

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Operational - Policy and Procedure - Preparation of Projects - Volume 1

Folder ID: 1071043

Series: Operations Policy and procedures

Dates: 11/15/1963 - 12/27/1965

Fonds: Central Files

ISAD Reference Code: WB IBRD/IDA ADMCF-04

Digitized: 05/12/2022

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED



1071043

A1994-039 Other #: 18

184067B

Operational - Policy and Procedure - Preparation of Projects - Volume 1

DECLASSIFIED
WBG Archives



TO RE-ORDER SPECIFIC
No. 86163 Folder
MADE IN U. S. A.

RETURN TO
RECORDS CENTER ROOM HB-1
PIE 1968 MATERIAL
BOX NO. 865

865

THIS FILE IS CLOSED AS OF
DECEMBER 1965.
FOR FURTHER CORRESPONDENCE SEE:
1966 - 1968.

RECORDS MANAGEMENT SECTION
February 1969

December 27, 1965

cc P. P. Dist Dir
cc P. P. Prep Dir
✓ cc Eng. Prog. Dir
cc P. P. Cancellation
Alv...

TO: Assistant Directors, Projects Department
FROM: S. Aldewereld
SUBJECT: Review of Projects Department's Performance

Now that we are approaching the end of the year, I think we should sit back and review the general situation of the department's work. On the whole, I think we have reason to be satisfied. We have handled a record volume of work during 1965, and at the same time improved and refined some of our techniques. I know that in order to accomplish this, you and your staff have had to work, and are still working, under very great pressure. I should like to take the occasion to express my appreciation of what has been done.

While there is ground for satisfaction, there is no ground for complacency. The review made at the beginning of August showed that most of the 229 projects under active supervision were proceeding more or less according to schedule, but that there were 16 projects in varying degrees of serious difficulty.

It would be useful now to consider how we can adapt and refine our procedures, so that difficulties in execution of projects can more often be foreseen and averted. I have in mind in particular three aspects of our work: first, causes of delay in carrying out projects; second, over-runs in costs of projects; and third, managerial and institutional problems which prevent projects being carried out promptly and successfully.

As far as delays in carrying out projects are concerned, one step has been taken since our August review. As you know, loan agreements now provide for automatic cancellation if the steps required to make a loan effective have not been taken by a specified date. It is too early yet to make a judgment about the effectiveness of this new procedure, but we hope it will reduce delays in making loans effective. From a review of the recent report of loans suffering from delays in disbursement (Sec M65-368 of Dec. 17), it appears that a common cause of delays in getting projects under way is the time taken for borrowers to select and appoint consultants. We should pay particular attention to this point, and consider in each case whether appointment of consultants ought to precede the signature of a loan. I would be glad if you would review the causes of delays in the loans for which your divisions are responsible, and suggest possible ways of reducing or eliminating any such causes which seem to you to be particularly frequent.

As far as over-runs in costs are concerned, we hope that the introduction of engineering loans will help to improve the accuracy of the cost estimates on which appraisal reports are based. At the same time, I believe that it should be emphasized to the staff working on appraisals that particular care should be taken to scrutinize cost estimates, and especially

Land. Title. ...

the estimates of local currency expenditures. Again, I should be glad if you would let me know whether there are any other means by which you think we could reduce the frequency and amplitude of cost over-runs.

I now come to what is one of the most difficult types of problem which we face. I am convinced that in some cases we have been too optimistic about the capacity of our borrowers to manage and organize the carrying out of projects, and particularly of large and complex projects. This type of problem does not only arise in the entities responsible for carrying out projects, but also in the general administrative background within which they must work. Many times the carrying out of a particular project raises questions about Government procedures for granting licences of various kinds, for approving public utility rates, etc. Since these problems of government administration have effects far beyond the limited horizon of a specific project, it is often inappropriate to attempt to come to an agreement with the government during the negotiations for a loan for a particular project; more often such questions should be discussed before a loan is negotiated. It may not be practical to get agreement to changes before a loan is negotiated, since in many cases it is a time consuming job to get regulations or procedures changed, but it should in many cases be possible at least to agree with the government on the steps to be taken in order to alleviate the difficulties arising from the existing regulations and procedures. In some cases it may be possible to get agreement to streamline procedures before a loan is signed, and, of course, whenever this is practical, it should be done.

But apart from these general questions of government procedures and regulations, I think we should be particularly careful to satisfy ourselves that the proposed institutional, organizational, and managerial arrangements for projects are adequate and appropriate. Even with the advice and help of competent consultants, a project will not go forward efficiently if the owner does not know how to use this advice, or disregards it, or hesitates to take necessary decisions. Moreover, experience shows that we should take particular care to minimize the risk that management of the organization responsible for carrying out a project is liable to sudden change for political reasons.

These questions are all pertinent to our work in appraising projects submitted to the Bank or IDA for finance. But in addition, with the prospective multiplication of consultative groups, we shall in the future be obliged more and more frequently to scrutinize, or even to draw up lists of projects to be considered for financing by such consultative groups. In this context, we may be under pressure to produce as many projects as possible. We shall not be doing the recipient country or the members of the consultative group any service by including in such lists items beyond the absorptive capacity of the country.

I should be grateful to receive your comments on what has been written above, and to hear from you any other suggestions for ways to make the work of the department more efficient. When we have discussed these, I have in mind to issue a Director's Memorandum for the guidance of the

department, designed to assist staff in their appraisal work, and so, I hope, to reduce the number of problem projects arising in the future.

At the same time, I should like to receive any suggestions you may have to make on another aspect of our work, namely the training and indoctrination of new staff. We are now, of course, in a much better position than we were two years ago; many Bank policies and procedures are explained in the Operational Memoranda, and these Memoranda are particularly useful for giving new staff members a general idea of what the Bank does and why it is done. But perhaps we can usefully supplement this source of training material by explaining in writing in more depth what our own Department does and why. I believe we must avoid the proliferation of written instructions, which may tend to be followed without proper discrimination; but at the same time I am inclined to feel that the time of supervisors might be saved if new staff members were furnished with a little more written guidance than they now have. I should be glad to know whether you have any suggestions in this connection.

HBRipman:ing

CC: Messrs. G. D. Woods
J. B. Knapp
B. Chadenet
H. B. Ripman
Advisers (Projects Department)

Check list available

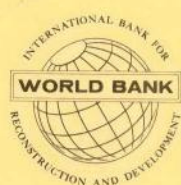
Group 1

Load the logs

Check list

Lensi { H. B. Ripman, H. B. Knapp, H. B. Chadenet

Do. Auto Loading & Personnel Changes



Operational Memorandum

ASSISTANCE IN PROJECT PREPARATION

Purposes

1. The Bank/IDA activities in many member countries have been limited by a shortage of well prepared projects, due usually to the lack of persons in the member countries who are qualified to organize and carry out the necessary studies. Accordingly, it is the policy of the Bank/IDA to assist member countries in the preparation of projects. The present memorandum outlines the nature and conditions of such help and the respective departmental responsibilities.

2. "Project Preparation" consists of two distinct processes:

- (a) The first, usually termed "project identification," involves a preliminary determination of the nature, size and scope of potential projects and of their importance for development.
- (b) The second, usually termed a "feasibility study," consists of a more detailed study of a project which has already been identified, embracing all its different aspects - economic, technical, managerial, organizational, commercial and financial. The aim of a feasibility study is to provide all the information necessary to determine whether and how a particular project can be carried out in accordance with sound principles and at a cost which compares favorably with the contribution it can be expected to make to development.

Thus the two processes together serve to bring a project to the point where, if the result of the studies is favorable, the project can be appraised for financing. "Project preparation" does not normally include the further detailed engineering which would be required in order to go to tender.

3. Many member countries have prepared development plans for the economy which seek, inter alia, to set overall development targets and identify obstacles, establish the relationship of the principal sectors to the development of the economy as a whole, and assess the relative emphasis to be given to the principal sectors. Frequently, however, such development plans do not exist, and even when they do, it frequently happens that the several economic sectors have not been analyzed in enough detail to throw up specific potential projects. In other instances potential projects have been identified but the country has been unable to undertake the further studies needed to bring the project to the point of appraisal.

Operational Memorandum



Project Identification

4. Within broad sectors such as transportation, project identification should be based on a comparison of the relative importance of developing the different means of transportation, e.g. roads, railways, inland waterways.

5. The principal means used by the Bank/IDA to assist member countries in identification of projects are:

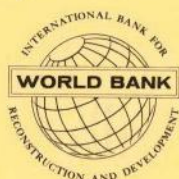
- (a) Bank/IDA economic missions which, in exploring possibilities for future operations, may note and bring to the Government's attention projects that appear to deserve priority for investigation or execution.
- (b) Bank/IDA resident missions performing the same function.
- (c) Specific project identification missions undertaken by Bank/IDA staff or by FAO or UNESCO in accordance with the relevant Cooperative Agreements.
- (d) The field offices established in East and West Africa to advise member countries on all aspects of project identification and preparation.
- (e) Sector studies undertaken by the Bank/IDA in accordance with O.M. No. 7.03.
- (f) UN Special Fund Studies for which the Bank is Executing Agency, undertaken in accordance with O.M. No. 7.07.

The last three methods, in particular, frequently involve both aspects of project preparation - project identification and feasibility study.

Feasibility Studies

6. The member country or the project sponsor is responsible for carrying out feasibility studies, with or without the help of consultants. The ways in which the Bank/IDA may assist its borrowers in this stage (see O.M. No. 7.03) are:

- (a) Advice by its staff (or where appropriate FAO or UNESCO staff under the relevant Cooperative Agreements) on the planning of feasibility studies by specifying the information which has to be gathered, by defining the studies needed to provide such information, by establishing the necessary priority among the phases of the investigation, and by advising how those studies can best be financed (where appropriate),



Operational Memorandum

organized and presented. In particular, borrowers often need help in drafting terms of reference for consultants, and advice on whether the consultants they have in mind are suitable.

- (b) Arranging for FAO or UNESCO to assist borrowers in carrying out feasibility studies in their fields of competence.
- (c) Assisting in recruitment of men to supervise the experts or consultants carrying out feasibility studies.
- (d) Acting as Executing Agency for the UN Special Fund for feasibility studies in accordance with O.M. No. 7.07.
- (e) Organizing feasibility studies on behalf of a prospective borrower and financing part of their cost in accordance with O.M. No. 7.03.
- (f) Visiting prospective borrowers to make sure that the feasibility studies are proceeding along the right lines and covering all the necessary aspects (particularly the economic, organizational and financial aspects). Bank/IDA assistance may range from occasional visits to active participation in steering committees and even to management of consultants on behalf of the project sponsor.
- (g) Including in a loan or credit the cost of feasibility studies where circumstances permit. For instance, studies for subsequent development of the highway system might be included in a highway loan or credit.
- (h) Encouraging consulting firms to broaden the services they offer by supplementing their engineering staff with economic and financial talent, or by working in partnership with economic or financial consultants.
- (i) Where a prospective borrower is very inexperienced, seconding a member of the Bank/IDA staff on a full-time basis to manage a feasibility study on behalf of the project sponsor. (In such a case the Bank/IDA departs from its normal policy of avoiding the embarrassment of appearing to take responsibility for carrying out feasibility studies which it will subsequently appraise. This kind of help, therefore, is only given after very careful consideration.)

7. When other development institutions are prepared to finance a feasibility study which the government desires to serve as the basis for project financing by the Bank/IDA, the Bank/IDA may assist its borrowers by providing advice as indicated in paragraph 6(a) above.

Operational Memorandum



Responsibilities of Bank/IDA Departments

8. Area Departments are responsible for project identification. Assignment of Bank staff for participation in sector studies, economic missions, project identification missions, or resident missions whose functions include assistance in project identification is determined, in close consultation with the Development Services Department, and the Administration Department. In the main, such staff is provided either by the Projects Department or the Economics Department. Where it is desired to hire outside consultants, the Projects Department makes the necessary arrangements. The Projects Department is also responsible for providing necessary briefing to project identification missions organized by FAO and UNESCO under the Cooperative Agreements and for supervising the execution of sector studies undertaken by the Bank or the UN Special Fund, for which the Bank is Executing Agency, subject to necessary coordination with other departments as specified in O.M. Nos. 7.03 and 7.07 respectively.

9. Projects Department is responsible for Bank/IDA activities regarding feasibility studies. Coordination with other Departments, primarily Area Departments and, where technical assistance or the UN Special Fund projects are involved, the Development Services Department, is effected through country working parties.

Projects Department

Proj. Preparation

OFFICE MEMORANDUM

TO: Mr. J. Burke Knapp

FROM: G. M. Wilson

SUBJECT: Project Preparation

DATE: January 16, 1964

Mr. Woods has commented as follows on the series of papers on "Project Preparation" which were produced about the end of last November.

"Last paragraph of Schmidt's memo has a good idea.

Moussa memo probably should be implemented, certainly should be thoroughly discussed and carefully considered.

TOD memo--paragraph 25 last page--causes me to wonder why we spend time and talent on these universities in Colombia--clearly outside of the area contemplated in the memo for ED's and outside of the general trend of of the ED's comments on the education field of finance.

In general, it seems to me these memos confirm Demuth's point, i.e., something should be done with this "loose ball".

I understand that you already have under consideration Mr. Schmidt's idea about ways of financing feasible studies.

I have asked Mr. Williams, in conjunction with TOD, to put up specific proposals about situating people in Africa. I think that we should do this, and the best way of having the idea considered is on the basis of a specific proposal. I shall talk to Mr. Moussa about this when he gets back.

We spoke this morning about universities.

You, Mr. Aldewereld, Mr. Demuth and I should think about what, if anything, we should do with this "loose ball". I will convene a meeting about this in the week beginning January 27th.

GMW

cc: Mr. Demuth
Mr. Aldewereld

GMWilson/hd

January 11, 1964

To: Mr. Wilson

Long delayed memos on Project Preparation returned herewith.

Last paragraph of Schmidt's memo has a good idea.

Moussa memo probably should be implemented, certainly should be thoroughly discussed and carefully considered.

TOD memo--paragraph 25 last page--causes me to wonder why we spend time and talent on these universities in Colombia--clearly outside of the area contemplated in the memo for ED's and outside the general trend of the ED's comments on the education field of finance.

In general, it seems to me these memos confirm Demuth's point, i.e., something should be done with this "loose ball."

G. D. Woods *g*

GDW/s (Copy of handwritten notes)

Attachments: 12/2/63 memo fr A. Stevenson to G. M. Wilson, re "Help Required in Preparation of Projects - South Asia & Middle East,"
11/26/63 memo fr Cargill to Wilson re "Help in Preparation of Projects."
11/27/63 memo fr Schmidt to Wilson re "Technical Assistance in the Preparation of Projects (Western Hemisphere)."
11/15/63 memo from Moussa to Wilson re "Preparation of Projects."
11/27/63 memo from Cope to Wilson re "Project Preparation."
11/19/63 cy memo from Ripman to Wilson re "Extent of Project Preparation in Technical Operations Department."

OFFICE MEMORANDUM

5- Preparation of Projects
This is the last in the series of essays on project preparation.

TO: Mr. Geoffrey M. Wilson

DATE: December 2, 1963

FROM: Alexander Stevenson

GMW

SUBJECT: Help Required in Preparation of Projects - (South Asia and Middle East)

12/3

This is in response to your request of Department Heads to let you know the needs of their areas for help in the preparation of projects.

Being unable to prepare projects is part of being underdeveloped and the more backward a country is the less able it is to select and prepare projects suitable for Bank or IDA financing. At one end of our spectrum are countries like Afghanistan and Nepal which have in their own government service practically none of the knowledge and experience needed to decide what should be done, to organise the studies required to find the best way of doing it, to supervise the preparatory engineering work, and so on. At the other end are countries like India, which in some cases can and do perform all of this work themselves, and yet in others show surprising lacunae and make mistakes which it should have been possible to avoid.

In past IDA operations we have already gone quite far in assisting countries to get projects ready for financing. Much of this work has been done in the course of appraising projects, for the line between project preparation and appraisal is hard and often impossible to draw. In the small industries project in West Pakistan, for example, the project was largely shaped by IDA from the start. In the case of the water supply and sewerage projects in Dacca and Chittagong, we gave considerable help with the engineering. Even in the case of the Indian steel project currently being prepared by Tata, suggestions were made by our mission and accepted by Tata which are expected to improve the economics of the project considerably. Apart from assistance connected with loans, we are attempting in Afghanistan to organise a feasibility study which would, we hope, lead to a loan project designed to rehabilitate existing canals and introduce modern irrigation methods in the Kunduz-Khanabad area.

The causes of inadequate project preparation vary widely. First there is a lack of strictly technical knowledge. Here consultants may have to be hired, their terms of reference vetted, experts may have to be found and employed. These needs are perhaps the easiest to fill and we have done quite a lot of this already. Equally important, however, is the shortage of local people capable of organising the selection and preparation of projects. This may include selecting and using consultants effectively and taking the administrative steps necessary to keep the preparatory work moving along. In some cases, for example Nepal, such people probably cannot be found. Where such people do exist, too many of them may not be being used properly.

If we are to operate effectively as a development institution, particularly in the more backward of our member countries, we are going to have to give more assistance in all this kind of work. At the same time, we must beware of doing too much for the countries concerned, for our long-run aim should be to teach them to do these things themselves. Indeed, we must be prepared to accept some inefficiency, for this is the price of learning.

How should we go about giving such assistance?

1. There should be a much closer connection than there is between our economic studies of countries and our appraisal of projects. Economic missions should be staffed so as to be able to pick out potentially good projects capable of being carried out in the particular economic, political and social situation. By the same token they should have the experience to judge what kind of assistance is going to be needed in turning sound ideas into good projects, and what the possibilities are of getting it. This means stronger technical representation on such missions, which there should be in any case, for it is at this stage that it is relatively easy to make constructive suggestions. Sometimes it may mean providing special advisers for longer periods either from the Bank's staff or outside (e.g., the transportation economist we have proposed for East Pakistan), to help determine priorities and advise on preparatory work for projects in particular fields.

2. Once preparatory work on a project is started, TOD and the Area Department concerned have to work closely together before, during and after negotiations, to guide it along. This would mean not only giving assistance in the selection of consultants and in the drawing up of their terms of reference, but also working with the authorities concerned to see that the necessary administrative and organisational steps are taken at the appropriate times. This might sometimes be done by attaching to our resident missions people conversant with the problems of project preparation both administrative and technical. (The Bank's interest in the Indian sub-continent, for instance, is large enough, I think, to make it worthwhile considering in detail whether there would be advantages in having such staff resident there.) They could be concerned with projects in the course of execution as well as those being prepared. In other cases it could mean visits by headquarters staff, both TOD and area, to see that the appropriate administrative steps, which would have been discussed on a previous occasion, are in fact being taken.

3. We should continue to finance feasibility studies from our technical assistance funds and should also encourage other donor countries to do so. Here an interesting problem has arisen recently in Pakistan. In a number of cases consortium members have apparently not been prepared to accept the findings of feasibility studies financed by other consortium countries and have insisted on doing their own, which meant a waste of time and resources. Whether the initial studies were adequate or not we do not know, but surely it should be possible to work out ways of coordinating such studies and agreeing on suitable standards and methods

so as to avoid this sort of thing. We might also take up again the Pakistani idea of having a certain percentage of aid used for feasibility studies and see if suitable procedures for operating such a fund could be worked out.

4. In all this, however, we must be sure that we are using every opportunity to make the local people get the necessary knowledge and experience and working out the administrative procedures as quickly as possible. We should therefore intensify EDI courses on project preparation and appraisal in Washington, and consider the possibility of organising such courses abroad, for instance in the Indian sub-continent. In this we must do all we can to see that the right people take the courses. We should also explore other means of training, such as bringing suitable officials to the Bank as Special Trainees, and so arranging feasibility studies as to ensure that the recipient country makes the most of the opportunity afforded to learn the techniques and procedures used. This could range from the organisation of training for local surveyors, e.g., in the proposed Kunduz-Khanabad irrigation study in Afghanistan to the attachment by the member country to Bank missions of personnel who can profit from seeing how a Bank mission goes about its work.

cc: Messrs. Knapp
Cope
Cargill
Moussa
Ripman
Demuth

AS:hvs

OFFICE MEMORANDUM

TO: Mr. Geoffrey M. Wilson

DATE: November 27, 1963

FROM: S. R. Cope

SUBJECT: Project Preparation

I refer to your memorandum of November 6 on the subject of project preparation. Assistance in project preparation may take a variety of forms. In its simplest form it occurs in almost every appraisal of a project put forward by a prospective borrower, if only because comments made by our staff result in changes in the way the project is finally presented as a basis for a Bank loan or IDA credit. In these cases, however, there is on the part of the borrower a degree of ability and sophistication which enables it to identify, prepare and present projects and our assistance has been minimal.

To an increasing extent, however, we have in recent years come across situations where the ingredients necessary for the presentation of suitable projects are lacking and where there is a need for greater help. In some instances the help needed is of a purely technical nature and can readily be provided by consultants, e.g. in the preparation of designs, cost estimates and specifications.

In other cases, the need goes further and involves the identification of suitable projects or the working out of a legislative, financial and organizational complex which will govern the operation of the project. An example of the former are the preinvestment studies of the United Nations Special Fund, for which we are sometimes the Executing Agency. The latter is exemplified by our work on the Volta River project and by the exhaustive discussions which have been taking place during the past year between Renfe, Sofrerail and ourselves in preparing a master plan for the Spanish railways, which will eventually form the basis for one or more Bank loans. I believe that especially in the latter type of case timely assistance on our part which, incidentally, need not and most likely would not be limited to T.O.D. staff, can be highly valuable and may in fact save us time and trouble at a later stage.

Looking ahead for the next twelve to eighteen months, I suggest the following cases for more than routine assistance in project preparation:

1. Bechuanaland - Agricultural Credit and Borehole Project.

We have under consideration a request for an IDA credit for an agricultural credit and borehole drilling program. The amount of the credit requested is \$0.8 million. A bill has been drafted setting up a statutory corporation along the lines of the British Guiana Credit Corporation which would administer the credit program. Special assistance will be needed to advise on the form, terms and administration of the credits to be made by the new institution.

2. Cyprus - Use of Water Resources.

During the Annual Meeting we were informally asked whether we would consider financing a desalinization plant to meet the water requirements of the city of Famagusta. A study of the consultants' report and other material shows that the water shortage in Famagusta is due to overpumping in the area for agricultural uses. A desalinization plant, which would in effect enable the overpumping to continue, at this stage of technical progress would be quite costly to operate and it would be preferable to postpone it, if alternative solutions could be found. This would involve not only an investigation of other sources of supply (the Diarrhizor River, deeper drilling, a dam construction program to store surface water) but also the question of regulating competing demands for available water sources. We have therefore suggested to the Government that we should send some members of our staff to Cyprus to examine these questions.

3. Iceland - Burfell Hydroelectric Project.

During the Annual Meeting we were informally asked whether we would help finance a 210 MW hydroelectric project at Burfell to supply power to a 30,000 tons aluminum smelter. The smelter would be operated by a joint venture, consisting of American Metals Climax Corporation and a Swiss concern. Preliminary discussions have taken place between the Government and the aluminum companies. While technical studies on the hydroelectric project are well advanced, the economic and financial information is sketchy. The amount which Iceland proposes to borrow for the hydro project is about \$25 million. We told the delegation that in view of the amount, any loan would have to be secured in some manner by the revenues of the aluminum smelter. We also said that if we were to lend for the project, we would have a vital interest in the arrangements between the Government and the aluminum companies and that it would, therefore, be advisable to get us in on the discussions at an early stage. Mr. Chauffournier has had some preliminary discussions with Government representatives in Iceland, and the Governor of the Central Bank, Mr. Nordal, plans to visit Washington in the near future for further discussions.

4. Jamaica - Power Project.

The need for assistance in preparing and presenting projects is clear. We have been dealing with the Jamaicans for a number of years trying to find suitable projects for financing. At this moment, it looks as if we might be asked for a loan for expansion of the facilities of the Jamaican Public Services Company, Limited, a private undertaking which is at present negotiating with the Government for the renewal of its license. In this connection, we have been informally approached with a request to help work out a number of matters which are under discussion between the company and the Government over such matters as depreciation policy, valuation of assets, rates and the need for an independent rate-making body, and the working party is considering this request.

In addition, we may be asked for a loan for a new port at Kingston to be built and operated by private interests. The project is still in a preliminary stage. The proposed project would adversely affect existing port interests unless they were brought in in some way. Government officials are negotiating with Nedeco to make a study of the economics of the operation of the Kingston port complex, including a review of existing charges. In due course, it may be desirable to send a few staff members to Jamaica to look into the whole question of port organization and finances.

Other projects under consideration by the Government include roads, agricultural settlement (the Black River Morass Scheme), the Harkers' Hall multipurpose project and an agricultural credit program. Consultants are advising the Government on the first three and no help from us would seem required at this time. If we were to consider a loan for agricultural credit, however, it would be desirable that we provide assistance at an early stage on the institutional framework for the administration of the credit program, and the objects, terms and conditions of lending.

5. Portugal - Port Development Program

The Portuguese Government has asked us to assist in preparing a port development program which would serve as a basis for a Bank loan.

6. Trinidad - Agricultural Credit

The Government is considering an agricultural credit program. The existing apparatus, a central agricultural credit board, operating through a number of cooperative institutions, is similar to that in Jamaica and what was said above on that subject would also apply here.

7. Yugoslavia

During the Annual Meeting Mr. Woods suggested to the Yugoslav delegation the possibility that they might work out projects which would involve a joint venture with private companies in other countries and thus benefit from the managerial and technical know-how which these companies had to offer. Since then, the Bank has been approached by National Distillers who are interested in obtaining a firm supply of aluminum ingot and who have had a number of conversations with Yugoslav authorities about the possibility of establishing an aluminum smelter. The proposal is to establish an aluminum plant and smelter with an annual capacity of 100 million pounds, of which National Distillers would take about half at a price somewhat below the market. We have informed the Yugoslavs that the Bank would be prepared to explore the idea of providing finance for an aluminum smelter if the Government were to put forward a proposal involving some kind of partnership with a foreign concern. We would have to be satisfied with the economic priority and soundness of the project and the availability of funds required to complete it. We pointed out that a proposition of the kind put forward by National Distillers raised a number of important questions for the Government which we would be prepared to discuss with them.

November 27, 1963

Apart from this, we have been informed by the Yugoslav Investment Bank of preliminary discussions which have taken place with a Dutch concern about the possibility of establishing a fertilizer plant. We understand that the Dutch concern in question is "Staatsmijnen", the Government owned mining corporation.

The first proposal seems worth investigating and we might be able to play a useful role in the arrangements between the Government and the foreign concern involved. The second does not seem promising, but it should not be ruled out entirely at this stage.

Looking further into the future, we might be asked to consider projects in Mauritius (land development and agricultural credit), Fiji (land settlement) and, if circumstances change, British Guiana (irrigation). Each of these would require assistance of a kind which cannot readily be provided by consultants and I think we should be prepared to help work out suitable projects when the time comes.



cc: Mr. Moussa

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. Geoffrey Wilson

FROM: Orvis A. Schmidt

SUBJECT: Technical Assistance in the Preparation of Projects
(Western Hemisphere)

DATE: November 27, 1963

1. This memorandum is in response to your request that the Area Department heads let you know the type of assistance likely to be needed in their countries in the preparation of projects.

2. Before attempting to characterize future needs I think I should say a word about the type and extent of such assistance rendered by the Bank in Latin American countries to date. The point I want to make is that the bulk of the loans that we have made to Latin America were made possible only because of a substantial amount of assistance from the Bank in the preparation of the respective projects. Disregarding the general survey missions (which have often established a framework within which project preparation has been carried out) most of the assistance rendered has been of two general types.

3. The first type might be characterized as having to help translate an obvious need into a project. Having been satisfied with the priority in the circumstances prevailing in the country of a prospective project (be it a power plant, a set of roads, a new or improved port, etc.) we have very often done the following in order to have a suitable basis for making a loan and for carrying out the work:

a) We have suggested the need for consultants' studies and helped prepare (or review) terms of reference.

b) We have helped pass on the qualifications of consultants to carry out the studies in question.

c) We have suggested the need to improve the entity that was to finance and carry out the project (or in many cases suggested steps to be followed to create a new entity).

d) We have suggested (or insisted on as a condition of financing) general financial and administrative policies regarded as necessary to the success of the operation.

Annex A indicates some of the loans which we were able to make because of assistance of this type. I might add that while there has been continuing assistance of the type which we have rendered in the guise of "end-use supervision" the borrowers have tended to profit by their experience and require less guidance and assistance of this type.

/cont'd.....

4. Having gotten started in many countries largely on the basis of project type assistance referred to in the preceding paragraph, we -- as the second principal type of assistance -- have suggested the need for and helped to carry out studies of particular sectors in order to provide a broader frame of reference for preparing a program of financing for the further development of that sector. In these cases we have usually performed most of the following functions:

- a) Suggested the sector most in need of this type of study.
- b) Assisted in formulating requests to the United Nations Special Fund (or to the Bank) for assistance in making its sector study.
- c) Assisted in formulating terms of reference for the studies.
- d) Assisted in determining the types of consultants needed and in selecting the consultants retained to carry out the study.
- e) Helped exercise a general supervision over the consultants while the studies were being carried out.

Attached as Annex B is a list of the sector studies carried out or under way in Latin America, most of which received the type of assistance just described. These sector studies have usually resulted directly in projects which were subsequently financed by the Bank.

5. As a result of the work already done an increasing number of our loans are for projects on which we have had to do comparatively little by way of assistance in project preparation. With increasing experience borrowers are better able to carry out on their own the steps needed to prepare a program for expanding their activities. On the other hand, we are usually in constant touch with such borrowers as a result of past loans and are exercising a general form of guidance through our end-use supervision.

6. The types of assistance in project preparation that would be most useful in Latin American countries in the next few years are briefly described below:

- a) Additional help to a country in translating the results of a sector survey into steps which can be financed and executed as individual projects. Some examples are:
 - i) Assuming conditions permit us to do so, further help to the Argentine Government in translating the results of the railroad survey into a practical program for improving management and making the investment necessary to improve railroad operations.
 - ii) Peru - to help translate the results of the highway survey into a series of construction programs (or projects) which would provide a suitable basis for external financial assistance.

/cont'd.....

- iii) Honduras - when political conditions improve will need the same type of assistance in translating its highway sector study into a series of projects.

b) Helping a country which has no sector study but has a series of possible projects within a sector (agriculture, transportation, power) to arrange for the studies and steps needed to determine which projects should be undertaken and in what order. The type of assistance needed is much the same as that referred to under a). Examples are: Peru and Chile which have a series of prospective irrigation projects and need assistance in determining which should go forward in what order and under what circumstances.

c) Helping a country (or entity) having feasibility studies for high priority projects to work out arrangements for financing them and getting them under way (even if the Bank or IDA are not going to assist in financing them). The need for this assistance arises particularly where we are running a consultative group and the country needs assistance in working out arrangements to use financing if proffered by others. The principal country for which assistance of this type is now being requested is Colombia, but Chile might also profit by it.

- d) Helping a country to decide how to handle a large project:

- i) for which feasibility or technical studies have been made; or
- ii) which has been started (or for which financing has been made by the supplier credit basis) without proper studies.

Examples of type i) are the Salto Grande hydroelectric project (and possibly subsequently the El Chocon multi-purpose project in Argentina. Examples of type ii) in Peru are the Mantaro Bend hydroelectric project and Sogesa steel mill of the Santa Corporation.

7. In a large measure the types of assistance described as needed in the future are a continuation of types of assistance which we have rendered in the past and we are in fact already working on some of the examples which have been cited. The types of function most commonly involved are:

- a) Helping to determine the types of studies needed to provide a basis for making an intelligent judgment about a project.

- b) Helping to select qualified consultants to carry out the studies.

- c) Helping to establish the type of organization needed to construct and operate the project (or a series of projects).

November 27, 1963

d) Advising on the types of policies needed to obtain the objectives of the project (especially on rates and financial policies or, as we are now doing in the case of Bolivia, helping a country reach a decision on policies to be applied to a private investor).

8. One function which we have performed only to a very limited extent and which I think would be helpful to expand is that of financing feasibility studies. Once we have a continuing relationship with the borrower we often include in the loan for a given project funds for the feasibility studies for the succeeding stage. The big problem, however, is to help a new entity get started. Usually the type of assistance required is that described in paragraph 3 above as helping to translate a good idea into a project, but the most difficult stage in the series is often to get the consultants hired and start them working. Usually the entity does not have in its budget the money needed to hire the consultants and may have to go through time consuming procedures required by archaic systems of financial control to get the money and spend it for consultants. In many instances our ability to have financed the consultants could have cut a year or more off the time required to prepare the project and would often have resulted in better consultants being selected. One way of doing this is to provide the money as technical assistance. We once considered setting up a revolving fund to be used to finance feasibility studies of projects likely to be financed by us and to have the cost of the feasibility studies reimbursed to the fund if and when a loan is made. I still think this would be a good idea.

Att.

OAS:YA

cc: Messrs. Cope, Cargill, Moussa, Reid, Ripman, Demuth

Types of Assistance Rendered by the Bank
in the Preparation of Individual Projects

Key to types of assistance rendered:

- a) Suggested need for consultants and help in preparing terms of reference.
- b) Suggested need to improve entity (or create new one) to execute project and to be the borrower.

COLOMBIA

CHIDRAL (a and b) - 4 loans

Empresas Publicas de Medellin (a and b) - 2 loans

Empresas de Energia Electrica de Bogota (a and b) - 2 loans

National Railroads (a and b) - 4 loans.

ECUADOR

Empresa Electrica Quito (a and b) - 2 loans

Guayaquil Port Authority (a and b) - 1 loan

HONDURAS

Highway Development (b) - 2 loans

Power (a and b) - 2 loans

NICARAGUA

Power (a and b) - 3 loans

PERU

Port of Callao (a and b) - 2 loans.

Sector Studies carried out with Bank Assistance

ARGENTINA

- Power Survey (SEGBA Loan)
- Transportation Survey (Highway Loan)

CHILE

- Agricultural Survey - (Feeder Road Loan)

COLOMBIA

- Transportation Survey (helped prepare basis for decision on recent railroad and highway loans).

PERU

- Agricultural Survey
- Highway Survey (recently completed).

ECUADOR

- Transportation Survey (currently under way)
- Power Survey (currently under way - assistance in developing basis for preparing power program).

HONDURAS

- Highway Survey (recently completed).

GUATEMALA

- Hydraulic Resources Survey (recently completed - providing a basis for decision on several power projects).

COSTA RICA

- Railroad-Port Survey (being started).

CENTRAL AMERICA

- Telecommunications Study (being completed).

URUGUAY

- Agricultural Survey (provided basis for livestock loan).

PARAGUAY

- Highway Survey for Southwestern region (assistance being granted by U.N. Special Fund).

OFFICE MEMORANDUM

TO: Mr. Geoffrey M. Wilson

FROM: I.P.M. Cargill *Thur*

SUBJECT: Help in Preparation of Projects

DATE: November 26, 1963

Two weeks ago you asked us to make estimates of the amount of work the Bank is likely to have if it expressed readiness to help in the preparation of projects. It is, of course, difficult to make any quantitative estimate and so I have attempted to indicate a general situation in the various countries with which I deal. Under this heading I include the financing of surveys (such as the transportation survey now nearing completion in Taiwan), the financing of the preparation of projects by consultants (such as the work being done on the water supply system in Manila), acting as executing agent for the U.N. Special Fund for studies which will probably lead to loan applications, resident missions of the type now in the Philippines, and extra effort on the part of Bank staff to get a project ready for appraisal (e.g., the road project in Thailand). In the Far East the Bank is unlikely to be asked in the near future for this kind of help in Burma, Indonesia, Laos and Viet Nam, and certainly not in Japan.

- (a) In Korea and China technical assistance, if required, is likely to be in the form of sector studies which will identify projects. In both these countries institutions are well used to working with consultants and once priorities are established seem able to put together projects. If the experience of the transportation survey now nearing completion in Taiwan is a guide, this is likely to involve at least one visit by one of the Bank's technical staff to the country concerned and the devotion of a fair amount of time to keeping in touch with the work and finally reviewing a report. It should be noted that if such a sector study is well done, it will cover the identification of projects and the setting of priorities between them; and this will usually mean that the Bank has gone well down the road toward determining the projects worthy of financing.
- (b) In the Philippines we have a resident mission only recently arrived. The main purpose of this mission is to identify projects, to expedite their execution and to help in their appraisal. No mission can be staffed up to handle every type of project and even in those sectors where special expertise is available to this mission (e.g., agriculture) its work will be of limited value unless it can be assured of considerable back-stopping by Bank staff. For some reason the Philippines seems to be particularly plagued by an inability to put together a project for appraisal. The technical assistance the Bank has provided for the water supply project has been quite intensive and although the consultants who were doing the work were efficient, supervising them did take up a great deal of Bank staff time and visits to Manila. The Philippines will not be looking to the Bank alone for help of this type, but the need is so great that inevitably recourse to the Bank will be no less in the future than it has been in the past.

- (c) In Thailand the need for Bank help in project preparation is likely to diminish. Since 1950, the Bank has provided technical assistance of one kind or another in the preparation of projects and the Thais have learned a great deal. Particularly, they have become in most sectors accustomed to using consultants and I doubt whether the Bank's involvement in project preparation will be very great. One exception may be road projects. We have included in the road loan made earlier this year funds to permit consultants to do the feasibility work for the next project and this work will need to be watched. However, this can be done fairly easily by the engineers doing end-use inspections of the current project.
- (d) In Malaya help is going to be needed in project preparation chiefly in the land settlement projects which is a new type of project. In most other sectors the Malaysians appear at present to have a fair amount of experience. Although this may change as expatriates are replaced by less experienced Malays, most institutions and departments are used to consultants and Bank help would probably be sought for limited purposes. Singapore will need little, if any, help; and it is difficult to forecast what, if any, the needs of the Borneo territories will be.
- (e) Ceylon may continue to need some help of the kind which was being proposed for the Mahaweli Ganga scheme, but in general is unlikely to make many demands upon the Bank.

IPMCargill/pmn
IBRD/IDA

Copy ?

OFFICE MEMORANDUM

TO: Mr. Geoffrey M. Wilson

DATE: November 19, 1963

FROM: H. B. Ripman *HBR*SUBJECT: Extent of Project Preparation in Technical Operations Department

1. Up to the present time TOD has not, consciously, engaged in project preparation. It has followed the generally accepted rule that project preparation was the responsibility of our borrowers (generally with assistance of consultants) and until recently has provided only "guidance" of various kinds - which, in retrospect, has involved TOD in a considerable amount of "unconscious" project preparation. TOD has always assumed that the Bank would be in a difficult position in passing judgement on projects if it sat on both sides of the table.
2. However, TOD has in the past assisted borrowers in many ways in developing projects. Specific illustrations are given below, but before doing so it may be helpful to mention the types of assistance given to our borrowers which relate to project preparation.
3. Frequently projects submitted to the Bank are considerably altered during the process of appraisal. Parts of projects not appropriate have been eliminated and logical additions or extensions to the projects have been frequently suggested. However, In many agricultural projects and road projects TOD personnel have given guidance extending over long periods in the development of projects. When missions have gone to the field for appraisals of such projects, they have found frequently that they were not properly formulated and therefore required considerable revision before they could be seriously considered for financing. In such instances TOD people have given guidance and have left written questionnaires with prospective borrowers which assisted them in project development. It has not been unusual for TOD staff to make several visits to the countries concerned before suitable projects emerged. For revenue-producing projects the most frequent assistance given has been in the preparation of workable financial programs and cash flow projections. Although borrowers in most instances had retained consultants to prepare the technical aspects of the projects, the financial and economic aspects were generally presented by the borrower and often left much to be desired. Many of our less sophisticated borrowers do not seem to have the ability or the trained staff to prepare proper financial analyses and forecasts. Even some of our more sophisticated type of borrowers, such as the Bogota Power Company, have made financial assumptions which were totally unrealistic and could not be accepted.
4. TOD has participated in survey missions which definitely identify projects in various sectors of the economy. Frequently projects which have been so identified are presented to the Bank for financing, but as a rule these projects have been more precisely defined, their economic aspects studied in more detail and their costs determined before they are presented for appraisal. Where they have not been, it has been the practice of the Bank to suggest that consultants be retained to prepare the project and the cost thereof in detail. TOD has frequently assisted in preparation of terms of reference for the consultants which, in itself, has tended to determine the scope of the project and its general character.

5. TOD staff have participated in suggesting legislation necessary to establish organizations to construct and operate projects, and have devoted a considerable amount of time to reviewing such legislation to make sure that the organization which is established would have the necessary financial independence and freedom from too much direction of its day-to-day affairs by the government. While such legislation has not directly affected the project, it has been closely designed to provide a basis for its operation and its long-range expansion.

6. The Bank has acted as the executing agency in connection with U.N. Special Fund studies and TOD personnel have assisted in preparation of terms of reference for the consultants and have taken a major part in the selection of consultants for these studies. TOD personnel have also been members of steering committees and have assisted in supervising the work of the consultants. Projects which have emerged from these studies have been presented to the Bank for financing, but very often the studies had to be supplemented to include financial projections and some alterations and adjustments to conform to the needs of the borrower at the time of our appraisals. TOD staff have often assisted in preparation of financial aspects and making the necessary changes and adjustments.

7. Since the advent of our technical assistance program the TOD staff have been more active in direct project preparation than it has in the past. The TOD staff have participated in sector studies such as a transport survey in Ecuador, coal transport in India, feeder roads in Nigeria; and a considerable part of their contribution consisted of developing or shaping the project. In one case (an irrigation project in Ceylon) where it was obvious that the prospective borrower could not develop a suitable project although a considerable amount of technical information had been prepared by AID consultants, the Bank sent a mission to the field to develop a project and at the same time make a rough estimate of the cost of preparing a feasibility report before selecting the consultants to prepare the feasibility report. Even though consultants have been retained to carry out various project studies in detail, TOD has had the responsibility to see to it that the project which emerges will be acceptable for Bank financing.

8. At the present time TOD has a mission in the field in India which is, in effect, preparing projects which the Bank will probably assist in financing. These include a machine tools and capital equipment imports, construction equipment imports and imports of components and spares for commercial vehicles. Prior to departure the mission had no project as such presented to it, but only the categories of items which might be included in each of the proposed IDA credits. This is the first instance of such project preparation by TOD, but the Industry Division estimates that in the past a majority of its projects would not have been suitable for Bank financing if TOD staff had not given the borrower considerable guidance.

9. It has been only recently that the Bank/IDA policies with respect to education projects have been crystallized. TOD activities in the field of education thus far have been primarily devoted to assisting prospective borrowers in developing and preparing projects.

Effect on Project Appraisal Work

10. It is difficult to state what effect, if any, this degree of TOD involvement in project preparation has had on our ability to appraise projects. Since project preparation has all been done within the framework of what had been considered "normal" TOD work, there has been no definite delineation between project preparation and project appraisal. The two in many instances, as pointed out above, have been simultaneous. However, it is fair to say that our tendency toward definitive project preparation has been growing and in recent years has been much more evident than in the past. Much depends on the degree to which the Bank or IDA takes the initiative and the detail in which project preparation is carried. Obviously, if the same people were to prepare projects in detail and also appraise them, we would lose some of our ability to be objective. Guidance, rather than project preparation, would perhaps be preferable because the Bank would be much less committed to a project if it only gave guidance. If, to avoid loss of objectivity, the Bank or IDA should envision two distinct groups - one for project preparation and one for project appraisal - there would be the danger that the "preparation" group would grow into an enormous size and become somewhat like an oversized consulting firm.

Specific Examples of TOD Guidance in Project Preparation

Public Utilities Division

11. The power study financed by the U.N. Special Fund in Argentina, for which the Bank acted as executing agency, was considerably guided by the TOD staff. The report which was prepared by the consultants recommended in general terms a project for the solution of the power problem confronting Buenos Aires. The government, acting on the recommendations in the report, requested the Bank to consider a project involving both generation and distribution within the city and its suburbs. Because of political considerations, local privately owned companies had not been allowed to expand and the situation was chaotic. TOD staff spent a considerable time in Buenos Aires working with the government and the private companies and prepared a project which was accepted by the Bank. A loan was made to the power entity recommended by TOD staff and, despite many political upheavals in the country, the power entity is functioning successfully and the project is nearing completion.

12. The Kothagudem power project in the State of Andhra Pradesh (India) was presented to IDA in 1961 and a TOD mission was sent to the field to make an appraisal. It found the project as presented unsuitable in many respects, particularly in the market analysis and financial aspects. This mission left questionnaires with the State Electricity Board and in other ways attempted to guide the development of a suitable project. It became evident, however, that the Electricity Board would be unable within a reasonable time to resolve the difficulties confronting it in preparing the project for IDA, and a second TOD mission was sent to the field in 1962. This mission, in effect, prepared the market analysis and the financial program and projections for the Electricity Board and established the guide lines for the consultants to develop a suitable project. The TOD mission also made recommendations as to the organization of the Board and its functions and responsibilities. A Development Credit was finally made for the project in May, 1963.

13. During the past year the TOD staff have been guiding the development of a power project in Bolivia, which it is hoped will be suitable for Bank financing. The project originally presented consisted of a hydro development which was ill-suited for the market it was supposed to serve and ignored the most pressing problem in the country, namely the situation in La Paz, the capital of the country, where the power facilities are privately owned. As a result of the Bank's guidance and particularly the guidance of TOD staff, the government officials have been negotiating with the privately owned power company and have agreed in principle to negotiate the long-standing differences between the government and the company. The project now being discussed is a package consisting of a suitable hydroelectric project and financing of expansion of facilities in La Paz.

Industry Division

14. The Pacasmayo cement plant in Peru was developed over a course of two to three years from the time the sponsors came to the Bank with the idea that a cement plant would be feasible in Northern Peru. The Bank assisted them in market studies, advised them on the selection of consultants, and advised them on the share issue. In this case it was necessary to provide guidance at almost every step in order to have a project which the Bank would be prepared to finance.

15. In the case of the MIFERMA mining project in Mauritania, it was found after a preliminary appraisal that the project had been submitted prematurely and that the costs were considerably under-estimated. We requested that they retain consultants and carry out further studies on the project. One year later when the technical details of the project were satisfactory, it was necessary to work with the sponsors to arrive at a satisfactory financing plan.

16. During the course of the appraisal of the Taipei water supply project in Taiwan, the appraisal team found that the costs were considerably under-estimated and that the project contained a number of components which were not warranted. The appraisal mission recommended certain physical changes which did not affect the objectives of the project but which allowed the costs to be kept within the original estimates.

17. The consideration of the Paz del Rio steel project in Colombia extended intermittently over a number of years - initially by a Bank survey mission, later by an economic mission and finally by a TOD-Technical Assistance mission. The latter recommended that if certain actions were taken the Bank would be prepared to consider a loan to Paz del Rio. These actions included turning the shares over to private holders and the retention of consultants, to improve management and operations and to prepare a project for consideration by the Bank. The Bank assisted in the selection of the consultants and in the preparation of the terms of reference for their work. Later the Bank reviewed the feasibility report prepared by the consultants and recommended a number of modifications in the project before it was accepted for financing.

Transportation Division

18. In the first loan to the Commissioners for the Port of Calcutta, India, in June 1958, the long-term limitations of the port, because of silting, was described as a very serious bottleneck and the need for a study was emphasized. In a second loan in August 1961 for the port the Bank provided foreign exchange costs to establish a hydraulic study department to undertake a progressive and continuing research program for the Hooghly River with the idea of finding a suitable satellite port. In September 1961 the Bank retained Prof. Jansen of Delft to advise from time to time the technical staff engaged in studying the very specialized problems involved. Recently Prof. Jansen and experts working under his direction have advised the Bank that from the hydrological point of view the satellite port at Haldia, down stream from Calcutta, is suitable and it is expected that the Bank will receive a request for consideration of a port project there.

19. The Government of Dahomey presented several road projects, of which one was selected as of possible suitability for IDA financing. While making the reconnaissance study, the mission observed that maintenance operations were most deficient, especially in the southern part of the country where the last rainy season destroyed several badly needed roads and tracks. The mission indicated that a highway improvement and maintenance project should be pursued with a view to IDA financing. The idea was enthusiastically approved by responsible Dahomey officials, and such a project is to be formulated and presented with perhaps some part of the original project.

20. The Transportation and Agriculture Divisions jointly investigated a road project in Northern Nigeria. The Government had been presented with four different versions of the road project based on different combinations of three roads. The Bank mission selected one of the four versions and added to it another road which would link the Nigerian roads with that of French Niger to permit large tonnages of groundnuts from Niger to be transported through Nigeria. The proposed scheme was accepted by the Government in principle and it is probable that a request for a loan for this scheme will be made in the near future.

Agriculture Division

21. In 1950 a joint Bank/FAO agricultural survey mission made a study of the agricultural and forestry economy of Uruguay. Although forestry development was not recommended for special attention in the report of this mission, the Uruguayan Government asked the Bank to consider a forestry development project. Since this project was not acceptable the Bank sent a consultant to Uruguay to assist in the development of a more suitable project. He recommended as top priority a ranch development program and set forth the elements of such a program in his report. The project which was thus developed was considered by the Bank Board in 1953. Local political problems delayed the enactment of the enabling law required to get the project underway until 1957. Meanwhile the project was re-appraised, but further political and administrative difficulties delayed the final negotiation of the loan until late 1959. The project is essentially the same as that developed in 1953 and is now being executed. Although progress is slow the results so far have been good.

22. The initial request by the Government of Jordan for a loan or credit for an agricultural credit project was made in September 1961. A first mission visited Jordan in November-December 1961. It recognized the need for farm credit, but found, first, that the Government Agricultural Corporation (ACC) would need to be reorganized to become a satisfactory vehicle for an IDA credit, and second, that no agricultural credit project had been prepared. After further information was received from ACC, a second mission visited Jordan to discuss conclusions of the first mission. Jordan authorities agreed on most of the suggestions regarding the administrative and financial autonomy of the Corporation, composition and functions of the Board, lending and collection policies, improvement of the staff and organization, and on the lines on which the lending program should be prepared. In October 1962, the Vice-President of the Development Board visited the Bank and submitted a revised credit program and a draft law intended to govern ACC's operations. This law which was found reasonably satisfactory was enacted in March 1963. Meanwhile, various improvements were pursued including recruitment and training of personnel, more rapidity in bookkeeping, decentralization, assessment of the loan portfolio, revision of lending rules and procedures. A third mission completed the appraisal of the lending project and negotiations were completed in October 1963.

23. The Government of Malaya informally approached the Bank in 1961 for financial assistance in a land development and settlement program. A Bank mission went to Malaya in May 1962 to review the various F.L.D.A. land development schemes. The project was not ready for appraisal and the mission discussed further steps with the authorities in the field. The Bank was prepared to follow up with a second review during March 1963, but the Malaysians asked that the mission be postponed. In April 1963 the Deputy Prime Minister requested the Bank to study a revised and concentrated F.L.D.A. proposal. A mission went to Malaya in July-August 1963 and made a report with specific recommendations as to how the project might best be prepared. The Division has staff at present in Malaya, discussing the findings of the mission and what assistance the Bank might give in project preparation. The Bank has indicated its willingness to assist in drafting of terms of reference for consultants and is also prepared to help find additional staff. It is expected that project preparation will take about one and a half years during which time the Bank has indicated its willingness to render assistance, including frequent visits by Bank staff.

Education Division

24. The most clear-cut case of assistance to prospective borrowers in project preparation was in Afghanistan where an appraisal mission found that no projects had been properly defined. The mission therefore limited itself to identification of projects on the basis of which the SLC has approved the provision of technical assistance for the preparation of projects to be submitted to the Bank.


25. In the case of Los Andes University in Colombia, the Division has provided advice and guide-lines regarding the kinds of information which should be covered in a project request. The University has prepared the project report itself, which on the basis of a preliminary reading appears to have benefitted greatly from this advice. Similarly, a project is currently being prepared by Del Valle University following the guide-lines provided by the Division through visits and correspondence and with technical assistance provided by the Ford Foundation.

26. In the case of Pakistan, the Division has worked for approximately one year in the selection, appraisal, shaping and modification of a substantial number of items in the education project originally submitted. During this time two members of the original appraisal mission re-visited the country, detailed checklists of data desired were provided, and there has been a voluminous exchange of correspondence together with consultation between government officials and Bank staff resident in Pakistan. As a result some project items have been eliminated, some have been deferred for possible later consideration, new items have been added and all have undergone considerable modification. In this case it would be impossible to distinguish clearly between the process of appraisal and that of project preparation.

OFFICE MEMORANDUM

TO: Mr. Geoffrey M. Wilson

DATE: November 15, 1963

FROM: Pierre L. Moussa 

SUBJECT: Preparation of Projects

1. On November 6 at the Senior Staff Committee meeting, you requested Department Heads to let you know within a couple of weeks the needs of their areas for help in project preparation or project guidance. This memo is intended to respond to your request.
2. In Africa as in other parts of the world, the Bank has already been called upon either to act as Executive Agency for a pre-investment study financed by the Special Fund (e.g. the Mekambo study in Gabon) or to undertake the financing of similar studies ourselves (e.g. the road study in Northern Nigeria). I believe that we should develop further these activities both for the Special Fund and on our own account. I further believe that the development of such activities does not involve too difficult problems for the Bank, as we usually call upon the services of consulting firms for the bulk of the work.
3. What does constitute a problem is the fact that many of the African countries are often unable to prepare a request for the help needed from the Special Fund or the Bank, nor are they capable of establishing definite terms of reference for a study by a consulting firm. Although a country may have a fairly specific project in mind, which may be economically justifiable, it may nevertheless be unable to organize the necessary information and prepare a request for appraisal and financing to be presented to the Bank or the U.N., or to prepare a request for Bank assistance in getting the project into shape for appraisal. Under these circumstances, the greatest service the Bank could render to many African countries would be to help them in this regard.
4. I believe the best way to do this would be, from time to time, to place at a government's disposal for a few weeks, experts qualified in the main sectors (transport, agriculture, etc.). The task of such experts would be to help in getting work started on the preparation of projects. They would study the material already available in the country, search for any missing information and advise on how the gaps could be filled. They would also in certain cases prepare the terms of reference for a consulting firm to get the necessary studies prepared, etc.
5. Theoretically, there is nothing that prevents a country's recruiting people outside the Bank or consulting firms for this purpose. But the point is that these countries are unable to ascertain exactly what is needed or to choose intelligently the kind of people they need, or to give consultants the terms of reference necessary for the job. In my opinion, the most satisfactory solution would be for the Bank to make available officers whom the country can trust to be competent and objective and on whose advice it can rely.

.../

November 15, 1963

6. In this respect I regard our recent experience of including TOD people in initial economic missions to new member countries as extremely useful. For instance, the transport engineers who participated in our economic missions to Dahomey (Mr. Schaefer, TOD) and Somalia (Mr. Volmuller, former TOD staff member) were able to select worthwhile projects, review their state of preparation, indicate in detail to the government what additional preparatory work would be required in case the government decided to present the project to us for appraisal and to come up with their own ideas and formulate new projects which appear to make sense.

7. To give this type of project guidance most efficiently and at low cost, the Bank staff members involved should reside in or near the countries which they would be called upon to advise. For Africa I would suggest having two small groups of officers: one for East Africa, the other for West Africa. They might reside in Addis Ababa, Nairobi or Khartoum in the first case, and in Lagos, or Abidjan or Dakar in the second case. Out of eleven working months in the year they would, for example, spend two months in Washington in order to keep in touch with the Bank and nine months in the various countries of their respective area.

8. These officers should be under the jurisdiction of TOD, since their main qualification would be technical skills and they must therefore be people that TOD has selected and has control over. The terms of reference for their missions should be drawn up jointly by TOD and the area department concerned.

9. To be really helpful the officers in question would need to do this preliminary work on a project without concerning themselves whether the ultimate financing of the project would come from the Bank or IDA or from some other sources.

10. In my opinion, these officers should not be expected to prepare project appraisal reports for the Bank. They would work primarily for the benefit of the country concerned.

11. It is quite clear that it would take a considerable time to set up an effective service of this sort. This appears to me a good reason for considering this without delay.

PLM:Rassa:gg

cc: Messrs. Knapp (on return), Demuth, Ripman, Area Heads of Departments