstruction Credit are apparently incomplete (e.g. signed copies of the two legal documents, the Grant Agreement and the Cofinancing Arrangement, are missing), there is evidence that reporting by the Bank on the implementation of the Credit was infrequent, to say the least. The Government of the Netherlands does not seem to have been involved in the evaluation of the Second Reconstruction Credit (cf. the 1989 Project Completion Report and the 1990 Project Performance Audit Report).

(c) Third Reconstruction Credit (1984–87)

Files on the early involvement of the Netherlands in Reconstruction III are scarce. Early in 1984 the Minister for Development Cooperation approved a balance-of-payments support of Dfl. 20 million although the prevailing political circumstances in Uganda gave rise to serious concern.[4] The Dutch contribution to Reconstruction III was initially offered as a partially untied grant but later changed into a joint cofinancing arrangement (1984). Reasons stated by the Ministry of Foreign Affairs for this decision were: (i) the avoidance of difficult and slow administrative procedures, (ii) the importance of quick disbursing funds, and (iii) the expectation that the final result for Dutch industry would be the same as under partially untied aid.

The PPAR reports that effective spending of the Dutch grant of Dfl. 20 million was not without obstacles. Availability of the grant, which according to the report had been agreed in principle at the end of 1984, was held up initially due to administrative difficulties, and then because of hostilities in Uganda during the second half of 1985. In fact, the closing date of the Credit was extended by 12 months until September 1987 to make the spending of the Dutch grant possible. An Agreement covering the grant was signed between the Bank and Uganda in September 1986 and the first tranche of Dfl. 10 million, on deposit in a trust account in a Dutch bank since early January 1985, was disbursed in December 1986. The second tranche of Dfl. 10 million was made in June 1987. It is interesting to note that, at the request of the Governments of the Netherlands and of Uganda, special arrangements were made to delink the grant from the conditionality of the Credit and

[4] The Dutch Government was not the only one worried by the internal situation in Uganda. The World Bank was also concerned: “As the President’s Report noted, the principal risk to the Third Reconstruction Credit was that the security situation would deteriorate. This was exactly what happened.” (Monitoring Report WB, 29 September 1986, p.1).

thereby enable it to be disbursed.[5] Both tranches were used to finance industrial raw materials and spare parts (PPAR 1990:17).

No Dutch comments on the PCR or the PPAR of Reconstruction III have been identified.

Evaluation

It is difficult to assess the achievements of Reconstruction Credits for a number of reasons. First, the credit amounts initiated by the World Bank to support Uganda's reconstruction programme were only one component of the total donor assistance given for this purpose. Second, it must be recognised that circumstances at the time the credit was approved were unusual. With the economy in ruins and the Government of Uganda trying to rebuild its own capacity, the country was clearly unlikely to make optimum use of such assistance. Third, the economic uncertainty generated by the changes in political leadership during this period makes it difficult to separate the effect of the reconstruction programme from the impact of political instability on the economy. Nevertheless, the following observations can be made (PPAR 1990:x).

According to the PPAR, the First Reconstruction Credit failed to achieve its primary objective of providing quick-disbursement of foreign exchange in support of the first six-month period of reconstruction; nothing was disbursed during the period, and the credit was not fully disbursed until June 1983. The report concludes that the credit was not well-targeted and, by focusing on the provision of foreign exchange without being able to affect other equally important constraints, was over-optimistic. The World Bank should have been realistic about what could be achieved in such circumstances and about what it could reasonably contribute (PPAR 1985:iii–iv).

Although an overall assessment of the package indicates a less than satisfactory performance, the macroeconomic indicators for 1981–83 were favourable compared to those of the late 1970s. That the programme attained short-term success in some aspects cannot be denied.

[5] The waiver was related to the foreign exchange system. The PPAR reports that in February 1986 the Government of President Museveni requested the Bank and the Netherlands to take the necessary steps to make the Dutch funds available in order to assist in meeting national post-war emergency needs. However, a key condition of the disbursement of the Credit and the grant was the operation of a satisfactory foreign exchange regime. The new government in Uganda had suspended the auction system, and established a Foreign Exchange Allocation Committee in February 1986. The exchange rate was fixed at a rate one-third of the parallel market rate. With continued inflationary demand, and no change in the exchange rate, it became even more overvalued and therefore was considered unsatisfactory by the Bank. Since all IDA funds under the Credit were already committed while the auction system was still in operation (before the take-over by the NRA/Museveni), no action could be taken regarding IDA disbursements. At the request of the Governments of Uganda and the Netherlands, however, the Bank agreed that the condition of a satisfactory exchange rate system be waived for the purpose of disbursing the grant.

A major goal of the credit was to facilitate the revival of productive sectors, thereby to increase exports and the supply of consumer goods. Much progress had been made since 1980. There was an upsurge in manufacturing value added in 1982, although this was not maintained in 1983 and 1984. In the mid-1980s many industries were still operating at about 30 percent capacity utilisation (compared to only 10 percent in the 1970s). The sector's share of GDP remained slightly under 5 percent compared to more than 11 percent in the early 1970s.

As measured by available indicators, the economy responded positively to the June 1981 measures. The growth rate of total output recovered from a negative 2.7 percent of 1971–80 to positive rates during 1980–83. In constant 1966 prices, GDP increased by 17.3 percent between 1980 and 1983, but thereafter declined. This was due to negative factors such as: political instability and intensified military activities in this period; inadequate working capital for business after devaluation and credit squeeze; acute shortage of raw materials; and widespread corruption.

As regards agricultural production, there was no evidence that indicated dramatic increases in production or in acreage planted as a result of the programme. Price increases were intended to increase production and to reduce smuggling. Apart from coffee, however, the increase in (registered) marketed output was marginal. Funds earmarked for crop financing were used for other purposes, smuggling continued, while widespread insecurity in the most productive areas of the country had a negative impact on response of farmers to changes in prices.

Conclusions

Foreign exchange was not the only constraint and perhaps not even the major constraint facing reconstruction of the economy. Several other problems also stood in the way of increased production, e.g. the scarcity of local funds and the creditworthiness of local firms, management problems of both state-owned enterprises and private firms, and general country constraints such as deficient transportation and communication networks and the poor basic living conditions of people working in productive sectors. The PPAR concludes that the results would have been improved if the Bank's programme had been accompanied by an economic stabilisation programme, a debt management strategy, and appropriate structural adjustment policies (PPAR 1990:29–37). Consequently, the report notes on the issue of sustainability that positive trends could not be sustained beyond 1983 (*ibid*.:128–29) due to a number of weaknesses in the package design and implementation, as well as the worsening security situation in the country and the deteriorating political situation, notably in 1985.

6.3 Economic Recovery Credits (1987–94)

Project background

When the National Resistance Movement (NRM) took power in January 1986, it realised that the declining economic trends had begun in 1984 continued at an accelerated rate, and that they were eroding most of the positive gains that had been achieved during implementation of the three Reconstruction Credits.

NRM's initial strategy for economic recovery was based on heavy intervention in the economy by government. It suspended the foreign exchange auction system, took control of internal and external trade on essential commodities, introduced a controlled exchange rate and increased government spending through borrowing from the banking system. International barter trade transactions were engaged in which amplified existing market distortions, aggravated the shortages of goods, and increased inflationary pressure. By December 1986, inflation was running at an annual rate of 356 percent, compared to 130 percent at the beginning of the year.

The worsening economic conditions made it clear that interventionist policies had failed and that a major revision of economic policies was urgently required. With the assistance of the World Bank and IMF, the Ugandan government launched the *Economic Recovery Programme (ERP)* in May 1987, based on the first Policy Framework Paper (1987/88–1989/90).

ERP had three principal aims: (i) to bring about internal financial stability and lower the rate of inflation; (ii) to reduce imbalances in the external accounts; and (iii) to promote economic growth.

During its first year, due to the severity of the imbalances in the economy, ERP accorded high priority to stabilisation through demand management. It also included structural reforms to support demand management and to improve incentives for producers, increase capacity utilisation in industrial and agro-processing enterprises, rehabilitate infrastructure and productive plants, improve public sector resource mobilisation and allocation, and restore discipline, accountability and efficiency in the public services.

In furtherance of these aims, the Government introduced a new currency coupled with increased taxes, devaluated the Uganda shilling, and increased producer prices of traditional export crops and the prices of petroleum products.

ERP was supported by the First Economic Recovery Credit (1987–91). With the IDA as the lead-donor, ERP was supported by the African Development Fund, SIDA, Norway, DANIDA, UK-ODA and Finland, who together provided a total of US$ 252.8 million (PPAR 1993: iii, vii).

The results were mixed. On the one hand, real GDP at factor cost grew by almost 7 percent. Production recovered in response to higher producer incentives, a modest increase in the availability of foreign exchange, and improved transportation and security. On the other hand, the programme failed to achieve its stabilisation objective, as evidenced by the 239 percent increase in the consumer price index and the real appreciation of the Uganda shilling by 217 percent. Exogenous shocks, principally the decline in world coffee prices and the slow disbursement of donor funds, contributed to the failure of demand management. The main reason for failure, however, was Government's reluctance to take corrective action when it became clear that fiscal targets were being missed by a wide margin because of large shortfalls in revenue as well as overspending (*ibid*.).

Against this background the economic and financial programme for 1988/89 reflected awareness that, without stabilisation, the structural reforms were neither likely to be sustained nor to yield the desired results. Therefore, in July 1988, the Government announced its 1988/89 budget, as well as other measures to put the programme back on course. This programme was supported by the Second Economic Recovery Credit.

Second Economic Recovery Credit (1990–94): objectives

The broad objective was to support the third phase of the government's Economic Recovery Programme spelt out in the Policy Framework Paper 1989/90–1991/92. In this phase of the implementation of ERP, the objectives were (i) an annual GDP growth rate of 5 percent, with a concomitant rise in per capita income of 2 percent per year, (ii) an inflation rate of 7.5 percent by the end of 1992, and (iii) strengthening the balance of payments thus improving the country's net international reserves.

Design

These objectives were to be achieved by 1991–92 through the following strategies:

1. demand management containing the fiscal deficit through (i) improvements in revenue mobilisation, (ii) expenditure restraint (by liberalising the coffee subsector, reducing expenditures for the civil service and defence, and by administrative reforms);
2. liberalising trade and revitalising the private sector by changing the exchange rate and the export and import licensing systems, rationalising the import tariff structure, privatising the coffee sector, and providing incentives for private sector growth;
3. public sector reforms (retrenchment and reorganisation of the civil service and the privatisation of parastatals (PPAR 1995:17).

Implementation

The Second Economic Recovery Credit was implemented with relative ease and expediency. Of the 33 specific policy measures that were implemented, 21 had already been undertaken before the World Bank's Board approval of the credit in February 1990. Due to the lack of commitment and undertaking by the various officials involved in implementation of the programme, however, delays occurred in meeting conditions for release of the second tranche of the credit.

– With respect to *Demand Management,* revenue measures were taken but fiscal revenues did not increase as planned, despite the granting of autonomous status to the Uganda Revenue Authority (URA). Expenditure cuts materialised due to the restructuring of the Coffee Marketing Board and liberalisation of the coffee sector. As a result, coffee farmers were paid promptly. However, mechanisms for monitoring budget performance were poor and budget discipline was lacking and, as a result, total expenditures grew rapidly. It was not until 1992/93 that a more serious effort was made to control spending.

– In the area of *Liberalising Trade and Revitalising the Private Sector,* reforms of the exchange sector, the coffee subsector, export and import licensing, and tariffs, were all accomplished in a timely manner. Two major initiatives designed to revitalise the private sector, i.e. the Investment Code and the Uganda Investment Authority (UIA), were implemented in 1990 and 1991 respectively. Both actions facilitated the return of expropriated Asian businesses to their original owners.

– The *exchange rate reform* was successfully implemented. Starting with legalisation of the parallel foreign exchange markets in July 1990, exchange rate reform graduated through several stages before reaching near-market-determined prices by the end of the implementation period of the Credit.
  During the ERP period, two parallel schemes, i.e. the Open General License System (OGL) and Special Import Programme (SIP) were established for the allocation of proceeds for import support. They were abandoned in January 1992 when the foreign exchange auction was introduced to allocate the proceeds of donor import support on a market-determined basis. Traders were free to conduct transactions at the foreign exchange bureau rate. In general, therefore, all the trade liberalisation actions required by the Second Economic Recovery Credit were implemented during the programme period.

– *Public Sector Management*: Implementation of the civil service reform did not start until 1993, the last year of the Second Economic Recovery Credit, apart from reduction of the number of ministries from 38 to 21 and downsizing of the army (cf. Chapter 11). Progress on the divestiture of parastatals was negligible (PPAR 1995:8, 23–27).

The Second Economic Recovery Credit was administered by the Bank of Uganda which maintained a special account in an offshore commercial bank in which credit proceeds were deposited by IDA on the Ugandan Bank's request. These funds were used to finance general and petroleum imports, and were allocated through the Open General License system and the Special Import Programme, both administered by the Bank of Uganda. The direct and primary use of the credit was to finance the foreign exchange costs of an important proportion of the country's essential import requirements, particularly recurrent inputs, spare parts, petroleum products, urgent replacement equipment for agricultural and industrial production and selected essential goods.

Financing

The Second Economic Recovery Credit (composed of three related IDA credits) amounted to US$ 137 million, cofinanciers provided another US$ 72 million (CIDA/Canada, KfW/Germany, SIDA/Sweden, Switzerland and the Netherlands), totalling US$ 209 million.

The IDA credit was fully disbursed by 30 June 1993. The first tranche was released immediately on credit effectiveness on 20 February 1990, and the second tranche in October 1990. Although the planned closure date of the credit was 31 December 1991, this was extended to 30 June 1993 to enable the Government to utilise all credit proceeds, particularly from cofinancing donors, that still remained on the credit account (PCR 1994:19).

Cofinancing by the Government of the Netherlands

Following a request by the Government of Uganda (March 1991), the Government of the Netherlands announced a balance-of-payments support of Dfl. 10 million early in May 1991, without detailing its modalities. The approved Appraisal memorandum of July 1991 does not mention any explicit reason for the decision to cofinance jointly with the World Bank in support of the Second Economic Recovery Credit, although previous experience with cofinancing with the Bank did play a role. On 29 October 1991 the Netherlands approved an additional Dfl. 15 million support on the same conditions, i.e. joint cofinancing. The corresponding Appraisal memorandum, formally approved on 27 November of that year, included a second additional amount of Dfl. 10 million. This raised the total Dutch contribution to Dfl. 35 million (US$ 19.2 million), which amount was transferred to the World Bank in 1991. The Netherlands thus cofinanced almost 10 percent of the Second Economic Recovery Credit.

The objectives of Dutch support were two-fold: a short-term objective of financing essential imports to support implementation of the Structural Adjustment Programme, and a long-term objective of strengthening Uganda's productive capacity and thereby supporting the Structural Adjustment Programme.

The Appraisal document of July 1991 announced the intention that the Netherlands would be involved in evaluating the Second Economic Recovery Credit. File research, however, has provided no evidence that this materialised. Neither were Dutch comments on the PCR (1994) and PPAR (1995) identified. The main issue that apparently worried the Government of the Netherlands concerned the slow disbursement of Dutch funds by the Bank (internal memoranda MFA dated 1 July 1992 and 28 July 1993).

The Dutch contribution served as retroactive financing of the foreign exchange requirements of essential imports through the OGL and SIP mechanisms, based on a positive list of approved goods. The tying of countervalue funds created in this way was explicitly excluded in the Appraisal Memorandum of July 1991.

Evaluation

Since all previous credits had overlapping objectives, instruments and implementation periods, the attribution of outcomes to a specific credit is a difficult exercise. Nevertheless, the Project Performance Audit Report rated the outcome of the Second Economic Recovery Credit as marginally unsuccessful (PPAR 1995:9, 27–35).

– Programme targets for 1989/90–1991/92 relating to GDP growth rate were achieved, on average. On an annual basis, however, the GDP growth rate fell from 6 percent in 1989–90, to 4.7 percent in 1990–91 and 3.2 percent in 1991–92.

– Progress was also made on the current account between 1990–91 and 1992–93, not due to an increase in export receipts but to reductions in imports of goods and services during 1990–92. Success on the current account was an example of successful *Demand Management* (exchange rate management).

– Another example of successful *Demand Management* was the fight against inflation. Although the inflation reduction target of 7.5 percent for the period was not achieved, the rate of inflation did drop from 130 percent in 1988–89 to 30 percent in 1992–93 when the Credit was closed.

– With regard to *Trade Liberalisation and Private Sector Revitalisation*, prices were decontrolled except for petroleum products. The investment climate was improved by enactment of the Investment Code (1990) and suspension of the Industrial Licensing Act (1991), but it is difficult to assess the effect of these reforms. The period was marked by drought (in 1990–91) as well as by a positive terms of trade flow (the coffee boom in 1994–95).

– One of the main objectives was to promote savings and investment in the private sector although no specific targets had been set other than for reform of the interest rate. The real outcome of this reform and of other policies aimed at revitalising private sector investment was negligible or even negative. Growth in private investment averaged about –12 percent during 1989–90 and 1992–93, while the share of private investment in GDP dropped to around 5–6 percent in 1992–94.

– In the area of *Public Sector Management*, performance fell short of programme targets by significant margins. On the revenue side, the revenue to GDP ratio registered modest upward increases between 1988–89 and 1992–93, but the gap between targeted and actual ratios widened during 1989–93. An important factor that contributed to the shortfall in revenue performance was the abolition of the coffee tax in 1992.

– In the area of expenditure reduction, government's efforts were also unsuccessful. The government expenditure to GDP ratio increased sharply to around 21 percent in 1991/92 and consequently exceeded the programme target of 15.5 percent. By the time the credit closed, however, this ratio showed some signs of improvement.

The *sustainability* of results is rated as uncertain by both the PCR and PPAR on the basis of expected continuing fiscal problems, high internal indebtedness, the persisting anti-export bias in the trade regime, and poor private sector response to reforms (World Bank, Memorandum to the Executive Directors and the President, 29 June 1995, accompanying the PPAR of June 1995; PPAR 1995:39–40).

6.4 Structural Adjustment Credits (1991–96)

Project background

Despite gains achieved during the first four years of the Economic Recovery Programme, Uganda still faced major challenges that were reflected in the Government's Policy Framework Paper 1991/92–1993/94 and in the assistance strategy of the World Bank. The latter's main thrust was to shift the emphasis from short-term objectives of security, stability and rehabilitation to the achievement of long-term sustainable growth and improved basic living conditions. The overall approach was to strengthen essential government institutions, policies and functions in a manner that would create a favourable climate for a private sector response in both agriculture and industry and improve the delivery of essential social services. Against this background, the Government of Uganda requested the World Bank for a Structural Adjustment Credit (SAR 1991:1–7).

The First Structural Adjustment Credit (SAC I 1991–94) was followed by two more IDA-adjustment credits (SAC II 1994–96 and SAC III 1997–..). Since only the first was cofinanced by the Netherlands, the two follow-up credits are not treated here. The macroeconomic evaluation (6.6 below) focuses on the period ending 31 December 1996, however, and consequently also covers the implementation period of SAC II.

Objectives

The objective of SAC I was to support private sector development and improved public sector management, while sustaining 5 percent GDP growth rates, reducing inflation rates to around 10 percent per annum, and building up gross reserves and maintaining them at about 2.3 months of imports. The credit had two components, Private Sector Development and Greater Effectiveness of Government.

Private sector development was to be encouraged by: (i) reforming the exchange rate and trade policies; (ii) promoting investments through the establishment of the Uganda Investment Authority (UIA) and development of an Investment Code;[6] and (iii) improving the confidence of foreign investors and signalling Government's change of attitude by speeding-up the resolution of claims on Custodian Board (DAPCB) properties.

Greater Government effectiveness was to be achieved by: (i) improving the Government's revenue collection through establishment of the Uganda Revenue Authority (URA); (ii) reorientation of public expenditure allocations by protecting high priority programme areas (PPAs) in the social sectors, water supply, road maintenance, and agricultural research and extension; and (iii) transforming the civil service to one that is smaller, efficient and manageable (ICR 1997:2).

Design

Disbursement of the first tranche (US$ 60 million) was not subject to any specific conditionality. The second tranche release of US$65 million, however, was conditional on the following actions: (i) elimination of discriminatory import systems for licensing and the

[6] In 6.3 above, Implementation and Evaluation, it was reported that the two major initiatives to revitalise the private sector, the Investment Code and the Uganda Investment Authority, were implemented in 1990/1991. Suspension of the Industrial Licensing Act was also reported. It may be due to the overlapping nature of the Second Economic Recovery Credit and the First Structural Adjustment Credit that these actions are included in the two Credits as both objectives and achievements.

foreign exchange allocation system; (ii) repeal of the Industrial Licensing Act; (iii) return of all properties covered by the Expropriated Properties Act of 1982; (iv) completion of all transitional arrangements between existing departments and the Uganda Revenue Authority (URA) and the transfer of all responsibility for revenue collection to the URA; (v) release of all budgeted recurrent and development allocations in 1991/92 for Priority Programme Areas, and (vi) achievement of the first-year targets for ministerial reviews, civil service staff reduction and pay reform, and capacity building (ICR 1997:2–3).

Implementation[7]

The First Structural Adjustment Credit was approved by the IDA Board in November 1991, and closed on 31 July 1994 after full disbursement (cf. Financing).

All measures that were conditions of tranche release were implemented; in some cases, a few measures went beyond what had been envisaged in the programme, e.g. the Departed Asians Properties Custodian Board (DAPCB), public expenditure and civil service reform. There were shortcomings on investment promotion and URA components, while implementation had a slow start partly due to lack of clarity as to the responsibilities of the Ministries of Finance and of Economic Planning, and partly due to some initial political resistance.

– Macroeconomic targets were generally met or surpassed. Real GDP growth averaged 5.7 percent per year during 1991/92–1993/94, thus meeting the objectives. Starting with the fourth quarter of 1991/92, inflation followed a downward trend, declining to 7 percent in 1993/94. Also, by the end of 1993/94 international resources had tripled, reaching three months' of imports of goods and non-factor services.

– With regard to trade reform, in early 1992 the Ugandan Government replaced the OGL and SIP systems with a weekly foreign exchange market auction; this was later abolished (end of 1993) and replaced by a unified foreign exchange system. A new system of foreign exchange market and transactions was institutionalised in 1994 and the Government agreed not to place restrictions on current international transactions. Commercial banks and foreign exchange bureaux became very active in the market. The Uganda shilling became convertible for current and many capital account transactions. The liberalisation of coffee marketing was achieved in 1994.

– In the area of investment promotion, the restrictive Foreign Investment Act (1977) and Industrial Licensing Act (1969) were abrogated and replaced by the Investment

[7] Due to the non-availability of a Performance Audit Report on SAC I the following is based on the 1997 Implementation Completion Report.

Code Act (1991) establishing the Uganda Investment Authority (UIA) to administer the code. With regard to business facilitation and investment promotion, the UIA successfully established itself as a well-organised promotional institution. It had to cope with problems related to insufficient funds, however, partly because the volume of business and its size were larger than envisaged and partly because IDA financing to UIA was late in materialising.

– With regard to DAPCD, all properties covered by the 1982 Expropriated Properties Act had to be returned, and satisfactory progress had to be made in processing other properties owned by Ugandan citizens. This was the conditionality for the release of the second tranche. By 1994 impressive results had been achieved: a total of about 640 claims (out of about 690) from non-citizens and 1,860 claims from citizens (out of about 2,000) had been validated and properties returned. Delays occurred in returning properties to non-citizens because not all properties were identified and claimed, and because the claim registration and validation process took longer than scheduled.

– With regard to tax reform, the Uganda Revenue Authority (URA) became responsible in 1991 for revenue collection; at the same time, it fulfilled an advisory role on tax policy to the Ministry of Finance. Conditionality related to the effective transfer of all revenue collection responsibilities to URA was achieved during 1991/92. URA became operational fairly quickly, partly as a result of substantial and effective technical assistance financed by donors, notably ODA/UK and IDA. Tax collection improved in absolute and relative terms each year between 1990/91 and 1993/94.

– Public expenditure reforms were intended to redress inadequacies in expenditure on social sectors and economic infrastructure. The 1990/91 budget increased the recurrent budget allocation for PPAs and gave priority to investments in these areas. Additional allocations were made possible mainly by increasing (overall public) expenditures to about 19 percent of GDP for 1991/92–1993/94 from about 14 percent GDP during 1987/88–1990/91.

– Civil Service Reform: Ministries were reduced in number from 38 to 21 in 1992, followed by a process of ministerial review to identify duplicate or non-core functions with a view to streamlining their functions. Achievements included a reduction in numbers of staff on the payroll from 270,000 in July 1991 to 170,000 in December 1993. Outside the scope of SAC I, about 20,000 soldiers were demobilised at the end of 1994 (cf. Chapter 11). The improvement of civil service pay was achieved by more than tripling expenditure on wages and salaries between 1990/91 and 1993/94. Real wages more than doubled. A better-managed government emerged as a result of successful first steps towards reforming the public sector (ICR 1997:3–8).

The funds under SAC I were used for import support, facilitating the setting-up of the UIA and URA, and establishing a computerised payroll. To motivate key civil servants, a number of donors including the World Bank provided salary top-ups (*ibid*.:3–8).

To sum up, the overall outcome of the First Structural Adjustment Credit was judged highly satisfactory by the ICR (*ibid*.:11). Under SAC I economic performance met or surpassed initial targets and laid the foundation for sustainable supply response during the remainder of the 1990s (*ibid*.:iii–iv).

Financing

The First Structural Adjustment Credit amounted to SDR 91.9 million (US$ 125 equivalent) and was supplemented in 1993/94 with IDA refolds of SDR 1.0 million (US$ 1.4 million equivalent), thus totalling US$ 126.4 million. The Credit was prepared in close collaboration with the IMF and coordinated with its third-year Enhanced Structural Adjustment Facility (ESAF). Various other donors also supported the preparation and implementation of SAC I with funds worth over US$ 70 million. In 1992 the Government of the Netherlands made a Dfl. 10 million contribution (approx. US$ 5.7 million). External support for SAC I (excluding the IMF) thus totalled over US$ 200 million.

Cofinancing by the Government of the Netherlands

At the SPA-meeting in November 1992 attention was drawn to Uganda's urgent need for additional funds with which to finance imports (notably petroleum products), that would help fill the gap between then and the release of the second tranche of the IDA SAC (conditionality related to Government's performance). It was also stated that Uganda continued to face difficulties in servicing its multilateral debt. At the request of the Ugandan Government and the World Bank, the Netherlands initially considered both import support and debt relief but eventually concentrated on the latter. An Appraisal memorandum for a Dfl. 10 million contribution to the 5th Dimension Programme (multilateral debt relief) was approved on 9 December 1992. An Arrangement between the Government of the Netherlands and the World Bank regarding administration of the funds was signed on 21 December of that year and the funds transferred to Washington a few days later.

The Appraisal memorandum does not mention any link between the Dutch contribution to the 5th Dimension Programme and the Structural Adjustment Credit of the World Bank. The Arrangement between the Government of the Netherlands and the IDA, however, officially makes such a linkage. The Ministry's files do not provide any explanation for that decision. The Arrangement allowed the World Bank, in the event that it would suspend Uganda's right to make withdrawals under the Credit, also to withhold disbursements of the Dutch grant. In view of the ongoing discussions between the Government of Uganda and the World Bank on release of the second tranche this is important in that it will have reinforced the Bank's position vis-à-vis Uganda.

The Dutch government's involvement in the implementation of SAC I objectives is limited,[8] perhaps due to its lack of awareness of cofinancing. It is interesting to note that the Implementation Completion Report does not mention Dutch cofinancing (ICR 1997),

The use of the Dutch contribution is further discussed below under 6.5 (Debt Relief Transactions), together with another Dutch cofinancing of debt relief.

6.5 Debt relief transactions

Overview of the national debt

Uganda is classified as a Severely Indebted Low Income Country (SILIC) by the World Bank debtor reporting system and, more recently, as a Heavily Indebted Poor County (HIPC).

In the 1960s there was minimal reliance on external assistance since Uganda's economic performance was relatively good. In the 1970s, however, that performance showed a general decline. One result of this was an increase of total external debt from US$ 138 million in 1970 to US$ 568 million in 1979.

By 1986 the stock of debt had grown to US$ 1.4 billion due to external financing of the reconstruction of the war-torn Ugandan economy and to deteriorating terms of trade, especially in the 1977–81 period. These negative factors continued throughout most of the 1980s, causing average Debt–GDP ratio to rise from 26 percent in 1979 to of 43 percent during 1980–86.

On taking power in January 1986 the NRM government inherited an external debt of US$ 1.4 billion. The economic situation was extremely difficult. Funding was needed not only for repairing the infrastructure and for development projects in the medium term, but also for balance-of-payments support in the short term. Consequently, to implement ERP the government had to resort to heavy foreign borrowing, causing a 250 percent rise in external debt between 1986 and 1996 from US$ 1.4 billion to US$ 3.5 billion. During that

[8] Research in the Ministry's files reveals little direct, active involvement in SAC I. Nevertheless, the Netherlands did participate in Consultative Group (CG) and SPA meetings where Uganda's progress in implementing structural adjustment reforms were discussed.

same period earning capacity declined due to the fall in coffee prices. This also adversely affected Uganda's ability to service its debt, resulting in an extremely rapid accumulation of arrears.

The size and composition of Uganda's external debt (1991–96) is shown in Table 6.2. As of December 1996, the total stock of external debt outstanding was US$ 3.6 billion, estimated at 60 percent of GDP. The ratio of debt service to exports of goods and services was estimated at 17.2 percent in 1996/97.

Much of Uganda's debt is owed to multilateral institutions like the World Bank and the IMF, and cannot be rescheduled. Multilateral debt as of June 1996 accounted for 74.9 percent of total debt stock, compared with 63.4 percent in 1991. This increase of the multilateral share was the result of both bilateral debt relief and of increased lending by the IFIs. Bilateral debt accounted, on average, for 11 percent of total debt stock during the period. Debt from private sources was minimal compared to the other two major sources, constituting less than 20 percent in most years. Debt from private sources was dominant in 1980, however, comprising 46 percent of total external debt. Much of this was removed through successful debt buy-back transactions (see below) and by a restrictive debt strategy. As a result, the debt owed to commercial banks and other commercial sources fell to less than 1 percent in 1996.

The high ratios of total debt stock to GDP are alarming, indicating unsustainability of the debt burden. This is a major limitation on the speed of structural adjustment. While the Ugandan Government needs to increase resources into key socioeconomic sectors significantly, it is restricted by heavy expenditures on debt servicing. During FY 95/96, (re)payments to multilateral institutions amounted to US$ 95 million (two-thirds of total payments), while Non-Paris Club and Paris Club creditors accounted for US$ 20 million and US$ 14 million respectively.

External Debt Strategy: debt relief operations

As at June 1991 the debt situation was precarious. External debt totalled US$ 2.6 billion, including principal and interest arrears of US$ 372 million. This was equivalent to over 100 percent of GDP; the ratio of this debt stock to export earnings was over 14 times. In view of this situation the Government, in cooperation with the World Bank, developed an External Debt Strategy in 1991/92.

This Strategy had the following key objectives: (i) to clear the majority of accumulated arrears; (ii) to prevent any further increase in outstanding debt through incurring penalty or late interest charges, and (iii) to reduce significantly contractual debt service obligations over the period 1991/92 to 1993/94.

Table 6.2 Outstanding Uganda Public External Debt by Creditor 1991–96 (as at 30 June 1996, in US$ millions)

CREDIT CATEGORY

	Multilateral	OECD Bilateral	Non OECD	Commercial Banks	Commercial Non-Banks	Other Loan Category[2]	Grand Total[3]
Amount outstanding							
1991	1643.6	285.5	526.3	40.3	95.9	0.0	2591.6
1992	1755.9	273.2	378.2	15.5	224.6	0.0	2647.5
1993	1815.9	281.7	415.6	17.1	62.0	44.8	2637.2
1994	2156.1	332.0	398.3	1.3	38.2	73.4	2999.3
1995	2488.1	380.2	407.7	7.7	27.2	76.2	3387.1
1996	2588.1	347.6	401.3	3.0	26.2	77.2	3443.4
Of which arrears[1]							
1991	71.9	66.3	121.8	27.8	83.1	0.0	370.9
1992	86.3	80.8	194.6	15.0	206.4	0.0	583.1
1993	2.6	53.0	164.9	16.6	40.4	24.4	301.8
1994	1.2	28.9	143.3	1.3	28.3	48.0	251.0
1995	3.5	0.0	155.8	1.3	27.2	45.6	233.4
1996	6.8	0.0	158.6	1.1	26.2	54.1	246.8
Outstanding as % of total							
1991	63.4	11.0	20.3	1.6	3.7	0.0	100.0
1992	66.3	10.3	14.3	0.6	8.5	0.0	100.0
1993	68.9	10.7	15.8	0.6	2.4	1.7	100.0
1994	71.9	11.1	13.4	0.0	1.3	2.4	100.0
1995	73.6	11.3	12.0	0.2	0.8	2.2	100.0
1996	74.9	10.0	11.9	0.1	0.8	2.2	100.0

[1]Includes arrears of Principal, interest and penalty interest.
[2]Loans extended to private companies with government guarantee, but only currently serviced by government.
[3]Small discrepancies between totals and sum of individual components are due to rounding errors.

Source: Ministry of Planning and Economic Development (Statistical Abstract 1997).

The strategy consisted of the following five components: (i) restructuring the bilateral debt via the Club of Paris on the most favoured conditions; (ii) maximum postponement of payment on arrears on ‘post cut-off date’ debts to non-Paris Club members; (iii) long-term restructuring and possible write-off of debts to non-Paris Club members; (iv) a buy-back of uninsured commercial debt, and (v) donor contributions to assist in honouring multilateral debt service obligations (through contributions to the 5th Dimension Programme).

The World Bank’s *5th Dimension Programme* forms part of the External Debt Strategy. In 1988 the World Bank created a Debt Relief Fund (the 5th Dimension) to grant supplementary IDA credits to IDA-only heavily indebted countries with outstanding IBRD loans. Outstanding IBRD loans were to be substituted by more concessional IDA Credits. The Fund was to be financed from IDA Reflows as well as from contributions by other donors. In 1989, the 5th Dimension Programme, sometimes referred to as the Supplemental IDA Adjustment Credit Programme, was officially created in the context of the Special Programme of Assistance for Debt-Distressed, Low-income Countries of Sub-Saharan Africa (SPA).

In 1989 also, the need to reduce the commercial debt exposure of developing countries motivated the World Bank to create the *IDA-Only Debt Reduction Facility*, financed by a US$ 100 million transfer from IBRD net income, and intended to assist severely-indebted IDA-only countries in reducing their long-term commercial debt. In 1993 this Facility, initially set up for a three-year period, was extended to 31 July 1995 and an additional US$ 100 million was transferred to it from IBRD's net income. Bilateral donors were invited to cofinance.

As part of its External Debt Strategy, the Government of Uganda developed a scheme to restructure its commercial debt. One component of that scheme was a buy-back operation at a significant discount, using resources from the IDA-Only Debt Reduction Facility and other cofinanciers. An amount of US$ 188 million (representing US$ 161 million of principal and US$ 27 million of past due interest) was agreed upon. The IDA contribution amounted to US$ 10 million whereas four cofinanciers contributed US$ 13 million (Germany, the Netherlands, Switzerland and the EU).

To intensify efforts towards reducing the debt burden, the Government of Uganda took measures to address the multilateral debt. Guidelines on contracting external debt were tightened. The government was not to incur any further debt for any project unless every effort had been made to secure grant financing. Borrowing was to be on highly concessional terms. Government also undertook major capacity-building programmes in debt monitoring and analysis, conducted a review of all existing loan-financed projects, and took steps to improve the management of its foreign exchange reserves.

In this context, the Uganda Multilateral Debt Fund (UMDF) was set up to reduce the debt further. At the 1996 Consultative Group meeting, donors pledged US$ 50 million to the Multilateral Debt Fund for 1996/97.

The HIPC initiative

In 1995, the Development Committee of the World Bank and the Interim Committee of IMF acknowledged the need to address the debt relief issue. One year later they endorsed the Highly Indebted Poor Countries (HIPC) initiative developed jointly by donors and the multilateral institutions. The initiative provides a framework for international support to adjustment and reform efforts in the world's poorest and most heavily indebted countries to ensure that their debt is reduced to sustainable levels. It focuses on the achievement of overall debt sustainability, and thus on enabling participating countries to exit from the debt rescheduling process. All creditors are expected to participate. The World Bank has established a HIPC Trust Fund and allocated US$ 500 million as its first contribution. The Government of the Netherlands contributed Dfl. 100 million towards this (general) Trust Fund. Other donors have also made contributions.

The HIPC initiative is distinguished from other facilities in that it offers the prospect of relief on multilateral debt owed to the IMF, the World Bank, the Africa Development Bank and other multilateral institutions whose debt has always had a sacrosanct character (not to be rescheduled or forgiven). Uganda is the first country to benefit from the Initiative.

Debt relief will be given in several ways. World Bank funds (which account for the largest part of the debt relief) will be channelled through the HIPC Trust Fund. Their disbursement will be linked to progress with the World Bank's Third Structural Adjustment Credit as well as various measures in the social sectors that are planned as part of the Government's Action Plan for Poverty Eradication. Relief on past IMF lending will be given as refinancing, linked to progress with a new three-year IMF programme (ESAF III). Official bilateral creditors will also be expected to write-off debts owed by Uganda. For some countries (mainly in the OECD) this will involve increasing past write-offs from 67 to 80 or 90 percent. Uganda is also committed to seeking comparable treatment by other (non-OECD) bilateral creditors (e.g. India).

Debt relief and cofinancing by the Government of the Netherlands

The resumption of bilateral aid relations between Uganda and the Netherlands in 1991 (cf. Chapter 4, section 4.3) paved the way for the latter systematic participation in donor meetings on Uganda, e.g. the Special Programme for Africa (SPA), as well as in Consultative Group meetings. Prior to 1991 the Government of the Netherlands had sent representatives to such meetings on an ad hoc basis, sometimes just as observes. The 1991 CG meeting drew attention to the many problems that Uganda faced, notably that of external debt. Outstanding commercial debt and debt to multilateral institutions constituted the bulk of the debt stock and were largely responsible for Uganda's high debt service ratio (see above).

The report produced by the Dutch delegation to the 1991 CG meeting contributed to the Dutch Minister for Development Cooperation's decision to make bilateral aid funds available for relieving part of Uganda's debt towards multilateral institutions and its commercial debt. The decision was also based on the just published External Debt Strategy of Uganda.

Commercial debt buy-back

About US$ 242 million of debt (consisting of about US$ 210 million in principal and US$ 33 million in past due interest) was outstanding to uninsured commercial creditors in September 1992. As part of its External Debt Strategy, the Government of Uganda asked the IDA-Only Debt Reduction Facility for financial assistance to buy back a debt of US$ 188 million (US$ 161 million of principal and US$ 27 million of past due interest) at a considerable discount to face value.

After negotiating with its creditors, the Government of Uganda bought back its uninsured commercial debt at a discount of 88 percent of face value. Debt worth US$ 153 million was bought back (out of a total eligible debt of US$ 188 million). It is an interesting fact that about one-third of that debt was defence related. After investigation by the World Bank, it was decided for various reasons to include defence-related loans in the buy-back transaction. As a result, Uganda saw most of its commercial debt eliminated. The operation was made possible by joint financing by the World Bank (US$ 10 million) and four cofinanciers: Germany, the Netherlands, Switzerland and the EC (contributing US$ 13 million).

The Dutch contribution to commercial debt buy-back

On 25 November 1992 an Appraisal memorandum was approved to contribute Dfl. 4.9 million (approx. US$ 2.8 million) to the IDA-Only Debt Reduction Facility. The Arrangement for the administration of these funds between the Dutch Minister for Development Cooperation and the IDA was signed on 18 December 1992, allowing funds to be transferred to the World Bank before the end of the year. The Grant Agreement between the Republic of Uganda and IDA was signed on 29 January 1993.

The 5th Dimension Programme

In the early 1990s Uganda's external debt situation was precarious. It totalled some US$ 2.7 billion, more than 100 percent of GNP, while two-thirds of it (US$ 1.8 billion) was owed to multilateral institutions and consequently was not negotiable. In its External Debt Strategy, Uganda declared its intention to seek donor contributions to assist it to honour its multilateral debt service obligations through the 5th Dimension Programme.

The Dutch contribution to the 5th Dimension Programme

After being requested by the Government of Uganda and the World Bank (November 1992) the Netherlands approved a Dfl. 10 million contribution to the 5th Dimension Programme in early December 1992. The Arrangement between the Government of the Netherlands and the World Bank for the administration of the funds was signed on 21 December 1992. The funds were transferred to Washington before the end of the year, although the servicing of the corresponding debt was not due until February 1993. By the end of May 1993 only about one-quarter of the funds had been used.

The Dutch contribution became linked to IDA Credit 2314 UG (SAC I). The Netherlands thus became a cofinancier of SAC I and hence of the (ongoing) structural adjustment programme. As has been indicated earlier, the Government of the Netherlands apparently was not aware that it was cofinancing SAC I (cf. 6.4 above).

It is interesting to note that the Appraisal memorandum of 9 December 1992 justified the paying of a multilateral debt by a bilateral donor by the specific situation then prevailing in Uganda, in combination with the country's good record with respect to the reform process. However, if did not raise the general issue of bilaterals paying the debt service to multilaterals. It was in 1995 that the Government of the Netherlands published a policy document in which it presented its policy view with respect to multilateral debt problems of developing countries.[9]

Other Dutch-funded debt relief

Cofinancing by the Netherlands with the World Bank of the commercial debt buy-back and the 5th Dimension Programme in 1992 initiated an active stand by the Netherlands in policy dialogue with the Government of Uganda on debt issues and of considerable Dutch financial support in the area of debt relief. From 1992 until 1997, the Netherlands granted almost Dfl. 140 million (more than US$ 60 million) in debt relief.[10] Only about ten percent of this amount was cofinanced with the World Bank (Dfl. 14.9 million or US$ 7 million).[11] It is important to note, however, that more than 90 percent of the debt relief granted in this period was for the purpose of servicing multilateral debt (mainly owed to the World Bank, IMF and the African Development Bank). Since 1995 Dutch grants are channelled

[9] 'Notitie Multilaterale Schulden' presented by the Minister of Finance and the Minister for Development Cooperation to Parliament, Letter dated 25 August 1995.
[10] Situation as at 31 August 1997.
[11] In 1994 the Government of the Netherlands was prepared to finance another debt relief transaction with respect to Uganda's IBRD debt, but at the last minute it appeared that Norway and Sweden had already serviced the entire IBRD debt. Instead, the Dutch funds were used to repay Uganda's 1987 SAF-loan to the IMF (Appraisal memorandum approved on 9 December 1994).

through the Multilateral Debt Fund created in that year (Dfl. 70 million), probably the reason why no more cofinancing with the World Bank occurred for debt relief purposes.

Evaluation of Dutch-cofinanced debt relief operations

The commercial debt buy-back resulted in Uganda's uninsured commercial debt being bought back at a discount of 88 percent of face value. Out of the total eligible debt of US$ 188 million, US$ 153 million was bought back, eliminating most of the country's commercial debt. The 5th Dimension Programme resulted in the entire servicing of Uganda's IBRD-debt in 1994. Thus, cofinancing by the Government of the Netherlands helped to improve the external debt situation through reduced debt stock, freeing of (public) resources and/or reduction of the fiscal deficit, and reduction of the balance-of-payments deficit through savings in foreign exchange.

The policy relevance and compatibility of the cofinancing are judged positive. The short-term effectiveness of the debt relief, i.e. the effect on Uganda's external debt situation, is also considered positive. Its effectiveness in terms of freeing the Government of Uganda's resources for Priority Programme Areas (PPAs) is moderately positive in view of the difficulties that the reorientation of public expenditures towards PPAs was/is experiencing. The efficiency of the 5th Dimension transaction can equally be evaluated as moderately positive. The debt relief operation was a swift action which resulted in a rapid 'end of the year' transfer of Dutch aid funds to Washington. However, the debt service financed by the Netherlands (5th Dimension) was not due until the following year. The efficiency of the commercial debt buy-back is considered very high in view of the discount rate obtained.

Sustainability of debt relief operations, i.e. an external debt that is manageable without external assistance is unlikely, at least in the short term. The Multilateral Debt Fund and the HIPC-Initiative provide convincing evidence for this view. Whether the Government of Uganda will have a manageable external debt in the long term will depend greatly on its external debt strategy as well as on external variables beyond its control, e.g. climatic conditions and/or world market prices for its main export product.

6.6 Macroeconomic evaluation

6.6.1 *Economic development 1981–96*

Uganda's macroeconomic performance since 1981 can be assessed in terms of economic growth; savings and investment; and fiscal, monetary and external sector performance.

Economic growth

After the dramatic declines of the 1970s, the initial years of the 1980s saw average increases in real GDP of 3 percent per annum, but by 1986 it had fallen back to the level of 1980. Rapid economic growth has been achieved since 1987, however, and the economy has been growing at an average of 6 percent per annum since initiation of ERP. The highest economic growth of 10.6 percent was recorded in 1994/95, following the coffee boom.

– The agricultural sector expanded by an average of 5 percent per annum between 1987 and 1996, although its total share in GDP declined from 55 percent in 1986/87 to 44 percent in 1996/97. Its relatively encouraging performance since 1991 is due to both price and non-price measures implemented by Government. Agricultural performance over the adjustment period has been due mainly to high growth in the foodcrop sector, apart from the drought in 1991/92. Between 1987 and 1995, food production expanded at an average of 8 percent, mainly due to the expansion in area cultivated rather than from higher yields (Sharer *et al*. 1995).

– The negative growth rate of the manufacturing sector between 1983 and 1986 was reversed starting FY 86/87. Between 1987/88 and 1995/96, the growth rate of manufacturing averaged about 12.5 percent, the highest rate of over 18 percent being recorded in 1995/96. The percentage share of manufacturing in total GDP moved remarkably from 4.8 in 1986/87 to 8.6 in 1996/97 but is still well below the 12 percent level of the 1960s. The recent high growth is attributable to macroeconomic stability, liberalisation of the Ugandan economy and increased investment in industry financed by aid funds. The returning of properties expropriated in 1972 to their rightful owners also encouraged growth in the manufacturing sector.

– Over the ERP period 1987–96 the construction sector expanded by an annual average of 13 percent, while its share in GDP has averaged 5.6 percent. Commerce grew at an average of 10 percent per annum, while its share in GDP has been almost 13 percent during the adjustment period. The mining sector's contribution to the economy is very small: less than 0.5 percent. Throughout the period 1983/84–1996/97, the contribution of the energy sector to GDP has been less than 1 percent.

– In the transport and communication sector considerable progress has been made in recent years in rehabilitating the infrastructure, particularly road and rail sub-sectors. Since 1986, some 1850 kilometres of all-weather roads and 2431 kilometres of gravel truck roads have been rehabilitated. The telecommunications sector has been revitalised. Internal air transport services are being improved. During the period 1983/84–

1993/94, the transport and communication sector registered steadily increasing growth rates and its share in GDP has averaged 4.2 percent.

Savings and investment

At the end of 1982, gross domestic savings as a percentage of GDP was –12.6. Efforts towards macroeconomic stabilisation, however, have improved the domestic savings ratio due to higher private and official transfers into the economy, increased receipts from coffee, the reduction of inflation, and appropriate financial policies. The weak financial sector still limits the extent to which savings can be mobilised. Financial savings as a ratio of GDP are still below 3 percent. Consequently, the country continues to rely on foreign savings with which to finance domestic investment.

The relatively high economic growth rates achieved over the adjustment period were led by an increase in the rate of investment activity (Sharer *et al*. 1995). Gross domestic investment as a ratio of GDP increased from less than 8 percent in 1984/85 to almost 17 percent in 1991/92 and over 18 percent in 1995/96, but this is still below the average of well over 19 percent achieved by African countries in the period 1987–93.

A disaggregation of total investment shows that whereas public fixed investment as a ratio of GDP almost tripled, from 2.6 percent in 1986/87 to 7.6 percent in 1993/94, the private fixed investment ratio increased less sharply, from 6.6 percent to 8.8 percent over the same period. This suggests strongly that overall GDP performance has been influenced by public investments financed by external resources, in such areas as infrastructural improvements in particular, rather than by a resurgence in private sector investment activity.

Fiscal performance

Overall, budgetary performance has been improving, mainly because of the reduction in the growth of money supply as a result of shifting away from borrowing from the Central Bank in order to finance the budget deficit. Generally, however, Government has relied mainly on external borrowing with which to finance that deficit.

On the revenue side, the tax reform process put great emphasis on increasing domestic revenues. Since the creation of the Uganda Revenue Authority in 1991, collections have greatly improved. Nonetheless, they still remain low at 11 percent of GDP compared to the Sub-Saharan average of 20 percent (end of 1996), while reliance on indirect taxes makes the tax regime regressive and anti-poor.

On the expenditure side public expenditures increased from about 9 percent of GDP in 1986/87 to some 21 percent by the end of FY 91/92 before falling to less than 19 percent in 1994/95. In 1995/96 the share of expenditure in GDP was 18.4 percent, still below the average of 30 percent for Sub-Sahara African countries. Public expenditures are severely restrained by low domestic revenue collection.

Tables 6.3 and 6.4 show recurrent and development expenditures by functional analysis. In both cases, expenditure on General Government duties constitutes a large share of total expenditures: over one-third, respectively 40–50 percent, in the mid-1990s. It is followed by the debt service and defence in the case of recurrent expenditures (both nearly 20 percent). The decline of the debt service due to debt relief operations and improvements in external debt management is worth noting. In the case of development expenditures, General Government (40–50 percent) is followed by Economic Services (between one-quarter and one-third of expenditures). The total of the social sectors remained below 20 percent. External financing plays a dominant role here.

Monetary sector performance

Throughout the ERP period, the main goal of monetary policy has been to reduce inflation resulting from excessive monetary expansion. Significant progress was made in bringing the rate of monetary expansion under control, the main factors being the considerable improvement in budgetary discipline and transfer of the management of crop finance from the Bank of Uganda back to commercial banks in 1991. Next in importance in controlling inflation was the policy of maintaining positive interest rates. In the earlier years of ERP real rates of interest were negative and discouraged private savings. Since November 1992 interest rates have been market-related.

During 1981–93 inflation was a serious problem, requiring the implementation of austerity measures, including elimination of overvaluation of the shilling, to bring it down. Since mid-1994 the annual inflation rate has averaged less than 10 percent; at December 1996 it was just over 5 percent.

External sector performance

The exchange rate had been weakening since 1970 owing to high inflation and the growing deficit on the current account of the balance of payments. Successful implementation of liberalisation policies after 1987, however, brought significant inflows of foreign exchange into the economy. The real effective exchange rate of the Ugandan shilling depreciated by almost 70 percent between mid-1987 and early 1992, and remained stable until November 1993, when Government successfully unified the multiple exchange rates by introducing

Table 6.3 Uganda Government recurrent expenditures: functional analysis 1991/92–1996/97 (percentages)

Functional analysis	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97[1]
General Government	16.9	28.6	26.6	30.6	36.8	37.2
Defence	18.7	15.1	17.2	20.1	18.2	19.1
Public Order and Safety	5.9	4.5	6.4	8.7	12.0	8.4
Education Services	15.5	11.9	10.3	11.0	8.0	8.7
Health Affairs & Services	4.5	4.1	4.0	3.9	3.4	2.8
Community & Social Services	1.3	1.2	1.7	1.2	1.1	1.2
Economic Services	6.0	4.4	6.1	5.8	3.2	3.2
Loan paid	31.2	30.2	27.7	18.7	17.3	19.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

[1]1996/97: estimates.

Source: Ministry of Planning and Economic Development 1997 Statistical Abstract.

Table 6.4 Uganda Government development expenditures: functional analysis 1991/92–1995/96 (percentages)

Functional analysis	1991/92	1992/93	1993/94	1994/95	1995/96
General Government	37.2	47.4	38.0	49.2	39.0
Defence	11.0	3.3	8.6	5.2	6.7
Public Order and Safety	4.5	4.5	10.1	4.7	5.2
Education Services	3.8	9.8	11.2	9.4	6.9
Health Affairs & Services	8.7	8.5	10.1	5.9	7.8
Community & Social Services	0.4	2.3	7.2	1.0	1.4
Economic Services	34.4	24.2	14.9	24.5	33.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Planning and Economic Development 1997 Statistical Abstract.

inter-bank trade in foreign exchange. Since October 1995, the exchange rate has generally been stable.

The balance-of-payments situation has remained fragile despite far reaching measures to liberalise the trade and foreign exchange regime. Movements on the current account largely reflect the collapse of coffee export receipts from US$ 365 million in 1986/87 to a low of US$ 95 million in 1992 and a recovery to an estimated US$ 396 million in 1996. Efforts to diversify exports have not been able to compensate for the decline in coffee proceeds. The non-coffee export value as a ratio of GDP increased marginally from 1.6 percent in 1990 to 2.5 percent in 1995.

The stability of the exchange rate as a result of low inflation, together with liberalisation policies, led to a growth in foreign exchange reserves. The Bank of Uganda increased its reserve holdings from an average of about US$ 15 million in the late 1980s to US$ 625 million (est.) early in 1997, equivalent to over four months of imports. Increases in reserves have also played a major role in managing the country's foreign debt (cf. 6.5).

6.6.2 *Evaluation of macroeconomic performance*

Compared to many other SSA-countries that have implemented more or less similar economic reform programmes, Uganda has been successful. The attainment of policy objectives depended critically on a number of factors, notably: Government's commitment, broad public support, political stability, internal security, external support and, last but not least, positive external conditions like good weather and favourable terms of trade.

1. To a great extent, the economic reforms have been owned by the Government of Uganda. Initially, in 1987, it was undoubtedly the case that while Government was in a transitional process, any reform was driven by the requirements of conditionality that were linked to IMF and World Bank support. Once Government became convinced that the implementation of strong macroeconomic policy and structural measures were essential to the attainment of ERP objectives, however, it started a successful campaign to elicit public support for its policies.
   Between May 1987 and December 1989, advocates of the structural adjustment process pursued a policy of education and persuasion on two levels. To influence public opinion, they sponsored seminars and prepared public discussion papers in which to state the case for economic reform. At the policy level, they were greatly assisted by the open debate in the Presidential Economic Council (PEC) where they were able to argue their case through a series of policy papers. The process of persuasion culminated in a Government seminar on the economy in December 1989 on the theme of *A Critical Look at Uganda's Economy under the NRM Government*. That seminar became a turning point.
   After completion of the internal debate, the reform programme at times even overtook the IFI reform agenda. For instance, the decision to tackle the overvaluation of the exchange rate and the legalisation of the foreign exchange bureau market far exceeded the requirements of IFI conditionality.

2. There is no doubt that Uganda has made gains under ERP. The decline in real GDP throughout the 1970s and early 1980s has been reversed. Since 1987, real GDP has registered positive growth. The rate of inflation has been brought under control, nominal interest rates have shown a downward trend, the exchange rate has been stabilised, government tax revenue has increased, the rehabilitation of the economic infrastructure has started, and export earnings and the country's foreign reserves have increased.

The big question is whether these gains can be sustained given that the economic reforms have depended largely on external support. One serious problem is that sustainable growth calls for increased domestic resource mobilisation through a well-developed financial sector. This is not the case, however, in that the rate of domestic savings is very low.

In addition to, and partly as a result of the low level of domestic savings, private investments are too low. They are far exceeded by public investments, but reliance on the latter to maintain current levels of investment in the economy is not sustainable in the long run because they are largely financed by external funds. Increased private investment is therefore, critical for future growth.

3. One aim of the economic programme has been to promote non-traditional exports by reforming both export and import policies. There has been a substantial liberalisation of trade and foreign exchange regimes and a reduction in the anti-export bias involving exchange rate unification, elimination of most quantitative restrictions, and some rationalisation and reduction of tariffs.

   Despite substantial liberalisation since 1987, the ratio of exports to GDP has generally remained below 10 percent. The low share of exports in GDP can be attributed to the low world prices for coffee prior to June 1994, while the persistently low level is due to an enduring anti-export bias as well as the narrow export base. Low levels of productivity are due to poor technologies, lack of credit facilities, lack of agricultural inputs, and poor transport facilities.

   The major sector in Uganda is agriculture, currently contributing 45 percent of total GDP. Not enough attention has been focused on the agricultural sector of the economy even though it provides most of the country's export earnings and holds the key to future growth prospects. A number of constraints within the agricultural sector have to be addressed if gains from economic reforms are to be sustained.

4. Although stabilisation of the economy has been achieved through monetary and fiscal discipline, expenditure on defence is still high and may hinder sustainability in the long term. In the 1996/97 budget, defence, public order and safety, together constituted 27.5 percent of the total recurrent budget. This figure is likely to increase if the insecure situation, which increasingly takes on the dimensions of a real civil war, is not brought to a halt.[12] There is a great risk that it will have negative consequences

[12] At least six rebel movements are active, five up country and one in the capital. Carrying out attacks in the North are: the originally religious-inspired Lord's Resistance Army (also known as the 'Holy Spirit' rebels or Kony Rebels, after their leader), the West Nile Bank Front (WNBF), and the Uganda National Rescue Front (a splinter group of the WNBF). Carrying out incursions from neighbouring Congo into south-west Uganda: the Allied Democratic Forces (ADF) and, active in the East, the Ugandan Peoples Army (UPA), occasionally collaborating with ADF. More recently (1997) the National Union for the Liberation of Uganda (NULU) has been carrying out attacks in the capital through its military wing, the National Army for the Liberation of

on the development of other sectors. The narrow tax base, which is regressive in nature, may also halt macroeconomic gains unless serious steps are taken to widen it.

5. Although Uganda has been successful in implementing stabilisation measures, little progress has been achieved with structural adjustment. A number of obstacles still stand in the way of increased production and growth, including lack of technology and skills, lack of capital, a weak financial sector and poor infrastructure. More importantly, little progress has been achieved in the area of human development. For instance, primary school enrolment increased by only 13 percent between 1988 and 1996, i.e. less than annual population growth.

The overall conclusion must be that Uganda so far has achieved macroeconomic stabilisation without accomplishing structural adjustment. This was inevitable because the results of demand management take a shorter period to realise, while the results of structural adjustment policies which normally affect the income of people and the quality of their life, take much longer. The important consequence is that the impressive growth performance of the country is mainly the outcome of effective stabilisation measures rather than of structural adjustment policies aimed at enhancing productive capacity. The latter hardly improved due to insufficient investments, and Uganda's economic performance in the period under review can therefore best be qualified as '*Growth without Development*'. Unless the economy's productive capacity is improved in the near future, Uganda will experience severe problems in maintaining the economic growth rates of past years, with important consequences for the poverty situation.

6.6.3 *Poverty and gender issues: what is known on poverty in Uganda?*

Prior to the early 1990s issues related to poverty received but scant reference in Ugandan Government and World Bank documents. The first major Uganda–World Bank initiative to address poverty issues directly was the Programme for the Alleviation of Poverty and the Social Costs of Adjustment, PAPSCA (1988–96). According to the PPAR (1997) of PAPSCA, its objectives were general and ambitious with apparently no clear target group focus. Problems related to financial management and procurement caused considerable delays in implementation. The PPAR rated the project as mostly unsatisfactory in terms of outcome, impact and sustainability of results.

One positive outcome of PAPSCA, however, was that in its preparatory phase it stimulated the *1989/90 Household Budget Survey,* although this did not include representative data

Uganda (NALU). The Ugandan Government accuses the Sudanese Government of harbouring and actively supporting some of these rebel movements.

on Northern and Eastern Uganda (due to political unrest) which have the highest incidence of poverty. The survey also suffered from methodological shortcomings. Some of these inadequacies were overcome by the *1992/93 Integrated Household Budget Survey*. The value of the two surveys is limited, however, the differences in geographical coverage and methodology making them not comparable.

The World Bank has undertaken two *Poverty Assessment Studies* in Uganda (1993 and 1995).[13] Since each assessment was based on a different household survey (see above) and given the incompatibility of the two household studies, no firm conclusions can be drawn about changes either in absolute poverty or in relative poverty between 1989/90 and 1992/93.

– The 1993 poverty study (*Growing out of Poverty*) concluded that 92 percent of the poor and 96 percent of the poorest people live in rural areas. Social and nutritional indicators confirm this picture. Life expectancy, 47 years for men and 50 for women, is one of the lowest in the world and shows a negative trend due to AIDS, which threatens not only adults but also infants. Uganda's crude death rate, at 20 per 1000, is about twice that of the average low-income country and considerably above the average of Sub-Saharan Africa. Stunted growth among children below the age of five years is also widespread, with the highest prevalence in rural areas.

– The 1995 study *Uganda—The Challenge of Growth and Poverty Reduction* classified 61 percent of Ugandans as poor, while the poorest 10 percent consumed barely more than one-third of the amount consumed by 'ordinary poor' people. The study confirmed the earlier finding related to a rural–urban gap. The north and east were much poorer than the south and west of the country. Food crops accounted for about 90 percent of total income earned from agriculture, including home consumption. Whereas the poor rely on cassava, millet and sorghum, the non-poor depend on *matooke* (cooking bananas). Cashcrops accounted for a very small share of average agricultural incomes (5 to 6 percent in 1992/93). The most important cashcrop, coffee, is equally important to poor and non-poor, especially in the rural central region.

The concept of poverty and indicators with which to measure its incidence have in recent years been subject of debate. The household surveys mentioned above and the World Bank Poverty Assessments take principally household expenditure into account but largely omit from the analyses other important dimensions that may define poverty, e.g. access to safe drinking water and sanitation, health facilities, education, infrastructure, etc.

[13] The Poverty Assessments in Sub-Saharan Africa were all cofinanced by the Netherlands (cf. *Evaluation of Cofinancing between the Government of the Netherlands and the World Bank: Special Study Free-Standing Trust Funds 1980–96*, 1997).

A major publication that includes other parameters than merely economic, is UNDP's *Human Development Report*. Its *Uganda Human Development Report 1997* (first ever published) mentions that, although recent macroeconomic performance may place Uganda among the top ten percent of the world's star performing economies, its human development outturn places it among the bottom ten percent of the global human development league. Life expectancy at birth is reported to be 50 years, adult literacy 73 percent for males and 49 percent for females, gross enrolment ratios (combined primary, secondary and tertiary levels) 34 percent (1995). Other indicators include the proportion of population without access to safe water (62 percent in 1990–96) and population without access to health services (51 percent in 1990–95). The report clearly shows the regional inequality, especially between north and south.

Although attempts have been made to improve on data collection and analysis, empirical knowledge about poverty in Uganda is still incomplete. Trends are even more difficult to establish. Under such circumstances, its seems hazardous to attempt to relate the scarce evidence to specific economic reform programmes.

Issues related to poverty assessment are further complicated if a gender dimension is taken into account. The 1993 World Bank study *Growing out of Poverty* presented information collected and analysed by a variety of gender-specific studies carried out between 1989 and 1992. It reports that women are responsible for producing 80 percent of Uganda's food and provide about 70 percent of total agricultural labour. They are principally but not exclusively confined to the unpaid subsistence sector and carry out their agricultural tasks without the benefit of technological innovation, inputs or finance. In addition, women bear the brunt of responsibility for household activities. This combination of tasks results in a heavy workload for women and explains their disproportionate morbidity rate as compared to Uganda's male population.

Women's education is lower than that of men. They live in relative isolation without proper information on health, nutrition and hygiene. Ignorance of their legal rights partly explains why there is still widespread discrimination of women insofar as inheritance and property are concerned (especially land and cattle) and that the tradition of bridewealth paid by the husband's family at the time of the marriage helps to keep women in a subservient position in virtually all respects.

The 1995 World Bank study *The Challenge of Growth and Poverty Reduction* does not specifically address the gender dimension, although economic and social data are given in a gender-specific manner. Strategies for poverty reduction proposed in the study, on the other hand, are not gender-specific.

The *Human Development Report* of 1997 (UNDP) gives a gender breakdown of the Human Development Index. The ratio applying to females is less than the national average, due to their unequal access to productive assets and income, as well as to social services and especially education.

Social effects of policy reform

An economic reform process entails both winners and losers, but lack of data and of *ex-ante* or *ex-post* analyses make it less clear who these losers and winners are. Adjustment programmes generally raise the relative price of tradeables and lower that of non-tradeables. Therefore, those who benefit from adjustment will be the producers of tradeables and the consumers of non-tradeables (see glossary). In Sub-Saharan Africa these are usually the producing, landowning rural people. Consequently, those who lose from adjustment will be the consumers/non-producers of tradeables, usually (landless) city dwellers. Worst off are urban people without employment or income, sometimes as a result of retrenchment programmes (reform of the public sector and/or state-owned enterprises). Other benefits from adjustment stem from improved economic growth rates (raising employment opportunities), low inflation (enhancing purchasing power), stable exchange rates (favouring producers of export crops), and improved conditions in the civil service for the whole population, e.g. improving delivery of the social sectors (education, health, housing), although cost recovery measures in this field may hinder access of the poor strata of the population.

In Uganda, as in many other Sub-Saharan African countries, the lack of detailed statistics on employment and wage income makes it hazardous to pronounce on the effects of economic reforms. It can safely be concluded, however, that the overall situation related to employment and income levels is likely to have improved in the wake of structural adjustment policies. Most employment opportunities are in the agricultural sector given its importance in the national economy and the fact that most people live in rural areas. There has been an increase in employment and income levels, especially for coffee-growers (now paid directly) and producers of other cashcrops, the overwhelming majority of whom are smallholders.[14] Partly induced by export facilities, the production of non-traditional commodities such as maize, fish products and horticultural crops has increased in recent years. Key urban sectors such as manufacturing and construction are likely to have absorbed both skilled and unskilled labour.

On the other hand, rising producer prices that benefit farmers cause increased food prices in towns. Furthermore, employment gains during the ERP period have been limited by

[14] Surprisingly, no precise data on the number of smallholders (in particular coffee producers) are available in Uganda, confirming the severity of the statistical problem.

downsizing of the civil service, army demobilisation, and the rate of population growth. On the whole, individuals who have been retrenched and have not yet found an alternative have been losers in the economic reform process (usually urban people). Poor groups in rural areas, notably in the north and east, will also have suffered from the effects of the economic reforms. Understandably, also, former smugglers and rent-seekers have lost under the economic liberalisation.

Figure 6.1 shows the evolution of real GDP per capita. The fall in the 1970s is evident. Similarly, the first attempts to bring about a turnaround in 1981 proved initially successful but economic performance deteriorated again as from 1984 due to increasing political unrest. After 1986 a continuous upward trend has been apparent but, even though the standard of living as reflected in real GDP per capita has increased since the start of the economic reform programme, in 1992 it was still one-third less than in 1970.

Basic social infrastructure and services, e.g. safe drinking water, sanitation, health and education facilities, access to roads and markets, means of communication, so far remain inadequate and in many cases inaccessible for large segments of the population. Recent increases in expenditures in both sectors have not been able to change this situation. Improvements will largely depend on the capacity of the public sector to make the required investments and to deliver the necessary services at an appropriate level.

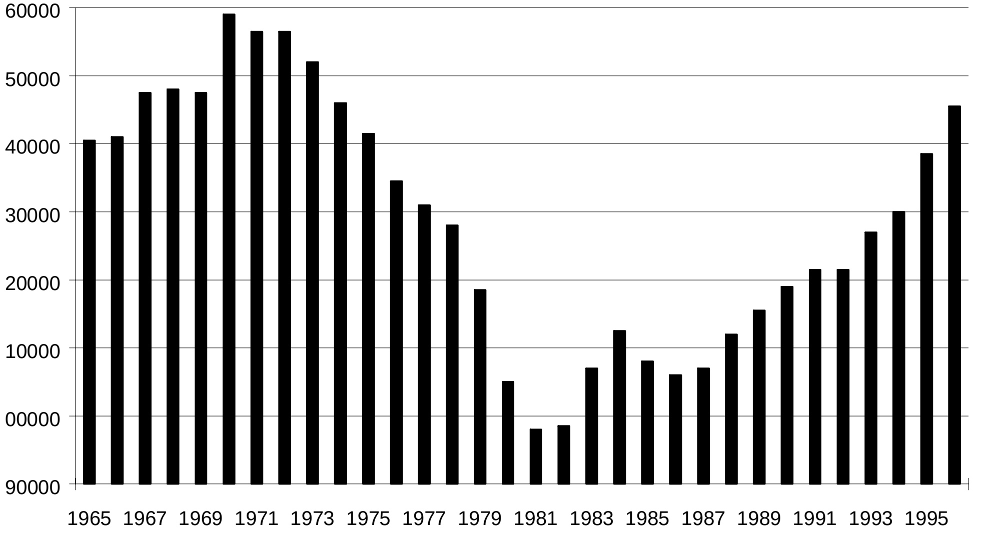


Figure 6.1 Uganda: Real GDP per capita, 1965–96 (in Uganda shillings)

6.6.4 *Three specific questions*

Question One: Have foreign aid funds been an influential or decisive instrument in obtaining the Government of Uganda's consent and collaboration with the adoption and implementation of policy measures?

The economic situation inherited by the NRM Government in January 1986 was extremely difficult. Figure 6.1 clearly illustrates this. It was obvious that large amounts of foreign assistance would be necessary to achieve any significant improvement in the economy. Financing with external resources during Obote II had demonstrated that it was possible to revive the economy, although improvements realised after 1981 were short-lived due to political circumstances. When the NRM Government assumed power it initially took control of the economy by a heavy interventionist policy (cf. 6.3 above). The negative results of this approach soon caused it to change its mind and policies. With the continued support of IMF and World Bank, a Policy Framework Paper (1987/88–1989/90) was adopted which laid the foundation of the Economic Recovery Programme (ERP). Acceptance and implementation of the conditionalities attached to support of the Bretton Woods Institutions were extremely important in securing this external support as well as that of other donors. It thus seems justified to conclude that the reforms carried out in that period were driven by the requirements of conditionality (cf. above, Evaluation of Macroeconomic Performance).

The internal debate which took place in Uganda, both within the Presidential Economic Council, and between the Council and the civic society (1987–90), increased Ugandan ownership of the reform programme and even led in some instances to policy decisions that overtook the reform agenda of the Bretton Woods Institutions. This sense of ownership was enhanced by the success of ERP. Without the resulting commitment of the Government of Uganda, continuity in ERP implementation would not have been possible and its continued external support would have been threatened.

In short, Uganda did well and thereby secured the goodwill of the donor community who were willing to support an economic reform programme which proved successful. However, an analysis of the role of foreign aid funds should also consider the geo-political role of Uganda in a region increasingly characterised by political turmoil and economic crises. While the economic revival added to the leadership role of Uganda's President, both inside and outside the country, the success of the reform programme could well serve as a model for other countries. Another drive for the continuation of policy changes and for their external support was thus created, providing gains to all concerned: Uganda, its people and President, and the international donor community. This mutual interest in continuation of the reform programme may well prove an important factor in the future.

Question Two: What have been the effects of aid funds on the macroeconomic performance of Uganda?

1. Before the reform programme Uganda's productive capacity was greatly underutilised. Various reasons accounted for this situation, of which the foreign exchange constraint was one of the most important. Donor funds mainly financed imports varying from spare parts, agricultural tools, educational materials and telecommunications equipment, to raw materials, petroleum and other inputs, primarily for the agricultural and industrial sectors but also for infrastructural purposes. Occasionally, the importation of essential consumption goods was financed. It was this availability of raw materials, intermediate goods, capital goods and spare parts which greatly enhanced local production, resulting in better capacity utilisation and leading to improved economic growth rates.

2. Aid funds in the form of debt relief in fact constituted budget support for the Ugandan Government, enabling it to finance its recurrent and development budgets.
3. In fact, donors financed a large part of the budget. In FY 1995/96, 87 percent of the development budget was externally supported (regardless of the use of countervalue funds by the Ugandan Government).
4. There was a steep fall in the value of Uganda's exports caused by the fall in world coffee prices between 1989 and 1993. Since coffee export earnings accounted for 65.5 percent of export earnings (1990–93 average), balance-of-payments difficulties would have been exacerbated if the important flow of external funds that accompanied the policy measures had been lacking, thus making it difficult for Uganda to meet its import requirements and/or to service its debt.
5. Aid funds financed the setting-up and the operations of the Uganda Investment Authority, the Uganda Revenue Authority and the civil service reform, thus contributing to improved institutions.
6. In a liberalising foreign exchange market, aid inflows will cause an exchange rate appreciation (a phenomenon known as 'Dutch disease'); hence, a smaller degree of depreciation would be required to achieve a market-clearing exchange rate, thereby possibly enhancing the political base for unpopular policy reforms. As a result of the 'Dutch disease' problem, however, domestic terms of trade may turn against the tradeables sector, jeopardising growth of the productive sector and escalating inflation. The real effective exchange rate has been appreciating since 1992. The non-availability of adequate data, however, makes it impossible to quantify the influence of this real appreciation.
7. The large inflows of foreign aid funds may help to build-up public debt, thereby endangering future public expenditure on priority areas, specifically when these external funds are granted on a loan or non-concessional basis.

Question Three: What have been the effects of policy measures on the macroeconomic performance of Uganda?

Reference has already been made to difficulties surrounding the establishment of a causal relationship between policy changes and macroeconomic performance (cf. 6.1 above). Despite these difficulties, since implementation of the reform programme Uganda's economy has grown at an average of 6 percent per annum. The cross-relationships between policy reforms, terms of trade, good weather and economic performance are illustrated by the fact that the highest economic growth of 10.6 percent was recorded in 1994/95, following the coffee boom. It is not conceivable, however, that the improvement in budgetary discipline, control of the annual inflation rate (about 5 percent in 1996), and the stable exchange rate making the Ugandan Shilling again an attractive currency in the region, could have taken place without the policy measures attached to the granting of external financial support.

Final remarks on the macroeconomic evaluation

Policy measures combined with large inflows of foreign aid funds have greatly contributed to Uganda's good macroeconomic performance since the initiation of ERP, but have failed to solve the country's structural economic problems, e.g. the low domestic savings rate, narrow export base, weak financial sector and increasing dependence on foreign funds. They have also insufficiently tackled problems such as low internal revenues, relatively large non-development-oriented public expenditures, and the mediocre quality of the civil service. Although the basis for it has been laid, the response of the private sector to policy reforms has not yet materialised. As a result, the country is now even more dependent on external support than before implementation of the reforms if it is to maintain its good record.

Moreover, economic growth achieved since 1987 has been due to improved utilisation of the economy's existing productive capacity but is by definition limited to the existing production frontier. Medium and long-term growth rates are threatened by the insufficient level of investments (in infrastructure, human resources) needed to increase the economy's productive capacity.

Finally, despite commendable achievements, the economic recovery so far has not yet reached a level comparable to that of the late 1960s.

6.7 Conclusions

Against the background of Uganda's relatively good economic performance since the start of ERP and the roles played in it by policy changes and external funds, the programme aid cofinancing provided by the Government of the Netherlands is in general positively assessed.

Policy relevance and compatibility

There is no doubt regarding the policy relevance of the programme aid. Commitments for the Reconstruction Programme (1979–84) and for the Economic Recovery Programme (1987–ff) were both fully justified in view of the extremely degraded economic situation and the Ugandan determination to halt the decline and to revive the economy. When the Dutch Government decided to cofinance the Third Reconstruction Credit (1984) it was wary of the internal situation in Uganda, but ultimately gave it the benefit of the doubt. The Obote II regime, then in power, continued its repression and the internal security situation deteriorated even farther.

A special word seems warranted on debt relief transactions. Uganda's debt situation had become untenable in the early 1990s and efforts to relieve the situation seemed fully justified. It should be remembered, however, that the root of the problem is not the existence of unbearable debt but its seemingly uncontrolled creation, as well as the reasons that render debt servicing difficult, i.e. insufficient internal revenues and disequilibrium of the balance of payments caused by non-performing exports, a narrow export base and/or unfavourable terms of trade. No evidence has been found that appropriate analysis was made when deciding on any form of debt relief. It coincided with Uganda's wishes, however, and hence policy compatibility can be noted.

Effectiveness

As demonstrated above, policy reforms in combination with aid inflows brought a revival of the economy. The upward trend that began in 1981 was reversed in 1983, but from 1987 onwards there has been continuous improvement of macroeconomic performance—although not all objectives of the Economic Recovery Credits and Structural Adjustment Credits have been met. In particular, internal revenue collection lagged behind objectives, as did the supply response of the private sector.

The debt relief transactions had positive effects such as reduction of the debt stock, freeing of public resources, and reduction of the balance-of-payments deficit through savings in foreign exchange. The root causes of the debt problem remained untouched, however, particularly as regards non-commercial debt. The effectiveness of debt relief granted in terms of freeing public resources for Priority Programme Areas (PPAs) also has to be judged as moderately positive in view of the difficulties experienced by reorientation of public expenditures towards PPAs, in particular the limitation of defence related expenditure.

Efficiency: general

Reference has already been made to the impossibility of assessing the efficiency of programme aid in terms of cost-efficiency, i.e. whether the same results could have been achieved at less cost (cf. Chapter 5, section 5.7).

One way by which to judge general efficiency is to investigate the speed of implementation, taking into consideration certain elements of the design of foreign assistance. All IDA Credits and related cofinancing suffered significant delays in their implementation, often close to two years. This unsatisfactory situation is due to numerous factors, e.g. political unrest, unrealistic expectations, and burdensome procurement procedures (First Reconstruction Credit), unfulfilled conditionalities (Second Reconstruction Credit), budgetary indiscipline (Third Reconstruction Credit), and lack of commitment resulting in non-achievement of targets (Second Economic Recovery Credit).

Efficiency: Dutch cofinancing

The Dfl. 35 million joint cofinancing of the First Reconstruction Credit suffered considerable delays even necessitating the commitment of an additional Dfl. 10 million (cf. 6.2 above). For example, after the second tranche had been transferred to Washington, the World Bank took another year to spend the funds. Also the Dfl. 15 million joint cofinancing funds of the Second Reconstruction Credit hastily transferred at the end of December 1993 stayed a year with the Bank before disbursement. The spending of the Dfl. 20 million joint cofinancing of the Third Reconstruction Credit necessitated the IDA Credit's closing date being extended by one year. Both political and administrative reasons were responsible for these delays in implementing the cofinancing of 'import support through quick disbursing funds'.

The World Bank's spending of the Dfl. 35 million cofinancing funds of the Second Economic Recovery Credit was also slow. Dutch funds, although transferred at the end of 1991, had apparently not been fully disbursed by mid-1993.

One of the two cofinanced debt relief transactions, i.e. the commercial debt buy-back, was extremely efficient in view of the discount rate obtained (88 percent of face value) and resulted in the elimination of most of Uganda's commercial debt. The second operation, the 5th Dimension Programme, resulted in the entire servicing of Uganda's IBRD-debt in 1994. The debt service which the Netherlands cofinanced, however, was not due until the following year, and the efficiency of the transaction is therefore judged as less than optimal.

Sustainability of results

The sustainability of results has two dimensions. One is the Ugandan government's commitment to continue the policy reforms, the other is whether the recovery of the Ugandan economy has reached the stage of putting the country on the path to sustainable development.

1. Ugandan ownership of the economic reform programme certainly increased during the period under review, by the end of which reversal of the economic reform policy directions seemed very unlikely (31 December 1996). In the future, fiscal performance may well prove to be the major stumbling block. On the one hand, the restructuring of public expenditures, i.e. shifting resources from non-development-oriented expenditures like defence to PPAs, in particular the social sectors, may be difficult to realise in view of the continued internal rebellions as well as regional tensions. On the other hand, increasing government's internal receipts by widening the tax base and making the tax system less regressive may include unpopular decisions and measures which, in turn, may have a negative effect on the political base of future policy reforms.

2. It is questionable whether the structural adjustment programme In Uganda has reached the stage of putting the country on the path towards sustainable development. As emphasised earlier, economic growth realised since 1987 has mainly been due to an increase of existing production capacity and hardly due to important new investments in the production structure. Unless the latter is realised, the actual economic growth rate will be threatened (disregarding here improvements to the terms of trade or favourable climatic conditions). Obstacles to the internal financing of new investments include the low internal savings rate and the insufficient level of government revenues, while the narrow export base renders the country vulnerable to external variables such as the world market price for coffee, its main export product. This makes the country dependent on foreign resources, whether private and/or public. While foreign resources increase the country's existing debt problems unless provided as grants, private investments have not yet shown signs of soon forthcoming.

7 Programme aid: other countries

7.1 Selection of programme aid

For maximum coverage of cofinanced activities, existing evaluation material has been used, provided that it was compatible with the aims and criteria of this study. The following special studies yielded insights in respect of cofinancing (cf. Chapter 1 and Annex 2).

- One study highlighted findings on cofinanced activities of IOB Country Studies dealing with bilateral aid to the following countries: Bangladesh, Bolivia, Egypt, India, Mali and Tanzania.

- Another reported on evaluation findings on cofinancing in other countries, i.e. countries not included for in-depth research (Ghana, Pakistan, Uganda) and in those covered by IOB Country Studies. Use was made of Project Performance Audit Reports (PPARs) of the Operations Evaluation Department (OED) of the World Bank.

This chapter summarises findings on Credit and Loan Related Cofinancing, that is programme aid.[1] The IOB Country Studies cover a few cofinanced activities of this nature. An overview of cofinanced programme aid evaluated in the IOB Country Studies is given in Table 7.1.

There are also a few PPARs on programme aid in other countries. All cofinanced programme aid involved joint cofinancing in which the Dutch contribution was not recognisable in the total funding administered by the World Bank. Evaluation findings of PPARs are therefore relevant for an assessment of the use of the Dutch contribution. Table 7.2 provides an overview of cofinanced programme aid in countries covered by PPARs.

The report on PPAR findings distinguishes between multisector adjustment programmes, which in principle have an economy-wide application, and sectoral adjustment programmes (e.g. Agricultural Sector Adjustment, Industrial Reorientation). Programme aid

[1] This chapter also contains findings on some Free-Standing Trust Funds, i.e. a few debt relief transactions in Bolivia.

Table 7.1 Cofinanced programme aid covered by IOB studies

Country	No. of WB credit and loans	No. of Dutch funded activities	Sectors	Years of commitment	Total of Dutch disbursements 31 December 1996 (Dfl. millions)
Bolivia	4	9	Social Sector, Multisector	1988–95	80.3
India	4	9	Rural Development, Social Sector	1980–88	398.4
Mali	3	6	Rural Development, Multisector	1988–94	57.7
Tanzania	3	6	Rural Development, Energy and Industry, Multisector	1987–90	129.8
Total	**14**	**30**			**666.2**

Note: The IOB Country Study on Egypt covered two programme aid transactions which could not be included in the present chapter due to technical reasons. See note 3, Section 7.2.

Table 7.2 Jointly cofinanced programme aid covered by PPARs in other countries

Sectors	No. of WB credit and loans	No. of Dutch funded activities	Countries	Years of commitment	Total of Dutch disbursements 31 December 1996 (Dfl. millions)
Multisector	8	8	The Gambia, Guinea-Bissau, Malawi, Mauritania, Mozambique, Senegal, Togo, Zambia	1984–88	97.0
Rural Development	5	7	Jamaica, Kenya, Malawi, Tunisia, Zambia	1985–90	84.0
Energy and Industry	3	7	Malawi, Zambia, Zimbabwe	1986–90	66.8
Total	**16**	**22**			**247.8**

in the social sector (e.g. 'Social Action Programmes') could not be taken into consideration under this heading, because there were no PPARs on such activities.[2]

Evaluation material referring to programme aid and used for this study covers 30 World Bank projects and 52 Dutch-funded activities in 20 countries. Cofinancing by the Netherlands totals Dfl. 914 million, more than two-thirds of which were covered by IOB country studies (cf. 1.6, Scope of the Evaluation). It should be mentioned that PPARs and IOB Studies, when referring to programme aid, usually provide fairly extensive treatment of dimensions related to economic self-reliance and poverty alleviation, but are more reticent on issues related to gender relations and effects on the environment.

7.2 Cofinanced programme aid covered by IOB Country Studies[3]

7.2.1 *Bolivia*

Overview

Disbursements under Dutch cofinancing in Bolivia amounted to Dfl. 99 million in Credit and Loan Related Cofinancing (CLRC) and Dfl. 26 million in Free-Standing Trust Funds (FSTF)(mostly debt relief), totalling Dfl. 125 million. Programme aid represented 64 percent of this total (Dfl. 80.3 million). The IOB Study covers cofinanced programme aid. An overview is given in Table 7.3.

With regard to multisectoral activities the Netherlands contributed grant funds in relation with the Structural Adjustment Credit II and, in relation to debt relief, more particularly to the IDA Debt Reduction Facility (commercial debt buy-back) and the Multilateral Debt Fund of the World Bank. The latter were FSTF but are included in this chapter for the sake of comprehensiveness. The evaluation also covers three clusters of activities in the social sector, i.e. the Second Emergency Social Fund, the Social Investment Fund and the Delivery of Essential Medical Drugs.

The substantive description and evaluation of cofinanced programme aid in Bolivia starts with a general overview by describing structural adjustment and economic reform policies,

[2] The IOB studies on bilateral aid to Bolivia, Egypt and India, on the other hand, contain evaluation findings on activities in the social sector.
[3] The IOB Country Study on Egypt covered two programme aid transactions which could not be included in the present chapter due to technical reasons. One concerns a Dfl. 20 million grant (a part of the 1986 Dfl. 227 million cofinancing transaction, cf. Chapter 3.3) to be used in an almost completed World Bank financed project. Exceptionally, the Dutch grant was to be on-lent to the Egyptian recipient on IBRD terms and conditions. Eventually, the project failed. The other cofinanced activity (Dfl. 16 million, 1992) provided support to the Social Fund for Development, with modest results though (*ibid.*, Volume 2:74–78).

Table 7.3 Cofinanced programme aid in Bolivia covered by IOB country study

Sector	C/L	WB Project Title	Dutch Project Title	Form	Type	Years of commitment	Dutch disbursements 31 December 1996 (Dfl. millions)
Social Sector	C1882	Second Emergency Social Fund	Fondo Social de Emergencia (FSE)	J	CLRC	1988, 1989 1990	31.1
Social Sector	C2127	Social Investment Fund	Social Investment Fund (FIS)	J	CLRC	1990	3.5
Social Sector	C2092	Integrated Health Development	Delivery of Essential Medical Drugs	P	CLRC	1990	3.7
Multisector	C2298	Structural Adjustment Credit	Structural Adjustment Credit II	J	CLRC	1991	19.1
Multisector		Bolivia Commercial	Bolivia Commercial	J	FSTF	1993	5.0
Multisector		Bolivia Debt Relief (1995)	Bolivia Debt Relief 1995	J	FSTF	1995	10.0
Multisector		Bolivia Multilateral Debt Relief	Bolivia Multilateral Debt Relief IBRD and IDA (1995)	J	FSTF	1995	7.9
Total							**80.3**

then presents and analyses cofinanced activities in the social sector, and eventually deals with debt relief.

Description and evaluation

(a) Multisector: structural adjustment

The IOB Country Study on Dutch bilateral aid to Bolivia does not explicitly evaluate World Bank-supported Structural Adjustment Programmes (SAPs) in general or Dutch direct grants to these programmes in particular. SAPs are treated as part of a general assessment of the economic development of Bolivia.

In the aftermath of a difficult transition from military rule to democracy (1978–82) and a severe economic and monetary crisis (1982–85), an economic reform package was introduced in 1985 with support by the World Bank and IMF as well as other members of the donor community. The aim was not only to restructure the Bolivian economy but also to consolidate the democracy and modernise the state. The IOB Country Study distinguishes three periods of structural adjustment: (i) stabilisation and institutional reform (1985–90); (ii) Social Strategy (1991–94); (iii) second generation of reform initiated by the IMF Enhanced Structural Adjustment Facility (ESAF) as from 1994. The different periods were characterised by the following features.

Between 1985 and 1990, the emphasis of the New Economic Policy was on stabilisation, liberalisation and institutional reform. Bolivia opted for a radical neoliberal model of adjustment and applied shock therapy. Among the adopted measures were the following: (i) devaluation of the national currency by 93 percent and introduction of a new currency; (ii) unification of exchange rates determined by auctioning; (iii) tight restrictions on the creation of money; (iv) a restrictive fiscal policy with increased revenue generation and a drastic reduction of public expenditure (resulting in the dismissal of 30,000 civil servants and 23,000 miners); (v) restrictive measures on credits provided by the Central Bank of Bolivia; (vi) trade liberalisation; (vii) liberalisation of the labour market; (viii) liberalisation of the capital market (foreign exchange, interest rates); (ix) reorganisation of the public administration and financial control system; (x) creation of a social safety net facility (the Social Emergency Fund). A privatisation policy was formulated but for the larger part not implemented. The results of these first five years of adjustment remained below expectations due to negative external factors: (i) a drop in export earnings due to a fall in international prices of tin (the principal export commodity); (ii) scarcity of credit funds in the wake of the international debt crisis; (iii) the need for food imports caused by prolonged drought in Bolivia.

Between 1991 and 1994, government policy shifted its emphasis to a Social Strategy involving strengthening the delivery of social services; these were basically seen as an investment in human resources and thus a long-term contribution to socioeconomic development. Primary health care and education were supported through the Social Investment Fund (FIS) (see below) and through programmes that directly benefited the most vulnerable social groups (traditional farmers, particularly women, the informal urban population, children, the elderly). At the same time, stabilisation and economic reform measures were basically maintained. Economic modification programmes focused on increasing the efficiency of the financial sector, the privatisation of small and medium-sized commercial public enterprises, streamlining trade and registration procedures and improving the system of public sector investment projects.

From 1994 onwards, the ESAF Agreement with IMF aimed at more than mere economic aspects, dealing rather with democratisation, people's participation, and administrative and budgetary decentralisation. More than during previous periods, the government programme centred on capitalisation and privatisation (including pension reform), educational reform and popular participation.

The Netherlands became involved in this whole process through three forms of programme aid: import support, debt relief and sectoral budget support. In 1991, the Netherlands granted Dfl. 19.1 million as joint cofinancing of the World Bank's Structural Adjustment Credit (SAC). The IOB Study specifically mentions this particular funding but does not provide evaluative statements. Achievements and shortcomings of the overall process, and more particularly of the period between 1985 and 1994, however, are described and analysed in some detail.

Achievements included (i) economic stability and fiscal discipline; (ii) increased capital inflow resulting from US$ bank accounts and high real interest rates; (iii) liberalisation of the domestic market and international trade; (iv) modest, but consolidated economic growth in GDP (approximately 4 percent per annum since 1990); (v) improvements in social indicators (which remained low as compared to Latin American averages); (vi) improved balance of payments; (vii) redefinition of the role of the state and reorganisation of the public administration; (vii) declining dependency on the informal coca/cocaine sector.

Shortcomings were found in the following aspects: (i) economic growth per capita remained low; (ii) the structural adjustment of the economy was not reflected in the composition of GDP (continued reliance on extractive industries, little dynamism in manufacturing, transport and services, decreasing share of the agricultural sector in GDP); (iii) insufficient domestic savings; (iv) continuously high degree of dollarisation of the economy, and lack of confidence in domestic currency as well as general economic stability; (v) dependence of public investment on external financing and of gross investment on the net transfer of resources; (vi) low investment levels; (vii) insufficient generation of formal employment; (viii) unequal distribution of benefits.

Although structural adjustment policies, from 1991 at least, addressed poverty and social sector issues, income disparities between white- and blue-collar workers increased under structural adjustment; 70 percent of the total population and 90 percent of the rural population could not satisfy their basic needs. Agricultural smallholders (*campesinos*) were not favoured for a variety of reasons: (i) public investment in smallholder agriculture, very low already before 1995, came to a standstill; (ii) agricultural development policies (at least until 1995) focused on capital-intensive and export-oriented agricultural enterprises; (iii) credit facilities for smallholders were discontinued; (iv) agricultural research and extension were minimised, especially for smallholders; (v) the liberalisation of food imports (and food aid during the initial stage) was detrimental to domestic smallholder production; (vi) deregulation of labour rights affected *campesinos* who were often employed as part-time wage labourers; (vii) terms of trade between agricultural products and manufactured goods deteriorated, affecting the already low purchasing capacity of smallholders.

(b) Social sector: Second Emergency Social Fund and Social Investment Fund

The Social Emergency Fund (FSE) was created in 1987 in the immediate aftermath of adjustment measures and intended as a temporary palliative measure to help the 'new poor'. In 1990 it was replaced by the Social Investment Fund (FIS), which aimed at structural poverty alleviation.

While FSE's principal objective was temporary employment generation through infrastructural and social works, the objectives of FIS were (i) better coverage of health, education, water supply and sanitation services, and (ii) international fund raising for the social sectors. Both FSE and FIS attracted sizeable external funds. Dutch contributions through joint cofinancing with the World Bank amounted to Dfl. 31.1 million for FSE and Dfl. 3.5 million for FIS.

The IOB Country Study concludes that the policy relevance of both programmes was high for Bolivia and for the Netherlands. They addressed the crisis in public social services and provided the Bolivian government with an instrument with which to coordinate donor support in this sector. The focus on the rural poor and, at a later stage, on dimensions of gender and environment, corresponded to Dutch development policies.

FSE and FIS were effective in the sense that they enhanced confidence in government. FSE effectively reached the poor but failed to improve the situation of the 'new poor' and of women. FIS had little impact on the incomes of the poor. Investments in the social infrastructure benefited women more than men. Both FSE and FIS improved national social indicators, and a larger percentage of the population gained access to basic social services such of drinking water and sanitation.

FSE was efficient in that operating costs were low and disbursement procedures were quick. Not all projects were well planned and monitored, however. FIS had better planning procedures and was more efficient in resource allocation, but its operating costs were higher and procedures were slower. The World Bank was inefficient in administering Dutch funds. The Royal Netherlands Embassy in La Paz/Bolivia was not informed; expenditure reports were submitted too late or not at all, and often contained erroneous information. The World Bank's supervision of the approval of sub-projects was slow, troublesome and complicated.

Consolidation and sustainability of project results initially received little attention from either FSE or FIS. However, most of the created infrastructure was well used and more or less adequately maintained. Prior to 1995, public budgets did not adequately cover recurrent costs, but the situation was expected to improve under new laws aiming at decentralisation.

(c) Social sector: essential drugs

As from 1990, the Netherlands became involved in the Integrated Health Development Project (IHDP) of the World Bank through various project aid activities as well as through Essential Drugs Delivery which was programme aid under a parallel cofinancing arrangement. The amount disbursed at that time was Dfl. 3.7 million. The Netherlands had been involved in essential drugs programmes since 1982, but the earlier interventions had not involved cofinancing with the World Bank.

The IOB Country Study evaluated the Dutch involvement in essential drugs delivery without any specific reference to the cofinancing arrangement with the World Bank from 1990. The project was implemented by the Pan-American Health Organisation (PAHO) in conjunction with the World Health Organisation (WHO). A cost-recovery mechanism was introduced by which medicine sales capitalised a revolving fund, enabling the Ministry of Health to procure essential drugs without external aid.

The IOB Study concluded that the policy relevance of IHDP was high, since it addressed an existing problem in Bolivia and fitted well into the sectoral policies of the Bolivian government. Compatibility with policies of the Netherlands was ensured by the fact that IHDP directly benefited low-income and vulnerable groups. As far as effectiveness was concerned, Dutch import support had an insignificant effect on the balance of trade, but foreign exchange was saved. Medicine supplies had a greater effect at the microlevel as they helped to improve access to health care. The procurement of supplies was also efficient in value-for-money terms. Sustainability was also found to be high thanks to the introduction of the cost recovery mechanism and an essential drugs supply system.

(d) Debt relief

Until 1982, Bolivia's external debt was relatively modest compared with that of other Latin American countries and consisted largely of commercial loans. From 1985 onwards these loans decreased whereas multilateral debt increased dramatically in the context of the economic adjustment programme. In 1990 the debt burden totalled US$ 3.7 billion of which 7 percent was commercial, 48 percent bilateral and 45 percent multilateral. By 1995, total debt had increased to US$ 4.5 billion (of which 1 percent commercial, 40 percent bilateral, 59 percent multilateral[4]).

The growing debt burden formed a major bottleneck to economic growth since debt service obligations replaced government expenditure on imports and investments. One way of reducing the debt burden and service obligations was Debt-Buy-Back, i.e. international banks selling bank debt titles (promissory notes) to third parties at a reduced price, allowing them to exchange the notes with the Central Bank of Bolivia for local currency. The advantage for the international banks was that they could reduce their dubious debt portfolio, for the third party that it could obtain national currency at a discount and thus save foreign exchange, and for the Central Bank of Bolivia that it 'bought back' its debts, thereby reducing its present and future servicing obligations.

In 1987 the Netherlands had been the first bilateral donor to make foreign exchange available to Bolivia, enabling that country to enter into buy-back operations of commercial debt titles at no cost. Thereafter, the Netherlands helped Bolivia to set-up an IMF Trust Fund, thus enlarging the scale of the buy-back operations.

The IDA Debt Reduction Facility created in 1989 was intended to reduce the remaining commercial debt. The Bolivia Commercial Debt Buy-Back operation of 1993 amounting to Dfl. 5.0 million was part of Dutch joint cofinancing with the World Bank. Together with funds from the World Bank, Sweden and Switzerland, it removed almost all commercial debt from the portfolio. Thereafter, in 1995, the Netherlands contributed to the Multilateral

[4] This excluded IMF standby loans and agreements in the context of structural adjustment facilities.

Debt Fund. This made resources available to enable Bolivia to comply with multilateral debt service and more particularly with its non-concessional part, e.g. that of IBRD.

According to the IOB Country Study policy relevance was high for Bolivia, since the instrument of debt relief removed a major bottleneck to economic growth and development, facilitated macroeconomic and sectoral reforms and supported the emerging democracy. Policy compatibility with Dutch policies was assured since the use of cooperation funds for debt relief was emphasised in Dutch policy documents from the early 1990s.

The Commercial Debt Buy-Back in 1993 was effective in that commercial debt was reduced sharply. In a general way, debt relief activities helped to restructure Bolivia's debt portfolio and may therefore be described as effective. Since most multilateral loans were contracted on concessional terms, the change was favourable in a financial sense. It also implied a higher degree of dependency, however, on a limited number of international lending institutions (e.g. the World Bank) which played an important role in the definition of national development policies.

Debt relief activities were efficient both in terms of timing and the use of financial resources. The Netherlands was a front-runner in debt relief activities in Bolivia and played a positive role among the various donors involved.

Sustainability of the outcome of debt relief is described in the IOB Study as uncertain. Bolivia has not devised its own criteria or indicators with which to determine sustainable levels of indebtedness, taking into account the potential carrying capacity of the economy (and of the Treasury to repay this debt). A more cautious lending policy by international financing institutions and regional banks would contribute towards maintaining sustainable levels of debt.

7.2.2 *India*

Overview

India has been the largest single recipient of bilateral aid of the Netherlands in general and of aid under cofinancing arrangements with the World Bank in particular. Between 1975 and 1996, cofinancing disbursements totalled almost Dfl. 600 million, corresponding to 14 percent of all Dutch cofinancing in that period. Most cofinancing to India was in the form of programme aid (Dfl. 498 million, or a little more than 83 percent).

Cofinanced programme aid to India was provided in rural development and in the social sector. The larger share (Dfl. 398 million) was granted in the rural development sector, i.e.

to the Third and Fourth Agricultural Refinance and Development Corporation (ARDC) (commitments between 1980 and 1983) and the follow-up programme for the benefit of the National Bank for Agriculture and Rural Development (NABARD) (commitments between 1985 and 1988). Most of this funding was parallel cofinancing. Cofinanced aid in the social sector consisted of a grant under joint cofinancing of Dfl. 100 million in 1992. Only ARDC/NABARD funding was evaluated by the IOB Country Study on India published in 1994 (cf. Table 7.4).

Description and evaluation

The rationale of government-sponsored agricultural credit in India was that poor farmers were to be weaned away from moneylenders and that adequate credit for priority sectors and target groups at concessional rates of interest was to be ensured. In 1975, the refinancing of long-term loans was entrusted to the Agriculture Refinance and Development Corporation (ARDC). In 1982, the refinancing of short-term loans was added to create the National Bank for Agriculture and Rural Development (NABARD). NABARD received 80 to 90 percent of its funds from the Government of India (including the Reserve Bank of India and foreign contributions) at a subsidised rate. The funds were passed on to participating banks at a slightly less subsidised rate, NABARD being expected to cover its costs and to make a profit from the difference.

Between 1975 and 1989, ARDC and NABARD floated five lines of credit totalling US$ 10.2 billion, of which the Government of India financed 81 percent and the World Bank about 12 percent. The Netherlands was the largest bilateral contributor covering about 2 percent of the total, while the European Community and other donor countries provided the remaining 5 percent.

In terms of (parallel) cofinancing, the Netherlands provided grants worth Dfl. 200 million (between 1980 and 1983) in relation with the Third and Fourth ARDC Credit. NABARD received a World Bank loan as well as Dutch grant funding, committed between 1985 and 1988, totalling Dfl. 198 million. The IOB Study reports that the high disbursement to NABARD in 1986 (Dfl. 74 million) was made because budget support to India was considered an appropriate category for preventing under-disbursement by the Dutch Ministry of Foreign Affairs during that particular year.

The Government of India made a conscious policy decision to use the banking system in its fight against poverty. Dutch support to ARDC/NABARD, which started in 1980, was based on two considerations: (i) marginal and landless farmers would receive special attention; (ii) the World Bank's long-term involvement in India's rural credit scene (since before 1975) could be labour-saving for the Dutch Ministry's country desk and help to increase the effectiveness of Dutch development support. Budget support was also seen as the only viable disbursement alternative for import support. It may thus be inferred from the IOB Country Study that the interventions were characterised by policy relevance for both governments and hence also by policy compatibility. The report stressed, however, that in supporting NABARD, the Ministry's country desk did not pay attention to timely reports from the Royal Netherlands Embassy in New Delhi regarding considerable overdues in India's rural credit.

The Country Study concluded that ARDC and NABARD were highly ineffective in combating poverty. The banking community was compelled to channel at least 60 percent of its money to small and marginal farmers and to invest at least 30 percent of funds in the Integrated Rural Development Programme (IRDP) of the government. Independent evaluation studies showed that these loans were merely an administrative success and did not significantly alleviate poverty. Recovery of the loans was unsatisfactory and few beneficiaries became less poor than before.

The system was also found to have been extremely inefficient. The banking system was under tight government control and interest rates were prescribed by government. Participating banks were obliged to invest a large part of their assets in government debt at unattractive fixed rates in order to meet government's growing budget deficits. Various mandatory arrangements thus stripped the banks' reserves. Moreover, thousands of loans were disbursed on the instigation of political dignitaries without any proper assessment of borrowers' creditworthiness. Many people came to see bank credits as state aid. The banks' losses were eventually absorbed by the government. Viability of the system was in doubt and, according to banking criteria, it was virtually bankrupt. Sustainability was thus by no means ensured.

Although the World Bank documented many such problems, the next 'credit slice' was always approved. The World Bank initially tried to improve the rural credit system from within and concentrated mainly on tougher eligibility criteria for NABARD's clients (the participating banks), but eventually attempted to change the system itself. It was recognised that the banking system would become more autonomous by a reduction and phasing-out of mandatory credit and of the multitude of rules and regulations. Furthermore, it was necessary to make the costs and benefits of credit provision more transparent, to step-up interest rates to market levels and to look for alternative forms of support. The Government of India, however, was slow to respond to the advice of the World Bank. Not until 1991 did a Committee on the Financial System recommend the gradual elimination of all concessional lending rates and a cautious approach to deregulation in order *to avert indiscrete lending by commercial banks at high rates for profit maximisation*.

According to the IOB Country Study, donors cannot reject partial responsibility for the problems in India's rural banking system. The World Bank staff found it difficult to keep pace with the extraordinary complexity of the programme, its expansion in volume, the fundamental change in composition, and the changes in politics and economic policies exogenous to the programme. The country desk of the Dutch Ministry of Foreign Affairs relied on the World Bank to transfer substantial amounts of money at minimal cost (in terms of staff time). The formula caused detachment from the subject among rotating project officers at the country desk who failed to achieve a thorough understanding of the programme or to ask the fundamental question of whether support to ARDC/NABARD was an effective strategy in fighting poverty.

7.2.3 *Mali*

Overview

Dutch cofinancing in Mali totalled Dfl. 183 million, of which Dfl. 161 million was Credit and Loan Related Cofinancing and Dfl. 22 million as Free-Standing Trust Funds (mostly debt relief). Programme aid in CLRC amounted to Dfl. 108 million, to which Dfl. 20 million debt relief has to be added. The total (Dfl. 128 million) accounts for more than 70 percent of all cofinancing in Mali.

During the 1980s, the Netherlands funded bilateral development projects in Mali Sud, many of which were realised in cooperation with the *Compagnie Malienne de Développement des Textiles* (CMDT) (Malian Textile Development Company). Most of this parallel cofinancing was project aid (cf. Chapter 12), but a small part in 1990 (Dfl. 2.7 million) was programme aid, viz. Programme Support Materials for Agricultural Equipment, a contribution in relation with the Agricultural Sector Adjustment/ Investment Project of the World Bank.

As from 1988, the Netherlands supported the Malian government in its policies aiming at structural adjustment. The first intervention was a joint contribution to the Public Enterprise Sector Adjustment Programme in 1989–90 (disbursement of Dfl. 7.5 million in 1988). Between 1991 and 1994, the Netherlands made several grants in relation to the Structural Adjustment Credit of the World Bank, totalling Dfl. 47.5 million. Thereafter, the Education Sectoral Adjustment Programme supported by the World Bank was jointly cofinanced by the Netherlands with contributions in 1995 and 1996 amounting to Dfl. 50.5 million. At the same time (1995–96), the Dutch government provided debt relief worth Dfl. 20 million.

Table 7.4 Cofinanced programme aid in India covered by IOB country study

Sector	C/L	WB Project Title	Dutch Project Title	Form	Type	Years of commitment	Dutch disbursements 31 December 1996 (Dfl. millions)
Rural Development	C0947	Third ARDC Credit	Third ARDC	P	CLRC	1980–81	100.0
	C1209	Fourth ARDC Credit	Agricultural Refinance and Development Corporation	P	CLRC	1982-83	100.0
	L2653	Nabard Credit	NABARD	P/J	CLRC	1985-88	198.4
Total							**398.4**

Table 7.5 Cofinanced programme aid in Mali covered by IOB country study

Sector	C/L	WB Project Title	Dutch Project Title	Form	Type	Years of commitment	Dutch disbursements 31 December 1996 (Dfl. millions)
Rural Development	C2163	Agricultural Sector Adjustment/Inv.	Programme Support Materials for Agricultural Equipment	P	CLRC	1990	2.7
Multisector	C1937	Public Enterprise Sector Adjustment Programme	Programme Aid 1989–90 PESAB WB Cofinancing	J	CLRC	1988	7.5
	C2188	Structural Adjustment	SAL I/SAP	J	CLRC	1991-94	47.5
Total							**57.7**

The IOB Country Study on bilateral aid to Mali mentions the delivery of agricultural equipment in its extensive treatment of overall import support. Countervalue funds created with the proceeds of the local sale of equipment went largely into the budgets of project implementing agencies (CMDT and *Office du Niger/Fonds d'Intrants Agricoles*) and became thereby *de facto* part of the project aid granted to these agencies (cf. Chapter 12).

As from 1989, the governments of Mali and the Netherlands agreed that one-third of countervalue funds generated in relation to import support was to be channelled to central government, i.e. the Ministry of Finance. This occurred to some extent. The funds that entered the overall government budget in this way could thus be considered as of the same order as Dutch contributions to the Structural Adjustment Programme and are included in the presentation of support to that programme.

Table 7.5 gives an overview of programme aid covered by the IOB Country Study. Findings on the Structural Adjustment Programme during the 1990s are presented below with brief references to the macroeconomic dimension of the Agricultural Equipment Programme and to Dutch support to the Public Enterprise Sector Adjustment Programme in 1988. The IOB Study was completed in 1994 and therefore does not discuss contributions to the Educational Sector Adjustment Programmes and Debt Relief of 1995 and 1996.

Description and evaluation

Structural adjustment policies started in Mali as long ago as 1983–84 in the wake of the serious economic crisis in 1980–82 caused partly by inappropriate financial and economic policies. In 1984, Mali rejoined the West-African Monetary Union (WAMU) and adopted the West African CFA Franc with a fixed exchange parity with the French Franc.

The reform programme stagnated between 1985 and 1987 due to a drought in 1984–85 and the collapsing price for cotton, the principal export commodity. The situation improved during 1988–91 due to better climatic conditions and improvements in agricultural output. Adjustments in various sectors brought a significant improvement in macroeconomic indicators during this period, particularly in terms of economic growth.

In the wake of political upheaval in 1991 and a slump in cotton prices, there was a decline in economic growth. The more pluriform form of government that was created thereafter led to concessions to various political forces and hence a decline in budgetary discipline. The new government nevertheless remained committed in principle to adjustment policies.

Structural adjustment policies between 1988 and 1994 comprised several components that partly overlapped.

As from 1988, more than 50 public enterprises were successfully restructured and/or privatised. In 1992 trade unions objected to the application of such policies to the two remaining enterprises. An IDA Credit and Dutch cofinancing worth Dfl. 7.5 million granted in 1988 supported the restructuring process.

The Education Sectoral Adjustment, also started in 1988, aimed at strengthening basic education at the expense of higher education. The process met with resistance from students in secondary schools and institutes of higher learning, which the Malian government decided not to ignore. The reform process was therefore slow. Dutch cofinancing to this sector, worth Dfl. 50.5 million, was only granted in 1995–96 and was thus not evaluated in the IOB Country Study.

The Structural Adjustment Programme covered by an IDA Credit and Dutch cofinancing as from 1990–91 (see below) aimed macroeconomic and sectoral reforms that were to stimulate economic development and sustainable economic growth in a domestically and internationally stable financial environment. Implementation of SAP was at first expeditious but became more difficult from 1992 onwards.

The IOB Country Study does not contain a detailed description and evaluation of the various components of structural adjustment policies and corresponding World Bank support. Cofinancing with the World Bank, on the other hand, is explicitly covered. The administrative arrangement of cofinancing is described as 'very simple' for all parties involved. It was particularly attractive for the Malian government which received regular budget support, and could thus reduce its budget and balance-of-payments deficits.

The Netherlands voiced concern in two areas: (i) the possibility of negative social effects resulting from structural adjustment, and (ii) the need for a gradual introduction of reforms in order not to increase the social and political cost of the process. These concerns were expressed in policy dialogues with representatives of the World Bank and IMF in Bamako and Washington. The IOB evaluation team praised these efforts and observed that in projects of Mali-Sud (cf. Chapter 12) in particular there could have been even greater insistence on the Dutch side on the social dimension.

The IOB evaluation of Mali's policies aimed at structural adjustment was generally positive, at least with respect to developments until 1991. Economic growth was nevertheless not found to be sustainable and economic self-reliance was described as fragile. The economy still depended to a large extent on climatic conditions as well as on world market prices of cotton. Moreover, the rate of savings and investments remained very low. Public budgets continued to suffer from low fiscal revenues. The country remained dependent on external financing provided almost exclusively by the IMF and official development assistance.

As far as the social effects of adjustment policies were concerned, the IOB Study concluded that the poor had by and large not become poorer in the process. The findings were based on the preliminary results of a monitoring unit created as part of the SAP I Project. Specific groups were found to have been negatively affected, e.g. public servants (due to lay-offs and cuts in salaries) and young graduates (due to reduction of facilities and recruitment freezes). The incomes of farmers and people employed in the informal sector, on the other hand, were said to have improved slightly though poverty was still widespread. The situation in the social sectors, i.e. public health and education, remained inadequate, especially for women, as economic development had clearly not translated into social progress in this regard.

The IOB Study concluded that programme aid showed a high degree of policy relevance and that policy compatibility between the governments of Mali and the Netherlands was equally ensured. It stressed, however, that the policy aims of programme and project aid were not completely consistent, as structural adjustment aimed at reducing the role of government in key sectors and project aid was meant to strengthen the role of specific public institutions, e.g. CMDT or the Office du Niger. Programme aid was also found to have been effective and efficient in the sense that the Malian government received budget support directly and indirectly (the latter through countervalue funds). This aid was vital to reduce deficits in public budgets and the balance of payments. The sustainability of results, however, was thought questionable for the reasons mentioned above.

7.2.4 *Tanzania*

Overview

Tanzania ranks second among recipients of Dutch cofinancing funds (preceded only by India, cf. 7.2.2), but the total of Dfl. 230 million (mostly Credit and Loan related) accounted for less than 6 percent of all Dutch cofinancing. Programme aid worth Dfl. 155 million represented 68 percent of all cofinancing.

Cofinanced programme aid in Tanzania started in 1984 with a Dutch grant of Dfl. 25 million to the Export Rehabilitation Programme. Between 1986 and 1990, the Netherlands contributed to the Economic Reform Programme supported by the World Bank. In 1986 and 1987 this concerned the Multisector Rehabilitation component (contributions totalling Dfl. 50 million), in 1988 the Industrial Rehabilitation and Trade Adjustment Programme (Dfl. 20 million) and in 1990 the Agricultural Sector Adjustment Credit (Dfl. 60 million).

With the exception of the Export Rehabilitation Programme, the IOB Country Study covered all cofinanced programme aid (cf. Table 7.6). In line with the report, the various

Table 7.6 Cofinanced programme aid in Tanzania covered by IOB country study

Sector	C/L	WB Project Title	Dutch Project Title	Form	Type	Years of commitment	Dutch disbursements 31 December 1996 (Dfl. millions)
Rural Development	C2116	Agricultural Sector Adjustment Credit	Balance of Payment Support	J	CLRC	1990	59.8
Energy and Industry	C1969	Industrial Rehabilitation and Trade Adjustment Programme	Industrial Rehabilitation and Trade Adjustment Credit	J	CLRC	1988	20.0
Multisector	C1741	Multisector Rehabilitation Credit	Multisector Rehabilitation Programme and Credit	J	CLRC	1986 and 1987	50.0
Total							**129.8**

cofinanced components of the Economic Reform Programme are presented in their historical sequence, i.e. first the Multisector Rehabilitation Programme and thereafter the Industrial Rehabilitation and Agricultural Adjustment programmes.

Description and evaluation

The government of Tanzania adopted an Economic Reform Programme (ERP) in 1986, after the economy had shown continuous decline during the preceding years. ERP had six components: (i) multisector rehabilitation; (ii) industrial rehabilitation; (iii) agricultural rehabilitation; (iv) financial reform; (v) parastatal sector adjustment (including civil service reform); and (vi) structural adjustment. The Netherlands contributed to the first three through cofinancing, the main features of which are discussed below.

The World Bank approved the Multisector Rehabilitation Credit (MRC) in 1986 after the Government of Tanzania had accepted the ERP, which included significant measures as to pricing, fiscal management and exchange rate adjustment. The rehabilitation credit aimed primarily at (i) an increase of output in agriculture, particularly for export crops, through the improvement of agricultural incentives; (ii) the reduction of supply bottlenecks; and (iii) improvements in the efficiency of marketing organisations and the transport sector. The facility was also to lead to (iv) a restructuring of the industrial sector. In addition to the IDA Credit, cofinancing was provided by the Netherlands and also by the African Development Bank and a variety of bilateral donors. Funds were used mainly for the Open General Licence (OGL) facility, which was basically a foreign exchange allocation system (see below).

The Industrial Rehabilitation and Trade Adjustment Credit (IRTAC) was approved by the World Bank in 1988 and cofinanced by several other donors. Key areas were (i) trade liberalisation; (ii) tariff and sales tax reforms; and (iii) industrial restructuring in three sub-sectors (textiles, leather and agro-processing). IRTAC funds were channelled exclusively through the OGL facility.

The Tanzania Agricultural Adjustment Credit (TANAA) started in 1990 with funding from IDA and various cofinanciers, and aimed at liberalising the pricing and marketing of maize, rice, coffee, cotton, cashew nuts and agricultural inputs. The OGL facility was the funding mechanism but was liberalised under TANAA.

The OGL facility was thus central to all this cofinanced programme aid. Initially, imports under OGL were governed by a very short list of eligible goods—mostly inputs for agriculture and transport. The list was gradually expanded to include, in 1991, most intermediate goods for agriculture, transport and industry, as well as a wide range of capital goods. The government eventually shifted to a negative list, i.e. of commodities not eligible for import under OGL (e.g. petroleum products, luxury vehicles). By the end of 1992, the OGL system covered some two-thirds of all imports.

The IOB Study reported that the majority of OGL funds were used for the private sector and for the import of intermediate goods. The main recipient sectors were industry (40 percent) and transport (20 percent). For importers, access to the OGL facility implied a considerable subsidy and attempts were made to ensure that this was only for development purposes.

A joint multidonor evaluation carried out in 1991, however, showed that administrative management left much to be desired. Severe criticism was voiced of lack of transparency and accountability. Several donors, including the Netherlands, consequently stopped releasing funds to OGL at the end of 1992, a measure which brought abolition of the system in mid-1993. The Tanzanian government then unified the exchange rate and introduced foreign exchange auctions.

The basic rationale of programme aid had been that rehabilitation and improvement of the capacity utilisation rate were more important than a further expansion of Tanzania's capital stock. It was realised, however, that in spite of large flows of aid through import support systems, including OGL, most industries continued to operate at a low level of capacity utilisation. That level rose from about 25 percent before ERP to around 40 percent in 1993, but this was far below the target of 60–70 percent envisaged by ERP. The IOB Study concluded that programme assistance had not succeeded in achieving one of its main objectives, namely, establishing a viable manufacturing sector.

A second major objective of programme assistance was to facilitate the process of policy reform. Despite the slow implementation of a number of key reforms, Tanzania undertook a sizeable restructuring programme between 1986 and 1992, moving from an economy in which practically every sector was run by government to one in which market forces played a role in most key areas. Priority was given to improving access to foreign exchange in order to restore capacity utilisation and to improve pricing signals for producers, including the extreme exchange rate overvaluation. The economy responded positively to these policies, with an average annual growth rate of 4 percent between 1986 and 1992.

Agriculture accounted for most of the increase in output recovery, but economic development remained below the targets set in 1986. Export performance was particularly unsatisfactory. Savings were insufficient to sustain development in the medium term and aid dependency increased over the reform period. Little progress was achieved in the parastatal and financial sectors or in the civil service. The processing of important agricultural exports continued to be controlled by monopolies, the industrial sector was still dominated by inefficient (and often bankrupt) parastatals, and financial services were provided largely by weak public sector institutions. The IOB Study concluded that Tanzania's adjustment programme had initially focused on economic recovery rather than on adjustment, and that the next stage of reform would require significant structural changes in public institutions.

IOB's evaluation of programme aid concluded that support provided by the World Bank and the Netherlands to ERP addressed relevant issues recognised by the government of Tanzania and that policy relevance was thus ensured. The various partners also shared common objectives (policy compatibility). The IOB report stresses, however, that the process was strongly donor-driven. Due to managerial problems, the degree of efficiency was also assessed as lower than could have been expected.

The effectiveness of aid was low in the sense that one of the main objectives, i.e. to establish a viable manufacturing sector, was not achieved. Aid could even be considered as instrumental to the perpetuation of a non-viable industrial sector rather than to the promotion of restructuring. On the other hand, programme assistance did contribute effectively to policy reform, i.e. the transition to an economic system in which market forces were allowed to play a role in key areas. The study draws on evaluation reports of the World Bank in highlighting what was achieved in this regard: (i) a substantial reduction of the gap between official and market exchange rates; (ii) removal of trade restrictions; and (iii) elimination of most price controls and confinements. However, export earnings continued to finance a declining proportion of imports, which were financed principally by external financial assistance. Sustainability of the results in terms of economic growth and further development was thus not ensured without further donor assistance.

7.3 Cofinanced programme aid covered by Project Performance Audit Reports

Overview

The research on cofinancing comprised a case study on countries that were not included among the country-specific special studies (Ghana, Pakistan, Uganda) or covered by IOB Country Studies. A selection of jointly cofinanced programme aid was made on the basis of Project Performance Audit Reports (PPARs) of the Operations Evaluation Department (OED) of the World Bank. This evaluation material is considered relevant because it covers all financial inputs in macroeconomic programmes, including Dutch grants. In describing and evaluating these activities, a distinction is made between multisector and sectoral activities.

Table 7.7 Programme aid covered by PPARs: Multisector

Country	C/L	WB Title	Dutch Title	Years of commitment	Dutch disbursements 31 December 1996 (Dfl. million)
The Gambia	C1730	Structural Adjustment Credit	SAL I	1986	5.0
Guinea-Bissau	C1798	Structural Adjustment Credit	Structural Adjustment Loan	1987	5.0
Malawi	C1644	Third Structural Adjustment Programme	Balance of Payment Support	1987	7.5
Mauritania	C1812C	Structural Adjustment Credit	Structural Adjustment Loan	1987	5.0
Mozambique	C1841	Second Rehabilitation Project Programme	Economic Rehabilitation	1988	7.3
Senegal	C1656	2nd Structural Adjustment	SAL II	1986	25.0
Togo	C1365	Structural Adjustment Credit	Structural Adjustment Credit	1984	27.2
Zambia	C1720	Recovery Programme	Recovery Programme Converted	1986	15.0
Total					**97.0**

Table 7.7 gives an overview of *multisector* cofinanced programme aid covered by PPARs and used in the present report[5]. In all cases, the programmes supported with Dutch cofinancing concerned African countries (The Gambia, Guinea-Bissau, Malawi, Mauritania, Mozambique, Senegal, Togo and Zambia). The majority were labelled as Structural Adjustment Credits linked to Economic Reform Programmes (the exception being a Rehabilitation Programme in Mozambique which, however, was also in support of an Economic Reform Programme). All programmes were supported by IDA credits and realised between 1983 and 1988. Dutch cofinancing thus covered totalled Dfl. 97 million.

Tables 7.8 and 7.9 (p. 180) give overviews of cofinanced programme aid in *rural development* and *energy and industry* respectively. PPARs on programmes in the rural development sector cover five Agricultural Sector Adjustment/Rehabilitation credits and loans. The respective programmes were implemented in Jamaica, Kenya, Malawi, Tunisia and Zambia. Dutch cofinancing totalled to Dfl. 84 million (cf. Table 7.8). In the energy and industry sector, three projects in the area of manufacturing and industrial trade were cofinanced between 1985 and 1990 in Malawi, Zambia and Zimbabwe. The Netherlands contributed Dfl. 66.8 million to this programme aid (cf. Table 7.9). The total of all cofinanced programme aid evaluated in this manner (including both multisector and sectoral activities) is Dfl. 242.8 million.

Description and evaluation

(a) Multisector

Multisector cofinanced programme aid covered by PPARs involved eight IDA credits ranging from US$ 5.0 million (The Gambia) to US$ 72.7 million (Mozambique). In five cases, the respective credits were provided to countries that had never before received World Bank assistance to structural adjustment (The Gambia, Guinea-Bissau, Mauritania, Togo, Zambia), whereas three were follow-up credits to existing programmes (Malawi, Mozambique, Senegal). Six programmes were cofinanced not only by the Netherlands, but also by other bilateral or multilateral donors. Dutch cofinancing averaged Dfl. 12 million, ranging from Dfl. 5 million (The Gambia, Guinea-Bissau, Mauritania) to Dfl. 25 million (Senegal) and Dfl. 27 million (Togo).

There is no evidence that the Netherlands played a major role in identifying and appraising the various programmes. In four out of eight cases, it has not been possible to identify

[5] One case of Dutch multisector cofinanced programme aid documented by a PPAR concerned Romania. In 1994, the Netherlands committed and disbursed Dfl. 15 million to Romania's Structural Adjustment Programme. The contribution was part of a series of programme aid interventions in transition countries (Part II ODA), most of which have not been documented by PPARs. Treatment of a single case (Romania) was not found sufficiently illustrative to be included in this section of the report.

on Appraisal Memorandum (Malawi, Senegal, Togo, Zambia). In cases where the Dutch Appraisal Memorandum is available, it was prepared and approved *after* the World Bank Staff Appraisal Report had become available. In some cases, Dutch cofinancing became available at a rather advanced stage of project implementation (The Gambia, Malawi, Mauritania, Mozambique, Togo).

The main purpose of the present exercise is to integrate information on key evaluation questions, i.e. policy relevance, effectiveness, efficiency and sustainability of results (cf. Chapter 1). The PPARs do not contain information on relevance in terms of the policies of the Dutch Government, nor do they allow for any explicit assessment of policy compatibility between the Dutch government and those of the respective countries. Dutch cofinancing is at best given cursory mention in the PPARs. The reports are usually submitted to the cofinanciers for comments, but no cases could be identified in which the Dutch Ministry of Foreign Affairs provided substantive comments.

Policy relevance existed for all structural adjustment credits under review in the sense that all countries concerned were characterised by major macroeconomic imbalances in terms of public sector budgets and balances of payments at the time when the World Bank (in most cases in conjunction with the IMF) intervened. Common problems included: (i) declining terms of trade resulting from falling revenues derived from export commodities (e.g. groundnuts in The Gambia, phosphate in Togo, copper in Zambia) and increasing cost of imports due to a rise in interest rates and appreciation of the dollar; (ii) high consumption levels and extensive borrowing which seriously increased the debt burden and the debt service ratio; (iii) a dominant role played by the state both in terms of ownership and management of key economic activities (preponderance of public and para-public enterprises) and a rigid and controlled economic policy regime; (iv) current account and fiscal deficits and stagnating growth of GDP.

Policy compatibility between the World Bank (and by extension the cofinanciers) on the one hand, and recipient countries on the other, is usually examined in terms of the latter's commitment to the reform process, in some cases with critical comments as to the Bank staff's understanding of the situation and assessment of counterpart capabilities. The governments of Guinea-Bissau and Zambia, in particular, demonstrated a dramatic lack of commitment and ownership regarding the reform process; similar problems, though to a lesser extent, were observed in Senegal and Togo. The PPARs of credits granted to The Gambia, Malawi, Mauritania, Senegal, Togo and Zambia were also critical of over-optimistic and unrealistic assumptions by Bank staff as to the feasibility of the programmes as well as of inadequacies in the assessment of needs for technical assistance. In virtually all cases, it may be inferred from the PPARs that reservations existed *ex post* as to the degree of policy compatibility between Bank staff and recipient governments, especially when the latter could not by themselves oversee all requirements, implications and consequences of the policies involved.

With regard to programme effectiveness, two of the eight SACs under review were outright failures (Guinea-Bissau and Zambia), characteristically the countries in which ownership was also found to have been very weak.

In Guinea-Bissau, external funding allowed transient benefits to imports and consumption, but the incapacity to implement reforms adequately (with respect to exchange rate adjustment, price liberalisation, fiscal and trade policy reforms, restructuring the financial system and reforming public enterprises) dissipated or postponed the desired benefits.

In Zambia, the credit became effective at a time when the programme of economic reform had lost all credibility (end of 1986). Vital components of the reform programme were suspended and eventually abandoned, i.e. the foreign exchange auction and the removal of customer subsidies on maize meal that had led to riots. Five months after credit effectiveness and two months after the release of the first tranche of credit funds, the Government of Zambia broke-off relations with the World Bank (and IMF). The programme was only reactivated in 1991. Dutch cofinancing amounting to Dfl. 15 million and disbursed to the Bank in 1986 was not released to Zambia; it was used as a contribution towards debt relief in part to settle Zambian arrears to IBRD and IDA.

The other SACs under review were judged more effective, though the overall positive assessment required further qualification in several cases in terms of output (were the intended reforms implemented?) and effects and impact (economic performance as a result of the reforms).

The PPARs on SACs in The Gambia, Malawi, Mauritania, Mozambique, Senegal and Togo stress that reforms of the over-extended public and para-public sectors were by and large implemented in the sense that major steps could be undertaken in divestiture programmes and civil service reforms. A common experience, however, was that the design of reforms was too ambitious to be implemented within the intended timeframe. In Malawi, Mauritania, Senegal and Togo, it was found with hindsight that priorities should have been more clearly set and a different sequencing of actions undertaken. Reforms aimed at stimulating economic growth (exchange rate reform, liberalisation of factor markets, fiscal reform, elimination of price controls etc.) had varying results. Whereas adjustment of exchange rates and removal of price controls was found to have been mostly successful, in several cases it proved more difficult than expected to remove subsidies from fertilisers and the supply of basic foodstuffs (The Gambia, Malawi, Mauritania, Senegal).

Table 7.8 Programme aid covered by PPARs: Rural development

Country	C/L	WB Title	Dutch Title	Years of commitment	Dutch disbursements 31 December 1996 (Dfl. million)
Jamaica	L3174	Agricultural Sector Adjustment	Agricultural Sector Adjustment/ B.O.P. support	1990	20.0
Kenya	C1717	Agricultural Sector Adjustment	ASAO 1	1986	10.0
				1987	15.0
				1988	5.0
Malawi	C2121	Agricultural Sector Adjustment Programme	Agricultural Sector Adjustment Credit	1990	5.0
Tunisia	L2754	Agricultural Sector Adjustment	Agricultural Sector	1986	20.0
Zambia	C1545	Agricultural Rehabilitation	Agricultural Rehabilitation Project	1990	9.0
Total					**84.0**

Table 7.9 Programme aid covered by PPARs: Energy and industry

Country	C/L	WB Title	Dutch Title	Years of commitment	Dutch disbursements 31 December 1996 (Dfl. million)
Malawi	C1920	Industry/Trade Adjustment	Industry/Trade Adjustment	1988	7.8
				1989	5.0
				1989	5.0
				1990	5.0
Zambia	C1630	Industrial Reorientation Project	Industrial Reorientation	1985	9.0
				1986	10.0
Zimbabwe	L2239	Manufacturing Export Promotion	Manufacturing Export Promotion	1986	25.0
Total					**66.8**

N.B.: In Zambia, part of the funds committed to the Industrial Reorientation Project in 1986 (Dfl. 10.0 million) was redirected to Debt Relief. This operation was not evaluated in the PPAR of this project.

In all six countries, the rate of economic growth increased considerably during and after implementation of the Structural Adjustment Credits. Not in all cases, however, was this due mainly to economic reforms. In Mauritania, Senegal and Togo, favourable climatic conditions played a major role. Moreover, in Mauritania investments in irrigated agriculture prior to SAC were instrumental to growth. In all cases, stabilisation of the economies was achieved, the greatest benefit being that macroeconomic imbalances were not allowed to increase. In The Gambia, Malawi, Mauritania and Togo, distortions of the economies were found to be more deep-rooted than anticipated. In all cases, the levels of domestic saving and investment remained very low and growth could not be expected to be self-sustained. The adoption of economic reform programmes had triggered a lavish supply of aid in the form of credits and grants. The modest progress in economic performance was thus accompanied by growing dependency on donor funding and by a dramatic increase in the debt burden and debt service ratios.

The efficiency of SACs could only be judged in terms of their timely delivery and not as regards the adequacy of outputs in relation to inputs. Only the SACs under review in The Gambia, Senegal and Togo were closed on the foreseen dates, that in Mauritania was six months late, and those in Guinea-Bissau, Malawi and Zambia were each one year late. The programme in Mozambique closed a full three years after the scheduled date. Taking into account the fact that in several cases this was accompanied by slow and incomplete disbursement, it must be concluded that the programmes were inefficient.

It may be inferred from the PPARs that the sustainability of results of reform programmes supported by SACs was moderate. All SACs had induced a more or less lavish supply of donor funding which would be compromised if reforms were to be reversed. In the strict sense, however, sustainability of results was not achieved: the economies in question did not reach a level of savings and investments which would warrant an appropriate level of benefits for an extended period without major financial assistance from an external donor. Dependence on donor assistance had increased in the process. A substantial share of the funding had led to multilateral debt to the World Bank and IMF, for example, and a disquieting share of export earnings was needed to service that debt.

(b) Sectoral activities (rural development and energy & industry)

World Bank lending in the rural development sector covered by PPARs involved two IBRD loans (Jamaica US$ 25 million; Tunisia US$ 150 million) as well as three IDA credits (Kenya US$ 23.7 million; Malawi US$ 77.6 million and Zambia US$ 27.0 million). All projects involved cofinancing from several donors, including the Netherlands. The Dutch cofinancing involved disbursements totalling Dfl. 84 million, committed between 1985 and 1990. Jamaica, Kenya and Tunisia received relatively large amounts (between

Dfl. 20 and 30 million), whereas Malawi and Zambia were provided with smaller grants (Dfl. 5 and 9 million respectively). Table 7.8 gives a full overview of these activities.

In the energy and industry sector, World Bank lending involved IDA credits to Malawi and Zambia of US$ 35.1 million and US$ 19.5 million respectively as well as an IBRD loan to Zimbabwe of US$ 70.6 million. Dutch cofinancing was committed between 1985 and 1990 and amounted to Dfl. 22.8 million (Malawi), Dfl. 19 million (Zambia) and Dfl. 25 million (Zimbabwe). An overview is provided in Table 7.9. It should be mentioned that Dfl. 10 million of the contribution to Zambia was eventually converted to debt relief.

As in the case of multisector adjustment programmes, PPARs at best mention Dutch cofinancing, but there is no evidence that the Netherlands was involved in project appraisal or evaluation in any major way. It is worth noting that no Dutch Appraisal Memoranda could be identified for five of the eight programmes.

In all cases, the programmes involved sectoral reforms immediately after or in conjunction with multisector activities. A full evaluation of these activities is not possible in most cases, as it is difficult to establish a causal relationship between specific sectoral reform measures and, for example, the evolution of producer prices or export earnings. The information that may be derived from the PPARs thus concerns policy relevance and compatibility, effectiveness in terms of implementation of agreed reform measures, efficiency as timely delivery of programme components, and sustainability of results.

All PPARs concur that overall policy relevance existed for all programmes in the sense that sectoral reforms were essential for economic recovery. Policy compatibility was excellent in Tunisia, good for the Industrial Project in Malawi and reasonable in all other programmes except in Zambia. The PPAR on Agricultural Sector Adjustment in Kenya mentions that covenants to the programme helped keep issues alive, forced debate on the borrowing government at a variety of levels, and produced enough desirable action.

Effectiveness in terms of output frequently occurred in the initial stages but sometimes flattened during programme implementation. Experiences with the realisation of sectoral reforms were as follows.

Under the Agricultural Sector Adjustment Programme of Jamaica, tariff rates, interest rates for agricultural credit and food subsidies were initially reduced, but Jamaican government proved unable to sustain these efforts once the first tranche of the funding had been disbursed.

In Kenya, the government attempted to strengthen the supply of agricultural inputs and agricultural price incentives, but fertiliser availability and consumption held steady at the level achieved at an earlier stage. Negligible progress was made in formulating a comprehensive strategy for parastatals.

The Agricultural Sector Programme in Malawi provided for liberalisation of tobacco purchases from farmers, but this was only partially implemented. An important but modest development was the end of the state monopoly on burley tobacco production. With regard to the Industrial and Trade Policy Adjustment Programme in Malawi, the PPAR described progress of the reform programme as satisfactory.

The agricultural project in Tunisia was found highly successful, the policy dialogue between the World Bank and the borrower being unusually complete, open, wide-ranging and frank. Covenants concerned changing the prices for major agricultural outputs and inputs, reducing the role of government, and making remaining government interventions more efficient.

For the implementation of the Manufacturing Export Promotion Project in Zimbabwe, foreign exchange allocations for manufacturing exports were to be made from a revolving fund which was to be credited with the loan proceeds, quarterly allocations from Zimbabwe's own resources, and a proportion of the net export proceeds earned by using allocations from the revolving fund. As a result of misunderstandings on procedures, and of the absence of any project coordination mechanism, the introduction of reforms was slow and incomplete.

Zambia's Agricultural Rehabilitation Project suffered from the same problems that impeded its economy-wide Recovery Programme. The agricultural project focused on the step-wise elimination of subsidies and liberalisation of the production and marketing of maize, maize meal and fertiliser over a three-year period. Project performance proved unsatisfactory. By contrast, the industrial project was politically less sensitive and therefore more successful. The immediate objective was to raise the level of capacity utilisation in the sector, as increased supply response would reduce the economic and social pressures associated with the economic stabilisation and adjustment process. Progress in implementing the reform package was satisfactory in the industrial sector.

Effectiveness in terms of effects and impact was relatively mixed under these sectoral reform programmes.

In Jamaica, tariff reductions did not have a clear effect on increasing export production and revenue; domestic agriculture, on the other hand, was positively influenced by the removal of food subsidies, which allowed producers of import substitutes to receive more favourable prices. The liberalisation of agricultural interest decreased loan demand and adversely affected small farmers.

In Kenya, the programme helped the agricultural sector to achieve an annual growth rate of above four percent. This was partly the result of the fact that the programme was part of a wider context of adjustment actions beyond the implementation period.

The Agricultural Sector Programme in Malawi led to the lifting of the ban on smallholders growing burley tobacco, but pricing continued to impose high implicit taxation on them. This pricing regime essentially sidelined and impoverished the 72 percent of the population employed in the smallholder sector and thus explains the paradox of adjustment without progress. The outcome of Malawi's Industrial and Trade Policy Adjustment Programme was more satisfactory as industrial development was substantial and ongoing efforts to strengthen the institutional apparatus were encouraging.

Project-mandated price changes in the agricultural sector in Tunisia improved the lot of farmers, particularly the lowest-income grain farmers who were little affected by increases in the prices of inputs such as fertiliser, which they used sparingly if at all. The changes also saved the government money.

The Manufacture Export Promotion Project in Zimbabwe suffered from severe foreign exchange shortage and fiscal imbalances, and also from a drought which had adverse effects on the agricultural sector. Increased commercial borrowing in order to finance the external deficit in the context of negative external resource transfers resulted in higher Debt/GDP and Debt/Export ratios.

In Zambia, objectives of the Agricultural Rehabilitation Project were not achieved, i.e. the lifting of the most serious policy constraints and a rapid supply response in agriculture. Measures successfully implemented at an initial stage under the Industrial Reorientation Project were reversed only 18 months later and, as a result, had no measurable impact.

The efficiency of the various sectoral programmes may be judged mainly under the aspect of timely delivery. Only two of the eight programmes were closed at the date initially planned (Jamaica and Kenya). Those in Zambia were closed on time, but the outcome was by no means commensurate with inputs and some unspent funds were eventually used for debt relief. The projects in Malawi and Tunisia were completed one year late, and that in Zimbabwe a full two-and-a-half years later than scheduled. Overall efficiency in terms of time management was thus limited.

Sustainability of results generally depends on continuous government commitment to reforms and on a favourable environment. In Jamaica, the macroeconomic situation deteriorated after implementation of the agricultural project and sustainability was not ensured. In Malawi, overall economic performance was disappointing as per capita income and consumption declined, macroeconomic imbalances persisted and social indicators remained extremely low, even by African standards. Sustainability of results was also relatively weak in Zambia and Zimbabwe. Only the PPARs on programmes in Kenya and Tunisia report more positive developments in this regard. The overall picture, however, confirms what was said on the sustainability of results of multisector programmes. The low level of savings and investments in virtually all countries under consideration (with the possible exception of Tunisia) was accompanied by growing dependency of the economies on donor assistance and unacceptable levels of multilateral debt and debt servicing.

7.4 Conclusions

The existing evaluation material (IOB Country Studies and PPARs) on programme aid in countries not covered by in-depth investigation under the present research (Ghana, Pakistan, Uganda) analysed cofinancing totalling to Dfl. 914 million. Programme aid evaluated under this heading represents almost 38 percent of all cofinanced programme aid (Dfl. 2,397.4 million).

Almost 44 percent of programme aid reviewed here was spent on programmes in India and another 43 percent on economic reform activities in Africa. The remaining 13 percent went to Bolivia and Jamaica. Both IOB Studies and PPARs covered programmes that were basically implemented during the second half of the 1980s and the early 1990s. During the 1980s, policy-based lending in Africa in particular was a relatively novel approach for the World Bank, implying a learning experience.

Policy relevance was reported in all cases in the sense that pertinent problems of developing countries were addressed. In India, there was a clear need for an agricultural credit system that would perform for the benefit of the poor. Most of the other countries had experienced economic stagnation resulting from unfavourable terms of trade and inappropriate domestic policies during the early 1980s. In West African countries these problems were conjured-up by the fixed parity of the CFA Franc to the French Franc. There was hence a clear need for economic reform and for structural and sectoral adjustment policies. This was adhered to by the Dutch government.

It must be recognized, however, that not all governments were willing and/or able to commit themselves fully to the new policies. At initial stages it was still possible to make the required policy declarations and to adopt the necessary legislation, but most governments had difficulty in maintaining their commitment when they had to deal with the opposition of vested interest groups (e.g. civil servants, trade unions, urban population) who, at least initially, were adversely affected by the reform measures. These developments eventually compromised policy compatibility between the World Bank and cofinanciers (including the Netherlands) on the one hand, and recipient governments on the other.

The various reports, and more particularly the PPARs, hardly mention another dimension of policy compatibility, i.e. is the political and social environment to economic reform. Opposition to reform was reported to have been under-estimated in several cases. This was particularly the case in countries where the process was accompanied by democratisation and by the emergence of a more pluralistic civil society showing a basic respect for freedom of expression and human rights. In general, economic reforms were more successful when governments were free to commit themselves without having to take possible dissent into consideration (e.g. Malawi, Mauritania, Tunisia, Togo). Policy compatibility with the human rights policies of the Netherlands government was questionable in such cases, but was apparently not raised in the decision-making process concerning cofinancing.

Programme effectiveness in terms of output, i.e. implementation of reform measures, was rather mixed. Whereas some programmes showed reasonable compliance with covenants at least in the initial stages (Bolivia, The Gambia, Jamaica, Kenya, Malawi, Mali, Mauritania, Mozambique, Senegal, Tanzania, Togo, Tunisia), major problems arose in India as well as in Guinea-Bissau and Zambia. Support from the World Bank and cofinanciers often became effective on the basis of mere policy statements and adequate legislation (e.g. foreign exchange liberalisation, divestiture of unprofitable public enterprises) which allowed for the release of first tranches. It became more problematic, however, during project implementation when more sensitive measures had to be taken (e.g. liberalisation of factor markets and interest rates, removal of subsidies on fertilisers and food, civil service reform). The reform of the public and para-public sectors (including civil service reform) proved in many cases to be a lengthy and difficult process.

Effects and impact were by and large achieved when the design of reform programmes allowed for an adequate timeframe (e.g. in Mozambique). Several PPARs reported on too ambitious designs of reform programmes, unrealistic assumptions and inadequate sequencing of reform measures. In most cases, macroeconomic imbalances were corrected and stabilisation achieved. This translated into satisfactory growth figures, at least in the short term. More deep-rooted structural problems of the economies, however, were not sufficiently addressed. Economic self-reliance in the sense of self-sustained growth was by and large not achieved; in some cases it even decreased in view of the growing dependency on foreign aid.

Until the early 1990s, World Bank adjustment programmes concentrated mainly on macroeconomic parameters and only gradually came to consider the social dimension. The reports of that time demonstrate a dramatic lack of information on poverty issues. There was global understanding as to who were the winners and who were the losers under adjustment (e.g. producers of tradeables as winners and redundant civil servants as losers), but hardly any attempt was made to gain a more comprehensive picture of the consequences of liberalisation for different strata of the population. The systematic collection of data on household expenditure was initiated only in the early 1990s; similarly, the Poverty Assessments of the World Bank appeared in the wake of the publication of the *World Development Report* on poverty in 1990 (cf. 14.4). Also, little consideration was given to demographic data and social parameters such as life expectancy, health parameters and school enrolment. Population growth in many cases exceeded real economic growth, but that fact was not often mentioned.

With regard to the efficiency of programmes, it is difficult to ascertain whether more output might have been achieved with the same inputs. Efficiency can only be judged in terms of timely delivery of programmes. The evaluation material considered here leads us to the conclusion that programme aid was by no means always efficient in this sense.

Sustainability of the results of programme aid was ensured in most cases to the extent that recipient governments had a clear interest in keeping the reform programmes afloat, as this was of prime importance in attracting and maintaining a steady flow of foreign aid. Sustainability of the process would have to be considered questionable if it needed to rely solely on internal resources and private sector investments.

8 Conclusions on programme aid

The preceding three chapters presented an evaluation of Dutch cofinanced programme aid in over 20 countries, mostly in support of economic reform programmes. The programme aid thus subjected to evaluation totalled Dfl. 1.2 billion, or around 50 percent of all cofinanced programme aid (Dfl. 2.4 billion). Most of it was related to World Bank Credit and Loans; debt relief funds were usually Free-Standing Trust Funds. The majority of cofinanced activities took place under joint arrangements.

The overall conclusions as to the four key evaluation questions (policy relevance and compatibility, effectiveness, efficiency, and sustainability of results) are summarised below.

8.1 Policy relevance and compatibility

Most cofinanced programme aid that has been subjected to direct or indirect evaluation concerned economic reform activities in Africa, but an important part, in financial terms, represented support to agricultural credit schemes in India. All of this aid has been characterised by a high degree of policy relevance. It addressed major problems in recipient countries and was in conformity with declared policies of the respective governments, as well with objectives of the Government of the Netherlands. The latter dimension justifies the conclusion that there was a high degree of policy compatibility.

In Ghana, aid intervened from the early 1980s onwards, when the situation was characterised by political instability and economic decline with underlying widespread corruption, rent-seeking and other economic malpractices. The Government of Ghana showed a high degree of commitment to economic reform. The Dutch Government, together with other donor governments, took an active interest and granted substantial programme aid, which proved crucial to Ghana's reform process.

The economic situation in Uganda was extremely degraded when reconstruction and recovery programmes were implemented during the 1980s. The Ugandan Government showed its determination to halt the decline and to revive the economy, particularly from 1986/87 onwards. The donor community, including the Dutch Government, endorsed these policies and in this sense there was policy compatibility. The Dutch Government was hesitant in cofinancing the Third Reconstruction Credit in 1984, however, because of the internal security situation and the repressive practices of the Ugandan Government at that time.

Debt relief granted to Uganda during the early 1990s was relevant in the sense that the debt situation had become untenable. Uganda had applied for debt relief and the Dutch Government replied favourably—hence, there was policy compatibility. However, decisions were not based on any full-fledged analysis as to the causes of the debt problem, i.e. uncontrolled creation of the debt burden notwithstanding factors that would make debt servicing difficult: insufficient internal revenues and disequilibrium of the balance of payments.

The findings on policy relevance and policy compatibility of programme aid granted to Ghana and Uganda are globally confirmed by conclusions reached by IOB Country Studies and Project Performance Audit Reports of the World Bank, insofar economic reform programmes, notably in other African countries, were concerned. Most of these countries had experienced economic stagnation resulting from unfavourable terms of trade and inappropriate domestic policies during the early 1980s. There was hence a clear need for economic reform and for structural and sectoral adjustment policies.

It was also found, however, that not all governments were willing and/or able to commit themselves fully to the new policies. In the early stages it was possible to make the required policy declarations and to adopt the necessary legislation, but most governments had difficulty in maintaining their commitment when they had to deal with the opposition of vested interest groups (e.g. civil servants, trade unions, urban population) who, initially at least, were adversely affected by the reform measures. In some cases, such developments compromised policy compatibility between donors and recipient governments.

Another dimension of this problem concerns the political and social environment for economic reform. Countries committed to democratisation and to the emergence of a more pluralistic civil society tended to find it more difficult to sustain economic reform, while countries that quelled possible dissent were on average more successful on economic reform (e.g. Malawi, Mauritania, Tunisia, Togo). In the latter cases, policy compatibility with Dutch human rights policies was more problematic, but this dimension was hardly ever raised in the decision-making process concerning cofinancing.

8.2 Effectiveness

Programme aid to Ghana was effective in the sense that agreed reform measures were implemented. This contributed significantly to a spectacular economic performance in terms of growth. The substantial amount of aid funds also contributed, however, particularly by financing a much better utilisation of existing productive capacity. Public sector performance improved. Enhanced public revenues enabled higher levels of public investments. Foreign investments were attracted, notably in the mining sector (gold), although still at an unsatisfactory level. The agricultural sector, however, was slow in responding to policy changes. In general, domestic savings remained too low, while the external debt situation worsened due to the large influx of aid flows. The benefits of renewed growth did not translate into an equitable distribution of wealth. Although there have clearly been many winners in the process, certain strata of the urban population as well as people in isolated rural areas have regressed in terms of poverty.

Programme aid to Uganda was also effective. Contrary to the Ghanaian performance, however, internal revenue collection lagged behind objectives, while over 50 percent of current public expenditures were used to finance defence-related activities, subsidise state-owned enterprises and service the continuously increasing national debt. Public investments in human resources, infrastructure and institutions were rare, and private investments were not forthcoming. Economic growth was realised by virtue of increased utilisation of hitherto under-utilised productive capacity, made possible by large amounts of aid funds. If this productive capacity is not increased, attainment of the 'production frontier' could result in a slow-down of GDP growth rates. The Ugandan economic performance must be qualified as '*Growth without Development*' since the country's productive capacity is not increasing and social indicators show no signs of improvement. Although Uganda is presently ranked among the top ten in terms of macroeconomic performance, it ranks among the bottom ten in terms of human development.

With regard to debt relief transactions, effects were positive at least in the short run: the debt stock was reduced, public resources were freed and foreign exchange was saved, resulting in a reduction of the balance-of-payment deficit. Freed public resources were not necessarily redirected towards development-oriented investments, however, partly because defence-related expenditures were not curtailed. The relative share of foreign exchange required for debt servicing also remained unacceptably high, as exports did not yield sufficient earnings.

In countries covered by IOB Country Studies and PPARs, programme effectiveness in terms of output, i.e. implementation of reform measures, was found to have been rather mixed. Whereas some programmes showed reasonable compliance with covenants at least in initial stages (Bolivia, The Gambia, Jamaica, Kenya, Malawi, Mali, Mauritania, Mozambique, Senegal, Tanzania, Togo, Tunisia), there were major problems in India in particular, as well as in Guinea-Bissau and Zambia. Support from the World Bank and cofinanciers often became effective merely on the basis of policy statements and adequate legislation (e.g. foreign exchange liberalisation, divestiture of unprofitable public enterprises) which allowed for the release of first tranches, but became more problematic during project implementation when more sensitive measures had to be taken (e.g. liberalisation of factor markets and interest rates, removal of subsidies on fertilisers and food, civil service reform). Reform of the public and para-public sectors (including civil service reform) proved in many cases to be a lengthy and difficult process.

Effects and impact were by and large achieved when the design of reform programmes allowed for an adequate timeframe (e.g. in Mozambique). Several PPARs reported on the too ambitious design of reform programmes, too unrealistic assumptions and inadequate sequencing of reform measures. In most cases macroeconomic imbalances were corrected and stabilisation achieved, being translated into satisfactory growth figures at least in the short term. More deep-rooted structural problems of the economies, however, were not sufficiently addressed. Economic self-reliance in the sense of self-sustained growth was by and large not achieved and in some cases even decreased, due to the growing dependence on foreign aid.

Until the early 1990s, World Bank adjustment programmes were concentrated on macroeconomic parameters and only gradually came to consider the social dimension. Reports of that time suffer from a serious lack of information on poverty issues. There was global understanding as to who were the winners and the losers under adjustment (e.g. producers of tradeables as winners and redundant civil servants as losers), but hardly any attempt was made to gain a more comprehensive picture of the consequences of liberalisation for different strata of the population. The systematic collection of data on household expenditure did not get off the ground until the early 1990s, as did the Poverty Assessments of the World Bank in the wake of the publication of the *World Development Report* on poverty in 1990 (cf. Chapter 14). Moreover, insufficient consideration was given to demographic data and social parameters such as life expectancy, health parameters and school enrolment.

8.3 Efficiency

The efficiency of programme aid cannot be evaluated properly as the question of whether the same results could have been achieved at less cost cannot be answered. It is a fact, however, that aid funds played a major role in all examined cases, as the governments involved could not have mobilised the finance required for economic revival from their own resources. Another way of judging efficiency is to consider possible delays in implementation as compared to initially planned project duration. IOB Country Studies and PPARs report on serious delays in the implementation of this programme aid. Also, the case studies on Ghana and Uganda showed important delays in the implementation of reconstruction and adjustment programmes. Over-ambitious programme objectives, underestimation of the recipient country's major constraints, and other variables (weather, internal politics) were the major factors contributing to these delays as well as to slow disbursement rates.

A complicating factor in this respect was that the Netherlands did not always consider the immediate use of Dutch funds to be a determining factor for their release. Joint cofinancing allowed deposits to be made with the World Bank even when such funds could not immediately be placed. For the Netherlands this procedure implied the rapid spending of undisbursed amounts of the overall development budget at the end of a financial year. The overall conclusion is that this method of disbursing Dutch funds was not efficient due to the resulting loss of interest for the Dutch Treasury.

Programme aid in principle creates countervalue funds. Collection rates in Ghana were low under the allocative system of the early 1980s but rose with the auction system practised from 1986 onwards. The latter system was more transparent and in principle ensured full payment of the countervalue. At a later stage this was not an issue: an inter-bank market was established which allowed for payment of the foreign exchange to the Central Bank, which could exercise discretion regarding use of the funds. With the exception of the initial period, there was thus adequate efficiency in the creation of countervalue funds. In general, however, the World Bank's decision not to monitor the creation and use of countervalue funds resulted in lack of transparency regarding the impact on recipient countries' revenues and expenditures, thus constituting a threat to the overall efficiency of cofinanced programme aid.

Finally, debt relief transactions. Commercial debt buy-back transactions in Bolivia and Uganda were very efficient due of the favourable discount rates obtained. By contrast, the contribution to the 5th Dimension Programme in Uganda was not considered efficient as it was granted well before the respective debt service was due.

8.4 The sustainability of results

The dimension of sustainability has been examined from two angles: (i) the commitment of the respective governments and the likelihood that policies would not be reversed;

and (ii) the capacity of reformed economies to pursue growth and development largely on their own, without relying principally on aid. The studies on Ghana and Uganda as well as the IOB Studies and PPARs have led to the overall conclusion that sustainability of the results of programme aid was ensured in most cases to the extent that recipient governments had a clear interest in keeping reform programmes afloat. This was of prime importance in attracting and maintaining a steady flow of foreign aid.

With regard to the first angle mentioned above, Ghana's adjustment programme was largely 'homegrown', although external support was crucial to its success. The effort proved sustainable in this sense, as it extended over more than 15 years. The anti-corruption stance taken by the Ghanaian government with the support of the population, as well as the lack of any anti-reform lobby, were positive factors in this respect. Since 1990 there have been some slippages that were politically motivated (e.g. wage increases for civil servants prior to presidential elections in 1992) and which resulted in the re-emergence of fiscal deficits in 1994 and in soaring inflation in 1995.

In Uganda, ownership of the reform programme increased during the period under review to the point that a reversal of policies seemed unlikely at the end of 1996. Doubts existed, however, as regards fiscal performance. On the one hand, the internal security situation could compromise the development orientation of public expenditure (with the defence sector absorbing resources). On the other hand, an increase of government's internal receipts would depend on unpopular measures such as widening the tax base and making the tax system less regressive. The political base for future policy reforms could be eroded in this way.

In neither country, however, have economic reforms resulted in self-sustaining development. Moreover, the growing dependency on foreign aid threatens to worsen the external debt situation unless those foreign resources are provided as grants. In any case, this aid-dependency forms an obstacle to the short-term realisation of economic self-reliance. This also applies to most other countries that have received cofinanced programme aid in support of economic reforms. Sustainability of the economic reform process in such countries would have to be considered questionable if it had to rely solely on internal resources and private sector investments.

8.5 Concluding remarks

The World Bank broadened its original mandate when it became involved in policy-based lending with a countrywide focus. From the early 1980s, structural adjustment lending had to refer to the special circumstances foreseen in the Bank's Articles of Agreement (Article

III, section 4 vii) and also abide by the provision that it could only be done in agreement with the IMF. Whereas the IMF was to ensure the stabilisation of economies under specific circumstances, the World Bank (IBRD and IDA) was to promote sustainable economic growth and development. This mandate placed the World Bank in a unique position. It was to take centre stage in reform processes. This pivotal role of the Bank even makes it a logical and unique partner for the effective provision of bilateral funds for programme aid in support of economic reforms. Chapters 18 and 19 evaluate the cofinancing relationship between the Government of the Netherlands and the World Bank, while the evaluation's Main Findings and Conclusions have given rise to a number of recommendations as to how a more equal partnership between the two might be attained.

The World Bank's policy-based lending to Ghana and Uganda and to a host of other countries since the early 1980s, has achieved its objectives with varying degree of success, resulting in different degrees of economic recovery. The achievement of economic growth and the redress of macroeconomic imbalances is often seen as a prerequisite to economic self-reliance and structural poverty alleviation. Grant funds provided by the Netherlands and other bilateral donors in support of economic reforms played an important role in this respect. At initial stages, balance-of-payment and budget support enabled countries to maintain vital imports without endangering their stabilisation and reform efforts. In the long run, donor support enhanced political stability, so vital for maintenance of the reform process. This is shown particularly by Ghana and Uganda.

The overall positive assessment of the economic reform process, based on evaluation of the cases of Ghana, Uganda and some other countries, should not obscure the fact that there have also been failures (Guinea-Bissau, Zambia). The highly cost-intensive support given to credit programmes in India was by no means a success. Evaluations of these cases have traced the reasons to poor project design, insufficient supervision and too optimistic timeframes rather than to factors that could not have been foreseen.

Even when relative success has been realised, economic growth has not become self-sustained and development in terms of social indicators has by no means been fully accomplished. The overall aims of economic self-reliance and structural poverty alleviation have thus not yet been achieved. Moreover, both Ghana and Uganda, as well as most other reforming countries, have in recent years considerably increased their multilateral debt as well as their dependency on foreign aid. Their related growing debt problems raise the important question of their Sustainable Level of Borrowing. The decision-making process as to cofinanced debt relief, however, has not always taken this into adequate consideration.

PART III PROJECT AID

9 Ghana

The Government of the Netherlands cofinanced three infrastructural projects in the 1987–96 period under parallel cofinancing arrangements. Total cofinancing amounted to over Dfl. 70 million, equivalent to some US$ 35 million. The projects were financed almost entirely with export credits and related funds, thus making them qualify as export credit cofinancing (cf. Annex 5, Table 17). Details can be found in Table 9.1. Ghana was the principal beneficiary of export credit cofinancing in the period under review, with about 25 percent of the total of identified cofinanced activities in this category (cf. Chapter 17). The present chapter therefore also treats the dimension of Cofinancing and the Private Sector which in general is highlighted in Chapter 17.

Table 9.1 Overview of Dutch–World Bank cofinancing in Ghana 1984–96, Projects (disbursements at 31 December 1996, in Dfl. millions)

Sector	**Credit or loan number**	**Project title**	**Years of commit-ment**	**FORM**	**TYPE**	
				Parallel	CLRC	Exp.Cr. Cofin.
Physical infrastructure	C1946	Telecommunications Project II	1987–93	50.8	5.0	45.8
	C2192	Transport Rehabilitation Project II	1989	6.9	6.9	
	C2467	National Electrification Project	1994	14.9		14.9
Total				**72.6**	**11.9**	**60.7**

9.1 Second Telecommunications Project (1988–96)

Project background: First Telecommunications Project (1976–85)

The First Telecommunications Project and related IDA Credit were approved in 1976 following a Ghanaian request for assistance in 1970. The project aimed to rehabilitate and expand telephone and telex services and to support institutional development of the autonomous, government-owned monopoly that provided all telecommunications and postal services in the country, i.e. the Ghana Post and Telecommunications Corporation (GPT).

The project objectives had not been met when the project closed on 30 June 1985, and the PPAR rates the financial and institutional performance of Telecommunications I as unsatisfactory. The financial position of GPT remained poor and institutional benefits marginal, largely because of high staff turnover. Many of the problems were due to the country's economic problems at the time, but they also stemmed from government failures on tariff reform and the lack of any attempt to increase efficiency. In 1985 GPT had 124 staff per 1,000 subscriber lines, compared to 8 to 15 in most developed countries and 15 to 60 in developing ones; moreover, the PPAR found the quality of many GPT staff to be low. In 1987 Ghana was one of the few countries in the world in which provision of telecommunication facilities fell during the 1980s, with numbers of subscribers falling; average waiting time for a connection was five years (World Bank, *SAR Telecommunications II*, 1988).

The Second Telecommunications Project (1988–96): objectives and design

The Credit's objectives can be summarised as follows: (i) rehabilitation of the network, (ii) improved financial performance by GPT, and (iii) the institutional development of GPT.

The project adopted the telecommunications part of GPT's investment plan for 1987–92, which was largely rehabilitation of the network for major urban centres. One of the project conditions was that GPT should obtain IDA approval for any additional investments in excess of US$ 1 million in each year. Institutional constraints were considered to be the principal risk, and were to be addressed by a substantial programme of technical assistance in operations and maintenance, planning, financial management and project management.

Implementation

Initially, physical implementation progressed according to schedule. By the end of 1989 many targets were being met, or even exceeded. On the institutional side there were delays but also some positive developments. For example, by 1990, for the first time ever, internal service bills were produced in time, with support from a Dutch technical assistance team from the company NEPOSTEL.

While these achievements were being made, problems arose which caused the project to fall badly behind schedule.

The major problem was that of delays in the approval of consultancy contracts due to lengthy bureaucratic procedures and to the Provisional National Defence Council's directive that local consultants must always be used when a foreign firm was involved. This directive was slackened to allow the use of local staff, though World Bank staff were sceptical whether this would help, given the shortage of skilled staff in GPT. Delays in recruiting technical assistance personnel had a knock-on effect in delaying the implementation of other project components. The Dutch component does not seem to have been affected by this, presumably because the Dutch company involved (NKF Kabel BV) had its own staff in Accra.

By the end of 1989 the start-up delay had reached almost one year. By November 1990, disbursement of the IDA Credit, which was essentially for technical assistance, was less than half the planned amount. The Japanese (OECF) credit of US$ 76 million, effective since December 1988, could not be utilised because consultants had not been recruited. The deterioration was finally halted in 1991, by which time the project was two years behind schedule.

GPT's financial position was initially better than forecast on appraisal, to be attributed to substantial tariff increases at the start of the project. Financial performance weakened from 1990, however, partly due to overstaffing and delays in revising tariffs.

Overstaffing was estimated at 30 percent in the late 1980s and considerable delay occurred in the planned retrenchment, partly because GPT could not afford a major retrenchment exercise. The quality of staff was also poor, a fact that was linked to the low pay. In 1993 it was still the case that only 10–15 percent of staff in the finance department had had any formal training in accounting.

The failure to adjust tariffs in line with inflation (and depreciation of the Cedi for international services) has been the other major factor behind declining financial performance. GPT was empowered to adjust international tariffs for depreciation, but failed to take advantage of this ability for a considerable period. No tariff increase was introduced for over three years from May 1988 (despite depreciation of the Cedi by 77 percent in this period). Tariffs were finally raised again in April 1993, but were still the same in mid-1996.

During the project increasing attention was given to GPT's financial structure, including the plan developed in 1990 to separate telecommunications and postal services. Progress in this respect was slower than expected and the issue became a major preoccupation of later supervision missions. The split finally occurred in August 1995.

Despite these budgetary problems, GPT has shown a profit on telecommunications, with postal services making a loss each year. It should be noted, however, that GPT has not been servicing most of its external loans, which is done by the Government of Ghana, and that it is also in arrears to government. In 1996 the World Bank considered that GPT was insolvent. With insufficient revenues and high operating costs, it was not able to service its debt and continued to rely heavily on Government to meet its obligations to lenders.

Financing

The Project Financing Plan showed a total cost of US$ 173 million, of which donors were to finance 89 percent (US$ 153 million) and the Government of Ghana and GPT 11 percent (US$ 19.3 million). IDA's contribution of US$ 19 million was only 11 percent of total project cost, the bulk being provided by four cofinanciers (Japan, France, Ireland and the Netherlands). Just over 5 percent of funds for the project were in the form of grants—the rest were either soft loans or commercial credits, all provided on a parallel cofinancing basis.[1]

Interestingly, the Bank's Staff Appraisal Report (SAR) mentions that, although in 1987 donors' pledges already covered the foreign exchange requirements of the project, the Government continued to receive financial offers from various donors. Moreover, the pledges made already outstripped GPT's capacity to absorb them in the short and medium term. This threatened the development of a balanced network and the optimisation of available resources. The need for close aid coordination was stressed in order to avoid duplication of efforts. Instances of duplication of effort already began to show up during project preparation, however (SAR 1988).

Cofinancing by the Government of the Netherlands

Dutch cofinancing totalled Dfl. 87.6 million, split between official aid worth Dfl. 50.8 million (consisting of a mix of balance-of-payments support and export credits) and a commercial credit of Dfl. 36.8 million.

The initiative for involvement of the Government of the Netherlands was taken by a Dutch company (the Nederlandse Kabel Fabrieken, NKF Kabel BV), which competed with a Japanese firm for rehabilitation of the telephone network in Accra North. Supported by Mixed Credit financing, the Dutch company was awarded the contract (1987).

[1] Definite financial data in respect of financing the Project were not available when the project was evaluated by an independent mission in late 1996 (Sowa & White 1997).

In 1987 a Mixed Credit of Dfl. 37.6 million, consisting of an official component of Dfl. 18.8 million Dutch aid funds (a soft loan) and a commercial credit of the same amount, was granted for the supply of a telephone system in Accra North. A second contribution in 1988 consisted of a balance-of-payments support of Dfl. 5 million under a parallel cofinancing arrangement, hence partially untied. The decision to grant this balance-of-payments support was taken at the request of the Ghanaian authorities in view of the suspension of the LCL Programme (cf. Chapter 17). The grant was also used for cables and related equipment supplied by NKF. The project was realised by mid-1990.

In 1988/89 Ghana requested more support for three follow-up projects in the capital (Accra North Phase 2, Cantonments and Central) with total costs of Dfl. 45 million. The continuation project was to be disbursed in three tranches of Dfl. 15 million each, probably due to the financing requirements of the Government of the Netherlands. Apparently, these sub-projects had not been envisaged initially and although their existence was later mentioned in the Bank's supervision reports, implementation was not monitored. As has been stated above, GPT was not permitted to embark on additional activities without IDA approval, although the supervision reports give an impression of increasing leniency in this regard.

The first sub-project, in Accra North (Phase 2), was financed through a Low Concessional Loan (LCL) of Dfl. 15 million offered to Ghana in December 1991, although GPT had already signed a contract with NKF to provide goods and services in October of the previous year. Disbursements took place in 1992 and 1993 (Dfl. 9.2, resp. Dfl. 5.8 million).

The LCL programme was replaced by the ORET Facility in 1991 ('Development-Related Export Transactions'). The remaining two sub-projects for telephone cables in Accra Cantonments and Central, together amounting to Dfl. 30 million, were financed under the ORET Facility in 1993. Under this facility 40 percent is financed through a grant by the Government of the Netherlands and 60 percent through commercial credits. Hence, Dfl. 12 million were committed from Dutch aid funds and Dfl. 18 million were financed through commercial credit.[2] The sub-projects were completed by May 1996.

Overall assessment

An assessment based on each of the three project objectives shows that only one was achieved, i.e. rehabilitation, or the project's physical component. This was somewhat delayed, however, by repeated government interference in the procurement process. The objective of improved financial performance has been a dismal failure: GPT became

[2] The costs of this commercial credit amounting to Dfl. 100,000 were to be financed from the Dutch aid budget. They have not been included in the total amount cofinanced with the Bank in Ghana.

insolvent during the course of the project. The objective of institutional development of GPT has met with uneven success at best. To sum up: the planned investments were made by foreign contractors, but institutional development, needed to sustain the services to be delivered by these investments, mostly did not.

Cofinancing was a very substantial component of this project. The involvement of cofinanciers in the supervision process seems to have been good, despite the fact that all funds were parallel cofinancing. Moreover, all supervision reports give systematic and comprehensive coverage of the cofinanced components. Two factors probably explain the relatively high degree of (attempted) cofinancier involvement. First, IDA funds were only just over one-tenth of the total project, so that most activities would have been ignored had cofinanced activities not been covered by supervision. But it is very likely that a second reason, a personal decision by the Task Manager to involve cofinanciers in supervision, also played a part. No evidence has been found, however, that the Netherlands took advantage of these opportunities to participate in supervision.

The Dutch private sector

In total, NKF supplied equipment worth Dfl. 87.6 million of which Dfl. 50.8 million was financed under the aid budget and Dfl. 36.8 million was commercially financed. In addition to these supplies directly linked to the Dutch cofinancing arrangements, and probably as a result of them, NKF obtained in 1994 a contract for additional telecommunications equipment. This was worth Dfl. 54 million under competitive bidding and was entirely financed with commercial credits. It brought the overall total of supplies by this Dutch company to Dfl. 141.6 million.

At first sight, this was a remarkable achievement for the Government of the Netherlands and NKF. With export credits worth Dfl. 46 million[3] the triple amount in contracts and supplies had been realised. NKF acknowledged the importance of Dutch aid funds in defeating French and Japanese competitors whose financial offers were more attractive than those of the Netherlands (source: NKF letter to the MFA/DPO/BL, dated 19 February 1991). In fact, NKF openly admitted that without such financing it would not have survived on the Ghanaian market.

The success of the formula of triangular cofinancing, i.e. the creation of additional funds for the recipient country and export promotion for the supplying country, however, is clouded by issues related to donor coordination and efficiency. Some sub-projects had apparently not been envisaged initially and although their existence was later mentioned in

[3] Excluding the partially tied Dfl. 5 million balance-of-payments grant.

the World Bank's supervision reports, implementation was not monitored by the Bank (or by the Dutch since the MC, LCL and ORET Programmes did not provide for monitoring of financed projects). As stated above, GPT was not permitted to embark on additional activities without IDA approval. In the light of GPT's inability to service the debt created by foreign-financed projects—in fact, the company became insolvent during the course of the Second Telecommunications Project—the blessing of additional funds turned into a burden.

Moreover, in its Staff Appraisal Report of the project the World Bank reported that in 1987 donors' pledges already covered the foreign exchange requirements of the project. The Government of Ghana continued to receive financial offers from various donors, however, even to the extent that pledges made outstripped GPT's capacity to absorb them in the short and medium term. This threatened the development of a balanced network and the optimisation of available resources. The need for close aid coordination to avoid duplication of efforts was emphasised (SAR 1988).

Against this background of over-financing and fierce competition among suppliers from donor countries while using aid funds, the delay in implementing the Second Telecommunication Project is striking. In 1993 it was reported that the project, planned to run from 1987 to 1992, was two years behind schedule. The main reason for this delay was said to be Ghanaian Government procedures for the approval of contracts with foreign consultants and companies (Ministry of Foreign Affairs, Appraisal memorandum, 5 March 1993).

Evaluation of Dutch cofinancing: policy relevance and compatibility

There is no doubt that rehabilitation of the dilapidated infrastructural sector constituted an important prerequisite for Ghana's economic recovery. Hence, the project had high policy relevance from the Ghanaian perspective. This also applied, though indirectly, to the Dutch viewpoint. From a sectoral point of view, however, support of large-scale infrastructural development projects did not constitute a priority area in Dutch development policies in the period under review, and certainly not during the 1990s. Dutch aid policy did include the use of export credits for capital goods and infrastructural works, however. It may be concluded, therefore, that the economic self-reliance or growth objective of Dutch aid has been met to some extent, although it is difficult to think of any direct relationship to the other three objectives: poverty alleviation, gender and sustainable environment. Notwithstanding this, the use of ODA funds to finance an activity such as telecommunications services, which in principle should be commercially viable, seems to contrast rather sharply with the principle of promoting the private sector and reducing the role of the state.

Effectiveness

The objectives of the cofinanced part of the project have been realised, i.e. physical rehabilitation of the telephone network in the areas described. Hence, the project's effectiveness insofar as its immediate output is concerned can be judged positively. It is more difficult to account for its effects and impact on living conditions of the poor. Since Dutch cofinancing was for telephone cables and related equipment in a largely residential high-income area in Accra, it is unlikely that the poor will have benefited from it, at least not directly.

Efficiency

The question of how efficiently the project's activities were carried out can be dealt with from various angles. First, it is unlikely that optimal use was made of all available resources given the over-financing that occurred. Secondly, the efficiency of operations is most likely to have been negatively affected by the lack of donor coordination, resulting from fierce competition among potential suppliers. Thirdly, the project in general suffered from various setbacks that caused important delays: it ended in mid-1996 instead of late 1992 as originally envisaged. The physical rehabilitation component was carried out more or less on schedule, although delayed somewhat by repeated interference by the Government of Ghana in the procurement process. Lastly, it is impossible to answer whether or not the project could have been implemented at less cost. The hybrid character of the financing (ODA, commercial credits) makes it difficult to judge whether other modes would have been cheaper; moreover, the tied nature of both concessional and non-concessional lending has to be taken into account. Although the hypothesis could be defended that more competition could have led to more favourable prices for the Ghanaian Government, this cannot be proven given the lack of counter-evidence. It remains questionable, however, whether ODA funds should be used to finance an activity such as telecommunications services which, in principle, should be commercially viable.

Sustainability of results

Sustainability of the project's benefits should be subject to serious doubt under present circumstances. GPT has been unable to service the debt created by the foreign-financed infrastructural investments. In fact, the company became insolvent during the course of the project. Perhaps sufficient revenue will be raised in the future to cover recurrent costs for maintaining the recent investments. Unless GPT becomes more commercially oriented, however, sustainability of the project's results is most unlikely.

9.2 Second Transport Rehabilitation Project (1991–)

Project background: First Transport Rehabilitation Project

Ghana's transport system deteriorated during the 1970s as the country moved from economic stagnation to crisis. Since embarking on the Economic Recovery Programme (ERP, cf. Chapter 5), the Government has accorded high priority to rehabilitation of the transport infrastructure, including the Road Rehabilitation and Maintenance Project, the Railway Rehabilitation Project and the First Transport Rehabilitation Project, which started in 1989. These projects made substantial progress in upgrading the infrastructure, although it should be emphasised that the work concerned rehabilitation rather than new investments. The extent of the deterioration by 1983 meant that activities had to continue during the 1990s. Hence, before the First Transport Rehabilitation Project was completed, plans were underway for a follow-up, the Second Transport Rehabilitation Project, which was approved by the Board of the World Bank in December 1990 and became effective in June 1991.

Objectives and design of the Second Transport Rehabilitation Project

The overall project objectives were: (i) to remove physical bottlenecks to the expansion of exports, farm production and labour mobility; (ii) to improve the efficiency of public and private sector transport management, (iii) to encourage new methods of infrastructural rehabilitation and maintenance practice; (iv) to reduce transportation costs, and (v) to alleviate poverty in rural areas and to improve the self-development of rural women through a pilot programme of labour-intensive road construction targeted towards women.

The project had five components of which one, the railway component, was cofinanced. This focused on follow-up to the initial rehabilitation of the Western Line, and the rehabilitation of the Eastern and Central Lines, through the replacement and addition of railway equipment and spare parts as well as infrastructural improvements (e.g. bridges) and technical assistance to the Ghana Railway Corporation (GRC).

Implementation[4]

Implementation of the railway component was unsatisfactory. The targets for freight and passenger traffic were not achieved (although modest increases were recorded) and the financial performance of GRC remained weak. Specific problems were the following.

[4] Substantive information on the general implementation of the project is lacking. Therefore, this section is limited to the project component that was cofinanced by the Government of the Netherlands.

- Reopening of the Eastern and Central Lines was delayed by three years, mainly due to the failure of the Government of Ghana to release funds.
- The failure to turn GRC into a commercially-viable entity was caused by delays on the Eastern and Central Lines, the consequent low freight and passenger traffic, excess staffing (even though staff reduction has been greater than originally planned) and, especially in the early years, poor utilisation of locomotive capacity.

Financing

The project had a total budget of US$ 230 million: US$ 96 million (about 40 percent) from IDA, US$ 68 million (some 30 percent) from the Government of Ghana, and US$ 66 million or some 30 percent from cofinanciers. Parallel cofinancing provided by the Netherlands included a (small) portion of the railway component, which as a whole accounted for 28 percent of the total project budget (US$ 63 million).

Cofinancing by the Government of the Netherlands

Following a request by the Government of Ghana in 1989, the Government of the Netherlands granted in that same year a balance-of-payments support of Dfl. 7 million for the railway component, i.e. 5.2 percent of the envisaged overall costs. No information has been found in the files or elsewhere that the background to this transaction was identical to that of the Dfl. 5 million balance-of-payments support granted in 1988 in view of the suspension of the LCL Programme (cf. 9.1, the Second Telecommunications Project), but the possibility cannot be ruled out. Although the Dutch grant was no export credit cofinancing, the transaction was interesting for the Dutch private sector in that it was partially tied. The needed equipment was supplied probably in 1991/92 by two Dutch firms, Kloos Kinderdijk and Philips Alkmaar, sole producers of the equipment in the Netherlands. Further information is not available since the relevant files in the Ministry of Foreign Affairs were found to be incomplete. Further details requested from GRC have not been forthcoming.[5]

Evaluation of Dutch cofinancing

A summary of the railway component of the Second Transport Rehabilitation Project would be that there has been progress on the physical components, although somewhat delayed, but that institutional development, most notably in improving the financial performance of GRC, has been less than satisfactory.

[5] The evaluation team that visited the regional headquarters of GRC in October 1996 was promised relevant documentation pertaining to Dutch supplies but this did not materialise.

Since the Dutch contribution financed only a small part of the physical component (five percent) and substantial information on the delivery of highly specialised equipment (points and crossings; spare parts for double wire signalling system) is lacking, it is difficult to evaluate the transaction in full. Moreover, (technical) rehabilitation seems to have been completed only during 1996. Most importantly, however, it cannot be isolated from GRC's continuing poor performance.

Policy relevance and compatibility

There can be no doubt that the dilapidated transport infrastructure justified investments for its rehabilitation. Without a properly functioning infrastructural network it is difficult to imagine how Ghana could improve its export performance, a major goal of ERP. The investments cofinanced by the Netherlands thus concerned a real bottleneck in the economic development process and must be considered very relevant, even though the use of aid funds for financing large infrastructural works or projects was not a policy priority for the Netherlands in the period concerned. Mainly due to this, therefore, it cannot be concluded that policy compatibility existed.

Effectiveness

The equipment was delivered in 1991/92 so the short-term objective was reached. The overall completion of rehabilitation suffered serious delay which was not linked to the equipment but which nevertheless caused it to become operational only four years later (1996). As a result, the project's output and effects could not be assessed at the time of the evaluation (September–November 1996).

Efficiency

File research has shown that officials of the Dutch Government negotiated a (small) price discount but further information is lacking. It should be borne in mind, however, that the two Dutch firms mentioned were the sole producers of such equipment.

Sustainability of results

In view of the institutional weaknesses of GRC (poor financial performance, weak management) sustainability of the results of the cofinanced project must be subject to serious doubt, at least in the short term.

The Dutch private sector

Apart from supplies by Kloos Kinderdijk and Philips Alkmaar, more Dutch supplies are related to the Second Transportation Rehabilitation Project, albeit indirectly. The planned rehabilitation of existing roads (mainly trunk roads) in the project area necessitated the rehabilitation and construction of rural roads elsewhere which were not formally part of the Second Transport Rehabilitation Project. For example, the rehabilitation of the Kumasi–Yeyi road (220 km) was financed by the Government of the Netherlands using various export credits (LCL and ORET) totalling Dfl. 85 million. The projects were executed by the Dutch company of Interbeton B.V. for a total amount of about Dfl. 190 million (approx. US$ 100 million). Although these road rehabilitation works did not constitute cofinancing with the World Bank, they represented an important spin-off of the Second Transport Rehabilitation Project cofinanced by the Government of the Netherlands.

This cofinancing should not be seen as a prerequisite for obtaining the contracts for rehabilitation of the Kumasi–Yeyi road, but the two activities were not unconnected. This is an example of how activities can interact, while the fact of Interbeton's local presence probably constituted an important factor. The two transactions totalled almost Dfl. 200 million, illustrating how economic recovery in poor countries can provide interesting opportunities for companies from rich countries.

9.3 National Electrification Project (1993–)

Project background

Ghana has considerable potential for generating energy by hydro-power. In 1990, however, electricity accounted for less than 10 percent of total energy consumption; in rural areas only 7.5 percent of households was connected to the national grid in 1991/92. Contradictions include the fact that electricity is exported to neighbouring Togo, although many areas of the Volta Region through which the exported energy passes are not themselves electrified. The National Electrification Project (NEP) intends to help redress this situation.

Objectives and design

The objectives of NEP are: (i) to enable Government to provide electricity from the national grid to small urban centres, district capitals and rural areas through a systematic electrification programme; (ii) to improve service reliability in the existing network of the national company, the Electricity Corporation of Ghana (ECG), and (iii) to improve ECG's operational efficiency helping it to reform and strengthen its commercial operations (World bank, *SAR National Electrification Project*, 1993).

Appraisal of the project was fraught with difficulties. On more than one occasion the Ghanian Ministry of Energy officials either walked out of meetings or refused to meet World Bank staff, due to disagreement regarding viability of the project. The Government of Ghana claimed that viability of the electrification of all 110 district capitals had been established by the World Bank's Energy Sector Review and a more recent National Electrification Project Study. The position of the World Bank team was that viability of a number of sub-components of the project was questionable at best, and that the programme should be restricted to certain areas. The Ghanaian Government was adamant that NEP should cover the whole country. Eventually, the Government of Ghana and the World Bank agreed to this, but also that the Bank's involvement would be limited. Consequently, various bilateral donors were invited to provide parallel cofinancing.

Implementation

NEP's scheduled completion date is not likely to be realised (30 September 1998), making an extension inevitable. A major obstacle is ECG's poor financial position due to the low economic internal rate of return—confirming the Bank's calculations *ex-ante*—caused by low tariffs and compounded by emerging inflation in the mid-1990s. Implementation of the Dutch financed component, located in the Western Region, went physically well, but was still ongoing at the end of 1996.

Financing

The differences in opinion between the World Bank and the Government of Ghana as to the viability of NEP were reflected in the Financing Plan. Consequently, the World Bank would fund only part of the project, with responsibility falling on the Government to find cofinanciers for the rest. The total project budget of US$ 180 million was financed by a US$ 80 million IDA Credit (approved in 1993 and effective in 1994), US$ 37 million from the two Ghanaian implementation agencies (ECG and the Volta River Authority, VRA), and US$ 70 million from bilateral donors, including US$ 32.9 million from the Netherlands.[6]

Cofinancing by the Government of the Netherlands

In 1992 the Government of Ghana contacted the Dutch Government to finance one of NEP's components in the Western Region. An ORET transaction was approved in 1994, implying a parallel cofinancing arrangement with the World Bank. The Government of the Netherlands financed through this facility Dfl. 24.5 million (US$ 13.2 million), i.e.

[6] The difference between total project costs and total financing is due to exchange rate fluctuations.

40 percent of the component's costs, the remainder being financed through a commercial credit (Dfl. 36.7 million or US$ 19.7 million). The contract was awarded to a Dutch company, HOLEC.

Overall assessment

During interviews held by the IOB evaluation team at the World Bank in September 1996, strong indications were given that NEP had a political dimension. The Ghanaian Government would have favoured it for internal political reasons, i.e. the 1992 Presidential elections. The World Bank initially resisted but finally acceded to many Ghanaian demands, probably for strategic reasons. This may explain why the Bank eventually financed less than half of NEP's costs and favoured parallel cofinancing for the remainder.

From an economic and financial point of view, however, NEP is not without problems. The low economic and financial rates of return and the discrepancy between the two necessitated the granting of subsidies to the implementing agencies which already faced serious financial difficulties (ECG and VRA), thus contradicting the market-oriented reforms of the economy in general and of the public enterprise sector in particular, and threatening the budgetary discipline of the State.

It should also be recognised, however, that the Government's position of incorporating all district capitals in the project, even if non-viable, is in line with its strategy of bringing the benefits of growth to the whole country, especially the most disadvantaged regions. The developmental impact of nationwide electrification can be significant, including the stimulation of small-scale enterprises, the facilitation of services of local health centres, the reduction of time spent on fetching firewood, and associated environmental benefits.

Evaluation of Dutch cofinancing: policy relevance and compatibility

NEP's objectives certainly aimed at attacking real obstacles to the development process. It is difficult to assess the priority which the removal of these obstacles has or should have in the overall national development strategy, but it was identified by the Ghanaian Government as a real and urgent problem. In official Dutch development policy the support of large-scale infrastructural development projects did not constitute a priority area in the period concerned, although export credits for capital goods and infrastructural works were considered a useful instrument and included in the development budget in the 1980s and 1990s. It must therefore be concluded that financing of a component of the National Electrification Project was both relevant and compatible. This is not to say that only development-oriented considerations were at the base of this project. Political considerations also played an important role.

Effectiveness

Since the project had not been completed at the time of evaluation, it would be premature to make any definite statement concerning its effectiveness. Although implementation of the Dutch-financed component went physically well and its short-term effectiveness is therefore likely to be positive, effects in the longer term will depend largely on the institutional setting which is seriously endangered by the difficult financial position of ECG and VRA. The 1998 drought, which resulted in an insufficient water level in Lake Volta causing major problems in the electricity supply, clearly demonstrated that other variables also play an important role in the effectiveness of NEP.

Efficiency

The lack of essential information makes it impossible to judge the project's efficiency. An *ex ante* assessment of the proposal reached a positive conclusion with respect to the price level. Given the expected delay in completion, however, and the insufficiency of the actual tariff structure employed by ECG, there is strong doubt whether utilisation of the created facilities will attain an acceptable level of efficiency.

Sustainability of results

Technical sustainability of the financed component does not seem to pose any major problem. Its financial and institutional sustainability is unlikely, however, given ECG's poor financial and managerial record. This is confirmed by present plans (1998) for a follow-up project for further rehabilitation of the ECG which is to be financed by another World Bank credit.

Final remark

Serious questions must be raised as to the debt issues which result from lending-based financing of (commercially) non-viable projects. The resulting debt servicing may form obstacles to the attainment of the goal of economic self-reliance. This issue must be a matter of great concern to the World Bank, its cofinanciers, and the recipient country as well. It is far from clear from this example—but the question has a more general nature—which role the concept of 'sustainable level of borrowing' plays when projects are appraised and financing granted. This question is, however, not unique to export cofinancing but to all (World Bank) loans.

9.4 Conclusions

Policy relevance and compatibility

Since the three main projects have all been in infrastructure, an essential component in the economic recovery process, their relevance is high. The projects aimed at removing important obstacles to economic development and were in line with policies of the Government of Ghana and the World Bank. Although the financing of infrastructural works did not constitute top priority for the Government of the Netherlands, the supported activities contributed indirectly to the attainment of a principal goal of Dutch development policy, i.e. economic self-reliance. Moreover, the instruments used (Mixed Credit Programme, LCL-programme and ORET Facility) were created for the purpose, i.e. the supply of capital goods and infrastructural works. Hence, it can be concluded that there was policy compatibility.

Effectiveness

Two of the three supported projects had been completed when the evaluation mission visited Ghana. Their immediate output was conform to their stated objectives, i.e. the realisation of a physical infrastructure (telecommunications and transportation), but their effects and impact on the living conditions of the poor vary. The supply of telephone cables and related equipment may have an indirect effect on the goal of economic self-reliance; they do not seem to ameliorate the living conditions of poor people, however. With regard to the supply of railway equipment, the delay in completion of the entire transport rehabilitation project prevented the Dutch-financed component from being effective. No statement as to effectiveness can be made with respect to the project still under implementation, i.e. the National Electrification Project.

Efficiency

The cost-price efficiency of the three projects can be evaluated positively, although in one case the suppliers of goods held a monopolistic position on the market (Second Transportation Rehabilitation Project). All activities have been subject to delays, sometimes caused by the Ghanaian Government, e.g. related to the use of foreign consultants in the Second Telecommunications Project. The latter project also suffered from over-financing which hindered the optimisation of available resources and negatively affected donor coordination.

Sustainability of results

Sustainability of each of the three infrastructural projects is threatened by the weak financial position of the relevant agency. At present, investment programmes in each sector are externally-funded and the debt so created is serviced by the Government of Ghana rather than by the utility concerned. This in itself means that the activities are not sustainable in a broad sense. If a narrower notion of sustainability is adopted, i.e. whether the supported activities will continue, then a more positive answer may be given as each agency is supposed to be moving to marginal cost pricing (though tariff increases remain problematic) as part of their move towards a commercial strategy.

The Dutch private sector

All these projects together entailed some Dfl. 167 million of Dutch bilateral aid funds, of which Dfl. 70 million were cofinancing-related export credits. These were linked to contracts for Dutch companies with a total value of nearly Dfl. 400 million. This is a good illustration of the reciprocal advantages of development aid from which both donor and recipient countries may benefit. The examples discussed also demonstrate, however, that advantages for the recipient are not automatic.

10 Pakistan

The Government of the Netherlands cofinanced 12 projects in various sectors in Pakistan during 1983–96, most of them under joint arrangements. One activity concerned programme aid and, for practical reasons, has been included in this chapter. Cofinancing disbursements totalled over Dfl. 130 million, and Pakistan thus ranked tenth on the list of recipient countries. Commitments were much higher, almost Dfl. 190 million, placing the country sixth on the list. Five projects were still ongoing as at 31 December 1996.

10.1 Rural development

Overview

An overview of cofinanced activities in the rural development sector is given in Table 10.1. A common feature is that all projects were related to irrigated agriculture. While two projects (Drainage-IV and ISRP-II) sought to rehabilitate and improve major irrigation schemes of the Indus Basin, primarily in Punjab and the North West Frontier Province (NWFP), two other projects (BMIADP and BCIAP) were aimed at development of the small springs prevalent in Baluchistan (minor irrigation).

Drainage-IV and BMIADP commenced in the early 1980s. They suffered long gestation and implementation periods and were only brought to completion, after several extensions, in the mid-1990s. A similar situation prevailed for ISRP-II which started in 1988 and was completed in 1996, much later than originally foreseen. BMIADP had a follow-up project (BCIAP), which was approved in 1995. All projects (with the exception of the recent BCIAP) were cofinanced by the Netherlands and by other bilateral donors (UK, USAID and KfW).

Cofinancing provided by the Netherlands in this sector totalled Dfl. 41.5 million in terms of disbursements made between 1983 and 1996. All of it was of the CLRC type and concerned project aid. With the exception of the Drainage-IV Project and a small contribution to BMIADP, all cofinancing in this sector was joint.

Table 10.1 Overview of Dutch–World Bank cofinancing in Pakistan 1983-96, Rural Development (disbursements at 31 December 1996, in Dfl. millions)

C/L	Project title	Form	Type	Years of commitment	Disbursements
C1375	Fourth Drainage Project (Drainage-IV)	Parallel	CLRC	1983–87	9.689
C1888	Second Irrigation System Rehabilitation Project (ISRP-II)	Joint	CLRC	1988–94	8.051
C1243	Baluchistan Minor Irrigation and Agricultural Development Project (BMIADP)	Joint/ Parallel	CLRC	1983–95	21.101
C2780	Baluchistan Community Irrigation and Agricultural Project (BCIAP)	Joint	CLRC	1995	2.713
Total					**41.554**

Description

The Drainage-IV and ISRP-II Projects developed from the Indus Basin Study implemented during the 1970s which resulted in the 'Revised Action Plan (RAP) for Agriculture' in 1979. The justification of the projects was the deterioration of Pakistan's extensive irrigation and surface drainage system. The aim was to find large-scale and permanent solutions to the problems of waterlogging and salinity. Efficient drainage was considered a prerequisite to the restoration of sound irrigated agriculture which constituted the backbone of the national economy.

The irrigation system of the larger part of Baluchistan was situated outside the Indus Basin and was fed by small springs. The schemes were to be up-graded and developed under BMIADP and, at a later stage, with support from BCIAP. Whereas major irrigation in Punjab, Sindh and NWFP was mostly government-controlled and/or characterised by large landholdings and the practice of sharecropping, the minor irrigation in Baluchistan was largely controlled by smallholder (tribal) communities.

The overall objectives of the projects, as laid down in the respective Staff Appraisal Reports (SARs) of the World Bank, may be summarised as follows:

– Drainage-IV was to increase agricultural production by reducing waterlogging and salinity. Several methods were introduced for this purpose: (i) installation of sub-surface drains; (ii) rehabilitation and extension of the surface drainage system; (iii) improved on-farm water management. Drainage-IV was to achieve these objectives through substantial training and by providing technical assistance to national and provincial public bodies in charge of water management and agricultural development.

– ISRP-II was to increase agricultural production by providing a more reliable and equitable irrigation water supply to farmers. Deferred maintenance had caused existing irrigation canals to be characterised by frequent breaches and the sedimentation of canal prisms, as well as failure of control systems. A major objective was to strengthen the capabilities of Provincial Irrigation Departments to improve efficiency in systems operation and to ensure the adequate operation and maintenance of installed facilities on the basis of full cost-recovery from farmers.

– BMIADP aimed at the development of minor perennial irrigation schemes in Baluchistan and their command areas through an improved layout of water distribution schemes, lining of principal conveyance channels, the construction of control structures as well as the introduction of improved irrigation and agricultural practice. BCIAP, at a later stage, was conceived with a strong emphasis on community involvement in project development and implementation, whereby farmers would eventually take over the operation and maintenance of the irrigation schemes.

Cofinancing by the Netherlands supported distinct components of the various projects, and comprised capital investment and/or technical assistance.

– In Drainage-IV, Dutch funding allowed for the acquisition of trenching machines and spare parts, supplied by two private companies in the Netherlands. The International Institute for Land Reclamation and Improvement (ILRI) also provided technical assistance.

– With regard to ISRP-II, Dutch cofinancing contributed to rehabilitation works in NWFP in particular and allowed for technical assistance provided by a consultant from the Dutch Institute of Hydrological Engineering (IHE).

– Dutch cofinancing of BMIADP and BCIAP exclusively concerned the comprehensive technical assistance component that was deemed indispensable due to the low level of expertise available in the provincial government of Baluchistan.

During the 1980s all projects experienced considerable delay in their start-up and eventual implementation. This was caused by lengthy negotiations and occasional disputes with private contractors in charge of implementation (Drainage-IV), late approval and early withdrawal of cofinancing by another donor (USAID in the case of ISRP-II in 1990), cashflow problems of provincial authorities and the high mobility of technical staff

(ISRP-II and BMIADP), as well as by lack of understanding of social structures in the intervention areas (BMIADP).

Evaluation

The present evaluation made use of existing evaluation material (notably Project Completion Reports (PCR), Implementation Completion Reports (ICR) and Project Performance Audit Reports (PPAR), when applicable, of the World Bank) and extensive file studies in Pakistan, in the Netherlands and the World Bank. Field research was carried out notably for ISRP-II and BMIADP/BCIAP, while the remnants of equipment supplied with Dutch funding were inspected in the Drainage-IV project area. The overall research yielded the following conclusions.

– Since the rehabilitation and development of the Indus Basin irrigation system had been denoted a priority by both the Government of Pakistan and the donor community (including the Netherlands and the World Bank), there was policy relevance and policy compatibility in a general sense for and among all parties. This also held true for the need to improve on minor irrigation in Baluchistan. Neither party, however, had defined stringent criteria for these projects with regard to structural poverty alleviation, economic self-reliance, improvement of the position of women or environmental sustainability. None of the projects were specifically targeted towards the poor strata of the population and therefore did not address the fundamental problems of the majority of people. Under BMIADP, however, the project beneficiaries were resource-poor smallholders who depended largely on agriculture irrigated by small springs. Subsidies were also provided, however, to farmers who could not be described as poor by Dutch criteria (farmers owning orchards connected to profitable trade routes). It should also be stressed that BMIADP at a later stage as well as BCIAP made serious efforts to include the dimension of gender balance.

– Evaluation material of the World Bank states that projects were effective in the sense that immediate outputs stated in the SARs, in terms of improvement of production levels and farmers' income, have by and large been achieved. Due to methodological shortcomings (e.g. data on the situation before and/or without the projects, absence of monitoring systems, difficulties in establishing cause/effect relationships), the empirical basis for these statements is not very firm. Since the projects were not specifically targeted towards the poor, the effects and impact on their living conditions were not investigated. As from around 1992, BMIADP (and later BCIAP) assessed the income and expenditure levels of project beneficiaries and also carried out gender-specific studies. Benefits to the target population of BMIADP proved to have been relatively marginal.

- The delays and low output levels experienced by all projects during the 1980s suggest that overall efficiency was not high, but there is no indication that this was due or related to Dutch cofinancing. Even when projects drew to their completion, mostly after several extensions, their efficiency remained low. In Drainage-IV, the equipment supplied by a Dutch company remained idle for some time and had a lifespan that was much shorter than normal. In ISRP-II, the disbursement of funds from Dutch cofinancing was much lower than expected despite two one-year extensions due to lack of political support and low implementation capacity of the provincial authorities. For BMIADP, the components covered by the IDA credit and a KfW loan benefited from favourable developments of exchange rates, and outputs were able to accrue with given levels of funding of the capital component. The Dutch funding of technical assistance during the 1980s was extended repeatedly, even though the realisation of project objectives on the ground remained slow. Although costly, the technical assistance component was in the long run decisive in introducing a bottom-up approach that allowed for greater participation of involved farmers and enhanced the chances of future sustainability of project results.

- All projects suffered shortcomings as regards the sustainability of results. For the various projects the situation was as follows. (i) Although properly installed sub-surface drainage systems require little maintenance, the PCR of Drainage-IV rated sustainability of project results uncertain; newly constructed systems should always remain under observation during the first years of operation and this task was not sufficiently assumed either by national or provincial authorities. (ii) In IRSP-II, the provisions for operation and maintenance fell below previous levels and recovery from water charges lagged far behind; farmers' involvement in operation and maintenance was virtually lacking and influential farmers were allowed to temper outlets and to siphon-off irrigation water for their individual benefit. (iii) The operation and maintenance of infrastructure developed under BMIADP was low to the extent that the Provincial Irrigation Department played a major role; however, BCIAP comprises an aftercare component for irrigation schemes created in the past which strongly stresses farmer involvement in operation and maintenance. It is still too early to assess to what extent this strategy will produce better results in terms of sustainability.

The basic rationale of projects in the Indus Basin was to rehabilitate and develop irrigation schemes that were characterised by deferred maintenance; such work was to be assumed by the public sector and by feudal landowners. Involvement of the poorer farmers remained minimal. To the extent that essential operation and maintenance is again not ensured by the authorities and/or landowners, it is conceivable that the rehabilitated and improved system will relapse into its previous condition. It remains to be seen whether policy intentions expressed by the Government of Pakistan to ensure more involvement by smallholders/sharecroppers and to improve on cost recovery and operation and maintenance will materialise.

Such intentions also apply to minor irrigation in Baluchistan, where in recent years BMIADP/BCIAP have developed a new approach based on participation by farmer communities in investments and in operation and maintenance of the system. The fundamental difference with the situation prevailing in the Indus Basin is that the small springs and corresponding irrigation schemes had traditionally been controlled and managed by smallholder farmers, a fact that BMIADP failed to take into account during the first ten years of its implementation. The technical assistance supplied with Dutch cofinancing was considered to have been a decisive factor in the turnaround of BMIADP/BCIAP towards a more participatory approach, with greater chances for sustainability of project results.

10.2 Social sector

Overview

Table 10.2 provides an overview of cofinanced project activities in the social sector. Common features are that they are all part of the Social Action Programme (SAP) of the Government of Pakistan and that they have all been deployed only since 1993/94. SAP has benefited from technical assistance under the Multi-Donor Support Unit for the Social Action Programme (MSU-SAP) administered and staffed by the World Bank. The Netherlands contributed to this project under a FSTF arrangement to which Dfl. 1.6 million were committed, of which Dfl. 0.9 million had been disbursed at the end of 1996.

Table 10.2 Overview of Dutch–World Bank cofinancing in Pakistan 1983-96, Social Sector (disbursements at 31 December 1996, in Dfl. millions)

C/L	Project title	Form	Type	Years of commitment	Disbursements
C2593	Social Action Programme Project (SAPP)	Joint/ Parallel	CLRC	1993–95	36.447
n.a.	Multi-Donor Support Unit for the Social Action Programme (MSU-SAP)	Joint	FSTF	1993–96	0.893
C2482	Baluchistan Primary Education Programme	Parallel	CLRC	1995	1.318
C2687	NWFP Primary Education	Parallel	CLRC	1996	1.493
Total					**40.151**

The donor community has supported SAP (scheduled to end in 1997/98) with programme aid under the name Social Action Programme Project (SAPP). SAPP was covered by an IDA credit line to the amount of SDR 142.2 million (equivalent to US$ 200 million) between 1994 and 1996/97. Apart from the Netherlands, cofinanciers included the Asian Development Bank and some bilateral donors from the Aid-to-Pakistan Consortium.

Cofinancing by the Netherlands during this period involved a committed contribution to SAPP amounting to Dfl. 46.5 million, of which Dfl. 36.4 million had been disbursed at the end of 1996. Dutch programme aid was disbursed in the following manner.

– At an initial stage, the Netherlands provided Dfl. 6.3 million to the Government of Pakistan directly through the steering of countervalue funds under a debt relief programme (cancellation of old bilateral debt to the Netherlands). Those countervalue funds were targeted towards educational programmes implemented by the provincial authorities of Baluchistan and NWFP. This debt-for-social-sector swap can be considered as parallel cofinancing in connection with SAPP.

– As from 1994, the Netherlands jointly cofinanced SAPP with two committed major contributions each of Dfl. 20 million, and a small commitment of parallel cofinancing (Dfl. 0.2 million). At the end of 1996, all of the first and half of the second major contribution had been disbursed. Both were earmarked for financing the education component of SAP in the Provinces of Baluchistan and NWFP. Most of the third contribution had also been disbursed.

In addition, in 1995 and 1996 the Netherlands approved bilateral education projects in Baluchistan and NWFP; these are based on parallel cofinancing arrangements with the World Bank in the education sector:

– In Baluchistan, the Netherlands funds the Primary Education Quality Improvement Project (PEQIP) (with a commitment of Dfl. 4.6 million,of which Dfl. 1.3 million had been disbursed at the end of 1996).

– In NWFP, the Netherlands funds two projects in the education sector: (i) the Improving the Learning Environment (ILE) component of the Primary Education Project (PEP) (commitment Dfl. 1.7 million, no disbursement by the end of 1996), and the Coordination Office of PEP (PEP-CO) (commitment Dfl. 9.0 million, disbursement Dfl. 1.5 million at the end of 1996).

These two projects involved Dutch commitments totalling Dfl. 10.7 million, of which almost Dfl. 1.5 million had been disbursed by the end of 1996. It should be mentioned that PEP activities in NWFP were based on parallel cofinancing with the World Bank, but on a joint relationship with GTZ.

Description

SAPP's objective is to improve governmental programmes in the social sector by stimulating increased expenditure on basic health, primary education, family planning, and rural water supply and sanitation. Under SAPP, the Government of Pakistan can claim reimbursement of certain categories of its SAP expenditure, which is basically the whole public budget for the social sector excluding donor-funded projects and programmes. The level of reimbursement is dependent on government efforts to increase spending in this sector. For each province and for each programme component (sub-sector), a fixed percentage of incremental expenditure is reimbursed. It should be stressed that SAPP (i.e. the IDA credit and cofinancing provided by a number of donors) covers less than 25 percent of the overall cost of SAP.

Dutch contributions to SAPP are in principle earmarked for use in the sub-sector of (primary) education. The Government of the Netherlands opted for restriction to two provinces (Baluchistan and NWFP) and to the educational sub-sector. Whereas SAPP on the whole was meant to initiate and maintain a policy dialogue between the Government of Pakistan and the donor community in the social sector at large, the Netherlands seeks to conduct a policy dialogue in the educational sub-sector of the two provinces. In addition to the contribution to SAPP (programme aid), Dutch funding also contributed to specific project activities related to primary education. PEQIP in Baluchistan aims at improving the access, equity and efficiency of the system, especially for girls. PEP-ILE and PEP-CO in NWFP specifically address teachers' training and the institutional strengthening of provincial authorities in the sub-sector of primary education.

Evaluation

All cofinanced activities in the social sector started after 1992 and have so far not been completed. The education projects in Baluchistan and NWFP had barely started when the evaluation took place. Evaluative statements are therefore of a somewhat provisional nature, based on extensive file research and on interviews in Pakistan, the Netherlands and at World Bank Headquarters.

In its Eighth Plan the Government of Pakistan stated that spending on the social sector (including the educational sub-sector) was to be increased. Social sector activities were also declared priorities for the Government of the Netherlands and the World Bank during the 1990s. There has hence been a high degree of policy relevance for all parties and of policy compatibility between the two governments as well as with the World Bank. Taking into account the considerable backlog in primary education of large segments of the population in rural areas, the programmes and projects address vital issues. The special focus on girls' education responds to priorities expressed by the Netherlands and by the World Bank: literacy and other skills are considered essential in order to decrease women's seclusion in rural areas and gradually promote a greater degree of gender balance.

There are indications that SAPP has produced expected outputs according to schedule, but it is still too early to assess the various dimensions of project effectiveness. This also applies to the efficiency of interventions. It should be realised, however, that SAP and SAPP appear highly complex (involving many departments of the Government of Pakistan and several donors). It remains to be seen whether the arrangements will produce results that are commensurate with the substantial flow of funds. Sustainability of results will depend on the ability of the (mostly public) institutions in charge to ensure the operation and maintenance of created infrastructure, to provide adequate human resources (e.g. teachers) on a continuous basis, and to maintain the momentum of innovative social policies aimed at girls' education, for example.

10.3 Energy and industry

Overview

As is shown by Table 10.3, the Netherlands cofinanced the Second and Third Small-Scale Industries Projects (SSI-II and SSI-III) which were covered by an IDA credit and IBRD loan, respectively. The First Project that was implemented with an IDA credit between 1981 and 1985 had not benefited from Dutch cofinancing. As from 1991, the Netherlands contributed to the Micro Enterprise Development (MED) Project, which also benefited from an IBRD loan. The MED project had not been completed at the end of 1996.

The credit covering SSI-II was approved and became effective in 1984 and amounted to SDR 47 million (equivalent to US$ 50 million). Dutch cofinancing, approved in 1985, amounted to Dfl. 5 million. The cofinancing had originally been intended to be joint, but the amount was in fact transferred directly to the Industrial Development Bank of Pakistan. The closing date of the project was twice extended by one year. It eventually closed in 1992.

SSI-III was approved by the World Bank in 1987 and became effective in 1989. The IBRD loan amounted to US$ 54 million. The Netherlands initially committed Dfl. 25 million as joint cofinancing, but transferred only a first tranche of Dfl. 6 million. Slow disbursements

Table 10.3 Overview of Dutch–World Bank cofinancing in Pakistan 1983-96, Industry (disbursements at 31 December 1996, in Dfl. millions)

C/L	Project title	Form	Type	Years of commitment	Disbursements
C1499	Second Small-Scale Industries Project (SSI-II)	Parallel	CLRC	1985	5.003
L2839	Third Small-Scale Industries Project (SSI-III)	Joint	CLRC	1987	8.242
L3318	Micro Enterprises Project (MED)	Joint	CLRC	1991	4.882
Total					**18.127**

caused the Netherlands to cancel Dfl. 12.9 million in 1994. An additional payment of Dfl. 2.2 million was made to the World Bank in 1995, earmarked for technical assistance. In 1997 the remaining Dfl. 3.9 million was cancelled. The project was closed at the end of 1995, as originally scheduled.

The MED project benefited from an IBRD loan in 1991 to the amount of US$ 26 million, scheduled to close in mid-1998. Dutch joint cofinancing totalled to Dfl. 4.9 million; Dfl. 2.8 million of this was earmarked for credit programmes to be administered by Pakistani NGOs involved in micro-enterprise development, and almost Dfl. 2 million for technical assistance. The full amount of Dutch cofinancing had been disbursed at the end of 1996.

Description

The design of successive SSI projects sought to create a capacity and interest within Pakistani Nationalised Commercial Banks (NCBs) for the financing of small-scale industries at commercial rates, and to strengthen the institutional capacities of a range of service providers in the sub-sector. The Industrial Development Bank of Pakistan (IDBP) was to function as an apex organisation. The projects basically provided funds for on-lending as well as technical assistance and training for bank staff. SSI-III included a component for technological improvements in small-scale industries with funds provided under the Netherlands cofinancing grant. Small-scale industries were considered vital in terms of employment, production and exports.

A striking feature of the three SSI projects was that they overlapped in time: SSI-I closed in 1985, but SSI-II had already started in 1984; SSI-II closed in mid-1992, but SSI-III started as early as 1988. This was mainly because SSI-I and the start-up of SSI-II had been relatively successful in terms of disbursements. SSI-III was thus felt to respond to real needs of the sub-sector. In reality, however, as from 1987 (after appraisal of SSI-III), disbursements under SSI-II dropped sharply as a result of competition from subsidised credit schemes and of devaluation of the national currency. Disbursements under SSI-III were low from the beginning, as sub-sectors' financing needs could be accommodated by SSI-II. NCB recovery rates of both projects also remained low.

The Dutch contribution to SSI-II (Dfl. 5 million) was transferred to IDBP in December 1985, although the corresponding Appraisal Memorandum of October 1985 had stipulated joint cofinancing with the World Bank, and a Grant Agreement was signed between IDA (on behalf of the Netherlands) and the Government of Pakistan in May 1987, i.e. more than one year after the erroneous transfer of the funds to Pakistan. In October 1987, an IDA supervision mission highlighted the abnormality. Initially, IDBP could not trace the funds. This situation was corrected by a special audit commissioned by the World Bank at the end of 1987.

Even before the fate of the Dutch contribution to SSI-II was clarified at the end of 1987, the Netherlands committed Dfl. 25 million to SSI-III to be disbursed as joint cofinancing. The first tranche of Dfl. 6 million was transferred to the World Bank in December 1987, i.e. three months before the IBRD loan became effective. Due to slow disbursement of the loan component of the project, the Netherlands did not transfer any more funds for this purpose. In early 1993, the Royal Netherlands Embassy in Islamabad recommended that Dutch participation in the project should be suspended. Undisbursed funds earmarked for lending purposes were eventually cancelled (at the end of 1994 and in 1997), but the technical assistance component was still supported with Dfl. 2.2 million in 1995.

The MED project was designed to strengthen the capacity of Pakistani NGOs and leasing companies to deliver financial, technical and social services to micro-enterprises. The creditworthiness of micro-enterprises was thereby to be demonstrated to commercial banks and other financial institutions. Special attention was to be given to women entrepreneurs. Whereas the IBRD loan has been disbursed mainly through leasing companies, the Dutch funding component supported several NGOs by providing capital for on-lending purposes and through technical assistance. Disbursement of the IBRD loan remained below target, but the Dutch lending-capital component was already virtually exhausted by early 1996. After a slow start, the Dutch technical assistance component was also spent by the end of 1996.

Evaluation of SSI projects

SSI projects were largely designed with an institutional development objective in mind. NCBs, traditionally involved mainly in short-term lending, were to become involved in term lending to SSI. Since short-term lending was relatively secure and profitable, NCBs had little interest in the SSI sub-sector. The Pakistan Banking Council, a powerful regulatory body, apparently enforced their participation.

This resulted in weak appraisal and monitoring of sub-loans by NCBs (largely explaining the low recovery of loans), insufficient communication between NCBs and the apex organisation, and high turnover of staff trained under the project. Technical assistance provided to small-scale industries and their support organisations was weak. Furthermore, there was competition from subsidised credit schemes and, during the implementation of SSI-III, unfavourable developments in the macroeconomic and regulatory environment.

On the basis of extensive file studies and field research forming part of the present evaluation, the following conclusions can be drawn regarding SSI projects.

– Policy relevance and policy compatibility are difficult to assess, since neither the Netherlands nor the Government of Pakistan had clear policies regarding the SSI sub-sector. In Pakistan, the government simultaneously sponsored subsidised and non-subsidised credit schemes, placing commercial programmes at a disadvantage. The lack of coherence of Dutch policies may be inferred from that fact that in Pakistan two projects with different approaches (one bilateral project with subsidised interest rates and one cofinanced project with commercial rates) were approved simultaneously, without specific reason or mutual relationship. The World Bank's main policy interest, i.e. the introduction of commercial lending practices into the SSI sub-sector, was thus not consistently supported by either the Pakistani or Dutch governments. Moreover, neither the World Bank nor the Government of Pakistan showed any particular interest in the global policy priorities of the Netherlands (poverty, gender, environment). As the projects focused on the institutional strengthening of banks, there was little attention for, or reference to, small entrepreneurs in project design and implementation.

– The project effectiveness of SSI projects could be measured at the level of the banking institutions and that of the small industrialists who benefited from the credit schemes. The lack of commitment shown by NCBs to become involved in the SSI sub-sector, prevented any systematic adoption of new systems and procedures and the assignment of trained staff to relevant jobs. As far as small industries themselves were concerned, they were somehow conspicuously absent from World Bank reports. The number of loan beneficiaries and their needs and business performance were never investigated. It is reasonable to assume that some loans were granted to fictitious and/or short-lived enterprises whose promoters were by no means poor. In a strict sense, however, the impact of SSI projects on employment and income levels could not be established in the present evaluation. Nor is it possible to make any qualified judgment as to the sustainability of results of SSI projects.

– The efficiency of Dutch cofinancing was low. The fact that Dfl. 5 million disappeared from view for more than a year, under SSI-II, because it had been transferred directly to Pakistan rather than to the World Bank must be considered highly inefficient. Later, when project implementation became problematic in terms of disbursements and recovery rates, the Netherlands committed a fairly sizeable amount to SSI-III (Dfl. 25 million) at the end of 1987 and deposited a substantial first tranche (Dfl. 6 million) before the end of that budgetary year. The contribution to additional technical assistance in 1995 (Dfl. 2.2 million) was made long after the Royal Netherlands Embassy in Islamabad had recommended that Dutch support should be withdrawn. As regards the efficiency of the project as a whole, although there is little evidence to enable effects and impact to be measured on the ground, the project did succeed in mobilising resources for lending to SSI which would otherwise have been used for purely commercial lending.

Evaluation of the MED project

The MED project suffered similar contextual constraints as the SSI projects, but has been more successful due to the commitment and capacities of implementing organisations that were outside government control. MED can be evaluated as follows.

– The project basically targeted micro-entrepreneurs, i.e. businessmen and women with very small ventures who could be considered as basically poor. As conduits for service delivery Dutch cofinancing focused on NGOs that had established expertise and longstanding experience in gender-conscious poverty alleviation programmes. The project was thus clearly relevant in terms of Dutch policies. There was also policy compatibility between the Netherlands and the World Bank (the latter in terms of its policies of the 1990s), and with priorities expressed in the Eighth Plan of the Government of Pakistan.

– The documentation of participating NGOs and lease companies shows that MED disbursement and recovery rates were high (both among men and women entrepreneurs) and that project outputs have thus been attained to a remarkable degree. The other dimensions of effectiveness, i.e. the effects and impact of interventions on the living conditions of the target clientele, have so far not been investigated.

– As yet, there is no firm evidence regarding the efficiency of the project, as no cost/benefit analysis has been carried out. However, the participating non-governmental institutions have a reputation of cost-effective and output-oriented management.

It is still too early to assess the sustainability of results. This will primarily have to be measured in the survival and performance of supported business ventures as well as the level of service delivery beyond the project. The first mentioned dimension has not yet been examined. The level of service delivery need not be subject of concern, as NGOs and lease companies are well-established in the sub-sector. It remains to be seen, however, whether the example of the project will enhance the interest shown by commercial banks for micro- and small-scale enterprises.

10.4 Multisector activities

Overview

In 1984, the World Bank assumed responsibility for a large-scale support and reconstruction project in regions of Pakistan where a massive relief effort had been made for over three million Afghan refugees in the early 1980s. UNHCR had been involved in the relief work and mobilised bilateral donor support for further assistance. The World Bank did not commit its own funds (neither by loan nor by credit), but opened trust funds through which bilateral funding was to be administered. The respective accounts can thus be considered FSTF.

Table 10.4 Overview of Dutch–World Bank cofinancing in Pakistan 1983-96, Multisector (disbursements at 31 December 1996, in Dfl. millions)

Project title	Form	Type	Years of commitment	Disbursements
First, Second and Third Income-Generating Project for Refugee Areas (IGPRA)	Joint	FSTF	1984–92	32.745
Total				**32.745**

The Income-Generating Project for Refugee Areas (IGPRA) addressed the refugees' needs for income and employment on the one hand, and the urgent need to repair the damage caused to the infrastructure and natural resources caused by the massive concentration of refugees, on the other. The project went through three phases: IGPRA-I (1984–86), IGPRA-II (1987–90) and IGPRA-III (1992–96). As IGPRA aimed basically at humanitarian assistance and also because of its diverse activities, the present evaluation considers it a multisector activity.

The Netherlands initially contributed Dfl. 2 million to IGPRA-I through UNHCR. This is not considered part of cofinancing with the World Bank. In 1986, at the end of the financial year ending in December, i.e. one year before the scheduled end of full disbursement of the first commitment (1987), the Netherlands committed Dfl. 20 million.

This was transferred instantly to the World Bank as part of a larger batch of joint cofinancing totalling Dfl. 110 million which included other projects in India, Tanzania and Zambia. The commitment was not justified by an Appraisal Memorandum or by any other substantive documentation.

In total, Dfl. 32.7 million was channelled through the World Bank for IGPRA between 1986 and 1996. This made the Dutch Government the second largest contributor to the project,[1] the total funding of which was reported by the World Bank to have been US$ 85.5 million (World Bank, *Impact Evaluation Report*, 1996).

Description

The objective relating to the creation of employment and income for Afghan refugees was realised through the implementation of labour-intensive sub-projects. These included the rehabilitation of roads damaged during the transport of supplies for refugees, and of forests and watersheds that had deteriorated as a result of increased demand for firewood and livestock grazing. Activities were not necessarily restricted to infrastructure near refugee areas, provided they would absorb a high degree of refugee labour.

IGPRA-III added two more dimensions to these basic objectives: (i) the project was to allow Afghans to acquire basic skills and experience that would be useful to them on their return to their home country; furthermore, (ii) control over the maintenance and sustainability of forests, roads and irrigation works created under the two earlier phases was to be improved.

Overall progress in implementation was satisfactory. Employment-generation objectives were met, but impact studies showed that only around 10 percent of the male labour force of Afghan refugees were employed. The project was not designed to benefit women. Income derived by refugees from project activities was 15–20 percent lower than the market rate for labour in the area. The IGPRA projects also resulted in substantial benefits in terms of rehabilitated or newly-created physical infrastructure (roads, irrigation schemes, forestry and watershed protection).

As from 1984, Dutch cofinancing was focused more on long-term benefits in terms of the environment and the infrastructure in refugee areas than on the dimension of employment generation emphasised by UNHCR and the World Bank. In this context it should be noted that IGPRA-III was mostly funded from the Dutch Foreign Affairs Ministry's Special Programme for the Environment (Dfl. 12.9 million).

[1] Germany contributed US$ 32.8 million, but this grant was administered by the State Bank of Pakistan and not by the World Bank.

Evaluation

The present evaluation derives its findings largely from existing impact studies and conclusions emanating from a UNHCR Workshop on IGPRA (1996) and the *Impact Evaluation Report* of the World Bank (1996).

– The political situation in Afghanistan over the years created a very substantial refugee problem in Pakistan, which the Government of Pakistan, UNHCR and the World Bank sought to counter in an innovative manner. The combination of two major objectives, i.e. employment generation and the rehabilitation of natural resources and infrastructure damaged by the refugees, was a concept that showed a high degree of policy relevance for all partners involved, including the donors of financial contributions. From the start, Dutch policy priorities were directed towards environmental issues, a stand that was not fully supported by implementing agencies. Policy compatibility between the Netherlands and the World Bank was therefore only partial. Moreover, the projects did not address the situation of women among the refugees.

– The projects achieved their outputs in terms of job creation and improvement of infrastructure, but the number of beneficiaries among the refugees remained small as compared to the total population. Women were hardly involved, even when this might have been made possible with little additional effort. The direct effects and impact of the projects on the living conditions of the poor at large are therefore doubtful. However, the environmental component, notably the rehabilitation of forests supported by Netherlands cofinancing, may be assumed to have had a beneficial effect and impact on the living conditions of the whole population.

– Available evidence does not allow any qualified judgment as to the efficiency of the projects in general and the use of Dutch cofinancing in particular. The Netherlands released fairly substantial amounts without any clear evidence that the funds were needed or used for the specific purposes for which they were intended (e.g. NWFP, forestry projects, the poor). Funding did not take into account the contributions of other donors which were also quite sizeable. The funding mechanism was supply-driven rather than demand-driven. The Impact Evaluation Report does not contain a satisfactory analysis of whether similar results could have been achieved with fewer means, or whether more should have been done with the resources available.

– The sustainability of project results is problematic, as operation and maintenance in forestry, watershed management and roads will depend on the release of funds by federal and provincial government agencies, which is unlikely. Local communities lack ownership and are therefore not committed to any operation and maintenance and/or protection of natural resources. Forestry sub-projects have sometimes been realised on private land whose owners have also lacked interest. The projects made insufficient attempts to target the poor directly or to ensure community involvement in the medium and long-term management of the resources and infrastructure rehabilitated and/or created. Under such conditions, environmental sustainability of results is also questionable to the extent that the durability of forests depends on their protection and/or maintenance.

There was no apparent reason why, on completion of IGPRA-III during the second half of 1996 after 12 years of quite substantive involvement, the whole operation suddenly came to a halt. Even though the number of refugees mights have decreased, an after-care programme, even in a reduced form, would have safeguarded the sustainability of project results. Under present circumstances, it cannot be excluded that IGPRA will be remembered as a special form of refugee relief since few tangible assets will remain. To the extent that Dutch-funded forestry does not require protection and/or maintenance, its results may prove more sustainable than those of other parts of IGPRA.

10.5 Conclusions

Policy relevance and compatibility

All projects cofinanced during the 1980s showed inadequacies in terms of compliance with the overall policy priorities of the Netherlands, e.g. in targeting the poor, addressing gender issues and showing sufficient prospects for economic, social and environmental sustainability. The use of grants essentially for deferred maintenance of the irrigation system, without sufficient guarantees for the future operation and maintenance of rehabilitated and newly created infrastructure, is questionable. In a more general sense, moreover, the precarious human rights situation that prevailed in Pakistan during most of the time under review played only an insignificant role in the decision-making process regarding Dutch cofinancing with the World Bank.

Although documents may have shown policy compatibility between the Governments of Pakistan and the Netherlands as well as with the World Bank, the unbridled feudal setting of projects in the Indus Basin prevented the poor, and especially women, from drawing substantial and lasting benefit from them. A similar situation existed with regard to SSI and IGPRA, since the institutions in charge of service delivery to the respective target groups showed insufficient commitment and ability to sustain the benefits. Projects cofinanced during the 1990s have been targeted more clearly towards the poor and the gender dimension has been more prominent.

Effectiveness

Those projects that could be evaluated (i.e completed or at an advanced stage of implementation in 1995/96), showed effectiveness in terms of output or realisation of project objectives, but they were low in terms of effect and impact on the living conditions of the poor. Almost no explicit consideration was given to the position of women.

Efficiency

Projects were not found to have been efficient. Several had to be extended several times before achieving at least some of their objectives. In one case, this caused costly Dutch-financed equipment to remain idle and to have an unusually short lifespan (Drainage-IV). In another case much more Dutch-funded technical assistance was needed before anticipated output was achieved (Baluchistan Minor Irrigation Project). In small-scale industry projects a sizeable amount of Dutch cofinancing eventually had to be cancelled. In general, the 'end-of-the-year-transfer' of cofinancing funds to Washington (WB) where they remained idle for a considerable time, must be considered inefficient in view of the loss of interest that it implied for the Dutch Treasury.

Sustainability of results

Most evaluated projects proved not to yield sustainable results. All rural development projects suffered serious shortcomings in this regard, as insufficient provision was made for their operation and maintenance at local government level and that of the beneficiaries. Banks involved in support to small industries showed a lack of commitment. The sustainability of results of IGPRA was also considered problematic.

With the exception of the recent MED project, all cofinanced projects have been executed through government line agencies. Neither the NGO sector nor the commercial private sector were involved in any major way, except as contractors at a low implementation level. Design, planning, supervision, monitoring and evaluation were basically carried out in cooperation with federal and provincial line agencies and, in the case of SSI, state banks. There have been clear signs of growing political interference since about 1989, resulting in less stable appointments of qualified staff, decreasing intensity in supervision and monitoring, and restricted availability of funds. The basic public sector bias explains some shortcomings of the projects in terms of efficiency, effectiveness and sustainability of results, taking into account the specific political and social realities that have prevailed in Pakistan.

11 Uganda

The Government of the Netherlands has cofinanced three projects. Two were related to the economic reform programme and involved joint cofinancing (Civil Service Reform and the Veterans Assistance Programme); the third project was a case of parallel co-financing (the Community Action Programme). Total Dutch funding amounted to well over Dfl. 28 million. An overview of the three projects is given in Table 11.1.

Table 11.1 Overview of Dutch–World Bank cofinancing in Uganda 1981–96, Projects (disbursements at 31 December 1996, in Dfl. millions)

Sector	**C/L**	**Project title**	**Years of commitment**	**FORM** Joint	Parallel	**TYPE** CLRC
Economic reforms (Multisector)	C2418	Economic and Financial Management Project/ Civil Service Reform	1993	7.5		7.5
Economic reforms (Social sector)	C2088	Veterans Assistance Programme	1992–95	9.8		9.8
Sub-total				*(17.3)*		*(17.3)*
Rural development	C2362	Northern Uganda Reconstruction Programme/Community Action Programme	1992		11.1	11.1
Overall total				**17.3**	**11.1**	**28.4**

11.1 Civil Service Reform (since 1993)

Project background

The process of reforming the Ugandan Civil Service started in 1989 when the Government created the Public Service Review and Reorganisation Commission (PSRRC) with UNDP assistance. The Commission's report (September 1990) set out a detailed and comprehensive reform agenda covering all aspects of the civil service and formulated over 250 concrete recommendations that were approved and published in a White Paper in 1991. The First Structural Adjustment Credit of the same year included reform of the civil service among its objectives (cf. Chapter 6). The Second Structural Adjustment Credit had a similar component, and in 1992 the World Bank approved a US$ 29 million Economic and Financial Management Project which aimed at improving the effectiveness and efficiency of the public service.

After taking a number of relevant measures, including reducing the number of ministries from 38 to 21 and scaling-down the civil service—estimated at some 320,000—by almost 50,000 mostly 'ghost workers', the Government of Uganda presented its Civil Service Reform Programme to the donor community in 1993. Donor support was sought especially for a comprehensive retrenchment programme which would enable payment of a minimum living wage to the remaining civil servants. The donor community responded favourably to the request. It was agreed that the World Bank would administer a pool of funds under joint cofinancing arrangements linked to the existing Economic and Financial Management Project.

Objectives

The overall objectives of the Civil Service Reform are outlined in the document *Uganda Civil Service Reform—Vision, Objectives, Strategy and Plan* (March 1993) of the Government of Uganda: (i) to improve general service delivery to the public; (ii) to improve financial viability in the short and medium term; (iii) to strengthen capacity and (iv), to reverse the progressive decline in public service efficiency and effectiveness.

The reform programme has six elements: (i) rationalisation and downsizing of the public and civil services; (ii) reform of public sector remuneration policy and administration; (iii) development and introduction of improved personnel management systems; (iv) restructuring and decentralisation of ministries to improve efficiency and strengthen service delivery capacity in the public service; (v) strengthening the capacity of the Ministry of Public Service to manage the reform programme and the reformed public service; and (vi) introduction of Results-Oriented Management (ROM).

Implementation: Downsizing/Rightsizing the Civil Service

The initial target was to reduce the total civil service by almost 70,000 employees from 214,000 in 1993 to between 135,000 and 150,000 in 1994. The retrenchment process was originally scheduled to terminate by mid- or end-1994. In practice, it was pursued throughout 1995 and 1996 and had not been completed by the end of 1996. As of September 1996 the civil service staff was estimated to total a little over 167,000. Staff of Local Defence Units and other para-military organisations, although sometimes administered by the Ministry of Interior, are not included in this figure as they are supported by the defence budget.

Apart from these approximate figures, it must be remembered that the civil service not only retrenched staff but also recruited new personnel, e.g. in the primary school sector (to meet universal primary education targets) and district level staff in the process of decentralisation. Due to the complex nature of the overall (retrenchment) process, its label was changed to Rightsizing rather than Downsizing the civil service.

Retrenched personnel were given compensation packages depending on their years of service. The Government of Uganda early expressed interest to provide support to retrenched and retired staff beyond these packages, e.g. through (re-)training, credit schemes or other support to small business ventures, but the idea apparently received lukewarm support from the donor community. It is interesting that there are no studies of what happened to retired and retrenched personnel and their employment status in the private sector. This apparent lack of interest for the fate of civil servants after dismissal or retrenchment contrasts that shown for soldiers who were demobilised during the same period (cf. 11.2 below).

Implementation: Human Resources Development

The overall objective of this component is that civil service staff possess the knowledge, skills and motivation necessary for the management and delivery of appropriate, high quality services, and that they are supported by an adequate and well-managed physical infrastructure. An important part of this endeavour has been the introduction of a (Minimum) Living Wage. In 1995 the level was assumed to be USh 75,000 per month with increases scheduled to compensate for inflation and specific urban/rural locations. The concept incorporated a cash allowance for expenditure on housing, transport and health.

Other components included job evaluation and grading, training and staff development, as well as the introduction of a code of conduct and discipline. Related activities have gradually been designed and implemented and were on-going at the end of 1996. Part of this overall programme is the Results Oriented Management (ROM) pilot project, launched during the last quarter of 1996, which focuses on targets and outputs and design performance indicators. The project is linked to the pilot introduction of a performance pay scheme which seeks to reward high performing civil servants and thus to build-up their motivation and commitment.

Financing

The Economic and Financial Management Project started in 1992, supported by an IDA-Credit of SDR 21.2 million (equivalent to US$ 29 million). The expected closing date of the project is 30 June 1999, according to the Bank's Staff Appraisal Report. Cofinancing arrangements concluded in 1993 and referred to above formed the start of a process of continuous donor contributions to the retrenchment component of the Civil Service Reform. Between 1993 and 1996, a total of US$ 18.6 million was provided by various bilateral donors for the purpose (Austria, Denmark, the Netherlands, Norway, the UK, Sweden). The Netherlands granted Dfl. 7.5 million (equivalent to US$ 4.4 million), representing 23.5 percent of all bilateral funds for the retrenchment/retirement component, and was the largest bilateral contributor.

Cofinancing by the Government of the Netherlands

Following Uganda's request, the Netherlands committed Dfl. 7.5 million by approving an Appraisal memorandum at the end of November 1993; Dfl. 5 million were to be disbursed the same year and Dfl. 2.5 million in 1994. The corresponding Dutch Grant Agreement was signed in Washington in early August 1994. The Ugandan implementing institution of the reform, the Ministry of Public Works, reported in 1995 that Dutch funds were used to make compensation payments to specific civil servants during the first half of June of that year.

The Royal Netherlands Embassy in Kampala participated in many meetings and workshops organised by the Government of Uganda with donors contributing to the retrenchment component of the civil service reform. The Dutch representative repeatedly insisted on gender-specific reporting as regards voluntary retirement and retrenchments. The Ministry of Public Service complied with this request but only incidentally and partially. Data provided on voluntary retirement did not show any marked discrimination against women in the process. However, the same issue was not clarified with regard to retrenched women.

In a general way the Ministry of Public Service made great efforts to account for the use of donor funds relating individual donor contributions to payments to specific civil servants. The Ministry expressed dissatisfaction, however, with the release of donor funds through the World Bank and the Ministry of Finance. The procedure involved reporting by the Ministry of Public Service, cross-references with Standard Bank statements and withdrawal applications by the Ministry of Finance, scrutiny of the application by the World Bank Mission in Kampala, and clearance from World Bank Headquarters in Washington. The various participants in the process hold different views on the suitability of the procedure. The Ministry of Public Service stated that the procedure repeatedly entailed delays in payment of retrenchment and retirement packages. The Ministry of Finance claimed that the Ministry of Public Service was not short of funds at any given point of time and that World Bank clearance was relatively fast.

Evaluation

The present evaluation of the Civil Service Reform, and more particularly of the use of Dutch funds, has had to rely almost exclusively on information provided by the Ministry of Public Service. The Royal Netherlands Embassy in Kampala has assiduously monitored the process and, in cooperation with other donors, raised many questions as to the retrenchment/retirement programme and the underlying and resulting reform process. The Ministry demonstrated a high degree of commitment and ownership in the process and showed itself disposed to discuss possible shortcomings openly and to improve on the reform process whenever necessary.

The retrenchment/retirement component of the Civil Service Reform is considered to have been relatively successful. The answer to whether the right people were forced or allowed to leave the civil service depends on complicated issues related to the role and function of different ministries and other public institutions, the internal organisation and management of these services, the decision as to what should be decentralised, etc. The reduction in numbers may have allowed better employment and conditions to be offered to civil servants who were retained, but this does not automatically entail that the public sector becomes more efficient and effective in its service delivery to the public. The measures taken so far mark only the first steps in a long process.

The Civil Service Reform has shown a very high degree of policy relevance since reform of the public sector constitutes a cornerstone of programmes aimed at economic reform and structural adjustment. The Government of Uganda, the World Bank and the Government of the Netherlands, together with other donors involved, have consistently agreed in this regard. Policy compatibility can therefore be considered high.

The project has been effective in that the desired immediate output, a reduction of the number of civil servants at the central level and the concomitant improvement of employment and working conditions of retained staff, has been achieved. Progress with other aspects of the reform process has been slow (e.g. decentralisation, result-oriented management). As yet, the impact on the ground may not be felt in a very marked manner by ordinary Ugandans. Public service delivery, especially in the social sectors (e.g. health and education), and its effects on the living conditions of the poor is still rather inadequate according to recent studies.

The retrenchment/retirement component of Civil Service Reform has depended almost entirely on donor contributions. Apart from allowing rightsizing of the civil service, this component plays an important role in measures aimed at improving the performance of the civil service as a whole. Efficiency is thus relatively high, as it is unlikely that the improvements service could have happened at the same speed and with the same outcome without donor support.

The high degree of commitment and ownership demonstrated by the Government of Uganda, insofar as civil service reform is concerned, is a major factor for the sustainability of the reform process. In the short and medium term, the retrenchment/retirement component will still require some donor funding, however.

11.2 Uganda Veterans Assistance Programme (1992–96)

Project background

The second project cofinanced by the Government of the Netherlands was also related to the public sector and aimed at reducing public expenditures. Between 1986 and 1991, recurrent expenditures on defence had risen from about 28 to 37 percent of the overall recurrent budget. Late in 1991 President Museveni wrote to the World Bank indicating Uganda's intention to reduce the size of its military personnel and requesting the Bank's assistance. Eventually, the Government of Uganda declared its intention to demobilise about 50,000 of the estimated 80,000 members of the National Resistance Army (NRA).[1]

The World Bank reacted favourably by supporting studies and creating a Special Account for IDA's contribution under the umbrella of the on-going PAPSCA project[2] and a Pool Account for contributions from other donors. Although placed formally under PAPSCA, the new project, the Uganda Veterans Assistance Programme (UVAP), remained largely autonomous. In October 1992 the Government of Uganda created a civilian body, the Uganda Veterans Assistance Board (UVAB), under the auspices of the Prime Minister's Office, to implement the project.

Documentation on UVAP is extensive (UVAB, DANIDA, GTZ, World Bank). However, since its completion in 1996 the project has not been covered by an Implementation Completion Report nor by a PPAR of the World Bank.[3]

[1] Later renamed Uganda People's Defence Forces, UPDF (cf. Chapter 4, section 4.3).
[2] Programme for the Alleviation of Poverty and the Social Cost of Adjustment (cf. Chapter 6).
[3] The ICR and PPAR of PAPSCA do not provide extensive accounts of UVAP.

Objectives

The official Ugandan *Report on the Proposed Veterans Assistance Programme* (July 1992) mentions as formal objectives of UVAP: (i) to demobilise and resettle a substantial number of soldiers of the National Resistance Army (about 22,870 veterans during a first phase), and (ii) to facilitate their integration into productive civilian life. The number of beneficiaries, including dependents, was expected to be 73,000. The operation would involve assembly and discharge, demobilisation, reinsertion and reintegration. The programme was to include the provision of transport and various entitlements (clothing, food, building materials) to be provided in cash and in kind to the veterans and their families.

The Aide Memoir containing the Bank appraisal of UVAP dated 18 September 1992 clearly states that the background and rationale of the demobilisation exercise was the desire of the Government of Uganda to shift the burden of its public expenditure away from the earlier stress on defense and security to promoting social and economic development. By 1991, the Government estimated that it had established security in the northern and northeastern parts of the country and that it could maintain this situation with a professional and sufficiently equipped regular national army. A substantial peace dividend was thus expected from the programme. The Aide memoir did not, however, give definite targets for this peace dividend.

Implementation

The project was implemented in three phases between the end of 1992 and the end of 1995.

Demobilisation: The demobilisation of ex-combatants affected soldiers from all parts of the country and of all ranks, although half were privates and another 40 percent below the rank of sergeant. During phase I, which ended in May 1993, nearly 23,000 people left the army, one in three voluntarily. During Phases II (September 1993–July 1994) and III (February–December 1995) there were relatively fewer voluntary departures. In all, 36,358 soldiers were demobilised: approximately 25 percent left voluntarily, about 38 percent involuntarily, almost 26 percent on medical grounds, almost 10 percent because of age and one percent for other reasons (e.g. unclear citizenship).

Reinsertion and Reintegration: For the purpose of reinsertion into civilian life, the project offered each veteran a Transitory Safety Net Package which included (i) cash payments to cover living expenses during a period of six months; (ii) health care support in severe cases; (iii) financial contributions to primary education of veterans' children; and (iv) support to the immediate needs for shelter.

The reintegration of veterans in their districts of origin was relatively successful. Access to land was the decisive factor. Many veterans, however, also met mistrust and resentment among communities in the districts owing to the past misbehaviour of the NRA. Veterans' wives faced particular problems: they were often strangers to their husbands' districts of origin and were rejected by the communities. The divorce rate among veterans was exceptionally high (over 50 percent in phase I).

In January 1995 an evaluation of Phase II sponsored by Uganda and DANIDA reported that the process of reinsertion and reintegration suffered major constraints: (i) insufficient cash benefits; (ii) inappropriate in-kind support; (iii) inadequate transport; (iv) ineffective release of education benefits; (v) lack of attention for the needs of veterans' wives and other family members, and (vi) pressure on veterans by communities whose needs were not substantially different from those of the veterans. The latter and their families were soon found to be a burden for the communities, especially when they were sick and disabled.

During Phases II and III, with the support of a number of donor agencies, UVAB increasingly addressed reintegration issues as well as the livelihood of widows and other family members. The programmes mostly provided training and skills up-grading as well as material support (grant or credit facilitation) for income-generating activities.

Remarkably, it was officially reported that during Phase III (i.e. in 1995) about 5,000 veterans were remobilised into the army on a voluntary basis. This was found necessary due to the deteriorating security situation in the north and east of the country. It was also reported that veterans in the north in particular were under pressure from rebel groups to join their forces.

Peace Dividend: The ratio of defence expenditure to overall recurrent expenditures fell from 46 percent in the FY 91/92 budget to 20 percent in FY 92/93, although this was due to a substantial increase in total recurrent expenditures rather than to a decline in defence expenditure. During the Fiscal Years 1992–94 military expenditure stabilised at around 20 percent of the total recurrent expenditure budget but tripled in nominal terms.

The impression that defence might have been accorded less relative importance than priority programme areas such as education and health is misleading. In reality, defence expenditure was always higher than budgetary provisions, suggesting that fiscal discipline for that sector was not as high as for others. The military sector itself was apparently the main beneficiary of the peace dividend, as average wages during the implementation period of UVAP tripled and benefits doubled, while new recruitments in the army (5,000–7,000 soldiers) as well as in paramilitary forces (16,500 home guard members and volunteers) were also financed under the defence budget.

Financing

The total costs of UVAP amounting to US$ 44.8 million were financed by ten external donors (90 percent) and by the Government of Uganda (almost 11 percent). The World Bank contributed US$ 3.4 million (7.5 percent of UVAP costs) from its PAPSCA Credit, while the Netherlands contributed Dfl. 9.8 million (US$ 5.7 million), i.e. 12.7 percent.

Cofinancing by the Government of the Netherlands

After attending a Uganda donor meeting in September 1992, the Government of the Netherlands committed Dfl. 4.8 million for Phase I (by Appraisal memorandum dated 25 November 1992). This sum was transferred to the World Bank before the end of that year. The corresponding Dutch Grant Agreement was signed in Washington on 19 February 1993.

An observer from the Royal Netherlands Embassy in Nairobi participated in the preparation of UVAP Phase II. The Netherlands committed an additional Dfl. 2.5 million in November 1993, and transferred it to the World Bank before the end of that year. The corresponding Grant Agreement was signed in 1994.

At the end of Phase II the Netherlands Government commissioned a consultant to participate in the multi-donor appraisal mission for Phase III. This resulted in another Dfl. 2.5 million commitment in October 1995, deposited with the World Bank before the end of that year. The corresponding Grant Agreement was signed on 26 December 1995.

The Appraisal memorandum for Phase III reiterated the overall positive judgment of UVAP in terms of managerial expediency and its contribution to political stability. It also mentioned, however, that the peace dividend had so far largely failed to materialise. Moreover, it reported that the security situation in the north in particular had made it necessary to remobilise civilians as soldiers or as members of para-military groupings. The Government of Uganda solicited the donors' indulgence for a temporary (one-year) increase of the defence budget for FY 95/96 during the Consultative Group Meeting of 1995. The Appraisal document defended the position that even with the increase in military spending and a professional army of about 39,000 soldiers, Uganda did not compare unfavourably with other African countries.

The involvement of the Dutch Government in UVAP was intense throughout the entire implementation period (1992–96). The Dutch Minister for Development Cooperation and government officials, including President Museveni, discussed the programme on more than one occasion. Officials of the Ministry of Foreign Affairs in The Hague and the

Royal Netherlands Embassy in Nairobi and, at a later stage, Kampala, took an active interest in the programme. Dutch representatives took part in all three appraisal missions of the World Bank.

In conclusion, the Dutch Government considered UVAP a well-defined exercise which was to be restricted in time and scope. It had reservations regarding too extensive support to the reintegration of veterans, since equally pressing needs were felt by other strata. Such needs would have to be addressed by comprehensive programmes from which veterans could also benefit. As from 1995 concern was expressed about the failing peace dividend, as originally foreseen, and about Uganda's practice of increasing remobilisation. On the whole, however, Dutch appreciation of the exercise remained positive and in general the Dutch Government relied on the Ugandan Government and the World Bank for the design and implementation of the process.

Evaluation

A total of 36,358 soldiers are reported to have been demobilised under UVAP between 1992 and 1996. Since defence spending was allowed to remain constant or even to increase in absolute terms, the savings on wages could be used to raise the wages of the remaining soldiers and for more modern equipment. As the recurrent budget increased substantially between FY 92 and FY 94, the defence budget share decreased in relative terms. This fact, as well as the reduction by half of the number of soldiers (from around 80,000 in 1991 to about 39,000 in 1995), gave positive signals to the donor community.

The process became flawed from 1995 onwards when the Government of Uganda decided that the security situation in the north and east justified a considerable increase in defence spending and the remobilisation of civilians. Substantial remobilisation took place, both for the army and for various paramilitary defence forces (e.g. home guards, local defence units, special constabularies). The recruitment of 5,000–7,000 soldiers and an estimated 12,500–16,500 elements in para-military forces in 1995, offset the extensive demobilisation effort realised between 1992 and 1996.

For the Government of Uganda, the programme was characterised by a high degree of policy relevance. The World Bank and virtually all other donors, including the Dutch Government, considered UVAP to be highly innovative and to a certain degree politically risky. Demobilisation and assistance to veterans had not been mentioned in Dutch bilateral consultations with Uganda or in country strategy papers. The Dutch Government recognised the political importance of UVAP and the contribution it could make to stability in the country. Measured against Dutch overall policy objectives (economic self-reliance, poverty alleviation, gender balance and environmental sustainability), however, its policy relevance was relatively low. It could at best be understood to create the conditions in which to achieve those policy objectives through other programmes at a later stage. In conclusion, policy compatibility between the Governments of Uganda and the Netherlands must be considered weak. There has not been sufficient policy dialogue between the Netherlands and the World Bank to enable policy compatibility between them to be judged.

UVAP demonstrated considerable efficiency in terms of time and resource management, partly due to adequate supervision and donor coordination by the World Bank in combination with efficient Ugandan management. As regards the effectiveness of the programme, the quantitative output of demobilised soldiers (36,358) fell short of the initial target (40,000 to 50,000), which had perhaps been too ambitious. The effective reduction by half of total soldiers may nevertheless be called a respectable output even though partly offset by remobilisation. Beyond the demobilisation dimension, the economic and social reintegration of veterans (and especially of their wives) seems to have been fairly problematic (high divorce rates, high death rates, few economic success stories). Effects in the middle and long term and the impact on the poverty situation of the veterans as induced by UVAP, are therefore probably negligible.

Effectiveness must be considered particularly low if the gender dimension is taken into account. The needs of veterans' wives were apparently under-estimated by UVAB. Material benefits and orientation and training courses were almost exclusively addressed to the veterans, although at a later stage efforts were made to involve women to a greater extent. The demobilisation process also seemed to place heavy strain on conjugal relationships and family integrity.

The nature of UVAP as a limited exercise in scope and time explains why sustainability has been low: UVAP can by no means be expected to deliver appropriate levels of benefits after external assistance has been withdrawn. Notwithstanding all their specific post-demobilisation problems, veterans will eventually merge with the population in their districts and share their needs and aspirations.

11.3 Community Action Programme and Northern Uganda Reconstruction Programme (1992–96)

Project background

The third project cofinanced by the Government of the Netherlands is the only case of parallel cofinancing and can be described as a 'traditional' development or investment project. It concerns the reconstruction and development of the northern region of the country which was severely affected by the civil war.

Following a 1991 appraisal mission involving Uganda, the World Bank and the Netherlands, all parties agreed that the IDA would finance a project comprising sectoral and infrastructural development activities in the central part of the Northern region (the Northern Uganda Reconstruction Project, NURP[4]), whereas the Dutch would finance the social fund component of NURP, to be implemented in the West Nile region (western part of the Northern region). Eventually, the 'social fund' was renamed the 'Community Action Programme' (CAP).

During 1992 a lively debate on the type of cofinancing with the World Bank developed between the Ministry of Foreign Affairs in The Hague, the Dutch Embassy in Nairobi (with competence for Uganda) and the Netherlands Development Organisation SNV, whose Office in Kampala liaised between the Governments of the Netherlands and of Uganda until a Dutch embassy was established in Kampala in 1993. The Ministry favoured the option of joint cofinancing, the Dutch Embassy in Nairobi favoured parallel cofinancing but direct implementation by the Ministry of Foreign Affairs, whereas SNV wanted to become the implementing agency for the programme.

After assurances by the Royal Netherlands Embassy in Washington that the Dutch considered (parallel) cofinancing, the World Bank included this in their Staff Appraisal Report for NURP (April 1992). The Bank also included the Community Action Programme (CAP) as an integral part of NURP in its Development Credit Agreement with the Government of Uganda, which was signed in June 1992. In the same month the Netherlands approved an Appraisal memorandum committing Dfl. 11.1 million endorsing the option of parallel cofinancing with NURP but appointing SNV as the implementing agency for CAP.

The relationship between CAP and NURP was to be realised at the level of a Central Monitoring and Evaluation Unit, created for NURP within the Office of the Prime Minister. However, the various actors saw this relationship differently. The Royal Netherlands Embassy in Nairobi and SNV insisted that CAP not be subsidiary to NURP but an equal partner at the level of the Central Monitoring and Evaluation Unit (CMEU). The Government of Uganda took the position that CAP was part of NURP and that the CAP coordinator should therefore report to the NURP coordinator. The World Bank and, initially, the Dutch Ministry of Foreign Affairs shared this view.

[4] The World Bank uses the name Northern Reconstruction Programme (NRP). For convenience's sake the name Northern Uganda Reconstruction Programme, commonly used in Uganda, is employed here.

The Ministry of Foreign Affairs officially commissioned SNV to implement CAP by Letter of Appointment in September 1992. The Letter explicitly refers to the Dutch Appraisal memorandum but, surprisingly, endorses the position of the Royal Netherlands Embassy in Nairobi that CAP will not be subsidiary to NURP and that the CAP Coordinator will report only to the Prime Minister's Office and the Royal Netherlands Embassy (Nairobi). The Government of Uganda eventually ceded and accepted this institutional arrangement which was endorsed in the Development Grant Agreement on CAP between the Government of Uganda and SNV representing the Government of the Netherlands (October 1992). That document does not contain any reference to NURP.

SNV accepted the appointment as implementing agency in a letter to the Ministry of Foreign Affairs in The Hague of October 1992. SNV insisted on the process approach as the methodology to be employed. It specifically mentioned in the letter that the approach is not easy to realise within government structures in general and NURP in particular. The Ministry's consent to this procedure was assumed unless different instructions would be given. The Ministry in The Hague did not further insist on the matter.

As from July 1992 the World Bank ceased to mention CAP in its documents and correspondence. CAP was apparently considered a bilateral project between the Governments of Uganda and of the Netherlands without further involvement by World Bank. The official Dutch commitment to parallel cofinancing with the World Bank, as laid down in the June 1992 Appraisal memorandum, was never repealed, however. For that reason the project is included in this evaluation, which will also examine to what extent the two projects interacted with one another.

Objectives

The World Bank's Staff Appraisal Report for NURP mentions as objective: to provide support for the short and medium-term reconstruction of essential economic and social infrastructure for the resumption of productive activities in the Northern region. NURP was to contribute to poverty alleviation and to address the particular concerns of women. The report identifies seven sectors for immediate assistance: agriculture, education, feeder roads, highways, telecommunications, urban social infrastructure, and water and sanitation. The Dutch-funded Community Action Programme would support community-initiated micro-projects in the Northwest. Assistance would also be provided to strengthen local government agencies.

According to the Dutch Appraisal memorandum, CAP was to have two short-term objectives: (i) the facilitation and realisation of micro-projects identified and implemented by local communities in the three West Nile districts of Arua, Nebbi and Moyo; and (ii) the strengthening of the institutional capacities of local communities. These objectives were adhered to by the implementing agency SNV, although in its letter of acceptance of the project of October 1992 SNV announced that the emphasis should be on the second objective rather than the first.

Implementation

In the process of project implementation, SNV repeatedly reformulated the project objectives. SNV's Internal Evaluation (1993–95) of April 1996 stated that the long-term objectives of CAP were the following: (i) to strengthen the institutional and organisational capacities of partner communities, groups and organisations at local and intermediate level, and (ii) to assist partner communities and groups to improve their social infrastructure and services and their economic status.

While the Appraisal memorandum of June 1992 referred to the urgency for rehabilitation of the social infrastructure and the creation of income-generating activities, SNV shifted the emphasis to the strengthening of communities, making them more autonomous and self-reliant. Micro-projects were only to be realised to the extent that they contributed to strengthening the communities. SNV's process approach involved a lengthy process of consultation and deliberation with the population to identify, formulate and implement micro-projects.

CAP and NURP share broad objectives as to poverty alleviation and rehabilitation of the social infrastructure and services for the Northern region. However, the development concepts underlying CAP as understood by SNV, and NURP as inspired by the World Bank, differed in obvious and striking ways. CAP was seen as community-based, small-scale, process-oriented and long-term in outlook. NURP was government-based, large-scale, output-oriented and short-term in perspective. Both projects largely bear the trademarks of the respective donors. Supervision, monitoring and evaluation on behalf of the Government of Uganda were to be assumed by the Central Monitoring and Evaluation Unit (CMEU) in the Prime Minister's Office for both projects.

The SNV interpretation of CAP's objectives excludes any explicit reference to NURP. The World Bank's Staff Appraisal Report for NURP considered CAP as one activity to be carried out, but omitted to define the relationship between CAP and the other components of NURP. The common ground in institutional terms was to be CMEU, but conceptualisation of the two projects did not spell out how this cooperation was to be realised.

Implementation of the Community Action Programme (1992–96)

The start-up of CAP was rather lengthy due to the process approach used. It was more than one-and-a-half years before CAP produced an Implementation Document that set out more or less clear targets for Phase I.

In December 1996 at the end of this phase, extended by one year (cf. Cofinancing by the Government of the Netherlands, below), it appeared that implementation of quantitative targets had been modest, to say the least. The number of communities and groups reached was less than one-third of the (self-selected) target. The number of social infrastructural micro-projects completed was slightly over 30 percent. By the end of 1995 less than two percent of targets for micro-projects related to training and various other activities (probably including income-generating activities) had been achieved (no data for 1996 available).

CAP's Internal Evaluation of 1996 reports that, in qualitative terms, its two broad objectives have largely been achieved, i.e strengthened communities and groups on the one hand, and improved social and economic services on the other. The indicators used in this regard are so vague and unmeasurable, however, that the positive appreciation that CAP gives itself in this document is of little value.

The External Mid-Term Review of April 1995 draws a number of important conclusions on Phase I: (i) the project is to be commended for introducing a participatory development approach into the region; (ii) too much emphasis has been placed on the training of CAP and district staff rather than on direct work with communities and groups; (iii) CAP dealt almost exclusively with infrastructural micro-projects at the expense of income-generating and other activities; (iv) as CAP staff depended to a large extent on the technical expertise of line ministries and on skilled labour which was hardly supervised, the quality of some of the social infrastructure is inadequate; (v) for infrastructural projects, the community effort cannot but be limited, thus reducing the participatory character of micro-projects; (vi) the project has been very gender-sensitive, women are well-represented among participants and beneficiaries of all micro-projects; (vi) sustainability at the community level is still low; (vii) environmental issues have not received much attention.

Neither the internal nor external reviews of the project provide a sufficiently conclusive analysis of the use of Dutch funding. CAP's operational costs were found to be relatively high. With regard to the micro-projects for social infrastructure, the share of contributions from the communities was relatively small compared to the external input, since most constructions are usually in durable materials and hence capital-intensive.

Another set of questions relate to the institutional dimension. In the first place, it is doubtful whether the communities are sufficiently cohesive social institutions to have a social life beyond the immediate conditioning of external inputs (training, facilitation, materials). Secondly, CAP's own institutional position is apt to raise questions. In 1995, the CAP coordination unit was transferred from CMEU in Kampala to the West Nile region. At the end of 1996 CAP was executed jointly by the Office of the Prime Minister and SNV. Except for the coordinator (a Ugandan civil servant), Ugandan staff were employed by (Dutch-funded) CAP on conditions that were noticeably better than terms offered by the Government of Uganda or Ugandan NGOs, raising fundamental questions as to CAP's institutional sustainability beyond external funding.

Implementation of NURP (1992–98)[5]

An IDA Mid-Term Review Mission (1994) reported considerable delays in the implementation of most components of NURP, due to the poor state of infrastructure in the project area (communications and transportation) and to the precarious security situation in some districts. More important, however, was the slow procurement of goods and services. The various actors involved (line ministries, regional implementation units, CMEU) blamed each other for the delay. In 1996, however, an IDA supervision mission qualified the implementation progress for most project components as highly satisfactory and considered that both physical targets and developmental objectives were in the process of being met.

In 1996, NURP started a sub-project component, involving the sub-county level and local communities in the planning and implementation of small-scale activities in education and water and sanitation. Communities are required to supply unskilled labour and local materials for the construction of primary schools and or wells/boreholes. It is worth noting that there is no evidence that NURP made any direct use of CAP experience in this regard when designing this component.

The relationship between CAP and NURP

From the beginning of the implementation period for both projects (mid-1992), CAP and NURP evolved along separate paths. There is no evidence of any close working relationship between CAP and NURP coordinators at the level of CMEU. From 1994 onwards, NURP extended its intervention area to the West Nile where both CAP and NURP intervened with similar activities. The methodology and implementation procedures of the two programmes were apparently too diverse to allow for close interaction

[5] The expected closing date is 30 September 1998.

and cooperation on the ground. Reports on the Community Action Programme were not forwarded to the World Bank in Washington. As from late 1992, World Bank supervision missions no longer reported on CAP.

Financing

The original design implied a Dutch-funded Community Action Programme as a parallel cofinancing arrangement with the Northern Uganda Reconstruction Project. The latter was financed by an IDA Credit amounting to SDR 51.9 million (approx. US 71.2 million) and a DANIDA grant (joint cofinancing) of US$ 10.5 million (SAR estimates). The initial Dutch contribution was estimated at Dfl. 11.1 million (US$ 6.3 million), bringing the total estimated costs of NURP (including CAP) to almost US$ 93 million (including the Ugandan contribution).

Cofinancing by the Government of the Netherlands

In 1992 the Dutch Government committed Dfl. 11.1 million to CAP as parallel cofinancing of NURP. The duration of phase I of CAP was initially scheduled to be 3.5 years, i.e from mid-1992 to the end of 1995. Due to the long gestation period of the micro-projects, disbursements were low and the project was extended by one year, i.e. until the end of 1996. During 1996, it proved that financial calculations had been too optimistic (especially due to the increased cost of building materials caused by the security situation). In 1996 an additional budget was committed amounting to Dfl. 0.5 million, but this had not been disbursed by the end of that year. The project was granted a three-year extension, phase II, with Dutch funds amounting to Dfl. 13.7 million in 1996. Phase II, which started early in 1997, no longer pursues aims of parallel cofinancing with NURP.

Evaluation

The cofinancing arrangement between CAP and NURP aborted at the very beginning of the implementation of both projects when the Royal Netherlands Embassy in Nairobi (with competence for Uganda), supported by SNV which was to implement the project, informed the Government of Uganda in May and July 1992 that CAP was not to be a subsidiary to NURP. Thereafter, neither the Government of the Netherlands nor the World Bank showed themselves sufficiently interested in this cooperation to give it any substance. The Government of Uganda was interested to some extent, but did not succeed in integrating the two views.

Since inception, the overall policy relevance of CAP (and also of NURP) has been high. The Government of Uganda had expressed its desire to undertake development activities in the north of the country in order to bridge the disparity which existed (and still exists) between north and south. CAP's policy relevance was also high with regard to the priorities of the Government of the Netherlands in that it has a clear poverty and gender focus, although the effect on economic self-reliance (of Uganda) and the environment was limited. Policy compatibility between the two governments has thus been high in a general sense. However, whereas Uganda was interested in tangible results and in a measurable impact on the livelihood of the population in a relatively short period of time, SNV showed itself to be more interested in less tangible social self-reliance of grassroots communities and an intervention strategy requiring a long gestation period. Policy compatibility between the Government of Uganda and SNV was thus low in these respects. Policy compatibility between the Dutch Government and the World Bank was very low with respect to CAP and NURP.

As far as the effectiveness of CAP is concerned, some tangible outputs were realised, in particular good quality social infrastructure (primary and secondary school buildings, protected springs/boreholes, bridges and river crossings) which, due to its capital-intensive and durable nature, will require limited operation and maintenance expenditure. Another important output has been that a substantial number of Ugandan facilitation staff has been trained. To the extent that the less tangible output of autonomous communities can be measured, the outputs are limited as the social reality of such groupings depends largely on external inputs. Where social infrastructure has been created, there is an effect in the sense that schools offer their pupils better facilities while clean water has also become available. Little is known of the real impact on living conditions of the poor, e.g. the level of education or reduction of the incidence of water-borne diseases as a result of the project.

In terms of efficiency, Phase I of CAP was not successful. The project had high staff and operational costs and tangible results were far below expectations, at least in quantitative terms. The value of external inputs into social infrastructure as compared to inputs by communities was also relatively substantial. The gestation period of micro-projects (i.e. between first contact with a community and finalisation of a borehole or a building) was in some cases quite lengthy.

The sustainability of CAP intervention beyond substantial external funding is by no means assured. In the event of CAP not having received funding for Phase II, little would have remained on the ground of what had been undertaken during phase I. At the community level, what will happen should a well or borehole or school building require major repairs remains to be seen. If the community would be unable to undertake such works, the district authorities would have to intervene. The modalities of such interventions are by no means clear.

The overall conclusion is thus that CAP is not necessarily a model for the Government of Uganda (or the NGO sector and/or donors, including the World Bank) as to how to implement such projects. In fairness, it is by no means certain that the NURP intervention strategy can be considered a valid alternative. The implementation of NURP was apparently slowed down by lack of expediency and transparency of administrative procedures (especially relating to procurement) of a non-performing public sector. NURP may therefore not have produced expected outputs in terms of quantity and quality, the sustainability of which also appears doubtful. In all likelihood, the overall conclusion must be that neither project has so far had a sufficiently noticeable impact in terms of poverty alleviation in Northern Uganda.

11.4 Conclusions

Policy relevance and compatibility

Policy relevance of the three cofinanced projects was considered high in the cases of Civil Service Reform and CAP/NURP, but, at least from the point of view of the Dutch Government, relatively low for UVAP. The reduction of public expenditures and improvement of the quality of services by the public sector (CSR, UVAP), however, constitute objectives that relate to real problems encountered by Ugandan society and rank high among the priorities of the Ugandan Government. This also applies to the investment/development CAP/NURP-project in the northern region.

Policy compatibility also presents a mixed picture. In the case of Civil Service Reform, policy compatibility can be considered high with both governments and the World Bank sharing the same policy (i.e. support to economic and institutional reforms), but, given the low policy relevance of the Veterans Assistance Programme for the Netherlands, the related policy compatibility must be considered weak. Policy compatibility with respect to CAP/NURP between the two governments was high in a general sense, but that between the Government of Uganda and SNV must be qualified as low, while there was none between the Dutch Government and the World Bank.

Effectiveness and efficiency

The effectiveness of the Civil Service Reform was generally good although not outstanding, while the initial effectiveness of the demobilisation programme for ex-soldiers was considerably reduced following remobilisation in 1995. The effectiveness of CAP must be qualified as very moderate insofar as quantitative targets are concerned. It was even (much) less successful in terms of efficiency, contrary to the Civil Service Reform project which showed a relatively high level of efficiency in realising its targets. Also, UVAP demonstrated a high degree of efficiency in terms of time and resource management.

Sustainability of results

Sustainability in terms of external assistance requirements after project completion must be rated as low to very low (CAP) for all three cofinanced projects. The shown commitment and ownership by the Government of Uganda insofar as the Civil Service Reform is concerned is a noteworthy encouraging signal which strongly suggests sustainability of the ongoing reform process.

12 Other countries

12.1 Selection of project aid

This chapter examines credit and loan related cofinancing as far as project aid is concerned. For the purpose of the present evaluation, a selection has been made of all cofinanced project aid that was not dealt with in the three country case studies (Ghana, Pakistan and Uganda) or under the headings of Free-Standing Trust Funds and Export Credit Cofinancing.

The selection is based on existing evaluation material which uses criteria compatible with those applied in the present study. This could be (i) published IOB Country Studies on bilateral aid provided to Bangladesh, Bolivia, Egypt, India, Mali and Tanzania; and (ii) PPARs of the World Bank (prepared by OED). Other evaluation material, e.g. review studies on individual projects, was not used since it does not consistently use compatible criteria.

The IOB Country Studies covered a limited number of all cofinanced projects (cf. Table 12.1). The Study on Bolivia mentioned only one very small cofinanced project activity which has not been taken into consideration in this study.[1] The IOB Country Studies usually did not give explicit consideration to cofinancing between the Netherlands and the World Bank. Evaluated projects were mainly characterised by parallel arrangements and treated principally as mere bilateral activities in the studies concerned. In some cases the evaluation referred to all projects in a given sector and was applied indirectly to the respective projects. The evaluation material in question usually provides information on most other aspects of the projects, e.g. policy relevance and compatibility, effectiveness, efficiency and sustainability of results (cf. 12.2).

By contrast, the PPARs of the World Bank on cofinanced projects usually refer only to

[1] The activity concerned Research on Cocheneal Production with Dutch cofinancing amounting to less than Dfl. 0.4 million. Overall cofinanced project aid to Bolivia amounted to Dfl. 41.8 million, i.e. 31 percent of all cofinancing in this country. This was not evaluated by IOB.

Table 12.1 Cofinanced project aid covered by IOB studies (disbursements at 31 December 1996, in Dfl. millions)

Country	No. of WB credit and loans	No. of Dutch-funded activities	Sectors	Year of commit-ment	Total of Dutch disbursements
Bangladesh	7	21	Rural development Social sector Energy and industry	1980–93	157.2
Egypt	3	5	Rural development	1988–94	28.1
India	1	10	Infrastructure	1985–90	24.8
Mali	2	6	Rural development	1983–90	34.2
Tanzania	2	6	Rural development Infrastructure	1983–90	45.1
Total	15	48			**289.4**

their credit and loan components. Only when the cofinancing was joint did the evaluation cover the grant component provided by the Netherlands. Two jointly cofinanced projects (the Mahaweli Ganga Development Project in Sri Lanka and the Family Health Project in Zimbabwe) (cf. Table 12.2) can thus be considered to contain information which also applies to the use of Dutch funding (cf. 12.3).

Most of the project aid covered by PPARs was based on arrangements of parallel co-financing. In such cases, the Bank's reports only cursorily mention Dutch cofinancing. The Bank is under no obligation to report or comment on Dutch-funded activities under parallel arrangements. Such activities usually concern preparatory studies, pilot projects or fairly specific activities related to more global Bank-supported projects. It should be noted that the evaluation of global projects does not necessarily apply to individual Dutch-funded activities. For project aid under parallel arrangements, PPARs were hence not considered adequate sources of information.

Table 12.2 Cofinanced project aid covered by Project Performance Audit Reports (disbursements at 31 December 1996, in Dfl. millions)

Country	No. of WB credit and loans	No. of Dutch-funded activities	Sectors	Year of commit-ment	Total of Dutch disbursements
Sri Lanka	1	1	Rural Development	1977	10.6
Zimbabwe	1	1	Social sector	1986	4.5
Total	2	2			**15.1**

Evaluation material used for this study on project aid covers 17 World Bank projects and 50 Dutch-funded activities in seven countries. Dutch cofinancing thus evaluated totalled Dfl. 304.5 million, of which more than 95 percent was covered by IOB Studies.

12.2 Cofinanced project aid covered by IOB Country Studies

12.2.1 *Bangladesh*

Overview

Cofinanced activities in Bangladesh (1979–96) mostly involved project aid totalling Dfl. 157.1 million (i.e. 88.4 percent of all cofinancing in this country). Project aid pertained to three major sectors: rural development (water management), the social sector and industry. The IOB Study (1998) covered all cofinanced project aid, albeit in a general manner as part of sectoral analyses (cf. Table 12.3.).

Description and evaluation

(a) Rural development—water management

The Dutch overall involvement in the water management sector, between 1975 and 1995, implied funding for 17 projects, one of which was cofinanced with the World Bank, i.e. the Bangladesh Water Development Board (BWDB) Systems Rehabilitation Project. This became operational in 1990 and was still on-going at the end of 1996. It was funded by a consortium led by the World Bank to which, in addition to the Netherlands, the European Union and the World Food Programme contributed. The Dutch grants totalled Dfl. 24.7 million. The general objective of the project was to protect and increase agricultural production and incomes, particularly of the landless and of women, through rehabilitation and improved operation and maintenance in flood control, drainage and irrigation.

The World Bank and the European Union supported the rehabilitation component at the outset, but serious delays occurred. Operation and maintenance gradually received more attention, and the project shifted from design and construction towards institutional development. The main achievement of the Dutch-supported component was that it developed a operation and maintenance concept as well as an effective monitoring system for the rehabilitation of works. In 1993, a review mission concluded that BWDB was not yet fully committed to operation and maintenance. Emphasis on the institutional dimension was consequently strengthened as from 1994.

The IOB Study provides an overall evaluation of Dutch-funded projects in the water management sector. The policy relevance of objectives of this project aid was adequate

Table 12.3 Cofinanced project aid in Bangladesh covered by IOB study (disbursements at 31 December 1996, in Dfl. millions)

Sector	**C/L**	**WB Project Title**	**Dutch Project Title**	**Form**	**Years of commitment**	**Dutch disbursements**
Rural development	C2099	BWDB Systems Rehabilitation Project	BWDB Systems Rehabilitation Project	Joint/ Parallel	1989 and 1993	24.7
Social Sector	C0921	Second Population and Family Health Project	Medical Assistants' Training Programme	Parallel	1979	16.0
Social Sector	C1649	Third Population and Family Health Project	Third Population and Family Health Project	Joint/ Parallel	1985, 1988, 1990, 1991	17.7
Social Sector	C2259	Fourth Population and Family Health Project	Fourth Population and Family Health Project	Joint/ Parallel	1992	29.9
Social Sector	C2118	General Education Project	General Education Project	Joint/ Parallel	1990, 1992	22.5
Industry	C1023	Fertiliser Industry Rehabilitation Project	TSP Plant Chittagong, Granulation Unit	Parallel	1980	9.3
Industry	C1023	Fertiliser Industry Rehabilitation Project	TSP Plant Chittagong, Granulation Unit and Phosphoric Acid Storage	Parallel	1984, 1985	6.8
Industry	C1586	Second Gas Development Project	Second Gas Development Project	Parallel	1985, 1989	30.2
Total						**157.1**

when measured against the policies of both governments. The effectiveness in terms of outputs was hampered by serious delays in implementation. Within these limitations, however, the projects were found to have had positive effects on agricultural production and incomes especially of larger landowners, with a less obvious impact on the poor and landless. Efficiency was low, mainly due to over-ambitious objectives and to the need for intense expatriate technical assistance. Sustainability was positive in technical terms, but low in financial management (due to inappropriate cost recovery), in institutional terms at the local level of the Water Board and in social terms due to the restricted benefits gained by the poor (including women).

(b) Social sector—health

In the health sub-sector, the earliest involvement of the Netherlands dates back to the 1970s when the Medical Assistants' Training Programme was funded. Under an arrangement of parallel cofinancing, this was related to the Bank-supported Second Population and Family Health Project. Subsequent projects, between 1985 and 1995, were mainly funded in the context of the Third and Fourth Population and Family Health Projects which were supported by donor consortia led by the World Bank. Dutch funding, which totalled Dfl. 63.6 million, supported the following activities: (i) improving access to family planning services; (ii) maternal and child health services; (iii) women's vocational training for population activities; (iv) expanded programme on immunisation; (v) training of traditional birth attendants; (vi) strengthening the Bureau of Health Education; (vii) tuberculosis and leprosy programmes; (viii) strengthening the Management Development Unit; and (ix) support to NGOs.

Dutch contributions to the Third and Fourth Population and Family Health Projects were mainly covered by joint cofinancing arrangements but some components were funded under parallel arrangements. The IOB Study states that the Consortia covered a heterogeneous cluster of projects in which coordination was not always optimal.

According to the evaluation of Dutch-funded activities in the health sub-sector, project relevance was high. Effectiveness was adequate in terms of construction, training, declining mortality rates, increasing acceptance of family planning, higher immunisation rates, distribution of health and delivery kits, and better access to health services by the poor. Efficiency was mixed, as projects for immunisation and training were implemented at relatively low cost, whereas projects with a strong institutional component were relatively costly as measured against results. Shortcomings in public sector organisation also stood in the way of institutional sustainability, while the NGO sector showed a lack of financial sustainability beyond donor support.

(c) Social sector—education

The General Education Project started in 1990 and, after an extension, was scheduled to be completed at the end of 1996. It was cofinanced by eight donors, including the Netherlands and the World Bank. The Dutch contribution amounted to Dfl. 22.5 million. The project aimed at the following objectives: (i) to increase equitable access to primary schooling; (ii) to improve the quality of primary education; and (iii) to strengthen the management capacity of the primary education sub-sector. The Netherlands contributed to activities related to all three objectives.

The IOB evaluation found that policy relevance was high in terms of priorities of the governments of both countries. The project was effective in the sense that it achieved quantitative targets although one component (reimbursement of textbooks) failed to materialise due to too strict adherence to procedural requirements by the World Bank. The project was efficient even taking into account considerable inputs in monitoring and supervision by staff of the Dutch Ministry of Foreign Affairs. No evaluation could be carried out as to the sustainability of results.

(d) Industry—fertiliser production and gas development

In the context of the Fertiliser Industry Rehabilitation Project supported by the World Bank, the Netherlands undertook to install a granulation plant, to construct a phosphoric acid storage system and to improve the plant's jetty. Between 1980 and 1985, the Netherlands contributed Dfl. 16.2 million to this project. Construction of the plant and of the storage system was realised by a Dutch company, but improvement of the jetty did not materialise.

The Netherlands also participated in the Second Gas Development Project covered by an IDA credit, principally by supporting the development of gasfields and the construction of an LPG plant and a pipeline. The Netherlands also provided advisory services in the framework of the project. The BOGMC Gas Development Advisory Services involving Dutch funding amounting to Dfl. 1.1 million is not included in the IOB evaluation. The Netherlands also funded the construction of a glycol and a silica gel plant. Dutch cofinancing during the period under review totalled Dfl. 30.2 million.

The IOB evaluation covers Dutch assistance to the overall industrial sector. The report judges the policy relevance of activities sponsored by the Netherlands as adequate when measured against the policy intentions of both governments. With regard to the fertiliser industry, effectiveness and efficiency of Dutch support was by and large achieved. Sustainability of project results was ensured as the granulation and phosphoric acid tank were well maintained and could be expected to last, though there was some doubt as to their financial sustainability due to external market-related factors. Gas development activities were effective since gas supply was enhanced by the projects, but there were serious implementation problems. Several gas plants had to be dismantled and erected elsewhere due to unforeseen problems such as the sudden reduction of gas pressure and the breaking of underground water ridges. Efficiency was also judged satisfactory. The evaluation states that institutional, technical and financial sustainability could be considered high, although there were doubts as to the financial sustainability of fertiliser plants.

12.2.2 *Egypt*

Overview

Project aid to Egypt, cofinanced with the World Bank, between 1988 and 1994, totalled Dfl. 28.1 million, all of which was based on parallel arrangements and corresponded to 43.8 percent of all cofinancing in Egypt. All activities were realised in the rural development sector, more particularly in the drainage and water management sub-sectors (cf. Table 12.4). All cofinanced project aid was considered in the IOB Study (1998) as part of a more comprehensive treatment of this sub-sector.

Description and evaluation

The World Bank played a major role in total donor assistance to the Egyptian economy as a whole and to the drainage and water management sub-sector in particular. In this sub-sector, the World Bank was heavily involved in the formulation and execution of Egypt's field drainage programme for which it supported a series of six drainage projects. Another major donor in this sub-sector was USAID, which concentrated on irrigation improvement. By comparison, the Netherlands (along with other bilateral and multilateral donors) granted financial resources that were far below the levels provided by the World Bank and USAID.

The Dutch support to the Egyptian water sub-sector was in essence a technical assistance programme, which sought to improve the performance of key research institutions and of governmental agencies involved in water resources management. Cofinancing with the World Bank was realised in support of the Egyptian Public Authority for Drainage Projects (EPADP) which handled the construction and maintenance of the country's drainage infrastructure. The arrangement was that the World Bank developed a massive investment component, whereas the Netherlands principally provided funds for technical assistance to improve EPADP's construction, planning and management practices and

Table 12.4 Cofinanced project aid in Egypt covered by IOB study (disbursements at 31 December 1996, in Dfl. millions)

Sector	C/L	WB Project Title	Dutch Project Title	Form	Years of commitment	Dutch disbursements
Rural development	L2562	Drainage V	Drainage V	Parallel	1988	9.9
Rural development	L2562	Drainage V	Drainage Executive Management Project III	Parallel	1989	5.4
Rural development	C2313	National Drainage Project	Drainage Executive Management Project IV	Parallel	1992	10.3
Rural development	L3417	National Drainage Project	Drainage Research Programme	Parallel	1994	2.5
Total						**28.1**

Table 12.5 Cofinanced project aid in India covered by IOB study (disbursements at 31 December 1996, in Dfl. millions)

Sector	C/L	WB Project Title	Dutch Project Title	Form	Year of commitment	Dutch disbursements
Infrastructure	L2387	Nhava Sheva Project	Nhava Sheva	Parallel	1985–90	24.8
Total						**24.8**

N.B. Export Credit Cofinancing related to the Nhava Sheva Project amounted to Dfl. 30.8 million.

to improve its drainage system design and supervising capabilities. The cofinancing arrangement also covered direct investment support by the Netherlands in the East Bahr Saft Project (as from 1976) and the Drainage V Project (as from 1988) (procurement of drainage construction machinery, a PVC pipe production unit and spare parts).

The Drainage V project was inspired partly by alarming reports about the maintenance of equipment that had been supplied earlier with Dutch support. As from 1989, the Netherlands assisted the Drainage Executive Management Project (DEMP) which was to improve the quality of execution of drainage works and optimise the use of available manpower and equipment. DEMP contained a substantial training component that was at first largely implemented in the Netherlands and at a later stage in Egypt.

The IOB Study evaluates overall bilateral support provided by the Netherlands to the drainage and water management sub-sector and does not specifically analyse the dimension of cofinancing. It does, however, mention that World Bank appraisal documents considered the technical assistance sponsored by the Netherlands to be rather positive. The IOB evaluation concluded that evidence of the impact of technical assistance on the ground was rather thin.

Investment support was recognised to have made a small contribution to the implementation of the national drainage programme; however, owing to the absence of an effective monitoring system, no information is available on construction quality and the functioning of the system.

The evaluation of Dutch support to the drainage and water resource management programme stresses the high policy relevance of the intervention because of the crucial importance of this sub-sector for the Egyptian economy. In drainage implementation, the emphasis of the programme shifted from the mere improvement of technical capabilities to general institutional strengthening, a process that was also considered relevant.

Effectiveness was achieved in the sense that recipient organisations were strengthened through the training of large numbers of staff and operational investment support. The effectiveness of technical assistance, however, was hampered by institutional and managerial problems facing the implementing organisations and agencies. Little attention was paid to the wider sociopolitical context or to the importance of the institutional framework.

Efficiency of the programmes was found to have been relatively low (absence of overall strategies, time and manpower consuming project identification, little outreach on the policy level, recurrent problems regarding the mobilisation of consultants, weak monitoring and evaluation).

Sustainability of results was warranted, because Egypt's government revenues allowed the procurement of required technologies to be funded, and national staff was trained to operate and develop them. The organisational and financial sustainability of EPADP was also fairly secure.

12.2.3 *India*

Overview

Cofinanced project aid in India involved activities in rural development, the social sectors and physical infrastructure (cf. Annex 5 for the full listing). Dutch funding amounted to Dfl. 69.9 million, representing 11.7 percent of all cofinanced aid to India.

With regard to cofinanced project aid in India, the IOB Study (1994) distinguishes three sub-sectors: (i) dredging; (ii) rural drinking water supply and sanitation; (iii) land and water. As the evaluation was sectorwide and not project-specific, individual cofinanced activities were not examined. The largest cofinanced project was Nhava Sheva Port, to which the Netherlands contributed almost Dfl. 55.6 million (Dfl. 24.8 million under parallel cofinancing and Dfl. 30.8 million as Export Credit Cofinancing—cf. Chapter 17).

The IOB Evaluation dealt with activities related to the Nhava Sheva Project as part of its description and analysis of the dredging sub-sector. Table 12.5 gives an overview of Dutch funding of Nhava Sheva to which the contribution under Export Credit Cofinancing has to be added (Dfl. 30.8 million).

Description and evaluation

Dutch involvement in the Indian dredging sub-sector which started in the early 1980s, was inspired by a perceived need in India, but also by the fact that the supply of dredgers and the inclusion of capital dredging work in the bilateral aid programme would bring relief to the ailing shipbuilding industry and dredging companies in the Netherlands whose position had gradually been eroded by economic recession. A broad dredging programme was established in 1987 (worth more than Dfl. 900 million over a ten-year period); however, this was not based on reliable data regarding dredging requirements or on adequate analysis of India's future transport requirements.

Despite considerable pressure from the Netherlands and an understanding between the Prime Ministers of both countries, the protocol that was to govern implementation of the programme was never formally signed. This was because an important part of the planned investment programme, involving capital dredging works and institutional support, was not included in India's 7th Five-Year Plan, and the Indian Ministry of Finance (DEA) would not finance the necessary investments. Moreover, the Indian Government did not then support the recommended open market model for the dredging sub-sector.

The level of disbursement of Dutch funds therefore remained lower than expected. The most substantive expenditure category was the supply of dredgers; dredging work and the envisaged institutional support on the other hand, fell short of expectations. Policy relevance was ensured to the extent that the aid met a demand of the Government of India, but was hampered by the fact that no adequate provisions had been made in the Five-Year Plan. Effectiveness was partly achieved, as the dredgers were supplied, but objectives related to the building of a modern and efficient dredging capability in India proved to have been far too ambitious. There was also room for improvement regarding the efficiency of the programme as dredging productivity remained lower than expected. Sustainability could be assumed as the institutions concerned had shown that they had the ability to operate and maintain the rather advanced dredgers, but doubts remained as to the latter's operational efficiency.

12.2.4 *Mali*

Overview

The Dutch-cofinanced project aid in Mali was concentrated in the sector of rural development, and totalled Dfl. 52.4 million, i.e. 28.7 percent of all cofinanced aid to this country (Dfl. 182.6 million including FSTF).

A substantial part of this aid was implemented in Mali-Sud, a region with potential for cotton production. As from the late 1970s, the Netherlands supported numerous bilateral development projects, many of which were realised in cooperation with the Compagnie Malienne de Développement des Textiles (CMDT) (Malian Textile Development Company). The Netherlands contributed to joint cofinancing for the Second and Third Mali-Sud Rural Development Projects in 1986 and 1992. Funding was also provided for parallel projects in relation to these projects as well as to the Agricultural Sector Adjustment Project of the World Bank. In this context, the Netherlands also provided programme aid in the form of import support for agricultural equipment worth Dfl. 2.7 million. Most of the countervalue funds generated by the sale of this equipment formed direct budget support for CMDT (cf. Chapter 7).

The IOB evaluation (1994) analysed three bilateral projects implemented under parallel cofinancing arrangements (cf. Table 12.6): The Project d'appui à la Direction de la

Table 12.6 Cofinanced project aid in Mali covered by IOB study (disbursements at 31 December 1996, in Dfl. millions)

Sector	C/L	WB Project Title	Dutch Project Title	Form	Year of commitment	Dutch disbursements
Rural development	C1415	Second Mali-Sud Rural Development Project	Division de la Recherche sur les Systèmes de Production Rurale (phases II, III)	Parallel	1983, 1986	17.3
Rural development	C2163	Agricultural Sector Adjustment/Inv. Project	Women and Development Project	Parallel	1990	4.3
Rural development	C2163	Agricultural Sector Adjustment/Inv. Project	Erosion Control Mali-Sud	Parallel	1985, 1990	12.6
Total						**34.2**

Table 12.7 Cofinanced project aid in Tanzania covered by IOB study (disbursements at 31 December 1996, in Dfl. millions)

Sector	C/L	WB Project Title	Dutch Project Title	Form	Year of commitment	Dutch disbursements
Rural development	C1970	National Agricultural and Livestock Research	Agricultural and Livestock Research Project (incl. Master Plan)	Parallel	1989	4.2
Infrastructure	C1536	Port Rehabilitation	Grain Terminal Project Dar es Salaam	Parallel	1985, 1987	40.9
Total						**45.1**

Recherche sur les Systèmes de Production Rurale (DRSPR) (Project in Support of the Research Directorate on Rural Production Systems), the Women and Development Project and the Erosion Control Project. The dimension of cofinancing with the World Bank was not given specific consideration. Dutch cofinancing evaluated by the IOB Report amounted to Dfl. 34.2 million.

Description and evaluation

The three projects shared the common feature that they were implemented as being related to CMDT and with parallel cofinancing arrangements with the World Bank. The DRSPR project dealt with applied agricultural research, stressing the farming-systems approach. The Erosion Control project (PATV) was mainly involved in the construction and management of civil works. The Women and Development project (PAAF/PROFED) aimed at enhancing the position of women. All three showed a certain degree of policy relevance for Mali, but support in real terms was weak. Their common feature was that they played an innovative role within CMDT.

According to the IOB Study the projects were effective in the sense that they formally achieved their stated objectives which were, however, vague and ambitious. The social and economic dimensions of development were given too little attention. The outreach at policy level (of the Government of Mali and of the World Bank) was limited. The efficiency of projects was hampered by a lack of geographical and thematic focus (a problem which did not apply to the Erosion Control project) and a high degree of institutional complexity.

The IOB evaluation contains extensive treatment of the sustainability of project results. The DRSPR project showed a reasonable degree of sustainability in the political, economic, financial and institutional sense, while social-cultural, ecological and technological sustainability was considered high. The Women and Development project results were moderately sustainable in virtually all respects. The Erosion Control project produced reasonably sustainable results, particularly because the proposed approach was assimilated by farmers and accepted by CMDT.

12.2.5 *Tanzania*

Overview

Cofinanced project aid in Tanzania between 1985 and 1996 totalled Dfl. 68.4 million in terms of disbursements (i.e. 29.7 percent of all cofinancing in this country). All the funding was parallel and covered major investments in infrastructure and in rural development (livestock development).

The IOB evaluation (1994) covered one infrastructural project: the Grain Terminal Project Dar es Salaam (involving grants committed in 1985 and 1987). Projects in the livestock sub-sector were also evaluated: the Agricultural and Livestock Research Master Plan and the National Agricultural and Livestock Research Project, both of which involved commitments made in 1989. The projects totalled Dutch spending of Dfl. 45.1 million (cf. Table 12.7).

Description and evaluation

(a) Rural development

The National Agricultural and Livestock Research Programmes are described in the IOB Study as the Farming Systems Research Project (FSR). The Netherlands funded the National Coordination Unit of Farming Systems Research at the level of the Department of Research and Training of the Ministry of Agriculture. The Netherlands also supported one of seven Zonal Research Centres (ZRC), i.e. that in the Lake Zone. The interventions were principally intended (i) to improve the infrastructure of the research station; (ii) to train Tanzanian research and extension staff; and (iii) to conduct a wide range of surveys and on-farm trials.

The IOB Study evaluates the projects as part of a more comprehensive research programme. With regard to effectiveness, the study concludes that outputs were by and large achieved, but that impact was limited as many alumni were not employed in their field of specialisation. The efficiency of institutional operations was negatively influenced by over-staffing. The sustainability of project results was considered problematic as none of the institutions could sustain its operations without external financial support.

(b) Infrastructure

In 1982, the World Bank concluded an agreement with the Government of Tanzania on rehabilitation and development of the port of Dar es Salaam. One of the priority projects was the construction of a grain terminal. Its funding was considered a priority as it would reduce the region's dependency on the infrastructure of the Republic of South Africa. The Netherlands also wished to strengthen its cooperation with the World Bank and to provide opportunities for its own industries.

The Dutch initial commitment in 1985 to the project was Dfl. 32.5 million, but in 1987 a substantial increase was required for the mobilisation of additional expertise and the import of building materials. The Dutch contribution was eventually spent largely on equipment and materials (85 percent) and expatriate consultancy services (15 percent). The larger part of the equipment and materials was of Dutch origin (75 percent).

The grain terminal has hardly been used since it became operational in 1989. One reason is that grain imports decreased substantially during the second half of the 1980s as a result of the Economic Reform Programme implemented since 1986, which brought in its wake a larger degree of self-sufficiency in staple food grains. Similarly, traffic to Zambia decreased due to the latter's reduction in grain imports. This was partly also due to the fact that the end of apartheid in South Africa in the early 1990s made shipments through South African ports possible.

Although changes in the macroeconomic and political environment could perhaps not be foreseen when the project was conceived and implemented, its economic usefulness and feasibility were apparently over-estimated.

According to the IOB Study, policy relevance existed formally as the Government of Tanzania had given priority to development of the port facilities and, more particularly, of the Grain Terminal. In the wider context of the Economic Reform Programme, policy relevance was limited in that food imports would largely become obsolete with a liberalised agricultural sub-sector. Effectiveness was perhaps good on immediate outputs, but rather weak on impact. The efficiency of the project was apparently poor, as was the sustainability of its results.

12.3 Cofinanced project aid covered by Project Performance Audit Reports

Overview

As was stated above, PPARs deal primarily with the performance of World Bank credits and loans, but the evaluative statements may be considered to apply to Dutch cofinancing of the projects concerned provided that cofinancing arrangements were joint. Table 12.8 gives an overview of jointly cofinanced projects that have been covered by PPARs.

The Mahaweli Ganga Development II Project in Sri Lanka benefited from joint cofinancing from the Netherlands in 1977 amounting to Dfl. 10.6 million. The same Bank-supported project also received bilateral aid from the Netherlands between 1978 and 1983 worth Dfl. 8.2 million, which may be considered as parallel cofinancing (cf. Annex 5, Table 15). The latter interventions are not covered by the PPAR in question.

Table 12.8 Cofinanced project aid covered by Project Performance Audit Reports (disbursements at 31 December 1996, in Dfl. millions)

Sector	Country	C/L	WB Project Title	Dutch Project Title	Form	Year of commitment	Dutch disbursements
Rural development	Sri Lanka	C0701	Mahawali Ganga Development II Project	Mahaweli Ganga Development II	Joint	1977	10.6
Social sector	Zimbabwe	L2744	Family Health	Family Health	Joint	1986	4.5
Total							**15.1**

In 1986, the Netherlands approved the joint cofinancing of a project in Zimbabwe, i.e. the Family Health Project, on which Dfl. 4.5 million were spent. This project was also covered by an IBRD loan agreement and evaluated in a PPAR.

Description and evaluation

(a) Rural development

Upon completion of the First Mahaweli Project (1970–76), the World Bank approved a credit for the Mahaweli Ganga Development II Project in 1977 amounting to US$ 19.0 million. The project was cofinanced by Canada, the UK and the USA under parallel arrangements and by the Dutch Government with joint cofinancing. The last disbursement of the credit was made in 1986, but US$ 7.69 million had to be cancelled. The PPAR does not give specific information on the use and disbursement levels of Dutch cofinancing.

The main objectives of the overall Mahaweli programme were: (i) to reduce unemployment by creating short-term and long-term job opportunities; (ii) to increase agricultural production, particularly rice, in order to achieve food self-sufficiency; and (iii) to alleviate power shortages. The Mahaweli II project would complete the irrigation and development schemes in one Mahaweli system and provide productive support and social services throughout the system area.

It may be inferred from the PPAR that policy relevance of the project was high, as the Government of Sri Lanka showed considerable commitment. Project effectiveness was satisfactory in that major objectives such as land development, settlement and crop production were attained. The project was efficient in terms of the use of financial resources but not in terms of time management: the closing date had to be extended several times. Sustainability of results was judged to be problematic as major issues related to cost recovery, monitoring and evaluation, effective water management and illegal occupation of land remained unresolved.

(b) Social sector

This project was covered by an IBRD loan of US$ 10.0 million (approved in 1986) and by cofinancing on grant basis provided by Norway, the UK, the Federal Republic of Germany and the Netherlands. The Netherlands granted Dfl. 4.5 million to the project. The Government of Zimbabwe contributed US$ 27.6 million. All funds had been fully disbursed when the project closed in 1993.

The objectives of the project were the following: (i) to increase the availability and use of family planning services; (ii) to improve the health status, particularly of mothers and children; and (iii) to strengthen government's capacity to plan, manage and evaluate Mother and Child Care/Family Planning. The project involved specific efforts to strengthen the management of the Ministry of Health at all levels, to train health workers in family planning and midwifery, to construct and equip district training centre facilities, as well as to strengthen information and educational services.

The PPAR rated the overall outcome of the project as satisfactory. The project design was highly relevant when measured against policies of the Government of Zimbabwe. The project was effective in the sense that outputs were mostly achieved. In the absence of any synthesis of systematic data collection existing in Zimbabwe, it was not possible to establish the impact of the project. The report does not contain any explicit statements regarding efficiency of the project, but mentions that project preparation and early implementation were particularly lengthy. The sustainability of project results was considered likely to the extent that the Ministry of Health was willing and able to provide the required follow-up. The report stresses that the project had a substantial influence on institutional development, particularly through management training at the district level.

12.4 Conclusions

Rural development

In the rural development sector ten cofinanced projects have been considered in the following countries: Bangladesh, Egypt, Mali, Sri Lanka and Tanzania. More specifically, projects were in the following sub-sectors: water development (Bangladesh and Egypt), large-scale agricultural development (Sri Lanka), small-scale agricultural development (Mali), agricultural and livestock research (Mali and Tanzania). With the exception of some activities in Bangladesh and Sri Lanka, all this cofinanced project aid was based on parallel arrangements. The sample is by no means representative, but serves to illustrate the strengths and weaknesses of cofinanced activities.

Policy relevance was found to have been adequate in all projects, although the support of the governments of Mali and Tanzania was considered weak in operational terms. Project effectiveness in terms of achievement of outputs was best in research projects (Mali and Tanzania), satisfactory in the Mahaweli Ganga Project in Sri Lanka, and more or less adequate in the other projects as immediate objectives were achieved. In all projects, however, the desired impact (especially on living conditions of the poor) was not achieved. None of the reports is gender-specific insofar as cofinanced activities are concerned, nor do they particularly address their environmental impact.

The efficiency of virtually all projects was found to have been problematic, as project objectives were sometimes vague and/or over-ambitious and activities could not be realised within initially foreseen budgets and timeframes. The sustainability of results was also found to have been quite low in some projects (Bangladesh, Sri Lanka, Tanzania), in particular because local institutions were incapable of sustaining operations financially and sometimes managerially without external support. By contrast, project results were found to be relatively sustainable in Egypt and Mali.

Social sector

Cofinanced activities in the social sector for which existing evaluation material has been considered comprise three health projects and one education project in Bangladesh and one health project in Zimbabwe. In terms of financial resources, the greater part was based on joint cofinancing. The evaluative statements can therefore be considered to illustrate the quality of World Bank project implementation.

The policy relevance of all projects was considered high. Effectiveness in terms of outputs was also adequate although with regard to the General Education Project in Bangladesh, the World Bank was criticised for having adhered too strictly to procedural requirements, thereby impeding the achievement of outputs. The impact of health and education projects in Bangladesh was equally adequate in the sense that the poor gained better access to health and education services. The impact of the health project in Zimbabwe could not be assessed. There is no information regarding the impact on the gender balance or the environment.

Not all projects in Bangladesh were found to have been very efficient, as projects with institutional components in particular were relatively costly. It may be inferred from the evaluation of the health project in Zimbabwe, that project efficiency was not sufficient in the sense that the process of project preparation and early implementation was lengthy and intense. Sustainability of results was poor in the health sub-sector of Bangladesh (especially in institutional and financial terms), but was considered likely in the health project of Zimbabwe. The dimension of sustainability could not be evaluated in the education projects of Bangladesh.

Infrastructure

Infrastructural projects involved one Dutch-funded project in India and another in Tanzania, both of which involved port development. Another common feature was that they were all based on arrangements of parallel cofinancing.

Evaluation of the projects yields fairly consistent results. At the outset, policy relevance was apparently not properly assessed, as in India where the Nhava Sheva project was not included in the Five-Year-Plan (with resulting shortfalls in budgetary commitments by the Indian authorities), and in Tanzania where the feasibility of the Grain Terminal, as a result of the concomitant Economic Reform Programme, proved to be largely overestimated. In both cases, Dutch private sector interests played an important role in the approval process. Effectiveness was achieved in both projects in the sense that the planned outputs materialised (though the development of dredging capabilities in India fell short of expectations). The impact of both projects was rather low, however. Their efficiency was disappointing since the productivity of the created infrastructure never met the respective targets. Sustainability of results was found to be limited in operational terms for both projects.

Industry

The only cofinanced projects in this sector were the industrial projects in Bangladesh (Fertiliser Industry Rehabilitation Project and Second Gas Development Project), both of which were based on parallel arrangements. The IOB evaluation judged the policy relevance of both projects to be adequate. As objectives were by and large achieved, effectiveness in terms of output was largely accomplished (although there were implementation problems in the Gas Development Project). The projects also demonstrated a satisfactory degree of efficiency. Sustainability in both cases was considered high, although there were doubts as to the financial sustainability of the fertiliser plants due to market-related factors. Environmental issues were not assessed in this context.

Overall conclusions

The evaluation studies on project aid cofinanced with the World Bank suggest that policy relevance as measured against priorities of the respective governments was adequate in all cases with the exception of infrastructural projects in India and Tanzania. Effectiveness was generally achieved in terms of outputs but the impact, especially on the living conditions of the poor, was found less evident. In terms of efficiency, results were rather mixed. There were shortcomings as to the sustainability of project results, especially in institutional and financial terms, because in several cases governmental (and non-governmental) services proved unable to sustain activities beyond external support and/or there was less demand for the products than had initially been expected.

PART IV FREE-STANDING TRUST FUNDS

13 Overview of Free-Standing Trust Funds

13.1 Overview

Although there was no provision in the Administrative Arrangements of 1984 and 1986 for Free-Standing Trust Funds (FSTF), this type of cofinancing has become important. By the end of 1996, FSTF amounted to Dfl. 1.1 billion in terms of commitments and Dfl. 0.9 billion in terms of disbursements. The first FSTF were created in 1984, but the larger share of this type of cofinancing (over 90 percent) was disbursed between 1991 and 1996.

By their nature, all FSTF involve joint cofinancing. In line with the classification used (cf. Chapter 1), the list shows a distinction between Global and Single-Purpose/Ad-Hoc Trust Funds. A further classification distinguishes between (i) Global Umbrella FSTF which concern Consultant Trust Funds, (ii) Global Thematic FSTF (including debt relief) and (iii) Single-Purpose (Ad-Hoc) FSTF. Table 13.1 gives an aggregated overview of all FSTF, indicating the relative importance of the various types of expenditure and the respective nature of cofinancing involved. Annex 5 (Table 16) of the present report contains a complete list of all FSTF.

The aggregated overview shows that debt relief is the single most important type of expenditure (38.6 percent in terms of disbursements). Relief, Resettlement and Reconstruction is also relatively important, accounting for 21.2 percent. Both items of cofinancing show a high disbursement rate. The third most important type is funding of the Global Environment Facility (GEF), which accounts for 11.1 percent of total deposits with the World Bank. All these items concerned programme aid (71 percent of total disbursements).

The sectoral distribution of this type of cofinancing shows that more than 80 percent of all FSTF was multisector. The reason is that all programme aid belonged to this sectoral affiliation as well as more than one third of all project aid. With regard to project aid, it is also notable that more than half pertained to the social sector.

Table 13.1 Aggregated Overview Free-Standing Trust Funds (commitments and disbursements at 31 December 1996, in Dfl. millions)

Category	Description	Nature	Commitments	%	Disbursements	%
Global Umbrella TF	Consultant TF	Project aid	93.4	8.6	79.1	8.7
Global Thematic TF	Global Environment Facility (GEF)	Programme aid	247.7	22.8	101.0	11.1
	Energy Sector	Project aid	29.4	2.7	21.1	2.3
	Economic Development Institute (EDI)	Project aid	35.9	3.3	34.1	3.7
	Relief, Resettlement and Reconstruction	Programme aid	194.4	17.9	193.7	21.2
	River Blindness	Project aid	59.5	5.5	54.8	6.0
	Debt relief[1]	Programme aid	337.1	31.0	351.7	38.6
Single-Purpose TF	Ad-Hoc TF	Project aid	88.6	8.2	76.2	8.4
Total			**1,085.8**	**100.0**	**911.7**	**100.0**

[1]As far as debt relief is concerned, disbursements exceed commitments notably due to the conversion of Credit and Loan Related Cofinancing to debt relief in Zambia in 1986 (cf. Annex 5, Table 15).

In geographical terms, Africa was the largest recipient of FSTF (26.2 percent of all programme aid, 36.1 percent of all project aid, overall 29.1 percent). More than 20 percent of all FSTF benefited Eastern Europe and Central Asia (22.6 percent of all programme aid and 15.8 percent of all project aid). This large share for Eastern Europe is due to the very considerable amount of relief and reconstruction (programme) aid provided to Bosnia in 1994–96 (Dfl. 126.7 million), accounting for 13.9 percent of all FSTF. Equally notable is the large share of worldwide activities (19.3 percent of all FSTF) which is due particularly to substantial funds provided to the Global Environment Facility.

An analysis of spending patterns over time reveals that FSTF started in 1984, but remained at a relatively modest level throughout the 1980s, averaging approx. Dfl. 10 million/year. In 1991, the amount of aid spent in this manner increased dramatically due to a substantial contribution to GEF (Dfl. 95.2 million) in that year. Between 1992 and 1993 the volume briefly relapsed. Between 1994 and 1996, spending under FSTF reached new heights, due particularly to substantial funding of the Reconstruction Fund for Bosnia (Dfl. 127 million) and debt relief. Debt relief was granted at first incidentally in 1986, but became a structural activity in 1991. Debt relief granted in 1995 and 1996 accounts for almost 60 percent of all cofinancing for this purpose. Overall, average disbursements on FSTF amounted to well over Dfl. 120 million/year during the 1990s.

13.2 Global FSTF

General

Among all Global FSTF, the Consultant Trust Funds as well as thematic FSTF in the energy sub-sector have been subjected to full evaluation and are therefore extensively treated in Chapters 14 and 15 of the present report. For a brief presentation of other global FSTF, a distinction is made between those pertaining to programme aid and those that can be classified as project aid.

Programme aid

Programme aid under FSTF arrangements totals Dfl. 646.6 million of which more than half was provided as debt relief to various countries (cf. Table 13.2). Other thematic FSTF providing programme aid were the following.

– Dutch contributions to the Global Environment Facility is considered as cofinancing in spite of the fact that, structurally, GEF is relatively autonomous. The reason is that the World Bank provides a substantial financial contribution and is in charge of overall coordination as well as the administration of the Fund. Dutch funding involved two major commitments earmarked as core funding in 1991 and 1994 (Dfl. 95.2 million and Dfl. 139 million, respectively). At the end of 1996 the level of disbursement of the latter was low (Dfl. 5.7 million only). The Netherlands furthermore disbursed small contributions, e.g. for the temporary appointment of an expert within GEF, the creation of a voluntary NGO fund, and for a field activity in Cameroon.

– More than half of the rather substantial amount of cofinancing earmarked for activities related to Relief, Resettlement and Reconstruction (Dfl. 194 million in deposits) is accounted for by a large one-off funding of the Bosnia Reconstruction Trust Fund (Dfl. 125.7 million committed and disbursed by the Netherlands to the Bank in 1995–96). Bosnia also benefited from a Programme of Advisory Services (Dfl. 1 million) in 1994 and from a small amount of Export Credit Cofinancing of Dfl. 0.5 million (cf. Chapter 17). In the same context it is worth noting that Macedonia received support worth Dfl. 19.6 million. The second largest recipient of Netherlands relief aid through cofinancing with the World Bank were the Occupied Territories (Dfl. 42.9 million disbursed). Cofinanced relief aid for Rwanda in 1994 was more modest (Dfl. 3.5 million), as was a contribution to the Indomalayan Protected Areas.

Table 13.2 contains an overview of global FSTF related to debt relief. Almost half of all debt relief (a little more than 47 percent) was provided to African countries, the larger share to Zambia (21 percent of all debt relief). Almost 40 percent went to Latin America and the Caribbean, where countries such as Nicaragua (17 percent), Peru (11.4 percent) and Bolivia (6.5 percent) were the largest recipients. The only Asian country that benefited from debt relief was Yemen, which received 13 percent of the total.

Project aid

In addition to the Consultant Trust Fund cluster and FSTF related to the energy subsector (cf. Chapters 14 and 15), project aid covered by FSTF comprises the following activities.

– Since 1989, the Netherlands has consistently cofinanced activities of the Economic Development Institute (EDI), totalling Dfl. 34.1 million in terms of disbursements until 1996. The most important programme in monetary terms was Training and Institutional Support for the Central Asian Republics (Dfl. 17.9 million). Other training activities were relatively small and involved cooperation with other global or regional organisations, e.g. the International Labour Organisation (ILO) or the Association of African Universities. The Dutch Government has been the second largest bilateral donor for EDI (preceded only by Japan).

Table 13.2 Overview debt relief (disbursements at 31 December 1996, in Dfl. millions)

Region	**Country**	**Year of commitment**	**Dutch disbursements**	**Subtotal**	**%**
Africa	Burkina Faso	1995	10.0		
		1996	10.0	20.0	5.7
	Ethiopia	1995	10.0	10.0	2.8
	Malawi	1995	6.5		
		1996	10.0	16.5	4.7
	Mali	1995	10.0		
		1996	10.0	20.0	5.7
	Rwanda	1996	7.5	7.5	2.1
	Senegal	1995	3.2	3.2	1.0
	Uganda	1992	14.9	14.9	4.2
	Zambia	1986	p.m		
		1991	10.0		
		1993	9.0		
		1994	15.0		
		1995	15.0	49.0	21.0
Asia (excluding Central Asia)	Yemen	1995	22.5		
		1996	23.0	45.5	13.0
Latin America & Caribbean	Bolivia	1993	5.0		
		1995	17.9	22.9	6.5
	Haiti	1994	3.5	3.5	1.0
	Honduras	1995	13.9	13.9	3.9
	Nicaragua	1991	7.0		
		1994	15.0		
		1995	27.8		
		1996	10.0	59.8	17.0
	Peru	1991	21.5		
		1992	18.5	40.0	11.4
Total[1]				351.7	100.0

[1]The sub-totals do not add up to Dfl. 351.7 million due to the conversion of credit and loan-related cofinancing to debt relief in Zambia in 1986, included as p.m. (cf. Annex 5, Table 15).

– The River Blindness (Onchocerciasis) Programme in West Africa has also benefited from regular Dutch contributions, totalling Dfl. 54.8 million in deposits. The programme received regular core funding as well as a number of smaller contributions, e.g. for an environmental impact study, the organisation of a ministerial meeting, and a contribution to a review exercise.

– Between 1986 and 1996, the Netherlands contributed Dfl. 32.7 million to the Income Generating Project for Refugee Areas (IGPRA) in Pakistan, a multi-donor effort administered by the World Bank to provide assistance to Afghan refugees and to rehabilitate areas that had taken in large numbers of refugees (cf. Chapter 10).

The inventory of project aid provided as FSTF is not complete without due consideration for ad-hoc contributions to relatively small activities, covered under the heading of Single-Purpose FSTF (cf. 13.3).

13.3 Single-Purpose (Ad-Hoc) FSTF

Single-Purpose (Ad-Hoc) FSTF comprise a large number of relatively small activities. In some cases, they may be grouped together under a common heading (e.g. Global Coalition for Africa or Special Programme for African Agricultural Research (SPAAR)), but even for such groups the volume of funding involved in each case does not exceed about Dfl. 10 million (one percent of all funding under FSTF). Annex 5, Table 16 contains a full overview of these FSTF, inviting the following comments.

– For programmes such as the Global Coalition for Africa and SPAAR, the World Bank provided specific services that were cofinanced by various donors, including the Netherlands. The level of Dutch funding remained relatively low (Global Coalition: Dfl. 4.8 million disbursed; SPAAR received Dfl. 0.6 million).

– The group Social Dimension/Social Action Programme comprised specific free-standing activities mostly at a global or regional level in support of Economic Reform Programmes that were not directly related to Structural Adjustment Loans or Credits. The overall amount spent by the Netherlands in this manner did not exceed Dfl. 3.7 million.

– A number of multi-donor environmental activities administered by the World Bank received Dutch contributions totalling Dfl. 7.2 million, e.g. a pilot programme focusing on tropical rainforests in Brazil (Dfl. 6.2 million).

– The Netherlands contributed to a project for the Africa Region concerned with Urban Transport with an amount of Dfl. 4.8 million, thus becoming the largest bilateral contributor to this project.

It is difficult to establish a pattern for activities included under the heading Others, most of which had a worldwide or regional African focus. They mostly concerned small and relatively isolated activities to which the Netherlands made one-off contributions on an ad-hoc basis. In this context, FSTF proved to be a convenient tool both for the Dutch

Government and the World Bank, with a high degree of flexibility. The total amount spent in this manner was Dfl. 22.2 million (i.e. 2.5 percent of all FSTF).

13.4 Concluding remarks

Between 1984 and 1996, the Netherlands committed Dfl. 1.1 billion to FSTF in the World Bank, of which 84 percent had been disbursed at the end of that period. This type of cofinancing had not been foreseen in the Administrative Arrangements of 1984 or 1986. The Arrangement of 1995 mentions several types of cofinancing with specific reference to their free-standing character: the Consultant Trust Fund Programme, Debt Service Trust Funds, and Free-Standing Technical Assistance (cf. Chapter 3). It should be stressed that, during an extended period of time (i.e. between 1984 and 1994), the FSTF formula was practised under ad-hoc agreements.

Among the questions to be examined are the following: (i) why were so many FSTF set up in this situation? (ii) has this type of cofinancing created additional resources at the levels of the World Bank and of recipient countries? (iii) has this form of cofinancing allowed the Dutch Government to influence World Bank policies and procedures? (cf. Chapter 1, section 1.4.3). These questions are additional to the general key evaluation questions (cf. Chapter 1, section 1.4.1) and the query into the added value of cofinancing (cf. Chapter 1, section 1.4.2).

This study investigates the key evaluation questions and the issue of added value only with reference to specific FSTF, i.e. the Consultant Trust Fund Programme and those related to the energy sector (cf. Chapters 14 and 15), as well as in a country-specific special study (Pakistan, cf. Chapter 10). This applies also to the question of whether the Dutch Government has been able to influence World Bank policies and procedures. An attempt can be made, however, to examine the first two questions in the broader context of this chapter.

It should be stressed that over 70 percent of all FSTF has been spent on programme aid, more than half of which concerned debt relief. The latter is closely related to economic reform programmes supported by the World Bank and, in many cases, by multi-donor consortia.

Similarly, the World Bank played a major role in the coordination and administration of GEF (more than 15 percent of Dutch contributions to programme aid) and in relief and rehabilitation efforts in countries that emerged from the former Yugoslavia, in the Occupied Territories and other disaster areas (almost 30 percent of Dutch contributions mostly due to aid to Bosnia).

A major reason why all these funds were entrusted to the World Bank was that it had been assigned a major coordinating and administrative role by the international donor community (economic reforms, relief and rehabilitation, GEF). On the other hand, however, joint cofinancing transactions with the Bank were a convenient tool with which to disburse large amounts of aid funds outstanding at the end of the fiscal year. Many commitments (and disbursements) were in fact made at the end of the year, particularly in the area of debt relief.

In a number of cases, the granted funds created additional resources for recipient countries, e.g. in the case of Bosnia, which benefited from Dutch aid funds (cf. *A World of Dispute*) although the aid budget did not include a specific (country) allocation for it. The additionality issue is more complicated in the case of debt relief. Additional resources were certainly not in all cases created for the recipient country. This depended on the type of debt relief granted, and on the specific budgetary conditions of the beneficiary-country. A more quantitative assessment of this issue could only be realised by a case-by-case investigation which is beyond the scope and terms of reference of the present evaluation.

With regard to project aid (the remaining 30 percent of all FSTF), the answers are basically the same in some cases, e.g. the River Blindness Programme, the Global Coalition for Africa, the Social Dimension/Social Action Programmes, the IGPRA Programme in Pakistan and SPAAR, the Economic Development Institute (EDI), FSTF in the energy sector, Consultant Trust Funds, as well as some of the small ad-hoc projects, involved activities that were part of the regular operations of the World Bank. The motivations of the Netherlands to contribute towards them varied and have been examined more closely as to FSTF in the energy sector and Consultant Trust Funds (cf. Chapters 14 and 15).

14 Consultant Trust Funds

The Consultant Trust Fund Programme (CTFP) of the World Bank was created in 1985. Until 1996, funding from 27 donor countries totalled around US$ 264 million. The Netherlands was the eighth donor to join the CTFP, signing the first Arrangement in September 1986. Between 1986 and 1996, the Dutch Government (i.e. Ministry of Foreign Affairs and the Ministry of Economic Affairs) was the single largest contributor to the Programme, donating almost US$ 53 million, or 20 percent of all resources (cf. IBRD, *Status Report on Trust Funds* 1996).

Table 14.1 provides an overview of the various Consultant Trust Funds funded by the Ministry of Foreign Affairs (DGIS). This cofinancing is FSTF by type and project aid by nature. In all cases, the Funds are of multisector affiliation. The largest and most continuous was the Netherlands Consultant Trust Fund (NCTF), which accounted for 45 percent of the total. A substantial contribution was also provided to Technical Assistance for Eastern Europe and Central Asia (30.3 percent). Smaller contributions were made to the Environment Consultant Trust Fund (16.4 percent) and the Poverty Assessment Trust Funds (8.3 percent).

14.1 The Netherlands Consultant Trust Fund (NCTF)

From its inception in 1986, NCTF was to finance studies and short-term technical assistance activities in a variety of (sub-)sectors (e.g. rural development, physical infrastructure, energy and industry) and for various types of assignment (e.g. feasibility, investment and assessment studies). The major objective during the 1980s was the involvement of Dutch consultants in the process of identification of World Bank projects and programmes.

As from 1990, NCTF was primarily (i) to support developing countries in formulating and presenting good project proposals for World Bank financing; (ii) to enhance the quality of the Bank's lending programme and eventually the cofinancing programme through improvements in project preparation; and (iii) to expand the supply of know-how of Dutch consultants and of consultants from developing countries at the World

Table 14.1 Consultant Trust Funds of the Netherlands with the World Bank (1986–96) (commitments and disbursements at 31 December 1996, in Dfl. millions)

Description	Years of commitm.	Arrangements	Commitments	Disbursements	%
Netherlands Consultant Trust Fund (NCTF)	1986–95	28 Sep 1986 24 May 1989 24 May 1995	38.8	35.5	45.0
Technical Assistance for Eastern Europe and Central Asia	1993–96	09 Nov 93 24 May 95	29.0	24.0	30.3
TAGPE/Environment Consultant Trust Fund	1990–96	21 Nov 90 28 May 96	19.0	13.0	16.4
Poverty Assessments	1993	17 Sep 93	6.0	6.0	8.3
Poverty Assessment South Africa	1992		0.6	0.6	
Total CTFs			**93.4**	**79.1**	**100.0**

Bank (cf. Appraisal Memorandum 26 July 1990). Local and regional expertise was to be used whenever possible. It was agreed that 25 percent of all consultants funded under NCTF should be nationals of developing countries. In the medium and long term, the Netherlands and the World Bank would favour the complete untying of NCTF.

During the early 1990s, the World Bank showed itself particularly satisfied with Dutch policies aimed at the complete untying of Consultant Trust Funds and praised the orientation as a model for other donors that did not favour the untying of their respective Funds. In 1994, a compromise was found between the Bank and all contributors which tied 75 percent of all resources to nationals of the donor country and partially untied 25 percent, which could be used to finance consultants from borrowing member countries and from other Bank member countries that maintained a similarly untied Consultant Trust Fund (CTF). The Netherlands adhered to this formula when it concluded a new Arrangement on 24 May 1995.

In 1991 a new element was introduced into the NCTF, i.e. a Women and Development component. The idea originated from the World Bank on the basis of new criteria regarding the use of the Norwegian CTF. It was agreed with the Netherlands that part of the NCTF (initially Dfl. 1 million) would be used to recruit consultants specialised in the aspect of Women and Development, who would draw greater attention to the gender dimension in the project preparation process.

The Ministry of Foreign Affairs spent a total of Dfl. 35.5 million on the NCTF between 1986 and 1996. It may be inferred from the reports by the World Bank to the Ministry as well as from various interviews with task managers and administrative officials in charge of CTFP that NCTF was extensively used at all times and that it was characterised by quick disbursements. This overall picture did not apply to the Women and Development component, disbursement of which remained slow.

The use of NCTF was largely governed by the principle of first come/first served. Task managers could consult the *Consultant Trust Funds Handbooks* (World Bank, 1988 and 1994) for information about available consultant trust funds, general and specific guidelines on how to access them, and possible conditionalities and limitations. Activities had to take place in eligible countries. The CTF could cover fees, travel and subsistence for consultancy assignments of up to Dfl. 400,000 (raised from an initial Dfl. 50,000).

It should be noted that, in practice, there was no requirement for substantive screening of proposals nor for comprehensive reporting on the use of the trust fund by the task managers. It was sufficient for the latter to supply photocopies of the cover pages of consultants' reports at the end of the assignment. NCTF proved popular since it was relatively easy to use. In practical terms, the main problem from a task manager's point of view was that the NCTF was depleted within a short time after replenishment.

The World Bank formally complied with reporting requirements set out in the various Arrangements, although the reports were mere listings of activities with data on the names of consultants, the requesting Department/Division, sectors and countries in which activities took place, and types of activity. Older reports in particular were not sufficiently complete and coherent to allow for adequate statistical treatment of data. There was no requirement to provide analyses of data or narrative statements. Reports provided by the World Bank to the Ministry of Foreign Affairs were not required to contain other information, e.g. on the consultants' nationality (until the early 1990s), the quality of consultancy reports, their usefulness for recipient countries and/or the Bank or even the factual disbursements for individual consultant assignments. The lack of such data hinders any systematic assessment of compliance with NCTF objectives. Within these limitations, the results may be summarised as follows.

– Throughout the period for which reporting is available (1987–95), the majority of consultant assignments were fielded to the Africa region (a little more than 49 percent out of 654 assignments), followed by Asia (a little more than 28 percent), Latin America (10 percent), Europe, the Middle East and North Africa (7 percent); the remainder were worldwide assignments or were not specified.

- Until 1990, the overwhelming majority of consultants were apparently Dutch nationals, corresponding to Dutch policies at that time. Between FY91 and FY95, non-nationals (in most cases consultants from developing countries working in their own countries) took a larger share: in Africa this was 46 percent, in Asia 28 percent, in Europe, the Middle East and North Africa 42 percent, and in Latin America 74 percent. A striking factor about these figures is the low score for Asia and the exceptionally high score for Latin America.

- In terms of (sub-)sector allocations, almost a third (32 percent) of all assignments were in agriculture, 20 percent in education/health/population, 15 percent in urban water supply, 6 percent in industry, 8 percent in transport and 3 percent in energy, and a little more than one percent in environment. The category 'miscellaneous' (representing activities that were not sector-specific and/or unspecified sector allocations) was relatively large (16 percent).

- An analysis of types of activity supported with NCTF shows a clear preponderance of activities related to project preparation (40.5 percent), followed by other sector work (35.5 percent), project appraisal and supervision activities (each a little more than 11 percent) and economic work (1.5 percent).

- Services provided under the NCTF were additional for recipient countries in the sense that they were not included in regular bilateral aid budgets concluded between the Ministry of Foreign Affairs and the country in question. As they were provided through grants, they were also additional to regular lending-based Bank support. For the World Bank, NCTF was apparently also additional, in that some of the Bank staff's regular tasks (e.g. appraisal and supervision work) was funded by it.

14.2 The Technical Assistance Trust Fund for Eastern Europe and Central Asia

The Technical Assistance Trust Fund for Eastern Europe and Central Asia was created by the Dutch Ministry of Foreign Affairs in 1993. It was to benefit countries of Eastern Europe and Central Asia which were in principle not served by the Netherlands Consultant Trust Fund—Eastern Europe that had been agreed upon between the Dutch Minister of Economic Affairs and the World Bank in 1990. Whereas the latter Trust Fund was basically intended for the more developed countries of Eastern Europe (e.g. Russia, Czechoslovakia, Hungary, Poland,), the Trust Fund of the Ministry of Foreign Affairs addressed the needs of the developing nations.

The list of countries eligible for support from the fund underwent several modifications. The fund was initially conceived for five Central Asian Republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan), three Transcaucasian Republics (Armenia, Azerbaijan, Georgia), and for Moldova. In 1993 several other countries were added to the list: Albania, Bulgaria, Macedonia, Mongolia and Romania.[1] The change was inspired by the fact that the Ministry of Economic Affairs had ceased activities in Albania, Bulgaria and Romania, while Macedonia and Mongolia were not eligible for support from that Ministry.

The overall orientation of the Trust Fund was similar to that of NCTF. The threshold above which clearance from the Ministry of Foreign Affairs was required was US$ 200,000. The Trust Fund was initially intended to be completely untied, as consultants from all Bank member countries were to be eligible for engagement. This initial idea was very soon superseded by the provisions of the Administrative Arrangement of May 1995 which tied 75 percent of funds to nationals of the donor country (see 14.1).

The reason why these funds were not made part of NCTF was that countries of the region were to be supported in their reform process towards a market economy. Technical support was not to be restricted to the preparation and supervision of World Bank lending programmes, but would address more general areas of interest, e.g. institutional strengthening, in-country training, and macroeconomic and sector-specific policy development.

The Technical Assistance Trust Fund conformed to the overall policy of the Government of the Netherlands as regards Central Asia (cf. Development Budget 1993): support to this region was to be restricted to macroeconomic aid and some project assistance to the transition process towards a market economy. It was decided that Dutch aid to this region was to be channelled through multilateral organisations, that it should be focused on the whole region rather than on specific countries (with the exception of Kyrgyzstan) and, as far as the technical assistance activities were concerned, that it should address the economic reform process with a stress on stabilisation.The Ministry of Foreign Affairs opted for joint cofinancing with the World Bank, considering that it did not by itself possess the required expertise.

The first commitment (1993) was approved with the explicit condition that it should not be extended. In 1995 and 1996, however, new commitments were decided because the Fund had apparently fulfilled a useful function. Between 1993 and 1996, a total of Dfl. 24 million was disbursed. The use of the Trust Fund was documented in similar ways to the NCTF. Over the short period of observation (FY95 and the first half of FY96, i.e. from 1 July 1994 to 31 December 1995), the following features can be mentioned.

[1] Macedonia, Moldova and Romania were classified as Part II countries in the DAC List of Aid Recipients and were thus not regular recipients of ODA.

– Although the Technical Assistance Trust Fund was initially to be untied, the number of assignments given to Dutch nationals was relatively high: almost 58 percent of all activities.[2] The category of non-nationals does not necessarily only comprise consultants from recipient countries. The distribution of assignments over individual countries was relatively even, except for an exceptionally high number of missions to Moldova (13 out of 76).

– The policy of using the Trust Fund in support of the economic reform process in particular was in fact implemented, since more than half the assignments concerned areas like finance, human resources, public sector management and multisector activities. Assignments in the agricultural sector represented 17 percent.

– Most assignments concerned project preparation (almost 70 percent), followed by economic work (almost 12 percent) and other sector work (6.5 percent).

As regards the additionality of the Trust Fund, the same observations apply as those made with reference to the NCTF. The wider focus of this Fund, however, suggests that the means were less directly used as support to the performance of regular tasks of Bank task managers.

14.3 The Technical Assistance Grant Programme for the Environment (TAGPE)/Environment Consultant Trust Fund (ECTF)

The establishment of a Technical Assistance Grant Programme for the Environment (TAGPE) was initiated by the World Bank in 1989. The Netherlands was among the first donors to join the Fund (others were Japan, Canada and Norway). Between 1990 and 1993, Dfl. 10 million was deposited at the World Bank for TAGPE. In 1996 the Fund was renamed Environment Consultant Trust Fund (ECTF) and benefited from a Dutch funding commitment of Dfl. 9 million, of which Dfl. 3 million had been disbursed by the end of 1996.

The Dutch decision to participate in TAGPE was inspired by the consideration that the creation of the Global Environment Facility in 1989 could not conceal the fact that the Bank's regular portfolio of projects and programmes was in need of greater environmental awareness. Support to TAGPE as a separate fund was to be temporary in nature and to address as much as possible the mainstream of Bank activities. The intention was thus

[2] For the Ministry of Foreign Affairs an important rationale for cofinancing with the World Bank had been that it did not dispose of the required expertise. An alternative could have been that the Ministry itself made use of expertise among Dutch consultants.

that the Bank would incorporate environmental concerns and considerations in its regular procedures as soon as possible. Use of TAGPE was to be restricted to a limited number of countries (11 countries in Asia, 26 in Sub-Saharan Africa, two in Europe, the Middle East and Northern Africa, 11 in Latin America).

In 1993, the Dutch contribution to the Environment Consultant Trust Fund was subjected to the additional provision that around 25 percent of the Fund could be used for policy-related activities in regions or countries that were not necessarily covered by World Bank projects. It was also decided that ECTF would be completely untied, i.e. would be open to consultants of all nationalities. This was superseded by the provisions of the Administrative Arrangement of 1995 which tied 75 percent of the funds to the use of national consultants, while 25 percent could be used to finance consultants from borrowing member countries and from other Bank member countries that maintained similar untied consultant trust funds on a reciprocal basis.

The contribution to the Environment Trust Fund of 1996 provided for the use of consultant services to assist in the preparation of projects in a number of well-defined areas: integrated water management; urban and industrial pollution control; conservation and protection of biodiversity; sustainable forest management, afforestation and prevention of deforestation; sustainable land use; environmental policy support; and environmental education.

The reporting system of the Environment Trust Funds presented weaknesses similar to those observed for the NCTF and the Technical Assistance Trust for Eastern Europe and Central Asia. A screening of the reports leads to the following observations.

– A large share of all assignments were fielded in the Asia region (47 percent) followed by Africa (almost 18 percent), Europe, the Middle East and North Africa (more than 10 percent) and Latin America (more than 7 percent). A comparatively large share of assignments were worldwide (more than 10 percent).

– Although the fund was completely untied between 1991 and 1995, the overwhelming majority of assignments during that period were carried out by Dutch nationals: more than 87 percent. The use of non-Dutch consultants was low in all regions: Asia (12.5 percent), Africa (16.6 percent) and negligible in all other geographical areas.

– The reports show that 47 percent of assignments concerned various activities of 'sector work' (e.g. policy review, technical assistance, lending development, multisector activities, proposals and research); almost 34 percent involved project preparation; almost 15 percent related to project appraisal and supervision; the remainder concerned economic work. The additionality of the Funds was thus similar to that of NCTF and the Trust Fund for Eastern Europe and Central Asia.

The reports do not allow any assessment of the specific use of the Trust Fund, and it is difficult to understand in which areas assignments were funded. Substantive criteria were apparently not applied in the approval process for its use, which followed similar principles as the NCTF.

14.4 The Poverty Assessment Trust Fund

The Bank's initiative to conduct poverty assessments in various developing countries emanated from the publication of the *World Development Report 1990* which focused on poverty-related issues. The World Development Report on poverty was followed by two other major publications: *Assistance Strategies to Reduce Poverty* (1991) and the *Poverty Reduction Handbook* (1992). The latter was accompanied by *Operational Directive 4.15*. The complete set of documents provided a framework and implementing guidelines for poverty assessments.

The Netherlands committed itself to create a Consultant Trust Fund for Poverty Assessments in 1993, primarily due to its need to have access to sound poverty profiles for Programme and Sector Countries with a view to improving the quality of its development interventions. It was explicitly stated that the Dutch contribution was to be 'additional' to the Bank's own resources, i.e. that it would not lead to a relative reduction of the World Bank's own spending on the poverty programme.

Among all development agencies, the World Bank was considered to be the most advanced insofar as research on poverty was concerned. The Appraisal Memorandum expressed doubt, however, as to whether the Bank would spontaneously ensure sufficient participation from recipient countries and whether the Dutch Government's own policy priorities would be adequately taken into account. To safeguard recipient participation, the Netherlands proposed that UNDP, with its decentralised field structure, be involved in the poverty assessment work. It also appointed a Poverty Coordinator who would have to disseminate the information obtained from Poverty Assessments to the various country desks and embassies.

Until 1995, Dutch funding was completely untied. It was to be used in specific countries with which the Netherlands entertained regular development relations. In 1993 it was agreed that 60 percent of the funds would be used for (Sub-Saharan) Africa, 25 percent for Asia and 15 percent for Latin America. In early 1994 this distribution was slightly modified: 60 percent for (Sub-Saharan) Africa, 20 percent for Asia, 10 percent for Latin America and 10 percent for Eastern Europe and Central Asia. A third modification became effective in 1995 when allotments became the following: 40 percent for Sub-Saharan Africa, 20 percent for Asia, 20 percent for Latin America and 20 percent for Eastern Europe and Central Asia.

Between 1993 and 1996, Dfl. 6 million was contributed to the Fund by the Netherlands. In addition, a small grant (Dfl. 0.6 million) was made available for a poverty assessment study in South Africa. The Netherlands was the only donor country to make contributions to Poverty Assessments through a specific trust fund. Other bilateral donors, e.g. ODA, CIDA and SIDA, supported the programme on an ad-hoc and country-specific basis.

An analysis of World Bank reports on the Poverty Assessment Fund shows that the provision of being untied seems to have been complied with to a considerable extent: a majority of consultants were apparently recruited in the regions and/or recruited on the international market.

Although the regular reports of the World Bank on the use of the Poverty Assessment Trust Fund follow the format of reporting on other CTFs, the use of this Fund is better documented owing to regular monitoring and analysis by the Ministry's Poverty Coordinator. A review internal to the Ministry and prepared in July 1996 provided a detailed account of the use of this Trust Fund. The main highlights of the review are summarised below.

– In July 1996, 30 Poverty Assessments had been completed with funding from this Trust Fund (7 in Asia, 15 in Africa, 7 in Latin America[3] and one in Eastern Europe/Central Asia). At that time, 21 Poverty Assessments were in progress (3 in Asia, 9 in Africa, two in Latin America and 7 in Europe/Central Asia). The initial closing date, 30 June 1996, was extended by one year to allow for the completion of studies in progress.

– In practical terms, UNDP involvement as desired by the Netherlands proved difficult to achieve. In 1993, World Bank guidelines were formulated which stressed the need for qualitative assessments and for the dissemination of results in recipient countries. Dutch funding was to cover aspects that could be considered additional to what was specified in the *Poverty Handbook* and in the Operational Directive. Additional elements would give more space, for example, to the views of the poor and to their (micro-level) coping behaviour. Measures to enhance national or local ownership of the poverty assessment by furthering the involvement of local consultants and NGOs and by the organisation of

[3] One more Poverty Assessment was realised in Latin America which was, however, cofinanced on the NCTF. It concerned the study in Bolivia.

workshops and seminars in the countries involved would also be considered additional. The mainstreaming, i.e. the aim of influencing the Bank to the extent that it would incorporate in its own policies elements of Dutch policy orientations, proved less obvious.

– Within the Dutch Ministry of Foreign Affairs, the Poverty Coordinator distributed the various completed Poverty Assessments among country desk officers and Embassies. The internal review stated that recipients used the documents not so much for the preparation of Appraisal Memoranda, as had been the original intention, but rather for the preparation of regional and country-specific policy papers or for bilateral or multilateral consultations.

Poverty Assessments were subjected to review by OED in 1996. The OED report (World Bank OED 1996) reviewed 46 Poverty Assessments for 43 countries written between 1988 and 1994. It assessed the number of Assessments completed, their content and their influence on Country Assistance Strategies (CAS) and poverty-targeted lending. The report was based on the premise that the *Poverty Reduction Handbook* and the *Operational Directive OD 4.15* provided a standard to which Poverty Assessments were to aspire and against which their content could be assessed.

The main conclusions of the report were the following: (i) judged against the benchmarks of OD 4.15 and the *Poverty Reduction Handbook* (comprehensiveness of poverty profiles, diagnosis and set of prescriptions for poverty reduction), the adequacy of the studies was found highly variable, as just over half the Assessments were rated satisfactory; (ii) the existence of Poverty Assessments had a positive but modest influence on the quality of Country Assistance Strategies (CAS); (iii) the influence of Poverty Assessments on targeted lending for poverty reduction was rather weak.

A separate study commissioned by the Netherlands on Poverty and Social Policy of the Special Program of Assistance for Africa (SPA) (Hammer, Pyatt & White 1996) was to distil from the documentary evidence of Poverty Assessments whatever lessons could be learned on the extent, nature and causes of poverty in Sub-Saharan Africa and about the micro-, meso- and macrostrategies that would respond to the issues raised. The study concluded that the Poverty Assessments largely failed to detect important causes of poverty at the micro and meso levels. They created the impression of preoccupation with the macroeconomic causes of poverty, and with economic growth as a solution. The report stated that policies that generated growth did not necessarily generate an economic and social structure of the sort that ensured that the poor were the primary beneficiaries, if the factors related to institutional and market structures were not given due attention.

14.5 Evolution of policies regarding Consultant Trust Funds

The policies and objectives of Consultant Trust Funds financed by the Netherlands were by and large not cast in a common mould. Whereas NCTF was characterised by a wide-angled design, other Trust Funds centred around specific themes (environment and poverty) or focused on specific issues relevant to a selected region (Eastern Europe and Central Asia). With the sole exception of the Poverty Assessment Consultant Trust Fund, however, there has hardly been any substantive policy dialogue between the Netherlands and the World Bank, although the Annual Consultations at least offered an opportunity for such exchanges.

As far as matters related to tying/untying were concerned, NCTF was originally designed to promote the use of Dutch consultants by the World Bank. As from 1991, the Netherlands aimed at completely untying all Consultant Trust Funds and at promoting the use of local consultants in recipient countries. This principle was partially introduced in the NCTF and completely adhered to in newly-created Trust Funds. Although the Bank would have preferred to achieve complete untying of the whole Consultant Trust Programme, the compromise with donors that were reluctant to open their Trust Funds to international competition was partial untying (cf. 13.2). In 1995, the Netherlands accepted this formula which meant, in fact, that it compromised on its policy line as defined in 1991.

Attempts by the World Bank since around 1992 to improve on the management of trust funds in general and Consultant Trust Funds in particular, culminated, as far as cofinancing with the Netherlands was concerned, in the conclusion of a new General Arrangement on 24 May 1995 which largely complied with guidelines of the Bank's Task Forces on the matter. The process resulted notably in improved overall transparency and accountability, e.g. through the regular updating of handbooks and status reports and the gradual introduction of a monitoring and evaluation system. There were also improvements in specific reporting on individual Consultant Trust Funds.

Since 1995/96, the Netherlands has shown a desire to streamline the Consultant Trust Funds as part of an overall attempt to make its foreign policy more coherent and flexible (*Herijking*). The aim was to improve the quality of development cooperation in the sense that it was to respond more adequately to policy choices of developing countries. In this context, streamlining was to imply a relative strengthening of the NCTF and, in principle, preference for the use of local consultants in developing countries (cf. Ministry of Foreign Affairs, ONRI-Speech 1995).

14.6 Evaluation

The present evaluation is based on information derived from reports and file material on the various Consultant Trust Funds and from interviews with staff of the World Bank and the Dutch Ministry of Foreign Affairs who had dealings with the Funds. For this part of cofinancing it was not possible to draw on existing evaluation material that was compatible with the aims and criteria of the present study. The study did, however, make use of various reviews that contained useful information for the purpose of the exercise.[4] This leads to the following conclusions.

Policy relevance can only be analysed in terms of Dutch development policies and not of those of recipient countries, since all Consultant Trust Funds had a worldwide or regional scope. All showed a high degree of policy relevance in this respect since they were geared towards supporting activities of the World Bank aimed at poverty alleviation and economic self-reliance, as well as, in certain cases, environmental sustainability and improvement of the position of women. As from 1991, NCTF included a Women in Development component.[5] Special trust funds were created with thematic emphases on poverty and the environment. The Technical Assistance Trust Fund for Eastern Europe and Central Asia aimed explicitly at the reform progress towards a market economy, with a strong link to the dimension of economic self-reliance. Moreover, the Consultant Trust Funds pursued objectives related to promotion of the Dutch consultancy industry within the World Bank (the NCTF until 1990) and strengthening of the involvement of consultants from developing countries (all funds as from 1991).

Policy compatibility between the Netherlands and the World Bank existed at the general level at which the Funds were used, as both parties subscribed to broad aims such as poverty alleviation and economic self-reliance. In a more specific sense, Dutch Consultant Trust Funds were typically meant to support initiatives in the World Bank that were innovative at a given time, e.g. gender studies, participatory work for Poverty Assessments and in-country dissemination of results to enhance ownership, studies into local landuse patterns, etc. World Bank task managers and administrators always perceived the Dutch Consultant Trust Funds as flexible tools with which to undertake activities that were not (yet) mainstream Bank practice, leading to favourable comparison with the funds of other

[4] The OED progress review (World Bank OED 1996) and the SPA study (Hammer *et al*. 1996) investigated Poverty Assessments but did not refer to the Dutch Trust Fund created for this purpose. The TAGPE was reviewed by a consultant in 1994 and the NCTF and the Trust Fund for Eastern Europe underwent a similar exercise in 1995. All these reports include useful information but do not contain compatible evaluative conclusions.

[5] The Dutch Government had formulated policies aiming at the promotion of the dimension ‘Women in Development’ from the early 1980s onwards. By comparison, the introduction of this dimension in NCTF came rather late.

donor countries. Another feature appreciated by the Bank was the Dutch position, taken from 1991 onwards, in favour of untying consultant trust funds and the stress on the use on local expertise in developing countries.

The effectiveness of Consultant Trust Funds can be but partially evaluated. All Consultant Trust Funds (with the exception of the gender component of NCTF) have been used extensively and users have acknowledged that, by and large, they produced satisfactory outputs. Assignments have also been realised in the policy areas for which they were intended. Analyses made for NCTF, the Technical Assistance Fund for Eastern Europe and Central Asia and for the Environment Trust Fund make it clear that, by and large, less than 15 percent was used in support of task managers, and that the overwhelmingly larger share supported activities in the countries concerned. The effects of Consultant Trust Funds have thus been positive. No statements can be made as to the impact of these activities, however, since there is no information on the use of consultant reports in regular development work of recipient countries and/or the Bank. The only exception is the Poverty Assessment Trust Fund, for which it has been established that such reports had a positive but modest influence on Country Assistance Strategies (CAS) and a weak influence on targeted lending for poverty reduction (World Bank, OED 1996).

The efficiency of Consultant Trust Funds cannot be evaluated, since the reports do not contain sufficient information on the cost of supported activities and/or their results. In this context, no attempts were made to develop qualitative or quantitative standards for consultant reports or a unified scheme for consultancy fees. The practice was that individual contracts were negotiated between Bank task managers and individual consultants or consultancy firms on an ad-hoc basis.

No evaluation is possible as to the sustainability of results, i.e. the degree to which beneficiaries of supported development activities could maintain an appropriate level of benefits beyond immediate support. Since documentation on the various Consultant Trust Funds does not refer to the use made of consultant reports, there is also no information on any strengthening of capacities at the level of recipient countries which might have resulted from consultancy interventions. This dimension has also never been mentioned explicitly as an aim for the use of Consultant Trust Funds.

In conclusion, the Dutch-financed Consultant Trust Funds proved convenient tools for recipient countries and the World Bank alike in mobilising mostly short-term technical expertise. Their anticipated usefulness was an important reason for their creation, although Dutch economic interests also played an important role, particularly in the case of NCTF. By and large, the funds were extensively used for the purposes for which they were designed and in line with global and specific policy priorities of the Dutch Ministry of Foreign Affairs. Little is known of their impact, however, due to lack of data—with the positive but modest exception of the Poverty Assessment Trust Fund. The same conclusion applies to the efficiency of CTFs as well as to the sustainability of results.

15 Free-Standing Trust Funds in the energy sector

15.1 Overview

In the energy sector, the Netherlands has cofinanced formally with the World Bank through FSTF since 1993, as shown in Table 15.1. All Dutch funding was project aid. Disbursements during the period totalled Dfl. 21.1 million.

Table 15.1 Free-Standing Trust Fund in the Energy Sector (1993–96) (commitments and disbursements at 31 December 1996, in Dfl. millions)

Description	Years of commitm.	Arrangements	Commitments	Disbursements	%
Energy Sector Management Programme (ESMAP)	1993–95	Project-related	17.0	9.7	46.0
Asia Alternative Energy Unit (ASTAE)	1993	28 May 93	8.0	7.0	33.2
Policy Review for the Traditional Energy Sector (RPTES)	1993–95	16 Feb 93 22 Sep 95	3.1	3.1	14.7
Non-Conventional Energy (NCE)	1993	05 Aug 93	1.3	1.3	6.1
Total			**29.4**	**21.1**	**100.0**

This programme of direct cofinancing between the Netherlands and the World Bank had been preceded by a long period of continuous cooperation in the energy sector through UNDP.

The Netherlands was the first donor to fund the newly-created Energy Account of UNDP in 1980. Dutch contributions were initially used to survey possibilities for the exploration of conventional and non-conventional energy sources in 60 developing countries (the

Energy Sector Assessment Programme or ESAP). Thereafter, ESAP continued to be funded through UNDP but was implemented by the World Bank. In 1983, as similar arrangement was chosen for the multi-donor follow-up programme under the name Energy Sector Management Assistance Programme (ESMAP).

Between 1980 and 1992, Dutch funding of ESAP and ESMAP amounted to an estimated Dfl. 43.6 million. Since the cofinancing relationship during that period was formally through UNDP, the present evaluation considers the indirect cooperation with the World Bank prior to 1993 as historical background and does not submit it to full evaluation.[1]

15.2 Energy Sector Management Assistance Programme (ESMAP)

Historical background

Direct cofinancing by the Netherlands and the World Bank on ESMAP started in 1993 in the aftermath of a serious managerial crisis between 1989 and 1991. Prior to 1991, there had been major differences in perception between UNDP, the Bank and a number of bilateral donors regarding ESMAP's role and mandate, internal organisation, as well as its financial and administrative management.

In 1988, a major evaluation by consultants appointed by the Netherlands and the Canadian International Development Agency (CIDA) concluded that there was an urgent need to revise ESMAP's original mandate, formulated in the aftermath of the oil crisis of 1979. The mission recommended that, possibly with support from UNDP's decentralised field structure, specific problems and potentials in developing countries should be given greater attention. The mission endorsed the fact that ESMAP had in practice focused largely on issues related to household energy. It recommended that greater emphasis should be placed on technical assistance and training to enable recipient countries to perform tasks independently. The conclusions of the report were well received by bilateral donors and UNDP. The World Bank expressed reservations and strongly criticised the quality of the report.

In 1990, the Bank took the initiative for a review of ESMAP by a high level independent commission composed of eminent persons from both developing and developed countries (the Thalwitz Commission). The Commission included senior staff members of such

[1] The terms of reference of the present evaluation explicitly refer to ESMAP as one cluster of FSTF that was to be submitted to full analysis. It had been assumed that cooperation on ESMAP had been based on continuous cofinancing with the World Bank since the early 1980s. In the course of the research this proved not to have been the case.

donors as UNDP, ODA-UK and SIDA, but surprisingly not of the Netherlands and CIDA even though these had long been the largest bilateral donors and had played a leading role in the 1988 evaluation. The Netherlands, however, was invited to take part in the review process at a later stage.

The Review concluded that ESMAP had hitherto focused too much on pre-investment activities and had only incidentally covered broader policy aspects. It had shown a lack of effectiveness in terms of securing high priority investments that could possibly benefit from World Bank lending. The report stressed that small-scale extension and promotional work by ESMAP, e.g. in the household energy subsector, had not produced as many relevant results as could be expected from a broader approach.

The Thalwitz Commission recommended an independent audit, which was realised in 1992. This showed that, since 1989, management of the Energy Account in UNDP, i.e. the funding mechanism for ESMAP, had been characterised by a growing proliferation of relatively small activities and a serious lack of transparency.[2]

These managerial weaknesses, together with differences of opinion on ESMAP's mandate, explain why donors, including the Netherlands, had grown increasingly reluctant to provide further funding. In the aftermath of the crisis, UNDP ceased major involvement in ESMAP. The Bank undertook a clean-up operation and assumed full managerial responsibilities as from 1992.

The Netherlands had distanced itself from ESMAP at the end of 1990 by suspending the funding of new project proposals. It may be inferred from internal Ministry of Foreign Affairs correspondence at the time that dissatisfaction was felt regarding the considerable reduction of the household and renewable energy component of ESMAP. At the end of 1990, the Dutch formulated three conditions that should be met if ESMAP wished to remain eligible for financial support from the Netherlands: (i) new management; (ii) a strategy paper on Household Energy; and (iii) more transparent financial management.

In the course of 1991/92, ESMAP complied with all three requests to the satisfaction of the Netherlands, which resumed its funding of new activities in 1993. ESMAP's mandate was formulated in line with the recommendations of the Thalwitz Commission, but the household and renewable energy component was maintained. Continued cooperation was possible on the basis of a compromise, resulting from the fact that overall World Bank and Dutch policies in the energy sector showed a tendency to converge during this period.

[2] The confusion that reigned at this level explains why it is impossible to draw-up a complete list of ESMAP funding during this period.

Description of cofinanced activities under ESMAP (1993–96)

From 1993 onwards, the level of Dutch funding of ESMAP did not reach the level achieved in the years preceding the crisis. Nevertheless, the Netherlands remained the largest bilateral donor, second overall only to the World Bank (cf. ESMAP Annual Reports 1993, 1994, 1995). As from 1993, the Netherlands was the sole donor to the rural and household energy activities of ESMAP.

Table 15.2 Cofinanced ESMAP Activities (1993-96) (commitments and disbursements at 31 December 1996, in Dfl. millions)

Dutch project title	Years of commitment	Commitments	Disbursements	%
Energy Country Programme Bolivia	1993	3.2	3.2	33.0
Rural Energy Project India	1993	0.3	0.3	3.1
Household Energy Project Mali	1995	5.8	2.0	20.6
Environment Manual for Power Development (Phase II)	1994	1.0	0.5	5.2
ESMAP Small Project Fund (1993/94)	1994	2.7	1.7	17.5
ESMAP Funds Household and Rural Energy Activities	1995	3.9	2.0	20.6
Total		**16.9**	**9.7**	**100.0**

The agreed strategy and work programme for the period 1993–96 included energy strategy activities in Bolivia and India, a household energy project in Mali, and some umbrella type activities (cf. Table 15.2), characterised by the following features.

– The Country Proposal Bolivia pursued long-term objectives related to support of Bolivia's energy policies, with the explicit aim of improving environmental management. Short-term objectives included implementation of a strategy for the gas sector (on the basis of ESMAP recommendations made earlier), an institutional assessment of the energy sector, legal and institutional reforms of the electricity sector, development of an energy saving programme and an energy impact assessment, and the development of a strategy with regard to rural energy provision. Dutch funding covered the following aspects: Energy Efficiency and Environment, Energy Strategy for Rural Sector, Implementation of Natural Gas Strategy, Power Sector Reform, and Renewables for Rural Electrification.

- The Rural Energy Study project in India, for which Dutch cofinancing was approved in 1993, pursued the long-term objective of optimal use of energy (notably of biomass) and of energy substitution with renewable sources of energy. Dutch funding was to cover a second phase of the project. The short-term objective was to identify projects for the improvement of fuel markets in rural and urban areas. The start-up of this project was long delayed. Two preparatory missions were implemented in September 1996, but major activities were still not realised by the end of 1996, i.e. a survey of rural energy in four states and a major workshop.

- Dutch involvement in the Household Energy Programme in Mali involved funding the Household Energy Project (*Stratégie de l'Energie Domestique*, cofinanced with the World Bank and GEF) as from 1995. Medium-term objectives included reduction of the pressure on national forestry reserves due to overexploitation for fuelwood consumption; improvement of access to alternative sources of energy for urban centres, especially the capital Bamako and towns in northern Mali; introduction of energy saving devices (stoves, pumps, etc); development of small electricity projects, and control over fuelwood production and consumption. The project was to start in early 1995 and be completed in October 1999.

- The project related to development of the Environmental Manual for Power Development, for which Dutch cofinancing was approved in 1994, was to have a worldwide outreach. Its objectives related to the development and dissemination of procedures by which it would become possible to evaluate economic, technical, social and environmental effects of energy projects, to identify site-specific options for energy provision, and to generate information for examination of the interrelationship between these dimensions. The project was to be implemented between July 1994 and March 1998. Some major steps were completed e.g. the release and promotion of an Electronic Mail Model and EMPower through the Internet at worldwide web locations, and the dissemination and application through workshops and field activities. The development of an EM Users Network, the maintenance of the system and software enhancements, were still underway at the end of 1996.

- Funding of the worldwide ESMAP Small Project Fund was approved by the Netherlands in 1994. The specific purpose of this fund was the preparation of three Initiating Country Briefs (in India, Madagascar, Pakistan), 17 Country Proposals, as well as a number of energy strategy implementation activities and specific Energy and Environment Assessments. Activities were scheduled to be implemented between July 1994 and June 1998. The ESMAP Status Report of 1996 gives no information as to whether the Initiating Country Briefs and Country Proposals had indeed been realised with this funding. The Report did mention a number of global initiatives which drew resources from the Fund, e.g. the Clean Coal Roundtable Initiative, the Energy,Transport Environment Study and the Solar Initiative Regional Study. In the Latin American Region, the activity Lead Elimination in the Americas was funded. A number of country-specific strategy studies were also financed (Mozambique, Peru/Colombia, Swaziland).

– In 1995, the Netherlands committed itself to fund the ESMAP Fund for Household and Rural Energy Activities, intended to enhance local capabilities and institutional capacity in that sector as part of overall country energy strategies. The ultimate aim was to prepare for policy changes and specific investment. Implementation was initially planned between August 1994 and July 1997. The Fund supplied resources to some global projects (e.g. Electricity Benefits Assessment, Lighting Services for the Poor and Regional Project Identification Strategy), to some regional initiatives (e.g. Renewable Energy for Southern Africa and a Renewable Energy Study for Central Asia), and two studies in individual countries (China: Renewable Energy Study and Cameroon: Decentralised Rural Electrification).

In conclusion, Dutch funds were by and large used for the purposes agreed at the outset, especially for studies and policy development for rural areas with a strong emphasis on renewable technologies. The environmental dimension was present in all programmes, which was not surprising in view of the fact that funding had been provided by the Special Programme for the Environment of the Ministry of Foreign Affairs (DGIS).

15.3 Other FSTF in the energy sector

From 1993 onwards, the Netherlands provided FSTF to the World Bank for programmes in the energy sector that were not part of ESMAP. The common denominator was that these programmes were integrated in regional technical Departments of the Bank (Asia Region, Africa Region); their main purpose was to translate energy policies into projects and programmes eligible for World Bank lending and to provide support to the task managers involved.

The basis for these new programmes had been prepared by one of ESMAP's special projects implemented between 1989 and 1991/92 with support from the Netherlands and the United States Department of Energy (USDOE): Financing Energy Services for Small-Scale Energy Users (FINESSE).[3] The objectives of FINESSE had been to assist developing countries in the identification, appraisal, implementation, operation and maintenance of projects aiming at the development of energy conservation and renewable

[3] Dutch funding for FINESSE totalled Dfl. 443,750. This was part of cofinancing between the Netherlands and UNDP.

energy production. The FINESSE programme culminated in a workshop organised in October 1991 in Kuala Lumpur (Malaysia), during which several Asian countries (notably Indonesia, Malaysia, the Philippines and Thailand) declared their interest to develop such projects, which had not previously been undertaken due to financing barriers. The World Bank announced its intention to assist the countries in question to formulate bankable projects in this field and to consider their inclusion in its lending portfolio.

As from 1992 the Netherlands was active in promoting the FINESSE concept, not only in Asia but also in Africa and Latin America. Attempts to create FINESSE-type programmes within the World Bank for Southern Africa and Latin America proved unsuccessful.[4] However, the process did result in the Netherlands providing cofinancing with the World Bank to the following additional programmes in the energy sector through FSTF.

- The FSTF for the Asia Alternative Energy Unit (ASTAE) was created in 1993 with a committed Dutch contribution of Dfl. 8 million (later raised to Dfl. 8.6 million). USDOE became another major cofinancier. The short-term objectives of ASTAE were (i) to implement project proposals and recommendations of the FINESSE workshop in four selected Asian countries (Indonesia, Malaysia, Philippines, Thailand); (ii) to stimulate the inclusion of alternative energy components in regular World Bank lending programmes as well as in operations of other financial institutions; (iii) to promote the FINESSE concept in other Asian countries; (iv) to disseminate ideas related to energy-efficiency and the use of renewable energy sources among World Bank staff and decision-makers; and (v) to cooperate with other financial institutions in enhancing alternative energy development (including policy development and strengthening of institutional capacities). ASTAE was successful in expanding the geographical outreach of the FINESSE concept. The volume of on-going and prospective World Bank and GEF financial support for projects related to renewable energy and energy efficiency grew from a mere US$ 2 million in FY92 to almost US$ 800 million over the FY93-97 period. Total project costs for these Bank-supported public and private sector investments exceeded US$ 1.5 billion. Moreover, ASTAE proved a useful model of how a multilateral development bank could help integrate alternative energy options into energy delivery systems (*ASTAE Status Report No. 3,* April 1996).

[4] Similar (unsuccessful) attempts were made by the Netherlands to create such programmes outside the World Bank, e.g. with Regional Development Banks (Inter-American Development Bank, African Development Bank). The Netherlands provided funding for a similar and related programme which was initially implemented by the United Nations Fund for Science and Technology for Development (UNFSTD) and later by the 'Sustainable Energy and Environment Division' of UNDP. Moreover, the Netherlands cooperates in this field with other international and regional organisations (both inter-governmental and non-governmental, e.g. FAO in Asia, South African Development Community (Energy Sector)/Technical and Administrative Unit (SADC/TAU) in Southern Africa, non-governmental networks in Asia, Africa and Latin America). It also implements several bilateral projects (e.g. in Bolivia).

– The programme Development of Non-Conventional Energy in Regular World Bank Lending Operations (NCE) in Africa, approved in 1993, involved a Dutch commitment of almost Dfl. 1.3 million. The short-term objectives were twofold: (i) to generate a number of projects in African countries (especially Rwanda and Madagascar) related to traditional and renewable energy sources as part of the energy sector lending programme of the World Bank; (ii) to contribute to the relative increase of the share of households in regular energy sector lending of the World Bank. By the end of 1995, NCE had facilitated two projects with a non-conventional energy component that were approved by the Board of the World Bank (Kenya: Arid Lands Project, approximately US$ 25 million and Rwanda: Energy Sector Rehabilitation Project, US$ 45 million, of which US$ 5 million NCE components). Two other projects were ready to be presented to the Board (Comores, Madagascar). An appraisal mission for one project was to take place (Chad) and five potential project activities were at various stages of preparation (Burundi, Comores, Cameroon, Kenya and Uganda) (*NCE Annual Report* 1995).

– The programme Review, Policies, Strategies and Programme for the Traditional Energy Sector (RPTES) in Africa was approved by the Netherlands in 1993 and extended in 1995. The Netherlands was the only cofinancing partner in this programme. RPTES was concerned with traditional sources of energy in West Africa, i.e. mainly biomass (fuelwood). The short-term objectives were the following: (i) to develop energy policies at national (and possibly also regional) levels with regard to domestic energy consumption, especially of biomass; (ii) to formulate a plan of action for five Sahelian countries (Burkina Faso, The Gambia, Mali, Niger, Senegal) in the field of sustainable of energy. The explicit aim was to use previous work carried out by ESMAP and other programmes in order of formulate projects and programmes that would translate policies into action programmes. RPTES reported in March 1996 that, by the end of the extension phase (early 1997), it would have completed traditional energy sector assessments and formulated policy and strategy frameworks for the five RPTES countries; provided training and institutional development support to 50 African professionals; and established an innovative approach to development cooperation and regional integration for the traditional energy sector. RPTES expected to contribute to new investments in participatory projects in the traditional energy sector to the value of US$ 40 million in Senegal and Burkina Faso, and to the implementation and/or expansion of previously prepared projects totalling some US$ 15 million in Mali and Niger.

During the period of operation of these programmes, the World Bank increasingly stressed the need for full commitment and ownership of developing countries as to projects and programmes to be covered by World Bank loans and credits. It is generally accepted that the gestation period of Bank lending activities became lengthier than when the Bank exercised pressure on recipient governments with a view to developing its lending portfolio. The results of the three programmes, in terms of having generated or at least stimulated loans and credits with components based on new approaches in the energy sector, must be considered against this background.

15.4 Evolution of FSTF in the energy sector

Although direct cofinancing by the Netherlands of activities implemented by the World Bank started only in 1993, the Netherlands had been a consistent and important contributor to both ESAP and ESMAP since the early 1980s. In financial terms, its average annual contributions were very substantial as compared to ESMAP's other sources of funding, especially those of other bilateral donors. The Netherlands briefly suspended its funding to ESMAP in 1991 until 1993. Since then, its annual spending on ESMAP activities may have decreased as compared to that of preceding years, but this has been compensated by its financing of various other programmes in the regional technical Departments (ASTAE, NCE and RPTES).

It is shown by various key documents (e.g. Appraisal Memoranda, correspondence) that the Dutch choice to have a close working relationship on the technical level with the World Bank (rather than, for example, with UNDP which administered the Energy Account during the 1980s) was inspired by two major facts: firstly, the Netherlands believed that the Bank could develop a high level of technical capacity which could not easily be equalled by other organisations (e.g. UNDP or FAO); secondly, the Netherlands had confidence in the Bank's prestige and leverage at worldwide, regional and national levels. This positive assessment of the Bank was mitigated by occasional criticism of what was perceived as top-down mode of operation and, between 1986 and 1990, of ESMAP's increasing lack of coherence and impact.

In the wake of the Dutch/Canadian-supported independent evaluation of ESMAP in 1988, and due to ESMAP's internal management crisis between 1989 and 1990, the Netherlands distanced itself from the programme. The re-organisation of ESMAP as part of the Industry and Energy Department of the World Bank following the work of the Thalwitz Commission at first appeared to bring an end to the dimensions held dear by the Netherlands, i.e. household energy and the development of alternative sources of energy. During the 1990s, however, the Bank's increasing concern with environmental issues and its renewed interest in poverty aspects in developing countries created a fertile ground for Dutch-funded activities aimed at new technologies, especially for the rural poor of developing countries. In other words, the Dutch continuous and consistent policy dialogue with the World Bank eventually proved successful in terms of mainstreaming issues related to alternative energy and energy efficiency.

The Dutch simultaneous funding since 1992/93 of several substantively related and mutually complementary programmes (ESMAP, ASTAE, NCE, RPTES and GEF, especially the Solar Initiative) raises the question of whether the resultant overlap was the most rational use of Dutch financial resources in support of the energy sector. The advantage was that alternative energy options and energy efficiency issues were brought to the attention at the central policy level of the Bank (the Industry and Energy Department), and in various regional Departments, where task managers were in direct contact with borrowing governments and other institutions in recipient countries in preparing energy sector projects or project components. The disadvantage might have been overlap and even competition between different programmes, e.g. between ESMAP and RPTES, RPTES and NCE, and ASTAE and GEF. It is an interesting fact that none of the Appraisal Memoranda dealt with this dimension in a comprehensive manner.

15.5 Evaluation

The findings of the present evaluation of ESMAP activities between 1993 and 1996 and those of other FSTF (ASTAE, NCE, RPTES) are based on information derived from reports and various file material, and from interviews with World Bank and Ministry of Foreign Affairs staff who were, or have been, involved, with FSTF in the energy sector. Existing evaluation and review studies were useful for information purposes, but their evaluative analysis was found not to be directly compatible with the methodology of the present study. As far as the substantive key questions are concerned, the following conclusions can be drawn on FSTF in the energy sector.

– ESMAP and other FSTF showed a high degree of policy relevance in terms of the apparent problems of developing countries and their compliance with Dutch development policies. The programmes addressed issues related to environmental sustainability, economic self-reliance and poverty alleviation. While subscribing to the objective of overall economic self-reliance, the Netherlands regularly insisted that rural energy and household energy especially in Africa, be placed and maintained on the agenda thereby pursuing the dual objectives of environmental sustainability (e.g. the fight against depletion of fuelwood reserves) and of poverty alleviation (satisfaction of energy needs for the rural poor and to a certain extent of women). This also applied globally to the new programmes (ASTAE, NCE and RPTES). All these programmes made serious attempts to comply with the new requirements of the Bank and the Dutch Government, i.e. that ownership of projects and programmes should be with the countries concerned and that there must be an autonomous demand for assistance.

- Policy compatibility has only been assessed with respect to policies of the Dutch Government and of the World Bank. In a general sense, there was overall policy compatibility in the energy sector between the two throughout the entire period under review. Dutch funding of activities related to rural energy and household energy fulfilled an innovative function especially during the 1980s. This inherent orientation was at times not supported by World Bank management but was highly appreciated by World Bank staff. After a brief spell of less intense policy dialogue between 1989 and 1991, the Bank eventually developed policies and strategies that were even more compatible with those of the Netherlands.

- The effectiveness of FSTF in the energy sector can only partially be evaluated.The output production of all programmes was good in terms of quantity and quality. All programmes produced an impressive bulk of documents (e.g. energy assessment studies, energy strategy papers, technical studies, project initiation briefs, etc.) that were highly appreciated by governments and relevant institutions in recipient countries. In the past, the Dutch/Canadian-supported evaluation of 1988 and the Thalwitz Review of 1990 had expressed the criticism that there was little evidence to show that ESMAP's work was sufficiently translated into new policies and strategies or resulted in concrete projects or programmes, i.e. that it had a sufficient degree of effect. To the extent that programmes initiated since 1992/93 can be assessed (ESMAP, ASTAE, NCE, RPTES), there is some preliminary evidence that their work had some effect as projects and project components proposed by other programmes were indeed approved by national governments and by the Board of the World Bank. The evaluation of ASTAE in particular found firm evidence of this. No evaluation is possible regarding the impact of these FSTF activities. It would be premature to expect information on how they could have affected the living conditions of the poor in recipient countries.

- No evaluation is possible of efficiency of the FSTF in the energy sector. The documentation (Appraisal Memoranda, policy documents, reports) does not provide sufficient information as to whether activities could have been implemented at less cost or whether more should have been achieved with the same amount of funding. During the late 1980s, poor administrative standards prevailing at the level of the Energy Account cast doubt on the efficiency of FSTF; administrative practices of the World Bank introduced since 1992, however, have definitely shown an improvement.

- Equally, it is not possible to evaluate sustainability, i.e. the degree to which ultimate beneficiaries of supported development activities (the rural and urban poor, etc.) could maintain an appropriate level of benefits once that support came to an end. Since 1993, direct beneficiaries (recipient governments and other organisations in the energy sector) have adopted policies and initiated activities as a result of cofinanced programmes. It is still too early to tell whether these will prove sustainable in the long run.

16 Overall conclusions project aid

In Chapters 9 to 15 we have evaluated almost 40 Dutch-cofinanced projects in ten countries, and eight Free-Standing Trust Funds involving many projects in numerous countries in all parts of the world. Project aid provided by the Netherlands and evaluated in this way covered all sectors of the economy and totalled over Dfl. 600 million,[1] representing one-third of all cofinanced project aid in the period under review.

Slightly over half (54 percent) of the project aid evaluated was financed under parallel arrangements; the remaining 46 percent represented joint cofinancing. Most project aid was Credit and Loan Related Cofinancing (about Dfl. 500 million), including over Dfl. 70 million Export Credit Cofinancing in one country only. The eight FSTFs together totalled Dfl. 100 million.[2]

An attempt is made here to summarise the overall conclusions regarding the four key evaluation questions (policy relevance and compatibility, effectiveness, efficiency, and sustainability of results). The great variety of cofinanced project aid is in sharp contrast with cofinanced programme aid (cf. Chapter 8) and a careful interpretation of the conclusions is therefore justified. Interested readers are recommended to refer to the individual chapters for more precise information.

16.1 Overall conclusion

The quality of project aid in terms of its compliance with overall Dutch development policies was found to be low in the case of Pakistan in particular, variable in Ghana, Uganda and countries investigated by IOB Studies and World Bank evaluation reports (PPARs), and relatively adequate as regards the examined Free-Standing Trust Funds, i.e. Consultant Trust Funds and Free-Standing Trust Funds in the energy sector.

[1] Including one case of cofinanced programme aid, in Pakistan (cf. Chapter 10).
[2] Excluding one case of FSTF cofinancing, in Pakistan (cf. Chapter 10).

16.2 Policy relevance and compatibility

In general, project aid was relevant to Dutch policies, with one major exception which applied to virtually all cofinanced projects in one country (Pakistan). Shortcomings in the latter case included insufficient consideration for local macroeconomic, social and political conditions, resulting in lack of ownership by the beneficiary; incorrect targeting of the project as a result of which the poor did not benefit, and little attention for the gender dimension; and lack of coherence in the Dutch policy framework which caused the simultaneous financing of projects with opposite approaches. Relevance was particularly high in the cofinancing of activities that were closely linked to the economic reform process in the countries concerned. In general, however, the majority of cofinanced projects did not sufficiently address environmental concerns.

Policy compatibility existed in most cases, both with respect to the recipient country and to the World Bank, with the same exception referred to above, Pakistan, particularly in the area of human rights. A number of infrastructural projects showed limited policy compatibility in that the interests of the Dutch private sector played too dominant a role in their approval process. Dutch economic interests were also decisive in the establishment of one of the first FSTFs in the 1980s, but policy compatibility between the Netherlands and the World Bank in this particular project increased during the 1990s. In a few cases, policy compatibility was found to have been weak in operational terms due to inadequate support provided by the governments of beneficiary countries.

16.3 Effectiveness

Effectiveness refers to the degree to which the project's objectives were realised and to which the poor benefited. It concerns a short-term notion; effectiveness in the long term is examined under the heading 'sustainability of results'.

The overall picture is inevitably mixed. Some projects were still ongoing at the end of the period under review, while the effectiveness of most FSTFs could only partially be evaluated. The latter's output production was in general good in terms of quantity and of quality, but the impact of these activities on the living conditions of the poor could not be measured.

In general, the majority of completed investment projects had realised their stated objectives, but in many cases their effectiveness at the level of the poor and of women in particular, was very limited and in some cases even lacking. One explanatory factor for this was the insufficient targeting of the poor in the project design, which also failed to take into adequate consideration the environmental impact of project interventions, thereby threatening their long-term effectiveness (cf. sustainability below). The limited effectiveness of projects is also explained by their isolated character, i.e. lack of linkage to a sector policy strategy or a macroeconomic reform programme.

16.4 Efficiency

Efficiency is a measure of the extent to which the greatest possible result is achieved at a given cost or whether the same result could have been realised at less cost. It can also be understood as the timely delivery of project results, i.e. within the foreseen timeframe. The latter angle showed that many investment projects suffered from implementation delays due to vague and/or over-ambitious objectives and lack of political support, necessitating extensions and, sometimes, additional funds. A number of projects, however, were found to have been efficiently implemented from the point of view of cost-efficiency.

The efficiency of FSTFs could not be evaluated due to lack of information on the cost of supported activities and/or the results. One FSTF, however, saw a marked improvement in its management by the World Bank, resulting in greater transparency than before the latter took over (1992) after a previous multi-bi arrangement (1980s).

In a number of cases the efficiency of Dutch cofinancing was influenced negatively by rapid ‘end-of-the-year’ transfers of cofinancing funds to Washington where they remained idle for a considerable length of time, thus causing unnecessary loss of interest to the Dutch Treasury.

16.5 Sustainability of results

Most evaluated project aid proved not to have yielded sustainable results, especially in institutional and financial terms. Environmental sustainability is also often questionable. Major explanatory factors for this include poor project design and lack of ownership. Projects that were linked to economic reform programmes had a positive influence on the recipient country’s budgetary priorities and, in general, on its ownership. With few exceptions, however, continued donor support will be needed to realise a project’s long-term effectiveness, particularly in improving the living conditions of the poor in the project area.

The sustainability of FSTFs could not be evaluated. For some this was due to lack of documented evidence; others had started too recently (from 1993 onwards). In the case of FSTFs too, however, future donor assistance will be needed to continue project activities and implementation.

PART V COFINANCING AND THE DUTCH PRIVATE SECTOR

17 Cofinancing and the Dutch private sector

17.1 Objectives and scope of the evaluation

Since 1975 the following types of cofinancing with IBRD and IDA have been practised:

1. with aid funds (official cofinancing, ODA),
2. with export credits (mostly by commercial banks under NCM cover and with a subsidy element of aid funds, partly by only aid funds),
3. with commercial bank loans.[1]

The Dutch private sector's interest in cofinancing with the World Bank can be grouped into three categories: financing, guarantees and procurement. Under financing, Dutch commercial banks extend loans to developing countries in various forms of association with the World Bank and the Government of the Netherlands (Types 2 and 3 above). In the second category, Dutch commercial banks obtain guarantees from the World Bank for financing extended to developing countries. Procurement entails that Dutch companies sell goods or services for projects and programmes financed by the World Bank.

The present evaluation is limited to the use of public aid funds emanating from the Ministry of Foreign Affairs and therefore focuses only on the first and second types mentioned above. Conform with the evaluation's overall Terms of Reference, the third type, i.e. commercial cofinancing, has not been examined. Its treatment here does not go beyond a global presentation of its intentions and experiences.

The evaluation of export credit transactions financed with public aid funds has focused on projects in Ghana, i.e. the main beneficiary country in this respect as shown by Table 17.1 (p. 330) and discussed in Chapter 9. The evaluation answered the key questions related to relevance, effectiveness, efficiency and sustainability of results, and also covered other

[1] This typology, formally introduced with the 1984 Administrative Agreement, differs from that used in the Overall Terms of Reference of the present evaluation, in particular the activities covered by 'commercial cofinancing'. Conform with international practice, it was decided to apply the explicit distinction between 'export credit cofinancing' and 'commercial cofinancing' already made in the 1984 Agreement.

aspects that were directly related to the Dutch private sector (cf. Chapter 9). The private sector's involvement in the Netherlands Consultancy Trust Fund Programme has been discussed in Chapter 14. The Terms of Reference of the present evaluation also include four specific questions regarding export credit and commercial cofinancing, the first three of which refer to their objectives (cf. Chapter 1). These are dealt with below, i.e.:

- have additional funds for recipient countries indeed been created?
- has better access to the (international) capital market for developing countries been attained?
- have Dutch economic interests been served?

It is estimated that overall World Bank cofinancing consists for approximately 67 percent of official cofinancing (bilateral and multilateral donor agencies), cofinancing with export credits (both public and private sources) 18 percent, and commercial sources (15 percent).

Identified Dutch capital flows to the World Bank for cofinancing purposes, however, show a different picture. Export credit transactions involving public funds totalled approx. Dfl. 250 million, representing some five percent of all cofinancing. The private sector contributed some Dfl. 400 million (cf. Table 17.1). By far the most important cofinancing by the Dutch private sector was with entities within the World Bank Group that were specifically created to work with the private sector, i.e. the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Neither of these are considered in the present study, however.

The Terms of Reference also include the following question:

- why has the uptake of this part of the 1984 Administrative Agreement (i.e. export credit cofinancing; private cofinancing) remained so modest?

The chapter ends with a brief comment on the institutional arrangement regarding the private sector's involvement in the cofinancing programme with the World Bank, i.e. participation by representatives of the Dutch business community in the official delegation to the Bank for annual consultations.

17.2 Export Credit Cofinancing 1980–96

17.2.1 *Dutch policy instruments*

The first allocations made under the aid budget to facilitate development-related export transactions were made in 1977. The financing facility for developing country governments, allowing them to import goods and services from the Netherlands, has been institutionalised since the 1979 Budget, although given various names over the years:

the Hundred million Programme, the Mixed Credits Programme, the Low-Concessional Loans Programme and the Development-Related Export Transactions Programme. Under all these, Dutch private companies have been able to initiate the request for financing but the developing country government is always the borrower.

The export credit promotion facilities mentioned above are instruments of the Ministry of Foreign Affairs. Other ministries also dispose of appropriate instruments but these are not discussed here except when relevant. The Ministry of Finance has concluded a reinsurance agreement with the Netherlands Credit Insurance Company NV (Nederlandse Credietverzekeringsmaatchappij, NCM), now a private company which plays an important role in export credit financing/insurance. Exceptionally, therefore, the NCM forms part of the analysis and evaluation presented below.

The Mixed Credit Programme

From 1979 until 1988, development-related export support was financed through the aid budget in the form of mixed credits: commercial loans combined with soft loans. Soft loans were provided by the Minister for Development Cooperation through the Netherlands Investment Bank for Developing Countries (NIO NV). Commercial loans were provided by commercial banks.

During the 1979–87 period a number of criteria and conditionalities were formulated that guided but also limited the use of the Mixed Credits (MC) Programme. Transactions to be financed were to serve the Dutch aid policy objective of ‘economic self-reliance’; financing was tied to the supply of goods and services by Dutch companies; and a maximum amount was fixed per recipient country and/or Dutch supplier. In 1984 it was decided to restrict the MC-facility to Programme, Regional and Sector (PRS) countries.[2] In 1987, eligible recipient countries were reduced in number by excluding severely indebted countries and all Least Developed Countries (LDCs). This left only ten potentially eligible countries.

A number of shortcomings soon emerged. The need to conclude two loan agreements often complicated the administrative handling of transactions. The need to insure the commercial loan with NCM as well as the latter’s financial policies also limited the number of beneficiary countries, with the result that budgetary funds committed under the MC Programme were never fully disbursed, with the exception of 1984. As a consequence of that underspending and the increasingly concessional nature of loans, it was replaced in 1987 by the Low-Concessional Loan (LCL) Programme.

[2] A selected group of beneficiary countries that were eligible for Dutch aid (cf. Annex 4).

The Low-Concessional Loan Programme

The LCL Programme was concerned with granting tied long-term credits at subsidised interest rates to creditworthy developing countries, i.e. a number of PRS countries. The soft terms included a reduced interest rate, extended maturity, as well as a grace period. LCLs were provided entirely by NIO. In principle, commercial banks did not play a role in this programme although a Mixed Credit remained possible for large transactions. Since only one loan needed to be administered and NCM cover was no longer required, procedures were much simpler and more countries qualified for the programme. It was also less costly in that NCM premiums and bank commission did not need to be paid.

The LCL Programme was more effective in terms of disbursement rates than its predecessor, even to the extent of being too successful. When budgetary allocations were exceeded in 1988, the programme was suspended. A subsequent evaluation [3] revealed that not all granted loans had been sufficiently development-related. Another conclusion was that access to the LCL Programme had been too easy and that projects were assessed on the criterion of financial viability. This was considered hardly relevant since borrowers were almost without exception public agencies and public sector companies in the recipient countries.

As a result of these and other findings, criteria applied to the LCL Programme were tightened up, e.g. by reducing the number of eligible countries (still covering some 20 countries but excluding LDCs [4]), and introducing other criteria related to economic reforms and debt strategies of potential beneficiary countries. The Low-Concessional Loan programme was temporarily reopened in 1990 but definitely cancelled in 1991 and replaced by the ORET Programme

The Development-Related Export Transactions Programme

The concessionality of the ORET-Programme is achieved by an ODA grant supplemented by a commercial loan, letter of credit or other funding. As at 31 December 1996 the grant amounted to 40 percent of the value of the transaction, or 55 percent in the case of LDCs. [5] The grant amount was initially subjected to a maximum of Dfl. 25 million but later raised

[3] *Aid or Trade? An Evaluation of the Programme for Export Transactions Relevant to Development* (Ministry of Foreign Affairs, Operations Review Unit, June 1991).

[4] The composition of the list of potential beneficiary countries raises questions regarding the justification of including certain countries (e.g. Senegal), but a more in-depth treatment of this issue goes beyond the scope of the present evaluation (cf. Letter from the Minister for Development Cooperation to Parliament with respect to the modalities and criteria governing the LCL Programme, dated 3 May 1990; TK, 1989–1990, 21 300 V, nr. 111).

[5] In later years ORET modalities were subjected to various changes which will not be dealt with here in view of the period under review of the present evaluation.

to Dfl. 100 million. A ‘one window’ arrangement was chosen whereby NIO acts as agent for the State in combining grant funds from the government with the commercial financing provided by one or more banks.

The main criteria for the selection of a project include the absence of commercial viability (except in the case of LDCs), its development-relevance, and its relevance to the Dutch economy. At the inception, only countries classified by the World Bank as ‘lower income’ or ‘lower middle income’ qualified for ORET, hence, not LDCs though these were later also included. In practice, however, the arrangement is limited to those countries for which NCM provides medium-term cover. The resulting list of countries admitted to ORET is updated annually in accordance with development cooperation policies, export interests and creditworthiness.

During most of the 1991–96 period budgetary allocations for the ORET Programme exceeded their actual utilisation. Various reasons accounted for this phenomenon, the most important being slow approval procedures due to incomplete project proposals both in the Netherlands and in beneficiary countries, difficulties in realising the commercial loan component as well as actual contracts with Dutch suppliers, and rejection of the transaction at a final stage by the beneficiary country.

17.2.2 *World Bank policy instruments*

In 1989 the World Bank introduced an instrument with which to enhance collaboration with Export Credit Agencies (ECAs), i.e. the Export Credit Enhanced Leverage Programme (EXCEL). This was designed to provide export credit financing in connection with Bank loans (on a parallel basis).

Since the Netherlands does not have an official export credit agency operating under the aid budget and in view of the fact that progress under the EXCEL Programme has been extremely slow (only one transaction implemented prior to 1994), it will not be further discussed here.

17.2.3 *Export credit financing and cofinancing with the World Bank 1980–96*

As demonstrated in Table 17.1 export credit cofinancing with the World Bank was not a novelty introduced by the 1984 Administrative Agreement. Two transactions occurred earlier whereby export credit financing in the form of a Mixed Credit was used to cofinance an important road project in Cameroon which benefited from a World Bank loan.

Table 17.1 Overview of Export Credit Cofinancing 1980–96 (disbursements at 31 December 1996, in Dfl. millions)

	Year	Export Credit Facility	Company involved	Dutch project title	Public aid comm.	Public aid disb.	Private sources comm. loans	Total transaction amount[1] public & private sources
Bosnia	1996	[2]	[2]	[2]	24.3	0.5	0.0	24.3
Burundi	1985	MC	NKF	Telephone Cables	9.0	9.0	9.0	18.0
Cameroon	1980	MC	Volker, Stevin, Boskalis	Road Project Douala-Yaoundé	7.0	7.0	19.0	26.0
	1982	MC	Boskalis	Road Project Douala-Yaoundé	18.0	18.0	115.0	133.0
(Cameroon sub-total)					(25.0)	(25.0)	(134.0)	(159.0)
China	1993	ORET	Karsten	Cleanroom Production Vaccins	8.5	8.0	12.8	21.3
	1995	ORET	IHC Holland	Hoppers	3.5	3.5	5.3	8.8
(China sub-total)					(12.0)	(11.5)	(18.2)	(30.2)
Ghana	1987-93	MC/LCL/ORET	NKF	Telephone Cables & System	45.8	45.8	36.8	82.6
	1994	ORET	HOLEC	Rural Electrification	24.5	14.9	36.6	61.1
(Ghana sub-total)					(70.3)	(60.7)	(73.4)	(143.7)
India	1987	MC	Zanen Verstoep	Nava Sheva- Dredging	30.8	30.8	49.0	79.8
Kenya	1987	LCL	NKF	Telephone Cables	13.9	13.9	0.0	13.9
Nigeria	1991	LCL	DAF	Lagos Solid Waste Disposal	24.3	24.3	70.7	95.0
Tanzania	1995	ORET	ADUCO	Rehab. Road Pugu-Chanika-Mbagala	11.6	6.4	7.7	19.3
Tunisia	1984	MC	Rijnwaal (Bodewes)	Tugboats	12.9	12.9	15.7	28.6
Zimbabwe	1988	LCL	DAF	Zesa Second Power Project	12.5	12.5	0.0	12.5
	1991	LCL	DAF	City Buses ZUPCO	25.0	19.6	0.0	25.0
(Zimbabwe sub-total)					(37.5)	(32.1)	(5.4)	(37.5)
Total					**271.6**	**227.1**	**377.6**	**649.2**
%[3]					**41.8**		**58.2**	**100**

[1]Dutch sources only. [2]Special Facility for the Dutch private/commercial sector (parallel cofinancing). [3]Figures do not add up to 100 percent due to rounding.

In general, the identification of export credits, financed under the aid budget and used under cofinancing arrangements with the World Bank, was seriously handicapped by the lack of systematic registration of such cofinancing in the Ministry of Foreign Affairs, even after introduction of the MIDAS system in the early 1990s. Such cofinancing always took place under parallel cofinancing arrangements, and given the Bank's only partial registration of Dutch parallel cofinancing, the World Bank was also not able to provide a list of all Dutch cofinancing with export credits. As a matter of interest, the Dutch Committee on Developing Countries, a consultative and policy making body of the Confederation of Netherlands Industry and Employers VNO-NCW, was also unable to list its members who had been involved in this type of cofinancing.

The Dutch Committee on Developing Countries (COL), created in 1963, represents the private sector in any dialogue between the Dutch Government and the private sector, also with respect to cofinancing with the World Bank. COL-representatives from part of the official Dutch delegation to the World Bank. COL deals with all relations between the Dutch public and private sectors and developing countries and covers practically all sectors of Dutch industry, trade, services and agriculture (excluding small enterprises with less than 10 employees).

The search for cofinanced activities finally resulted in the list presented in Table 17.1. It cannot be stated with certainty, however, that all relevant cofinanced activities involving export credits have been traced, and it is even unlikely that this is the case. The conclusion seems justified, however, that only a modest number of activities were cofinanced.

Some striking features of the cofinancing programme realised with export credits are listed below.

– In all, 15 cofinanced activities were identified in 11 countries, amounting to Dfl. 272 million (commitments), resp. Dfl. 227 million (disbursements). Over 25 percent of this total was disbursed in only one country, Ghana.

– Almost two-thirds was expended in four countries: Ghana, India, Cameroon and Nigeria.

– Although the overall amount of cofinancing with export credits is substantial (a quarter-of-a-billion Dutch guilders), it represents only some 5 percent of all cofinancing with the World Bank.

– The total transaction amount of nearly Dfl. 650 million (public and private sources combined) was more than double the amount of aid funds.

- In 12 out of 15 transactions the cofinancing consisted of triangular operations involving the World Bank, the Government of the Netherlands and a (Dutch) commercial bank—the exceptions being in Kenya and Zimbabwe.

- The Mixed Credit Programme (1980–87) and the Low-Concessional Loan Programme (1987–91) each provided approx. one-third of the public sources (commitment basis): the remainder was financed under the ORET Programme (22 percent) and the Special Facility for Bosnia (9 percent).

- Average annual commitments increased from Dfl. 17 million in the 1984–89 period to over Dfl. 21 million during 1990–96 (although the incompleteness of the list of identified export credit cofinancing caused by the loss of older files in particular may have distorted the picture).

Despite the relative few Dutch companies that were involved in these transactions, the different backgrounds and methods of implementation of the various projects make the 15 recorded transactions a heterogeneous group of cofinanced activities. Certain projects are illustrative of the varied nature of this type of cofinancing and merit mention for that reason at least. Perhaps the most striking example is the road project in Cameroon where cofinancing with Mixed Credit funds amounting to Dfl. 18 million was combined with a Dfl. 115 million loan from Dutch commercial banks. The transaction reflected the ideal type of triangular operations that were envisaged at the official start of the cofinancing programme (1984), creating important amounts of additional funding for the beneficiary country. Unfortunately, the relevant files in the Ministry of Foreign Affairs are incomplete, while the administrations of the commercial banks involved no longer contain records of loans related to this almost 20-year-old project. Any evaluation attempt is thus rendered futile.

A more recent example is the rehabilitation of a rural road in Tanzania. This was financed with ORET funds *after* Tanzania and the World Bank had run out of funds due to underestimation of the costs. The supply of transportation equipment (DAF trucks) to the Lagos Solid Waste Disposal project in Nigeria would also have constituted an interesting case. Five years passed before the transaction, worth nearly Dfl. 100 million, was completed. Mention should also be made of the Nava Sheva dredging project in India. Dutch cofinancing of Nava Sheva totalled over Dfl. 100 million, of which Dfl. 55 million were aid funds, partly a Mixed Credit, supplemented by a Dfl. 50 million commercial loan. The Nava Sheva project is evaluated in Chapter 12.

The selection of Ghana as a case study for the present evaluation was based on the volume of export credits with which to cofinance transactions there, as well as on Ghana's relative importance with respect to this type of cofinancing. Ghana ranks at the top of the list of beneficiary countries, benefiting from 25 percent of the value of all transactions, and thus represents an interesting case (cf. Chapter 9).

17.2.4 *Four specific questions*

Furthermore, the four questions referred to at the start of this chapter need to be answered. This will be done in a general way, although the case study of Ghana will also be referred to.

1. *Have additional funds for recipient countries indeed been created?*

The Ghana case study shows clearly that additional funds for recipient countries have in general been created. In the particular case of Ghana, two transactions involving Dfl. 60–70 million of aid funds (export credits) resulted in transactions totalling Dfl. 144 million. This applies to all countries for which export credit transactions were identified: to the total of export credits, varying between Dfl. 227 million (disbursements) and Dfl. 272 million (commitments) the private sector added almost Dfl. 400 million worth of commercial credits (cf Table 17.1). However, the case of Ghana shows that the creation of additional capital flows in the form of commercial loans does not only imply advantages. Debt problems may result from acceptance of the commercial credits that accompany the aid grants.

2. *Has better access to the (international) capital market for developing countries been attained?*

The answer to this question is unequivocally 'yes, but only in a very few countries'. The majority did not benefit: the present cofinancing formula did not improve their access to the (international) capital market. Question four explains why this was so.

3. *Have Dutch economic interests been served?*

The answer to this question is without any doubt affirmative. Dutch suppliers of goods benefited both directly and through the supplementary contracts that were obtained. In the only example given (Ghana) this amounted to Dfl. 200–400 million (not including future business opportunities for the company that survived on the Ghanaian market thanks to Dutch aid). The mechanisms that contributed significantly to these advantages for the Dutch economy were the parallel nature of the cofinancing arrangement and the tied character of the financing offered.

In a more general sense, moreover, the Dutch commercial banks that provided the loans gained by increasing their business dealings. For all 15 export credit transactions this totalled almost Dfl. 400 million. Although a considerable amount, this represents only a modest annual average of Dfl. 23 million over the entire period 1980–96. On the other hand, the two transactions entered into prior to conclusion of the 1984 Administrative Agreement amounted to one-third (cf Table 17.1).

The advantages (contracts, financing) would have been much greater had this type of cofinancing reached the magnitude expected when it was launched. The reasons for this disappointing performance are discussed below.

4. Why has the uptake of this part of the 1984 Administrative Agreement been so modest?

Three related factors account for the modest size of cofinancing through export credits. First, the unfavourable international macroeconomic context characterised by the debt crisis which started in the early 1980s. Many poor countries disqualified for new loans on non-concessional terms which commercial banks in particular were hesitant to provide, given those countries' precarious debt situation. It should be understood that these unfavourable conditions applied to the majority of developing countries, i.e. the poorest, but not to all.

The second factor included the limited outreach of instruments at the disposal of the Dutch Ministry of Foreign Affairs (DGIS), the frequent changes in those instruments, and time-consuming procedures. This applied in particular to the Mixed Credit and the Low-Concessional Loan Programmes and, to a lesser extent, to the Development-Related Export Transactions Programme. Only PRS-countries with no balance-of-payment or debt problems had access to the Mixed Credit Programme (1979–87). In 1987 it was even decided to exclude all Least Developed Countries, thus reducing the number of potentially beneficiary countries to no more than ten. The LCL Programme (1987–91) was also restricted to PRS-countries and, after resuming operations following suspension of its activities in 1988, even excluded the LDCs. Its successor, the ORET Programme, initially excluded LDCs although it later broadened its group of potential beneficiary countries.

The third factor was the limited number of countries covered by the Netherlands Credit Insurance Company (NCM). The need to insure the commercial loan component of the Mixed Credit Programme with NCM, together with the latter's restrictive policies, caused by the economic problems that confronted many potential beneficiary countries, severely reduced the actual number of beneficiaries. This was also the case under the ORET Programme. It is only recently, after termination of the period under review, that new instruments have been created which allow banks to cover risks on loans to developing countries which cannot be insured with the NCM.

Against this background it is hardly surprising that the number of activities cofinanced with export credits remained low in the period under review. In practice, only a few countries had access to the export credit facilities created, and these were precisely those that had less need of additional support given their own relative strength, and hence access to the international capital market, i.e. commercial loans.

In this context, it should be noted that, during the period under review, Dutch commercial banks substantially increased their cofinancing with IFC and started to become major customers of MIGA (cf. below).

17.3 Commercial cofinancing

Commercial cofinancing with the World Bank is primarily by commercial banks and is hence a form of private cofinancing. Since it does not involve the spending of Dutch public funds its relevance for the present evaluation is limited. The 1984 Administrative Arrangement on Cofinancing mentions cofinancing with commercial banks as a possibility, but such banks were not signatories to the Arrangement and the option was not further discussed (cf. Chapter 3).

In view of the fact that there are no Dutch aid policy instruments with which to promote commercial cofinancing,[6] the relevant World Bank policy instruments are briefly explained below.

17.3.1 *World Bank policy instruments*

The importance of commercial cofinancing funds arises from the fact that they represent additional funds for the Bank's borrowers, but tend to be dictated largely by the creditworthiness of recipient countries. In the decade prior to 1983, private commercial cofinancing amounted to US$ 5.3 billion, representing nearly 20 percent of all cofinancing. The debt crisis which started in the early 1980s contributed to the fall of commercial cofinancing activities and the World Bank sought means by which to counteract this trend. As a result the so-called B-Loan Programme was created in 1983.

[6] The Netherlands Central Bank, DNB, provides a strong incentive for Dutch commercial banks to cofinance with the IFC by exempting such cofinancing from country risk provisioning requirements.

The B-Loan Programme

The B-Loan Programme implied World Bank support to a commercial loan (‘B-Loan’), associated with a World Bank/IBRD loan (‘A-Loan’). This support to the associated commercial loan could take the form of (i) direct participation for part (up to 25 percent) of the commercial loan, (ii) the use of bank guarantees, or (iii) contingent participation by the Bank in commercial loans. In practice, direct participation by the Bank in the B-loan was the most used option.

The B-Loan construction was interesting for commercial banks because of the so-called ‘optional cross default clause’. Participation by the World Bank in a commercial B-Loan meant that any default by the borrower would also result in the World Bank not being paid. Whether that in turn would cause the World Bank to call a general default on the borrower was the vital question. The World Bank insisted that it would make such a decision only on a case-by-case basis. The mandatory default clause that some commercial banks wished to see was therefore not acceptable to the Bank.

Nevertheless, the B-Loan Programme was successful in mobilising significant commercial resources between 1984 and 1989. As the debt crisis prolonged during the 1980s, however, with the increasing likelihood of possible defaults, concerns increased within the World Bank that the arrangement could have an adverse impact on its own standing as a preferred creditor. Following a review of the Programme in 1988 it was recommended that more prudence be practiced with the direct participation arrangement and that greater emphasis be placed on the Bank as a guarantee authority. The B-Loan Programme was therefore ended in 1988/89 and a new programme created, i.e. the Expanded Cofinancing Operations Programme.

The Expanded Cofinancing Operations (ECO) Programme

The ECO Programme envisaged the use of the Bank’s guarantee authority to catalyse commercial lending to borrowing countries. This would be done either (i) by providing a guarantee of repayment for a portion of the commercial loans or bonds, generally for not more than 50 percent of the present value terms of total financing mobilised and usually for the later maturities, or (ii) by providing guarantees for the whole loan but only against specific risks related to the performance of the government in question. Examples are the government’s promise to provide oil supplies for a power plant or to allow fee increases for a toll road. Initially, only those countries whose debt had been restructured at least five years previously were eligible; later, countries that had made substantial progress in solving their debt problems were also admitted. For both these guarantees, the World Bank required a counter-guarantee from the government concerned.

Until 1994 only two operations were approved under the ECO Programme: in Hungary and Pakistan, the latter concerning the Hub Power Project (see below). It can therefore be concluded that, since discontinuation of the B-Loan Programme in 1988/89 the World Bank has practically been inactive in private (commercial) cofinancing. The principal reason for the slow pace of utilisation of the ECO Programme was reported by the World Bank to have been that guarantees have not become one of its mainstream products (World Bank, Review of Cofinancing, 1994:15–17).[7]

17.3.2 *Dutch commercial cofinancing with the World Bank 1976–96*

From 1976 to 1984, Dutch commercial banks cofinanced with the World Bank (IBRD) eleven activities in eight countries—with no cofinancing in Fiscal Years 82 and 83 most probably due to the debt crisis. The borrowing countries were four in Latin America (Argentina, Brazil, Colombia and Panama), three European (Portugal, Romania and Yugoslavia) and one Asian (the Philippines). Eight Dutch commercial banks were involved in transactions totalling US$ 88 million, of which some 60 percent went to two countries only, Romania and Colombia (source: WB/CFAS, fax dated 27 July 1995).

From 1984 to 1989, under the B-Loan programme, ten Dutch commercial banks participated in 22 World Bank lending operations totalling US$ 60 million. Borrowing countries were from the same group as in the preceding period: four in Latin America (Chile, Colombia, Mexico and Uruguay), one North African (Algeria), one in Sub-Saharan Africa (Côte d'Ivoire), one European country (Hungary) and one Asian country (Turkey). Two-thirds of the commercial funds benefited two countries only: Hungary with 44 percent, and Mexico with 22 percent (*ibid*.).

From 1989 to 1996, Dutch commercial banks were involved only twice in syndicated loan facilities under a World Bank guarantee, one of which concerned the ECO facility, i.e. the Hub Power Project in Pakistan. This project of over one billion dollars benefited from World Bank-sponsored support totalling US$ 163 million, in which four Dutch banks participated for about US$ 25 million. The other case was a Dutch bank participation of US$ 22 million in a US$ 83 million Letter of Credit for a private power project in Jamaica (*ibid*.)

[7] In 1996, the World Bank announced its intention to make guarantees a 'mainstream' product. After a very slow start the guarantee programme began to gather speed, especially after the start of the Asian financial crisis. Dutch banks have actively participated in ECO. The programme continues to be handicapped, however, by the lack of a clear division of work among the various entities of the World Bank.

Assessment

Commercial cofinancing transactions amounted to almost US$ 110 million in the 1984–96 period, compared to nearly US$ 90 million in the preceding six years (1976–82). Beneficiary countries were creditworthy, middle income developing countries. Virtually all Dutch commercial banks participated in these transactions.

Four observations deserve special consideration. First, the overall amount of commercial cofinancing transactions is low in absolute terms, and declining over time. Prior to 1984 commercial banks' participation in World Bank financed projects averaged US$ 8 million per project, whereas during the 1984–89 period this declined to about US$ 2.5 million. It is interesting to note that yearly averages of commercial cofinancing changed little during these periods, oscillating around US$ 10–11 million.[8] The commercial banks' interest in cofinancing World Bank projects had not diminished but they showed a more prudent approach, avoiding participation with high amounts. Undoubtedly, their desire to reduce or to minimise risks relates to the prolonged debt crisis in certain countries and to those countries' creditworthiness. This line of thought is conform with the two commercially cofinanced activities that were covered by a World Bank guarantee and which dealt with much higher amounts.

Secondly, the list of recipient countries shows that commercial cofinancing is of no interest to middle income countries (MICs), lower income countries (LICs) or Least Developed Countries (LDCs), i.e. the majority of the World Bank's clients. This is based on the interest and behaviour shown by Dutch commercial banks, and there is no reason to believe that other commercial banks acted differently. The World Bank confirms that beneficiary countries were limited in number. It was reported that in the period 1984–89, the Bank succeeded in mobilising an aggregate of commercial bank lending of US$ 4.5 billion, in addition to US$ 0.5 billion of IBRD loans for 24 projects in eight countries (World Bank, A Review of Cofinancing at the World Bank, 1 March 1994, p.16 and Annex K).[9]

In practice, four recipients of Dutch commercial cofinancing funds dominate the group of recipient countries: Romania and Hungary in Eastern Europe,[10] and Colombia and Mexico in Latin America (excluding the two syndicated loan transactions under World Bank guarantee). Creditworthiness associated with a relatively high level of economic

[8] The effects of a depreciating US dollar are excluded from the analysis.

[9] The number of borrowing countries is variously reported as eight and eleven (p. 16 resp. Annex K of the cited World Bank document).

[10] According to the DAC (List of Aid Recipients) both Romania and Hungary are so-called Part II countries not qualifying for ODA.

development seems to have been the determining factor in application of the formula of commercial cofinancing.

Thirdly, the formula of commercial cofinancing was intended to facilitate the involvement of Dutch companies supplying goods and services financed by the particular World Bank project, if possible for a higher amount than the commercial loan component. No evidence has been found that anything of this kind happened. This observation merits two additional remarks.

To start with, it is very unlikely that the involvement of Dutch suppliers reached beyond the amount of the financial arrangement, i.e. the commercial loan. Further involvement would most likely have caused the application of one of the export credit financing mechanisms (Mixed Credit and LCL Programmes) which, however, has not been reported. If Dutch supplies were increased, it would have been as the result of International Competitive Bidding, i.e. the prescribed procedure for World Bank projects. It has been reported, however, that it was this International Competitive Bidding system for procurement under joint cofinancing which prevented an increase in Dutch supplies.

Finally, the performance of Dutch banks with respect to commercial cofinancing with the World Bank (restricted to IBRD because of the non-eligibility of so-called IDA-countries) is in striking contrast with the performance of some of these banks in the relationship with other members of the World Bank Group, i.e. the International Finance Corporation and the Mutual Investment Guarantee Agency. Three Dutch banks, ABN-AMRO, ING, and Rabo, are among the most important clients of IFC and MIGA. In 1996 ING topped the list of IFC clients for the fifth consecutive year, with a cumulative total of US$ 663 million for the 1956–96 period. ABN AMRO ranked sixth with a cumulative total of US$ 334 million. ING also was MIGA's largest client.

All this indicates that the relative smallness of the commercial cofinancing programme is related to the instruments created by the World Bank. Since the B-Loan programme ended, discussions between the World Bank and commercial banks have centred on two issues: (1) better coordination among the various World Bank entities and departments that are involved in financing and guarantee operations with the private sector, and (2) a larger and more integrated World Bank guarantee programme.

17.3.3 *Four specific questions*

1. *Have additional funds for recipient countries indeed been created?*

It cannot be stated with any certainty that, in the absence of the B-Loan Programme, Dutch commercial banks would not have engaged in commercial transactions with borrowing countries. Even with the benefit of the doubt, leading to an affirmative answer, the total amount involved is only very marginal: US$ 60 million spread over five years.[11] A similar reasoning applies to syndicated loan transactions under a World Bank Guarantee.

2. *Has better access to the (international) capital market for developing countries been attained?*

It must seriously be questioned whether this has been the case. In fact, only a few countries have benefited and these were creditworthy, relatively advanced countries, which would have found their way to the international capital market in the absence of facilities created for purposes of commercial cofinancing. The greater majority of developing countries were excluded from the potential advantage of the commercial cofinancing formula. Their non-creditworthiness and related risks prevented commercial banks from lending to them, while the World Bank's Guarantee facilities were insufficient to counteract this position. During application of the B-Loan Programme, the Bank's refusal to include a mandatory cross default clause limited the expansion of the programme and hence the number of beneficiaries.

3. *Have Dutch economic interests been served?*

No. The potential of the B-Loan programme and of the ECO Facility was very limited for the Dutch banking sector, and was not followed by any additional contracts for the supply of Dutch goods and/or services.

4. *Why has the uptake of this part of the 1984 Administrative Agreement been so meagre?*

The slightness of the commercial cofinancing component of the 1984 Agreement was due to the following reasons.

– For the B-Loan Programme, the refusal by the World Bank (IBRD) to change the optional cross default clause into a mandatory cross default clause in order not to endanger its triple A-status.

[11] This refers to Dutch sources only. In total, the World Bank mobilised almost US$ 4.5 billion of commercial loans under the B-Loan Programme.

– Internal factors within the Bank (IBRD), such as organisational issues, public sector orientation, accountancy issues, the need for counter-guarantees etc., which led to very limited use of its guarantee facilities by commercial banks, in sharp contrast with the latter's business transactions with IFC and MIGA.

– The limited number of developing countries covered by the Netherlands Credit Insurance Company due to its cautious policies and avoidance of risks.

– The strict application of sound banking principles by the commercial banks, avoiding risks in non-creditworthy countries.

– The general climate of unfavourable macroeconomic conditions characterised by economic decline in many developing countries, notably the poorest, and growing concern about the sustainability of the debt situation in these and other countries.

17.4 The World Bank, cofinancing and supplies by the Dutch private sector

17.4.1 *Dutch supplies under the cofinancing programme*

From 1976 to 1996 the Government of the Netherlands spent Dfl. 4.2 billion under cofinancing arrangements with the World Bank. The total financial interest of Dutch companies evolving from this cofinancing is estimated to have been Dfl. 2 billion, as follows:

1. Dfl. 800–850 million in procurement contracts originating from partially tied cofinancing;
2. Dfl. 650 million in procurement contracts related to (tied) export credit cofinancing;
3. Dfl. 400 million in commercial loans related to export credit cofinancing;
4. Dfl. 50 million in consultancy contracts financed with Consultancy Trust Funds;
5. Dfl. 50 million in procurement contracts originating from Dutch joint cofinancing arrangements, obtained under ICB.

17.4.2 *Dutch supplies under International Competitive Bidding*

Dutch companies have always performed relatively well in the competition for contracts tendered by the World Bank. In 1983 the Ministry of Foreign Affairs reported that disbursements by the World Bank Group in the Netherlands amounted to 200 percent of the Dutch contribution to the Bank (*Efficiency of Multilateral Channels*, 1983:67). Since World Bank registration of procurement data in the early 1980s suffered a number of shortcomings, however, these data need to be treated with caution. Ten years later, in the early 1990s, the flow of funds back to the Netherlands, as a percentage of the Dutch contribution to the IBRD and IDA, was over 140 percent.[12]

Although data should be treated with caution, it is clear that more was spent by the World Bank in the Netherlands and that more sales were realised by Dutch companies than the total amount of the multilateral contributions to IBRD and IDA. This illustrates the competitive strength of Dutch companies in international trade. That large amounts are involved is shown by the fact that multilateral contributions by the Government of the Netherlands to IBRD and IDA totalled about Dfl. 5 billion in the period 1976–96.

Dutch supplies under World Bank contracts oscillate around two percent of the World Bank's annual foreign disbursements, with a slightly better performance with IDA than with IBRD, and virtually equal the Dutch share in the capital of these two institutions. Using this same yardstick, it may be concluded that Dutch companies perform well under International Competitive Bidding.

17.4.3 *Overall supplies by the Dutch private sector*

When Dutch multilateral contributions to IBRD and IDA are combined with bilateral contributions to cofinanced projects with these institutions for the period under review, it appears that an estimated 70 percent of these Dutch funds found their way back to the Netherlands in the form of contracts and resultant supplies by the Dutch private sector.

17.5 Annual consultations with the World Bank

Promotion of the interests of the Dutch private sector has always been a declared objective of the Government of the Netherlands in implementing its cofinancing programme with the World Bank. From the outset (1984), therefore, it was decided that a COL delegation would always form part of the official Dutch delegation in its annual and semi-annual consultations with the World Bank in Washington, in contrast to other bilateral cofinancers.

[12] Partly based on a VNO publication (*Ontwikkelingssamenwerking: Beleidspunten voor de komende kabinetsperiode*, 1993, Table 5, p.29) but corrected for actual disbursement data with respect to voluntary contributions to the World Bank/IBRD/IDA (Ministry of Foreign Affairs, *Annual Report Development Cooperation 1991*, p.372). This figure is an underestimation, however, being the result of a comparison between the voluntary, multilateral contributions of the Government of the Netherlands to these two institutions in 1991 and World Bank disbursements in the Netherlands in the same year. In practice, actual disbursements follow tender procedures and contract negotiations, and necessarily lag some time (often years) behind the transfer of the multilateral contributions.

In practice, the NCM and the Ministry of Finance withdrew from the consultations in the second half of the 1980s, to rejoin again after 1996. The reasons for these decisions are not known.

It is doubtful whether the private sector gained noticeably from its participation in the consultations. Study of the minutes of the meetings has shown no evidence that their presence exerted any influence on the form of cofinancing, i.e. parallel or joint. In practice, the decision was taken by the Minister for Development Cooperation in The Hague when approving appraisal memoranda pertaining to particular projects to be cofinanced, and depended above all on official general policy with respect to cofinancing. Moreover, the absence of Ministry of Finance and NCM representatives prevented a thorough discussion of export credit cofinancing and commercial cofinancing and also any examination of the obstacles that prevented these programmes from taking off.

Nevertheless, official documents often argue that the presence of Dutch businessmen during the consultations was beneficial in permitting them to gain a foothold in the Bank. Information obtained from individual representatives of Dutch companies and from officials of the Dutch Ministry of Foreign Affairs and of the World Bank, however, shows that scepticism concerning this formula was much stronger than officially admitted.

The overall conclusion must therefore be that the formula of private sector representation in the official delegation discussing future and ongoing cofinanced projects with the World Bank, was not effective. It is unlikely that such participation had any influence on the cofinancing mode decided upon, thus directly resulting in contracts, or that their presence led to additional contracts with the World Bank being gained under ICB. If the promotion of Dutch economic interests and those of the Dutch private sector is indeed of serious concern to the Government of the Netherlands, and the instrument of cofinancing with the World Bank is considered potentially useful for the realisation of these objectives, then revision of the present formula is a matter of urgency.

PART VI COFINANCING AS AN AID INSTRUMENT

18 Management

18.1 Identification, classification and analysis of cofinanced activities

Identification

This evaluation made it necessary to draw up an inventory of cofinanced activities when neither the Dutch Ministry of Foreign Affairs nor the World Bank proved able to produce a comprehensive list of such activities that took place between 1975 and 1996. It was impossible even to benefit from any conclusive results of the limited attempt made to identify activities cofinanced between 1991 and 1995, undertaken in connection with the General Arrangement of 24 May 1995 (cf. Chapter 1). Furthermore, the concepts that formed the basis of cofinancing or were linked to it, needed to be clarified.

On the Dutch side, problems encountered in the process of identification were due principally to the lack of accessibility and transparency of sources in the Dutch Ministry of Foreign Affairs: (i) dispersion of information in the wake of frequent reorganisations of the Ministry and corresponding shifts in responsibilities regarding cofinancing; (ii) separation of the functions of coordination and budget-holding; (iii) incompatibility of subsequent computerised database systems with the need for information for historical project and programme analyses; (iv) inaccessibility and incompleteness of files in the archives of the Ministry; (v) difficulties encountered in the tracing and exploitation of Project Appraisal Memoranda (*Beoordelingsmemoranda* or *Bemo's*), especially for projects and programmes approved before 1990 (cf. Chapter 1).

Similar problems existed at the World Bank with regard to cofinancing. As from 1991/92, internal audits and reviews highlighted the fact that the Bank did not have a comprehensive and coherent policy for the mobilisation and administration of resources that emanated from cofinancing arrangements. The Bank had thus failed to develop a comprehensive policy framework for cofinancing, to adapt administrative procedures on a regular basis, to elaborate reporting patterns and to ensure adequate monitoring and evaluation. Between 1987 and 1992, the mobilisation and administration of trust funds was largely ensured by task managers and central coordination was ineffective. The various audits and reviews from 1991 onwards resulted in a noticeable strengthening of the role of central coordinating and controlling units. The improvement in the administration of trust funds also included a series of new Administrative Agreements with donors. The Arrangement of 1995 entered into with the Government of the Netherlands formed part of this process (cf. Chapter 2).

The situation was particularly troublesome for projects and programmes under parallel cofinancing for which there was no systematic record-keeping. With regard to joint cofinancing after 1986, the Legal Department of the Dutch Ministry of Foreign Affairs in principle kept copies of signed amendments to the Arrangements of 1986 for each activity. Moreover, the Trust Fund Administrator of the World Bank maintained a database and a filing system with the amendments. In the course of the present research, sources in the Ministry of Foreign Affairs and of the World Bank/Trust Fund Administrator still proved difficult to match up. In the course of the evaluation, however, all financial management issues regarding joint cofinancing at this level were clarified and solved. Nevertheless, the Bank's internal communication problems helped to maintain inefficient working methods based on estimated rather than realised cofinancing data (joint as well as parallel) and the inconsistency of data handled by various sections of the Bank.

Classification

The lack of transparency and the non-accessibility of the administration of cofinanced activities was accompanied by weaknesses in their classification. While the distinction between joint and parallel cofinancing was clear at all times, some confusion existed as to the types of cofinancing. In Dutch files, the term Trust Funds was mostly used only for what is described as Free-Standing Trust Funds (FSTF) in the present evaluation. The present research follows World Bank practice which considers all Dutch contributions as Trust Funds, not only in terms of Free-Standing Trust Funds, but also those to jointly cofinanced projects and programmes related to IDA Credits and IBRD Loans. The terminology used in this study is consistent with that used in the new Administrative Arrangement of 1995, which sanctioned common practice that had developed since the Arrangements of 1984 and 1986.

In principle, the important distinction between programme and project aid should transpire from all relevant sources of the Dutch Ministry of Foreign Affairs. In practice, the respective affiliation has proven not to be accurate or consistent in the Ministry's database and filing systems. For the purpose of the present analysis of cofinanced activities, adjustment had to be made in several cases.

Consequences

The weaknesses resulted in a situation in which neither the Netherlands nor the World Bank had at their disposal a complete overview of cofinancing between them nor a qualified insight into its constituent parts. At the start of the evaluation, the volume of cofinancing was estimated to total Dfl. 3–3.5 billion. The inventory identified the total amount spent on cofinancing as Dfl. 4.2 billion in terms of disbursements, with corresponding commitments totalling Dfl. 4.9 billion. Assuming that 95 percent of all cofinancing has been traced, the total amount of cofinancing between 1975 and 1996 is estimated at Dfl. 5 billion in terms of commitments and Dfl. 4.5 billion in terms of disbursements (cf. Chapter 3).

In 1995 the World Bank ranked the Netherlands as its sixth largest cofinancier, but in all likelihood this was based on a gross under-estimation. During the period under review (1975–96), the Dutch Government was in fact the World Bank's second largest bilateral donor of Trust Fund contributions, preceded only by Japan. Furthermore, the Netherlands was also the largest contributor to ESMAP and other programmes in the energy sector, and to the overall Consultant Trust Fund Programme. The Netherlands was the Bank's second largest cofinancier for the Economic Development Institute (EDI) and for the Bosnia Reconstruction Trust Fund and, in general, one of the largest contributors to the World Bank's Credit and Loan Related Cofinancing Programme.

Analysis

The present evaluation has investigated issues of financial and technical management against the Arrangements covering cofinancing, e.g. the processes of decision-making and administration, communication and consultation at appraisal and implementation stages, reporting and mechanisms of policy dialogue, monitoring and evaluation. The findings and conclusions on these issues are summarised in this chapter, referring whenever possible to all cofinancing, and in some cases to joint and parallel cofinancing subjected to direct evaluation, particularly in Ghana, Pakistan and Uganda.

18.2 The management of activities under joint and parallel cofinancing

The legal basis

Under joint cofinancing, Dutch grants are transferred to the World Bank which, in turn, releases them as grants to recipient developing countries. Parallel cofinancing involves the financial management of Dutch funds entirely by the Ministry of Foreign Affairs (department and embassies), in direct consultation with recipient countries.

From 1984 onwards all cofinancing was governed by the Administrative Arrangement of 1984. In 1986, an additional Arrangement was concluded for certain funds under joint cofinancing, but this did not fundamentally change the 1984 Arrangement (cf. Chapter 3), which remained the basic document governing cofinancing until 1995. It was not very explicit, however with regard to the management of the funds.

– On joint cofinancing, the Arrangement of 1984 stipulated that the World Bank would open separate accounts for specific projects, conclude agreements for such projects with intended beneficiaries, and would keep the Dutch Government informed of the progress of the jointly cofinanced projects, e.g. by furnishing supervision reports and by providing the opportunity to participate in supervision missions. The Bank would periodically provide a detailed and audited statement of account of the ways in which Dutch aid funds had been disbursed.

– On parallel cofinancing, the 1984 Arrangement contained no specific requirements, except that goods and services would be procured in accordance with Dutch guidelines and the World Bank might, at the request of the Dutch Government, give technical advice which would not be binding. The Arrangement did not contain any provisions that might have obliged the Dutch Ministry of Foreign Affairs to report to the World Bank on projects under parallel cofinancing.

The Arrangements of 1984 and 1986 differ as to requirements concerning the costs and benefits incurred in the process of cofinancing. The first stipulated that there would no service charge or interest to the Dutch grant participation, which would be transferred to the recipient country as a grant, but the Bank would be permitted to cover its administrative costs. The Arrangement of 1986 prescribed that the Bank would be allowed to (re-)invest Dutch aid funds pending their disbursement and to retain the income from any such (re-)investment.

The latest Arrangement, concluded in 1995, is more precise in its provisions concerning financial and technical management. A distinction is made between different forms of cofinancing in order to decide whether service charges are applicable or not. In principle, no service charge is required when the Bank acts as a mere administrator for the benefit of recipient countries, and a small service charge is calculated when the Bank performs a task for the benefit of the Dutch Government. With regard to income earned by the Bank from the (re-)investment of Dutch funds pending their disbursement, it is agreed that a special 'balance account' should be created to be used by the Bank to cover administrative costs. The 1995 Arrangement is also more explicit on the reporting obligations of the World Bank. There is no mention of any reporting requirement on parallel projects and programmes for the Netherlands, except that the Bank is to be informed on decisions related to parallel cofinancing.

During most of the period under review, the legal provisions concerning financial and technical management were of a general nature. It is particularly noteworthy that none of the Arrangements make any mention of monitoring and evaluation.

Dutch decision-making as to cofinancing

Decisions to cofinance taken by the Dutch Ministry of Foreign Affairs did not show any clear pattern of systematic selection based on objective criteria and/or a motivated choice of the types of arrangement for the implementation of activities (parallel or joint). Decisions were frequently made on an ad-hoc basis and, in many cases, were motivated by the desire to spend quickly yet undisbursed amounts of the overall aid budget at the end of fiscal years through joint cofinancing. This was particularly the case during the 1980s, notably in 1984 and 1986, when Dfl. 100 million and Dfl. 227 million respectively were transferred to the World Bank at the end of the fiscal year. These were remarkable exceptions to the official preference for parallel cofinancing, and were related to the fact that in 1984 the practice of transferring unspent balances of the aid budget to the next fiscal year was discontinued. The 1990s also saw the transfer of large amounts of cofinancing under joint arrangements at year's end, particularly Free-Standing Trust Funds for debt relief purposes, conform with the official preference for joint cofinancing.

In practice, substantial amounts of Dutch aid funds transferred to the World Bank under joint cofinancing arrangements remained unspent for a considerable period. The Arrangement of 1986 covering joint cofinancing allowed the World Bank to invest and reinvest these funds pending their disbursement and to retain for its own account the income thus earned. At that time, it could not be foreseen whether this investment income would be a reasonable remuneration for the Bank's activities with respect to Dutch cofinancing. The fact is that the Ministry of Foreign Affairs did not monitor or investigate the total amount of these funds and their short-term use, nor did the Bank report on them. Moreover, reporting requirements in this respect were not clearly formulated. The Arrangement of 1995 was more precise, stating that a special balance account should be created for this purpose.[1]

The three country case studies of the present evaluation have shown some examples of joint cofinancing that were apparently supply-driven rather than based on a realistic assessment of spending possibilities at a given point of time.

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1 Systematic data on these outstanding balances during the period under review are not available, but the fact that large amounts were involved is illustrated by the cash balance of all Dutch-financed trust funds, not including multi-donor trust funds to which the Netherlands is also a donor, which equalled approx. US$ 118 million, i.e. about Dfl. 220 million as at December 1998 (source: World Bank).

- In Ghana, the Dutch Government provided joint cofinancing for the Reconstruction Import Credit I (RIC I) in 1984 worth Dfl. 27.1 million, but the World Bank was only able to disburse these funds in full in 1987/88. In 1985, the decision to provide parallel cofinancing for RIC II was reversed; a total of Dfl. 28 million was committed and disbursed as joint cofinancing in 1985 and 1986 before the end of the respective financial years.

- In Pakistan, the following cases were recorded: (i) In 1987 the Dutch Ministry of Foreign Affairs committed Dfl. 25 million to the Small-Scale Industries Project (SSI-III) as joint cofinancing, and immediately released Dfl. 6 million to the World Bank even before this new project became effective. In subsequent years, the Royal Netherlands Embassy in Islamabad repeatedly requested the World Bank to be allowed to disburse the balance; the Bank would not comply because SSI-III was faced with slow disbursements for reasons related to the evolution of the financial sector in Pakistan. In 1994, the Dutch Government eventually cancelled Dfl. 12.9 million on SSI-III. (ii) A similar initiative was taken by the Dutch Ministry in the Income Generating Project for Refugee Areas (IGPRA) for which the Ministry of Foreign Affairs, without specific justification, committed Dfl. 20 million in 1986. This was a ten-fold increase compared with previous funding levels.

- In Uganda, there is evidence that the Bank could only slowly disburse Dutch grants received for the First, Second and Third Reconstruction Credits between 1979 and 1984 and totalling Dfl. 80.6 million. For the First Reconstruction Credit, three substantial contributions totalling Dfl. 45.6 million were made in 1981, but it was at least a year before these were disbursed by the Bank. Similarly, it was more than a year before Dutch funds transferred to the World Bank for the Second Reconstruction Credit (Dfl. 15 million) were effectively spent. Also, Dutch funds transferred to the Bank at the end of 1991 for the Second Economic Recovery Credit were not fully disbursed until mid-1993. The 5th Dimension debt relief transaction (Dfl. 10 million) was released at the end of 1992, although it was not due until the following year.

It may be concluded that joint cofinancing with the World Bank, particularly between 1984 and the early 1990s but also thereafter, was a convenient tool with which the Dutch Ministry of Foreign Affairs could release substantial amounts of money at the end of a financial year. Once the grants were administered in World Bank trust funds, they were considered by the Ministry as ‘spent aid funds’, even though actual disbursements in developing countries evolved more slowly. The positive side of this practice was that Dutch cofinancing was usually delivered in a timely manner and rarely constituted a delaying factor for the World Bank and its clients.

Dutch involvement

As a rule, the Ministry of Foreign Affairs was little involved in the identification, appraisal, supervision/monitoring and evaluation of jointly cofinanced activities. Dutch participation in these activities was found to have been an exception rather than standard practice, conforming with one of the declared objectives of the Ministry regarding cofinancing, i.e. the desire to limit the time spent by Ministry staff on funded project and/or programme aid.

Much of the cofinanced aid, especially programme aid, evaluated directly under the present exercise was of reasonable and, in some cases, even good quality in terms of policy relevance and compatibility, effectiveness, efficiency and sustainability of results. These adequate results, however, did not necessarily emanate from close interaction between the Netherlands and the World Bank.

- In Ghana, the Dutch Ministry of Foreign Affairs (including the Royal Netherlands Embassy in Accra) was not directly involved in the design and appraisal of World Bank projects aiming at economic recovery and reform. Approval by the Board of the Bank had already been given when joint or parallel cofinancing was granted and there was hardly any substantive interaction between the two parties on the cofinancing. Dutch involvement in the monitoring and evaluation of these projects was also minimal. Project aid was covered by parallel cofinancing. The Dutch Ministry of Foreign Affairs was therefore involved in appraisal and approval, but did not carry out any monitoring or evaluation of cofinanced activities. The World Bank reports on the related Bank projects make hardly any mention of Dutch cofinancing.
  Prior to 1992, despite the substantial amounts of aid granted (not only under cofinancing arrangements), Ghana was not treated individually in official policy documents of the Ministry of Foreign Affairs. Moreover, the Royal Netherlands Embassy in Accra was a ‘one-man post’ until 1989; even in 1996 the embassy staff numbered only three diplomats.

- In Pakistan, it is not clear whether the initiative to cofinance several projects during the 1980s emanated from the Netherlands or from the World Bank. A peculiar feature at the time was that Dutch consultants recruited from para-public institutions in the Netherlands were involved in appraisal and supervision activities fairly continuously. In general, Dutch involvement in Bank appraisal, supervision and evaluation of projects was low-key until 1992. Between 1992 and 1996, the Royal Netherlands Embassy in Islamabad was strengthened with technical experts (sector specialists) who became involved in monitoring and appraisal, but who could not communicate directly with the World Bank in Washington D.C. In several cases, this resulted in misunderstanding and delay.

– In Uganda, the Dutch Government was hardly involved in the design and appraisal of cofinanced programme aid (the three Reconstruction Credits, the Second Economic Recovery Credit, and the commercial debt buy-back). The decision to cofinance was taken after the Board of the Bank had approved the respective credits. The Dutch ignorance of its cofinancing of the First Structural Adjustment Credit speaks for itself. Dutch involvement in monitoring and evaluation was equally very limited, although documentation in the files of the Ministry of Foreign Affairs testifies to Ministry officials' complaints of insufficient, late or lacking World Bank reporting on cofinanced activities.[2]

  With regard to cofinanced project aid, the newly-established Royal Netherlands Embassy in Kampala (1993) became actively involved in the jointly cofinanced Veterans Assistance Programme and the Civil Service Reform. By contrast, relations between the bilateral Community Action Programme and the World Bank supported Northern Uganda Reconstruction Project were almost non-existent during implementation, although parallel cofinancing had been actively pursued by both parties at the design and appraisal stage.

The success or failure of jointly cofinanced activities was thus largely the outcome of interaction between the recipient countries and the World Bank and was only to a very limited extent influenced by the Netherlands. The implication is that when cofinancing a successful activity the Netherlands might be complimented or credited with having made a good choice, although responsibility is still shared when cofinancing a failure. Interaction between the World Bank and the Netherlands was even more limited in the case of projects under parallel cofinancing.

These general statements require qualification for different periods of the total timespan under review.

– During the 1980s, decision-making in both the World Bank and the Netherlands was highly centralised. Neither World Bank field offices nor Dutch Embassies in developing countries had a large part to play. The World Bank invited cofinanciers to be represented in appraisal, supervision or evaluation missions, but the Ministry of Foreign Affairs frequently complained that these invitations came too late and that, in practice, it was impossible for the Ministry to be represented by officials or external consultants. In Pakistan, some Dutch consultants were involved in specific projects on a more

[2] This is not to say that the Netherlands did not follow events in Uganda (as well as in Ghana and other countries) in a general way. As from the late 1980s the Government of the Netherlands was represented at SPA meetings and Consultative Group meetings which discussed the outcome of economic reforms and the effectiveness of international aid. However, this active interest was focused on direct bilateral aid rather than on practical examples of cofinancing with the World Bank.

permanent basis. They did participate in Bank missions, partly because there was direct communication between them and the World Bank, partly because the Ministry of Foreign Affairs endorsed the relationship and funded the respective missions.

– Between 1987 and 1996, the Dutch Ministry of Foreign Affairs strengthened the Embassies in developing countries by appointing sector specialists. At the same time, the involvement of consultants was reduced. In some cases this resulted in decreasing the volume of cofinancing with the World Bank (e.g. in Uganda). Specific projects might be followed up intensively, while others were neglected according to priorities set by individual embassy staff (e.g. project aid in Uganda and Pakistan).

– The present evaluation did not investigate the effects of the reorganisation of the Dutch Ministry of Foreign Affairs in September 1996 (*herijking*), which transferred a good part of decision-making power on project aid to the Embassies. The move coincided with greater decentralisation within the World Bank as ‘country directors’ were gradually stationed in the respective countries.

Substantive policy interaction was more intensive with regard to Free-Standing Trust Funds, particulary during the 1990s. A striking example was the Consultant Trust Fund for Poverty Assessments created in 1993. This was supported by a Poverty Coordinator in the Dutch Ministry of Foreign Affairs whose main task it was to interact with the World Bank on a regular basis (cf. Chapter 14). Similarly, from 1992 onwards, the various Free-Standing Trust Funds in the energy sector were closely followed up by the Dutch Ministry. One explicit purpose was to help specific developing countries to include environmentally sustainable energy options in their applications for sectoral lending by the World Bank.

Similarly, the Netherlands participated actively in various international fora coordinated by the World Bank, e.g. the Special Programme for Africa (SPA) and those dealing with debt relief (cf. footnote 2). The Dutch Ministry of Foreign Affairs suffered an important shortcoming in the area of macroeconomics, for which expertise was insufficient. This contrasted sharply with the fact that one-third of all disbursements concerned multisector programme aid, mostly in support of economic reforms.

Reporting, monitoring and evaluation

During most of the period under review, legal provisions concerning mutual information were relatively weak. It is not clear to what extent financial reporting by the World Bank on jointly cofinanced activities was to cover only the disbursement of Dutch grants as such, or also the use of income accrued from temporarily undisbursed grants, e.g. to cover the Bank’s administrative costs, to make additional resources available to recipient countries, and/or to add any balances to the Bank’s financial reserves.

Whatever legalistic interpretation of the World Bank's obligations could have been made on the basis of the Arrangement of 1984 (or that of 1986), it is important to note that at no time between 1984 and 1995 (when the new Arrangement was prepared) did the Netherlands systematically investigate the issues at stake, i.e. patterns of disbursement of Dutch grants and the use of income accrued to the World Bank. The Ministry of Foreign Affairs did complain about insufficient financial reporting on specific projects and programmes (see below), but did not address the issues at stake at a more general level.

In practice, World Bank reporting was found to have been insufficient, irregular and sometimes lacking, in spite of agreed procedures and repeated requests by the Ministry of Foreign Affairs. The situation improved during the 1990s as compared to the 1980s.

The Arrangement of 1984 did not require the Dutch Government to report on the implementation of activities under parallel cofinancing. In practice, the Ministry of Foreign Affairs did not provide information on parallel projects and programmes nor did the World Bank ask for it. This had negative consequences for the Bank's monitoring and evaluation, for example in Ghana.

The omission was partly redressed in 1995 in the new Arrangement on Cofinancing. The present evaluation did not investigate whether the Dutch Ministry had complied with the new obligation to report to the Bank on decisions to cofinance under parallel arrangements. Data on all cofinancing provided by the Bank indicate that this was not the case. Nor were there any signs that the Bank's monitoring and evaluation covered parallel activities in a structural manner at the end of the period under review.

All Arrangements failed to mention the monitoring and evaluation of cofinanced activities. This had no consequences for jointly cofinanced activities since these were covered by prevailing World Bank procedures governing IBRD loans and IDA credits. Free-Standing Trust Funds (not included in the Arrangement of 1984) were not covered until the mid-1990s, however, when the Bank started to address this deficiency in its own procedures. There were no mutual agreements on the monitoring and evaluation of activities under parallel cofinancing. Even the Arrangement of 1995 failed to take this dimension into consideration.

Annual consultations

In a general way, cofinancing was discussed with the World Bank in Mid-Term Reviews (organised in May or June each year between 1984 and 1994) and during the Cofinancing Consultations (organised in November each year since 1984). Whereas the

Mid-Term Reviews were basically meant to review on-going cofinanced projects, the November consultations were to serve the purpose of screening new projects proposed for cofinancing.

In principle, the Dutch delegations comprised officials of the Ministry of Foreign Affairs, representatives of other Dutch ministries involved in relations with the World Bank (notably Finance and Economic Affairs), as well as representatives of the Dutch private sector organised in the Committee on Developing Countries (COL). Based on an examination of minutes and other documents produced in relation with the meetings and on interviews with key persons who have been involved in these events during many years, the following comments may be made.

– The meetings functioned as platforms on which the World Bank and the Dutch delegations could inform each other about policies and procedures and discuss current and future cofinancing.

– The discussion of projects already under way during Mid-Term Reviews was relatively succinct and in practice unsatisfactory. For this reason, the Mid-Term Reviews were discontinued as from 1994.

– During Cofinancing Consultations at the end of the year, proposals for new projects were screened against Dutch policies (e.g. lists of eligible countries, sectors, etc.), but no definite decisions were made. The outcome of these meetings is difficult to assess. Many projects proposed for cofinancing never obtained Dutch contributions, whereas many projects that were eventually cofinanced had not been discussed during these meetings.

– The meetings were modest in their ambition to make innovative recommendations on cofinancing for either the World Bank or the Dutch Ministry of Foreign Affairs. It should be noted, however, that the consultations did play a role in the preparation of the new Arrangement of 1995.

There are no indications that the Dutch private sector benefited from its participation in the meetings. For jointly cofinanced (and other) World Bank projects, Dutch companies participated in the Bank's International Competitive Bidding; for parallel cofinancing and export credit cofinancing, Dutch procurement procedures applied. In neither case was participation in the meetings of any relevance. Under such circumstances, it may seem surprising that representatives of the private sector participated in the meetings at all.

19 The added value of cofinancing

19.1 Preliminary remarks

Cofinancing was intended to respond to a number of expectations and motivations of Dutch policy makers (cf. Chapter 1). For the sake of convenience of the present evaluation these may be grouped under three main headings.

– A first group comprises aims referring to relations with the World Bank: (i) use of World Bank know-how; (ii) acquiring new experience for the Dutch Government (learning process); (iii) the opportunity to influence World Bank policy (as from 1990).

– A second group has a common denominator that may be described as benefits for recipient countries: (iv) improved donor coordination; (v) participation in projects that are too large to be funded by the Netherlands alone; (vi) improvement of quality/output; (vii) facilitation of access to international capital markets.

– A third group includes expected advantages for the Netherlands: (viii) reducing the workload for the Ministry of Foreign Affairs/DGIS; (ix) support to activities that correspond to policies of the Dutch Government (as from 1990); (x) enhancing interests of the Dutch private sector.

These objectives were to guide all cofinancing. An evaluation of cofinancing as an aid instrument, i.e. to determine the added value of cofinancing resulting from the achievement of its objectives, is complicated by five factors: (i) policy statements are usually of a general nature; (ii) they are rarely accompanied by a clear set of indicators; (iii) there is no ranking of various policy aims; (iv) certain objectives contradict one another (e.g. reducing the workload and acquiring new experience/influencing the World Bank); (v) the chosen implementation modality (*in casu* cofinancing) cannot be compared to other modalities since for these projects and programmes no counterfactual exists.

To obtain a better understanding of the interpretation and ranking of policy statements in the practice of cofinancing, the present evaluation included an investigation into the perception of the aims of cofinancing as an aid instrument among former and present officials of the Dutch Ministry of Foreign Affairs. The outcome of this exercise (cf. 19.2) illustrates the findings and conclusions that emanate from the three country case studies (Ghana, Pakistan, Uganda) and from the evaluation of selected Free-Standing Trust Funds (cf. 19.3). In this manner, most of the methodological limitations mentioned above (except that related to the absence of a counterfactual) are minimised. The overall investigation can thus reach a more balanced understanding of cofinancing as an aid instrument and its added value (cf. 19.4).

19.2 Perceptions of cofinancing as an aid instrument

Former and present officials of the Dutch Ministry of Foreign Affairs were surveyed with regard to their views and experiences on the advantages of cofinancing with the World Bank, against the background of official policy statements. The officials were selected on the basis of their direct involvement with cofinancing between 1975 and 1996. Guarantees were given on the anonymous processing of replies. Out of 156 officials who were approached, 124 participated in the survey, i.e. over 80 percent. This high turnout reflected the interest enjoyed by the subject within the Ministry of Foreign Affairs. The sample did not claim to be representative in a statistical sense, but rather to be illustrative of perceptions that prevailed regarding this instrument of development aid. The results may be summarised as follows.

– Respondents were asked to rank five of the ten aims of cofinancing on the basis of relative importance for the Ministry's overall policies during their involvement. This resulted in the following hierarchy of aims: (i) participation in projects that are too large to be financed with Dutch funds only; (ii) support to activities that correspond to Dutch policies; (iii) use of the Bank's know-how; (iv) improved donor coordination; (v) reduction of the workload in the Dutch Ministry. According to the respondents, these five aims were also those that were most realised. A significant number mentioned that cofinancing served the objective of rapid spending of financial resources before the end of a fiscal year.

– The same officials were asked to indicate which of the aims had their personal support. This resulted in a slightly different ranking: (i) improvement of donor coordination; (ii) use of the Bank's know-how; (iii) participation in large projects; (iv) influencing the World Bank; (v) improvement of the quality of projects and programmes. Interestingly, support to the Dutch private sector, improved access to capital markets for developing countries and the learning process for Ministry officials, were hardly found important by the respondents. One dimension not mentioned in the list was added: the possibility to influence policies in developing countries by making use of the World Bank's leverage.

– A significant number of respondents commented critically on cofinancing between the Ministry and the World Bank. The Bank was criticised for being over-centralised (with flying squads from Washington), insensitive to arguments by recipient countries as well as donors (including the Netherlands) especially once cofinancing has been granted, and too self-centred in the planning of missions. The Bank's competence is recognised at the macrolevel in particular, but less so as regards implementation of project aid. The Dutch Ministry of Foreign Affairs is said not to have developed a sufficiently coherent vision on cofinancing.

The majority of respondents were involved in cofinancing during the 1990s and only few during the 1970s and 1980s, and the survey is therefore strongly biased by views and experiences based on cofinancing in a fairly recent past. An effort was made to distinguish between officials who had dealt with cofinancing at the executive level and those at the operational level, but this did not produce significant differences in perception. By contrast, those who had responsibility mainly for programme aid and those who dealt with project aid held different views on the practical use of cofinancing. While the former stressed the advantages of donor coordination, those involved in project aid specifically mentioned the importance of influencing the World Bank.

19.3 Findings on cofinancing as an aid instrument

Questions related to cofinancing as an aid instrument have been examined with regard to the three country case studies as well as to selected Free-Standing Trust Funds (Consultant Trust Funds and FSTF in the energy sector). The findings are compared with those of the survey held among officials of the Ministry of Foreign Affairs.

19.3.1 *Relations with the World Bank*

Ghana

The Regional Policy Plan for Sahelian and other West African countries (1992–95) was the first to include Ghana but does not make any explicit reference to cofinancing with the World Bank in its section on that country. In a more general part of the document, however, it is stated that such cofinancing would be possible in all countries, although precise objectives or expected added value are not mentioned.

Throughout the period under review, the Netherlands relied on the World Bank for the design, implementation, supervision and evaluation of cofinanced economic reforms in Ghana. This approach could have been due to the manpower situation and to the limited macroeconomic expertise available in the Ministry of Foreign Affairs (at Department and Embassy levels). It is less understandable for the 1990s than for the 1980s, however, as the Ministry strengthened its staffing early in the later decade.

Shortcomings occurred in reporting by the World Bank and also in the follow-up by the Ministry of Foreign Affairs, where officials failed to ask for reports. It may thus be concluded, that World Bank know-how was used extensively, but that no initiative was taken to pursue the aims of influencing or learning from the World Bank. Dutch involvement in infrastructural projects leads to a similar conclusion, with the exception of the electrification project, the Dutch-funded component of which the World Bank was unwilling to undertake on its own. Even then, however, proper monitoring or evaluation by Dutch officials did not occur.

Pakistan

Country Policy Plans for Pakistan drawn up by the Ministry of Foreign Affairs referred to the importance of cofinancing with the World Bank. The stated preference for parallel cofinancing did not materialise, however, since 80 percent of cofinancing took place under joint arrangements. The policy documents do not refer explicitly to the perceived added value of cofinancing with the World Bank as compared to other bilateral aid.

In Pakistan, most cofinanced projects were taken care of almost exclusively by the World Bank. The Dutch Ministry sometimes expressed concern at the appraisal or supervision stage. The issues raised, however, were not sufficiently monitored or followed-up at subsequent stages and were not even taken into consideration when additional funding had to be approved. The Ministry thus relied heavily on World Bank management and know-how; only limited attempts were made to engage in a learning process and/or to influence the Bank. After 1995, however, the Royal Netherlands Embassy in Islamabad became more actively involved around the Social Action Programme project (SAPP) and the Micro-Enterprise Development Project (MED).

Uganda

The Dutch Regional Policy Plan for East Africa, which covered Uganda (1992–95), explicitly mentioned cofinancing with the World Bank, notably through import support or budget support (in relation to the economic reform programme) and in the Northern Ugandan Reconstruction Programme (NURP).

Prior to 1993, the Netherlands did not have an embassy in Kampala. The World Bank was considered a convenient channel through which to provide especially programme aid through joint cofinancing. Preparation, supervision and review/evaluation activities were left entirely to the Bank, apparently because the Ministry of Foreign Affairs did not possess sufficient macroeconomic knowledge of Uganda. Dutch involvement increased during the early 1990s, when the Netherlands systematically participated in SPA and Consultative Group Meetings. After the Dutch Embassy was opened in Kampala, programme aid was no longer channelled through the World Bank but was granted as direct bilateral aid notably for debt relief. With regard to project aid, the Royal Netherlands Embassy in Kampala was involved fairly closely in projects related to Civil Service Reform and the Veterans Assistance Programme, but there was little interaction between the Dutch Community Assistance Programme Project (CAP) and the related NURP supported by the World Bank.

In conclusion, the use of World Bank know-how was a vital factor in decisions on Dutch cofinancing of projects and programmes (with the exception of CAP/NURP). Although the objectives of acquiring new knowledge and experience and of influencing the World Bank were mentioned in relevant Dutch documents, there is little evidence that this materialised on a significant scale other than in Civil Service Reform and the Veterans Assistance Programme.

Free-Standing Trust Funds

FSTF examined under the present evaluation showed a different picture. Although Consultant Trust Funds were basically meant to provide additional (Dutch) expertise to World Bank activities rather that to use World Bank know-how, two Trust Funds were aimed specifically towards that use. The Trust Fund For Eastern Europe was created because the World Bank was supposed to possess the required regional expertise. There is little evidence that the Ministry of Foreign Affairs actively sought to learn from that experience and/or to influence the Bank. The Poverty Assessment Trust Fund explicitly included aims related to the use of Bank know-how, learning from, and also influencing the Bank.

FSTF in the energy sector were also created with the intention to utilise the Bank's know-how, to learn from it and to influence it. In the 1980s, when the Bank's mainstream thinking was still dominated by conventional sources of energy (oil, gas and coal), the Netherlands advocated new approaches that stressed the importance of non-conventional sources (biomass, solar, wind and hydropower) and of energy efficiency. During the 1990s the Netherlands has sought to assist governments of developing countries to adopt more suitable energy policies that could be supported by World Bank lending, achieving moderate success in doing so.

Conclusion

It may be concluded that the Netherlands made extensive use of World Bank know-how in the appraisal, supervision and evaluation of cofinanced activities. It did not make any systematic effort to learn from the experience or to influence the Bank except in some specific cases, and especially as regards the Poverty Assessment Trust Fund and FSTF in the energy sector.

These findings correspond to the outcome of the survey held among Ministry officials: the aim of making use of Bank know-how ranked high among priorities perceived as important, whereas the objective of influencing the Bank ranked much lower and that of learning from the Bank was hardly mentioned.

19.3.2 *Benefits for recipient countries*

The benefits for recipient countries discussed here reflect the point of view of the Dutch Government as shown in various policy documents, and do not necessarily coincide with the view of recipient countries. In interviews held during country-field visits, government representation of beneficiary countries have mentioned both advantages and disadvantages of cofinancing between bilateral donors and the World Bank. No systematic inventory of opinions has been made, however, and for present purposes it was found necessary to adhere to the objectives outlined in the evaluation's overall terms of reference.

Ghana

The study on cofinancing in Ghana showed the following benefits to the recipient country.

– Cofinancing had a positive effect on donor coordination at the level of the Government of Ghana and at that of the World Bank, by reducing the number of donors in the policy dialogue regarding specific components of the Economic Recovery Programme. This applied particularly to joint cofinancing, but also to parallel projects. For the Netherlands, before it started to participate in the Consultative Group (1992), cofinancing was particularly important.

– If the Netherlands had been the sole financier, Ghana would not have benefited from Dutch funding for cofinanced projects, all of which were too large to be funded by the Netherlands alone. In the support of economic reforms (programme aid), the Netherlands could not singly have pursued a policy dialogue aimed towards such reform. The financial needs of infrastructural projects also clearly exceeded the possibilities of the limited Dutch programme in Ghana.

- Programme aid achieved a better qualitative outcome by virtue of having been cofinanced than could have been expected from other implementation modalities. Bilateral aid alone could hardly have produced comparable results because it could not have pursued the same conditionalities. Infrastructural projects exhibited adequate physical implementation but also showed feeble prospects in terms of institutional sustainability due to managerial and financial difficulties in the respective Ghanaian agencies. It is doubtful, however, if this would have been avoided under another implementation modality than cofinancing.

- Cofinancing created additional resources for Ghana in the case of two of the three infrastructural projects which involved commercial credits. It should be noted, however, that many other funding agencies were on stand-by should Dutch cofinancing not materialise. In this sense, the added value of cofinancing is likely to have been nil. Cofinancing did not affect Ghana's (structural) access to the international capital market.

Pakistan

In Pakistan, cofinancing did not create additional funds beyond those available under ODA. The other dimensions of the added value of cofinancing were as follows.

- Donor coordination was not a major aspect of most cofinanced projects, with the major exception of the Social Action Programme (SAP). It is still too early to assess whether the Bank's role in this regard enhanced the ability of the Pakistani Government to concentrate on vital issues, or whether that involvement prevented sufficiently autonomous decision-making by the Pakistani authorities.

- With the exception of the Micro Enterprise Development project and possibly the education projects related to SAP, projects were clearly too large for Dutch funding alone. It is impossible to know whether the projects would have been of less quality if cofinancing had not been practiced.

Uganda

No additional funds were created in Uganda beyond what was available under ODA. Other dimensions of the possible benefits of cofinancing were as follows.

– During the 1980s, the World Bank represented the Dutch Government in discussions with the Government of Uganda. The Bank hence assumed part of donor coordination which was otherwise ensured by the Ugandan Government itself. During the 1990s, the Netherlands participated in the Consultative Group and maintained direct bilateral consultations through the Royal Netherlands Embassy in Kampala. The benefits of cofinancing for donor coordination were thus reduced, also in view of the fact that no more programme aid was channelled through the World Bank.

– The various cofinanced projects (with the exception of CAP/NURP) were all too large and complex to be funded by the Netherlands alone. The question as to possible quality enhancement resulting from cofinancing cannot be answered. Cofinancing with the World Bank, however, was largely abandoned after the opening of a Royal Netherlands Embassy in Kampala. It was thus apparently not expected to yield any better results than could be achieved through the bilateral implementation of projects.

Free-Standing Trust Funds

Among those FSTF that were subjected to evaluation, donor coordination was a prominent feature in the Poverty Assessment Trust Fund and in the energy sector (notably ESMAP). Advantages with regard to the size and quality of projects could not be expected under this type of cofinancing. The mobilisation of additional resources was not a prominent feature of these FSTF, though the expertise mobilised under Consultant Trust Funds was additional to other activities of the World Bank. Also, FSTF for project and programme formulation (ASTAE, NCE, RPTES) were welcome additions to regular World Bank funding at a time when that had decreased. Developing countries thus benefited indirectly. In no case, however, was there any incidence on the access of developing countries to international capital markets.

Conclusion

Cofinancing played a useful role in donor coordination, avoiding conditionality proliferation. It allowed recipient countries to benefit from Dutch financing which otherwise would not have been feasible since projects were too large for Dutch-funding only. Moreover, Dutch aid consisted of grants (contrary to World Bank funding). Cofinancing also made it possible for the Netherlands to participate in projects that were too large for direct bilateral implementation. Programme aid was of better quality than might have been expected from other modalities, but this does not necessarily also apply to project aid. With the possible exception of some infrastructural projects in Ghana, in which cofinancing was supported by commercial credits, cofinancing had no effect in mobilising additional commercial resources than were already available. No cases are reported in which cofinancing would have eased access to international capital markets for developing countries.

The outcome of the evaluation corresponds to the findings of the survey among officials of the Ministry of Foreign Affairs. Participation in large projects and donor coordination were both perceived as very important. The creation of additional resources for developing countries and notably of improved access to capital markets were found to have been of marginal importance.

19.3.3 *Advantages for the Netherlands*

Ghana

Taking into account the very limited involvement of the Dutch Ministry of Foreign Affairs in cofinanced activities, notably jointly cofinanced activities, it may be concluded that the aim of reducing the workload was achieved—although at the cost of non-achievement of other objectives (cf. above). Cofinanced activities were found to be in line with general Dutch policies and with the specific objectives outlined in the 1992–95 Regional Policy Plan for West Africa.

With regard to the Dutch private sector, Dutch firms benefited from the partially untied character of projects under parallel cofinancing as well as from support given to export transactions. Approximately 55 percent of cofinancing funds disbursed for Ghana were used for equipment etc. supplied by Dutch firms. Several companies reinforced their competitive position and one company even ‘survived’ on the Ghanaian market as a result of Dutch cofinancing.

Pakistan

Most projects were jointly cofinanced, which considerably reduced the workload for the Netherlands, notably during the 1980s. It was only after 1992 that the Royal Netherlands Embassy in Islamabad became more involved, particularly in activities in the social sector and in small enterprise development. Activities funded during the 1990s were found to have been in line with Dutch policies. Cofinancing in Pakistan was of very limited interest for the Dutch private sector, involving only a few suppliers of equipment and a small number of consultants.

Uganda

The workload of the Dutch Ministry of Foreign Affairs (including the Embassy in Nairobi) resulting from cofinancing was not found to have been very significant until a Royal Netherlands Embassy was opened in Kampala in 1993. Embassy staff became very involved in both programme and project aid. Simultaneously, the volume of cofinancing drastically decreased after 1993. All cofinanced activities were found to have been in line with general Dutch development cooperation policies, although debt relief was not explicitly mentioned in the Regional Policy Plan for East Africa covering Dutch–Ugandan bilateral aid (1992–95). Cofinancing in Uganda did not have any effect for the Dutch private sector.

Free-Standing Trust Funds

The dimension of reducing the workload was taken into consideration for some Consultant Trust Funds, e.g. for Eastern Europe, but played virtually no role for the other FSTF that have been examined. As regards the Poverty Assessment Trust Fund and FSTF in the energy sector, cofinancing may well have increased the workload, but this was intentional. All FSTF examined were in line with Dutch policies. Consultant Trust Funds served the Dutch consultancy industry well, even when respective funds were untied, as in practice assignments were largely given to Dutch individuals and/or companies. This also applies to a lesser extent to FSTF in the energy sector.

Conclusion

Joint cofinancing in particular was found to have greatly reduced the workload of the Netherlands, with the exception of a few projects (FSTF). This was realised at the expense of other aims, e.g. learning from, or influencing the World Bank. In general, cofinancing under parallel arrangements was more time-consuming for Dutch ministry officials, particularly cofinanced project aid. This did not result in greater Dutch influence on project design or implementation than in the cases of joint cofinancing and/or programme aid. All cofinanced activities were nevertheless in line with Dutch policies. The interests of the Dutch sector were served under partially untied parallel cofinancing as well as by the Consultant Trust Funds. The findings are generally in line with the results of the perception study held among officials of the Ministry of Foreign Affairs.

19.4 Overall conclusions

Cofinancing responded to some of the expectations and motivations laid down in policy documents by the Dutch Government. It could never have responded to all, since some conflicted with one another. Cofinancing under joint arrangements in particular reduced the workload of officials of the Dutch Ministry of Foreign Affairs, and extensive use was made of World Bank know-how. In most cases, however, the involvement of Dutch officials in World Bank projects and programmes was insignificant, resulting in non-achievement of the objectives of learning from the World Bank and influencing its policies. Notable exceptions in this respect were some FSTF, e.g. the Poverty Assessment Trust Fund, and FSTF in the energy sector.

Cofinancing allowed the Netherlands and recipient countries alike to benefit from the opportunity which cofinancing with the World Bank provided to participate in large projects and programmes. An additional advantage for recipient countries was the grant character of Dutch aid. Project quality was found to be relatively good, especially in programme aid. Cofinancing had a positive impact on donor coordination, both at the level of recipient countries and that of the donor community. This was particularly so in the case of joint cofinancing. Cofinancing was not effective in mobilising additional resources beyond ODA and/or to increase access to international capital markets for developing countries. The interests of the Dutch private sector were only served directly under partially untied parallel cofinancing and through the Consultant Trust Funds.

For the World Bank, the value added of cofinancing with the Government of the Netherlands consisted mainly of increased leverage in the policy dialogue with governments of recipient countries that benefited from Dutch funds, particularly in the case of policy-based lending in support of economic reforms. In a few of these cases, cofinancing enabled the Bank to take a more flexible position than would have been possible based on its own resources and/or conditionalities. Moreover, cofinancing occasionally enabled it to lower credit amounts, thereby saving its own resources and making it able to finance additional activities. Finally, the World Bank is confronted with various realities and challenges. One reality is that bilateral donors' willingness to provide multilateral funds is declining. Another reality is the growing debt problem in recipient countries limiting their acceptance of new loans. Cofinancing with bilateral donors enables the Bank to deal with them both—provided that bilateral donors are convinced of the Bank's adequate handling of the cofinancing arrangements and, if applicable, of an equal partnership between them and the Bank.

ANNEXES

Annex 1 The Policy and Operations Evaluation Department (IOB)

The Policy and Operations Evaluation Department, also known by its Dutch acronym IOB or Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie, is responsible for evaluating Dutch foreign policy.

IOB is part of the Ministry of Foreign Affairs. It is an independent unit which reports directly to the Minister concerned, who then submits the studies to Parliament. The Department was established in 1977, with a mandate that was restricted to the evaluation of aid programmes. Following reassessment of Dutch foreign policy in 1996, however, the mandate of the unit was broadened to include other fields of foreign policy.

From 1977 to the mid-1980s, IOB's emphasis was on individual project evaluations, the status of which was then confidential. During this period about 250 evaluation reports were produced.

Since the mid-1980s, emphasis has shifted from individual project evaluations to comprehensive thematic studies focusing on policies and modalities of implementation and covering sectors, themes or programmes. The duration of these thematic evaluations averages two to three years. External independent experts participate in various phases of the research, under IOB responsibility. Increasingly, institutions or experts in recipient countries are invited to participate in the fieldwork. A reference group consisting of independent experts and Ministry staff is appointed for each study to advise on the methodology and approach of the evaluation.

The final reports, based on various field and desk studies, are written by IOB's own staff and published under its responsibility. They are discussed with the Permanent Committee on Foreign Affairs with respect to follow-up actions, and are also widely distributed. Examples of recent thematic studies include: Evaluation and Monitoring, Inter-institutional Cooperation in Higher Education, Humanitarian Aid to Somalia, Environment and Development Cooperation, Fertiliser Aid, Women and Development, and the programme of the Netherlands Development Organisation (SNV) in Benin, Nepal and Bolivia.

In 1994 studies were published on the Netherlands country programmes in India, Mali and Tanzania. In 1998, similar studies were published on the programmes in Bangladesh, Bolivia and Egypt. The latest studies also gave attention to non-aid bilateral relations between those countries and the Netherlands, in accordance with IOB's new mandate.

IOB also participates in multi-donor evaluations. Examples of this include the evaluation of: Rural Small-Scale Industrial Enterprises (UNDP, ILO, UNIDO), the World Food Programme, the European Union Food Aid Programme, Emergency Assistance to Rwanda, European Union Aid: ACP, MED, ALA Programmes and Humanitarian Aid, and the United Nations Capital Development Fund (UNCDF).

Annex 2 Organisation of the evaluation

The preparatory work for this study consisted of making an initial inventory of cofinanced activities, tracing documentation, developing the General Terms of Reference as well as specific Terms of Reference for each of the seven case studies, and selecting and inviting advisors (March 1995–March 1996). The evaluation itself covered a two-year period (March 1996–March 1998). Another year was involved in writing of the final evaluation report (March 1998–March 1999).

Coordination of the evaluation activities and the writing of the report was the responsibility of Dr Fred P.M. van der Kraaij (IOB) and Dr Lucien R. Bäck (consultant). They were supported by senior consultant Mr Piet Lanser (1996–98) and by project assistants Mrs Karin Potma (1995) and Mrs Lilian de Rek (1996–98). Mrs Marian de Ruyter and Mrs Henny van de Veer provided secretarial assistance.

The identification of cofinanced activities

The lack of a comprehensive list of cofinanced activities at the World Bank and at the Ministry of Foreign Affairs of the Netherlands made it necessary for such a list to be drawn up. Criteria were formulated and a methodology developed for the purpose. This exercise distinguished between (1) joint and parallel cofinancing, and (2) the type of cofinancing: (i) related to World Bank loans/credits, and (ii) not related to World Bank loans/credits (so-called Free-Standing Trust Funds, FSTF).

Joint cofinancing

All joint cofinancing is transferred to the World Bank which opens a trust fund account for the activity to be cofinanced. Each jointly cofinanced activity is given an individual Trust Fund number (TF-number). The existence of a Dutch TF-number related to a credit or loan of the Bank was the main criterium used to include the related development activity in the list of Credit and Loan Related Cofinancing (CLRC). In some older cases a

TF-number could not be traced and the cofinancing relationship needed to be established through file research.

The second category of joint cofinancing, Free-Standing Trust Funds, is also administered by the Bank with the use of TF-accounts. Information provided by the Bank, together with the study of the archives and of the financial and administrative systems of the Ministry of Foreign Affairs, have made it possible to identify these Free-Standing Trust Funds.

The major difficulty which faced the identification of jointly cofinanced activities in the World Bank's administration was the occurrence of double-counting as a result of the Bank's practice of occasionally subdividing TF-accounts into various sub-accounts. This problem was solved by close cooperation between the Bank's Trust Fund Administrator, Mr Kah Hie Lau, and Mr Piet Lanser.

Parallel cofinancing

Joint cofinancing includes the transfer of funds to, and record keeping by, the World Bank, a feature which is lacking in the case of parallel cofinancing. A complicating factor was that neither the Bank nor the Dutch Ministry of Foreign Affairs systematically registered this as cofinancing with the World Bank. Parallel cofinanced activities have been identified with the use of the following criteria.

1. The project was mentioned in the minutes of annual consultations between the Netherlands and the World Bank. It proved, however, that many project proposals discussed during these meetings did not result in cofinancing, whereas many cofinanced activities were not discussed.
2. The cofinanced activity was mentioned in World Bank documents: Staff Appraisal Reports (SARs), Project/Implementation Completion Reports (PCRs/ICRs), Project Performance Audit Reports (PPARs) and others. Information derived from these sources, however, was also not conclusive since some documents were based on non-committing estimations (SARs) and not all PCRs, ICRs and PPARs systematically covered Dutch cofinancing.
3. The project was mentioned as a parallel cofinanced activity in the Dutch appraisal memorandum (Bemo).
4. Confirmation of the above by project files in the Ministry of Foreign Affairs.
5. Other information included in these files or other documents confirming Dutch parallel cofunding of a 'World Bank project'.

In all, some 2,000 files were consulted in the Ministry of Foreign Affairs. The result was a list of cofinanced development projects, programmes and other activities, presented in Annex 5, Tables 15–17.

The initial list covered cofinancing worth Dfl. 3.9 billion (commitments) resp. Dfl. 3.5 billion (expenditures). The final list showed totals of Dfl. 4.9 billion and Dfl. 4.2 billion respectively. Technical assistance was included only when it was part of the approved budget (commitment). Technical assistance by bilateral experts, bilateral and multilateral associate experts, directly financed by the Ministry of Foreign Affairs and though directly linked to the cofinanced project but not part of the approved budget was not included even when in certain cases the amount of this assistance was important. Also technical assistance provided by the Netherlands Development Organisation (SNV) was not included. Other additional financing was omitted too, e.g. supporting missions financed from various budget lines of the Ministry of Foreign Affairs.

The evaluation

The evaluation was implemented through seven special studies: (1) Ghana (July–November 1996); (2) Pakistan (August–December 1996); (3) Uganda (July–November 1997); (4) relevant material from IOB country studies Bangladesh, Bolivia, Egypt, India, Mali, Tanzania (1997–98); (5) relevant material from PPARs/World Bank (1997–98); (6) Free Standing Trust Funds (1997–98); and (7) Export Credit Cofinancing (1998).

Each special study involved the following activities: (i) extensive file research in the Ministry of Foreign Affairs, the World Bank and relevant countries; (ii) interviews with government officials, World Bank staff, representatives of other public and private agencies, including non-governmental organisations, the business community and universities; (iii) field visits to project sites in relevant countries; and (iv) discussion of draft reports with groups of advisers both in the Netherlands and the respective countries, as well as with directors and task managers in the World Bank.

The special study on *Ghana* was carried out by Dr Nii K. Sowa (Centre for Policy Analysis, Accra) and Dr Howard White (Institute of Social Studies, The Hague). Research assistants were Mrs Ivy Acquaye and Mrs Nicky Pouw. File research took place in the Netherlands (Ministry of Foreign Affairs), Washington (World Bank, Royal Netherlands Embassy/RNE) and Accra (RNE). Numerous people were interviewed in The Hague (MFA), Washington (WB), and Accra (government officials, businessmen, representatives of bilateral/multilateral donor agencies and non-governmental organisations, universities, etc.). A field trip was made by the evaluation team (Sowa, White and Van der Kraaij) to nine of Ghana's ten regions.

Members of the group of advisers in Ghana were the following: Dr J. Abbey (Director, Centre for Policy Analysis), Mr Agyabeng Antwi-Agyci (WB Resident Mission), Mr Ameyaw (Research Department Bank of Ghana), Mrs Appenteng (Ministry of Finance), Dr E. Aryeetey (University of Ghana, Legon), Mr F. Conzato (Delegation, European Commission), Mrs Teresa Efua Ntim (Bank of Ghana), Mr E.G. Erbynn (Executive Director, National Development Planning Commission), Mr S. Haykin (USAID), Mr K.K. Framji (Resident Representative WB), Mrs B. de Lange (RNE, Accra), Dr P. Mayer (Friedrich Ebert Foundation), Dr J. Ofori-Atta (Institute of Economic Affairs). The draft report was commented upon by Mr S. Mikhailoff (Country Director for Ghana, WB), and (partly) by Mr J. van Houwelingen (Kloos Railway Systems, B.V.) and Mr M. Schinkel (NIMA Railway Signalling B.V.). Support was provided by the RNE in Accra and Washington as well as by the Office of the Executive Director (WB) in Washington.

The special study on *Pakistan* was realised by Mr W. van den Andel and Dr L.R. Bäck (both independent consultants), with support from a number of Pakistani and Dutch experts and assistants: Mr Ikram Azam, Mr Usman Amir Bux, Mr Abdul Ahad Effendi, Mrs Zeenath Jahan Elahi, Mr Amir Haider, Mr Muhammad Haneef, Mr Ahsan Hidyat Khan, Mr Amir Matin, Mrs Sajida Quereshi and Mrs Riffat Shaukatullah. Project assistants were Mr Salman Ahmad Dar and Mr Martijn de Groot. File research took place in the Netherlands (MFA), Washington (WB, RNE), and Islamabad (Economic Affairs Division/Government of Pakistan; RNE). Numerous people were interviewed in The Hague, Washington and Islamabad. A field trip was made to project sites (BMIADP, ISRP and SSI) in Baluchistan Province and the North West Frontier Province (NWFP).

Members of the Group of Advisers were Mr Martijn Elgersma (RNE), Mrs Mehnaz Fatima (Institute of Business Administration, Karachi), Mr Sajid Hasan (Joint Secretary External Affairs Division), Mr Khurshid (ex General Manager WAPDA), and Mr Fazullah Quereshi (Secretary of Planning). Comments on draft chapters were received from Mr James D. Fyvie and Mr W. Wolters. Furthermore, the draft report was discussed with Mr Fakhruddin Ahmed, Mr Sadiq Ahmed, Mr Ridwan Ali, Mr Ivar Andersen, Mr Panos Gavros, Mrs Barbara Herz, Mr Ian Morris, Mrs Meena Munshi, Mr Rakesh Nangia, Mr Damianos Odeh, Mr Beshir Parvez, Mr Usman Qamar, Mr Ainul Hassan Quereshi, Mr Michael Saddington, Mrs Pina de Santis, Mr Joseph Wambia, and Mr Tetsuo Yegushi of the World Bank in Washington DC and Islamabad. The Netherlands Embassy in Islamabad also commented on the draft report. In general, support was provided by RNE in Islamabad and Washington as well as by the ED's Office (WB) in Washington.

The special study on *Uganda* was realised by Dr L.R. Bäck, Dr J. Ddumba-Ssentamu, Dr G. Ssemogere (both of Makerere University), and Dr F.P.M. van der Kraaij. File research was conducted by Mrs L. de Rek and Dr van der Kraaij (The Hague, Washington, Kampala). Interviews took place with people in The Hague, Kampala and Washington. A field trip was made to the project site of CAP/NURP (Arua District). The group of advisors included Mrs M. Bitekeruro (EPBC), Mr M. Koper (RNE), Mrs H. Nannyonjo (WB), Mr M. Obwona (WB), Dr A. Ojoo (MSE consultancy), Mr G.Tata (WB), Mr L. Tisasirana (Ministry of Finance), and Mrs A. Wehkamp (SNV). The draft report was also commented upon by Mr J. Adams (Director, Eastern Africa Department, WB), and Mr E. Tumusiime-Mutebile (Permanent Secretary, of the Treasury). The RNE in Kampala and Washington and the ED’s Office (WB) in Washington provided support to the evaluation.

The special studies that aimed at synthesing relevant findings and conclusions of IOB country studies (Bangladesh, Bolivia, Egypt, India, Mali, Tanzania) and of evaluation material of the World Bank on cofinanced programme and project aid (included in PPARs), were implemented by Dr L. Bäck and Mr P. Lanser with the support of Mrs L. de Rek.

The study on *Free-Standing Trust Funds* was realised by Dr L. Bäck with support of Mr M. de Groot, Mr R. Keijzer and Mrs L. de Rek. File research took place in The Hague, Washington and New York. Interviews were held with World Bank staff in Washington, UNDP staff involved in ESMAP during the 1980s in New York, as well as with MFA officials.

The study on *Export Credit Cofinancing* was executed by Dr F.P.M. van der Kraaij with support from Mrs E.A.M. Boerma. File research took place in The Hague (MFA); interviews were held with Ministry staff, and COL representatives.

The results of the special studies were eventually grouped in Programme Aid and Project Aid combined under the headings that appear in the table of contents of the final report.

In 1998 a survey was undertaken into perceptions of cofinancing with the World Bank within the Dutch Ministry of Foreign Affairs. Former and present MFA officials were surveyed with regard to their views and experiences on the advantages of cofinancing with the World Bank. The officials were selected on the basis of their direct involvement with cofinancing between 1975 and 1996. Guarantees were given on the anonymous processing of replies. Out of 156 officials who were approached, 124 participated in the survey (over 80 percent). The study was conducted by Mrs R. Brouwers.

During the research, the evaluation team visited World Bank Headquarters in Washington DC at regular intervals. The inventory of jointly cofinanced activities was realised with the support of Mr Kah Hie Lau (Trust Fund Administrator). Regular contacts were maintained with Mr J. Muis, Vice President and Controller, as well as with Mr T. Arai, Mr R. Arrivillaga, Mr T. Cholst, Mr P. Hubbard, and Mrs J. Kirby-Zaki (Cofinancing and Project Finance Department). The Operations Evaluation Department of the World Bank was regularly informed of the progress of the evaluation: Mr P.Guerrero, Mr R.J. van der Lugt, Mr R. Picciotto, Mr R. Slade and Mr U. Thumm. A draft version of the evaluation's main findings and conclusions was discussed with a team headed by Mr G. Lamb, Acting Vice-President, Resource Mobilisation and Cofinancing (WB), in December 1998.

Staff at the Royal Netherlands Embassy in Washington (Mr R. van Wier, Mr S. IJzermans) and the Office of the Executive Director WB (Mrs E. Herfkens, Mr P. Stek) were also regularly visited in order to brief them on the evaluation's progress and findings.

The evaluation was accompanied by a group of advisers in the Netherlands. External members included Mrs R. Brouwers, Dr P. van Dijck, Mr F. van Loon, Dr J. Opschoor, Mr E. van der Pol and Dr J. Waelbroeck. Internal members (MFA) were Mr S. Berends, Mr Th. Bienefelt, Mr R. Claessens, Mr P. den Heijer, Mr G. de Jong, Mr L. van Maare, Mr M. Rutgers, Mr M. van der Voet and Mr R. van Wier. They commented on the evaluation's Terms of Reference, on the various reports, and on the draft of the final evaluation report.

Annex 3 The World Bank: Organisation, policies and portfolio management

Standard practice refers to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) as the World Bank. The World Bank Group comprises, besides IBRD and IDA, the International Finance Corporation (IFC—founded in 1956); the International Center for Settlement of Investment Disputes (ICSID—created in 1966); and the Multilateral Investment Guarantee Agency (MIGA—formed in 1988). The focus here is on IBRD and IDA only.

1 The organisation

IBRD

The International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF) were established at the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire (USA), in July 1944. The initiative emanated from the desire, expressed specifically of the Governments of the USA and the United Kingdom, to assist in the reconstruction of war-torn economies in Western Europe. On the insistence of some Latin American countries in particular, the dimension of development was added.

Founding members of the new institution in addition to the Governments of the USA and United Kingdom, included Czechoslovakia, France, Greece, Liberia, Poland, the Soviet Union and the Netherlands, as well as some Latin American countries.

Membership of IBRD is restricted to member countries of the International Monetary Fund (IMF). Subscriptions by member countries to the capital stock of IBRD are based on each member's quota in the IMF, designed to reflect the country's relative economic strength. Voting rights are related to shareholdings.

All powers in the IBRD are vested with the Board of Governors, consisting of one Governor appointed by each member country. Powers exercised by the Board of Governors which cannot be delegated include certain rights, e.g. to admit or suspend members, to increase or decrease the capital stock of the Bank, to decide on appeals resulting from interpretations of the Articles of Agreement and to approve amendments to the Articles. The Board of Governors usually holds one Annual Meeting in September, held either in Washington or in a member country (the latter every third year).

Part of the authority of the Board of Governors is delegated to the Executive Directors, who are responsible for interpreting the provisions of the Articles and for conducting the general operations of the institution. Proposals for loans or other financing, borrowing, major technical assistance operations, budgets, reports and recommendations to the Board of Governors, and all matters involving policy issues, are submitted by the President to the Executive Directors for their consideration and decision. In the mid-1990s there were 24 Executive Directors. They serve a two-year term which may be extended. Each appointed or elected Director formally casts the number of votes to which the country or countries which appointed or elected him or her are entitled.

The President of the Bank serves as Chairman of the Executive Directors, but may vote only in the case of an equal division. As Manager of the Bank, the President is also responsible for the conduct of the ordinary business of the Bank and for the organisation, appointment and dismissal of its officers and staff.

Since 1974, the Board of Governors has been supported by the Development Committee (formally known as the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries). Committee members are usually Ministers of Finance of member countries, appointed for successive two-year periods. The Committee advises on and reports to the Board of Directors on all aspects of the broad questions of the transfer of real resources to developing countries, and makes suggestions for consideration by those concerned regarding the implementation of its conclusions.

The formal weighted voting structure in IBRD entails a rather preponderant role in policy making for the developed countries. In 1980, developed countries were said to control approximately 64 percent of the voting power in the Bank (Zamora 1980:577). In 1993, as the Bank had grown larger, the power of the 'Big Five' (France, Germany, Japan, the UK and the USA) had become more diluted but they still controlled 39 percent of the votes. By contrast, two African Executive Directors representing 44 countries cast a mere 3.8 percent of the votes (George & Sabelli 1994:208). In practice, however, this formal provision is of little relevance, since the Board usually makes its decisions by consensus.

The viability of the Bank not only depends on continued support of the governments of 'developed' countries, but also on confidence in the institution on financial markets from which the IBRD borrows. The Bank's obligations are considered to be of very high quality in the capital markets, and carry a Triple A rating from the three major US bond rating services. The credibility of the Bank is based on two major factors: firstly, the Bank could call on government guarantees in case of serious financial trouble (a case which has so far not occurred); secondly, the Bank claims that there has never been a default on a Bank loan.

The 'Big Five' appoint their Directors, whereas the other countries elect them in groups through their Governors. The country with the most shares in a group usually nominates one of its nationals as Executive Director, or the job may be rotated among the larger members.[1] The Articles provide for election of the Bank President by the Executive Directors; in practice, however, the US Director informs his colleagues on the Board of the choice of the US Government. Traditionally, Bank Presidents have always been US citizens, while the Presidency of IMF has been held by European nationals.

IDA

The International Development Association (IDA) was established on 24 September 1960 with the intention to promote economic development and to raise productivity and standards of living in the less developed countries of the world. IDA credits are provided on more concessional terms than those that apply to IBRD loans.

Poorer developing countries that are unable to qualify for IBRD loans can resort to IDA credits which are typically for periods of 40–50 years, have a grace period of 10 years, and do not bear interest. Only a small administrative cost (0.75 percent) is entailed. IDA's financial resources consist of members' subscriptions and supplementary resources which are periodically 'replenished' by contributions on a grant basis from wealthier member countries. Replenishments have by-and-large become more substantial, but at times involve intricate negotiations and do not always meet the needs, especially in recent times (e.g. IDA-11 in 1995).

Membership in the IBRD is a prerequisite to membership in IDA. The Articles of Agreement of IDA relate voting rights to the amount of each country's subscription to the Association. Each member of IDA basically has 500 votes, plus one for each US$ 5,000 of its initial subscription. The voting power of each member country is periodically adjusted according to its respective contribution to Replenishments.

[1] The Director nominated by the Government of the Netherlands also represents the following countries: Armenia, Bosnia, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova, Romania and Ukraine.

IBRD and IDA have essentially the same organisational structure for policy formulation and executive supervision. Governors of IBRD whose countries are also members of IDA serve *ex officio* as Governors of IDA. The same holds true, *mutatis mutandis*, for the President and Executive Directors as well as for all officers and staff of IBRD. In practice, the only distinction between IBRD and IDA is that related to terms and conditions on loans and credits and the nature and composition of their clientele. Common parlance refers to IBRD loans and IDA credits. The World Bank consistently refers to 'Projects' even for macroeconomic support programmes.

2 Policies

2.1 *During the 1970s: Redistribution with growth*

Since its creation some fifty years ago, the World Bank has more than once substantially shifted the focus of its policy intentions and activities. When it was founded in 1944, its purpose was mainly the restoration of economies destroyed or disrupted by World War II. As the reconstruction of Europe took shape in the late 1940s and early 1950s, the Bank began to devote its resources to 'the encouragement of the development of productive facilities and resources in less developed countries' (Article 1 of the Articles of Agreement). From the 1950s to the mid-1960s, the Bank invested mainly in large-scale industrial and infrastructural projects involving, for example, the construction of power plants, roads, railways, ports and dams. The development doctrine of that time held that such investments were the key to successful development, as their 'trickle-down' effects would benefit the whole population (Salda 1995:xiv–xv).

A major shift in focus was introduced in 1968, when the basic development philosophy of the Bank became *Redistribution with Growth*. Equal emphasis was to be placed on economic growth and poverty alleviation. Lending was typically to fund integrated rural development projects that were to address agricultural production, population planning, public health, water supply and sanitation, housing and other 'basic needs'. Changes were also introduced in the Bank's traditional areas of lending which focused on infrastructural works. Emphasis now shifted to rural roads and transportation systems, power supply in isolated regions, and job creation and small enterprise development in industrial projects. The dramatic rises in oil prices in 1973 and 1979 and the precarious situation of oil-importing countries, enhanced the Bank's interest in alternative sources of energy including coal, gas, oil, wood and biomass (Salda 1995:xiv–xv).

Economic growth in developing countries was considered indispensable if the increasing gap between rich and poor nations was to be overcome. Within developing countries, it was felt that goals of national growth should be related to realistic targets of more equitable income distribution. A substantive flow of ODA (Official Development Assistance) was considered necessary to enable developing countries to meet these goals (cf. McNamara 1981:171–89). The two goals of 'economic growth' and 'poverty alleviation' were intrinsically related.

A distinction was made between 'relative poverty' and 'absolute poverty'. Whereas 'relative poverty' simply indicates disparities in affluence between nations and between individuals, 'absolute poverty is a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities.' (Policy Address R.S. McNamara to the Board of Governors in Nairobi in 1973, cf. McNamara 1981:238–39). According to the underlying doctrine, it was a moral obligation for the powerful to assist the poor and the weak. Other grounds for development assistance, e.g. the expansion of trade, the strengthening of international stability, and the reduction of social tensions, are subordinate to the moral postulate.

During its first 25 years of existence, the World Bank largely operated as a bank providing loans for economically viable investment projects in infrastructure, mining and industry. The shift in focus to resource-poor regions and segments of society increased the Bank's character as a development institution. The shift was matched by a very considerable increase in the volume of lending to developing countries, supported by a substantial strengthening of development expertise within the Bank (cf. Clark 1981).

2.2 *During the 1980s: Structural adjustment and social dimensions of adjustment*

Adjustment and recovery

The second surge of oil prices in 1979–80 brought in its wake a deterioration of terms of trade for non-oil-producing developing countries. While the cost of oil imports rose, revenues from the export of major commodities fell as demand decreased under economic austerity programmes in developed countries. The international financial sector had substantial resources at its disposal, resulting in a lavish supply of loans to developing countries. Since interest rates were variable, several countries faced increasing difficulties in repaying their debts when rates tended to rise during the early 1980s.

In 1982, Mexico suspended all payments on its huge debt, triggering a debt crisis in the international finance community of hitherto unknown proportions. The World Bank and other donors realised that a significant number of development projects had failed due to an unfavourable macroeconomic environment. During the early 1980s, as a result, the World Bank moved into the area of policy-based or adjustment lending which had traditionally been the realm of the International Monetary Fund (IMF) (cf. McNamara 1981:611–60).

Most developing countries, especially in Sub-Saharan Africa, were ill-prepared to deal with external shocks stemming from the oil and debt crises. The policies related to financial facilities provided by the IMF and aiming at stabilisation, i.e. austerity in the demand for imported goods, were found to be insufficient to correct balance-of-payment deficits. Adjustment lending—defined as rapidly disbursing and policy-based lending—sought to achieve both long-term macroeconomic stabilisation and a structural transformation of national economies by addressing the fundamental causes of their economic crises (Corbo and Fischer 1992:7).

Stabilisation measures sought to bring the level of demand and its composition (tradeable relative to non-tradeable goods) into line with that of internal financial resources and external financing, which often entailed a reduction in the fiscal deficit and a devaluation in real terms. The longer-term reforms under adjustment policies focused on creating more appropriate incentives: deregulation of the domestic goods markets, reform of the public sector, liberalisation of the trade regime, removal of constraints on factor employment and mobility, and obstacles to saving and investment. Institutional elements were to be strengthened, e.g. the capacity of governments to implement policies and the framework for private sector development (*ibid*.:7). Doctrines were based on the assumption that the economies of developing countries did not fundamentally differ from those of developed countries and that reform measures would produce the same responses everywhere (sometimes also referred to as ‘monoeconomics’, cf. Toye in: van der Hoeven and van der Kraaij 1994:18–35).

The involvement of the World Bank in policy-based lending with a countrywide focus differed from its previous practice to the extent that problems of poverty and underdevelopment were to be addressed at the global and macroeconomic level of a country rather than through individual projects. For the World Bank the new policy entailed a re-interpretation of its mandate. The Articles of Agreement contain a provision that Bank lending can only—except in special circumstances—be used for the purpose of specific projects of reconstruction and development (Article III, section 4 vii). Structural adjustment lending from the early 1980s onwards had to refer to the special circumstances foreseen in the Articles and also abide by the provision that this could only be done in agreement with the IMF.

As from the early 1980s, the Bank became involved in country-wide Structural Adjustment Loans/Credits (SAL and SAC) as well as in Sectoral Adjustment Lending (SECAL) (for example in agriculture, industry, the financial sector). By the end of the 1980s, such lending accounted for about 25 percent of total World Bank lending and for well over 50 percent of lending to some heavily indebted countries (Corbo and Fischer 1992:7).

Structural Adjustment Programmes differed to a fairly considerable extent in design and even more so in implementation. This was due to the recognition by IMF and the Bank that different countries required specific approaches. The commitment of borrowing governments varied, a condition which resulted in some cases in countermeasures and countervailing behaviour. External factors such as climatic conditions, the size and impact of financial flows that accompanied the adjustment process, and the international economic environment, influenced the outcome of adjustment policies.

The diversity of factors involved in adjustment policies explains the difficulties experienced in measuring and comparing the effects of policies and their impact on different countries. The World Bank usually measures the growth rate of GDP, and the shares of savings, investment and exports respectively in GDP. Comparisons are sometimes made by the before-and-after approach which compares the levels of these economic indicators before and after structural adjustment. The improbable assumption is that levels before adjustment would have been maintained had there not been economic reform.

Another approach compares countries that have adopted adjustment policies with others that did not (with and without, or control group approach). Taking into account that there are huge differences between countries at the outset, that adjustment policies are by no means uniform and that changes in the evolution of indicators may result from many other factors, this approach is not unproblematic.

The third approach is the 'modified-control approach' which seeks to overcome the inherent weaknesses of the other two methods. It takes into account the initial conditions of countries to be compared (adjusting and non-adjusting countries) and, more particularly, the specific external economic environment. The methodology allows the marginal contribution of an adjustment programme in adjusting countries to be estimated.

During the 1980s, a lively debate on the effects and impact of adjustment policies, especially in Sub-Saharan Africa, developed within the World Bank as well as between the Bank and borrowing governments, other international organisations, NGOs and academics. Notwithstanding the difficulties in measuring and comparing effects and impact, the key elements of successful adjustment policies were found to be the commitment of borrowing governments and the stability, continuity and predictability of policies. When pursued vigorously, adjustment policies resulted in improvements principally in the macroeconomic sphere, especially as regards export growth and the external accounts.

By contrast, the response of investment, both public and private, was found to have been generally slow. Domestic saving ratios also remained low. A central question was how much of the renewed growth of adjusting countries was due to policy reform and how much could be ascribed to external factors (e.g. climatic factors, aid and terms of trade changes).

Social dimensions of adjustment

During the second half of the 1980s, the impact of adjustment policies on poverty received increasing attention. In 1987 UNICEF published a study entitled 'Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth' (cf. Cornia *et al*. 1987). This study analysed data on child welfare from ten countries in Africa, Asia and Latin America and concluded that adjustment policies had direct negative effects on the welfare of vulnerable groups. Policies related to exchange rates and producer prices were said to have had a depressing effect on employment and real income. Welfare was also affected by rising urban food prices, cuts in food subsidies and in social expenditure per capita.

The study called for Adjustment with a Human Face, entailing (i) a longer time-frame making possible sustaining levels of output, investment and human need satisfaction; (ii) the use of meso-policies that targeted the poor; (iii) improving the equity and efficiency of the social sector; (iv) compensatory programmes of a temporary nature to protect low-income groups affected by the short-term effects of adjustment; and (v) monitoring the human situation, especially the living standards, health and nutrition of low-income groups (*ibid*.:287–97).

In 1988, a UN Inter-Agency Task Force organised the Khartoum Conference on the Human Dimension of Africa's Economic Recovery and Development, which resulted in the Khartoum Declaration. This recommended that the design and context of structural adjustment programmes should incorporate the goals and objectives of long-term development and should give adequate consideration to the human factor, with special attention to the social sector and the vulnerable groups as well as to manpower development and utilisation for the long-term (cf. Adedeji *et al*. 1990). A process of political consensus-building ensued on the African continent, which resulted in the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation. This was adopted in the Addis Ababa Joint Statement by African Ministers of Economic Planning and Development and of Finance (10 April 1989) (cf. UNECA 1989).

After the mid-1980s, World Bank studies consistently drew attention to the relationship between economic growth and poverty alleviation. Poverty alleviation remained the

Bank's central mandate throughout the 1980s. Its publications found economic growth to be the most significant factor affecting poverty—where growth was negative poverty did not decrease (cf. World Bank, Social Dimensions 1996). This overall statement required some qualification in terms of the short, medium and long-term effects of adjustment policies on levels of income of the poor, income distribution, and the provision of social services to the poor.

During the implementation of structural adjustment policies, it was realised that there were winners and losers, e.g. those producing tradeables in the agricultural sector might be expected to benefit more from reforms than the minority urban population which was unemployed or involved in the production of non-tradeables. The paucity of data on poverty in most countries of Sub-Saharan Africa caused a major bottleneck in monitoring the short-term effects of adjustment policies in this regard. This shortcoming was gradually overcome from 1992, when Poverty Assessments were carried out for most developing countries with the intention that the collected data and analyses would be taken into consideration in Country Assistance Strategies (CAS).

2.3 *1990–96: Investing in people*

Main themes

In the early 1990s, World Bank management recognised the need for a series of changes that would help it to face global challenges in the era following the Cold War. Between 1991 and 1994, 23 countries joined the Bank. Transition economies in Eastern Europe and Central Asia applied for Bank loans and credits as well as advice. The end of the East/West divide also brought in its wake substantial changes of policies in many developing countries.

There was growing awareness within the Bank that liberalisation of the economies of developing countries, especially in Sub-Saharan Africa and Latin America, did not always result in spontaneous enhancement of national production for domestic and export markets, or help to improve living standards for large segments of the population. Levels of unemployment increased in many countries and basic social services such as health care and education became less accessible. Where markets failed to allow for the achievement of developmental objectives, additional policies were required that would specifically target the poor and focus on social and environmental sustainability.

Although the central doctrine of World Bank policies during the 1990s continued to be based on the key concepts of adjustment and reform, their application tended to become less rigorous and uniform and more open to dimensions that had not been part of the original theoretical framework, e.g. the impact of reform measures on poor and vulnerable groups of the population, the gender balance, and the environment. The Bank thereby reacted to pressure by the international donor community and NGOs, and to political statements made by leaders of developing countries. People were recognised as both the means and the ends of development. Investment in human resources, and more particularly in education, as well as a reduction of population growth rates and of poverty, were recognised to be the key to development for assisted countries in terms of employment, productivity, and the ability to compete in a rapidly changing world (World Bank 1995c:3–7).

The private sector was seen as the primary engine of growth, but there was a need for an efficient public sector to assume roles of major importance: to provide a macroeconomic framework favouring stability and growth; to invest in people; to provide safety nets for the poor and vulnerable; to support the basic infrastructure and enforce environmental protection. Good governance not only involved an accountable public sector, but also participation by the people through corporate interest groups and non-governmental organisations.

Poverty

The World Development Report of 1990 (World Bank 1990) chose ‘poverty’ as its central theme. From trends during the 1980s the report concluded that poverty had increased in particular regions and countries, especially in Sub-Saharan Africa, Latin America and in the transitional countries of Eastern Europe. Apart from certain countries in East and South Asia, growth had been limited in most developing countries, investment was depressed, and per-capita incomes had shown a decline.

The Report set out a policy framework for attacking poverty during the 1990s which would consist of two main tracks: the first would be to promote the productive use of the asset most abundantly available to the poor: labour; the second was to provide the poor with basic social services such as primary health care, family planning, nutrition and primary education. The two-track strategy was later expanded into a three-track policy framework that included (i) labour-intensive economic growth; (ii) investment in human resources, especially of the poor; (iii) the provision of social safety nets.

The new policy framework was translated into operational policies in the World Bank Policy Paper of 1991 entitled ‘Assistance Strategies to Reduce Poverty’ (World Bank 1991). This suggested an approach based on analysis, resulting at a later stage in Poverty Assessments, and design, realised later in Country Assistance Strategies. Policies were further elaborated in the Poverty Reduction Handbook of 1992 (World Bank 1992) which surveyed Bank experience and provided guidance to World Bank operational task managers about ‘good-practice’ operational approaches, as well as in Operational Directive 4.15 that contained detailed guidelines.

Investing in human resources

The emphasis on human resource development led to a dramatic increase in lending for education, health, population and nutrition (cf. figure 1). Whereas in the period of FY81 to FY83 this had averaged five percent of lending, it rose to 16 percent between FY93 and FY95. The Bank has now become the largest external provider of resources for social investment in the developing world (World Bank, *Poverty Reduction and the World Bank*, 1996:iv, 19). Primary education was particularly stressed, as well as education for girls. The share of primary health care has increased substantially, especially for maternal and child health, population control, and the nutritional status of the poor. There has also been a substantial increase in safety nets designed to protect the most vulnerable members of society, both those who are structurally in a disadvantaged position (the sick, elderly and disabled) and those who suffer temporal setbacks, e.g. as a result of macroeconomic shocks or seasonal fluctuations in income (*ibid*.:10–30).

Women in Development

The attention shown by Bank management for gender-related issues increased sharply during the 1990s. Over half the projects with gender-related actions between FY67 and FY93 were approved between FY89 and FY93, according to an OED evaluation of Gender Issues in World Bank Lending of 1994 (cf. World Bank 1994). The report mentions that, although gender-related issues had been given attention by World Bank management since the early 1970s and a first Women in Development Adviser was appointed in 1977, it was only during the second half of the 1980s that the Bank gradually increased its resources and attention to gender. Even among projects that gave attention to the gender dimension, however, gender-related activities formed a relatively small part (*ibid*.).

In April 1994, the Board approved a major policy paper dealing with gender, entitled ‘Enhancing Women’s Contribution to Economic Development’, and issued an Operational Policy Statement on ‘the Gender Dimension of Development’ (OP 4.20). New policies aimed at the full integration of women in attention to the likely effects of projects (‘mainstreaming’), and concentration on gender issues in sectoral policies (e.g. girls’ education, women’s health, women’s participation in the labour force (‘sectoral focus’). Specific data on women are to be included in Poverty Assessments and Country Assistance Strategies (*ibid*.:32–33). The impact of these recent policy statements on the design and implementation of Bank projects has not yet been evaluated.

Environment

The World Bank's interest in environmental issues was triggered during the late 1980s when major Bank projects, e.g. the Polonoroeste Project in Brazil and the Resettlement Programmes in Indonesia, were found to have had negative effects on the environment. Environmental expertise in the Bank was strengthened and environmental guidelines and directives were developed (World Bank, Environment 1988 and 1989). In 1991, a three-volume Environmental Assessment Sourcebook (World Bank 1991) was issued. These tools were designed to facilitate the environmental assessment process, especially within the Bank.

The focus of the World Development Report 1992 was on 'Development and the Environment' (World Bank 1992). The need to integrate environmental considerations into development policy-making was emphasised. The neglect of environmental issues was said to undermine human health, reduce productivity, and compromise future development prospects. The Report explored two major lines of strategy: (i) the positive links ('win–win' situation) between income growth and the environment; and (ii) strong policies and institutions which cause decision-makers—households, producers, governments—to adopt less damaging forms of behaviour. The costs of protecting and improving the environment may be high in absolute terms, but they are modest in comparison with their benefits and with potential gains from economic growth.

During the early 1990s the World Bank, along with UNDP and UNEP, assumed a role in the development and management of the Global Environment Facility (GEF). This was to be a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding in the areas of biological diversity, climate change, international waters, and ozone layer depletion (World Bank 1996; World Bank 1994). Land degradation issues, primarily desertification and deforestation, as they related to the four focal areas, were also to be addressed. The specific roles of the World Bank were responsibility for the Global Environmental Trust Fund and the chairmanship of the Facility. GEF was initially seen as a three-year pilot initiative (1991–94), later followed by quite substantial Replenishments. Funds were to be additional to regular development assistance and provided as untied grants or on highly concessional terms to countries with a GDP per capita of less than US$ 4000 in 1989, provided they had a UNDP country programme.

The World Bank's dealing with environmental issues during the 1990s (which also involved the implementation of various other programmes such as ESMAP, ASTAE and NCE; cf. Chapter 15) was stimulated by donor agencies (cf. Sjöberg 1994), governments of developing countries, and NGOs, and also by academic criticism. External critics stressed the fact that Bank-supported structural adjustment programmes frequently ignored environmental impacts, particularly the effects of such policies on incentives and disincentives for efficient resource use and environmental protection (cf. Abaza 1995). The effects of macroeconomic policies on the environment have been subjected to much debate, in which it is commonly admitted that traditional growth-oriented polices incur environmental risks which could turn out to be economic risks in the longer run. Empirical research is needed to assess relations between specific interventions and their effects on the environment and to adapt policies accordingly in order to minimise environmental and economic risks (cf. Opschoor and Jongma 1996).

3 Portfolio management

3.1 *Implementation of policies*

The life of each World Bank project follows a consistent pattern, called the project cycle. The procedure leading to the approval of projects by the Board includes the following steps: (i) project identification and preparation (pre-appraisal) by the borrowing country with support from the Bank; (ii) staff appraisal which involves this discussion of several drafts of the Staff Appraisal Report (SAR) and negotiations with the government of the borrowing country; (iii) submission to the Board of Directors of the World Bank for approval, together with a President's Report which is basically a summary of the Staff Appraisal Report.

After approval, loan and credit agreements are concluded with the borrowing country and the project becomes operational. Subsequent steps in the project cycle are the following: (i) supervision by Bank staff during implementation; (ii) preparation of Project Completion Reports (PCRs) (called nowadays Implementation Completion Reports or ICRs) which should be finalised within six months after completion of the project. PCRs/ICRs are prepared by the Task Managers within Regional Offices and Country Departments with assistance from the Operations Evaluation Department (OED).

About 40 percent of all projects have been assessed in (Project/Program) Performance Audit Reports (PPARs) by the Operations Evaluation Department. These are technical and financial evaluation reports to be undertaken within two to five years after project completion. OED has also conducted a number of in-depth Impact Evaluation Studies that are undertaken at least 10 years after project completion, as well as Country Studies that are particularly important in relation to Economic Recovery Programmes.

This procedure has been adhered to during most of the period under consideration here.

Starting in 1995/96, Country Assistance Strategies became the overall framework for World Bank assistance.

3.2 *Portfolio management*

The Bank's internal functioning was evaluated in 1992 by the 'Task Force on Portfolio Management' which produced a report commonly known as the 'Wapenhans Report' (World Bank, Wapenhans Report 1992). This provides a comprehensive evaluation of World Bank policies and procedures prevalent until 1992, and formulates major recommendations that have proved pivotal to Bank policies and procedures since that year.

The report observes a decline in portfolio performance. The share of projects with 'major problems' was found to be increasing. Moreover, the actual time required for project completion exceeded the time estimated at appraisal by an average of two years. Many borrowers failed to comply with legal covenants, and there was an increasing gap between the Bank's optimism at appraisal and the factual economic return at completion. The report denounced poor standards of project identification and appraisal and a perceived 'approval culture' in which appraisal became advocacy. Bank staff was said to perceive appraisals as marketing devices for securing loan approval and achieving personal recognition. Bank appraisals were said not to clarify the macroeconomic, financial and institutional assumptions and risks underlying the analysis (*ibid*.:14). Quality at entry was found to be critical to achieving project success. Pre-appraisal, appraisal and negotiations should allow for a robust definition of objectives, appropriate flexibility in employing means for their attainment, a critical assessment of borrower commitment as well as a careful examination of risks and project sensitivity to deal with these risks (*ibid*.:13–16).

The Wapenhans Report made a number of recommendations which proved of major importance during the period after 1992: (i) introduce the concept of country performance management linked to the Bank's core business processes; (ii) provide for country portfolio restructuring in adjusting countries, including the reallocation of undisbursed balances of loans and credits; (iii) improve the quality of projects entering the portfolio; (iv) define the Bank's role in, and improve its practice of, project performance management; (v) enhance OED's role as an instrument of independent accountability and refocus *ex post* evaluation on sustainable development impact; (vi) create an internal environment supportive of better portfolio performance management (*ibid*.:24–33).

The Wapenhans Report was followed by a document entitled Portfolio Management: Next Steps—A Program of Actions (World Bank 1993) which detailed how recommendations were to be implemented. Progress Reports to the Board of Executive Directors in 1994 and

1995 confirmed that most actions had been completed. In November 1995, a document on Portfolio Management: Next Steps ‘Special Topics’—Work Program (FY96 through FY99) was circulated. The Bank was said to have internalised it and that Annual Reviews of Portfolio Performance (ARPP) would now become part of the Bank’s regular overall assessment of its portfolio.

Annex 4 Background on the development cooperation policy of the Government of the Netherlands 1976–96

1 Structure and main themes

This overview is based on policy documents that have been discussed and approved by the Dutch Parliament.

Section 2 summarises Dutch development cooperation policies during the 1976–96 period. First their background, and the international and national context in which they developed and were implemented. The four principal objectives are then briefly treated: poverty alleviation, economic self-reliance, Women and Development, and the environment. This is followed by a discussion of four themes that are of particular interest to the present evaluation, i.e.: multilateral vs bilateral aid, programme vs project aid, development cooperation and the Dutch private sector, and the geographical coverage of bilateral Dutch aid. For reasons of brevity two components of Dutch development cooperation policies have had to be excluded: (i) sectoral development policies, and (ii) specific objectives with respect to individual beneficiary countries.

The organisation of Dutch development cooperation is explained in section 3, which also discusses some selected financial issues.

2 Dutch development cooperation policies 1976–96

2.1 *Background (prior to 1976)*

The *motives* underlying international aid to less developed countries broadly coincide with the main motives of Dutch foreign policy, defined as the triple motive of ‘Peace, Profits and Principles’ (Voorhoeve 1979). The *objectives* of international aid were at first quite modest (1950s and 1960s). The first policy document written on the subject (1950) stressed the importance of mitigating the very large inequalities in standards of living between economically advanced and less developed countries. In 1960/61 the

Netherlands subscribed to the UN goals for the first Development Decade, DD-I (1961–70), thus accepting the 5 percent growth target for developing countries. The promotion of economic growth in developing countries hence became an explicit objective of Dutch aid.

A Directorate-General for International Cooperation (DGIS) was established in the Ministry of Foreign Affairs in 1964. In the following year the first Minister-without-Portfolio in charge of Development Cooperation was appointed, with DGIS as his executive branch.

With regard to the aid budget, three important political decisions are worthy of mention. In 1965 the Netherlands Government in principle accepted the 1 percent aid target established by the UN some years earlier. In 1975 it was decided that no more loans would be advanced under the aid budget and that all future aid would be given in the form of grants. In the following year the Government fixed the development cooperation budget at a set percentage: 1.5 percent of Net National Income (NNI) or 0.88 percent of Gross National Product (GNP). As a result, the aid budget rose sharply, from Dfl. 1.2 billion in 1973 to well over Dfl. 3 billion in 1977. From then on, the Netherlands has ranked high on the brief list of donors who realised the UN-target of devoting 0.7 percent of GNP to ODA.

2.2 *The period 1976–96: International context*

The beginning of the 1970s was marked by a radicalisation of views on the root causes of poverty and underdevelopment in developing countries (‘the dependencia-theory’). Fuelled by the 1973 oil crisis, conditions worsened during the 1970s, particulary in the group of Least Developed Countries (LDCs) to which attention was increasingly given, notably by the UN. Most LDCs were situated in Africa. Prominent among them were the Sahelian countries which were ‘discovered’ by the international community as a result of the 1970–73 drought.

The second oil crisis, in 1978/79, triggered by another rise in the price of oil, aggravated the already precarious situation in LDCs as well as in other non-oil-producing countries. The rising import bill that they had to meet due to increased prices of oil and capital goods was accompanied by decreasing export revenues due to the economic recession in industrialised countries, the main buyers of their raw materials. This caused or aggravated severe balance-of-payments problems in the LDCs, hampering modernisation of their agriculture and their efforts towards industrialisation.

The relative abundance of finance capital available during the 1970s induced many developing countries to borrow on the international capital market at flexible interest rates. When those rates rose towards the end of the decade and in the early 1980s, their already precarious economic situation, caused by inappropriate macroeconomic policies, became untenable. The debt-crisis which followed in the early 1980s paved the way for economic reform programmes, financed by the IMF (stabilisation programmes) and the World Bank (Structural Adjustment Programmes, SAPs), and supported by other financing agencies, both bilateral and multilateral. During the 1980s and 1990s one country after another introduced economic reform measures.

In the early 1990s they were joined by another group of countries, i.e. the former states of the USSR and Eastern European countries. These announced their intention to turn their centrally-planned socialist economies into market economies, and launched an appeal for external support during the transition period. The collapse of the Soviet Union and the subsequent end of the Cold War were also of great significance for 'traditional' Third World countries. The new geo-political reality contributed greatly to increasing awareness in the international donor community and in developing countries of the importance of political liberalisation and of multi-party democracies in Third World countries. The transition was not always a smooth process, however. Occasionally it led to armed conflict and even civil war, thus hampering adjustment efforts and causing aid money to be spent on emergency relief in addition to reconstruction.

Finally, in the 1980s and 1990s a group of 'Asian Tigers' made their appearance, i.e. the Newly Industrialised Countries (NICs). These (until recently) successful developing countries symbolised the growing heterogeneity of what was called the Third World. This label, used since World War II to designate poor and/or developing countries, has now virtually lost its meaning.

New development targets—increased needs for funds—less availability of funds

The 1976–96 period saw the emergence of 'new' development targets. Mention has already been made of economic reforms, political liberalisation and conflict management. These were now joined by environmental sustainability and gender equity.

The relationship between economic growth and environment had formed the central theme of the report of the Club of Rome (Meadows 1972). This was followed by the Brandt Report (1981) and the Brundtland Report (1987). A series of conferences on environment and development were also held, for example the UN Conference on Environment held in Nairobi, Kenya, in 1976, and the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, in 1992. These resulted in a multitude of development-oriented activities of which the Global Environment Facility (GEF) is perhaps the most ambitious and costly.

The gender issue started to play a role in 1975 when the first International Women's Conference was held in Mexico City. Its prominence gradually increased (Copenhagen 1980; Nairobi 1985) until it peaked temporarily with the 1995 UN Conference in Beijing.

These additional targets brought an increased need for aid funds, running counter to their availability which, for various reasons, was decreasing. In the late 1980s the ODA performance of OECD-countries started to decline, reaching an all-time low in the mid-1990s. One consequence is the decreasing availability of aid funds for international organisations in general and for the International Development Agency, the soft-loan window of the World Bank, in particular. This has been illustrated by the difficulties surrounding the replenishment of IDA-11 (1995), with important consequences for the issue of cofinancing with the World Bank.

2.3 *The period 1976–96: National context*

The main policy documents are presented in the Overview of General Policy Documents 1966–96.

2.3.1 *General policy objectives*

The general objectives of Dutch aid have remained constant during the past 20 years: poverty alleviation at the micro level, the promotion of economic self-reliance at the macro level. The gender dimension of the development process, environmental concerns, and the sustainability of economic growth, gradually became intrinsically linked to these more general objectives.

(a) Poverty alleviation

The large inequalities in standards of living between economically advanced and the less developed countries, and the conditions of absolute poverty in which the large majority of people in the Third World have to live, have always been at the centre of Dutch aid policies. Between 1976 and 1996, despite analytical differences as to the causes of widespread poverty in developing countries, the various Governments held the common view that poverty alleviation constituted the most urgent problem to be tackled. There were differences of opinion regarding the most appropriate way by which to solve this problem: through intervention at the macro or micro level (i.e. programme or project aid), the possible role of the Dutch private sector (finance, industry and trade), etc.

Overview of General Policy Documents 1966–96

Year	Title (NL)	Title (E)
1966	Nota hulpverlening aan minder ontwikkelde landen (Nota Bot).	Development assistance policies of the Netherlands.
1976	Bilaterale ontwikkelingssamenwerking. Om de kwaliteit van de Nederlandse hulp.	Bilateral development cooperation: concerning the quality of Dutch aid
1979	Ontwikkelingssamenwerking in wereld-economisch perspectief.	Development cooperation and the world economy.
1979	Inzake verbetering van de kwaliteit van de bilaterale hulp.	Improving the quality of bilateral aid.
1979	De rechten van de mens in het buitenlands beleid.	Human Rights in Foreign Policy.
1983	Doelmatigheid multilaterale kanalen.	Efficiency of multilateral channels.
1984	Herijking Bilateraal Beleid.	Review of Bilateral Policy.
1989	Kwaliteit. Een voorzet voor de jaren ’90.	Quality in the 1990s: The First Steps.
1990	Een Wereld van Verschil. Nieuwe kaders voor ontwikkelingssamenwerking in de jaren negentig.	A World of Difference. A New Framework for Development Cooperation in the 1990s.
1991	Multilaterale ontwikkelingssamenwerking. Een appreciatie van de multilaterale organisaties als kanaal voor de Nederlandse hulpverlening.	Policy document on multilateral development cooperation. An evaluation of the multilateral organisations as channel for Dutch aid.
1993	Een Wereld in Geschil. De grenzen van de ontwikkelingssamenwerking verkend.	A World of Dispute. A survey of the frontiers of development cooperation.
1995	Bretton Woods instellingen.	Bretton Woods institutions.
1995	Herijkingsnota.	The Foreign Policy of the Netherlands—A Review.
1996	Hulp in Uitvoering. Ontwikkelingssamenwerking en de herijking van het buitenlandse beleid.	Aid in progress. Development cooperation and the review of the Dutch Foreign Policy.

(b) Economic growth and self-reliance

The promotion of economic growth in poor countries has been an objective of Dutch aid since the 1960s (see above). The official position emphasising the economic self-reliance of such countries, defined in the 1976 policy document on bilateral aid, has not been abandoned. Since the 1970s Dutch aid policies have been characterised by a 'two track strategy': the alleviation of poverty and promotion of economic growth. Views on the means with which to achieve this varied during the period under review. Initially, balance-of-payments support (import support) was considered to be an effective tool (programme aid) for economic growth promotion; more recently, however, the importance of policy changes in beneficiary countries has been acknowledged (economic reform programmes). In the late 1970s therefore, the Government introduced 'Balance-of-Payments Support' in its aid budget, while in the 1980s and 1990s the support for structural adjustment programmes became increasingly important. Balance-of-payments support, general and sectoral budget support and debt relief were offered to adjusting countries.

(c) Women and Development

As an issue in Dutch development cooperation, 'Women and Development' was introduced at the time of the First UN Women's Conference in 1975. Initial attention for women and development coincided with the re-orientation of official aid policy formulated in the 1976 policy document on Bilateral Aid, which emphasised the need for interventions to be directed specifically towards the poorest group. Women were mentioned as the first category in need of such attention.

The presentation to Parliament of the policy paper *Women in Development* in 1980 marked the wider introduction of the theme in official development cooperation policies. The objectives were (i) to increase the influence and participation of women in the preparation and implementation of development activities; (ii) to support their economic independence; (iii) to strengthen women's organisations; and (iv) to help develop channels for information and communication among women in developing countries. The strategy chosen by which to realise these objectives was to make them an integral part of the development cooperation policy and programme ('mainstreaming').

In the mid-1980s the concept of autonomy for women emerged. To the existing objectives were added those of supporting women in the effort to gain more control over their lives and of supporting activities to combat sexual violence against them. In 1987 the Government presented the document *Women and Development Programme of Action* to Parliament. The principal aim of the policy mentioned in that Programme is a structural improvement in the economic, social and overall position of women in developing countries by promoting their active involvement in the development process, hence, to increase their economic independence and social self-reliance. The concept of autonomy gave way to the more general term ‘active participation’.

In 1991, the women and development policy gained momentum when it became one of the four spearheads of the development cooperation programme of the 1990s, laid down in the policy document *A World of Difference*. The ultimate aim of the policy was again stated in terms of autonomy for women, defined as ‘control over one’s own life and body’ with four major dimensions: physical autonomy: full control over one’s own sexuality and fertility; economic autonomy: equal access to and control over the means of production; socio-cultural autonomy: the right to an independent identity and self-respect; and political autonomy: a political role, self-determination and formation. All development projects and programmes were to take account of these four dimensions.

(d) Environment and sustainable development

In 1985 the policy paper *Ecology and development cooperation—from annex to integration* was published. The integration of environmental concerns into official development cooperation policy was considered an essential part of the aim of improving the quality of Dutch aid (‘mainstreaming’), and marked the start of an official policy on environment and sustainable development. This was further elaborated later in the decade. Appropriate environmental policies were considered to be both a condition and a means to combat poverty in developing countries. The following objectives were formulated: (i) to limit the negative consequences of developmental interventions; (ii) institutional strengthening of structures for the management of natural resources in developing countries; and (iii) positive interventions in the domains of environment and natural resources.

The 1990s have seen a deepening of views on the relationship between environment and development, shown in particular by *A World of Difference*. ‘Environment’ has become another spearhead of the development cooperation programme of the Government of the Netherlands, with a very sizeable budget. ‘Environment’ focuses on the following main areas of intervention: global environmental problems, sustainable development at national and regional levels, environment and international economic relations, the development of policy-supporting instruments, and the increase of knowledge of the problems concerned. Sustainable development was to become the basic principle underlying Dutch development cooperation policies.

2.3.2 *Special issues*

(a) Bilateral vs multilateral aid

In 1968, for the first time, the volume of bilateral aid exceeded that of multilateral aid, which would never regain its supremacy. In 1973 the Government announced that it accorded high priority to aid to multilateral institutions like the UN and the IDA. In that year the ratio of bilateral to multilateral aid was approximately 70:30. Two years later it was 60:40. After 1977, however, bilateral aid gradually increased again in importance, in both relative and absolute terms. In 1980 the ratio was 75:25 and has fluctuated around those numbers ever since.

In 1983 the Government of the Netherlands published a policy document on multilateral institutions, *Efficiency of multilateral channels*. It was the first time that an official document treated this topic in detail. The background was the new policy orientation of the then Government, which attached much importance to the supply potential of the Dutch economy. The document explained the shift towards a higher relative share of bilateral aid: it was caused by the quantitative and qualitative growth of national institutions, in particular the Ministry of Foreign Affairs c.q. DGIS, as well as by the improved formulation of Dutch policy goals. The Government confirmed its commitment, however, to the goals of multilateral institutions in the area of development cooperation, based on the Charter of the United Nations.

Although a comparison of the effectiveness of the various multilateral institutions was not possible due to lack of relevant information, the policy document came up with an interesting difference between UN organisations and their Special Funds on the one hand, and the multilateral financial institutions (Global and Regional Development Banks) on the other.

– The flow of funds back to the Netherlands, as a percentage of Dutch contributions to the various organisations, varied greatly. It was as low as 1 percent for the UN Capital Development Fund to which the Netherlands was the primary donor in 1982, whereas it was some 20 percent for the UN Development Programme (UNDP), in which the Netherlands ranked in second position. The highest score was reached for UNICEF: between 30 and 40 percent (1979–82 period).

– The situation was much more favourable for the Netherlands with respect to multilateral financial institutions (the World Bank Group, the regional Development Banks). Disbursements by the World Bank Group in the Netherlands amounted to 200 percent of the country's contribution to the Bank in the 1979–81 period following International Competitive Bidding (ICB) won by Dutch companies. Notwithstanding this, the overall Dutch share in all ICB of the World Bank (cumulative total up to 31 December 1981) was less than 2 percent.

These findings were a reason for the Government to announce in the 1983 policy document that it would stimulate contacts between the Dutch business community and the World Bank Group and that it was determined to prevent any future loss of business opportunities with respect to UN agencies. Future decisions on the amount of voluntary contributions to multilateral organisations would become dependent on their effect on the Dutch economy.

Policy documents published after 1983 in general did not elaborate on the subject of multilateral aid, partly due to their focus on bilateral aid (1984, 1989, 1990, 1993 and 1996). One exception was the policy document *Multilateral Cooperation: an evaluation of the multilateral organisations as channel for Dutch aid*, published in 1991, in which the various multilateral organisations are analysed and compared. One of its main conclusions is that, in the short term, the relative share of multilateral aid is not likely to change. In the long term an increase may be expected. Another exception was the 1995 document *The Bretton Woods Institutions* (Cf. Chapter 3).

(b) Project vs programme aid

Projects are usually more or less well-defined operations that are restricted in scope, time and space. Programme aid consists of all contributions made available to a recipient country for general development purposes, i.e. balance-of-payments support, general budget support and commodity assistance, not linked to specific project activities. In the case of programme aid therefore, it is not always possible to link a specific donor contribution to a particular component of the overall programme that has been supported. In relation to aid objectives, projects form one of the main instruments for poverty alleviation (micro level) although certainly not the only one. At the macro level, the promotion of economic growth and self-reliance is often supported by programme aid, although project aid may also be appropriate (institution building).

The 1976 policy document *Bilateral development cooperation* does not give any preference for project or programme aid. Nevertheless, project aid grew in importance during the 1970s even though a number of countries continued to receive substantial amounts of programme aid, in particular commodity support (fertilizer aid, notably India, Pakistan and Bangladesh). By the end of the decade, project aid had become the dominant type of bilateral aid. This started to change again after the balance-of-payments support programme was introduced in the late 1970s, whereas the tendency towards more programme aid was also reinforced by the increasing support for economic reform programmes during the 1980s.

The *Review of Bilateral Policy* (1984) does not elaborate on the (dis)advantages of programme or project aid, nor does it state any preference, although it does mention the importance of supporting structural adjustment programmes, which generally takes place through commodity or budget support, i.e. programme aid. Starting in 1986, the first of a series of policy papers outlining aid relationships with so-called 'programme countries' and 'programme regions' were published, in which the choice between project and programme aid was made on the basis of the specific needs of individual countries. This principle was maintained in subsequent Country and Region Policy Papers.

Programme aid (budget support, balance-of-payments support) is treated as a specific instrument of bilateral aid in *A World of Difference* (1990), which elaborates on import support. A distinction is made between import support to finance investments in new productive capacity (through the import of capital goods) and import support that aims at improved utilisation of existing productive capacity (through the financing of current imports, i.e. raw materials, intermediate products and spare parts). On project aid it is stated that both external and internal variables had proven to influence the effectiveness of projects and the sustainability of project results. An important place was still reserved for this type of aid. The participation of stakeholders in projects had to be assured through a 'process approach'. Moreover, like programme aid, project aid was to be used increasingly to influence the policies of recipients. The policy-based character of project and programme aid and their mutually reinforcing economic effects pleaded for a concerted macro–micro approach, it was concluded.

The policy document *A World of Dispute* (1993) does not treat specific aid modalities such as project or programme aid.

Finally, the 1996 document *Aid in Progress*. Its status differs from the others since it has not been presented and discussed in Parliament. Its Preface states, however, that it should be considered as additional to the documents of 1990, 1993 and 1995. *Aid in Progress* draws the conclusion that to improve the quality of aid meant 'less projects, more other types of aid'. The latter includes more general support, macro support, programme aid (balance-of-payments support, budget support, debt relief), more support for programmes enhancing institutional capacity in recipient countries, and more technical assistance. Project aid may follow these types of aid (1996:75–78).

(c) Policy with respect to the commercial private sector—The partial untying of Dutch aid

Since 1966 the Government has combined humanitarian principles underlying the granting of aid with Dutch economic interests through trade promotion, resulting in an increase of bilateral aid at the expense of multilateral aid. In 1971, as a consequence, tied aid constituted 90 percent of all aid.

In the mid-1970s relations between the Dutch business community and the Government reflected the difference in views as to the root causes of underdevelopment and the contribution to be made by the (international) private enterprise system towards resolving the main problems of developing countries. The 1976 policy document on bilateral aid devotes a chapter to the cooperation between the Ministry of Foreign Affairs/DGIS and the commercial private sector, making a distinction between exporters of goods and services and investors. With respect to the former, the document focuses on the issue of (un)tying of aid.

Although favouring the complete untying of Dutch aid, the Government opted for partial untying which had been agreed upon internationally in the mid-1970s, initially for financial aid in the form of loans. Grants became partially untied in the second half of the 1980s (technical aid having always been untied). It is noteworthy that, in the mid-1970s, more than 90 percent of the financial aid provided by the Government to developing countries was spent in the Netherlands (1976:69). Ten years later, with official Dutch policy on the untying of aid unchanged, one-sixth of Dutch ODA was tied, one-fourth partially untied, and the remainder (including multilateral aid) completely untied. In general, 65–70 percent of the bilateral aid was spent in the Netherlands (1984:21).

At the end of the 1980s the supply-oriented character of Dutch aid, introduced in 1984, was replaced by a demand-oriented position. In practice, however, little changed. Bilateral technical aid, though untied in principle, was still spent mostly in the Netherlands (about 70 percent). Fifty-one percent of the financial aid, formally partially untied, was used to buy goods and services in the Netherlands (1990:323–24).

(d) Geographical coverage

The Government of the Netherlands has officially targeted its bilateral aid towards a limited number of 'privileged' countries; in practice, however, it has been difficult to avoid a geographical proliferation of aid funds. Since the mid-1960s, recipient countries that were to receive a more or less substantial annual amount of bilateral aid have been called 'concentration countries'. Initially they numbered eleven, but the list underwent various changes during the 1960s and 1970s (both in composition and number). By the early 1980s, structural beneficiaries of Dutch aid numbered almost 30 countries, but in total more than 110 countries benefited. This fragmentation of aid caused a revision to be undertaken in 1984. The change was also motivated by the desire to limit the list to so-called IDA-only countries (countries with a yearly per capita income of less than US$ 795 in 1981).

Instead of 'concentration countries', ten 'programme countries' were created together with three 'programme regions'. In this way, aid was structurally aimed at more than 40 countries. Then, in the second half of the 1980s, the group of so-called sector countries was created which were to receive aid funds only in support of one or two sectors of the economy. This brought the total number of recipients to 58 at the end of the decade.

The 1990 policy changes again caused the list of structural recipients to be revised. The result was a list of 57 countries of which 37 were to receive aid on a permanent basis. In reality, however, recipient countries exceeded that number, being estimated at between 85 and 100 in 1996.

3 The organisation and finance of Dutch development cooperation 1976–96

3.1 *Organisation of the Ministry of Foreign Affairs*

As stated in 2.1 above, the Netherlands' main institutional framework for development cooperation activities comprises a Minister-without-Portfolio, in charge of Development Cooperation at the Ministry of Foreign Affairs, in particular the Directorate-General for International Cooperation (DGIS), and embassies and other diplomatic representations abroad.

At the onset of the period under consideration (1976), the Ministry of Foreign Affairs employed slightly less than 750 people in staff positions. At headquarters in The Hague worked some 325 staff (of whom 175 for DGIS); about 425 diplomats were posted at embassies and consulates abroad. Specific development-oriented education or experience in developing countries was not a criterion for recruitment. The development-oriented activities of the Ministry could broadly be distinguished into three groups: financial (bilateral) assistance, technical assistance (also bilateral), and multilateral aid and international relations. The relationship between the Ministry in The Hague and embassies and other diplomatic representations abroad was hierarchical, characterised by a top-down approach: the diplomatic representations were merely a channel for the conveyance of messages between Headquarters (the Ministry) and the authorities of the country in question.

The Ministry's organisational structure endured many changes in the period 1976–96. Various Directorates were merged, the major one being that of the technical and financial assistance directorates. Furthermore, two new units were created: an evaluation unit (IOV) and a technical advisory unit (SMA). The basis for these decisions was laid in the 1976 document *Bilateral development cooperation* (1976:37, 74–77). At the end of the

1970s the process of 'integration' of the Foreign Service within the overall Ministry was completed, a process that had started early in the decade.

During the 1980s and 1990s the technical advisory capacity of the Ministry was also substantially enhanced, not only in The Hague but also at the embassies, notably from the mid-1980s onwards. Organisational modifications were introduced following the increase and/or specification of certain development objectives (environment, gender). At the end of the period under review a major re-organisation of the Ministry was undertaken (1996), but this does not fall within the scope of the present evaluation.

On 31 December 1996 almost 1200 people in staff functions were employed, divided more or less equally between headquarters in The Hague (580) and diplomatic representations abroad (575, of whom approximately one-third in Third World countries). The latter group's period of service abroad was extended from three to four years in an attempt to improve the 'institutional memory' at embassies.

A notable change was in the number of non-diplomats, in particular technical advisors. From none in 1976, they rose to 20–25 in the late 1980s of whom 5–10 in The Hague and the remainder in embassies. By 1996 they had increased to over 100, of whom some 70 sector specialists abroad. The latter covered such areas as environment, women in development, education, health, rural development, drinking water etc., with macroeconomics as a notable exception.

These were the Ministry's responses to the increasing challenges caused by an annually increasing budget and the constantly growing complexity of development cooperation.

3.2 *Selected financial issues*

The budget

The issue of a quantitative objective with respect to the overall volume of official Dutch aid has a long history, marked by the 1973 decision and the 1976 realisation of the target to spend 1.5 percent of NNI on ODA (cf. section 2.1). The need for increased borrowing on the capital market in order to finance this intention and the practice of transferring unspent budgetary monies to the following fiscal year, gradually led to complications. Borrowing on the capital market was facilitated by subsidising part of the interest payments, financed under the aid budget. In the mid-1980s these subsidies amounted to 7.7 percent of the budget. Simultaneously, growing amounts of the annual budget were unspent and transferred to the following year. In the early 1980s this amounted to nearly 60 percent of the yearly aid budget. Complicated calculation methods of NNI resulted in a divergence from the 1.5 percent target.

Towards the end of 1984 it was decided to eliminate the balance of unspent financial means (the ‘reservoir’) and to end the practice of transferring unspent money, and to re-introduce the 1.5 percent objective. The significance of this, however, was impaired by the non-ODA share of aid expenditures. In the 1970s and 1980s this non-ODA share continued to increase, partly due to the growing interest subsidies, partly because an increasing number of less development-relevant expenditures were financed from the aid budget. Although borrowing on the capital market was restricted in 1986 and it was decided in 1991 to gradually eliminate the use of capital market methods funds, the non-ODA share increased from 8.5 percent in 1976 to nearly 17 percent in the first half of the 1990s. Consequently, official Dutch aid as a percentage of GDP gradually fell from well over one percent to less than 0.8 percent in the mid-1990s.

In 1994 this tendency was halted when the development budget became integrated into that of the Ministry of Foreign Affairs. This overall-budget grouped all expenditures related to the foreign policy of the Government of the Netherlands. It was agreed that the overall budget would amount to 1.1 percent of GDP, while the aid budget would in principle not be allowed to fall below 0.8 percent of GDP (within an upward or downward marge of 0.06 percent of GDP). It was also agreed that the aid budget should be restricted to net ODA, thus excluding all non-ODA expenditure. In this way, a guaranteed minimum level of ODA was obtained in exchange for the 1.5 percent objective. The decision became effective as from 1997, with 1996 as a transitional year.

Financial management

The steep increase in the aid budget during and after the 1970s brought growing awareness that a firm justification of expenditure was necessary. This was accompanied by increased interest in the results (effectiveness, efficiency etc.) of international aid, and by organisational measures including the introduction of appraisal documents with which to justify new commitments (mid-1980s) and of a ‘poverty-gender-environment (pge) test’ (early 1990s) to prevent negative consequences. The latter was discontinued in the mid-1990s.

The Office of Controller was created in 1990, and an internal audit was carried out for the first time in 1991. Since 1993, the auditors have annually issued a statement of approval without reservation. The financial management of embassies was also reinforced by the appointment of controllers, first at a few but gradually increasing in numbers. Other innovations were the introduction of a computerised management information system and the creation and upkeep of a register of contracts concluded between the Ministry of Foreign Affairs and others (international organisations, bilateral governments, consultants etc.).

Annex 5 Statistical annex

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Table 1 Joint and parallel cofinancing 1975–96, by type per year (commitments, in Dfl. millions)

Year	Credit & Loan Related Cofinancing			Free-Standing Trust Funds	Export Credit Cofinancing	Totals		
	Parallel	Joint	Total	Joint	Parallel	Joint	Parallel	Overall
1975	10.000	–	10.000	–	–	–	10.000	10.000
1976	61.250	–	61.250	–	–	–	61.250	61.250
1977	23.424	13.000	36.424	–	–	13.000	23.424	36.424
1978	47.892	–	47.892	–	–	–	47.892	47.892
1979	29.400	–	29.400	–	–	–	29.400	29.400
1980	74.200	–	74.200	–	7.000	–	81.200	81.200
1981	83.987	35.000	118.987	–	–	35.000	83.987	118.987
1982	94.661	5.000	99.661	–	18.000	5.000	112.661	117.661
1983	69.409	21.000	90.409	–	–	21.000	69.409	90.409
1984	49.535	120.999	170.534	0.010	12.940	121.009	62.475	183.484
1985	180.331	57.200	237.531	30.500	9.000	87.700	189.331	277.031
1986	209.755	266.450	476.205	27.000	–	293.450	209.755	503.205
1987	107.452	97.660	205.112	5.800	63.453	103.460	170.905	274.365
1988	140.440	111.144	251.584	–	12.479	111.144	152.919	264.063
1989	124.363	44.190	168.553	1.998	0.000	46.188	124.363	170.551
1990	96.373	153.060	249.433	19.091	0.000	172.151	96.373	268.524
1991	46.953	114.315	161.268	177.737	64.348	292.052	111.301	403.353
1992	61.348	226.545	287.893	61.577	0.000	288.122	61.348	349.470
1993	41.497	158.593	200.090	82.097	20.537	240.690	62.034	302.724
1994	8.812	136.306	145.118	233.941	24.449	370.247	33.261	403.508
1995	40.014	185.309	225.323	213.747	15.078	399.056	55.092	454.148
1996	24.085	189.071	213.156	232.299	24.315	421.370	48.400	469.770
Total	1,625.180	1,934.842	3,560.022	1,085.797	271.599	3,020.639	1,896.779	4,917.418

Table 2a Credit and Loan Related Cofinancing 1975–96, by sector, programme and project aid (disbursements, in Dfl. millions)

Sector	Programme aid	Project aid	Total	%
Rural development	679.753	511.292	1,191.044	38.6
Social sectors	123.724	189.475	313.199	10.1
Physical infrastructure	16.434	273.406	289.840	9.4
Industry, energy, etc.	101.800	173.758	275.558	8.9
Multisector	807.214	180.003	987.218	32.0
Others	22.084	8.496	30.580	1.0
Total	1,751.009	1,336.430	3,087.439	100.0

Table 2b FSTF 1975–96, by sector, programme and project aid (disbursements, in Dfl. millions)

Sector	Programme aid	Project aid	Total	%
Rural development	–	4.273	4.273	0.5
Social sectors	–	148.184	148.184	16.3
Physical infrastructure	–	–	–	–
Industry, energy, etc.	–	10.235	10.235	1.1
Multisector	646.418	102.194	748.612	82.1
Others	–	0.430	0.430	0.0
Total	646.418	265.316	911.734	100.0

Table 2c Export Credit Cofinancing 1975–96, by sector, programme and project aid (disbursements, in Dfl. millions)

Sector	Programme aid	Project aid	Total	%
Rural development	–	–	–	–
Social sectors	–	51.911	51.911	22.9
Physical infrastructure	–	147.354	147.354	64.9
Industry, energy, etc.	–	27.382	27.382	12.1
Multisector	–	–	–	–
Others	–	0.500	0.500	0.0
Total	–	227.147	227.147	100.0

Table 2d All cofinancing 1975–96, by sector, programme and project aid (disbursements, in Dfl. millions)

Sector	Programme aid	Project aid	Total	%
Rural development	679.753	515.565	1,195.317	28.3
Social sectors	123.724	389.570	513.294	12.1
Physical infrastructure	16.434	420.760	437.194	10.3
Industry, energy, etc.	101.800	211.375	313.175	7.4
Multisector	1,453.632	282.197	1,735.829	41.1
Others	22.084	9.426	31.510	0.7
Total	2,397.427	1,828.892	4,226.319	100.0

Table 3a Credit and Loan Related Cofinancing 1975–96, by sector, programme and project aid (commitments, in Dfl. millions)

Sector	Programme aid	Project aid	Total	%
Rural development	692.370	664.702	1,357.072	38.1
Social sectors	157.795	329.196	486.991	13.7
Physical infrastructure	18.103	320.029	338.132	9.5
Industry, energy, etc.	111.800	231.015	342.815	9.6
Multi sector	797.590	208.068	1,005.658	28.2
Others	20.827	8.526	29.353	0.8
Total	1,798.485	1,761.537	3,560.022	100.0

Table 3b FSTF 1975–96, by sector, programme and project aid (commitments, in Dfl. millions)

Sector	Programme aid	Project aid	Total	%
Rural development	–	6.264	6.264	0.6
Social sectors	–	162.805	162.805	15.0
Physical infrastructure	–	–	–	–
Industry, energy, etc.	–	10.235	10.235	0.9
Multisector	779.172	126.083	905.255	83.4
Others	–	1.238	1.238	0.1
Total	779.172	306.625	1,085.797	100.0

Table 3c Export Credit Cofinancing 1975–96, by sector, programme and project aid (commitments, in Dfl. millions)

Sector	Programme aid	Project aid	Total	%
Rural development	–	–	–	–
Social sectors	–	57.885	57.885	21.3
Physical infrastructure	–	152.471	152.471	56.1
Industry, energy, etc.	–	36.927	36.927	13.6
Multisector	–	–	–	–
Others	–	24.315	24.315	9.0
Total	–	271.599	271.599	100.0

Table 3d All cofinancing 1975–96, by sector, programme and project aid (commitments, in Dfl. millions)

Sector	Programme aid	Project aid	Total	%
Rural development	692.370	670.966	1,363.336	27.7
Social sectors	157.795	549.886	707.681	14.4
Physical infrastructure	18.103	472.501	490.604	10.0
Industry, energy, etc.	111.800	278.177	389.977	7.9
Multisector	1,576.762	334.151	1,910.913	38.9
Others	20.827	34.079	54.906	1.1
Total	2,577.657	2,339.761	4,917.418	100.0

Table 4a Credit and Loan Related Cofinancing 1975–96, programme and project aid by region (disbursements, in Dfl. millions)

Region	Programme aid	Project aid	Total	%
Africa	952.727	586.971	1,539.698	49.9
Asia (excl. Central Asia)	609.611	618.580	1,228.191	39.8
Latin America & Caribbean	49.563	115.606	165.169	5.3
Eastern Europe & Central Asia	139.108	15.274	154.382	5.0
Worldwide	–	–	–	–
Total	1,751.009	1,336.430	3,087.439	100.0

Table 4b FSTF 1975–96, programme and project aid by region (disbursements, in Dfl. millions)

Region	Programme aid	Project aid	Total	%
Africa	169.560	95.655	265.215	29.1
Asia (excl. Central Asia)	89.350	42.333	131.683	14.4
Latin America & Caribbean	140.150	10.621	150.771	16.5
Eastern Europe & Central Asia	146.311	41.879	188.190	20.6
Worldwide	101.047	74.828	175.875	19.3
Total	646.418	265.316	911.734	100.0

Table 4c Export Credit Cofinancing 1975–96, programme and project aid by region (disbursements, in Dfl. millions)

Region	Programme aid	Project aid	Total	%
Africa	–	184.378	184.378	81.2
Asia (excl. Central Asia)	–	42.269	42.269	18.6
Latin America & Caribbean	–	–	–	0.0
Eastern Europe & Central Asia	–	0.500	0.500	0.2
Worldwide	–	–	–	0.0
Total	–	227.147	227.147	100.0

Table 4d All cofinancing 1975–96, programme and project aid by region (disbursements, in Dfl. millions)

Region	Programme aid	Project aid	Total	%
Africa	1,122.287	867.003	1,989.290	47.1
Asia (excl. Central Asia)	698.961	703.182	1,402.143	33.2
Latin America & Caribbean	189.713	126.227	315.940	7.5
Eastern Europe & Central Asia	285.419	57.653	343.072	8.1
Worldwide	101.047	74.828	175.875	4.2
Total	2,397.427	1,828.892	4,226.319	100.0

Table 5a Credit and Loan Related Cofinancing 1975–96, programme and project aid by region (commitments, in Dfl. millions)

Region	Programme aid	Project aid	Total	%
Africa	993.872	641.177	1,635.049	45.9
Asia (excl. Central Asia)	619.240	921.471	1,540.711	43.3
Latin America & Caribbean	49.273	176.442	225.715	6.3
Eastern Europe & Central Asia	136.100	22.448	158.548	4.5
Worldwide	–	–	–	–
Total	1,798.485	1,761.537	3,560.022	100.0

Table 5b FSTF 1975–96, programme and project aid by region (commitments, in Dfl. millions)

Region	Programme aid	Project aid	Total	%
Africa	167.697	111.065	278.762	25.7
Asia (excl. Central Asia)	89.702	44.204	133.906	12.3
Latin America & Caribbean	140.390	13.696	154.086	14.2
Eastern Europe & Central Asia	146.711	46.879	193.590	17.8
Worldwide	234.672	90.781	325.453	30.0
Total	779.172	306.625	1,085.797	100.0

Table 5c Export Credit Cofinancing 1975–96, programme and project aid by region (commitments, in Dfl. millions)

Region	Programme aid	Project aid	Total	%
Africa	–	204.444	204.444	75.3
Asia (excl. Central Asia)	–	42.839	42.839	15.8
Latin America & Caribbean	–	–	–	0.0
Eastern Europe & Central Asia	–	24.315	24.315	9.0
Worldwide	–	–	–	0.0
Total	–	271.599	271.599	100.0

Table 5d All cofinancing 1975–96, programme and project aid by region (commitments, in Dfl. millions)

Region	Programme aid	Project aid	Total	%
Africa	1,161.569	956.686	2,118.255	43.1
Asia (excl. Central Asia)	708.942	1,008.515	1,717.457	34.9
Latin America & Caribbean	189.663	190.138	379.801	7.7
Eastern Europe & Central Asia	282.811	93.642	376.452	7.7
Worldwide	234.672	90.781	325.453	6.6
Total	2,577.657	2,339.761	4,917.418	100.0

Table 6 All cofinancing 1975–1996, list of recipient countries, ranking on disbursement basis (in Dfl. millions)

Ranking	Country/Region	Disbursements		
		per 31 Dec. 96	as % of total	as cum. %
Countries				
1	India	599.399	14.2	14.2
2	Tanzania	229.946	5.4	19.6
3	Ghana	197.684	4.7	24.3
4	Mali	182.568	4.3	28.6
5	Yemen	182.480	4.3	32.9
6	Bangladesh	177.618	4.2	37.1
7	Uganda	158.903	3.8	40.9
8	Indonesia	144.309	3.4	44.3
9	Zambia	133.761	3.2	47.5
10	Pakistan	132.577	3.1	50.6
11	Kenya	126.422	3.0	53.6
12	Bosnia	126.211	3.0	56.6
13	Bolivia	125.297	3.0	59.6
14	Mozambique	123.512	2.9	62.5
15	Burkina Faso	117.473	2.8	65.3
16	Zimbabwe	115.703	2.7	68.0
17	Ethiopia	72.884	1.7	69.7
18	Egypt	64.088	1.5	71.2
19	Nicaragua	59.800	1.4	72.7
20	Sri Lanka	58.618	1.4	74.0
21	Malawi	55.253	1.3	75.3
22	Peru	50.780	1.2	76.6
23	Tunisia	46.349	1.1	77.6
24	Vietnam	44.804	1.1	78.7
25	Occupied Territories	42.898	1.0	79.7
26	Macedonia	35.600	0.8	80.6
27	Senegal	29.222	0.7	81.3
28	Togo	27.166	0.6	81.9
29	Chad	27.122	0.6	82.5
30	Kyrgystan	25.808	0.6	83.2
31	Moldova	25.400	0.6	83.8
32	Cameroon	25.000	0.6	84.3
33	Nigeria	24.319	0.6	84.9
34	Jamaica	24.052	0.6	85.5
35	Albania	23.174	0.5	86.0
36	Colombia	22.100	0.5	86.6
37	Armenia	22.000	0.5	87.1
38	Sudan	21.221	0.5	87.6
39	Guinea-Bissau	21.038	0.5	88.1

(Table 6 continued)

Ranking	Country/Region	Disbursements		
		per 31 Dec. 96	as % of total	as cum. %
(Countries)				
40	Benin	20.000	0.5	88.6
41	Niger	19.800	0.5	89.0
42	The Gambia	16.240	0.4	89.4
43	Romania	15.000	0.4	89.8
44	Bulgaria	15.000	0.4	90.1
45	Honduras	13.950	0.3	90.4
46	Eritrea	13.000	0.3	90.8
47	Georgia	13.000	0.3	91.1
48	China	11.493	0.3	91.3
49	Rwanda	11.000	0.3	91.6
50	Mauritania	10.860	0.3	91.9
51	Ecuador	9.026	0.2	92.1
52	Burundi	9.000	0.2	92.3
53	Brazil	6.167	0.1	92.4
54	Cape Verde	4.200	0.1	92.5
55	Haiti	3.500	0.1	92.6
56	Seychelles	0.879	0.0	92.6
57	Congo-Kinshasa	0.600	0.0	92.6
58	Guatemala	0.000	0.0	92.6
Regions				
1	Worldwide	175.875	4.2	96.8
2	Africa	84.077	2.0	98.8
3	Eastern Europe/Central Asia	41.879	1.0	99.8
4	Asia (excl. Central Asia)	7.947	0.2	100.0
5	Latin America & Caribbean	1.267	0.0	100.0
	Total	4,226.319	100.0	100.0

Table 7 All cofinancing 1975–1996, list of recipient countries, ranking on commitment basis (in Dfl. millions)

Ranking	Country/Region	Commitments		
		initial	as % of total	as cum. %
Countries				
1	India	694.007	14.1	14.1
2	Tanzania	249.404	5.1	19.2
3	Yemen	225.725	4.6	23.8
4	Bangladesh	220.277	4.5	28.3
5	Ghana	206.915	4.2	32.5
6	Pakistan	188.198	3.8	36.3
7	Mali	187.626	3.8	40.1
8	Indonesia	177.732	3.6	43.7
9	Bosnia	150.025	3.1	46.8
10	Uganda	148.833	3.0	49.8
11	Bolivia	142.103	2.9	52.7
12	Zambia	134.628	2.7	55.4
13	Kenya	133.150	2.7	58.1
14	Burkina Faso	130.216	2.6	60.8
15	Mozambique	122.543	2.5	63.3
16	Zimbabwe	121.078	2.5	65.7
17	Ethiopia	106.205	2.2	67.9
18	Sri Lanka	95.463	1.9	69.8
19	Egypt	69.617	1.4	71.3
20	Nicaragua	59.800	1.2	72.5
21	Vietnam	51.787	1.1	73.5
22	Peru	51.311	1.0	74.6
23	Malawi	51.200	1.0	75.6
24	Tunisia	46.304	0.9	76.5
25	Occupied Territories	43.250	0.9	77.4
26	Cameroon	37.990	0.8	78.2
27	Macedonia	36.000	0.7	78.9
28	Chad	34.690	0.7	79.6
29	Colombia	32.517	0.7	80.3
30	Jamaica	30.173	0.6	80.9
31	Senegal	29.222	0.6	81.5
32	Togo	26.666	0.5	82.0
33	Moldova	26.360	0.5	82.6
34	Albania	26.188	0.5	83.1
35	Kyrgystan	26.000	0.5	83.6
36	Nigeria	24.348	0.5	84.1
37	Eritrea	23.000	0.5	84.6
38	Sudan	22.882	0.5	85.1
39	Armenia	22.000	0.4	85.5

(Table 7 continued)

Ranking	**Country/Region**	**Commitments**		
		initial	**as % of total**	**as cum. %**
(Countries)				
40	Guinea-Bissau	21.808	0.4	86.0
41	Ecuador	21.483	0.4	86.4
42	Honduras	20.164	0.4	86.8
43	Benin	20.000	0.4	87.2
44	Niger	19.800	0.4	87.6
45	The Gambia	16.875	0.3	88.0
46	Bulgaria	15.000	0.3	88.3
47	Romania	15.000	0.3	88.6
48	Georgia	13.000	0.3	88.8
49	China	12.063	0.2	89.1
50	Rwanda	11.000	0.2	89.3
51	Mauritania	10.860	0.2	89.5
52	Brazil	9.250	0.2	89.7
53	Burundi	9.000	0.2	89.9
54	Guatemala	8.240	0.2	90.1
55	Cape Verde	6.100	0.1	90.2
56	Haiti	3.500	0.1	90.3
57	Seychelles	0.879	0.0	90.3
58	Congo-Kinshasa	0.600	0.0	90.3
Regions				
1	Worldwide	325.453	6.6	96.9
2	Africa	94.816	1.9	98.8
3	Eastern Europe/Central Asia	46.879	1.0	99.8
4	Asia (excl. Central Asia)	8.955	0.2	100.0
5	Latin America & Caribbean	1.259	0.0	100.0
	Total	4,917.418	100.0	100.0

Table 8 Credit and Loan Related Cofinancing 1975–1996, list of recipient countries (ranking on disbursement basis, in Dfl. millions)

Ranking	Country	No of WB projects	No of Dutch projects	No of Dutch comm.	Disbursements per 31 Dec. 96	as % of total	as cum. %
1	India	13	13	40	568.285	18.4	18.4
2	Tanzania	9	13	18	223.512	7.2	25.6
3	Bangladesh	8	9	22	177.618	5.8	31.4
4	Mali	6	17	25	160.568	5.2	36.6
5	Uganda	8	9	10	144.003	4.7	41.3
6	Indonesia	15	19	36	142.953	4.6	45.9
7	Ghana	6	7	10	136.980	4.4	50.3
8	Yemen	10	18	32	136.973	4.4	54.8
9	Mozambique	4	9	28	123.512	4.0	58.8
10	Kenya	7	9	15	112.545	3.6	62.4
Sub-total		86	123	236	1,926.950	62.4	62.4
	Other countries	109	133	207	1,160.489	37.6	100.0
Overall total		198	256	443	3,087.439	100.0	100.0

Table 9 Credit and Loan Related Cofinancing 1975–1996, list of recipient countries (ranking on commitment basis, in Dfl. millions)

Ranking	Country	No of WB projects	No of Dutch projects	No of Dutch comm.	Commitments initial	as % of total	as cum. %
1	India	13	13	40	662.893	18.6	18.6
2	Tanzania	9	13	18	237.852	6.7	25.3
3	Bangladesh	8	9	22	220.277	6.2	31.5
4	Yemen	10	18	32	180.218	5.1	36.6
5	Indonesia	15	19	36	176.333	5.0	41.5
6	Mali	6	17	25	161.779	4.5	46.0
7	Pakistan	10	10	27	153.740	4.3	50.4
8	Ghana	6	7	10	136.666	3.8	54.2
9	Uganda	8	9	10	133.933	3.8	58.0
10	Mozambique	4	9	28	122.543	3.4	61.4
Sub-total		89	124	248	2,186.234	61.4	61.4
	Other countries	109	132	195	1,373.788	38.6	100.0
Overall total		196	256	443	3,560.022	100.0	100.0

Table 10 Credit and Loan related cofinancing 1975–96, totals ranked by country (in Dfl. millions)

Country	No of WB projects	No of Dutch projects	Dutch commitments			Dutch disbursements	WB receipts	WB disbursements
			No	Initial	Actual			
Albania	4	4	7	26.188	27.536	23.174	23.174	18.866
Armenia	3	4	4	22.000	22.000	22.000	22.000	20.227
Bangladesh	8	9	22	220.277	196.916	177.618	86.816	78.793
Benin	1	1	3	20.000	20.000	20.000	20.000	20.000
Bolivia	9	11	22	116.016	116.005	99.210	83.777	74.712
Bulgaria	1	1	1	15.000	15.000	15.000	15.000	15.360
Burkina Faso	8	10	21	109.613	102.944	96.870	21.000	21.000
Cape Verde	1	1	2	6.100	6.100	4.200	4.200	3.657
Chad	3	4	4	34.690	27.122	27.122	8.690	8.490
Colombia	2	3	5	32.517	31.239	22.100	3.320	0.664
Ecuador	1	3	4	21.483	11.017	9.026	1.345	1.345
Egypt	4	5	7	69.617	69.454	64.088	36.000	34.472
Eritrea	2	2	2	23.000	23.000	13.000	13.000	8.000
Ethiopia	4	6	6	96.205	96.284	62.884	53.600	35.246
The Gambia	3	5	5	16.875	16.240	16.240	12.600	12.600
Georgia	2	2	2	13.000	13.000	13.000	13.000	13.000
Ghana	6	7	10	136.666	136.980	136.980	85.105	85.105
Guatemala	1	1	1	8.240	8.240	0.000	0.000	0.000
Guinea-Bissau	4	4	5	21.808	21.715	21.038	20.980	20.935
Honduras	1	1	1	5.974	0.000	0.000	0.000	0.000
India	13	13	40	662.893	643.688	568.285	145.800	145.000
Indonesia	15	19	36	176.333	142.952	142.953	24.826	24.826
Jamaica	3	3	3	30.173	30.173	24.052	23.371	22.173
Kenya	7	9	15	119.273	117.730	112.545	55.632	52.004
Kyrgystan	2	3	3	26.000	25.808	25.808	25.808	25.676
Macedonia	1	2	2	15.000	15.000	15.000	10.000	10.000

(Table 10 continued)

Country	No of WB projects	No of Dutch projects	Dutch commitments			Dutch disbursements	WB receipts	WB disbursements
			No	Initial	Actual			
Malawi	5	5	8	34.600	38.800	38.800	35.300	35.300
Mali	6	17	25	161.779	162.327	160.568	113.800	104.854
Mauritania	2	3	3	10.860	10.860	10.860	10.860	10.860
Moldova	3	4	6	26.360	28.360	25.400	25.400	25.000
Mozambique	4	9	28	122.543	133.888	123.512	14.300	14.005
Niger	6	3	4	19.800	19.800	19.800	19.800	17.845
Pakistan	10	10	27	153.740	133.510	98.939	74.940	65.000
Peru	2	3	4	11.311	10.780	10.780	0.000	0.000
Romania	1	1	1	15.000	15.000	15.000	15.000	15.000
Senegal	1	1	1	25.000	25.000	25.000	25.000	25.000
Sri Lanka	4	8	14	95.463	58.618	58.618	13.000	10.600
Sudan	3	3	4	22.882	21.221	21.221	4.882	4.882
Tanzania	9	13	18	237.852	233.951	223.512	155.283	155.287
Togo	1	1	1	26.666	27.166	27.166	27.166	27.166
Tunisia	2	2	4	33.364	33.409	33.409	20.000	20.000
Uganda	8	9	10	133.933	144.486	144.003	80.132	79.645
Vietnam	4	5	7	51.787	51.787	44.804	22.446	18.722
Yemen	10	18	32	180.218	153.979	136.973	31.750	21.855
Zambia	5	5	9	68.422	68.422	53.379	49.911	45.175
Zimbabwe	3	3	4	83.500	83.500	83.500	83.500	83.500
Total	198	256	443	3,560.022	3,391.007	3,087.439	1,631.516	1,531.848

Table 11 Free-standing Trust Funds 1975–96, list of recipient countries (ranking on disbursement basis, in Dfl. millions)

Ranking	Country/Region	Disbursements		
		per 31 Dec. 96	as % of total	as cum. %
Countries				
1	Bosnia	125.711	13.8	13.8
2	Zambia	80.382	8.8	22.6
3	Nicaragua	59.800	6.6	29.2
4	Yemen	45.507	5.0	34.2
5	Occupied Territories	42.898	4.7	38.9
6	Peru	40.000	4.4	43.2
7	Pakistan	33.638	3.7	46.9
8	Bolivia	26.087	2.9	49.8
9	Mali	22.000	2.4	52.2
10	Burkina Faso	20.603	2.3	54.5
11	Macedonia	20.600	2.3	56.7
12	Malawi	16.453	1.8	58.5
13	Uganda	14.900	1.6	60.2
14	Honduras	13.950	1.5	61.7
15	Rwanda	11.000	1.2	62.9
16	Ethiopia	10.000	1.1	64.0
17	Brazil	6.167	0.7	64.7
18	Senegal	4.222	0.5	65.1
19	Haiti	3.500	0.4	65.5
20	Indonesia	1.356	0.1	65.7
21	Seychelles	0.879	0.1	65.8
22	Congo-Kinshasa	0.600	0.1	65.8
23	India	0.337	0.0	65.9
24	Zimbabwe	0.099	0.0	65.9
25	Cameroon	0.000	0.0	65.9
Regions				
1	Worldwide	175.8745	19.3	85.2
2	Africa	84.077	9.2	94.4
3	Eastern Europe/Central Asia	41.879	4.6	99.0
4	Asia (excl. Central Asia)	7.947	0.9	99.9
5	Latin America & Caribbean	1.267	0.1	100.0
	Total	911.734	100.0	100.0

Table 12 Free-standing Trust Funds 1975–96, list of recipient countries (ranking on commitment basis, in Dfl. millions)

Ranking	Country/Region	Commitments		
		initial	as % of total	as cum. %
Countries				
1	Bosnia	125.711	11.6	11.6
2	Zambia	66.206	6.1	17.7
3	Nicaragua	59.800	5.5	23.2
4	Yemen	45.507	4.2	27.4
5	Occupied Territories	43.250	4.0	31.4
6	Peru	40.000	3.7	35.0
7	Pakistan	34.458	3.2	38.2
8	Bolivia	26.087	2.4	40.6
9	Mali	25.847	2.4	43.0
10	Macedonia	21.000	1.9	44.9
11	Burkina Faso	20.603	1.9	46.8
12	Malawi	16.600	1.5	48.4
13	Uganda	14.900	1.4	49.7
14	Honduras	14.190	1.3	51.0
15	Cameroon	12.990	1.2	52.2
16	Rwanda	11.000	1.0	53.2
17	Ethiopia	10.000	0.9	54.2
18	Brazil	9.250	0.9	55.0
19	Senegal	4.222	0.4	55.4
20	Haiti	3.500	0.3	55.7
21	Indonesia	1.399	0.1	55.9
22	Seychelles	0.879	0.1	55.9
23	Congo-Kinshasa	0.600	0.1	56.0
24	India	0.337	0.0	56.0
25	Zimbabwe	0.099	0.0	56.0
Regions				
1	Worldwide	325.453	30.0	86.0
2	Africa	94.816	8.7	94.7
3	Eastern Europe/Central Asia	46.879	4.3	99.1
4	Asia (excl. Central Asia)	8.955	0.8	99.9
5	Latin America & Caribbean	1.259	0.1	100.0
	Total	1,085.797	100.0	100.0

Table 13 Export Credit Cofinancing/transactions 1975–96, list of recipient countries (ranking on disbursement basis, in Dfl. millions)

Ranking	Country	No of WB projects	No of Dutch projects	No of Dutch comm.	Disbursements per 31 Dec. 96	Disbursements as % of total	Disbursements as cum. %
1	Ghana	2	2	5	60.703	26.7	26.7
2	Zimbabwe	2	2	2	32.104	14.1	40.9
3	India	1	1	1	30.776	13.5	54.4
4	Cameroon	2	2	2	25.000	11.0	65.4
5	Nigeria	1	1	1	24.319	10.7	76.1
6	Kenya	1	1	1	13.877	6.1	82.2
7	Tunisia	1	2	2	12.940	5.7	87.9
8	China	2	2	2	11.493	5.1	93.0
9	Burundi	1	1	1	9.000	4.0	96.9
10	Tanzania	1	1	1	6.434	2.8	99.8
11	Bosnia	n.a.	n.a.	1	0.500	0.2	100.0
Total		14	15	19	227.147	100.0	100.0

Table 14 Export Credit Cofinancing/transactions 1975–96, list of recipient countries (ranking on commitment basis, in Dfl. millions)

Ranking	Country	No of WB projects	No of Dutch projects	No of Dutch comm.	Commitments		
					initial	as % of total	as cum. %
1	Ghana	2	2	5	70.249	25.9	25.9
2	Zimbabwe	2	2	2	37.479	13.8	39.7
3	India	1	1	1	30.776	11.3	51.0
4	Cameroon	2	2	2	25.000	9.2	60.2
5	Nigeria	1	1	1	24.348	9.0	69.2
6	Bosnia	n.a.	n.a.	1	24.315	9.0	78.1
7	Kenya	1	1	1	13.877	5.1	83.2
8	Tunisia	1	2	2	12.940	4.8	88.0
9	China	2	2	2	12.063	4.4	92.4
10	Tanzania	1	1	1	11.552	4.3	96.7
11	Burundi	1	1	1	9.000	3.3	100.0
Total		14	15	19	271.599	100.0	100.0

Table 15 Credit and Loan Related Cofinancing 1975–96, all projects by country (in Dfl. millions)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
ALBANIA						
1	C2404	Critical imports	25-06-1992	30-06-1996	Critical Imports Project	1992
2	C2524	Agricultural Sector Adjustment	24-06-1993	31-12-1998	Agriculture Sector Adjustment	1993
	C2524	Agricultural Sector Adjustment			Agriculture Sector Adjustment Loan	1994
3	C2652	Irrigation Rehabilitation	06-09-1994	31-12-1999	Irrigation Rehabilitation Project - Inst. Dev. Comp.	1994
	C2652	Irrigation Rehabilitation			Irrigation Rehabilitation Project - evaluation mission	1994
4	C2795	Agro-processing development	12-12-1995	30-06-1999	Agro Processing Development Project	1995
	C2795	Agro-processing development			Agro Processing Development Project mid-term review	1995
ARMENIA						
1	C2683	Rehabilitation Credit	28-02-1995	30-06-1996	Cofinancing Economic Rehabilitation Loan	1995
	C2683	Rehabilitation Credit			Rehabilitation	1995
2	C2784	Social Investment Fund	09-11-1995	31-12-1999	Cofinancing Armenian Social Investment Fund	1995
3	C2824	Structural Adjustment Credit	29-02-1996	31-12-1997	Cofinancing Structural Adjustment Credit World Bank	1996
BANGLADESH						
1	C0921	Second Population and Family Health Project	29-05-1979	31-12-1985	Medical Assistants Training Programme	1979
2	C1023	Fertilizer Industry Rehabilitation Project	20-05-1980	30-06-1986	TSP Plant Chittagon, Granulation Unit	1980
	C1023	Fertilizer Industry Rehabilitation Project			TSP Plant Chittagon, Granulation Unit	1984
	C1023	Fertilizer Industry Rehabilitation Project			TSP Plant Chittagon, Phosphoric Acid Storage	1985
3	C1471	Twelfth Imports Program	08-05-1984	31-12-1986	Twelfth Imports Program	1984
4	C1586	Second Gas Development Project	30-04-1985	31-12-1993	Second Gas Development Project	1985
	C1586	Second Gas Development Project			BOGMC Gas Development Advisory Services	1989
5	C1649	Third Population and Family Health Project	14-01-1986	30-06-1992	Third Population and Family Health Project	1985
	C1649	Third Population and Family Health Project			Third Population and Family Health Project	1985
	C1649	Third Population and Family Health Project			Advisory Services Population and Family Health Project	1988
	C1649	Third Population and Family Health Project			Advisory Services Population Projects	1990
	C1649	Third Population and Family Health Project			Expanded Programme on Immunization	1991
6	C2099	BWDB Systems Rehabilitation Project	06-03-1990	31-12-1997	BWDB Systems Rehabilitation Project	1989
	C2099	BWDB Systems Rehabilitation Project			BWDB Systems Rehabilitation Project	1989
	C2099	BWDB Systems Rehabilitation Project			BWDB Systems Rehabilitation Project Cost Recovery Programme	1993
	C2099	BWDB Systems Rehabilitation Project			BWDB Systems Rehabilitation Project, Additional Funding	1993
7	C2118	General Education Project	29-03-1990	20-12-1996	General Education Project	1990
	C2118	General Education Project			General Education Project, Project Monitor	1990
	C2118	General Education Project			Advisory Services Primary Education Projects	1990
	C2118	General Education Project			Advisory Services Primary Education Projects	1992
8	C2259	Fourth Population and Family Health Project	06-06-1991	31-12-1996	Fourth Population and Family Health Project	1992
	C2259	Fourth Population and Family Health Project			Advisory Services Population Projects	1992

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
ALBANIA										
1	C2404	AL92001	410000	4.500	4.500	4.500	J	TF022695	4.500	4.500
2	C2524	AL000401	11410	3.800	3.800	3.800	J	TF025075	3.800	3.800
	C2524	AL002101	11410	3.800	5.000	5.000	J	TF025075	5.000	5.000
3	C2652	AL001701	91081	12.288	12.487	8.225	J	TF020031	8.225	5.071
	C2652	AL001703	91081	0.050	0.050	0.000	P			
4	C2795	AL001801	11700	1.700	1.649	1.649	J	TF020804	1.649	0.495
	C2795	AL001802	11700	0.050	0.050	0.000	P			
		TOTAL		**26.188**	**27.536**	**23.174**			**23.174**	**18.866**
ARMENIA										
1	C2683	AM001601	410000	8.000	8.000	8.000	J	TF020342	8.000	8.000
	C2683	AM000701	410000	5.000	5.000	5.000	J	TF020346	5.000	5.000
2	C2784	AM001701	90000	4.000	4.000	4.000	J	TF020343	4.000	2.227
3	C2824	AM002301	413000	5.000	5.000	5.000	J	TF022071	5.000	5.000
		TOTAL		**22.000**	**22.000**	**22.000**			**22.000**	**20.227**
BANGLADESH										
1	C0921	various	93109	16.000	16.000	16.000	P			
2	C1023	BD80008	35121	10.000	9.275	9.275	P			
	C1023	BD84009	35121	0.865	0.865	0.865	P			
	C1023	BD85001	35121	6.300	5.979	5.979	P			
3	C1471	WW00106	412000	20.000	20.445	20.445	J	n.a.	20.445	20.445
4	C1586	BD85023	21500	32.000	29.194	29.089	P			
	C1586	BD89023	41020	1.120	1.129	1.129	P			
5	C1649	BD85021	93600	19.850	11.759	12.227	J	TF021830	12.227	11.867
	C1649	BD85021	93600	p.m.	p.m.	2.000	J	TF021831	2.000	2.000
	C1649	BD88004	93600	0.150	0.150	0.150	P			
	C1649	BD90009	93600	(see BD88004)	0.000	0.000	P			
	C1649	BD91029	91042	3.285	3.285	3.285	P	UNICEF		
6	C2099	BD89006	91082	29.300	25.040	21.908	P			
	C2099	BD90010	91082	3.183	3.183	0.850	P			
	C2099	BD002501	91082	0.360	0.257	0.257	P			
	C2099	BD007401	91082	4.176	1.699	1.699	P			
7	C2118	BD89022	93110	26.500	21.461	21.461	J	TF027840	21.460	13.989
	C2118	BD89022	93110	0.810	0.810	0.810	J	TF027841	0.810	0.810
	C2118	BD90008	93110	0.145	0.153	0.153	P			
	C2118	BD92022	93110	0.102	0.102	0.102	P			
8	C2259	BD90006	91040	46.070	46.070	29.873	J	TF021072	29.873	29.682
	C2259	BD92002	91040	0.061	0.061	0.061	P			
		TOTAL		**220.277**	**196.916**	**177.618**			**86.816**	**78.793**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
BENIN						
1	C2283	Second Structural Adjustment Credit	27-06-1991	31-12-1994	SAP 1991-1992	1991
	C2283	Second Structural Adjustment Credit			SAP II	1993
	C2283	Second Structural Adjustment Credit			SAP II	1994
BOLIVIA						
1	C2279	Second Public Financial Management	28-05-1987	31-12-1997	Institutional Strengthening for the MoF	1993
2	C1842	La Paz Municipal Development	04-08-1987	31-10-1996	Rehabilitation Cadaster City La Paz	1987
	C1842	La Paz Municipal Development			Rehabilitation Cadaster City La Paz	1989
3	C1882	Second Emergency Social Fund	01-03-1988	31-10-1991	Fondo Social de Emergencia	1988
	C1882	Second Emergency Social Fund			Fondo Social de Emergencia	1989
	C1882	Second Emergency Social Fund			Fondo Social de Emergencia	1990
4	C1977	Economic Management Strengthening Operation	22-12-1988	30-06-1995	Institutional Strengthening for the MoP&C	1993
5	C2092	Integrated Health Development	08-02-1990	31-12-1996	Public Health Care El Alto III	1990
	C2092	Integrated Health Development			Public Health Care El Alto III, phase 2	1995
	C2092	Integrated Health Development			Institutional Strengthening of the MoH	1993
	C2092	Integrated Health Development			Delivery of Essential Medical Drugs	1990
6	C2127	Social Investment Fund	24-04-1990	30-06-1995	Social Investment fund	1990
7	C2298	Structural Adjustment Credit	17-09-1991	31-12-1995	Structural Adjustment Credit II	1991
8	C2322	Agro-export Development Program	19-12-1991	31-12-1997	Agricultural Development Programme, preparation	1988
	C2322	Agro-export Development Program			Agricultural Development Programme, preparation	1991
	C2322	Agro-export Development Program			Agro-ecological and Socio-economic Studies in the Brazil Nut Region	1991
	C2322	Agro-export Development Program			Research on Cochineal Production under Controlled Conditions	1991
	C2322	Agro-export Development Program			Agro-export Development Programme, cofinancing	1992
	C2322	Agro-export Development Program			Agro-export Development Programme, supervision	1992
9	C2650	Education Reform	05-08-1994	31-12-1999	Preparation of Education Reform Project	1993
	C2650	Education Reform			Education Reform Project, cofinancing	1995
	C2650	Education Reform			Education Reform Project, WB Social Sector Unit Support	1995
BULGARIA						
1	L3800	Debt & Debt Service Reduction	22-09-1994	31-12-1994	Debt&Debt Service Restructuring	1994

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
BENIN										
1	C2283	BJ91004	413000	15.000	15.000	15.000	J	TF021425	15.000	15.000
	C2283	BJ001402	413000	5.000	0.000	0.000	J			
	C2283	BJ001403	413000	0.000	5.000	5.000	J	TF026435	5.000	5.000
		TOTAL		**20.000**	**20.000**	**20.000**			**20.000**	**20.000**
BOLIVIA										
1	C2279	BO92009	91000	0.000	1.103	1.103	J	TF022359	1.103	0.464
2	C1842	BO87006	91200	1.270	1.240	1.240	P			
	C1842	BO89004	91200	0.876	0.846	0.846	P			
3	C1882	BO88001	93410	12.500	12.500	12.500	J	TF022360	12.500	12.500
	C1882	BO88001	93410	15.000	15.000	15.000	J	TF022360	15.000	15.000
	C1882	BO88001	93410	10.000	3.589	3.589	J	TF022360	3.589	3.589
4	C1977	BO92009	91000	0.000	0.350	0.350	J	TF022359	0.350	0.350
5	C2092	BO89007	91045	8.235	8.250	8.250	P			
	C2092	BO004702	91045	4.618	4.618	1.364	P			
	C2092	BO92009	91000	0.000	0.129	0.129	J	TF022359	0.129	0.013
	C2092	BO89002	93311	4.441	4.471	3.730	P	PAHO/WHO		
6	C2127	BO90012	93410	0.000	3.500	3.500	J	TF023220	3.500	3.500
7	C2298	BO91013	413000	19.100	19.100	19.100	J	TF021175	19.100	19.100
8	C2322	BO88012	11400	4.822	4.822	4.822	J	TF024780	4.822	4.822
	C2322	BO91014	11400	0.504	0.507	0.507	J	TF024780	0.504	0.504
	C2322	BO91008	11400	1.977	1.977	1.977	J	TF024780	1.977	1.977
	C2322	BO91010	11400	0.384	0.384	0.384	J	TF024780	0.384	0.384
	C2322	BO91012	64000	16.380	16.380	13.580	J	TF021955	13.580	10.280
	C2322	BO91012	64000	0.910	0.910	0.910	J	TF021956	0.910	0.777
9	C2650	BO92009	93110	0.000	1.330	1.330	J	TF022359	1.330	1.330
	C2650	BO009801	93110	14.406	14.406	4.802	J	TF024851	4.802	0.000
	C2650	BO009801	93110	0.594	0.594	0.198	J	TF024852	0.198	0.122
		TOTAL		**116.016**	**116.005**	**99.210**			**83.777**	**74.712**
BULGARIA										
1	L3800	BG000201	440100	15.000	15.000	15.000	J	TF027985	15.000	15.360
		TOTAL		**15.000**	**15.000**	**15.000**			**15.000**	**15.360**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
BURKINA FASO						
1	C1164	Fourth Highway Project	16-06-1981	31-12-1988	Highways IV/Vierde Wegenplan	1981
	C1164	Fourth Highway Project			Highways IV/Vierde Wegenplan	1983
	C1164	Fourth Highway Project			Highways IV/Vierde Wegenplan	1984
2	C0640	Second Rural Development Fund	08-06-1976	31-12-1982	Fonds Développement Rural II/FDR II	1980
	C0640	Second Rural Development Fund			Fonds Développement Rural II/FDR II	1981
3	C1218	Third Rural Development Fund	30-03-1982	31-12-1989	FDR III	1982
4	C1235	Third Telecommunications	27-04-1982	30-06-1989	Cable Mic	1981
	C1235	Third Telecommunications			Cable Mic	1982
	C1235	Third Telecommunications			Cable Mic	1983
	C1235	Third Telecommunications			Cable Mic	1984
	C1235	Third Telecommunications			Cable Mic	1990
5	C1293	Koudougou Pilot agricultural	21-09-1982	31-03-1989	Koudougou Agricultural Pilot Project	1983
	C1293	Koudougou Pilot agricultural			Koudougou Agricultural Pilot Project, aanvullende committering	1987
	C1293	Interim Agricult Dev. Progr Center West			Interim Agricult Dev. Progr Center West/PIDACO	1991
6	C1550	Fertilizer	26-02-1985	30-06-1993	Fertilizer	1985
7	C1896	Agricultural Research Project	19-04-1988	31-12-1996	Agricultural Research Project	1985
	C1896	Agricultural Research Project			Optimization of Livestock Production	1993
	C1896	Agricultural Research Project			Elevage/INERA/desk., evaluation account	1993
	C1896	Agricultural Research Project			Optimization of Livestock Production	1993
8	C2281	Structural Adjustment	27-06-1991	30-06-1995	Structural Adjustment Programme	1994
	C2281	Structural Adjustment			Structural Adjustment Programme	1995
CAPE VERDE						
1	C2466	Transport & Infrastructure	04-03-1993	30-06-1998	Transport Infrastructure	1994
	C2466	Transport & Infrastructure			Transport Infrastructure, Evaluation	1994
CHAD						
1	C1716	Emergency Cotton Program	23-06-1986	30-04-1989	Cotton Rehabilitation Project	1986
	C1716	Emergency Cotton Program			Programme Aid 1987	1987
2	C1912	National Livestock Project	31-05-1988	31-12-1996	Ecological Research WB Livestock Project	1989
3	C1945	Financial Rehabilitation	26-07-1988	30-06-1991	Programme aid	1990

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
BURKINA FASO										
1	C1164	HV00037	71191	12.000	12.000	12.000	P			
	C1164	HV00037	71191	8.000	8.000	7.384	P			
	C1164	HV00037	71191	1.000	1.000	1.000	J	TF020380	1.000	1.000
2	C0640	HV00029	91300	5.000	4.800	4.800	P			
	C0640	HV00029	91300	7.500	7.500	7.500	P			
3	C1218	HV00030	91300	20.000	20.000	20.000	P			
4	C1235	HV00012	72100	6.136	6.136	6.136	P			
	C1235	HV00012	72100	2.759	2.759	2.759	P			
	C1235	HV00012	72100	0.994	0.994	0.994	P			
	C1235	HV00012	72100	0.460	0.460	0.460	P			
	C1235	HV90004	72100	0.140	0.138	0.138	P			
5	C1293	HV00016	11400	6.200	6.200	6.200	P			
	C1293	HV00016	11400	0.930	0.930	0.930	P			
	C1293	HV91002	11400	0.450	0.260	0.260	P			
6	C1550	HV00070	11104	7.500	4.223	4.223	P			
7	C1896	HV87007	11500	3.000	0.000	0.000	P			
	C1896	HV92002	11600	6.600	0.778	0.778	P			
	C1896	BF003001	11300	0.944	0.944	0.437	P			
	C1896	BF003003	11600	0.000	5.822	0.872	P			
8	C2281	BF009101	413000	10.000	10.000	10.000	J	TF020237	10.000	10.000
	C2281	BF009102	413000	10.000	10.000	10.000	J	TF020238	10.000	10.000
		TOTAL		**109.613**	**102.944**	**96.870**			**21.000**	**21.000**
CAPE VERDE										
1	C2466	CV003901	71210	6.000	6.000	4.200	J	TF027975	4.200	3.657
	C2466	CV003902	71210	0.100	0.100	0.000	P			
		TOTAL		**6.100**	**6.100**	**4.200**			**4.200**	**3.657**
CHAD										
1	C1716	TD86003	11104	6.000	5.848	5.848	P			
	C1716	TD86004	413000	15.000	12.583	12.583	P			
2	C1912	TD88003	11103	3.690	3.690	3.690	J	TF026360	3.690	3.690
3	C1945	TD89001	11126	10.000	5.000	5.000	J	TF026490	5.000	4.800
		TOTAL		**34.690**	**27.122**	**27.122**			**8.690**	**8.490**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
COLOMBIA						
1	L2961	Water supply and Sewerage Sector Project	16-06-1988	31-12-1996	Water Supply and Sanitation (PAS)	1988
2	L3692	Natural Resource Management	23-12-1993	31-12-1999	Feasibility mission	1992
	L3692	Natural Resource Management			Natural Resource Management	1993
	L3692	Natural Resource Management			Reformulation mission (Local consultants (POF))	1994
	L3692	Natural Resource Management			Reformulation mission	1994
ECUADOR						
1	L3276	Lower Guayas Flood Control	06-12-1990	30-06-1999	Feasibility studies Phase I	1987
	L3276	Lower Guayas Flood Control			Feasibility studies Phase II	1989
	L3276	Lower Guayas Flood Control			Lower Guayas Flood Control Project Joint	1991
	L3276	Lower Guayas Flood Control			Lower Guayas Flood Control Project Parallel	1991
EGYPTE						
1	L2074	Fifth Development Industrial Bank	22-12-1981	31-12-1988	Fifth Development Industrial Bank	1986
2	L2562	Drainage V	30-05-1985	31-03-1994	Drainage V	1988
	L2562	Drainage V			Drainage V	1988
	L2562	Drainage V			Drainage Executive Management Project III	1989
3	C2276	Social Fund for Development	21-06-1991	30-06-1997	Social Fund for Development (SPD)/Emergency social fund	1992
4	C2313/	National Drainage Project	26-11-1991	31-12-1999	Drainage Executive Management Project IV	1992
	L3417	National Drainage Project			Drainage Research Programme	1994
ETHIOPIA						
1	C2351	Emergency Recovery and Reconstruction	31-03-1992	30-09-1996	Pharmaceuticals and Medical Supplies	1992
	C2351	Emergency Recovery and Reconstruction			Urgent Provision of Seeds	1992
2	C2526	Structural Adjustment	29-06-1993	30-09-1996	Balance-of-Payment Support 93/SAC1	1993
3	C2740	National Fertilizer	13-06-1995	31-12-1999	Fertilizer Supply 1995/1996	1995
	C2740	National Fertilizer			Fertilizer Supply 1996/1997	1996
4	C2841	Social Rehabilitation and Development	09-04-1996	31-12-1901	Ethiopian Social Rehabilitation and Development Fund	1996
ERITREA						
1	C2478	Recovery and Rehabilitation	30-03-1993	30-06-1996	Recovery and Rehabilitation	1993
2	C2823	Community Development Fund	29-02-1996	31-12-1999	Eritrean Community Development Fund	1996

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
COLOMBIA										
1	L2961	CO88010	92010	20.000	18.724	18.724	P			
2	L3692	CO92851	92125	0.030	0.030	0.029	P			
	L3692	CO005301	92100	12.458	12.458	3.320	J	TF020818	3.320	0.664
	L3692	CO003901	92100	0.013	0.013	0.013	P			
	L3692	CO005302	92100	0.016	0.014	0.014	P			
		TOTAL		**32.517**	**31.239**	**22.100**			**3.320**	**0.664**
ECUADOR										
1	L3276	EC87002	91082	2.345	2.445	2.445	P			
	L3276	EC88005	91082	2.910	3.090	3.087	P			
	L3276	EC91002A	91300	14.000	3.333	1.345	J	TF021315	1.345	1.345
	L3276	EC91002B	91300	2.228	2.150	2.150	P			
		TOTAL		**21.483**	**11.017**	**9.026**			**1.345**	**1.345**
EGYPTE										
1	L2074	WW86153	81022	20.000	20.000	20.000	J	TF021350	20.000	20.000
2	L2562	EG88019	91082	10.000	7.160	7.029	P			
	L2562	EG88026	91082	0.000	2.840	2.840	P			
	L2562	EG89019A	91082	6.000	5.447	5.447	P			
3	C2276	EG91009	93000	16.000	16.000	16.000	J	TF021677	16.000	14.472
4	C2313/	EG89019	91082	13.117	13.417	10.257	P			
	L3417	EG002702	91082	4.500	4.591	2.515	P			
		TOTAL		**69.617**	**69.454**	**64.088**			**36.000**	**34.472**
ETHIOPIA										
1	C2351	ET92004	93311	5.205	5.284	5.284	P			
	C2351	ET92001	11107	4.000	4.000	4.000	P			
2	C2526	ET005801	413000	20.000	20.000	20.000	J	TF024665	20.000	20.000
3	C2740	ET012101	11104	16.000	16.000	16.000	J	TF020013	16.000	15.246
	C2740	ET012102	11104	16.000	16.000	10.000	J	TF020011	10.000	0.000
4	C2841	ET0133301	91300	35.000	35.000	7.600	J	TF020962	7.600	0.000
		TOTAL		**96.205**	**96.284**	**62.884**			**53.600**	**35.246**
ERITREA										
1	C2478	ET003901	431400	8.000	8.000	8.000	J	TF024245	8.000	8.000
2	C2823	ER002901	431400	15.000	15.000	5.000	J	TF024246	5.000	0.000
		TOTAL		**23.000**	**23.000**	**13.000**			**13.000**	**8.000**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
GAMBIA						
1	C1730	Structural Adjustment Credit	26-08-1986	30-06-1988	SAL I	1986
2	C1760	National Health Development	17-02-1987	30-06-1995	Essential Drugs Programme	1986
	C1760	National Health Development			Nurse Training Project	1988
	C1760	National Health Development			Nurse Training Project consolidation Phase	1991
3	C2032	2nd Structural Adjustment	08-06-1989	30-06-1992	SAL II	1990
GEORGIA						
1	C2697	Rehabilitation	30-03-1995	30-06-1996	Rehabilitation loan	1995
2	C2847	Structural Adjustment	18-04-1996	31-12-1997	Structural Adjustment Credit World Bank	1996
GHANA						
1	C1393	Reconstruction Import Credit I	28-06-1983	31-03-1986	Rec. Import I	1984
	C1393	Reconstruction Import Credit I			Balance-of-Payment Support (Cat. I-d)	1984
2	C1573	Reconstruction Import Credit II	28-03-1985	31-12-1988	Reconstruction Import Credit II	1985
	C1573	Reconstruction Import Credit II			Reconstruction Import Credit II	1986
3	C2005	2nd Structural Adjustment	18-04-1989	31-03-1991	Structural Adjustment Credit II	1987
	C2005	2nd Structural Adjustment			Structural Adjustment Credit II	1987
4	C1946	Second Telecommunication Project	26-07-1988	30-06-1996	Balance-of-Payment Support 1990	1988
5	C2192	2nd Transport Rehabilitation	13-12-1990	31-12-1997	Balance-of-Payment Support 1991	1989
6	C2345	Agricultural Sector Adjustment	26-03-1992	31-12-1995	Agricultural Adjustment Credit first tranche	1992
	C2345.1	Agricultural Sector Adjustment	14-01-1994		Agricultural Sector Adjustment Credit second tranche	1994
GUATEMALA						
1	L3003	Second Basic Education	06-12-1988	30-06-1997	Second Basic Education	1988
GUINEA-BISSAU						
1	C1798	Structural Adjustment Credit	21-05-1987	31-07-1990	Structural Adjustment Loan	1987
2	C1799	Agricultural Services	21-05-1987	30-09-1994	Agricultural Services; Support for Ministère de Dévelopment Rural/Pêche	1988
3	C2019	Second Structural Adjustment	18-05-1989	31-12-1994	SAL II	1989
4	C2465	Social Sector Project	23-02-1993	31-12-1997	Social Action Fund	1994
	C2465	Social Sector Project			Social Action Fund Evaluations	1994
HONDURAS						
1	L2991	Fourth Agricultural Credit Project	15-09-1988	30-06-1994	Agricultural Credit Project IV	1988

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
GAMBIA										
1	C1730	GM87008	413000	5.000	5.000	5.000	J	TF024900	**5.000**	**5.000**
2	C1760	WW86062	93311	2.450	2.600	2.600	J	TF020000	2.600	2.600
	C1760	GM87010A	93109	3.525	2.803	2.803	P			
	C1760	GM87010B	93109	0.900	0.837	0.837	P			
3	C2032	GM89003	413000	5.000	5.000	5.000	J	TF026280	5.000	5.000
		TOTAL		**16.875**	**16.240**	**16.240**			**12.600**	**12.600**
GEORGIA										
1	C2697	GE000701	410000	5.000	5.000	5.000	J	TF020347	5.000	5.000
2	C2847	GE002501	413000	8.000	8.000	8.000	J	TF022072	8.000	8.000
		TOTAL		**13.000**	**13.000**	**13.000**			**13.000**	**13.000**
GHANA										
1	C1393	GH00002	410000	10.000	9.999	9.999	P			
	C1393	n.a.	410000	26.666	27.105	27.105	J	n.a.	27.105	27.105
2	C1573	WW00199	410000	18.000	18.000	18.000	J	TF020910	18.000	18.000
	C1573[1]	GH86002	410000	10.000	10.000	10.000	J	TF020910	10.000	10. 000
3	C2005	GH87004	413000	15.000	15.000	15.000	P			
	C2005[2]	GH89001	413000	15.000	15.000	15.000	P			
4	C1946	GH89006/90005	72100	5.000	5.000	5.000	P			
5	C2192	GH89006/90003/90004	71110	7.000	6.876	6.876	P			
6	C2345	GH92012	11410	20.000	20.000	20.000	J	TF023525	20.000	20.000
	C2345.1	GH001602	11410	10.000	10.000	10.000	J	TF023525	10.000	10.000
		TOTAL		**136.666**	**136.980**	**136.980**			**85.105**	**85.105**
GUATEMALA										
1	L3003	GT88008	93110	8.240	8.240	0.000	J	n.a.	0.000	0.000
		TOTAL		**8.240**	**8.240**	**0.000**			**0.000**	**0.000**
GUINEA-BISSAU										
1	C1798	GW87004	413000	5.000	5.000	5.000	J	TF021420	5.000	5.000
2	C1799	GW86008	11200	5.000	5.000	5.000	J	TF024970	5.000	5.000
3	C2019	GW89001	422000	10.000	10.035	10.035	J	TF026420	10.000	10.000
4	C2465	GW001601	97200	1.718	1.589	0.980	J	TF027845	0.980	0.935
	C2465	GW001602	97200	0.090	0.090	0.023	P			
		TOTAL		**21.808**	**21.715**	**21.038**			**20.980**	**20.935**
HONDURAS										
1	L2991	HN88006	81021	5.974	0.000	0.000	P			
		TOTAL		**5.974**	**0.000**	**0.000**			**0.000**	**0.000**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
INDIA						
1	C0427	Calcutta Urban Development	14-08-1973	31-12-1979	Calcutta Metropolitan Development Authority	1975
	C0427	Calcutta Urban Development			Calcutta Metropolitan Development Authority	1976
	C0427	Calcutta Urban Development			Calcutta Metropolitan Development Authority	1977
2	C0756	Second Calcutta Urban Development	13-12-1977	30-06-1984	Khattals Cattle Removal	1976
	C0756	Second Calcutta Urban Development			Khattals Cattle Removal	1977
3	C0947	Third ARDC Credit	12-07-1979	30-06-1982	Third ARDC	1980
	C0947	Third ARDC Credit			Third ARDC	1981
4	C1125	Hazira Fertilizer	31-03-1981	30-06-1988	Hazira Gas Pipeline	1984
	C1125	Hazira Fertilizer			Hazira Gas Pipeline	1986
5	C1209	Fourth ARDC Credit	23-02-1982	30-06-1984	Agricultural Refinance and Development Corporation	1982
	C1209	Fourth ARDC Credit			Agricultural Refinance and Development Corporation	1983
6	L2387	Nhava Sheva Port	13-03-1984	30-06-1992	Nhava Sheva Dredging Project Preparation	1985
	L2387	Nhava Sheva Port			Nhava Sheva Dredging Project Preparation	1986
	L2387	Nhava Sheva Port			Nhava Sheva Dredging Supervision	1987
	L2387	Nhava Sheva Port			Nhava Sheva Dredging, mixed credit	1987
	L2387	Nhava Sheva Port			Nhava Sheva Dredging, grant	1987
	L2387	Nhava Sheva Port			Nhava Sheva Container services Consultancies	1988
	L2387	Nhava Sheva Port			Nhava Sheva Container Handling Training	1988
	L2387	Nhava Sheva Port			Nhava Sheva Tugboat Crew Training	1989
	L2387	Nhava Sheva Port			Nhava Sheva Dredging Supplementary Loan	1989
	L2387	Nhava Sheva Port			Nhava Sheva Container services Technical and Management Support	1989
	L2387	Nhava Sheva Port			Nhava Sheva Operational Support	1990
7	L2653	Nabard Credit	25-02-1986	30-06-1991	NABARD	1985
	L2653	Nabard Credit			NABARD	1986
	L2653	Nabard Credit			NABARD	1986
	L2653	Nabard Credit			NABARD	1986
	L2653	Nabard Credit			NABARD	1988
8	C1770	National Water Management Project	24-03-1987	31-03-1995	NWMP-Training/PMU	1988
	C1770	National Water Management Project			NWMP-Training/PMU	1992
9	C2448	Social Safety Net Sector Adjustment	17-12-1992	31-08-1994	Social Safety Net	1992
10	C2449	Renewable Resources Development Project	17-12-1992	31-12-1999	IREDA Technical Assistance	1995
11	L3753	Container Transport Logistics	09-06-1994	31-12-1999	Technical Cooperation on the Development of Inland Container Depots	1993
	L3753	Container Transport Logistics			Concor Institutional and Mechanical Support	1995
	L3753	Container Transport Logistics			Concor Institutional Support - First prolongation	1996
12	C2774	Hydrology	22-08-1995	31-12-1999	National Hydrology Project	1995
	C2774	Hydrology			National Hydrology Project, consultancies	1995
	C2774	Hydrology			National Hydrology Project, missions	1995
	C2774	Hydrology			Training and Documentation Centre	1996
13	C2876	Second District Primary Education Project	06-06-1996	30-06-1903	District Primary Education Programme DPEP	1996
	C2876	Second District Primary Education Project			Joint Supervision Missions for DPEP	1996

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
INDIA										
1	C0427	n.a.	91200	10.000	10.000	10.000	P			
	C0427	n.a.	91200	1.000	1.000	1.000	P			
	C0427	n.a.	91200	1.500	1.500	1.500	P			
2	C0756	IN00009	91200	9.000	9.000	9.000	P			
	C0756	IN00009	91200	10.000	2.304	2.405	P			
3	C0947	n.a.	81021	50.000	50.000	50.000	P			
	C0947	n.a.	81021	50.000	50.000	50.000	P			
4	C1125	IN00026	41021	2.800	1.833	1.833	P			
	C1125	IN00026	41021	3.900	0.000	0.000	P			
5	C1209	n.a.	81021	66.800	66.800	66.800	P			
	C1209	n.a.	81021	33.200	33.200	33.200	P			
6	L2387	IN00132	71210	0.612	0.612	0.612	P			
	L2387	IN00132	71210	1.500	0.970	0.970	P			
	L2387	IN87032	71210	2.663	2.663	1.917	P			
	L2387	IN87037	71210	p.m.	p.m.	p.m.	P			
	L2387	IN87086	71210	8.251	8.251	8.251	P			
	L2387	IN88069	71210	1.180	0.659	0.659	P			
	L2387	IN88151	71210	0.000	0.103	0.103	P			
	L2387	IN88154	71210	0.208	0.000	0.000	P			
	L2387	IN89047	71210	3.180	3.180	3.180	P			
	L2387	IN89077	71210	8.868	7.411	7.411	P			
	L2387	IN90011	71210	1.700	1.670	1.670	P			
7	L2653	IN85001	81021	28.400	28.401	28.401	P			
	L2653	IN86063	81021	74.000	74.001	74.001	P			
	L2653	IN86064	81021	26.000	26.000	26.000	P			
	L2653	WW86160	81021	45.000	45.000	45.000	J	TF021380	45.000	45.000
	L2653	IN88108	81021	25.000	25.001	25.001	P			
8	C1770	IN88106	91081	8.166	7.390	7.390	P			
	C1770	IN92052	91081	1.558	0.000	0.000	P			
9	C2448	IN92045	91050	100.000	100.000	100.000	J	TF023235	100.000	100.000
10	C2449	IN92031	49500	0.800	0.800	0.800	J	TF020339	0.800	0.000
11	L3753	IN006001	71000	7.780	6.114	5.242	P			
	L3753	IN006002	71000	0.582	0.582	0.493	P			
	L3753	IN006003	71000	3.835	3.835	0.000	P			
12	C2774	IN032501	91087	28.611	28.611	3.926	P			
	C2774	IN032502	91087	0.393	0.390	0.302	P			
	C2774	IN032503	91087	0.452	0.452	0.022	P			
	C2774	IN032504	93106	0.155	0.155	0.000	P			
13	C2876	IN034101	93110	45.150	45.150	1.196	J	TF020916		
	C2876	IN034102	93110	0.650	0.650	0.000	P			
		TOTAL		**662.893**	**643.688**	**568.285**			**145.800**	**145.000**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
INDONESIA						
1	L1250	Second Shipping Project	04-05-1976	30-06-1983	Maritime Sector Development Plan/	1983
	L1337	Tanjung Priok Port	02-11-1976		Eastern Regional Trunk Ports (Package 'E')	
2	L1840	National Agricultural Research	06-05-1980	30-06-1990	Supply of equipment for the Agency for Agricultural Research and Development AARD	1984
3	L2011	Second Small Enterprise Development	02-06-1981	31-12-1985	Small Enterprise Development Project, KIK/KMKP-programme	1980
	L2011	Second Small Enterprise Development			Small Enterprise Development Project, KIK/KMKP-programme	1981
	L2011	Second Small Enterprise Development			Small Enterprise Development Project, KIK/KMKP-programme	1983
	L2011	Second Small Enterprise Development			Small Enterprise Development Project, KIK/KMKP-programme	1984
4	L2275	East Java Water Supply	03-05-1983	31-12-1990	Human Resources Development Project, phase I	1984
	L2275	East Java Water Supply			Human Resources Development Project, phase II	1985
5	L2632	Second East Java Water Supply	12-11-1985	31-12-1993	Human Resources Development Project, phase III	1986
	L2632	Second East Java Water Supply			Strengthening of PMDU's	1989
6	L2690	Gas Distribution Project	06-05-1986	31-07-1994	Study of an Integrated Gas Transmission System	1988
7	SAR	Maritime Sector Training Project	- -	- -	Maritime Sector Training Project	1986
8	L2816	Urban Sector Project	19-05-1987	31-03-1991	Netherlands Urban Sector Loan	1988
	L2816	Urban Sector Project			Monitoring of Netherlands Urban Sector Loan	1988
	L2816	Urban Sector Project			IUIDP Implementation Support	1990
	L2816	Urban Sector Project			IOP/IHS-IUIDP	1986
	L2816	Urban Sector Project			IOP/Participation Other Institutes-IUIDP	1988
	L2816	Urban Sector Project			IOP/IHS-IUIDP, additional activities	1989
	L2816	Urban Sector Project			IOP/IHS-Extension of Training for IUIDP	1992
9	L2880	Irrigation Subsector Project	10-11-1987	31-07-1991	ISSP-Special Maintenance of Irrigation Systems	1987
	L2880	Irrigation Subsector Project			ISSP-Strengthening of Water Users Associations	1987
	L2880	Irrigation Subsector Project			ISSP-Study into Institutional Strengthening	1988
10	L2930	Forestry Institutions and Conservation Project	31-03-1988	30-06-1996	Forestry Institutions and Conservation Project	1988
11	L3040	Industrial Restructuring Project	25-04-1989	30-06-1996	Industrial Restructuring Project	1989
12	L3041	Small and Medium Industrial Enterprise Project	25-04-1989	30-06-1995	Small and Medium Industrial Enterprise Project	1989
	L3041	Small and Medium Industrial Enterprise Project			Small and Medium Industrial Enterprise Project	1989
	L3041	Small and Medium Industrial Enterprise Project			SMIEP, evaluation	1991
13	L3097	Power Sector Efficiency Project	22-06-1989	31-12-1995	Diesel Efficiency Improvement Technical Advisor	1989
	L3097	Power Sector Efficiency Project			Diesel Efficiency Improvement Technical Advisor	1991
	L3097	Power Sector Efficiency Project			Diesel Generation Efficiency Improvement: Training, Operation and Maintenance, FHS	1989
	L3097	Power Sector Efficiency Project			Diesel Generation Efficiency Improvement: Training, Operation and Maintenance, FHL	1989
	L3097	Power Sector Efficiency Project			Rehabilitation of Diesel Generating Units of Netherlands Origin, Phase I	1991
	L3097	Power Sector Efficiency Project			Rehabilitation of Diesel Generating Units of Netherlands Origin, Phase II, FHL	1991
	L3097	Power Sector Efficiency Project			Rehabilitation of Diesel Generating Units of Netherlands Origin, Phase II, FHS	1991
14	L3219	Second Jabotabek Urban Development Project	05-06-1990	31-12-1996	Jabotabek Water Resources Management Study	1990
15	L3243	Second Forestry Institutions and Conservation Project	28-06-1990	30-06-1995	Second Forestry Institutions and Conservation Project	1990

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
INDONESIA										
1	L1250	F-ST-IID-6	71210	5.970	5.970	5.970	P			
	L1337									
2	L1840	ID00313	11500	4.500	4.331	4.331	P			
3	L2011	RTA-65	81000	1.000	1.000	1.000	P			
	L2011	RTA-65	81000	1.850	1.056	1.056	P			
	L2011	RTA-65	81000	1.500	1.500	1.500	P			
	L2011	RTA-65	81000	0.700	0.700	0.700	P			
4	L2275	GTA-59	91087	1.100	1.100	1.100	P			
	L2275	ID00032	91087	1.500	1.500	1.500	P			
5	L2632	ID86034	91087	5.500	5.500	5.500	P			
	L2632	ID89027	91087	4.000	3.547	3.547	P			
6	L2690	ID87032	41021	6.000	6.000	6.000	P			
7	SAR	ID86070	93192	1.500	1.500	1.500	J	TF020960	1.155	1.155
8	L2816	ID88012	91200	20.000	20.000	20.000	P			
	L2816	ID00044	91200	0.175	0.175	0.175	P			
	L2816	ID90006	91200	4.000	4.000	4.000	P			
	L2816	ID86959	91200	4.998	5.405	5.405	P			
	L2816	ID86959	91200	0.526	0.526	0.526	P			
	L2816	ID89969	91200	0.742	0.720	0.720	P			
	L2816	ID90952	91200	4.974	3.872	3.872	P			
9	L2880	ID87042	91081	20.000	20.000	20.000	J	TF021410	20.000	20.000
	L2880	ID87058A	91081	4.100	4.970	4.970	P			
	L2880	ID88058B	91081	0.385	0.381	0.381	P			
10	L2930	ID88015	92100	6.000	6.000	6.000	J	TF026480	2.828	2.828
11	L3040	ID89073	91400	4.000	0.725	0.725	P			
12	L3041	ID89048	91400	5.200	4.221	4.221	P			
	L3041	ID89049	91400	8.000	3.061	3.062	P			
	L3041	ID91023	91080	0.115	0.111	0.111	P			
13	L3097	ID89039	41014	0.500	0.413	0.413	P			
	L3097	ID91029	41014	0.750	0.754	0.754	P			
	L3097	ID89118	41014	13.700	8.079	8.079	P			
	L3097	ID89119	41014	10.300	6.197	6.197	P			
	L3097	ID91040	41014	0.399	0.297	0.297	P			
	L3097	ID91116	41014	16.000	13.886	13.886	P			
	L3097	ID91119	41014	4.300	0.000	0.000	P			
14	L3219	ID90051	91087	7.300	4.611	4.611	P			
15	L3243	ID90032	92100	4.750	0.843	0.843	J	TF026481	0.843	0.843
		TOTAL		**176.333**	**142.952**	**142.953**			**24.826**	**24.826**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
JAMAICA						
1	L3174	Agricultural Sector Adjustment	06-03-1990	30-03-1991	Agricultural Sector Adjustment/B.O.P. support	1990
2	L3580	Reform of Secondary Education	25-03-1993	31-12-1999	Rose: Social Policy Analysis and Management	1993
3	L4088	Social Investment Fund	05-09-1996	31-03-1901	Jamaica Social Investment Fund	1996
KENYA						
1	C0722/	Bura Irr. Settlement	07-06-1977	30-06-1984	Bura Irrigation Project	1976
	L1449	Bura Irr. Settlement			Bura Irrigation Scheme	1988
2	C1717	Agricultural Sector Adjustment ASAO 1	23-06-1986	30-06-1988	ASAO 1	1986
	C1717	Agricultural Sector Adjustment ASAO 1			ASAO 1	1987
	C1717	Agricultural Sector Adjustment ASAO 1			ASAO 1	1988
3	C2204	2nd Agricultural Sector Adjustment (ASAO II)	17-01-1991	30-06-1996	Ag. Sector Adjust. II (ASAO II)	1991
4	C1849	National Agricultural Research	20-10-1987	30-06-1995	Kenya Agri. Research Institute	1988
	C1849	National Agricultural Research			Dairy and poultry research	1990
	C1849	National Agricultural Research			KARD	1991
5	C2334	Protected Areas and Wildlife Services Project	11-02-1992	30-09-1997	Wildlife Services Project	1993
	C2334	Protected Areas and Wildlife Services Project			Wildlife Services Project	1993
6	C2440	Parastatal Reform and Privatization	08-12-1992	30-06-1997	Parastatal Reform TA	1992
	C2440	Parastatal Reform and Privatization			Parastatal Reform TA	1992
7	C2671	Institutional Development & Civil Service	20-12-1994	30-04-1998	Civil Service Reform	1995
	C2671	Institutional Development & Civil Service			Civil Service Reform	1996
KYRGIZ REPUBLIC						
1	C2491	Rehabilitation Credit	13-05-1993	31-12-1996	Import support agricultural equipment	1993
2	C2750	Agricultural Privatization and Enterprise Adjustment	28-06-1995	28-02-1997	Joint Cofinancing Agricultural Privatization and Enterprise Adjustment Credit	1995
	C2750	Agricultural Privatization and Enterprise Adjustment			Programme Support Kyrgyzstan	1996
MACEDONIA						
1	C2721	Financial & Enterprise Sector	16-05-1995	30-09-1996	Financial Enterprise Sector Adjustment Credit	1995
	C2721	Financial & Enterprise Sector			Macro-economic support FYRUM	1996
MALAWI						
1	C1644	Third Structural Adjustment Programme	19-12-1985	30-09-1988	Balance-of-Payment support	1987
2	C1768	Second Family Health	24-03-1987	30-06-1993	WHO Essential Drugs Programme	1987
3	C1879	Northern Transport Corridor	23-02-1988	30-06-1994	Ibanda-Uyole Road	1988
4	C1920	Ind/Trade Adjustment	14-06-1988	31-12-1991	Ind/Trade Adjustment	1988
	C1920	Ind/Trade Adjustment			Ind/Trade Adjustment	1989
	C1920	Ind/Trade Adjustment			Ind/Trade Adjustment	1989
	C1920	Ind/Trade Adjustment			Ind/Trade Adjustment	1990
5	C2121	Agricultural Sector Adj. Program	03-04-1990	31-12-1992	Agricultural Sector Adjustment Credit	1990

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
JAMAICA										
1	L3174	JM90005	11000	20.000	20.000	20.000	J	TF027490	20.000	20.000
2	L3580	JM002601	91030	4.923	4.923	3.378	J	TF024815	3.371	2.173
3	L4088	JM004001	413000	5.250	5.250	0.674	J	TF024816		
		TOTAL		**30.173**	**30.173**	**24.052**			**23.371**	**22.173**
KENYA										
1	C0722/	KE00037	91081	31.000	30.359	30.359	P			
	L1449	KE00171	91081	0.508	0.414	0.414	P			
2	C1717	KE86023	11410	10.000	10.000	10.000	J	TF021390	10.000	10.000
	C1717	KE87023	11410	15.000	15.000	15.000	J	TF021390	15.000	15.000
	C1717	KE88006	11410	5.000	5.000	5.000	J	TF021390	5.000	5.000
3	C2204	KE91013	11410	15.000	15.000	15.000	J	TF021445	15.000	14.872
4	C1849	KE88008	11500	8.354	8.354	8.354	P			
	C1849	KE90003	11500	9.100	8.639	8.639	P			
	C1849	KE91027	11500	1.938	1.765	1.735	P			
5	C2334	KE91864	92100	9.681	9.681	4.526	P			
	C2334	APO/BO/Sup	92100	1.890	1.890	1.890	P			
6	C2440	KE90023	91080	0.480	0.480	0.480	P			
	C2440	KE92052	91080	0.496	0.516	0.516	P			
7	C2671	KE015101	91000	7.327	7.132	7.132	J	TF020871	7.132	7.132
	C2671	KE015102	91000	3.500	3.500	3.500	J	TF020978	3.500	0.000
		TOTAL		**119.273**	**117.730**	**112.545**			**55.632**	**52.004**
KYRGIZ REPUBLIC										
1	C2491	KG93002	410000	9.000	9.000	9.000	J	TF024325	9.000	8.868
2	C2750	KG000901	11410	8.250	8.058	8.058	J	TF020809	8.058	8.058
	C2750	KG001601	97000	8.750	8.750	8.750	J	TF020877	8.750	8.750
		TOTAL		**26.000**	**25.808**	**25.808**			**25.808**	**25.676**
MACEDONIA										
1	C2721	YU009901	413000	10.000	10.000	10.000	J	TF020837	10.000	10.000
	C2721	YU009902	422000	5.000	5.000	5.000	J	n.a.		
		TOTAL		**15.000**	**15.000**	**15.000**			**10.000**	**10.000**
MALAWI										
1	C1644	MW87001	413000	5.000	7.500	7.500	J	TF020920	**7.500**	**7.500**
2	C1768	WW86062	93311	1.800	3.500	3.500	P			
3	C1879[3]	RF87023	71191	p.m.	p.m.	p.m.				
4	C1920	MW88001	413000	7.800	7.800	7.800	J	TF024890	7.800	7.800
	C1920	MW89003	413000	5.000	5.000	5.000	J	TF024890	5.000	5.000
	C1920	MW89004	413000	5.000	5.000	5.000	J	TF024890	5.000	5.000
	C1920	MW90001	413000	5.000	5.000	5.000	J	TF024890	5.000	5.000
5	C2121	MW90001	11410	5.000	5.000	5.000	J	TF021855	5.000	5.000
		TOTAL		**34.600**	**38.800**	**38.800**			**35.300**	**35.300**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
MALI						
1	C0753	Second Mopti Rice	29-11-1977	30-06-1985	Material Support Riz Mopti	1983
	C0753	Second Mopti Rice			Semences Riz Mopti	1984
2	C1415	Second Mali-Sud Rural Development Project	11-10-1983	30-09-1990	Second Mali-Sud Rural Development Project, cofinancing WB	1986
	C1415	Second Mali-Sud Rural Development Project			Division de la Recherche sur les Systèmes de Production Rurale, DRSPR II	1983
	C1415	Second Mali-Sud Rural Development Project			DRSPR-Volet Fonsébougou, phase III	1986
3	C1937	Public Enterprise Sector Adjustment Program	24-06-1988	30-06-1992	Programme Aid 1989-1990/PESAP-WB cofinancing	1988
4	C2163	Agricultural Sector Adjustment/Inv. Project	21-06-1990	31-12-1996	Mali-Sud III, cofinancing WB	1992
	C2163	Agricultural Sector Adjustment/Inv. Project			Women and Development Project, interim phase	1990
	C2163	Agricultural Sector Adjustment/Inv. Project			Women and Development Project	1990
	C2163	Agricultural Sector Adjustment/Inv. Project			Horticulture Dioila	1989
	C2163	Agricultural Sector Adjustment/Inv. Project			Cereal Banks CMDT	1988
	C2163	Agricultural Sector Adjustment/Inv. Project			Erosion Control Mali-Sud	1985
	C2163	Agricultural Sector Adjustment/Inv. Project			Erosion Control Mali-Sud	1990
	C2163	Agricultural Sector Adjustment/Inv. Project			Village Development Plan Fana	1987
	C2163	Agricultural Sector Adjustment/Inv. Project			Programme Support by SNV to CMDT	1992
	C2163	Agricultural Sector Adjustment/Inv. Project			Programme Support by SNV to CMDT, additional	1994
	C2163	Agricultural Sector Adjustment/Inv. Project			Blacksmith's shop Koutiala	1990
	C2163	Agricultural Sector Adjustment/Inv. Project			Programme Support Materials for Agricultural Equipment Production	1990
5	C2188	Structural Adjustment	11-12-1990	30-06-1995	SAL I	1991
	C2188	Structural Adjustment			SAP	1992
	C2188	Structural Adjustment			Programme aid 1993/1994, SAL I.	1993
	C2188	Structural Adjustment			SAL	1994
6	C2673	Education Sectoral Adjustment	05-01-1995	31-12-1996	Joint cofinancing SAP 1995/96	1995
	C2673	Education Sectoral Adjustment			Joint cofinancing SAP 1995/96 - PM	1996
	C2673	Education Sectoral Adjustment			Joint cofinancing SAP 1995/96 - add. commitment	1996
MAURITANIA						
1	C1292	Second Technical Assistance	21-09-1982	30-06-1991	Second Rural technical Assistance	1982
	C1292	Second Technical Assistance			Etude du Plan Après-Barrages	1987
2	C1812/CA028	Structural Adjustment Credit	02-06-1987	31-12-1988	Structural Adjustment Programme	1987
MOLDOVA						
1	L3653	Rehabilitation	21-10-1993	31-03-1995	Rehabilitation Loan to the Republic of Moldova	1993
	L3653	Rehabilitation			Rehabilitation Loan to the Republic of Moldova	1994
2	L3815	Structural Adjustment	08-12-1994	30-06-1996	Structural Adjustment Loan	1995
	L3815	Structural Adjustment			Balance-of-Payment Support (SAL tranche III)	1996
3	L3977	First Private Sector Development Project	08-02-1996	31-12-1999	Institutional Support to the National Bank of Moldova	1995
	L3977	First Private Sector Development Project			Institutional Support to two Private Banks	1995

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
MALI										
1	C0753	ML00044	91300	0.596	0.596	0.596	P			
	C0753	ML00044	11107	4.000	2.800	2.800	P			
2	C1415	WW86154	91300	5.000	5.000	5.000	J	TF024940	5.000	5.000
	C1415	ML00006	11500	6.400	8.885	8.885	P			
	C1415	ML00006	11500	8.906	8.446	8.446	P			
3	C1937	ML89025	413000	7.500	7.500	7.500	J	TF026380	7.500	7.500
4	C2163	ML91006	11400	3.300	3.300	3.300	J	TF021125	3.300	2.354
	C2163	ML90017	11500	0.291	0.173	0.173	P			
	C2163	ML90014	11500	4.324	4.324	4.079	P			
	C2163	ML89006	11000	0.466	0.466	0.466	P			
	C2163	ML88005	71921	0.760	0.832	0.832	P			
	C2163	ML85002	91082	2.003	2.003	2.003	P			
	C2163	ML90012	92019	10.367	12.079	10.577	P			
	C2163	ML87017	91300	0.594	0.594	0.594	P			
	C2163	ML92001	91300	4.101	2.275	2.275	P			
	C2163	ML000702	91300	0.093	0.051	0.051	P			
	C2163	ML90002	38220	2.330	2.302	2.289	P			
	C2163	ML90006	410000	2.700	2.669	2.669	P			
5	C2188	ML91011	413000	7.550	7.534	7.534	J	TF021245	7.500	7.500
	C2188	ML92010	413000	10.000	10.000	10.000	J	TF021245	10.000	10.000
	C2188	ML004304	413000	20.000	20.000	20.000	J	TF021245	20.000	20.000
	C2188	ML004307	413000	10.000	10.000	10.000	J	TF021245	10.000	10.000
6	C2673	ML004308	413000	30.000	30.000	30.000	J	TF021246	30.000	30.000
	C2673	ML004309	413000	12.500	12.500	12.500	J	TF021246	12.500	12.500
	C2673	ML004311	413000	8.000	8.000	8.000	J	TF021246	8.000	0.000
		TOTAL		**161.779**	**162.327**	**160.568**			**113.800**	**104.854**
MAURITANIA										
1	C1292	WW86155	413000	5.000	5.000	5.000	J	TF021370	5.000	5.000
	C1292	MR87007	91081	0.860	0.860	0.860	J	TF021370	0.860	0.860
2	C1812/CA028	MR87008	413000	5.000	5.000	5.000	J	TF021320	5.000	5.000
		TOTAL		**10.860**	**10.860**	**10.860**			**10.860**	**10.860**
MOLDOVA										
1	L3653	MD000301	410000	3.000	5.000	5.000	J	TF026175	5.000	5.000
	L3653	MD001101	410000	10.000	10.000	10.000	J	TF026175	10.000	10.000
2	L3815	MD001401	413000	5.000	5.000	5.000	J	TF020348	5.000	5.000
	L3815	MD002401	413000	5.000	5.000	5.000	J	TF020348	5.000	5.000
3	L3977	MD001701	81010	1.760	1.760	0.000	J	TF020812	0.000	0.000
	L3977	MD001901	81010	1.600	1.600	0.400	J	TF020811	0.400	0.000
		TOTAL		**26.360**	**28.360**	**25.400**			**25.400**	**25.000**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
MOZAMBIQUE						
1	C1841	Second Rehabilitation Project	04-08-1987	30-06-1991	Economic Rehabilitation Programme	1988
2	C1949	Urban Rehabilitation Project	02-08-1988	30-04-1996	Coastal Protection	1992
	C1949	Urban Rehabilitation Project			Supervision Coastal Protection	1995
	C1949	Urban Rehabilitation Project	02-08-1988		Provincial Towns Water Sector Study	1991
	C1949	Urban Rehabilitation Project			Provincial Towns Water Sector Study, additional works	1995
	C1949	Urban Rehabilitation Project			Beira Sanitation IV	1990
3	C1989	Health and Nutrition	14-03-1989	30-09-1996	Social dimensions of Adjustment	1990
4	C2065	Beira Transport Corridor	14-09-1989	30-06-1996	Dredging Mukiti Channel	1986
	C2065	Beira Transport Corridor			Supervision Channel Dredging	1986
	C2065	Beira Transport Corridor			Supervision Channel Dredging	1989
	C2065	Beira Transport Corridor			Supervision Channel Dredging and Civil Construction Works	1990
	C2065	Beira Transport Corridor			SADCC pavement and drainage access road	1986
	C2065	Beira Transport Corridor			SADCC pavement and drainage container port	1986
	C2065	Beira Transport Corridor			Northern access road	1992
	C2065	Beira Transport Corridor			Cement for port of Beira	1987
	C2065	Beira Transport Corridor			Prolongation Supervision Berths 2-5	1992
	C2065	Beira Transport Corridor			Management support EMODRAGA	1986
	C2065	Beira Transport Corridor			Management support EMODRAGA	1989
	C2065	Beira Transport Corridor			Fire fighting equipment	1989
	C2065	Beira Transport Corridor			Maintenance coal handling	1987
	C2065	Beira Transport Corridor			Fruit cold storage	1989
	C2065	Beira Transport Corridor			Pipeline connections	1985
	C2065	Beira Transport Corridor			SADCC management support port of Beira	1986
	C2065	Beira Transport Corridor			Management fund APC team	1987
	C2065	Beira Transport Corridor			P-TA-2 APC-management support	1990
	C2065	Beira Transport Corridor			Management fund APC team	1990
	C2065	Beira Transport Corridor			Management fund APC team	1992
	C2065	Beira Transport Corridor			Beira Port Management Assistance III	1994
NIGER						
1	C1660	Structural Adjustment Credit	18-02-1986	31-12-1987	Cofinancing WB	1986
2	C1833	Public Enterprise Sector Adjustment	25-06-1987	30-09-1990	Balance-of-Payment Support	1988
	C1833	Public Enterprise Sector Adjustment			Balance-of-Payment Support	1989
					Programme aid 1993, of which:	1993
3a	C1668	Health Project	20-03-1986	30-06-1995	a) health project	1993
3b	C2360	Population Project	30-04-1992	30-06-1997	b) population project	1993
3c	C2209	Nigertip	19-02-1991	30-06-1997	c) nigetip	1993
3d	C1740	Primary Education	18-11-1986	31-12-1995	d) primary education	1993

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
MOZAMBIQUE										
1	C1841	MZ88027	413000	7.300	7.300	7.300	J	TF024521	7.300	7.300
2	C1949	MZ92003	92021	3.000	3.000	0.248	P			
	C1949	MZ000601	92021	0.360	0.618	0.310	P			
	C1949	MZ91007	92010	1.000	1.000	1.000	J	TF020045	1.000	1.000
	C1949	MZ000403	92010	0.244	0.244	0.244	P			
	C1949	MZ90009	92010	2.000	2.318	1.303	P			
3	C1989	MZ89020	97000	6.000	6.000	6.000	J	TF023530	6.000	5.705
4	C2065	RF86024	71210	36.000	35.691	33.272	P			
	C2065	RF86025	71210	5.000	4.708	4.708	P			
	C2065	RF89023	71210	0.300	0.000	0.000	P			
	C2065	RF90022	71210	3.400	3.992	3.992	P			
	C2065	RF86019	71210	1.767	0.936	0.936	P			
	C2065	RF86020	71210	0.877	0.877	0.877	P			
	C2065	RF92005	71191	2.200	5.500	3.810	P			
	C2065	RF87005	50000	1.075	0.609	0.609	P			
	C2065	RF92006	71210	0.800	0.640	0.640	P			
	C2065	RF86027	71210	10.790	19.921	19.921	P			
	C2065	RF89027	71210	1.435	1.428	1.428	P			
	C2065	RF89041	71210	1.350	1.389	1.389	P			
	C2065	RF87046	71920	0.100	0.091	0.091	P			
	C2065	RF89011	71920	0.350	0.066	0.066	P			
	C2065	RF85008	71210	1.591	1.577	1.577	P			
	C2065	RF86017	71210	10.254	10.254	10.254	P			
	C2065	RF87037	71210	1.000	1.000	1.000	P			
	C2065	RF90012	71210	19.100	18.989	18.989	P			
	C2065	RF90040	71210	0.500	0.500	0.500	P			
	C2065	RF92007	71210	1.000	0.500	0.500	P			
	C2065	RF016002	71210	3.750	4.740	2.548	P			
		TOTAL		**122.543**	**133.888**	**123.512**			**14.300**	**14.005**
NIGER										
1	C1660	WW86156	413000	5.000	5.000	5.000	J	TF022070	5.000	5.000
2	C1833	NE87001	413000	4.500	4.500	4.500	J	TF024920	4.500	4.500
	C1833	NE87001	413000	5.500	5.500	5.500	J	TF024920	5.500	5.500
		NE002501	[1413000]	[4.800]	[4.800]	[4.800]		TF022960	p.m.	p.m.
3a	C1668	NE002501	413000	1.370	1.368	1.368	J	TF022961	1.368	1.333
3b	C2360	NE002501	413000	0.105	0.107	0.107	J	TF022962	0.107	0.107
3c	C2209	NE002501	413000	1.180	1.180	1.180	J	TF022963	1.180	1.180
3d	C1740	NE002501	413000	2.145	2.145	2.145	J	TF022964	2.145	0.225
		TOTAL		**19.800**	**19.800**	**19.800**			**19.800**	**17.845**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
PAKISTAN						
1	C1243	Baluchistan Minor Irrigation and Agricultural Development	11-05-1982	31-12-1993	Baluchistan Minor Irrigation and Agricultural Development	1983
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1985
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1987
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1988
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1991
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1992
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1993
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1993
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1994
	C1243	Baluchistan Minor Irrigation and Agricultural Development			Baluchistan Minor Irrigation and Agricultural Development	1995
2	C1375	Fourth Drainage Project	31-05-1983	31-12-1993	Fourth Drainage Project	1983
	C1375	Fourth Drainage Project			Fourth Drainage Project	1987
3	C1499	Second Small Scale Industries Project	14-06-1984	30-06-1992	Second Small Scale Industries Project	1985
4	L2839	Third Small Scale Industry Project	16-06-1987	31-12-1995	Third Small Scale Industry Project	1987
5	C1888	Second Irrigation System Rehabilitation Project	29-03-1988	31-12-1995	Second Irrigation System Rehabilitation Project	1988
6	L3318	Micro Enterprises Project	23-04-1991	30-06-1998	Micro Enterprises Project	1991
7	C2482	Baluchistan Primary Education Programme	13-04-1993	31-12-1999	Baluchistan Primary Education Programme	1995
8	C2593	Social Action Programme Project	31-03-1994	31-12-1996	Social Action Programme Project	1993
	C2593	Social Action Programme Project			Social Action Programme Multi-donor Support Unit	1993
	C2593	Social Action Programme Project			Social Action Programme Project	1994
	C2593	Social Action Programme Project			Social Action Programme Project	1994
	C2593	Social Action Programme Project			Social Action Programme Project	1995
	C2593	Social Action Programme Project			Social Action Programme, Multi-donor Support Unit	1996
9	C2687	NWFP Primary Education	14-03-1995	31-12-1999	NWFP Primary Education	1996
	C2687	NWFP Primary Education			NWFP Primary Education	1996
10	C2780	Baluchistan Irrigation and Agricultural Project	26-09-1995	31-12-1999	Baluchistan Community Irrigation and agricultural Project	1995
	C2780	Baluchistan Irrigation and Agricultural Project			Baluchistan Community Irrigation and agricultural Project	1995
PERU						
1	L1403	Irrigation Rehabilitation I Project	04-12-1977	31-12-1985	Planrehatic phase 1	1977
	L1403	Irrigation Rehabilitation I Project			Planrehatic phase 2	1981
	L1403	Irrigation Rehabilitation I Project			Planrehatic phase 3	1984
2	L2150	Agricultural Research and Extension	20-05-1982	31-03-1988	Planrehatic III	1984
ROMANIA						
1	L3481	Structural Adjustment	06-02-1992	31-12-1994	Financial and Economic Sector Adjustment Loan (FESAL)	1994
SENEGAL						
1	C1656	2nd Structural Adjustment	04-02-1986	30-06-1987	SAL II	1986

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
PAKISTAN										
1	C1243	PK00004	91081	6.000	6.000	6.000	J	TF022290	6.000	6.000
	C1243	PK00101	91081	1.350	1.350	1.350	J	TF022290	1.350	1.350
	C1243	PK00101	91081	1.800	1.800	1.800	J	TF022290	1.800	1.800
	C1243	PK00101	91081	3.600	3.600	3.600	J	TF022290	3.600	3.600
	C1243	PK00101	91081	0.057	0.057	0.057	P			
	C1243	PK91012	91081	4.585	4.585	4.585	J	TF022290	4.585	4.585
	C1243	PK93004	91081	0.569	0.569	0.569	J	TF022290	0.564	0.564
	C1243	PK005602	91081	1.665	1.665	1.665	J	TF022290	1.665	1.665
	C1243	PK005603	91081	1.000	1.000	1.000	J	TF022290	1.000	0.852
	C1243	PK005605	91081	0.475	0.475	0.475	J	TF022291	0.622	0.622
2	C1375	PK00008	91081	6.000	6.000	6.000	P			
	C1375	PK00008	91081	3.700	3.689	3.689	P			
3	C1499	PK00104	81022	5.000	5.003	5.003	P	TF021040		
4	L2839	PK87002	81022	25.000	12.122	8.242	J	TF024530	8.242	6.202
5	C1888	PK87024	91081	16.000	8.051	8.051	J	TF024520	8.000	8.000
6	L3318	PK90033	81030	4.800	4.930	4.882	J	TF021435	4.800	3.777
7	C2482	PK011901	93110	4.604	4.604	1.318	P			
8	C2593	PK008903	93110	6.250	6.250	6.250	P			
	C2593[4]	PK92013	91090	p.m.	p.m.	p.m.	J	TF023855	p.m.	p.m.
	C2593	PK008902	93110	20.000	20.000	20.000	J	TF026645	20.000	20.000
	C2593	PK008904	93110	0.200	0.200	0.197	P			
	C2593	PK008905	93110	20.000	20.000	10.000	J	TF026646	10.000	5.000
	C2593[4]	Pk008906	91080	p.m.	p.m.	p.m.	J	TF023855	p.m.	p.m.
9	C2687	PK011001	93110	1.690	1.690	0.000	P			
	C2687	PK011003	93110	9.000	9.000	1.493	P			
10	C2780	PK005604	91081	10.395	10.395	2.238	J	TF022292	2.238	0.508
	C2780	PK005604	91081	0.000	0.475	0.475	J	TF022291	0.475	0.475
		TOTAL		**153.740**	**133.510**	**98.939**			**74.940**	**65.000**
PERU										
1	L1403	PE00006	91081	2.600	2.544	2.544	P			
	L1403	PE00006	91081	3.601	3.618	3.618	P			
	L1403	PE00006	91081	3.010	2.638	2.638	P			
2	L2150	PE00098	91081	2.100	1.981	1.981	P			
		TOTAL		**11.311**	**10.780**	**10.780**			**0.000**	**0.000**
ROMANIA										
1	L3481	RO000701	413000	15.000	15.000	15.000	J	TF027905	15.000	15.000
		TOTAL		**15.000**	**15.000**	**15.000**			**15.000**	**15.000**
SENEGAL										
1	C1656	SN86005	413000	25.000	25.000	25.000	J	TF021310	25.000	25.000
		TOTAL		**25.000**	**25.000**	**25.000**			**25.000**	**25.000**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
SRI LANKA						
1	C0701	Mahaweli Ganga Development II Project	21-04-1977	30-06-1985	Mahaweli Ganga Dev. II	1977
	C0701	Mahaweli Ganga Development II Project			Mahaweli Ganga Dev.II Impl. study	1978
2	C0979	Mahaweli Ganga Development Technical Assistance Project	29-01-1980	30-09-1985	Hydrological Crash Programme	1979
	C0979	Mahaweli Ganga Development Technical Assistance Project			Hydrological Crash Programme	1980
	C0979	Mahaweli Ganga Development Technical Assistance Project			Hydrological Crash Programme	1982
	C0979	Mahaweli Ganga Development Technical Assistance Project			Hydrological Crash Programme	1983
	C0979	Mahaweli Ganga Development Technical Assistance Project			Transfer of Hydrological Database	1982
3	L2576	Dairy Development II Project	11-06-1985	31-12-1991	Dairy development Foundation	1985
	L2576	Dairy Development II Project			Dairy development Foundation	1985
4	C1562	Fourth Tree Crops	21-03-1985	31-12-1991	Medium Term Investment Programme MTIP/Social Welfare Programme SWP Technical Assistance Team TAT MTIP/SWP-TAT	1985
	C1562	Fourth Tree Crops			MTIP/SWP financial aid	1985
	C1562	Fourth Tree Crops			MTIP/SWP bilateral aid	1985
	C1562	Fourth Tree Crops			MTIP/SWP TAT II	1988
	C1562	Fourth Tree Crops			MTIP/SWP	1990
SUDAN						
1	C1450	Third highway	20-03-1984	31-12-1992	Emergency Flood Recovery Programme/Road Rehabilitation	1988
2	C1866	Third Agricultural Rehabilitation Project (ARP III)	22-12-1987	31-12-1992	Fertilizers	1988
3	C1894	Railway Emergency Recovery Program (RERP)	05-04-1988	30-06-1994	Railways Emergency Recovery Programme	1988
	C1894	Railway Emergency Recovery Program (RERP)			Railways Emergency Recovery Programme	1988
TANZANIA						
1	C1133	Export Rehabilitation Program	21-04-1981	31-03-1983	Export Rehabilitation Program	1984
2	C1536	Port Rehabilitation	13-12-1984	31-12-1992	Grain Terminal Project Dar es Salaam	1985
	C1536	Port Rehabilitation			Grain Terminal Project Dar es Salaam	1985
	C1536	Port Rehabilitation			Grain Terminal Project Dar es Salaam	1987
	C1536	Port Rehabilitation			Grain Terminal Project Dar es Salaam	1987
3	C1741	Multisector Rehabilitation Credit	20-11-1986	31-12-1988	Multisector Rehabilitation Programme	1986
	C1741	Multisector Rehabilitation Credit			Multi Sector Rehabilitation Credit	1987
4	C1969	Industrial Rehabilitation and Trade Adjustment Program	13-12-1988	31-12-1993	Industrial Rehabilitation and Trade Adjustment Credit/OGL	1988
5	C1970	National Agricultural and Livestock Research Project	13-12-1988	31-05-1996	Agricultural and Livestock Research Master Plan (SPPAR)	1989
	C1970	National Agricultural and Livestock Research Project			National Agricultural and Livestock Research Project	1989
6	C2095	Port Modernization Project II	27-02-1990	30-06-1997	Havenproject D.e.S. Project Coordination Unit	1989
7	C2149	Integrated Roads Project	31-05-1990	30-06-1998	Ibanda-Uyole Road	1987
	C2149	Integrated Roads Project			Ibanda-Uyole Road	1990
8	C2116	Agricultural Sector Adjustment Credit	29-03-1990	30-06-1994	Balance-of-Payment Support	1990
	C2116	Agricultural Sector Adjustment Credit			Balance-of-Payment Support	1990
	C2116	Agricultural Sector Adjustment Credit			Balance-of-Payment Support	1990
9	C2598	Second Integrated Roads Project	07-04-1994	31-12-1900	Integrated Road Programme	1996
	C2598	Second Integrated Roads Project			Integrated Road Programme, evaluation	1996

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
SRI LANKA										
1	C0701	n.d.	91081	13.000	10.600	10.600	J	n.a.	13.000	10.600
	C0701	0048682/0049050/0051136	91081	3.950	4.958	4.958	P			
2	C0979	0050709	91081	0.900	0.905	0.905	P			
	C0979	0051373	91081	0.200	0.163	0.163	P			
	C0979	0055743	91081	1.460	1.344	1.344	P			
	C0979	0056448	91081	0.549	0.580	0.580	P			
	C0979	0056081	91081	0.242	0.243	0.243	P			
3	L2576	LK00130	31120	20.000	0.000	0.000	P			
	L2576	LK00131	31120	4.500	3.626	3.626	P			
4	C1562	LK00121	93410	6.925	6.268	6.268	P			
	C1562	LK00127	93410	15.000	3.000	3.000	P			
	C1562	LK00129	93410	12.000	12.000	12.000	P			
	C1562	LK88020	93410	4.737	4.737	4.737	P			
	C1562	LK90023	93410	12.000	10.194	10.194	P			
		TOTAL		**95.463**	**58.618**	**58.618**			**13.000**	**10.600**
SUDAN										
1	C1450	SD88042	71191	2.882	2.757	2.757	J	TF024930	2.882	2.882
2	C1866	SD88008	11104	15.000	13.498	13.498	P			
3	C1894	SD88005	71110	5.000	2.965	2.965	P			
	C1894	SD88050	71110	0.000	2.000	2.000	J	TF026540	2.000	2.000
		TOTAL		**22.882**	**21.221**	**21.221**			**4.882**	**4.882**
TANZANIA										
1	C1133	n.a.	64000	26.667	25.283	25.283	J	n.a.	25.283	**25.287**
2	C1536	TZ00170	71210	5.800	5.800	5.800	P			
	C1536	TZ86016	71210	26.700	26.700	26.700	P			
	C1536	TZ00170	71210	0.536	2.070	2.070	P			
	C1536	TZ86016	71210	10.158	6.313	6.313	P			
3	C1741	WW86162	413000	30.000	30.000	30.000	J	TF020230	30.000	30.000
	C1741	TZ87024	413000	20.000	20.000	20.000	J	TF020230	20.000	20.000
4	C1969	TZ88023	413000	20.000	20.000	20.000	J	TF024870	20.000	20.000
5	C1970	TZ89006	11500	0.210	0.210	0.210	P			
	C1970	TZ89014	11500	6.129	6.129	3.962	P			
6	C2095	TZ89035	71210	0.380	0.374	0.374	P			
7	C2149	RF87023	71191	18.700	18.300	18.300	P			
	C2149	RF90024	71191	4.300	4.700	4.700	P			
8	C2116	TZ90150	413000	15.000	15.000	15.000	J	TF027910	15.000	15.000
	C2116	TZ90250	413000	20.000	19.800	19.800	J	TF027910	20.000	20.000
	C2116	TZ90135B	413000	25.000	25.000	25.000	J	TF027910	25.000	25.000
9	C2598	TZ016601	71191	8.222	8.222	0.000	P			
	C2598	TZ016602	71193	0.050	0.050	0.000	P			
		TOTAL		**237.852**	**233.951**	**223.512**			**155.283**	**155.287**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
TOGO						
1	C1365	Structural Adjustment Credit	17-05-1983	31-12-1985	Structural Adjustment Credit	1984
TUNISIA						
1	L1705	Second Urban Development	22-05-1979	31-12-1985	Slums Rehabilitation Project Jebel Lahmar and Saida Manoubia	1977
	L1705	Second Urban Development			Slums Rehabilitation Project Jebel Lahmar and Saida Manoubia	1980
	L1705	Second Urban Development			Slums Rehabilitation Project Jebel Lahmar and Saida Manoubia	1986
2	L2754	Agricultural Sector Adjustment	18-09-1986	30-06-1989	Agricultural Sector Adjustment Loan I	1986
UGANDA						
1	C0983	Reconstruction Program	19-02-1980	31-12-1982	Reconstruction Support	1981
2	C1252	Second Reconstruction Program	25-05-1982	30-06-1985	Recovery Program	1983
3	C1474	Third Reconstruction Program	15-05-1984	30-09-1987	Reconstruction Credits III	1984
4	C2087	Second Economic Recovery	01-02-1990	30-06-1993	Economic Recovery Credit	1991
5	C2088	Alleviation of Poverty	01-02-1990	30-09-1995	Veterans Assistance Programme.	1992
	C2088	Alleviation of Poverty			Veterans Assistance Programme, Phase II	1993
	C2088	Alleviation of Poverty			Veterans Assistance Programme, Phase III	1995
6	C2314	Structural Adjustment Program	03-12-1991	31-07-1994	Debt Relief - 5th Dimension (see FSTF)	1992
7	C2362	Northern Construction	05-05-1992	30-09-1998	Community Action Program	1992
	C2362	Northern Construction			Community Action Program	1996
8	C2418	Economic and Financial Management	04-08-1992	30-06-1999	Civil Service Reform	1993
VIETNAM						
1	C0845	Dau Tieng Irrigation Project	08-08-1978	31-12-1986	Dau Tieng Project	1978
2	C2808	National Health Support Project	16-01-1996	31-12-1999	Introduction to Basic Concepts of Planning and Management in the Health Sector	1995
	C2808	National Health Support Project			National Health Project, Retraining of Public Health Workers	1995
	C2808	National Health Support Project			National Health Project, Monitoring and Evaluation Missions	1995
3	C2657	Structural Adjustment	25-10-1994	30-09-1996	Balance-of-Payment Support	1995
	C2657	Structural Adjustment			Balance-of-Payment Support	1996
4	C2785	Payment System and Bank Modernization	21-11-1995	31-12-1999	Audit and Diagnostic Review of 4 Banks	1996
YEMEN						
1	C0662	Livestock credit and Processing Project	19-10-1976	30-06-1984	Livestock Credit and Processing Project	1976
	C0662	Livestock credit and Processing Project			Livestock Credit and Processing Project	1977
	C0662	Livestock credit and Processing Project			Livestock Credit and Processing Project	1979
	C0662	Livestock credit and Processing Project			Management Municipal Slaughterhouses and Meatmarket Project Phase I	1982
2	C0837	Power distribution	06-07-1978	31-01-1986	Power Distribution	1978
3	C0950	Ibb and Dhamar Water Supply and sewerage Project	04-09-1979	31-12-1984	Dhamar/IBB Watersupply and Sanitation	1979
	C0950	Ibb and Dhamar Water Supply and sewerage Project			Dhamar/IBB Watersupply and Sanitation	1984

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
TOGO										
1	C1365	n.a.	413000	26.666	27.166	27.166	J	n.a.	27.166	27.166
		TOTAL		**26.666**	**27.166**	**27.166**			**27.166**	**27.166**
TUNISIA										
1	L1705	TN00003	91200	5.000	5.000	5.000	P			
	L1705	TN00003	91200	8.000	8.022	8.022	P			
	L1705	TN86002	91200	0.364	0.387	0.387	P			
2	L2754	TN86008	11410	20.000	20.000	20.000	J	TF021360	20.000	20.000
		TOTAL		**33.364**	**33.409**	**33.409**			**20.000**	**20.000**
UGANDA										
1	C0983	n.a.	413000	35.000	45.603	45.603	J	n.a.		
2	C1252	UG87001	413000	15.000	15.000	15.000	J	TF020410	7.832	7.832
3	C1474	UG00001	413000	20.000	20.000	20.000	J	TF021930	20.000	20.000
4	C2087	UG91003	413000	35.000	35.000	35.000	J	TF020085	35.000	35.000
5	C2088	UG92014	93410	4.800	4.800	4.800	J	TF023365	4.800	4.800
	C2088	UG001002	93410	2.500	2.500	2.500	J	TF023365	2.500	2.500
	C2088	UG001003	93410	2.500	2.500	2.500	J	TF025653	2.500	2.013
6	C2314[5]	UG92017	413000	p.m.	p.m.	p.m.	J	TF023475	p.m.	p.m.
7	C2362	UG92003	91300	11.100	11.100	11.100	P			
	C2362	UG92003	91300	0.483	0.483	0.000	P			
8	C2418	UG002801	91000	7.550	7.500	7.500	J	TF026147	7.500	7.500
		TOTAL		**133.933**	**144.486**	**144.003**			**80.132**	**79.645**
VIETNAM										
1	C0845	VN00009	91081	22.358	22.358	22.358	P			
2	C2808	VN006101	91040	0.490	0.490	0.490	J	TF020338	0.490	0.044
	C2808	VN006102	91040	7.168	7.168	2.699	J	TF020884	2.699	0.428
	C2808	VN006103	91040	0.100	0.100	0.000	P			
3	C2657	VN007901	413000	8.250	8.250	8.250	J	TF020269	8.250	8.250
	C2657	VN007903	413000	10.000	10.000	10.000	J	TF020281	10.000	10.000
4	C2785	VN007501	83220	3.421	3.421	1.007	J	TF020334	1.007	0.000
		TOTAL		**51.787**	**51.787**	**44.804**			**22.446**	**18.722**
YEMEN										
1	C0662	n.a.	11103	20.250	20.250	20.250	P			
	C0662	n.a.	11103	3.400	3.400	3.400	P			
	C0662	n.a.	11103	0.500	0.500	0.500	P			
	C0662	YE00022	11103	3.400	3.400	3.400	P			
2	C0837	YE75010	41019	20.484	20.484	20.484	P			
3	C0950	YE00039	92010	12.000	0.000	0.000	P			
	C0950	YE00039	92010	14.000	0.000	0.000	P			

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
(YEMEN)						
4	C0978	Fourth Tihama Development Project (Wadi Rima II)	29-01-1980	30-06-1986	Wadi Rima Feasibility Study	1977
	C0978	Fourth Tihama Development Project (Wadi Rima II)			Wadi Rima Engineering Study	1978
	C0978	Fourth Tihama Development Project (Wadi Rima II)			Wadi Rima Supervision Irrigation Works	1981
	C0978	Fourth Tihama Development Project (Wadi Rima II)			Tihama Basin Water Resources Study phase I	1981
	C0978	Fourth Tihama Development Project (Wadi Rima II)			Tihama Basin Water Resources Study phase II	1984
	C0978	Fourth Tihama Development Project (Wadi Rima II)			Tihama Basin Water Resources Study ext.	1987
5	C1547	Second Industrial Development Project	12-02-1985	31-12-1991	Support Industrial Bank of Yemen	1985
	C1547	Second Industrial Development Project			Support Industrial Bank of Yemen	1986
6	C1667	5th Tihama Regional Agricultural Development	20-03-1986	31-12-1995	Tihama V (Agriculture) joint	1986
	C1667	5th Tihama Regional Agricultural Development			Tihama V (Agriculture) parallel	1986
7	C1702	Technical Assistance to the Petroleum Sector	15-05-1986	31-12-1993	Special Advisor to Minister of Oil and Mineral Resources	1987
	C1702	Technical Assistance to the Petroleum Sector			Training Programme in the Oil Industry	1986
	C1702	Technical Assistance to the Petroleum Sector			Yemen Exploration and Production Information Centre (Yepic I)	1986
	C1702	Technical Assistance to the Petroleum Sector			Yemen Exploration and Production Information Centre (Yepic I)	1987
	C1702	Technical Assistance to the Petroleum Sector			YEPIC II	1989
	C1702	Technical Assistance to the Petroleum Sector			Yemen Exploration and Production Database and Support Project (YEPDASP)	1993
	C1702	Technical Assistance to the Petroleum Sector			Gas Utilization Study	1986
	C1702	Technical Assistance to the Petroleum Sector			Gas Utilization Study II	1991
	C1702	Technical Assistance to the Petroleum Sector			Gas Utilization Study II	1992
8	C2258	Emergency Recovery Programme	06-06-1991	31-12-1996	Import support medicines	1991
	C2258	Emergency Recovery Programme			Import Support vocational training centre	1991
	C2258	Emergency Recovery Programme			Import Support Fertilizers and agro-chemicals	1991
	C2258	Emergency Recovery Programme			Import Support VTC, training	1993
9	C2299	Agricultural Sector Management Support	17-09-1991	31-12-1999	Agricultural Sector Management Support	1992
10	C2412	Basic Education	09-07-1992	31-12-1998	Basic Education Project	1994
ZAMBIA						
1	C1545	Agricultural Rehabilitation	29-01-1985	30-06-1988	Agricultural Rehabilitation Project	1985
2	C1630	Ind. Reorientation Project	22-10-1985	31-12-1988	Ind. Reorientation	1985
	C1630	Ind. Reorientation Project			Ind. Reorientation	1986
	C1630	Ind. Reorientation Project			Ind. Reorientation, conversion to debt relief	1986
3	C1720	Recovery Program	26-06-1986	30-06-1991	Converted to arrears payments	1986
	C1720	Recovery Program			Macro-economic support 1994/5th Dimension	1994
4	C2429	Education rehabilitation	27-10-1992	30-06-1998	Education Rehabilitation Project	1993
	C2429	Education rehabilitation			Education Rehabilitation Project	1995
5	C2660	Health Sector Support	15-11-1994	31-12-1900	Co-financing Medical Supplies	1996

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
(YEMEN)										
4	C0978	n.a.	93115	0.924	0.802	0.802	P			
	C0978	YE75008	91081	1.100	1.459	1.459	P			
	C0978	YE75008	91081	2.080	2.327	2.327	P			
	C0978	YE75011	91081	0.820	1.104	1.104	P			
	C0978	YE00042	91081	6.000	6.600	6.600	P			
	C0978	YE86027	91081	0.980	1.009	1.009	P			
5	C1547	YE85002	81022	1.500	1.201	1.201	P			
	C1547	YE86014	81022	2.000	0.429	0.429	P			
6	C1667	YE86010A	93115	23.000	28.600	28.598	J	TF022160	23.000	21.855
	C1667	YE86010B	93115	7.000	0.061	0.061	P			
7	C1702	YE88004	21400	0.250	0.250	0.250	P			
	C1702	YE00098	21400	1.900	1.957	1.957	P			
	C1702	YE86026	21400	1.600	1.600	1.600	P			
	C1702	YE86026	21400	4.000	4.054	4.054	P			
	C1702	YE89012	21400	4.658	3.931	3.931	P			
	C1702	YE89012B	21400	3.687	2.525	2.525	P			
	C1702	YE86017	21400	1.400	1.691	1.691	P			
	C1702	YE00054	21400	0.392	0.392	0.392	P			
	C1702	RF92001	21400	0.264	0.264	0.264	P			
8	C2258	YE91008	93311	6.500	6.380	6.380	P			
	C2258	YE91009	93103	4.770	4.866	4.866	P			
	C2258	YE91010	11104	4.870	4.819	4.819	P			
	C2258	YE002602	93103	0.129	0.123	0.123	P			
9	C2299	YE92007	93115	8.860	8.000	3.747	P			
10	C2412	YE009801	93110	17.500	21.500	8.750	J	TF020254	8.750	0.000
		TOTAL		**180.218**	**153.979**	**136.973**			**31.750**	**21.855**
ZAMBIA										
1	C1545	WW00199	11410	9.000	9.000	9.000	J	TF021200	9.000	9.000
2	C1630	WW86157	91400	9.000	9.000	9.000	J	TF021290	9.000	9.000
	C1630	WW86157	91400	20.000	20.000	10.000	J	TF021290	10.000	10.000
	C1630[5]	WW86157	91400	0.000	0.000	p.m.	J	TF021291	p.m.	p.m.
3	C1720	WW86159	413000	15.000	15.000	15.000	J	TF022380	15.000	15.275
	C1720[5]	ZM007302	440100	p.m.	p.m.	p.m.	J	TF022380	p.m.	p.m.
4	C2429	ZM92028	93110	5.328	5.328	3.614	J	TF022855	3.614	1.900
	C2429	ZM006201	93110	6.594	6.594	3.297	J	TF022856	3.297	0.000
5	C2660	ZM004405	93311	3.500	3.500	3.468	J	TF020967	0.000	0.000
		TOTAL		**68.422**	**68.422**	**53.379**			**49.911**	**45.175**

(Table 15 continued)

No	C/L no.	WB title project	Appr.date dd/mm/yy	Closing date dd/mm/yy	Dutch name of project/programme	Year
ZIMBABWE						
1	L2239	Manufacturing Export Promotion	15-02-1983	30-07-1987	Manufacturing Export Promotion	1986
2	L2744	Family Health	20-07-1986	30-09-1993	Family Health	1986
3	C2527	Second Structural Adjustment	29-06-1993	30-06-1997	OGIL/ERS	1993
	C2527	Second Structural Adjustment			OGIL/ERS	1994
198						

No.	C/L no.	Fos-no. NL	CRS code	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	J/P	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
ZIMBABWE										
1	L2239	WW86158	64000	25.000	25.000	25.000	J	TF021580	25.000	25.000
2	L2744	ZW86007	93600	4.500	4.500	4.500	J	TF023990	4.500	4.500
3	C2527	ZW93001	413000	50.000	50.000	50.000	J	TF026155	50.000	50.000
	C2527	ZW93001	413000	4.000	4.000	4.000	J	TF026155	4.000	4.000
		TOTAL		**83.500**	**83.500**	**83.500**			**83.500**	**83.500**
198		**OVERALL TOTAL**		**3,560.022**	**3,391.007**	**3,087.439**			**1,631.520**	**1,531.850**

Notes:
1) Under the same FOS-number another Dfl. 10 million has been spent as balance-of-payment support. A relationship with RIC II is likely but could not be proven.
2) Disbursed amount is based on the country case study. The FOS only reports Dfl. 10.749 million but there are strong indications that the remainder has been disbursed for the valuta auction.
3) The same project, a cross border road, is reported under Tanzania, where the corresponding amounts have been included.
4) The project is considered as Free-Standing Trust Funds.
5) Commitment/disbursement included as Debt Relief activity under Free-Standing Trust Funds.

Table 16 Free-Standing Trust Funds, 1984–96, all projects by type of Trust Fund (in Dfl. millions)

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No	Code	Name of project or programme	Starting date dd/mm/yy	Closing date dd/mm/yy	Id. no NL	Year of comm.
	A	GLOBAL UMBRELLA TRUST FUNDS				
	A 1	**Netherlands Consultant Trust Fund**				
1	WW	Netherlands Consultant Trust Fund CTF			WW86047	1986
	WW	Netherlands Consultant Trust Fund CTF			WW86047	1988
2	WW	Netherlands Consultant Trust Fund CTF			WW86045	1987
	WW	Netherlands Consultant Trust Fund CTF			WW86045	1988
3	WW	Netherlands Consultant Trust Fund CTF			WW90071	1990
4	WW	Netherlands Consultant Trust Fund CTF			WW91028	1991
5	WW	Netherlands Consultant Trust Fund CTF			WW92009	1992
6	WW	Netherlands Consultant Trust Fund CTF			WW92037	1992
7	WW	Netherlands Consultant Trust Fund CTF			WW058201	1993
8	WW	Netherlands Consultant Trust Fund CTF	01-01-1994	31-12-1994	WW060001	1994
9	WW	Netherlands Consultant Trust Fund 1995	01-07-1994	31-12-1994	WW060002	1995
10	WW	Netherlands Consultants Trust Fund 1996	01-10-1997	31-12-1997	WW060003	1996
11	WW	Financing Van Den Brink with the World Bank			WW92956	1992
12	WW	Aral Sea Basin Action Plan[1]	01-02-1994	30-06-1997	WW062801	1994
13	RF	Environmental Assessment Training[2]	15-02-1996	15-09-1996	RF039201	1995
	A 2	**Technical Assistance for Eastern Europe and Central Asia**				
1	OA	TA Trust Fund for Central Asia			OA000301	1993
2	OA	TA Trust Fund for Central Asia - Renewal			OA000302	1995
3	OA	TA Trust Fund for Eastern Europe, Central Asia and Mongolia 96/97	01-04-1996	31-12-1997	OA000303	1996
	A 3	**TAGPE/Environment Consultant Trust Fund**				
1	WW	Consultant Trust Fund for the Environment/WB			WW90108	1990
2	WW	Consultant Trust Fund for the Environment/WB			WW90108C	1993
3	WW	Consultant Trust Fund for the Environment/WB (1995-1997)	01-05-1996	31-12-1998	WW028701	1996
	A 4	**Poverty Assessments**				
1	ZA	Poverty Assessment South Africa	01-10-1992	30-06-1995	ZA92023	1992
2	WW	WB/Poverty Assessment Trust Fund	17-09-1993	30-06-1997	WW92032	1993
		Overall Total CTF				
	B	GLOBAL THEMATIC TRUST FUNDS				
	B 1	**Global Environment Facility (GEF)**				
1	WW	GEF Global Environment Facility			WW91733	1991
2	WW	GEF Global Environment Facility[3]			WW022602	1994
3	WW	GEF Global Environment Facility - Secondment[4]	01-01-1996	01-01-1998	WW022603	1995
4	CM	GEF: Campo activity and Savanne component	01-12-1996	30-11-2001	CM002201	1996
	B 2	**Trust Funds in the Energy Sector**				
	*	**ESMAP (as from 1992)**				
1	BO	Energy Country Program Bolivia	30-06-1993	31-12-1997	BO92857	1993
2	IN	Rural Energy Study India	01-01-1994	30-09-1995	IN021401	1993
3	ML	Household Energy Project[5]			ML000101	1995
4	WW	Environmental Manual for Power Development (Phase II)	01-07-1994	31-12-1995	WW050601	1994
5	WW	ESMAP Small Project Fund 93/94	01-06-1994	31-05-1996	WW042301	1994
6	WW	ESMAP Funds Household and Rural Energy Activities	01-03-1995	28-02-1998	WW060701	1995

1 Total commitment was Dfl. 9.5 million of which Dfl. 6.5 for the World Bank and Dfl. 3 million for UNDP.
2 Linked to this project the Netherlands financed a number of missions not administered by the WB.
3 The arrangement is labeled in SDR. Total commitments are SDR 50.970 mln. The Netherlands has deposited SDR 40.215 mln as treasury notes on a WB account, of which WB has been allowed to encash for a value of Dfl. 5.688 mln at 31 December 1996.
4 Linked to this project The Netherlands financed a number of missions not administered by the World Bank.
5 Exclusive of preliminary financing on bilateral basis.

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Arrange-ment date	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
A. GLOBAL UMBRELLA TRUST FUNDS						
A 1						
28-09-1986	7.000	3.000	3.000	TF020400		
28-09-1986		4.000	4.000	TF020400		
28-09-1986	5.000	3.000	3.000	TF020400		
28-09-1986		2.000	2.000	TF020400		
24-05-1989	2.000	2.000	2.000	TF020400		
24-05-1989	3.000	3.000	3.000	TF020400		
24-05-1989	1.000	1.000	1.000	TF020400		
24-05-1989	3.000	3.000	3.000	TF020400		
24-05-1989	1.000	1.000	1.000	TF020400		
24-05-1989	3.000	3.000	3.000	TF020400		
24-05-1989	2.000	2.000	2.000	TF020400		
24-05-1989	5.000	5.000	2.000	TF020400		
24-05-1989	0.106	0.106	0.106	TF020400		
24-05-1989	6.500	6.500	6.250	TF020400		
24-05-1995	0.144	0.144	0.107	TF020400		
Total	38.750	38.750	35.463		35.553	30.325
A 2						
9-11-1993	14.250	14.250	14.250	TF026035		
24-05-1995	4.750	4.750	4.750	TF026035		
24-05-1995	10.000	10.000	5.000	TF026035		
Total	29.000	29.000	24.000		24.000	13.922
A 3						
21-11-1990	5.000	5.000	5.000	TF023590		
21-11-1990	5.000	5.000	5.000	TF023590		
28-05-1996	9.000	9.000	3.000	TF023590		
Total	19.000	19.000	13.000		13.000	10.234
A 4						
	0.600	0.600	0.600	TF022826	0.600	0.583
17-09-1993	6.000	6.000	6.000	TF024625	6.000	3.949
Total	6.600	6.600	6.600		6.600	4.532
Overall total CTF	**93.350**	**93.350**	**79.063**		**79.153**	**59.013**
B. GLOBAL THEMATIC TRUST FUNDS						
B 1						
14-03-1991	95.192	95.192	95.192	TF020065	95.192	95.192
24-05-1994	139.000	126.946	5.688	TF029006	5.688	n.a.
14-03-1996	0.480	0.480	0.167	TF020062	0.167	0.040
	12.990	12.990	0.000			
Total	247.662	235.608	101.047		101.047	95.232
B 2						
ESMAP						
9-06-1993	3.187	3.187	3.187	TF022186	3.187	2.535
9-11-1993	0.337	0.337	0.337	TF026125	0.337	0.282
7-11-1995	5.847	5.847	2.000	TF020041	2.000	0.531
21-11-1994	0.970	0.970	0.470	TF020061	0.470	0.212
27-07-1994	2.715	2.715	1.715	TF022185	1.715	0.719
6-07-1995	3.938	3.938	1.974	TF023851	1.622	0.535
Total	16.994	16.994	9.683		9.331	4.814

(Table 16 continued) ⇒

No	Code	Name of project or programme	Starting date dd/mm/yy	Closing date dd/mm/yy	Id. no NL	Year of comm.
	*	**ASTAE**				
1	RA	Assistance ASTAE	01-06-1993	31-12-1997	RA92858	1993
	*	**RPTES**				
1	RF	Policy review for traditional energy sector	01-02-1993	28-02-1994	RF91881	1993
2	RF	IBRD/Trust Fund Review of Policies in the Traditional Energy Sector	01-06-1995	31-12-1996	RF023301	1995
	*	**Non-Conventional Energy (NCE)**				
1	RF	Development of Non-Conventional Energy	01-01-1993	31-12-1995	RF025601	1993
		Overall total EFSTF				
	B 3	**EDI**				
1	HV	DSO/ARDNET/IPD/AOS	01-03-1991	31-12-1996	HV90953	1991
2	OA	Training and institutional support for the Central Asian Republics	01-09-1993	01-09-1996	OA000101	1993
3	SN	DSO/UNEDIL/CESAG/Project Analysis and Project Management	18-05-1991	31-12-1996	SN92951	1992
4	SN	DSO/ARDNET/CESAG	01-03-1993	31-12-1996	SN90950	1991
5	ZM	DSO/UNEDIL/PAID-ESA Project Analysis and Project Management	18-05-1992	31-12-1996	ZM92952	1992
6	RF	DSO/EDI/WMTOP/Sub-Saharan Women’s Management Training Outreach Programme (WMTOP) II Pilot Project	01-01-1994	31-12-1996	RF020303	1994
7	RF	DSO/UNEDIL/WIM - Women in Management Phase II Francophone component	01-07-1990	31-12-1996	RF90965	1990
8	RF	DSO/UNEDIL/Restructuring of the Pan African Institute	01-10-1993	30-12-1996	RF020302	1994
9	RF	DSO/UNEDIL/WMTOP Women’s Management Training Outreach Program	01-02-1990	30-06-1992	RF90966	1990
10	RF	(EDI) DSO/UNDP/EDI/ILO	13-11-1989	31-12-1995	RF89964	1989
11	RF	(EDI) DSO/TOO/AAU - Regional study in Sub-Saharan Africa	23-11-1988	30-06-1991	RF89963	1989
12	RF	Municipal Development Programme Phase I	01-06-1993	01-06-1994	RF013201	1993
13	RF	Municipal Development Programme Phase I	01-06-1993	01-06-1994	RF91882	1993
14	RF	Municipal Development Program Phase II	01-01-1995	31-12-1997	RF013202	1995
15	RF	Municipal Development Program Phase II	01-01-1995	31-12-1997	RF013203	1995
16	RL	FICONG - Policies and Projects aimed at Reduction of Poverty in Latin America	01-01-1992	31-12-1992	RL91869	1992
17	RL	FICONG - Policies and Projects aimed at Reduction of Poverty in Latin America yr 2/3	01-01-1993	31-12-1994	RL000701	1993
18	RL	FICONG - Policies and Projects aimed at Reduction of Poverty in Latin America yr 2/3	01-10-1996	30-06-1997	RL000703	1996
19	WW	Training Strategy for Environmental Management	01-11-1994	30-06-1997	WW051201	1994
20	WW	Training Strategy in the Water Sector Programme 1993-1996	01-04-1994	31-03-1997	WW045801	1994
	B 4	**Relief, Resettlement and Reconstruction**				
1	BA	Bosnia Reconstruction Trust Fund	15-11-1995	31-12-1997	BA000101	1995
	BA	Bosnia Reconstruction Trust Fund			BA000101	1996
	BA	Bosnia Reconstruction Trust Fund				1995
	BA	Bosnia Reconstruction Trust Fund				1995
	BA	Bosnia Reconstruction Trust Fund				1995
	BA	Bosnia Reconstruction Trust Fund				1995
	BA	Bosnia Reconstruction Trust Fund				1996
2	YU	Financing of Program of Advisory Services Bosnia	01-12-1994	10-12-1996	YU008601	1994
3	YU	Support Group Macedonia	01-01-1994	01-07-1994	YU003701	1994
4	OT	Technical Assistant Trust Fund for Westbank and Gaza	10-12-1993	31-12-1995	OT001201	1993
5	OT	JJH Peace Fund/support for the Palestinian Government I	01-04-1994	31-12-1996	OT002001	1994
6	OT	JJH Peace Fund/support for the Palestinian Government II	24-11-1994	31-12-1996	OT002002	1994
7	OT	JJH Peace Fund/support for the Palestinian Government III	01-06-1995	31-12-1995	OT002003	1995
8	OT	JJH Peace Fund/support for the Palestinian Government IV	01-01-1996	31-12-1996	OT002004	1996
9	OT	JJH Peace Fund	10-08-1996	31-12-1996	OT002005	1996

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	Arrange-ment date	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
ASTAE							
	28-05-1993	8.010	8.575	7.002	TF022865	7.002	5.691
	Total	8.010	8.575	7.002		7.002	5.691
RPTES							
	16-02-1993	2.010	2.010	2.010	TF023285	2.010	1.997
	22-09-1995	1.079	1.079	1.079	TF023286	1.079	0.780
	Total	3.089	3.089	3.089		3.089	2.777
NCE							
	5-08-1993	1.291	1.291	1.291	TF024785	1.291	1.047
	Total	1.291	1.291	1.291		1.291	1.047
Overall total EFSTF		**29.384**	**29.949**	**21.065**		**20.713**	**14.329**
B 3							
	19-12-1991	0.603	0.603	0.603	TF021705	0.603	0.556
	20-10-1993	17.879	17.879	17.879	TF025008	17.879	14.345
	10-06-1992	0.367	0.367	0.367	TF024232	0.367	0.312
	19-12-1991	0.648	0.648	0.648	TF021710	0.648	0.587
	10-06-1992	0.484	0.484	0.484	TF024231	0.484	0.437
	13-11-1989	1.526	1.526	1.526	TF026040	1.526	1.051
	4-12-1990	0.670	0.670	0.670	TF024230	0.670	0.663
	14-03-1994	0.367	0.367	0.297	TF024233	0.297	0.177
	13-11-1989	0.661	0.661	0.661	TF026040	0.661	0.661
	13-11-1989	1.327	1.327	1.327	TF026040	1.327	1.327
	23-11-1989	0.300	0.300	0.300	TF026430	0.300	0.300
	25-10-1993	1.000	1.000	1.000	TF025006	1.000	1.000
	25-10-1993	0.322	0.322	0.322	TF025006	0.322	0.250
	21-11-1995	0.322	0.322	0.322	TF025011	0.322	0.280
	21-11-1995	1.000	1.000	1.000	TF025011	1.000	0.066
	9-04-1992	0.276	0.276	0.276	TF021715	0.448	0.448
	26-10-1993	0.919	0.919	0.919	TF021716	0.919	0.913
	28-10-1996	0.064	0.115	0.072	TF020481	0.072	0.009
	10-11-1994	3.420	3.420	2.288	TF020001	2.288	2.131
	18-07-1994	3.700	3.700	3.178	TF027999	3.178	2.724
	Total	35.855	35.906	34.139		34.311	28.237
B 4							
		41.250	125.711	125.711			
		84.461					
	8-12-1995				TF020872	10.895	10.895
	8-12-1995				TF020873	11.498	6.921
	8-12-1995				TF020874	59.738	46.235
	8-12-1995				TF020876	10.057	10.057
	22-07-1996				TF020901	33.523	22.293
	6-12-1994	1.000	1.000	1.000	TF020212	1.000	0.980
	21-01-1994	20.000	19.600	19.600	TF026335	20.000	20.000
	10-12-1993	2.000	2.000	2.000	TF026067	2.000	0.000
	10-12-1993	4.000	4.000	4.000	TF026067		
	10-12-1993	4.000	4.000	4.000	TF026067		
	10-12-1993	8.500	8.500	8.500	TF026067		
	10-12-1993	16.000	16.000	16.000	TF026067		
	10-12-1993	8.750	8.600	8.398	TF026067		

(Table 16 continued) ⇒

No	Code	Name of project or programme	Starting date dd/mm/yy	Closing date dd/mm/yy	Id. no NL	Year of comm.
	From List WB				OT02001/5	1994
11	RA	Indomalayan Protected Areas	01-06-1993	31-12-1994	RA002301	1993
12	RW	Support Group Rwanda	01-10-1994	30-06-1995	RW006901	1994
	B 5	**Riverblindness/Onchocerciasis**				
1	RF	Riverblindness Programme			RF85002	1985
2	RF	Onchocerciasis Control Programme.	01-01-1992	31-12-1997	RF85002B	1991
3	RF	Riverblindness Programme			RF90003	1990
4	RF	Environmental Impact Study in the Onchocerciasis Control Programme area	10-04-1993	31-03-1994	RF93866	1993
5	RF	Ministerial meeting Onchocerciasis Control Programme Area			RF028801	1994
6	RF	Onchocerciasis Review Fund Contribution			WW87001	1990
	B 6	**Debt Relief**				
1	BF	Burkina Faso Debt Relief	02-11-1995	31-12-1995	BF007803	1995
2	BF	Burkina Faso Debt Relief	14-03-1996	31-12-1996	BF007804	1996
3	BO	Bolivia Commercial Debt Buy Back 1993	01-01-1993	31-12-1993	BO93901	1993
4	BO	Bolivia Debt Relief (1995)	07-07-1995	31-12-1995	BO011901	1995
5	BO	Bolivia Multilateral Debt Relief IBRD and IDB 1995	31-10-1995	31-12-1995	BO011903	1995
6	ET	Ethiopia IDA Debt Reduction Facility	01-01-1995	31-12-1995	ET012001	1995
7	HN	Honduras Multilateral Debt Relief IBRD 1995, 5th dimension[6]	31-10-1995	31-12-1995	HN003601	1995
9	HT	Haïti Support Group	15-12-1994		HT000501	1994
0	ML	Mali Debt relief	25-10-1995	31-12-1995	ML007801	1995
10	ML	Mali Debt Service 1996			ML007802	1996
11	MW	Malawi Debt Relief, 5th dimension[6]	30-11-1995	31-12-1995	MW002701	1995
12	MW	Malawi 5th Dimension 1996	01-06-1996	31-12-1996	MW002901	1996
13	NI	Nicaragua Arrears				1991
14	NI	Nicaragua 5th Dimension - Debt Relief 1994	01-10-1994	31-12-1994	NI009501	1994
15	NI	Nicaragua Debt Reduction Facility IDA	01-01-1995	31-12-1995	NI010301	1995
16	NI	Nicaragua Multilateral Debt Relief IDA 1995	31-10-1995	31-12-1995	NI009502	1995
17	NI	Nicaragua Multilateral Debt Relief IBRD 1996, 5th dimension[6]	14-03-1996	31-12-1996	NI009505	1996
18	PE	Peru Dutch Contribution Support/Debt Relief			PE91905A	1991
19	PE	Peru Dutch Contribution Support/Debt Relief			PE91905C	1992
20	RW	Rwanda Debt Service	26-10-1996	31-12-1996	RW006904	1996
21	SN	Senegal Multilateral Debt Relief	29-11-1995	31-12-1995	SN005501	1995
22	UG	Uganda Debt Relief – 5th Dimension	09-12-1992	31-12-1992	UG92017	1992
23	UG	Uganda Debt Buy Back			UG92902	1992
24	YE	Yemen Debt Relief 1995	01-11-1995	31-01-1996	YE015501	1995
25	YE	Yemen Debt Relief 1996	01-05-1996	28-02-1997	YE015502	1996
26	ZM	Zambia, conversion from C1630[7]			WW86157	1986
26	ZM	Zambia B.O.P. Support Debt Relief 1991[8]			ZM91001	1991
	ZM	Zambia, conversion from C1720[7]			WW86159	1986
	ZM	Zambia, debt service 5th dimension[8]			ZM007302	1994
27	ZM	Zambia Debt Buy Back	01-11-1993	31-12-1994	ZM007301	1993
29	ZM	Zambia 5th Dimension 1995	01-11-1995	31-12-1995	ZM007304	1995
	C	SINGLE PURPOSE/AD-HOC TRUST FUNDS				
	C 1	**Global Coalition Africa**				
1	RF	Global Coalition for Africa[9]	01-08-1990	31-12-1994	RF90054A	1990
2	RF	Global Coalition for Africa	01-01-1992	31-12-1994	RF90054C	1992
3	RF	Global Coalition for Africa 1st fund Phase II	01-01-1993	31-12-1994	RF92032	1993
4	RF	Global Coalition for Africa 2nd fund	21-06-1995		RF033603	1995
5	RF	Post Conflict Demobilization Workshop	15-10-1994	15-01-1995	RF033501	1995
6	RF	Global Coalition for Africa			RF033608	1996

6. 5th Dimension according to list WB.
7. These amounts were initialy committed on IDA-credits (see list Credit and Loan Related Cofinancing) but have been converted into debt relief afterwards.
8. WB receipts and disbusrsements include reallocations and interest income.
9. Total commitment on RF90054A was 2.4 million, part of which probably has been channelled to UNDP.

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Arrangement date	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
(from list of WB)				TF026067	41.480	40.879
24-11-1993	0.945	0.945	0.945	TF026115	0.945	0.833
13-12-1994	3.500	3.500	3.500	TF020274	3.500	3.500
Total	194.406	193.856	193.654		194.636	162.592
B 5						
	30.000	30.000	30.000	TF021520	30.000	30.000
	27.150	27.150	22.500	TF021531	22.500	18.293
	2.000	2.000	2.000	TF021530	2.000	2.000
9-12-1993	0.185	0.185	0.185	TF024905	0.064	0.064
17-03-1994	0.074	0.074	0.074	TF026385	0.074	0.074
2-07-1990	0.046	0.046	0.046	TF027450	0.046	0.046
Total	59.455	59.455	54.805		54.684	50.477
B 6						
25-11-1995	10.000	10.000	10.000	TF020267	10.000	10.000
19-07-1996	10.000	10.000	10.000	TF020366	10.000	12.127
18-12-1992	5.000	5.000	5.000	TF022465	5.000	5.000
11-09-1995	10.000	10.000	10.000	TF023218	9.999	9.999
15-11-1995	7.900	7.900	7.900	TF023219	7.890	7.890
	10.000	10.000	10.000	TF020801	10.000	5.400
28-11-1995	14.190	13.950	13.950	TF020261	13.950	13.950
16-12-1996	3.500	3.500	3.500	TF025135	3.500	3.500
28-11-1995	10.000	10.000	10.000	TF020264	10.000	10.000
23-05-1996	10.000	10.000	10.000	TF020268	10.000	10.000
7-12-1995	6.600	6.453	6.453	TF020848	6.453	6.453
20-06-1996	10.000	10.000	10.000	TF020844	10.000	9.055
17-07-1991	7.000	7.000	7.000	TF021880	7.000	7.000
14-12-1994	15.000	15.000	15.000	TF020262	15.000	15.036
	10.000	10.000	10.000	TF023396	10.000	10.000
28-11-1995	17.800	17.800	17.800	TF020263	17.800	17.800
2-07-1996	10.000	10.000	10.000	TF020371	10.000	9.504
7-11-1991	21.500	21.500	21.500	TF021165	21.500	21.732
16-12-1992	18.500	18.500	18.500	TF021166	18.500	18.628
9-12-1996	7.500	7.500	7.500	TF020292	7.500	0.000
18-12-1995	3.207	3.207	3.207	TF020271	3.207	2.412
21-12-1992	10.000	10.000	10.000	TF023475	10.000	10.000
18-12-1992	4.900	4.900	4.900	TF023145	4.900	4.900
4-12-1994	22.507	22.507	22.507	TF020258	22.507	22.507
14-06-1996	23.000	23.000	23.000	TF020256	23.000	10.617
	p.m.	p.m.	10.000	TF021291		
1-02-1988	20.000	10.000	10.000	TF021291	20.000	21.872
	p.m.	p.m.	15.000	TF022380		
	15.000	15.000	15.000	TF022380	31.217	32.972
10-12-1993	9.000	9.000	9.000	TF025095	9.000	9.000
7-12-1995	15.000	15.000	15.000	TF022381	15.000	15.000
Total	337.104	326.717	351.717		352.923	332.354
C. SINGLE PURPOSE/AD-HOC TRUST FUNDS						
C 1						
25-03-1991	1.562	1.562	1.562	TF025970		
	0.400	0.400	0.400	TF025970	1.962	1.962
25-03-1991	1.500	1.495	1.495	TF025972		
7-04-1993	0.542	0.542	0.542	TF025972		
	0.100	0.100	0.100	TF025972		
	3.750	3.750	0.750	TF025972	2.887	2.157
Total	7.854	7.849	4.849		4.849	4.119

(Table 16 continued) ⇒

No	Code	Name of project or programme	Starting date dd/mm/yy	Closing date dd/mm/yy	Id. no NL	Year of comm.
	C 2	**Social Dimension/Social Action Program**				
1	PK	Multi-donor Support Unit for the Social Action Programme: MSU – SAP	01-07-1993	30-06-1997	PK92013	1993
2	PK	Multi-donor Support Unit for the Social Action Programme: MSU	01-04-1996	31-12-1998	PK008906	1996
2	RF	Assessment of Social Dimension of Adjustment	07-01-1990	30-06-1993	RF89017	1990
3	RF	Evaluation Social Dimensions of Adjustment (SDA) Africa	01-07-1990	31-03-1995	RF025402	1995
4	WW	Governance and Successful Adjustment	15-03-1993	31-12-1994	WW93710	1993
	C 3	**Refugees**				
1	PK	First Income Generating Project for Refugee Areas[10]			PK00064	1984
	PK	Second Income Generating Project for Refugee Areas[11]			WW86161	1986
	PK	Third Income Generating Project for Refugees Areas			PK91850	1991
	PK	Third Income Generating Project for Refugees Areas			PK91016A	1992
	PK	Third Income Generating Project for Refugees Areas			PK91016C	1992
	C 4	**SPAAR**				
1	RF	SPAAR Consultation on the CGIAR Ecoregional Approach[12]	19-04-1994	23-04-1993	RF024701	1993
2	RF	SPAAR - Special Program for African Agricultural Research			RF035601	1995
	C 5	**Environment**				
1	BR	Pilot Program Tropical Rainforest	01-09-1992	31-08-1998	BR91850	1992
2	RF	Environment Information Systems in Africa/WB	01-01-1991	31-12-1992	RF91850	1991
3	SC	Environment Conservation Biodiversity[13]			SC91850	1994
4	WW	Environmental Assessment Manual	15-11-1994	15-02-1995	WW066930	1994
	C 6	**Urban transport**				
1	RF	Non-Motorized Urban Transport	10-01-1992	01-07-1994	RF022101	1993
2	RF	Non-Motorized Urban Transport, phase 2	01-12-1994	31-03-1996	RF022102	1994
3	RF	Non-Motorized Urban Transport Project[14]	10-10-1994	13-10-1994	RF022103	1994
4	RF	Non-Motorized Urban Transport	01-12-1996	30-08-1998	RF022104	1996
5	RF	Road Maintenance Initiative	01-07-1995	30-06-1998	RF037101	1995
	C 7	**Women in Development (WID)**				
1	ID	VR-1033 - WID Programme Officer World Bank/Jakarta	01-01-1991	31-12-1992	ID91865	1992
2	WW	Studies on Women In Development (Bangladesh/Zimbabwe)[15]				1986
	C 8	**Others**				
1	ID	Family Planning Cost-Effectiveness Study			ID00400	1985
2	ID	International Training Network (Watersupply and Sanitation)[13]			ID87023	1987
3	ME	Economic work in Middle East Peace Talk[15]				
4	ZM	Economic Management Technical Assistance	01-08-1991	31-07-1993	ZM90039	1990
5	ZM	Macro Economic Technical Assistance (METAP) Phase II	01-01-1994	30-06-1997	ZM001402	1994
6	ZM	Modernisation Tax Administration[16]	01-01-1992	01-12-1993	ZM92003	1995
7	ZW	WB Agro Industrial Development			ZW90005	1990
8	RF	Better Health in Africa			RF039301	1995
9	RF	Development of Sustainable Local Consultancy Capacity			RF89007	1989
10	RF	Development of an Agenda for Action to Improve Impl. Population Sub-Sahara			RF89038B	1990
11	RF	Strenghtening Food Security Unit World Bank[17]	01-07-1989	30-06-1992	RF89015C	1989

10. The contribution to the first phase, which amounted to Dfl. 2 million, was channelled through UNHCR.
11. The Netherlands contributed Dfl. 20 million. In 1994 an unspent balance of Dfl. 120,000 has been reimbursed (case study report p.62).
12. This commitment is part of a cofinancing arrangement for an amount of Dfl. 240,000.
13. No WB information available.
14. Commitment on RF022103 of Dfl. 0,099 million is already included in initial commitment for RF022101.
15. No Dutch information available.
16. Total commitment was Dfl. 2.297 million, of which Dfl. 0.047 million was for evaluation purposes.
17. The amount is part of a larger commitment of Dfl. 0.95 million for financing WB and WFP. The WB contract amounts to US$ 59,000.

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Arrange-ment date	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
C 2						
18-10-1993	0.543	0.543	0.543	TF023855	1.243	1.243
	1.050	1.050	0.350	TF023855		
26-09-1990	2.145	2.145	2.145	TF021440	2.145	2.145
31-03-1993	0.127	0.127	0.127	TF021441	0.127	0.127
13-05-1993	0.517	0.517	0.517	TF023965	0.517	0.517
Total	4.382	4.382	3.682		4.032	4.032
C 3						
	p.m.	p.m.	p.m.	via UNHCR		
4-12-1986	20.000	19.880	19.880	TF021400	19.880	19.880
19-02-1992	0.865	0.865	0.865	TF022320	no data	no data
	10.000	10.000	10.000	TF022320	no data	no data
	2.000	2.000	2.000	TF022320	no data	no data
Total	32.865	32.745	32.745		19.880	19.880
C 4						
28-06-1993	0.127	0.127	0.127	TF024275	0.240	0.230
2-11-1995	0.501	0.474	0.474	TF022759	0.474	0.103
Total	0.628	0.601	0.601		0.714	0.333
C 5						
13-03-1992	9.250	9.250	6.167	TF021945	3.083	0.945
18-10-1991	0.116	0.116	0.116	TF020865	0.116	0.116
3-02-1994	0.879	0.879	0.879	TF026345	0.879	0.563
	0.037	0.037	0.037			
Total	10.282	10.282	7.199		4.078	1.624
C 6						
17-03-1993	1.075	0.815	0.815	TF023185		
17-03-1993	2.061	2.061	2.061	TF023185		
17-03-1993	p.m.	0.086	0.086	TF023185		
17-03-1993	3.653	3.653	1.700	TF023185	4.662	2.858
20-09-1995	0.800	0.800	0.160	TF023186	0.160	0.156
Total	7.589	7.415	4.822		4.822	3.014
C 7						
21-02-1992	0.099	0.099	0.099	TF028176	0.099	0.113
19-06-1986				TF028068	0.025	0.025
Total	0.099	0.099	0.099		0.124	0.138
C 8						
27-03-1986	0.500	0.500	0.500	TF028067	0.002	0.002
	0.800	0.757	0.757			
4-04-1993				TF023595	1.510	1.510
17-12-1990	2.000	2.000	2.000	TF024240		
17-12-1990	2.472	2.472	1.648	TF024240		
17-12-1990	2.250	2.250	2.250	TF024240	5.898	5.091
28-06-1990	0.099	0.099	0.099	TF021960	0.099	0.099
14-12-1995	0.495	0.536	0.327	TF023726	0.327	0.241
25-01-1989	0.240	0.240	0.240	TF024490	0.240	0.240
11-06-1990	0.950	0.950	0.950	TF027390	0.950	0.954
20-12-1990	0.120	0.120	0.120	TF028148	0.120	0.120

(Table 16 continued) ⇒

No	Code	Name of project or programme	Starting date dd/mm/yy	Closing date dd/mm/yy	Id. no NL	Year of comm.
	(C 8)	(Others)				
12	RF	WB - Reg. study on Africa's Management in the 90s	01-01-1992	31-12-1994	RF092890	1992
13	RF	Workshop: 'Africa's Management in the 90's'	11-07-1994	15-07-1994	RF026301	1994
14	RF	Regional Program on Enterprise Development RPED	11-05-1994		RF90037A	1990
15	RF	Regional Program on Enterprise Development RPED	31-08-1994		RF027303	1994
16	WW	Urban Poverty and Social Policy in the Context of Adjustment, WB-Moser	01-01-1991	31-12-1995	WW91761A	1991
17	WW	Urban Poverty and Social Policy in the Context of Adjustment	01-01-1993	31-12-1995	WW91761B	1991
18	WW	Contribution 'Urban Age'[18]	01-07-1994	01-07-1995	WW042608	1994
19	WW	IPTRID Drainage Expert/WB[18]	01-09-1991	01-02-1996	WW91886	1991
20	WW	IPTRID Drainage Expert/WB[19]				1984
21	WW	Management for Sustainable Development			WW080103	1996
22	WW	Congress 'Product Development with Developing Countries'[18]			WW00122	1984
23	WW	Agenda Action Population Africa[18]			WW89033	1989
24	WW	Targetting Public Expenditure for Poverty Allevation			WW92924	1992
25	WW	Utility Partnership/Capacity Building of Urban Water	01-10-1994	30-09-1996	WW069901	1994
26	WW	World Bank/A Global Representative System of Marine Protected Areas[18]	01-01-1995	31-05-1995	WW079501	1995
27	WW	MEIP Capacity Building Vietnam/IBRD	01-02-1996	30-04-1998	WW088203	1995
28	WW	Core Contribution to MEIP/IBRD			WW088201	1995
29	WW	Research: 'Social and Environmental Consequences of Growth-Oriented Economic Policies'	01-01-1995	01-07-1996	WW069401	1995
30	WW	ED's Assistant Position[20]				1994
31	WW	CGAP - Grants (Netherlands)			WW091701	1996
32	WW	CGAP - Administration (Netherlands)			WW091702	1996
33	WW	Infodev-Netherlands			WW091301	1996
	C 9	**Trust Fund Administation, Balance Account**				
1	WW	Dutch Grants Pending Reallocation[20]				1995
	Overall Total Ad-hoc Trust Funds					
161		**OVERALL TOTAL FREE-STANDING TRUST FUNDS**				⇒

18. No WB information available.
19. Use of remainder TF020200 (1984) for extension of IPTRID drainage expert.
20. No Dutch information available.

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Arrange-ment date	Initial commitment	Commitment 31/12/96	Disbursements 31/12/96	TF-nr. WB	Receipts WB 31/12/96	Disbursements WB 31/12/96
(C 8)						
3-12-1992	0.320	0.320	0.320	TF021815		
	0.100	0.085	0.085	TF021815	0.405	0.405
31-10-1990	1.958	1.958	1.958	TF023470		
	0.700	0.700	0.700	TF023470	2.658	2.124
15-11-1991	0.470	0.470	0.470	TF021295		
	0.100	0.100	0.100	TF021295	0.567	0.654
	0.050	0.043	0.043			
	1.093	1.093	1.093			
30-09-1985				TF020200	1.600	1.597
2-07-1996	0.083	0.083	0.083	TF020201	0.084	0.205
	0.010	0.010	0.010			
	0.011	0.011	0.011			
28-04-1992	0.275	0.275	0.275	TF022015	0.275	0.251
30-11-1994	0.370	0.370	0.255	TF020202	0.255	0.008
	0.049	0.049	0.049			
	0.800	0.800	0.699	TF020894	0.699	0.000
30-01-1996	1.088	1.088	1.029	TF020892	1.029	0.232
21-03-1995	0.481	0.481	0.481	TF027895	0.481	0.210
4-05-1994				TF023685	0.626	0.442
9-02-1996	5.000	5.000	5.000	TF020677	5.000	0.827
31-01-1996	0.760	0.760	0.265	TF020678	0.265	0.209
21-03-1996	1.238	1.238	0.430	TF024575	0.430	0.000
Total	24.882	24.858	22.247		18.695	11.046
C 9						
24-05-1995				TF029003	9.796	0.385
Overall total Ad-Hoc Trust Funds	**88.581**	**88.231**	**76.244**		**66.990**	**44.571**
⇒	**1,085.797**	**1,063.072**	**911.734**		**904.457**	**786.805**

Table 17 Export Credit Cofinancing/Transactions 1976–96, all projects by country (in Dfl. millions)

No.	Country	Dutch project title	ID no. NL	Type of iinstrum.	Year of commitment	Company involved
1	BOSNIA	Project Facility Dutch Private Sector	BA001701	–	1996	Dutch Private Sector
2	BURUNDI	Delivery Telephone Cables/Measuring Machinery		GK	1985	NKF
3	CAMEROON	Road Project Douala-Yaoundé lot 8	CM	GK	1982	Volker Stevin Boskalis
4	CAMEROON	Road Project Douala-Yaoundé lot 3	CM	GK	1980	Boskalis
5	CHINA	Cleanrooms Production Vaccins	CN 002701	ORET	1993	Karsten
6	CHINA	Delivery Hoppers	CN 003601	ORET	1995	IHC Holland
7	GHANA	Telephone System Accra North	GH	GK	1987	NKF
	GHANA	Telephone System Accra, phase 2	GH 91010	LCL	1991	NKF
	GHANA	Telephone Cables Accra ‘Cantonments & Central’	GH 002401	ORET	1993	NKF
8	GHANA	Rural Electrification	GH 004701	ORET	1994	HOLEC
9	INDIA	Dredging Operations Nava Sheva	IN 00132	GK	1987	Zanen Verstoep
10	KENYA	Telephone Cables	KE 89018	LCL	1987	NKF
11	NIGERIA	Lagos Solid Waste Disposal	NG 90001B	LCL	1991	DAF Trucks
12	TANZANIA	Rehabilation Road Pugu-Chanika-Mbagala	TZ 014401	ORET	1995	ADUCO
13	TUNISIA	2 Tugboats 2200 PK	TN	GK	1984	Rijnwaal
	TUNISIA	2 Tugboats 3200 PK	TN	GK	1984	Rijnwaal (Bodewes)
14	ZIMBABWE	Zesa Second Power Project	ZW 88013	LCL	1988	DAF
15	ZIMBABWE	City Busses ZUPCO	ZW 91007	LCL	1991	DAF Trucks

No.	Country	Initial commitment	Disburse-ments	Transaction amount	World Bank project title	C/L nr.	Appr.date dd/mm/yy	Closing date dd/mm/yy
1	BOSNIA	24.315	0.500	24.315	Donor Pledging Conference	–	–	–
2	BURUNDI	9.000	9.000	18.000	Telecommunication	C 1058	29-07-80	31-03-87
3	CAMEROON	18.000	18.000	133.000	5th Highway	L 2180	15-06-82	30-06-89
4	CAMEROON	7.000	7.000	26.000	4th Highway	L 1723/ C 0926	07-06-79	30-06-87
5	CHINA	8.537	7.967	21.343	Rural Health and Preventive Medicine	C 1713	19-06-86	30-06-96
6	CHINA	3.526	3.526	8.815	Taihu Basin Flood Control	C 2463	23-02-93	30-06-98
7	GHANA	18.800	18.800	37.600	2nd Telecommunication Project	C1946	26-07-88	30-06-96
	GHANA	15.000	15.000	15.000	2nd Telecommunication Project	C 1946	26-07-88	30-06-96
	GHANA	12.000	12.000	30.000	2nd Telecommunication Project	C 1946	26-07-88	30-06-96
8	GHANA	24.449	14.903	61.122	National Electrification Project	C 2467	04-03-93	30-09-98
9	INDIA	30.776	30.776	79.823	Nhava Sheva Port	L 2387	13-03-84	30-06-92
10	KENYA	13.877	13.877	13.877	3rd Telecommunications	L 2574	06-06-85	31-12-89
11	NIGERIA	24.348	24.319	94.970	Lagos Solid Waste & Storm.	L 2620	19-09-85	30-09-93
12	TANZANIA	11.552	6.434	19.253	2nd Integrated Roads project	C 2598	07-04-94	31-12-00
13	TUNISIA	5.940	5.940	13.300	3rd Port Project	L 1797	22-01-80	31-12-88
	TUNISIA	7.000	7.000	15.300	3rd Port Project	L 1797	22-01-80	31-12-88
14	ZIMBABWE	12.479	12.479	12.484	2nd Power Project	L 2900	12-01-88	30-06-94
15	ZIMBABWE	25.000	19.625	25.000	Urban Sector & Regional Development	L 3079	01-06-89	31-12-98
	TOTALS	**271.599**	**227.147**	**649.202**				

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