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INDIA

COUNTRY PORTFOLIO PERFORMANCE REVIEW

FY 2000

*Joint Report Of
The World Bank And Government Of India*

May 2001

.



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COUNTRY PORTFOLIO PERFORMANCE REVIEW
FY 2000

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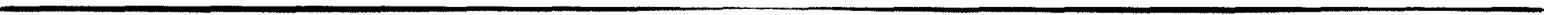
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INDIA
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Summary Report

A. Introduction

1. The annual India Country Portfolio Performance Review (CPPR) is based on a continuous review of portfolio performance and implementation issues at the state and national levels. It involves, at different times, reviews conducted jointly with implementing agencies; concerned officials of the Department of Economic Affairs (DEA), Ministry of Finance; sector Team Leaders and Task Leaders; Country Director and members of the Country Management Team; and high level State Government officials. The main features of CPPR discussions with states and central ministries are: (a) project by project discussion of outcomes, implementation and technical, financial and administrative problems; and (b) development of these discussions into a review of systemic issues for further action.
2. For the Fiscal year 2000 (July 1, 1999 to June 30, 2000) CPPR several review meetings were held with DEA and state governments. Some of these were:
 - Sector specific joint review meetings with DEA and implementing agencies : Transport, October 17, 2000, Urban Water and Urban Development, October 18, 2000, Forestry, September 4, 2000 and February 20, 2001, and ICDS, March 26, 2001.
 - State level multi-sectoral reviews : Uttar Pradesh (August 4-6, 1999, November 15-16, 1999 and August 29, 2000); Andhra Pradesh (November 22-23, 1999), Karnataka (February 2-4, 2000 and June 15-17, 2000, December 13, 2000) and Rajasthan (September 11, 2000).
 - Specific topics with DEA : Project at risk (February 24, 2000), Portfolio review (March 3, 2000), Slow disbursement of IDA projects (August 9, 2000)
 - Review of the CPPR with DEA including in-depth discussions of flow of funds, staffing, procurement and audit, and a review of actions agreed in the previous year's CPPR.
3. This report discusses the status of the portfolio at the end of FY00 and summarizes the main recommendations agreed with the Government of India for improving portfolio quality.

B. Size of the Portfolio

4. *Size and Composition (Table 1)*. The portfolio in FY00 comprised 86 projects with loans/credits (net of cancellation) amounting to US\$ 14.1 billion, of which approximately \$ 6.0 billion was IBRD loans and \$ 8.0 billion was IDA credits. The three big sectors in terms of commitment value were Rural Development with US\$ 3.3 billion (24%), Energy with US\$ 2.8 billion (20%), and the Health, Nutrition and Population with US\$ 2.5 billion (18%). Annex 6 gives a complete list of projects included in the FY00 portfolio.

Table 1. Composition of Portfolio in FY00
(commitments net of cancellations as of June 30, 2000, US\$ million)

Sector	Number of Projects	IBRD	IDA	OTHER*	Total	Percent (%)
Rural Development	29	439	2,918	20 ¹	3,377	23.9
Energy	12	2,650	167	30 ¹	2,847	20.1
Health, Nutrition & Population	16	0	2,548	0	2,548	18.0
Infrastructure	10	1,912	130	0	2,042	14.4
Education	8	0	1,625	0	1,625	11.5
Poverty Reduction & Economic Management	3	427	412	0	839	5.9
Finance	2	461	0	0	461	3.3
Environment	4	143	73	95 ²	311	2.2
Social	2	0	83		83	0.6
Total	86	6,032	7,956	145	14,133	100.0

*Other : 1. Global Environment Facility (GEF) Project
2. Montreal Protocol (MPT) Project

5. Between 1997-2000, the overall portfolio size was fairly stable (Table 2). Net commitments rose from \$ 13.3 billion to \$ 14.1 billion, while the number of projects declined from 90 to 86.

Table 2. Size of Portfolio, 1997-2000
(commitments net of cancellations as of June 30, US\$ million)

Year	Number of Projects	IBRD	IDA	Total
1997	90	6,102	7,204	13,306
1998	87	5,638	7,542	13,180
1999	81	5,792	8,403	14,195
2000	86	6,032	7,956	14,133

C. Quality of the Portfolio

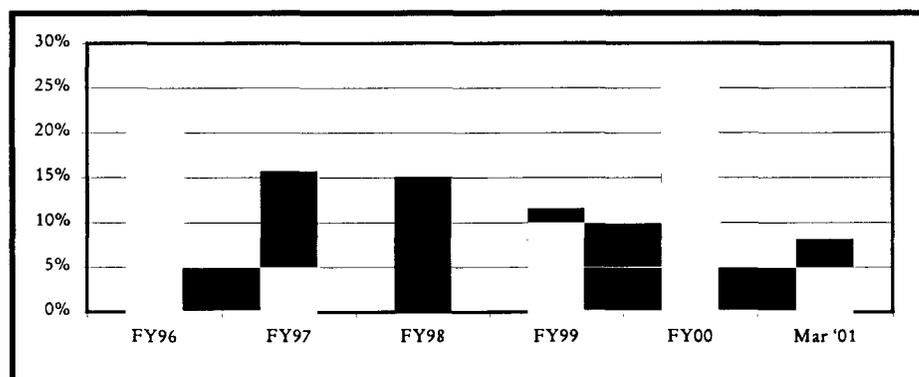
Problem Projects and Projects at Risk

6. The number of projects at risk in the portfolio (Table 3) had steadily decreased from 16 in FY96 to 8 in FY99. However at the end of FY00 the portfolio had 10 problem projects and 10 potential problem projects, i.e. 27 % of total projects and 29 % of total commitments at risk. This sharp increase was partly the result of serious and unexpected fiscal problems in a number of states, leading to substantial interruptions in the flow of funds and significant inaction in filling vacant posts. Other persisting problems that have affected project quality include frequent changes of senior counterpart staff, non-compliance with covenants related to increased cost recovery, difficulties with funds flow and weak capacity for procurement and financial management. In addition, a high "disconnect" between project ratings during supervision and after completion (see para 8) in the three preceding years led to application of a Country Risk Flag in June 2000, which resulted in some of the additional projects being rated as At Risk. These problems are now being addressed and as of March 2001, the portfolio had only 6 projects (8% of the total) at risk.

Table 3. Projects at Risk and Disbursement Ratio at end of fiscal year

	FY96	FY97	FY98	FY99	FY00	Mar '01
Actual Problem Projects (Unsatisfactory DO/IP)	16	9	9	5	10	4
Potential Problem Projects (3 or more risk flags)	0	3	2	3	10	2
Total Projects at Risk (actual + potential)	16	12	11	8	20	6
Commitments at risk as a % of Total Portfolio	18.0%	14.7%	10.1%	15.4%	29.1%	10.0%
Projects at Risk as a % of Total Portfolio	20.8%	15.6%	14.9%	11.4%	27.0%	8.0%
Disbursement ratio	13.9%	16.4%	16.4%	16.1%	17.9%	17.5%

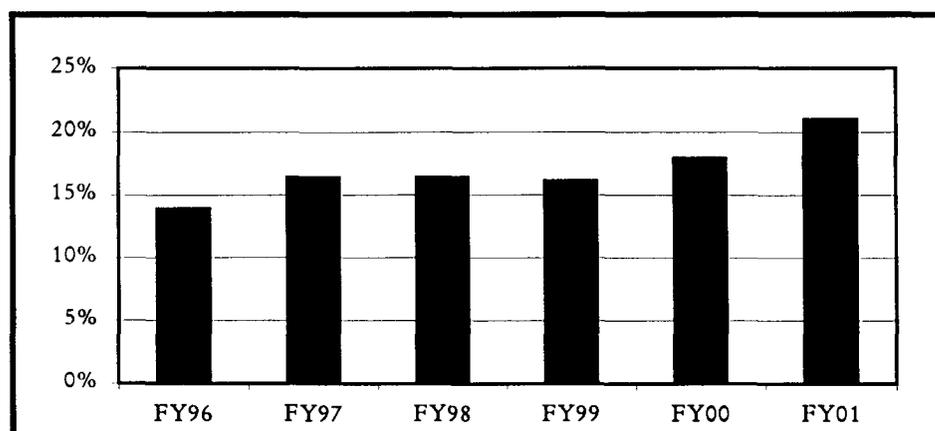
Figure 1 : Percentage of Projects at Risk in the Portfolio



Disbursements

7. New commitments in FY00 were US\$ 1.8 billion, compared with US\$ 1.05 billion in FY99 and US\$ 2.1 billion in FY 98. The disbursement ratio has risen steadily over the years from 14% in FY96 to 16% in FY97-99 to 18% last year, and is predicted to exceed 21% for FY 2001. This progressive improvement can be attributed to more early attention to restructuring and reallocations, timely cancellation where funds cannot be used, and improved project design to ensure readiness for implementation.

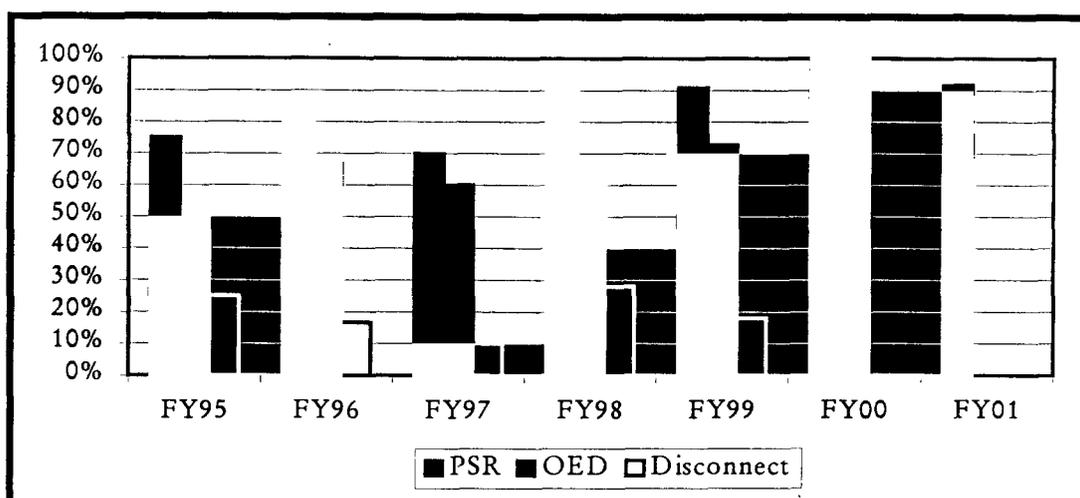
Figure 2: Trends in Disbursement Ratio, FY96-00 (with forecast for FY01)



Outcomes

8. The improvement in portfolio performance is reflected in the higher percentage of satisfactory project development outcomes reported in final Project Supervision Reports (PSR), and assessed independently in the Implementation Completion Report and reviewed by the Operations Evaluation Department (OED) some time later. Historically, the supervision teams were much more optimistic than subsequent reviewers, hence the high "disconnect" between the two. This appears to be reducing. It is not expected that all projects can have satisfactory outcomes, but the Bank and DEA agreed on a target of more than 90% satisfactory as confirmed by OED. This will be pursued through closer attention to project ratings and clear and measurable action plans when problems are identified.

Figure 3 : Percentage of Satisfactory Development Outcomes (PSR, OED, and disconnect)



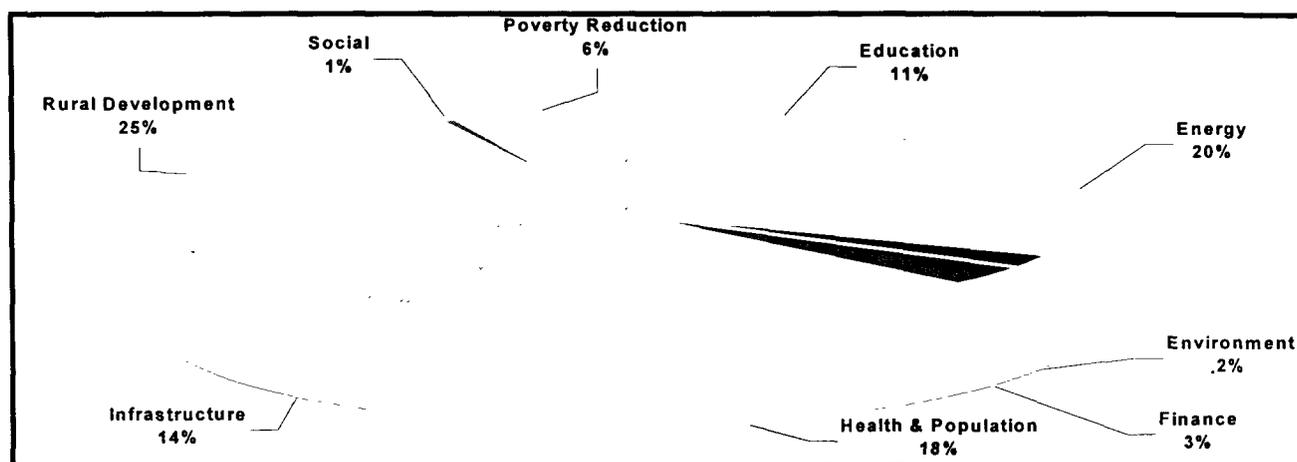
D. Overview of the Portfolio

Analysis by Sector

9. *Rural Development*. The largest sector in the portfolio, Rural Development, had 29 projects in FY 00 (34% of the total number of projects) comprising 24% of net commitment. The sector includes several clusters such as irrigation and rural water supply, agriculture and forestry, sustainable natural resources and development of rural areas. In FY00, two new projects, Andhra Pradesh and Rajasthan District Poverty Improvement Programs were added in the portfolio (US\$ 111 million and \$ 101 million respectively), and four projects were closed.

10. *Energy*. The Bank's assistance strategy in India includes major state level reforms in the power sector as a key focus. At the central level, emphasis is on key central utilities, with ongoing central projects like National Thermal Power Corporation (NTPC) and Powergrid seeking to address the problems of infrastructure bottlenecks. In FY00, the UP Power Sector project (US\$ 150 million), Renewable Energy II (US \$ 130 million), and Energy Efficiency (US \$ 3.7 million GEF funding) were approved. The power sector's share in the portfolio was 14 % in terms of the number of projects but 20% in terms of commitment value.

Figure 4 : FY00 Portfolio - By Sector (Commitment Value of Loans / Credits)



11. *Health, Nutrition and Population.* The projects in this sector are all IDA funded and have three focus areas: (a) disease control and health systems development; (b) nutrition projects linked with education, health and social welfare services; and (c) population-related projects to reduce unwanted fertility and to control fertility through education and employment opportunities for girls and women. The sector had 16 projects in FY00 comprising 18 % in commitment value and about 19 % in terms of the total number of the projects. Two new projects were approved in this sector in FY 2000 – Immunization Strengthening project (US \$ 143 million) and UP Health Systems project (US \$ 110 million).

12. *Infrastructure.* Infrastructure sector had ten projects in FY00 amounting to US\$ 2 billion. These projects represented 12 % of the portfolio in number and 14 % in terms of total amount of commitments. One new project, National Highways III (US\$ 516 million), was approved in FY00. The sector includes projects in transport, water supply and urban development.

13. *Education.* There were eight projects in the Education portfolio representing 9 % of the total number. These were all IDA funded projects amounting to US\$ 1.6 billion (or 12 % of the total in commitment value). One new project, Uttar Pradesh District primary Education (DPEP III; US\$ 182 million), was approved in FY00 and one project, Technical Education II closed in the same year.

14. *Poverty Reduction and Economic Management (PREM).* In addition to one ongoing project, two new projects approved during the fiscal year are Uttar Pradesh Fiscal Reforms and Restructuring Project (US \$ 251 million) and Technical Assistance for Economic Reform project (US \$ 45 million). These represent 3% in number and 6% in commitment value of the total FY00 portfolio.

15. *Environment.* The two industrial pollution projects and one project on technical assistance for environment capacity building. These three projects represented 4% in number and 3% in commitment value of the total portfolio.

16. *Social*. The Social unit managed two projects in FY 00 which amount to 2% in total number of projects and 1% in terms of total commitment value.

17. *Finance*. This sector had two projects had in FY 00 portfolio which amount to 2 % of the total number of projects and 3% in terms of total commitment value. One project was approved in the current year – Telecommunication Sector Reform (US \$ 62 million) .

Analysis by States

18. Among the states, as given in Table 4, Andhra Pradesh, with 19.4% of total commitments, continued to dominate the overall portfolio. In FY98, the state's share had experienced a dramatic rise in the overall portfolio with the approval of the Andhra Pradesh Restructuring Project (APERP), and this was sustained in FY99 with the approval of the Andhra Pradesh APL I (US\$ 210 million) and AP DPIP (US \$ 111 million) in FY 00. Among the other states, the share of Uttar Pradesh too has continued to grow from 4.4% in FY97 to 10.7 % in FY 2000 . Of the 13 projects approved in FY00, four projects totaling US \$ 693.7 million were for Uttar Pradesh (UP Fiscal Reform, UP DPEP III, UP Health Systems and UP Power Sector projects).

Table 4. Composition of the Portfolio by State
(Percent of commitments net of cancellations)

State	1997	1998	1999	2000
Andhra Pradesh	3.6	13.9	15.7	19.4
Assam	1.7	1.7	1.9	1.8
Bihar	2.3	4.4	3.5	3.3
Haryana	3.4	3.9	4.3	3.9
Karnataka	4.3	2.7	2.8	2.7
Madhya Pradesh	3	3.7	3.3	3.9
Maharashtra	13.7	11	6.1	5.5
Orissa	7	7.7	7.8	8.25
Punjab	2.5	2.7	1.7	1.5
Rajasthan	2	2.6	2.7	1.8
Tamil Nadu	7.3	4.9	5.7	5.2
Uttar Pradesh	4.4	6.8	7.9	10.7
West Bengal	2.5	2.4	2.3	2
Other States	3.5	0	0.9	4.45
Subtotal: States	61.6	73	70.6	74.4
Private Sector	27.6	6.9	6.6	4.4
Government of India	10.8	21.2	22.8	21.2
Totals	100.0	100.0	100.0	100.0

Main Changes in the Portfolio

19. There were 70 projects in the portfolio at the beginning of FY00 to which 13 new projects were added during the year giving a total of 83 projects under supervision during FY00. In addition, to these there are three projects that were not included in last year's count of 70 projects. These are three non-IBRD and IDA funded projects - Ozone Depleting Substances II – Montreal Protocol (MPT – US\$ 11.6 million), Alternate Energy – Global Environment Facility (GEF – US\$ 26 million), Eco-development – Global Environment Facility (GEF – US \$ 20 million). Taking these projects in account, the total number of projects in FY 00 portfolio was 86.

20. A total of 6 projects closed during the fiscal year so that by the end of FY00 there were 80 active projects in the portfolio (Table 5).

Table 5. Changes in the Portfolio in FY00 (Number of projects)

Sector	July 1, 1999	Approved	Total in Supervision	Closed	June 30, 2000
Education	7	1	8	1	7
Energy	8	3	11	0	11
Environment	2	1	3	0	3
Finance	1	1	2	0	2
Health, Nutrition & Population	14	2	16	0	16
Infrastructure	9	1	10	0	10
Rural	26	2	28	4	24
Social	2	0	2	0	2
PREM	1	2	3	1	2
Others *			3		3
Total	70	13	86	6	80

*These projects are not IBRD / IDA funded and were not included in the list of 70 projects in the last CPPR.

1. ODS II – Montreal Protocol (MPT – US\$ 11.6 million)
2. Alternate Energy – Global Environment Facility (GEF – US\$ 26 million)
3. Eco-development – Global Environment Facility (GEF – US \$ 20 million)

21. The thirteen projects that were added to the portfolio amounted to a total of US\$ 1,887.5 million, of which US\$ 934.3 million were from IBRD, US\$ 866.5 million from IDA and US\$ 86.7 were from other sources (GEF and MPT).

Table 6. New Projects Approved in FY00

Project Name	Board Date	IBRD	IDA	OTHER	Total
				(US\$ million)	
1 AP DPIP	11-Apr-00		111		111
2 Immunization Strengthening Project	25-Apr-00		142.6		142.6
3 National Highways III Project	25-Apr-00	516			516
4 Rajasthan DPIP	25-Apr-00		100.5		100.5
5 Renewable Energy II	27-Jun-00	80	50		130
6 TA for Economic Reform	12-May-00		45		45
7 Telecommunications Sector Reform	16-Jun-00	62			62
8 UP DPEP III	16-Dec-99		182.4		182.4
9 UP Fiscal Reform and Public Sector	25-Apr-00	126.3	125		251.3
10 UP Health Systems Development Project	25-Apr-00		110		110
11 UP Power Sector	25-Apr-00	150			150
12 Energy Efficiency	27-Jun-00			3.7 ¹	3.7
13 CFC Production Sector Closure	9-Jun-00			83 ²	83
Total new projects		934.3	866.5	86.7	1,887.5

* Other : 1 Global Environment Facility (GEF) Project
2 Montreal Protocol (MPT) Project

22. The six projects that closed during FY00 had a combined net commitment value of US\$ 1.01 billion of which US\$ 149 million were IBRD and US\$ 861 million were IDA. Two projects were hybrid (UP Fiscal Reform, Dam Safety), and the remaining four were IDA only (Table 7). The total cancellation for these six projects prior to closing date was US\$ 23 million for IBRD and US\$ 126 million for IDA and in total they disbursed 84 % of the net commitment value.

Table 7. Projects Closed in FY00

Projects Closed	Closing Date	Original Amount		Net Comm. at Closure		Disbursed at Closure		% Disb. of Net Comm.	% Disb. of Original Comm.
		IBRD	IDA	IBRD	IDA	IBRD	IDA		
1 Technician Education II	31-Oct-99	0	307	0	243	0	201	83 %	65 %
2 UP Fiscal Reform *	30-Oct-00	126	125	126	125	126	122	99 %	99 %
3 Bihar Plateau	30-Jun-00	0	117	0	117	0	80	68 %	68 %
4 Dam Safety	30-Sep-99	23	130	0	84	0	74	88 %	48 %
5 Maharashtra Forestry	31-Mar-00	0	124	0	108	0	82	76 %	66 %
6 MP Forestry	31-Dec-99	0	58	0	58	0	40	69 %	69 %
Total		149	861	126	735	126	599	84 %	72 %

* Project is considered closed as it is fully disbursed.

23. *Project Outcomes.* Implementation Completion Reports (ICRs) have been finalized for all of the five projects that closed in FY00 and OED evaluation has been carried out for four of them. All five projects rated development outcomes as satisfactory at closing and all four projects reviewed by OED were also rated as satisfactory, giving 100 % satisfactory outcome and to date no "disconnect" in FY00 between ratings in the last Project Status Reports and the OED evaluations.

Table 8. Development Outcome Ratings for Projects closing in FY00

Project Name	Closing date	Last PSR Rating	ICR Rating	OED Rating
1 Second Technician Education	31-Oct-99	HS	HS	HS
2 Bihar Plateau	30-Jun-00	S	S	S
3 Dam Safety	30-Sep-99	S	S	S
4 Maharashtra Forestry	31-Mar-00	S	S	S
5 MP Forestry	31-Dec-99	S	S	S

24. *Cancellations (Table 9).* Total cancellation of both IDA and IBRD funds in FY00 was small as compared to FY 98 and FY 99. In FY00, IBRD funds of US\$ 57 million and US\$ 33.5 million of IDA were cancelled – as compared to US\$ 529 million (IBRD) and US\$ 489 million (IDA) in FY 99, and US\$ 364 million (IBRD) and US\$ 58 million (IDA) in FY98.

Table 9. Cancellations in FY00 (Including cancellations at closing)
(US\$ million)

Sn. No	Project ID	Project	IBRD	IDA	Status
1	P009870	Container Transport	15	0	Active
2	P009982	Northern Region Transmission	35	0	Closed
3	P010484	UP Rural Water	7	0	Active
4	P009988	Second Technician Education	0	11.5	Closed
5	P010390	Maharashtra Forestry	0	13	Closed
6	P009877	Dam Safety	0	9	Closed
Total Cancellations FY00			57	33.5	

25. *Project Extensions (Table 10).* Nine projects had closing dates extended to allow them to complete or consolidate institutional arrangements and reforms vital to sustaining the project's benefits.

Table 10. Projects Extended in FY00

Sr. no	Project Name	Effective Date	Original Closing Date	Revised Closing Date
1	Karnataka WS & Env/S	23-Feb-94	31-Dec-99	30-Sep-00
2	ADP - Rajasthan	28-Jan-93	30-Sep-99	30-Sep-00
3	Forestry Research Ed.	30-Sep-94	31-Dec-99	31-Dec-00
4	Nor. Region Transmission	10-Jan-91	30-Sep-98	30-Sep-00
5	Renewable Resources	6-Apr-93	31-Dec-99	31-Dec-00
6	PGC Power System	26-Mar-93	30-Jun-00	31-Dec-00
7	Rubber	7-Jan-94	30-Sep-99	30-Sep-00
8	Shrimp and Fish Culture	28-May-92	30-Jun-99	31-Dec-00
9	National Leprosy Elem.	22-Mar-94	31-Mar-00	30-Sep-00

E. Portfolio Action Plan : Summary of Conclusions and Agreements

26. A meeting was held with DEA on May 29, 2001 to review the portfolio and to develop a forward-looking action plan. The minutes of the meeting are given in Annex 7.

27. *Monitoring projects.* It was agreed that periodic state and sectoral reviews would be held by DEA. Concerned states would be invited on a regional basis for state reviews. Sectoral reviews would be carried out with concerned central ministries and participation of selected states and implementing agencies. It was also agreed that DEA and the Bank would monitor projects at risk, projects in the first year of implementation, and disbursements, at least on a quarterly basis. The Bank will continue to share with DEA a monthly report on portfolio indicators, and information on project ratings is now being included in all aide-memoires. Annexes 3 and 4 provide a summary of action status on projects at risk at the start of FY00 and FY01, respectively.

28. *Key issues* that substantially impede project implementation and achievement of development objectives have been identified, and a joint action plan has been developed in Annex 1. A review of current status of actions agreed in the previous Portfolio Review is presented in Annex 2.

Annex 1. Portfolio Action Plan

Issue and its effect on project performance	Generic actions	Project-specific actions
<p>Unsatisfactory project implementation progress or expected achievement of development objectives</p>	<p>Annual team supervision strategies with a special focus on problem projects.</p> <p>Quarterly reviews with DEA.</p>	<p>Monitor action plans for project improvement.</p> <p>Consider restructuring, reallocation, downsizing</p> <p>Non-performing funds should be cancelled where no convincing alternative use is put in place (consistent with project objectives) in a timely manner.</p>
<p>Low disbursements</p>	<p>Quarterly report on slow disbursing projects</p>	<p>Consider downsizing or reallocation of funds away from components or implementing agencies that are not effectively utilizing funds.</p>
<p>Flow of funds Problems where implementing agencies are unable to start work, invite bids, pay contractors. Project implementation is slowed down and funds often end up unused. Problems especially when state budgets are in crisis.</p>	<p>Monitor elapsed time for processing of reimbursement claims. CAAA now monitoring time taken in MOF, and will share information with DEA and the Bank.</p> <p>Next step is to monitor release of funds from state finance departments to projects</p> <p>State level public expenditure management reforms track deviations between budget and actual expenditures.</p> <p>Problems still exist and no comprehensive solution has yet been identified.</p>	<p>State finance department was bypassed in a state sector project on a trial basis for Orissa Cyclone component. On review, DEA found this was not effective or appropriate, and there are no plans to continue this practice.</p> <p>Most countries establish Special Accounts directly at the project level and the Bank replenishes to them. In India, this approach is used for direct lending to independent project entities at the central level. This could be extended to state level, with appropriate state and GoI guarantees.</p> <p>Direct transfer to special accounts for other cases could be considered as part of implementation of LACI.</p>

Issue and its effect on project performance	Generic actions	Project-specific actions
<p>Staff vacancies/ high turnover in key positions Project activities are often unable to start or to be sustained if staff is not in place in time, and decision-making can stall if senior positions are unfilled. Commitment to project objectives is often diminished if there are numerous successive changes in key staff.</p>	<p>Broad-based civil service reform programs at state level include measures to reduce transfers. (e.g. UP, Karnataka)</p> <p>State level Medium Term Fiscal Frameworks ensure adequate funding for project expenditures including any new staffing positions required.</p>	<p>Project level staffing problems that substantially undermine performance over a long period will be flagged for attention of DEA and Bank management.</p>
<p>Delayed decisions on proposals for restructuring or reallocation have substantially diminished opportunities for making better use of non-performing or unused funds in a number of projects.</p>		<p>Identify needs for restructuring or allocation as early as possible.</p> <p>Cancel unused funds where timely restructuring is not completed.</p>
<p>Procurement delays Problem of major project components being substantially delayed by slow procurement processing.</p>	<p>An important remedial action has been increased enforcement of the Bank's procurement guidelines on timely award of contracts. Between July 2000 and April 2001 the Bank has declined to finance about 15 contracts for this reason. While these represent a tiny fraction of contracts in the portfolio, they have affected many sectors and implementing agencies and have led to a noticeable improvement in processing times of other procurement actions.</p>	<p>More thorough assessment of procurement capacity, preparation of procurement plans and up-front procurement actions during project preparation.</p> <p>Procurement training</p> <p>Use of procurement agents</p>

Issue and its effect on project performance	Generic actions	Project-specific actions
<p>Audit delays This led to suspension of disbursements against Statements of Expenditures under 10 projects in February 2001 with a further four likely in May-June 2001.</p> <p>Lack of response to audit disallowances for FY 1998-99 resulted in subsequent recovery by the Bank of Rs 129 crore (\$28 million) under 28 projects.</p>	<p>Bank and C&AG to arrange workshops at state level on common audit issues. Bank and C&AG to review Terms of Reference of audit for Bank-financed projects.</p> <p>Bank will periodically share a summary of audit disallowances with DEA and will discuss remedial measures. The Bank will shift towards request for repayment to increase transparency.</p>	<p>Projects will be encouraged to respond to audits.</p>
<p>Delays in claiming reimbursements for project expenditure leads to under-utilization of funds committed in loans and credits, especially under centrally sponsored projects.</p>	<p>After the initial budget allocation of the fiscal year, some departments make subsequent allocations dependent on submission of reimbursement claims. This creates incentives for timely claims but can add new obstacles to timely flow of funds.</p> <p>CAA&A to track this data in their system and generate exception reports for delayed submission of claims. Their system captures this information already but they are not using this information to generate this exception report.</p>	<p>Consider downsizing or reallocation of funds away from components or implementing agencies that are not effectively utilizing funds.</p> <p>Focus on the health sector.</p>
<p>Project design and preparation Many of the above problems can be reduced by more thorough project preparation, ensuring implementation capacity and shared ownership, and bringing forward key activities before project approval.</p>	<p>Agreement of DEA and key central ministries to make more use of up-front actions, and to adequately finance project preparation e.g. through existing projects, technical assistance loans, bilateral assistance or Project Preparation Facilities.</p> <p>Involve C&AG and Financial Advisors in project preparation.</p>	<p>Up-front actions before project negotiations on (i) clearances, (ii) advance preparation actions, (iii) procurement actions and (iv) establishment of project implementation capacity.</p> <p>Close attention to project design to ensure strong evidence of "ownership".</p>

Annex 2. Status of agreed actions in FY99 CPPR

Key Issue	Action Agreed	Status (May 2001)
Funds Flow	<p>Controller of Aid Accounts and Audit has a well-developed computerized system that captures several important dates in respect of a withdrawal application sent by an implementing agency. CAA&A to monitor time taken to release funds to states by incorporating in existing data base information on date on which the advance central assistance (ACA) was released by the Department of Expenditure (DoE) and date on which the ACA was credited to the account of the project. CAA&A to prepare an exception report every month listing applications against which funds have not been released by DoE for more than 4 weeks. The first such report to be prepared for June 2000 by July 5, 2000. CAA&A to also make available a terminal to PMU for on-line query purposes.</p> <p>Based on above information, DEA to review further measures that may be required to reduce the time taken for release of funds to the project states.</p> <p>CAA&A to directly inform Plan Finance -1 (PF-1) in DOE, with a copy to DEA, regarding processing of withdrawal applications so as to give notice to PF-1 to process the release of funds to the participating states.</p> <p>DEA to take up the issue of release of 25% of the projected annual outlay to the states during the first week of April for each fiscal year.</p> <p>DEA to obtain approval on a pilot basis for direct release of funds to the Punjab Health Systems Corporation (under the Second State Health systems Project - Cr.2833), and to the Orissa State Disaster Management Authority under the restructured Orissa Water Resources Consolidation Project for the Emergency Cyclone Component. DEA would evaluate the performance of these two pilot initiatives, and decide further course of action based on that experience. Controller General of Accounts (CGA) to also provide the necessary approvals for these two pilots as early as possible.</p> <p>DEA to take up the issue of appropriate budgetary allocations to externally aided projects by the respective Ministries to obviate the problem of under-provisioning by some Ministries.</p>	<p>Integrated Controller System near ready for implementation.</p> <p>Terminal to be installed at PMU and PF division shortly. Exception reports can then be accessed by DEA.</p> <p>ACA advance is a lump sum for all externally aided projects, and not project-linked, so this proposal was not pursued further.</p> <p>Done for Orissa Cyclone; no disbursements yet except initial advance. GOO will bear liability in accordance with standard centre-state formula.</p>

Key Issue	Action Agreed	Status (May 2001)
Financial Management and Reporting	<p>An assessment of financial management systems should be carried out as early as possible in the project's life cycle so that adequate financial management systems are in place during project implementation.</p> <p>Formats, frequency of reporting and the contents of the PMRs should be agreed between the project agencies, the Bank, and DEA. Such reports should be designed to be useful also for project management particularly in respect of output monitoring.</p>	<p>Done</p> <p>Done</p>
Procurement	<p>A national workshop will be organized by DEA (with Bank assistance) towards end-April or early May 2000 with implementing states and central departments to review the proposals made after the last CPPR in July 1998 and agree on actions to be taken and standards to be complied with.</p> <p>The Bank will assist DEA in identifying projects under which funds were available to engage consultants to assist with revision of data books for construction cost estimation and preparation of standard technical specifications for health equipment. DEA would follow up in facilitating the revision of the data books and preparation of standard technical specifications.</p>	<p>Done</p> <p>Taken up with nodal ministries and project authorities. Needs follow-up.</p>
Audit Reports	<p>DEA will write to C&AG to seek their approval for appointment of private Chartered Accountants (CAs) to audit project accounts so as to expedite finalization of audit reports and avoid suspension of disbursement under SOE. The services of private CAs can also be used to assist implementing agencies in finalizing project accounts so as to facilitate expeditious auditing by independent auditors.</p>	<p>Proposals need to be re-cast.</p>

Annex 3. Problem Projects in FY99 CPPR (as on June 30, 1999)

	Name of Project and status at June 30, 1999	Status on June 30, 2000
1.	<u>AP Irrigation III</u> Development Objective : Unsatisfactory Implementation Progress : Unsatisfactory Flags : Procurement, Environment problems	Out of risk status
2.	<u>Environment Capacity Building</u> Development Objective : Unsatisfactory; Implementation Progress : Unsatisfactory Flags : Legal covenant, Financial covenants, Project Management, Procurement	Development Objective : Unsatisfactory; Implementation Progress : Unsatisfactory Flags : Legal covenant, Slow Disbursements
4.	<u>Coal Sector Rehabilitation</u> Development Objective: Unsatisfactory; Implementation Progress: Unsatisfactory Flags: Effectiveness delays, Environment/ resettlement problems.	Development Objective: Unsatisfactory; Implementation Progress: Unsatisfactory Flags : Effectiveness delays, Environment/ resettlement problems.
5.	<u>AP Emergency Cyclone</u> Development Objective : Unsatisfactory Implementation Progress : Unsatisfactory Flags : Project Management, Procurement	Out of risk status
7.	<u>Shrimp & Fish Culture</u> Development Objective : Unsatisfactory Implementation Progress : Unsatisfactory Flags : Monitoring & Evaluation, Slow Disbursements	Out of risk status
3.	<u>Nathpa Jhakri Hydro</u> Flags : Project management, counterpart funds, Slow disbursements.	Out of risk status
6.	<u>National Highways II</u> Flags : Project management, counterpart funds, procurement problems, Slow disbursements, Monitoring & Evaluation	Out of risk status
8.	<u>Rural Women's Development</u> Flags : Project management, Slow disbursement, Financial covenants	Out of risk status

Annex 4 : Problem Projects and Projects at Risk as on June 30, 2000

	Name of Project and Status as on June 30, 2000	Status now (April 30, 2001)
1	<u>Coal Sector Rehabilitation</u> Development Objective: Unsatisfactory; Implementation Progress: Unsatisfactory Flags : Effectiveness delays, Environment/ resettlement problems.	Project closed unsatisfactory following GoI request for cancellation of \$ 265 million.
2	<u>Haryana Power APL-I</u> Development Objective: Unsatisfactory; Implementation Progress : Unsatisfactory Flags : legal covenants, Financial covenants, Project management, Critical risk rating	Closed, unsatisfactory.
3	<u>Environment Capacity Building TA</u> Development Objective : Unsatisfactory; Implementation Progress : Unsatisfactory Flags : Legal covenant, Slow Disbursements	Out of risk status following restructuring with dropping of non-performing components and cancellation of \$30 million. Flags: Procurement
4	<u>Industrial Pollution Prevention</u> Development Objective : Unsatisfactory; Implementation Progress : Unsatisfactory Flags : Counterpart funds	DO : Unsatisfactory, IP : Satisfactory. Extended for 12 months with partial cancellation of \$18 million.
5	<u>Population IX</u> Development Objective: Unsatisfactory; Implementation Progress : Satisfactory Flags : Procurement, Project management	Out of risk status
6	<u>Container Transport</u> Development Objective: Satisfactory; Implementation Progress : Unsatisfactory Flags : Procurement	Out of risk status
7	<u>Ecodevelopment</u> Development Objective : Unsatisfactory; Implementation Progress : Unsatisfactory Flags : Legal covenants, Counterpart funds, Monitoring & Evaluation, Project management	Out of risk status following Mid Term Review in May 2000.
8	<u>Coal Environment & Social Mitigation</u> Development Objective : Unsatisfactory; Implementation Progress : Unsatisfactory Flags : Procurement, Environment/ resettlement problems, Monitoring & Evaluation	Out of risk status. Flags : Environment/ resettlement problems

	Name of Project and Status as on June 30, 2000	Status now (April 30, 2001)
9	<u>Reproductive Health 1</u> Development Objective : Satisfactory; Implementation Progress : Unsatisfactory Flags : Project Management	Out of risk status
10	<u>Women & Child Development</u> Development Objective: Unsatisfactory; Implementation Progress : Unsatisfactory Flags : Effectiveness delays, Project Management, Counterpart Funds, Monitoring & Evaluation	DO : Unsatisfactory, IP : Unsatisfactory. Flags : Effectiveness delays, Monitoring & Evaluation Restructuring being finalized in May 2001.
11	<u>UP DASP</u> Development Objective : Satisfactory; Implementation Progress : Unsatisfactory Flags : Legal covenant, Procurement, Financial covenant, Project management	Out of risk status Flags : Project management
12	<u>Orissa Power Restructuring Project</u> Flags: Counterpart funding, financial covenants	Out of risk status Flag : Financial Covenants
13	<u>Blindness Control</u> Flags : Counterpart funding, Slow disbursements	Out of risk status Flags : Slow disbursements \$20 million reallocated to Gujarat earthquake
14	<u>Tuberculosis Control</u> Flags : Project management, Slow disbursements.	DO : Unsatisfactory, IP : Unsatisfactory. Flags : Legal covenants, Project management, Slow disbursements Restructuring in progress
15	<u>ADP - Rajasthan</u> Flags : Counterpart funding, Slow disbursements.	Closed, satisfactory.
16	<u>Hydrology Project</u> Flags : Project management, Slow disbursements	Out of risk status. \$19 m cancelled.
17	<u>Orissa WRCP</u> Flags : Legal covenant compliance, Procurement	Out of risk status Flags : Legal covenants
18	<u>Tamil Nadu WRCP</u> Flags : Legal covenants, Environment / resettlement problems, Slow disbursements	Out of risk status Flags : Legal covenants
19	<u>Rural Women's Development</u> Flags : Project management, Slow disbursement	Out of risk status
20	<u>APERP</u> Flags : Counterpart funding, financial covenants	Out of risk status

Annex 5. Trends in Commitments and Disbursements FY95-00

	IBRD	IDA	Total		
Commitments (US\$ Million)					
FY95	1,119	945	2,064		
FY96	777	1,301	2,078		
FY97	627	903	1,530		
FY98	1,068	1,074	2,142		
FY99	400	655	1,055		
FY00	934	866	1,800		
Total FY95 to FY00	4,925	5,744	10,669		
Disbursements (US\$ Million)					
FY95	793	990	1,783		
FY96	567	742	1,309		
FY97	671	892	1,563		
FY98	574	800	1,374		
FY99	537	900	1,437		
FY00	627	825	1,451		
Total FY95 to FY00	3,769	5,149	8,917		
Repayments (US\$ Million)					
	IBRD	IDA	Total Principal	Interest & Fees	Total
FY95	862	201	1,063		
FY96	920	229	1,149	884	2,033
FY97	833	237	1,070	790	1,860
FY98	893	254	1,147	706	1,855
FY99	856	301	1,157	671	1,828
FY00	1,178	323	1,501	646	2,147
Total FY95 to FY00	5,542	1,545	7,087	3,697	10,784

Annex 6 : List of IBRD Loans and IDA Credits in the Portfolio, as on June 30, 2000

Srs No	Project ID	Project Name	Board Date	Closing Date	IDA	IBRD	OTHER	Total commitment (US\$m)	Cancellations (US\$m)	Net Commitment (US\$m)
1	49301	A.P. Emergency Cyclone	6-May-97	31-Jul-00	100	50	0	150	0	150
2	10407	ADP - Rajasthan	12-Nov-92	30-Sep-99	106	0	0	106	0	106
3	10503	Agricultural Human Resource Development	30-Mar-95	31-Dec-00	60	0	0	60	0	60
4	9583	Alternate Energy	30-Nov-92	31-Dec-00	0	26	0	26	0	26
5	10449	Andhra Pradesh Forestry	24-Feb-94	30-Sep-00	77	0	0	77	0	77
6	10489	AP 1st Ref. Health Systems	1-Dec-94	31-Mar-02	133	0	0	133	0	133
7	45049	AP DPIP	11-Apr-00	31-Dec-05	111	0	0	111	0	111
8	35158	AP Irrigation III	20-May-97	31-Jan-03	150	175	0	325	0	325
9	49537	AP Power Apl I	18-Feb-99	31-Aug-03	0	210	0	210	0	210
10	49385	APERP	25-Jun-98	31-Mar-04	242	301	0	543	0	543
11	10522	Assam Rural Infrastructure	25-May-95	31-Dec-03	126	0	0	126	0	126
12	10455	Blindness Control	12-May-94	30-Jun-01	118	0	0	118	0	118
13	10480	Bombay Sewage Disposal	6-Jul-95	31-Dec-02	25	167	0	192	0	192
14	69376	CFC Production Sector Closure	9-Jun-00		0	0	0	0	0	0
15	43310	Coal Environment & Social Mitigation	16-May-96	30-Jun-01	63	0	0	63	0	63
16	9979	Coal Sector Rehabilitation	9-Sep-97	30-Jun-03	0	532	0	532	15	517
17	9870	Container Transport	9-Jun-94	31-Dec-00	0	94	0	94	0	94
18	10464	DPEP	22-Nov-94	31-Mar-02	260	0	0	260	0	260
19	35821	DPEP II	6-Jun-96	30-Jun-03	425	0	0	425	0	425
20	38021	DPEP III (Bihar)	4-Dec-97	30-Sep-03	152	0	0	152	0	152
21	45050	DPEP IV (Rajasthan)	8-Jun-99	31-Dec-04	86	0	0	86	0	86
22	36062	Ecocodevelopment	5-Sep-96	30-Jun-02	28	0	0	28	0	28
23	9584	Ecocodevelopment	5-Sep-96	30-Jun-02	20	0	0	20	0	20
24	55906	Energy Efficiency	27-Jun-00		0	0	5	5	0	5
25	43728	Environment Capacity Building TA	23-Dec-96	30-Jun-03	50	0	0	50	0	50
26	10563	Financial Sector Development	23-Mar-95	31-Oct-02	700	0	0	700	301	399
27	10448	Forestry Research Education	24-Feb-94	31-Dec-00	47	0	0	47	0	47
28	35160	Haryana Power Apl-I	15-Jan-98	31-Dec-00	60	0	0	60	0	60
29	9977	ICDS II (Bihar & MP)	9-Mar-93	30-Sep-00	194	0	0	194	0	194
30	39935	ILFS-Infrastructure Finance	28-Mar-96	30-Sep-01	5	200	0	205	0	205
31	67330	Immunization Strengthening	25-Apr-00	30-Jun-04	143	0	0	143	0	143
32	10463	Industrial Pollution Prevention	26-Jul-94	31-Mar-02	166	0	0	166	2	164
33	10418	Karnataka Ws & Env/S	20-Apr-93	30-Sep-00	92	0	0	92	0	92
34	49477	Kerala Forestry	24-Mar-98	31-Dec-02	39	0	0	39	0	39
35	10461	Madras Water Supply II	20-Jun-95	30-Jun-02	0	276	0	276	189	87
36	50651	Maharashtra Health Systems	8-Dec-98	31-Mar-05	134	0	0	134	0	134
37	10511	Malaria Control	12-Jun-97	31-Mar-03	165	0	0	165	0	165
38	9869	Nathpa Jhakri Hydro	2-Mar-89	31-Dec-02	0	485	0	485	0	485
39	10561	National Agricultural Technology	17-Mar-98	31-Dec-03	100	97	0	197	0	197
40	9946	National Highways II	12-May-92	30-Jun-01	153	153	0	306	0	306

Sn. No	Project ID	Project Name	Board Date	Closing Date	IDA	IBRD	OTHER	Total commitment (US\$m)	Cancellations (US\$m)	Net Commitment (US\$m)
41	45051	National HIV/AIDS II	15-Jun-99	31-Jul-04	191	0	0	191	0	191
42	10485	National Hydrology Project	22-Aug-95	31-Mar-02	142	0	0	142	0	142
43	10424	National Leprosy Elimination	29-Jun-93	30-Sep-00	85	0	0	85	9	76
44	9982	Northern Region Transmission	26-Jun-90	30-Sep-99	0	485	0	485	0	485
45	31829	ODS II	2-Mar-95	30-Sep-00	50	0	0	50	0	50
46	10496	Orissa Health Systems	29-Jun-98	31-Mar-04	76	0	0	76	0	76
47	35170	Orissa Power Sector	14-May-96	31-Dec-02	0	350	0	350	0	350
48	10529	Orissa WRCP	19-Dec-95	30-Sep-02	291	0	0	291	0	291
49	10457	Population IX	16-Jun-94	31-Dec-01	89	0	0	89	0	89
50	9963	Population VIII	18-Jun-92	30-Jun-01	79	0	0	79	0	79
51	10505	Rajasthan DPIP	25-Apr-00	31-Dec-05	100	0	0	100		100.00
52	49770	Renewable Energy II	27-Jun-00	31-Aug-03	50	80	5	135	0	135
53	10410	Renewable Resources	17-Dec-92	31-Dec-99	115	0	0	115	0	115
54	10531	Reproductive Health I	28-May-97	31-Mar-03	248	0	0	248	0	248
55	9959	Rubber	2-Jul-92	30-Sep-00	92	0	0	92	37	55
56	44449	Rural Women's Development	27-Mar-97	31-Dec-03	20	0	0	20	0	20
57	9921	Shrimp & Fish Culture	14-Jan-92	31-Dec-00	85	0	0	85	49	36
58	35825	State Health Systems II	21-Mar-96	31-Mar-02	350	0	0	350	0	350
59	9995	State Highways I (AP)	17-Jun-97	31-Jan-03	0	350	0	350	0	350
60	45600	TA States Road Infrastructure Dev.	5-Dec-96	31-Dec-01	0	52	0	52	0	52
61	59501	TA for Economic Reform	12-May-00	31-Dec-05	0	45	0	45	0	45
62	10476	Tamil Nadu WRCP	20-Jun-95	31-Mar-02	283	0	0	283	0	283
63	50637	TN Urban Development II	27-May-99	30-Nov-04	0	105	0	105	0	105
64	10473	Tuberculosis Control	30-Jan-97	31-Dec-02	142	0	0	142	0	142
65	35824	UP Diversified Agricultural Support	30-Jun-98	31-Mar-04	50	80	0	130	0	130
66	50667	UP DPEP III	16-Dec-99	30-Sep-05	182	0	0	182	0	182
67	35169	UP Forestry	9-Dec-97	31-Jul-02	53	0	0	53	0	53
68	50657	UP Health Systems	25-Apr-00	31-Dec-05	110	82	0	192	0	192
69	35172	UP Power Sector Restructuring	25-Apr-00	31-Dec-04	0	150	0	150	0	150
70	10484	UP Rural Water	25-Jun-96	31-May-02	0	60	0	60	0	60
71	50646	UP Sodic Lands II	15-Dec-98	30-Sep-05	194	0	0	194	0	194
72	9961	UP Sodic Lands Reclamation	10-Jun-93	31-Mar-01	55	0	0	55	0	55
73	9955	Uttar Pradesh Basic Education	10-Jun-93	30-Sep-00	165	0	0	165	0	165
74	50638	Uttar Pradesh Basic Education II	4-Dec-98	30-Sep-00	59	0	0	59	0	59
75	9964	Water Resources Consolidation (Haryana)	29-Mar-94	31-Dec-00	258	0	0	258	0	258
76	41264	Watershed Management Hills II	15-Jun-99	31-Mar-05	50	85	0	135	0	135
77	35827	Women & Child Development	29-Jun-98	30-Sep-03	300	0	0	300	0	300
		Grand Total			8294	4690	10	12994	602	12392

Annex 7: CPPR FY00 Review Meeting with DEA
New Delhi, May 29, 2001

Summary of Discussions, Recommendations and Agreements

1. Dr. Kishore noted the deterioration in the **quality of the portfolio** during FY 2000, and said that the subsequent improvement is welcome and must be sustained, and the number of projects-at-risk minimized. He suggested that within the category of 'satisfactory' projects, some projects should be picked as best practice and held as examples for others. On the **portfolio composition**, Dr. Kishore noted that it would be interesting to see the difference in distribution of loans between states if major injections like AP Power APL and UP Fiscal Adjustment were removed.
2. Mr. Garg said that DEA and the Bank would hold periodic **review meetings** organized by DEA to which concerned states would be invited on a regional basis for state reviews and sectoral reviews would be carried out with concerned central ministries and participation of selected states and implementing agencies. It was agreed that DEA and the Bank would also monitor projects at risk, projects in the first year of implementation, and disbursements, at least on a quarterly basis.
3. Mr. Garg said that the draft action plan had already been reviewed with the Bank. On the issue of **funds flow** he noted that, although the state finance department was bypassed on a trial basis for the Orissa Cyclone project, DEA found on review that this was not effective or appropriate, and there are no plans to continue the practice. Dr. Kishore said that in his opinion the biggest bottleneck for project performance is the flow of funds from the state finance department to the project implementing unit. Dr. Kishore will be holding a meeting with the Finance Secretaries of the five-six largest borrowing states in June to find a solution to this problem, and hopes to have a better system of transfer of funds in place by July 1, 2001. CAAA, Plan Finance I and the Bank will also be invited to this meeting.
4. Mr. Lim noted the turnaround from earlier portfolio problems, and commented that the forecast disbursement ratio of more than 20% was of the right order for India. Mr. Lim welcomed DEA's lead in holding the proposed review meetings, and reiterated the magnitude of the funds flow problem, which slows down project implementation and often leads to funds not being used. He said that while the Bank does not want to propose any mechanism that is contrary to government policies, the issue remains an important challenge. He supported DEA's suggestion that direct lending to independent project entities at the central level could be extended to the state level, with appropriate state and GoI guarantees.
5. **Audit procedures and delays** were discussed. Mr. Garg said that Bank requirements regarding audit and expenditure certifications need to be discussed in the legal / administrative conceptual framework, as had been explained comprehensively to Mr. Narula previously, and that DEA would welcome discussion on any proposals the Bank may forward on audits. C&AG clarified that most audit delays take place because the implementing agencies don't submit the SOEs on time. This would be discussed further in a separate meeting.

6. Mr. Hoban noted that the Bank's rating of projects is now being shared transparently with DEA, and the Bank would welcome any comments and discussion, which should lead to a shared ownership of the ratings. He said that obtaining state-level **clearances** for new projects often takes a very long time even after approval, and delays project effectiveness and implementation. He suggested that projects that are a year away from going to the Board should be reviewed with DEA to ensure that the team is aware of all required clearances and delays are minimized as much as possible.
7. Ms. Kumar said that computerization of funds management in **Plan Finance** is nearing completion. On improving funds flow from states to projects, she suggested that accountability for passing on previous releases might be needed before releasing the next tranche.
8. Mr. Lim said that it is a matter of concern that some of the **agreements in the last CPPR** have not been acted upon. Mr. Kishore agreed with Mr. Lim and said that it should be ensured that all agreements in this CPPR are delivered.

Participants

DEA

Adarsh Kishore, Additional Secretary
K Shankar, Controller of Aid Accounts and Audit (CAA&A)
Subhash Garg, Director
Sharmila Chavaly, Director (PMU)
Rachna Shah, Deputy Secretary
Geeta Narayan, Under Secretary
Vum Lun Marg, Under Secretary
V Jayaraman, Deputy Director

Other GoI agencies

Shubha Kumar, Director, Plan Finance I, Department of Expenditure
R M D Pillai, Senior Accounts Officer, C&AG
Arvind Kumar, Assistant Accounts Officer, C&AG

World Bank

Edwin Lim
Christopher Hoban
Rajat Narula
Mandakini Kaul

Annex 8 : Minutes of Portfolio Reviews with States

Several multi-sectoral state review meetings were held during FY00. Of these, the minutes of two missions (Uttar Pradesh, November 15-16, 1999 and Andhra Pradesh, November 22-23, 1999) are available in the FY99 CPPR document. Included here are the minutes of two missions : Rajasthan, September 11, 2000 and Uttar Pradesh, August 29, 2000.

I. Multi-Sectoral Meetings with Government of Rajasthan, September 11, 2000

A Bank delegation led by Mr. Edwin Lim visited Rajasthan on September 11, 2000 to review the current portfolio of loans in the state and discuss the status of preparation of proposed new loans in various sectors. The Bank delegation consisted of Edwin Lim, Christopher Hoban, V J Ravishankar, Lucio Monari, N K Jangira, and R S Pathak. The Portfolio discussions were chaired by Mr. M.D. Kaurani, Development Commissioner, and the review of portfolio and new projects was chaired by the Chief Secretary, Mr. Inderjeet Khanna. A wrap-up session was held with Mr. Ashok Gehlot, Chief Minister, and attended by Mr. Khanna and Mr. Adarsh Kishore, Principal Secretary to the CM.

1. **General:** Mr. Lim noted that the Bank's current loans to India include \$ 8 billion undisbursed, of which \$ 4.4 billion are almost interest-free IDA funds. Both the Bank and the Department of Economic Affairs are very concerned at the lack of effective utilization of these funds, which makes it difficult to propose further assistance. For Rajasthan, the undisbursed balance of loans to the state plus state's share of centrally sponsored projects is \$ 286 million, almost all of which is IDA.

In a recent review of slow disbursing IDA Credits, DEA has proposed, and the Bank agrees, that funds should be reallocated away from non-performing states and components. Several Rajasthan projects were specifically mentioned as candidates for such reallocation, due to poor performance.

Persistent problems have arisen in a number of Rajasthan projects in the past year in the areas of (a) flow of funds, (b) delayed staff appointments, (c) turnover of key project staff, and (d) procurement delays. In addition, there has been an alarming slippage of new projects, with GoR and implementing agencies apparently hesitating to implement agreed procedures and arrangements.

2. **Family Welfare Population IX.** Rajasthan's performance under this multi-state project has been poor, with lack of continuity and commitment of the project management, delay in completion of civil works and operationalisation of those which have been completed, delay in procurement and in release of funds to the PMU unless major improvements were made. GOR advised that they had achieved substantial recent improvements in performance, and had reviewed these with Joint Secretary Basu of GoI. They expect that the Bank mission coming Sept 28-29 should see substantial turnaround.
3. **Cataract Blindness.** Progress is being hampered by funds received from GoI not being passed on to the project. Almost 6 months into the fiscal year, approximately 2 crore have been passed

on to the project out of 9 crore (state says 7) received. GoR explained that this is in the context of overall GoI advances for health which are well below requirements when viewed across all programs. GoR advised that further funds would be released within the next few days. Staffing for the new facilities has been delayed but the state advised it is now on track. Procurement was very problematic for the state, now handed over to GoI. GoR felt that software activities under the project have been managed well by the state.

4. **Tuberculosis.** GoR advised that Rajasthan has the best record on this project and is planning to expand the program all over the state. The Finance Secretary has taken a decision to permit Rs 20 million expenditures on vehicles, to be advised this week. The state generally prefers centralized procurement at GoI with some emergency procurement delegation to districts, since capacity at district level is limited. Contract staff provisions in the credit agreement are not working as project cost estimates are far below current pay scales.
5. **Women & Child Development.** Since Rajasthan was rated a problem state in June with proposed reallocation to other states, considerable efforts have been made by GoR to get the project back on track. GoR listed actions taken which, however, still fall short of the benchmarks agreed July 7 with the GoI Secretary WCD. For example about half of regular staff have been posted, with others holding dual charge; the October 31 target will not be fully achieved. Baseline surveys have started and will be ready in December. Procurement has been a big problem; one agent will be engaged by mid October but bids won't be invited by this target date. Twelve CDPO offices have been established. The Adolescent Girls' Scheme has been launched. No progress with Quality Circle Training. GoR advised that training is a big challenge and capacity limited, but they are now developing workable plans; have used other funds for big training efforts to date. Disbursements are expected to be considerably higher this year.
6. **Rajasthan DPIP.** While GoR noted initial actions taken to launch this new project, the Bank expressed concern about apparent unwillingness of GoR to implement the agreed funds flow arrangements, discussed at considerable length during project preparation, which include posting advances in bank accounts operated by District Project Management Units. This is already holding up payments to NGOs, institutes and others. After some discussion and considerable indications of reluctance, GoR confirmed that they will honor agreements on this, but can't advance funds until received from GOI.
7. **Agriculture Development Project Rajasthan.** This project closes on September 30, 2000. The Bank noted lessons learned on weak funds flow throughout the project, and raised the outstanding issue of compensation for land acquired, which is part of the project though not financed by the Bank. GoR advised that a further 2.9 crore should (hopefully?) be paid by end September while the remaining 6 crore of payments are in process but will take 3-4 months.
8. **District Primary Education Project 1.** GoR advised that there has been good field-level progress and success in establishing good convergence across a number of programs in the state, and that project activities have begun to progress more vigorously since June. However the Bank team noted little measurable progress and almost no disbursement have been achieved one year after effectiveness. Funds flow is not a problem in this case but there have been considerable delays in making appointments needed for project implementation, and lack of

coordination with the secondary education department. This appears to have been due to lack of clarity and conviction on the part of GoR and some confusion over the procedural and procurement aspects of the "second-best" option of hiring a large number of contract staff. It was agreed that Secretaries of Finance, Primary Education and Secondary Education would resolve this using "urgent & temporary" justification for hiring the required staff. An additional problem in recent months arose due to a court challenge on hiring rules.

II. Multi-Sectoral Meetings with Government of Uttar Pradesh, August 29, 2000

A Bank delegation led by Mr. Edwin Lim visited Uttar Pradesh on August 29, 2000 to discuss the progress made in processing loans in various sectors, as well as to review the current portfolio. The Bank delegation consisted of Edwin Lim, Christopher Hoban, Stephen Howes, Gajan Pathmanathan, Deepak Ahluwalia, S Rajagopal, Mohinder Gulati, Sameer Shukla, David Peters, Meera Priyadarshi, Sumir Lal, V J Ravishankar, Farah Zahir, Vikram Khub Chand, Harpinder Oberai and Mandakini Kaul. Mr. S C Tripathi, Principal Secretary, Finance and Mr. Pankaj Agrawala, Secretary, Externally Aided Projects, led the GoUP delegation. The respective Principal Secretaries and their teams attended different sessions. The wrap-up session was chaired by the Chief Secretary Mr. Yogendra Narain, and was attended by all the heads of department.

I UP Fiscal Reform & Public Sector Restructuring Loan

The Principal Secretary of Finance highlighted the fact that the latest preliminary figures compiled by the Accountant General showed that GoUP has over-fulfilled the fiscal correction target in 1999-00. The Bank said it would need some time to study these figures. The Bank team raised the following issues:

- (i) Need to immediately make effective the amendments in the Trade Tax Act to combat evasion. Mr. Lim emphasized that this was a benchmark for 1999-00, in support of which the Bank has approved the first adjustment credit/loan.
- (ii) Problems and delay in the Special Audits and certification of receipt by GoUP of the loan/credit proceeds (a legal covenant) to be carried out by the C&AG. It was agreed that a meeting should be organized in Delhi by the Office of the C&AG to sort out outstanding issues.
- (iii) Need for a note on GoUP performance in protecting High Priority Development Expenditures (HPDE) in 1999-00, including an explanation for shortfalls. GoUP agreed to provide such a note before the September mission
- (iv) Continuing and apparently increasing frequency of transfers – it was agreed to address this concern at the wrap-up
- (v) Need to publicize the corruption survey results along with GoUP's Anti-Corruption Strategy - the 3 surveys that have been undertaken so far have not been publicized, and nor has a general strategy been formulated. GoUP explained that they are undertaking 6 department surveys as well and want to wait for these to be completed before going public. GoUP agreed to a deadline of November 30, 2000, for going public with the first set of survey results and as well as a broad strategy to combat corruption.
- (vi) Lack of overall coordination and lack of progress with the environmental component of the PE Reform & Privatization program - it was agreed to address this concern at the wrap-up.

II UP Power Sector Restructuring

The Bank highlighted several issues of concern that have arisen since the project became effective in early August 2000.

- (i) UPPOWER has recently signed escrow agreements with 3 Independent Power Producers (IPPs) on a directive of GoUP, creating an escrow on revenues of some distribution circles. This has been done without proper demand forecasting or an assessment of financial viability and will make privatization of these distribution circles very difficult. For 1300 MW of power, the cost will be about Rs. 3000 crores annually, which will require at least a 100 per cent tariff increase for non-industrial consumers. The Bank explained that in the last five years, sale of power to industry in UP has declined and high-cost power purchase is unlikely to be matched by commensurate growth in demand from high tariff and paying customers. This will create a significant burden on the finances of the power sector and, by extension, on the state's fiscal condition.
GoUP explained that the escrows were signed on the basis of Power Purchase Agreements (PPAs), which had been agreed to with the IPPs 2-3 year ago, and these cannot be renegaded. They agreed not to sign any more escrow agreements, and for ones they have signed they will submit the following to the Bank : assessment of the legal liabilities of GoUP and UPPCL under the PPAs and escrow agreements by September 15; alternatives for protecting distribution companies' revenues to facilitate their privatization; plans for preparation of a demand forecast; an action plan to monitor the financial performance of the companies by end-September, and the revised business plan demonstrating the financial impact of contracting new capacity.
- (ii) Procurement of energy meters has been held up and runs the risk of being declared a mis-procurement. GoUP said that they would look into this and settle the issue within two weeks.
- (iii) Privatization strategy, including options for urban / composite loads and configuration of distribution should be finalized. Restructuring consultants (PricewaterhouseCoopers) have analyzed the impact of different configurations and will assist in this. There is also a need to fix a multi-year bulk supply tariff to provide certainty to private investors. GoUP said bids for privatization in Kanpur have already been invited (last date September 30). A draft concept paper on bulk supply tariff is being prepared by UPPCL and their consultants and will be ready by end-September.
- (iv) GoUP agreed to strengthen top and middle level management of the new companies, as well as to find ways of ensuring continuity at the senior level for the next 4-5 years.
- (v) The Bank also expressed concern at the financial condition of the power sector - the recent tariff rise is not sufficient, and against the Rs. 2300 crores factored into the fiscal framework as GoUP support to the power sector during FY 2001, GoUP will provide about Rs. 1100 crores only. In addition, it is issuing bonds to power suppliers in lieu of UPPCL's dues on power purchases, which will not reduce the cash deficit. This inadequate financial support and an absence of timely payments mean that the companies will be worse off on a cash basis than they were estimated to be in the financial restructuring plan, and would face a loss of about Rs. 2000 crores in this FY.

III Technical Assistance for Economic Reforms

The Bank explained that of the total US\$ 45 million under this project, approximately US\$ 13-14 million is expected to go to UP.

- (i) Of the 14 TA proposals submitted by GoUP, 11 are active while not much progress has been made on 3. The Bank has approved the PIP for all 14 proposals. The Bank suggested that GoUP should move ahead with the 11 proposals that are ready and continue to develop the remaining ones, as well as add new activities whenever they are ready. GoUP agreed to this.
- (ii) DEA has two conditions for making the TA effective - establishment of the Project Management Unit, including hiring of the Project Monitoring Consultants; and signing of at least one Participation Agreement between DEA and a Participating Entity. GoUP said that they would be ready to sign the participation agreement in 3 weeks.
- (iii) The Bank explained that it is important that there is strong coordination across all departments. GoUP said that Pankaj Agrawala, Secretary Externally Aided Projects would be responsible for coordinating between departments and for signing of the Participation Agreement. In addition, one person, trained by the UPAA has joined the Externally Aided Projects Department to coordinate TA activities and procurement across board. However, they said that all implementation issues should be dealt with directly between the departments and the Bank.

IV Rural

1. U.P. Forestry

- (i) The Bank said that disbursements for this project are very low (27% disbursed) and unless they pick up, there might be some cancellations at the MTR in November 2000.
- (ii) GoUP has recently completed a human resources plan for financial management, but delays in the procurement of computers are hampering this progress. GoUP agreed to mobilize the procurement process.
- (iii) GoUP said that they have built up more capacity than can be utilized at this stage and requested the Bank to advance phase II (plantation stage) of the project. (Phase II has been envisaged as a follow-on project by the Bank and is not mentioned in the PAD of this project.) The Bank said that this could be considered during the MTR.
- (iv) GoUP also requested more Bank involvement in Urban Forestry. The Bank said that early experience has not been very good, but once GoUP gets the consultants on board (Bank has already commented on the ToRs), further discussions could be held during the MTR.
- (v) The Bank requested clarification regarding the implications of the creation of the new state (Uttaranchal) on this project. GoUP explained that the larger part of the project area falls under Uttaranchal, but most of the infrastructure building has taken place in UP. A new PIU will have to be set up in the Hills area, but as a separate Hills Cadre exists, staffing this PIU will not be a problem. *(This is further discussed under section VI).*

2. U.P. Diversified Agricultural Support

The Bank highlighted several outstanding issues :

- (i) Only Rs 16 crores of the planned Rs 137 crores has been spent this year. During the MTR in November 2000, the options of reallocation and / or cancellation will have to be discussed.
- (ii) The project is likely to have savings of Rs. 80-90 crores. GoUP has requested that the rural roads component should be expanded to utilize this. The Bank expressed its reservations as

this will increase the roads component to 60% of the total project and could lead to neglect of the agricultural component. It was agreed this issue would be considered during the November 2000 mission, when a mini-reappraisal of the project will be undertaken.

- (iii) The participatory system is not in place so far. GoUP replied that ToRs have been signed with the participatory management consultants and they will be in place by Oct 30.
- (iv) Project management is poor so far with the PMU lacking essential skills such as procurement etc.
- (v) Staffing continuity has been poor, with project changing 8 Project Directors so far. In addition, there is one nodal officer in the PWD department for all the rural roads projects in UP. GoUP said that they would look into appointing another engineer, and all efforts would be made to ensure staffing continuity. The new Project Director also has made efforts in facilitating a better understanding of the project by the line departments and in accelerating its implementation.
- (vi) Outstanding issues include the privatization of various state farms and delay in implementing reforms related to Mandi Parishads. GoUP said that privatization has been approved in 2 of the 4 departments, and should be approved in all by November.
- (vii) GoUP agreed that by the time of the November mission all outstanding financial and legal covenants would be met with.

3. U.P. Sodic Lands II

Project implementation is slow in all components except land reclamation, and disbursements are well below forecast. GOUP is considering appointing a separate nodal officer for rural road component of the project (as requested by the Bank) but this has not been done so far.

V Health

1. UP State Health Systems

The Bank pointed out the following outstanding issues, and GoUP agreed to look into them :

- (i) 7 of the 9 top posts need to be filled
- (ii) Initial procurement plans have not been carried through.
- (iii) Initial meetings of the project governing board and project steering committee have not been held, which would enable the PMU to work smoothly.

2. Women & Child Development

The Bank emphasized that GoUP must not just look at project-specific issues and should develop a program for ICDS that will focus on development outcomes, especially reductions in young child malnutrition. GoUP has recently appointed a new Secretary for Women and Child Development who has agreed to take a high level delegation to Andhra Pradesh, which one of the better performing ICDS states and subsequently hold a workshop in UP to develop an ICDS agenda, and community ownership.

Outstanding issues include :

- (i) Despite U.P. being set up a registered society for the project, overall, expenditure including release of advances is Rs. 7 crores and claims for disbursement are less than Rs. 1 crore so far.
- (ii) The implementation progress is very slow. Quick turn over of project coordinators and secretaries, lack of planning/action on all software components (IEC, innovative activities, adolescent girls component, quality circle training), recruitment of staff at all levels, and

initiating procurement are issues of concern. The Bank's recent mission (June 2000) declared it a problem project.

VI Implication of the new state Uttaranchal

The Bank requested GoUP to explain the implications of the creation of the new state, as four projects (UP Forestry, UP DASP, UP Rural Water Supply and UP Health Systems Development Project) will fall partially into the new state.

GoUP explained that :

- (i) All projects in the Hills areas except major power and irrigation projects are being funded through a hills area-specific sub plan and funds flow to these projects will not be affected by the creation of Uttaranchal.
- (ii) The existing PIUs are located in Lucknow, so a new PIU will have to be set up in the hills area. The new government will be staffed quickly but in the interim period the existing PIUs will provide transitional management of the projects in the new states.
- (iii) Project assets and manpower will be divided on an "as is where is basis" and project loans will be shared on basis of population.
- (iv) All contractual liabilities will be passed on
- (v) Total receipts of the new state will be around Rs 2400 crores (revenue receipts : Rs 610 crores, plan assistance : Rs 1400 crores and grants : Rs 400 crores.) Annual expenditure is anticipated at Rs 4050 crores, leading to a gap of Rs 1650 crores.
- (vi) State debt is to be divided according to population – Uttaranchal accounts for about 5% of total UP population.

Wrap-up with Chief Secretary

I UP Fiscal Reform & Public Sector Restructuring Loan

The Bank emphasized that more concrete actions would be required for the approval of the second loan. Areas of concern highlighted by the Bank were :

- (i) Reversal of previous actions : e.g. the trade tax act, which was amended last year but implementation has been stayed by an executive order. The CS said that this will be taken up with the Chief Minister, and in the meantime negotiations are going on with traders to explain the tax to them.
- (ii) Frequency of transfers and lack of staffing continuity : a mechanism for monitoring this is yet to be put in place. GoUP said that a strategy is being developed on the lines of the All India Services strategy (under this the tenure of a District Magistrate is fixed for two years and transfer before this time has to be justified at the CS level).
- (iii) Anti-corruption strategy : It was agreed that GoUP would publicize the macro strategy and the 3 surveys by end- November. The CS emphasized that combating corruption and attracting private investment to UP were the two "unique selling points" of the current Chief Minister.
- (iv) No follow-up action to the policy papers : GoUP said that these have been disseminated to the press but not much interest has been expressed in them. A workshop on financial management was held in Lucknow, and a follow-up workshop is planned in Bangalore. People's awareness seminars have also been initiated by the Chief Minister on the medium-term fiscal framework. GoUP agreed to immediately place all the policy papers on its Website.

- (v) Delay in hiring consultants for environment safeguards in the public enterprises that have been closed : GoUP said that the Chief Secretary, who was also the Chairman of PICUP, would pay personal attention to see that this is sorted out.

II UP Power Sector Restructuring

The Bank highlighted the following issues of concern :

- (i) UPPOWER has recently signed escrow agreements with 3 Independent Power Producers (IPPs) at a directive of GoUP. This has been done without proper demand forecasting or an assessment of financial viability and will make privatization of these distribution circles very difficult, and will create a significant burden on the finances of the power sector and, by extension, on the state's fiscal condition.
- The CS said that the escrows had been signed on the basis of Power Purchase Agreements (PPAs) that had been agreed to with the IPPs 2-3 year ago, and these cannot be reneged on. He asked whether power trading could be considered, but the Bank explained that it is too early to consider this and it is not desirable for GOUP and power companies to take such large financial risks when they are struggling to recover from severe fiscal and financial distress respectively. The CS said that he was confident demand for power will increase as between 1991-99, UP has received the third highest intentions of industrialization in the country. However the Bank explained that sale of power to industry has either stagnated or gone down in the last five years, which does not support the expectations of high demand growth from industrial consumers.
- (ii) The CS said that UP needs to develop a strategy for recovery of dues, which should be part of the overall program. In the meantime, he requested Bank help to keep UPPOWER financially viable.
- (iii) The CS said that directors would be in place in the new companies by end-September, and GoUP would also look for ways of ensuring continuity at the senior level for the next 4-5 years.

III Generic Issues

The Bank also highlighted general issues of staffing vacancies and continuity, which are problems common across all sectors. Currently these are most obvious in the Health Project and the PWD department.

Annex 9 : Minutes of Sectoral Portfolio Reviews with DEA

Several sectoral review meetings were held during FY00. Of these, the minutes of the following are available in the FY99 CPPR document : Health Population and Nutrition, July 1,2 1999, Forestry, July 29, 1999, Infrastructure, October 12, 1999, and Environment, November 4, 1999. Included here are the minutes prepared by DEA for the following review meetings : Transport, October 17, 2000, Urban Water and Urban Development, October 18, 2000, Forestry, September 4, 2000 and February 20, 2001, and ICDS, March 26, 2001.

I. Transport, October 17, 2000

1. Second National Project

- (i) A meeting was held on 17th October, 2000 at 2.30 PM to review the disbursement performance of World Bank assisted Second National Highway Project (Cr.2365/Ln. 3470-IN). The meeting was chaired by Shri Abhas Kumar Jha, Deputy Secretary (FB) and attended by officials of the World Bank, Ministry of Surface Transport, the participating State of Punjab, Haryana, Orissa, West Bengal, Madhya Pradesh and Maharashtra and CAA&A. The list of participants is attached.
- (ii) The loan/credit agreements were signed on 18.6.1992 and became effective on 31.8.92. The closing date of the project is 30.6.2001. The cumulative disbursement under the project up to 30.9.2000 is 250.051 million with an unutilized amount of US \$ 66.580 million. As against the BE 2000-2001 target of US \$ 50.0 million, an amount of US \$ 17.239 could be utilized up to 30.9.2000.
- (iii) All the states were asked to submit their audit certificates for the year 1999-2000 latest by November 30, 2000. In case of Punjab, the expenditure was audited and the certificate is to be issued. In case of Madhya Pradesh, auditing is yet to be done.
- (iv) The representative from Maharashtra stated that their project component regarding the Bassein Creek Bridge would be completed by June, 2001 instead of original target of April 2001.
- (v) MOST has informed that the Revised Cost Estimates (RCE) in case of-Orissa - RCE has been approved. Haryana - The CCEA Note would be presented shortly. Maharashtra, Punjab, West Bengal & Madhya Pradesh - RCE has yet to be approved. MOST has assured that the RCEs for all the States would be approved in six to eight weeks.
- (vi) At the end DS(FB) requested all the states to expedite submission of claims pending for disbursement for the current financial year of 2000-2001 to CCA&A. It was emphasized that the entire loan amount should be fully utilized for which MOST would need to closely coordinate with the participating States.

Action Points :

- (i) MOST would take necessary action for early approval of the Revised Cost Estimates (RCE)s in respect of all the participating States. MOST would also coordinate with all the participating States to ensure early submission of all pending claims and to ensure full utilization of the loan amount. (action: MOST)
- (ii) All the States to submit their Audit certificates by the end of Nov. 2000. (action: All the participating states)
- (iii) All the states to submit their claims for disbursement expeditiously. (action: All the participating states)
- (iv) Completion of Maharashtra component of the project by June, 2001. (action: Govt. of Maharashtra)
- (v) DEA to write to MOST emphasizing urgency in RCE approvals in view of the project closing drawing near. (action: DEA)
- (vi) MOST to take action regarding tax incentives for multi-axle vehicles and disseminate the scheduled studies to fulfill the legal covenants under the project. (action: MOST)

List of Participants

- (i) Shri Abhas Kumar Jha, Deputy Secretary (FB), DEA - in chair
- (ii) Smt Geeta Narayan, Under Secretary (FB), DEA
- (iii) Shri A.P.S. Sethi, Supdt. Engineering (PIC), MOST
- (iv) Shri Charanott Chawla, Executive Engineer, PWD (B&R), Govt. of Haryana
- (v) Shri N.N. Mallik, WBP, Govt. of Orissa
- (vi) Shri R.V. Sakhadeo, Supdt. Engineering (PWD), National Highway Region, Govt. of Maharashtra
- (vii) Shri B.N. Mukherjee, PWD, West Bengal
- (viii) Shri J.K. Niyogi, PWD, West Bengal,
- (ix) Shri K.C. Jain, Engineer-in-Chief, Madhya Pradesh.
- (x) Shri N.D. Vyas, Project Director, Madhya Pradesh.
- (xi) Mr. Chris Hoban, Operations Advisor, World Bank
- (xii) Shri A.K. Swaminathan, Highway Engineer, World Bank
- (xiii) Shri Sujit Das, Highway Engineer, World Bank
- (xiv) Shri T.Raghavendran, Dy. CAA&A.

2. Andhra Pradesh State Highway

- (i) A meeting was held on 17th October, 2000 at 3.30 PM to review the disbursement performance of World Bank assisted Andhra Pradesh State Highway Project (Ln. 4192-IN). The meeting was chaired by Shri Abhas Kumar Jha, Deputy Secretary (FB) and attended by the officials of the World Bank, Government of Andhra Pradesh and CAA&A.

- (ii) A loan of \$ 350 million was approved by the World Bank for the Andhra Pradesh State Highway Project in June, 1997. The estimated cost of the project at the time of the appraisal is \$ 485.5 million. The agreement for the project was signed on 30th July, 1997. the project became effective on 2.10.1997. The closing date of the project is 31st January, 2003. So far an amount of \$ 82.017 million has been disbursed upto 30.9.2000. During the current financial year an amount of \$ 19.151 million has been disbursed upto 30.9.2000 against the State Government's projections of \$ 75.0 million.
- (iii) At the outset, DS (FB) enquired about the enhancement of budget provision by the State Government. Shri Murahari Reddy, Engineer-in-Chief who represented the State stated that there was a delay in the project implementation because of non-availability of funds with the State Government. As against the estimated expenditure of Rs. 669 cr. for the current financial year of 2000-2001, the State Government has made a provision of only Rs. 275 cr. for the project.
- (iv) Shri Reddy has further informed that out of the total of 14 contract packages, 12 packages are already awarded and the remaining two would be awarded once the State Government provides the funds. The audit report for the year 1999-2000 would be submitted by the end of Nov. 2000.

Action Points :

- (i) DEA to address GOAP regarding the Budget allocation problem.
- (ii) DEA to write to C&AG to complete audit.
- (iii) GOAP to provide contract details to DEA so that the matter on budgetary allocation can be meaningfully discussed with Principal Secretary (Finance), GOAP.

List of Participants

- (i) Shri Abhas Kumar Jha, Deputy Secretary (FB), DEA - in chair
- (ii) Smt. Geeta Narayan, Under Secretary (FB), DEA
- (iii) Shri Murahari Reddy, Engineer-in-Chief, R&B Deptt. A.P.
- (iv) Mr. Chris Hoban, Operation Advisir, World Bank
- (v) Shri A.K. Swaminathan, Highway Engineer, World Bank
- (vi) Shri Sujit Das, Highway Engineer, World Bank
- (vii) Shri T.Raghavendran, Dy. CAA&A.

3. Container Transport Logistics Project

- (i) A meeting was held on 17th October, 2000 at 5.30 PM to review the disbursement performance of World Bank assisted Container Transport Logistics Project (Loan No. 3753-IN). The meeting was chaired by Shri Abhas Kumar Jha, Deputy Secretary (FB) and attended by the officials of the World Bank, Container Transport Corporation of India Ltd. and CAA&A.

- (ii) World Bank has provided a loan of US \$ 94.00 million for Container Transport Logistics Project (Loan No. 3753-IN) being implemented by Container Corporation of India Ltd. (CONCOR). The Government of India has guaranteed the above loan. the loan agreement was signed on 29.8.94 and the project became effective on 31.1.1995. The original closing date of the project was 31.12.99 which has been extended by one year i.e. upto 31.12.2000. Out of the total loan of US \$ 94.00 million, US \$ 15.00 million has been cancelled due to savings. The cumulative disbursement upto 30.9.2000 is US \$ 34.618 million leaving an undrawn balance of US \$ 44.382 million.
- (iii) At the outset, DS (FB) enquired about the continuous slow disbursement under the project. To this, the representative from CONCOR informed that slow disbursement is due to delay in the supply of freight wagons by the contractors under Tranche-I and II. He further informed that the company to which the contract is awarded for Tranche-II has been declared a sick unit. So it is doubtful as to whether the company would be able to adhere to the delivery schedule. The CONCOR informed that after final review the status to tranche-II would be finalised and would intimate us accordingly.
- (iv) It was generally agreed by the World Bank, CONCOR and DEA that in spite of the delay the wagons supplied were of high quality and lived upto the purpose for which it was made. It has reduced the transport time by the more than half. CONCOR was requested to immediately inform DEA of any required cancellation in the loan so as to avoid unnecessary payment of commitment charges.
- (v) CONCOR was asked to submit the audit certificates for the year 1999-2000 by the end of Nov. 2000 positively.

List of Participants

- (i) Shri Abhas Kumar Jha, Deputy Secretary (FB), DEA - in chair
- (ii) Smt. Geeta Narayan, Under Secretary (FB), DEA
- (iii) Shri Birkhe Ram, Director (Finance), CONCOR.
- (iv) Mr. Chris Hoban, Operations Advisor, World Bank
- (v) Mr. Fabio Galli, Task Manager, World Bank
- (vi) Shri Alok Bansal, Transport Planner, World Bank
- (vii) Ms. Manuel Rosim, World Bank.
- (viii) Mr. Clive Harris, World Bank.

4. Third National Highway

- (i) A meeting was held on 17th October, 2000 at 3.00 AM to discuss the World Bank assisted Third National Highway Project (Loan No. 4559-IN). The meeting was chaired by Shri Abhas Kumar Jha, Deputy Secretary (FB) and attended by officials of the World Bank, Ministry of Surface Transport, National Highway Authority of India (NHAI) and CAA & A. The list of participants is attached.
- (ii) The World Bank has provided a loan of US \$ 516 million for the Third National Highway Project (Loan No. 4555-IN). The loan agreements were signed on 11.6.2000 and became

effective on 2.10.2000. The closing date of the project is 31.12.2005.

- (iii) At the outset, DS (FB) enquired about the contracts to be awarded. The Chief Manager of NHAI informed that out of a total of 8 packages, 5 packages would be awarded by the end of December, 2000 and 3 packages by the end of March of 2000. For the PHRD Grant, NHAI has informed that they would submit all remaining claims to CAA&A by November 30, 2000. NHAI were informed that the negotiations for the G.T. Road Project could only take place after all major contracts under the Third National Highway Project were awarded.

List of Participants

- (i) Shri Abhas Kumar Jha, Deputy Secretary (FB), DEA - in chair
- (ii) Smt Geeta Narayan, Under Secretary (FB), DEA
- (iii) Shri S.I. Patel, Chief General Manager, NHAI.
- (iv) Mr. Chris Hoban, Operations Advisor, World Bank
- (v) Shri A.K. Swaminathan, Highway Engineer, World Bank
- (vi) Shri Sujit Das, Highway Engineer, World Bank
- (vii) Shri T. Raghavendran, Dy. CAA&A.

5. Telecom Sector Reform Technical Assistance Project (Ln. 4555-IN)

- (i) A meeting was held on 17th October, 2000 at 5.00 AM to discuss the World Bank assisted Telecom Sector Reform Technical Assistance Project (Loan No. 4555-IN). To meeting was chaired by Shri Abhas Kumar Jha, Deputy Secretary (FB) and attended by officials of the World Bank, Department of The list of participants is attached.
- (ii) The World Bank has provided a loan of US \$ 62 million for the Telecom Sector Reform Technical Assistance Project (Loan No. 4555-IN). The loan agreements were signed on 11.6.2000 and became effective on 29.8.2000. The closing date of the project is 31.12.2005.
- (iii) Department of Telecom (DOT) requested the World Bank that full complement of project staff should be provided. They also requested that all the officials concerned should be located at one place for efficient functioning.

Action Point:

- (i) DEA to write to DOT in this regard.

List of Participants

- (i) Shri Abhas Kumar Jha, Deputy Secretary (FB), DEA - in chair
- (ii) Smt Geeta Narayan, Under Secretary (FB), DEA
- (iii) Shri Viresh Goel, Engineer (PIU), DOT.
- (iv) Shri R.P. Agrawal, NPC Wing, DOT.
- (v) Shri Y.K. Garhs, JS (A&R), TRAI.
- (vi) Shri Mukesh Mittal, Director (Commercial), TRAI.
- (vii) Mr. Chris Hoban, Operations Advisor, World Bank.
- (viii) Mr. Fabio Galli, Task Manager, World Bank.
- (ix) Shri Alok Bansal, Transport Planner, World Bank.

- (x) Ms. Manuel Rosim, World Bank.
- (xi) Mr. Clive Harris, World Bank.

II. Urban Water and Urban Development, October 18, 2000

The progress/status of the World Bank assisted Urban Water and Urban Development Project was reviewed in the Department of Economic Affairs on 18.10.2000. The Project review meetings were attended by the officials of the World Bank, State Governments and the administrative ministry, viz. Ministry of Urban Development. List of participants is appended. The main points that emerged are as under-

1. Bombay Sewage Disposal Project (IDA Cr No. 2763-IN)

- (i) The project with a loan of \$ 167.00 m is due to close on 31.12.2002 and as on 30th Sept. 2000, the project has disbursed \$ 64.986 m, leaving an undisbursed amount of \$ 102.014 m.
- (ii) As against the disbursement target of \$ 21.43 for 2000-01, the disbursements till 30th Sept. 2000 are only \$ 2.568 m. but are expected to pick up by the end of the year with the signing of 8 awards under slum sanitation component. Slum Sanitation Program is being implemented by various agencies and a uniform policy needs to be developed by Government of Maharashtra for speedy implementation of the component. Government of Maharashtra, in this regard, pointed out that efforts in this direction are already underway.
- (iii) The World Bank has forwarded to Department of Economic Affairs a letter amending Development Credit Agreement. As per this, out of an anticipated saving of \$ 20 m, an amount of \$ 10 m would be cancelled and the balance be utilised for taking up additional activities.

Action Points :

- (i) Government of Maharashtra to ensure signing of 8 contracts by end of Nov. 2000 as anticipated by them in the meeting.
- (ii) Department of Economic Affairs to write to Chief Secretary, Govt. of Maharashtra to devise a uniform policy on the implementation of Slum Sanitation Program and on action at point-1 above.

2. Second Chennai Water Supply Project :

- (i) The project with a loan of \$ 86.52 m is scheduled to close on 30.6.2002. As per CCA&A figures, an amount of \$ 53.283m has been disbursed as on 30.9.2000 leaving an undrawn amount of \$ 33.217m.
- (ii) The disbursement estimates for the current year of \$ 20m are expected to be met going by Government of Tamil Nadu's projections. All contracts except one clear Water transmission

main and two numbers of water distribution stations have been awarded. The pending work is expected to be completed by March 2001.

- (iii) As regards, amendment of DCA allowing State Government to take up additional activities to set off an estimated savings of \$ 8.62 m, the Bank official maintained that it will watch the progress made by Metro Water with regard to the issues of A.K. aquifer study, and tariff increase and then decide on the issue. Metro water official informed that metering has been taken up on pilot basis in a demarcated area and the issue of tariff increase will be taken up after the monsoon sets in as the state is still facing the drought like condition.

Action Points :

- (i) Enhancement of 'Force account' ceiling is pending with the World Bank and the Bank to clear it by the end of this month.
- (ii) As regards the additional activities, the tentative plan would be discussed between the Bank and Govt. of Tamil Nadu before the next World Bank mission.
- (iii) Tariff increase to be considered by Govt. of Tamil Nadu after the monsoon sets in and the drought situation improves).

3. IIIrd Chennai Water Supply Project

- (i) The Metro Water informed that the JBIC has not agreed to its proposal of reducing the Capacity of Water reuse plant for industrial use by half. The metro water will however, get a grant of Rs. 500 crores from the Govt. of India for sewage interception under the National River Conservation Plan and the requirement of fund from the World Bank would be of a lesser magnitude.

Action Point :

- (i) The World Bank proposed to send its mission to Chennai in Dec. 2000 to review the proposed project.

4. Second Tamil Nadu Urban Development Project:

- (i) The project with external assistance of \$ 105m became effective on 13.10.99 and is scheduled to close on 31.11.04. As on 30.09.2000, the project has disbursed an amount of \$ 17.788m leaving an undisbursed amount of \$ 87.212 m.
- (ii) The State's disbursement target for 2000-01 is \$ 30.0 m as against DEA's estimate of \$ 28.0m.
- (iii) Under the legal covenant of the project, by 31st March, 2000, the TNUDF has to withdraw \$ 40m from the proceeds of loan and is to mobilize an aggregate of at least \$ 25m for its sub-project financing operations from the market whether by issuing financing instruments underwritten or guaranteed by the participating Financial institutions. The officials of TNUDF requested for substituting the figure of "\$25" m with the "US \$ equivalent of Rs.

100 crores" (which has already been done) for raising resources, because the exchange rate fluctuations makes it difficult to give a round figure in US \$. The Bank agreed to consider the request provided it is routed through Department of Economic Affairs.

Action point :

- (i) TNUDF to send to Department of Economic Affairs the request of substituting the figure of "US \$ 25m" with the "US\$ equivalent of Rs. 100 crores "for raising resources.

5. AP Hazard Mitigation Project

- (i) A meeting was held on 18th October, 2000 at 1.00 PM to review the disbursement performance of World Bank assisted AP Hazard Mitigation Project (Ln. 4156/Cr. 2950-IN). The meeting was chaired by Shri Abhas Kumar Jha, Deputy Secretary (FB) and attended by the officials of the World Bank and the Government of Andhra Pradesh.
- (ii) World Bank has granted an IBRD loan of US \$ 50 ml. and an IDA credit of US \$ 100 ml. for the Project. The agreement for the project was signed on 3rd June 1997. The closing date of the project is 31st July, 2001. So far an amount of \$ 51.277 million has been disbursed upto 30.9.2000. During the current financial year there was no disbursement against the State Government's projections of \$ 22.0 million.
- (iii) At the outset, DS (FB) has enquired about the poor disbursement under the project. Shri A.K. Parida, Secretary to the State Government informed that they have already submitted claims till June, 2000 with CAA&A and further claims till August, 2000 would be submitted shortly.
- (iv) The implementation of the IMD component which was one of the main reason for the delay is also being followed up scrupulously. The audit report for the year 1999-2000 would be submitted by the end of Nov. 2000.

List of Participants

- (i) Mr. Chris Hoban, Operations Adviser, World Bank.
- (ii) Smt. S. Malathi, Secretary, Municipal Administration & Water Supply Department, Govt. of Tamil Nadu.
- (iii) Shri K. Rajivan, Chief Executive Officer, TNUIFS Ltd.,
- (iv) Shri N.B. Achrekar, Deputy Municipal Commissioner (Eng.)
- (v) Shri C.P. Singh, Managing Director, Chennai Metropolitan Water and Sewerage Board.
- (vi) Shri Abhas Kumar Jha, Deputy Secretary (FB), DEA - in chair
- (vii) Smt Geeta Narayan, Under Secretary (FB), DEA
- (viii) Shri A.K. Parida, Secretary (Finance & Planning) AP.
- (ix) Mr. Chris Hoban, Operations Advisor, World Bank
- (x) Mr. Robert Maurer, Infrastructure Dept., World Bank
- (xi) Shri N.N.V. Raghavan, World Bank.
- (xii) Ms. Ai Chin Wee, Regional Operational Quality Unit, World Bank.

III Forestry, September 9, 2000

The World Bank assisted forestry sector projects were reviewed by Ms. Rita Acharya, Deputy Secretary (FB) on 4.9.2000. Representatives of World Bank, MOEF and the concerned State Governments participated in the discussions. The status of the projects are as follows :-

1. Ecodevelopment Project

- (i) The physical and financial progress of the project as recorded in the Aide-Memoire of the last supervision mission of the World Bank was not satisfactory. Due to a delayed start the disbursements have been poor.
- (ii) Against a loan amount of US \$ 28 million the cumulative withdrawal is US \$ 6.250 million at the end of July, 2000. The likely disbursement during the current year is expected to be US \$ 4.5 million. There are no claims in the pipeline. Representatives of the State Government were requested to send claims at the earliest.
- (iii) The issues which need to be sorted out are :-
 - i) A number of studies are to be carried out by the Centre as well as the States. MOEF is required to ensure that there is no duplication.
 - ii) Regarding voluntary relocation of tribals in some national parks there is a Cabinet and Supreme Court decision. MOEF will not take any action which will contravene this decision.
- (iv) In a number of States there has been progress after the last supervision mission of the World Bank. MOEF is to review the status of the agreed action with the respective States as spelt out in the Aide Memoire of the last supervision mission of World Bank. Some States have submitted a report on the agreed action to be taken by States. The other States were requested to submit similar reports.

2. Forestry Research Education and Extension Project

- (i) The project is scheduled to close on 31.12.00. Another extension of one year would depend on the performance of the project in the year gone by. As against a total credit allocation of US \$ 47.000 million, utilization at the end of 31.7.00 has been US \$ 34.550 million. Since the project is already on a year's extension it was decided that MOEF would review the key milestones identified for the project in the extended year within the next two to three weeks and initiate remedial measures immediately so that the targets set are achieved. The positive results would then enable us to seek a further year's extension so that the total credit allocation is utilized.

3. UP Forestry Project

- (i) The project is scheduled to close on 31.7.02. Against a credit allocation of US \$ 52.940 million, utilization till 31.7.02 has been only US \$ 14.110 million. The project authorities (PA) projections at the beginning of this FY were US \$ 16.36 million to be utilized in the year. However, the representative from UP indicated that realistically they would be able to achieve a utilization target of around Rs. 60.000 crores out of which Rs. 50.000 crores (US \$ 11.000 million) is reimbursable. The slow utilization in the project was attributed to ways and means problem of the State Government during the last year, which has now considerably improved, and the fund flow is expected to increase. MOEF was considerably worried about the slow or almost no progress made in the external training component of the project more so when the MTR of the project is due shortly.
- (ii) The representative of GoUP indicated that whenever the Forest Department identifies any training with the help of the Bank the same gets held up in the Uttar Pradesh Secretariat. Although the Bank expressed satisfaction about the field activity in the project was not too satisfied with the procedural delays in the Uttar Pradesh Secretariat. It indicated that true picture of the project would emerge when the MTR takes place in November 2000 by which time it is expected that modalities concerning the formation of the new state of Uttranchal would have been worked out. A number of schemes covered under the project would fall within the new state.

4. AP Forestry Project

- (i) The project is scheduled to come to a close on 30.9.00. Bank was highly satisfied with the performance of the project. It is expected that the GoAP would utilize the entire credit allocation of US \$ 77.400 million. Considering the success achieved in the project MOEF opined that expeditious action needs to be taken in the AP II Forestry Project to consolidate on the gains achieved in the implementation of Phase-I of the project. The World Bank has been requested to take up Phase-II as a stand-alone project at the earliest. A request has been made for retroactive financing before the 2nd phase is taken up. The Bank was requested by DEA to respond at the earliest. It was also clarified by Mr. Jauhari, Principal Secretary (Forests), GoAP that the Andhra Pradesh Government including the Chief Minister is in favour of a stand-alone project in this sector. The GoAP would also initiate action to prepare a detailed concept paper for the consideration of the Bank.

5. Kerala Forestry Project

- (i) The project is scheduled to close on 31.12.02. Against a credit allocation of US \$ 39.000 million the project has utilized only US \$ 10.190 million in its two years of existence. The Mid Term Review (MTR) of the project is due to take place in the month of December 2000. MOEF opined that urgent action need to be taken by GoK on subsidies relating to industrial raw materials and the creation of revolving fund to avoid serious ramifications spelt out in MTR as these decisions have been pending for long time with the GoK. GoK representative informed that a GO has come out in the last week ordering creation of a revolving fund account in which 5% of funds generated from harvesting of teak and 50%

from pulpwood in a year would be credited to that account. (The Bank felt that it is essential to create this fund in order to ensure sustainability of the project. The money in the revolving fund account would be used up for new teak and pulpwood plantations). The representative from the Bank taking note of the GO still indicated that the issue of removal of subsidy from bamboo and pulpwood lingers on and the same needs to be sorted out immediately. He also felt that Kerala is very slow in taking up follow up action on the terms of agreed actions resulting out of the Supervision Mission visits and as an e.g. pointed that various actions agreed with the GoK in the December '99 mission still need to be fulfilled.

- (ii) The target for this FY given by GoK at the beginning of this year was US \$ 9.310 million. However in the meeting the representative from GoK indicated that they would be able to file claims for around Rs 27 crores (US \$ 6.000 million) in the current FY. DEA made it clear that the present target is too low and earnest efforts are required to be made to utilize the original target if not more in the current FY. The Bank indicated that if the present trend of disbursement continued in the project there would be a need to expand the scope of the project, which could be decided at the MTR stage when actual savings in the project by the project closing date would be determined.
- (iii) Apart from the above projects a reference was also made to the progress in the MP Forestry II project, which has already been posed to the Bank. The detailed concept paper is required from the Madhya Pradesh Government at the earliest in order to enable them to do a pre-appraisal. The MOEF would also like to be associated with the various preparatory missions.

IV. Forestry, February 20, 2001

The World Bank assisted forestry sector projects were reviewed by Ms. Rita Acharya, Deputy Secretary (FB) on 20.2.2000. Representatives of World Bank, MOEF and the concerned State Governments participated in the discussions. The list of participants is enclosed at Annex 1. The status of the projects are as follows :-

1. Kerala Forestry Project

- (i) Welcoming the participants Mrs Acharya, DS (FB) enquired from the representatives of GoK regarding the status of the creation of the "Revolving Fund". During the last review meeting held on 4.9.00 GoK had indicated that an order has been issued for creation of the Revolving Fund but the same is yet to be made operational. The GoK representatives indicated that a GO has been issued for opening new budget heads and the proposal for operationalising the Fund is pending with the State Government.
- (ii) As per the feedback received from the Mid-Term Review of the Bank the overall implementation of the project has been satisfactory. The project authorities have exceeded the physical targets set for the project. Despite good physical progress disbursements are low. GoK representatives stated that costs of physical contingencies were overestimated at the time of signing of the project. The procurement was done in a more cost effective

manner. To a lesser extent the delay on part of the Bank in declaring the project effective may also be perceived as one of the causes of low disbursement.

- (iii) The GoK indicated that the project has utilized Rs. 66.10 crores as of 31.1.01 out of a Loan amount of Rs. 152.10 crores. Claims upto December 2000 have been sent to the o/o CAA&A. In January & February 2001 an additional expenditure of Rs. 3.30 crores is expected to be incurred by the project. It is expected that there would be savings of approx. US \$ 70 million by the end of the closing date of 31.12.02. GoK requested the Bank to consider extension of the project by including additional activities. The DEA requested the GoK to send a formal proposal in this regard within a month's time, which could then be sent to the Bank for its consideration. As per the Agreement 50% of the sale proceeds from pulpwood is required to be put into the Revolving Fund. The MOEF and the GoK felt that there is need to review this % as the subsidy on the pulpwood price has been reduced drastically since the time the project was formulated. The Bank agreed to look into the matter once they receive a proposal in this regard from GoI. GoK agreed to send the proposal at the earliest.

2. Ecodevelopment Project

- (i) As per the Aide Memoire dated the 9th January 2001 the World Bank have recommended cancellation of US \$ 12.00 million. A response from the MOEF on this proposal is awaited. MOEF representative indicated that a suitable response would be sent within two to three weeks. MOEF was also requested to indicate the details of how the project could be restructured. The representative of MOEF indicated that the project has virtually picked up in the last six months and thus would need at least a two-year extension to achieve its development objectives. DEA would not have any objection to cancellation of IDA loan in case it cannot be utilized but felt that perhaps the GEF Grant could be diverted to project preparatory activities. GEF is a Grant and the procedure for obtaining GEF Grants is extremely tedious and cumbersome. Thus it would be useful if MOEF comes up with suitable proposals to utilize GEF Grant (which otherwise would be cancelled alongwith IDA) so that the matter could be taken up with the Bank of separating the GEF Grant from the IDA portion and if need be an amendment to that effect in the legal agreement could be proposed. The Bank agreed to look into the matter once a proposal for restructuring is received. The MOEF agreed to submit the same within three weeks time.
- (ii) It was also brought to the notice of MOEF that the State of Rajasthan has defaulted on the submission of Audit Reports for the year 1999-2000 and if these were not submitted early the Bank would suspend payments in 90 days time beginning 5th February 2001. MOEF representative informed that Secretary (MOEF) has already spoken to Chief Secretary, Go Rajasthan in this regard. MOEF was requested to take follow up action on this issue.

3. Forestry Research Education and Extension Project

- (i) MOEF informed that the EFC meeting has been held on account of additional funding required under the project as the project has been extended for a further period of two years beyond its original closing date of 31.12.99. However the note for CCEA meeting is under preparation and would be sent in about a fortnight for consideration. The representatives

further clarified that the implementation of the project would not suffer for lack of funds. As of 14th February 2001 the undrawn balance in the project amounts to US \$ 7.746 million and they were confident to utilize the full credit by the revised credit closing date 31.12.01. MOEF representatives requested the Bank to amend the local shopping procedure so as to bring about changes in the allocations of various components without disturbing the overall ceiling in the project. The Bank agreed to look into the proposal as and when it is received from the GoI. The World Bank indicated that project authorities have defaulted on the submission early the Bank would suspend payments in 90 days beginning 5th February 2001. The MOEF assured that the same would be expedited at their end.

4. Environmental & Management Capacity Building Project

- (i) The review began with DS (FB) stating that MOEF have reiterated their request for inclusion of sub-para (a) of Part C (2) relating to Formal and Non-Formal Education in the amendment letter relating to the proposal of cancellation of US \$ 20.00 million in the project. The Bank responded by saying that they will have to go back to their Sector Specialist to discuss the issue and then would respond accordingly. The possibility of diverting the proposed US \$ 20.00 million to the Gujarat Earthquake Project instead of cancellation was also discussed. DEA would be sending a detailed/consolidated proposal on the subject. The Bank further indicated that they would closely monitor the project in the current months and if the implementation progress does not reach a satisfactory level they would have to reconsider their stance of supporting the project. Reacting to the Bank's stand the MOEF representative stated that the project is now firmly on the rails with Rs. 5.00 crores worth of contracts awarded, procurement is in place and plans for all components are more or less ready for take off. Claims pending with them will be sent to o/o CAA&A within three weeks. There has only been a disbursement of USW \$ 5.036 million till 31.12.00 leaving an undrawn balance of US \$ 44.964 million to be utilized till the present closing date of 30.6.03. The issue of pending Audit Reports was also discussed and all relevant documents were once again handed over to the Bank representatives. However the Bank indicated that the Audit Report in respect of CMRI for the year 1999-2000 was not signed by the AG's office or a private auditor hence it was not eligible. MOEF needs to expedite the Audit Reports.

List of Participants

- (i) Mrs. Rita Acharya, Deputy Secretary (FB), DEA
- (ii) Mr. Chris Hoban, World Bank, New Delhi Office
- (iii) Ms. Mandakini Kaul, World Bank, New Delhi Office
- (iv) Mr. P.K.Sen, Director (Proj. T), MOEF
- (v) Mr. Rajiv Kumar, AIGF, MOEF
- (vi) Mr. D.M. Shukla, AIGF (RT), MOEF
- (vii) Mr. A.K. Rana, National Project Director (FREEP), ICFRE
- (viii) Mr. K.B. Thampi, CCF (WBP), GoKerala
- (ix) Mr. R.K. Gupta, Procurement Consultant, MOEF
- (x) Mr. S.K. Roy, Accounts Officer (PIC), MOEF
- (xi) Mr. H.K. Srivastava, Section Officer (FB3), DEA

V. ICDS Projects, March 26, 2001

A meeting was held under the Chairmanship of Shri Rahul Bhatnagar Director (FB) on 26.3.2001 to review the World Bank assisted ICDS Projects. Mr. Gopal Krishan, Director, Deptt. of Women and Child Development, Mr. Peter Heywood and Ms Meera Priyadarshi from World Bank attended the meeting.

1. ICDS II

- (i) It was informed that out of total credit of US \$ 194 million, US \$ 35.5 million is being diverted for Gujarat Relief. However, it was clarified that if the project is able to disburse the full amount, this money can be replenished later by the World Bank. the Deptt. of women and Child Development were, however, quite confident that the entire balance amount left in the project would be disbursed during the project cycle. It was mentioned that no saving were likely in the project and hence if there is any diversion this will need to replenish at a later stage. Department of Women and Child Development will send a formal communication in this regard by June 2001.
- (ii) Regarding bifurcation of staff and resources between Jharkhand and Chhatisgarh, DWCD informed that project has been appropriately bifurcated between Bihar and Jharkhand and MP and Chhatisgarh. the DCA and Project Agreements would have to be amended. It was decided that Deptt. of Women and Child Development and the World Bank will take steps to make necessary changes in the DCA and Project Agreements and prepare new Project Agreements for Jharkhand and Chhatisgarh.
- (iii) It was mentioned from the side of World Bank that in MP a supplier has supplied Disposable Deliver kits under the ICDS II programme but State Govt. had not made the payments. It was felt that the Department of Women and Child Development would take up the matter with the State Govt. at an appropriate level so that further suppliers and progress of project activities is not adversely affected.
- (iv) With regard to Audit Reports, DWCD informed that except for Jharkhand, Audit Reports from other states were complete and will be forwarded to Bank in May this year. However for Jharkhand it may take some time since there is problem of the staffing which should be resolved in 5-6 months. DWCD agreed to pursue the matter with the State Govt.

2. ICDS III

- (i) It was informed that US \$ 60 million is being taken out from the total amount of project allocation and is being diverted to Gujarat Relief. The DWCD will examine the implications of this diversion on the project and let the DEA know by June 01 if they feel that the amount is to be recouped.
- (ii) The disbursement under the project is not satisfactory as in about two years time it could disburse only \$ 22 million out of total allocation of \$ 300 million. It was stated that this was because the project was heavily overcosted, there was every possibility of significant savings in the project.

- (iii) The issue of poor financial management in the project was also discussed. The DWCD would streamline the FMS to make it more responsive to the needs of the project management.
- (iv) The pending Audit Reports in respect of the component of the DWCD have been delayed and need to be submitted at the earliest.

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