

A Case Study of World Bank Projects in Turkey: An Evaluation of Borrowed Funds and Project Implementation

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Executive Summary

The World Bank and the Government of Turkey have a long-lasting relationship, which remains critically important as Turkey strives towards European Union (EU) accession. To date, World Bank loans to Turkey total approximately \$19 billion. In 2006, Turkey received approximately \$1.5 billion in loans from the World Bank, which represents 1.25% of the estimated 2006 Turkish budget expenditure. These loans have funded projects in several sectors, including basic education, emergency relief, and privatization of state-owned enterprises. Beyond funding, the World Bank has offered Turkey extensive advice and recommendations regarding development. As Turkey's economy has grown and its development goals have evolved, it is important to reevaluate the role of World Bank financing within the country and, moreover, how to use this funding most efficiently.

In this study, three main research questions were addressed: (1) How can Turkey better evaluate the cost of borrowing from the World Bank? (2) What are some of the challenges and obstacles commonly observed in project implementation? (3) Based on our findings, how can the Turkish government improve project execution?

These questions were answered from both financial and managerial perspectives. World Bank loan terms and conditions were compared to other international funding organizations, which revealed that more flexible terms may be available from the European Investment Bank versus the International Fund for Agricultural Development. We also closely evaluated nine recent World Bank funded projects. Based on data from these projects, we developed a method to calculate the true costs of the loans and developed additional criteria to use when evaluating projects. Finally, the nine projects were evaluated based on six categories that we created to identify managerial strengths and weaknesses.

Our analysis was supplemented with external research and the expertise of our team to develop substantive recommendations for the Turkish government. The overarching finding was that World Bank funding continues to contribute to Turkey's development and is an important contributor to Turkey's economic growth. However, there are tangible ways through which Turkey can improve the use of funds to have a greater impact, benefiting Turkey both socially and economically. Based on the comprehensive findings, the four main recommendations are:

- More effective planning can improve the implementation of World Bank funded projects in Turkey.
- Evaluation of loan disbursements and repayments in real terms will provide a clearer picture of loan costs and interest rates.
- Increased transparency in the selection, execution, and evaluation of projects can lead to gains in efficiency.
- Greater accountability has the potential to improve multiple phases of projects, and thereby, influence the overall effectiveness of project implementation.

These recommendations are intended to be feasible and practical, enabling Turkey to take full advantage of World Bank funding.

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Chapter 1: Introduction

By Ashley Brown and James Wilson with contributions from Mete Demirci, Aykut Erdogan, and Victoria Long

The World Bank and the Government of Turkey have an enduring relationship. The Bank began lending to the Turkish government in 1950 and has provided support ever since; as of March 31, 2007, the World Bank has provided roughly \$19 billion in loans to Turkey.¹ During the mid-1980s, Turkey was declared “the darling of the Bank” and by 1988 the Turkish portfolio was the fifth largest.² Turkey’s gross domestic product (GDP) has grown to \$400 billion, and its economy was considered the 17th largest in the world in 2005³. In 2006, Turkey received approximately \$1.5 billion worth of loans from the World Bank, about 1.25% of the estimated 2006 Turkish budget expenditure. In addition to these financial contributions, Turkey has benefited from the experience and knowledge that the World Bank offers.

Assistance from international funding organizations continues to be critically important, as Turkey negotiates for accession into the European Union (EU); Turkey’s cooperation with such organizations has helped accelerate the needed economic shifts to be viewed favorably by the European Council. As Turkey continues to work towards joining the EU, it is an opportune time for the Turkish government to evaluate and improve the effectiveness of funding from the World Bank.

The World Bank: An Overview

The World Bank was founded in 1944 as part of the Bretton Woods system of international money management. It consists of five international organizations dedicated to fighting poverty and improving living standards for people in the developing world. These organizations are generally referred to as the World Bank Group. The term ‘World Bank’ refers to two specific organizations: the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). As Turkey receives assistance almost exclusively from the IBRD, references made to either the Bank or the World Bank in this document refers to the IBRD unless otherwise noted.

Established with the mission of financing reconstruction post World War II, over the past six decades, the World Bank’s mission has shifted to poverty elimination. This is accomplished through offering loans at preferential rates to developing nations. These loans fund specific projects that are linked to wider policy changes. The policy changes are often enacted on Bank advice; the Bank acts as source of both financial and technical assistance for the developing world.

Specifically, the Bank provides loans to governments and public enterprises with a government (or "sovereign") guarantee of repayment. These loans are financed by World Bank bonds, which are sold on the global capital markets. As these bonds are backed by

¹ “World Bank Group Historical Chronology.” 2005: p. 34.

² “Document of the World Bank: IBRD and IFC Country Assistance Strategy Progress Report for the Republic of Turkey for the Period FY2004-2007.” 2005: p. 3.

³ “World Development Indicators Database”. World Bank Group Archives.
<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP_PPP.pdf>.

share capital from member states and sovereign guarantees from borrowers, the World Bank faces lower interest rates than developing countries. This allows the Bank to lend at attractive interest rates, even after a small margin of about 1% is added to cover administrative overhead.

World Bank and Turkey Relations: An Overview

World Bank and Turkey relations have fluctuated based on conditions within Turkey. Between 1993 and 2004, Turkey's economic conditions were highly volatile and the Bank's strategy corresponded to this lack of stability. Turkey faced a series of financial crises in 1994, 1999, and 2001 in addition to several weak coalition governments. Given this context, the World Bank focused on supporting needed structural reforms geared towards enhancing macroeconomic stability. The weak coalition governments made sustained dialogue difficult, especially as Turkish authorities viewed certain topics, including poverty and regional development, as politically sensitive. Although the Bank continued to seek out lending opportunities, the level of funding declined sharply until 1998 due to the weak performance of the portfolio.

In response to the financial crises and Marmara earthquake in 1999, Turkey received a dramatic increase in funding from the World Bank. Funding was focused on macroeconomic stabilization as well as growth, productivity, and competitiveness. According to a World Bank report, "The impressive macroeconomic performance has been due to the combination of factors. These include stabilization measures, with strong fiscal discipline at their core."⁴ The economy was largely stabilized and structural problems were addressed. Inflation reached single-digit levels towards the end of 2004, and growth averaged between seven and eight percent.

More recently, there has been a shift in the Bank's strategy away from executing crises management to focusing on the reduction of future crises conditions. Specifically, the Bank has assisted Turkey in implementing fundamental reforms to reduce economic vulnerability and achieve high and stable growth. Turkey's development agenda encompasses four main themes: sound macroeconomics and governance; equitable human and social development; attractive business climate and knowledge; and strong environmental management and disaster mitigation.⁵ The World Bank has been particularly focused on private sector development (including increasing the employment rate and reducing the poverty level) as well as environmental management. These are particularly important areas for the Bank to focus on as Turkey continues to negotiate for EU accession.

New loans have been significantly larger than in the past, but as part of the revised strategy, these loans are focused on helping Turkey undertake the structural reforms needed for macroeconomic sustainability.⁶ Correspondingly, extensions on older loans have been discouraged in order to focus on the updated strategic priorities. This decision was justified in a recent Bank document which described, "scaling up in a few focused lines of business—instead of dispersing Bank resources on a large number of smaller

⁴ "Document of the World Bank: IBRD and IFC Country Assistance Strategy Progress Report for the Republic of Turkey for the Period FY2004-2007." 2005: p. 1.

⁵ "Document of the World Bank: Memorandum of the President." 2003: p. 1.

⁶ The average size of loans in FY94-97 was US\$95 million versus US\$440 million in FY98-02.

interventions—ensured a significant and visible development impact in the country.”⁷ Bank documents assert that the strict adherence to fewer areas has helped it manage programs within Turkey more effectively.⁸

As of June 2003, the Bank’s portfolio consisted of 16 projects with total net commitments of US\$4.8 billion. Net IBRD commitments doubled between FY99 and FY02 due to several large loans in the agricultural and social protection sectors, which support the larger economic reform program.⁹ As of June 2005, only 5% of the 21 operations were ranked as “unsatisfactory”. Some of these exceptions have been basic education and agriculture projects in which “implementation capacity constraints have slowed project implementation.”¹⁰ Total disbursement in FY05 exceeded \$US1 billion and the disbursement ratio of 25% is on target with historical ratios. Overall, the performance of Turkey continues to compare favorably to Bank-wide averages and continues to strengthen.¹¹

As for the future, “new project approvals, averaging about US \$1.7 billion in FY04 and FY05, have reflected both the country’s continued strong interest in borrowing from the Bank and its commitment to the implementation of the agreed CAS Program.”¹² It is anticipated that most of these reforms will proceed as scheduled, although some implementation difficulties are expected due to limited progress in institutionalizing social assistance and delays in privatization.¹³ EU accession continues to generate demand for the World Bank’s lending, knowledge, and advice. Lastly, the Bank also intends to increase coordination with other organizations on operations within Turkey. The Bank has already been working closely with the IMF, particularly within the public and enterprise sectors as well as financial reforms. The World Banks has also established close collaboration with the EU and members of the UN system.¹⁴

Project Significance

The relationship between the World Bank and Turkey remains important; Turkey has received a commitment of almost \$3 billion in loans over the past three years. Our project is intended to analyze World Bank funded projects in Turkey on behalf of the Turkish government. While mechanisms are in place to ensure that Turkey meets its stated goals for World Bank funding, our project has the potential to provide a new perspective on the implementation of Bank loans in Turkey.

The World Bank has been criticized for failing to give countries like Turkey an equal voice in decision making. The World Bank has responded by providing independent assessments of operations. These assessments indicate that there are opportunities for the Government of Turkey to use World Bank funds and expertise more effectively. Our

⁷ “Document of the World Bank: Memorandum of the President.” 2003: p. 11.

⁸ “Document of the World Bank: Memorandum of the President.” 2003: p. 9.

⁹ “Document of the World Bank: Memorandum of the President.” 2003: p. 10.

¹⁰ “Document of the World Bank: IBRD and IFC Country Assistance Strategy Progress Report for the Republic of Turkey for the Period FY2004-2007.” 2005: p. 3.

¹¹ “Document of the World Bank: Memorandum of the President.” 2003: p. 10.

¹² “Document of the World Bank: IBRD and IFC Country Assistance Strategy Progress Report for the Republic of Turkey for the Period FY2004-2007.” 2005: p. 4.

¹³ “Document of the World Bank: Memorandum of the President.” 2003: p. 20.

¹⁴ “Document of the World Bank: Memorandum of the President.” 2003: p. 30.

project employs both qualitative and quantitative methods of analysis in order to identify these opportunities.

Our project team includes members with several years of experience working on World Bank funded projects in Turkey. The Government of Turkey has provided much of the data used in our analyses. Our projects needs and budget are financed by Carnegie Mellon University; we did not receive funding or incentives from the World Bank.

Objectives and Scope

The main objective of the project was to improve Turkish government operations through an analysis of World Bank activities in Turkey. The first step in achieving this was to step back from the World Bank and determine borrowing options for the Turkish government through a comparison of lending terms across international lending organizations. This creates a clear picture of the opportunities in international financial markets and allows Turkey to improve decision making in regard to loan applications. Then, specific to the World Bank, the true costs of the project loans (for our sample of projects) were evaluated by recalculating discount rates. The finances of the projects were also evaluated in order to develop additional criteria to use in selecting projects. Finally, the implementation of the projects was examined—six categories of weaknesses were devised for a common framework to address reoccurring problems.

Our final recommendations were based on the findings of the financial and managerial components. The goal of these recommendations was to create comprehensive, feasible ways for the Government of Turkey to make better use of World Bank funds.

A substantial portion of our analysis was based on a sample of recent World Bank projects; therefore, it is important to understand the project implementation process in Turkey. World Bank funded projects are commonly focused on human development, agriculture and rural development, environmental protection, infrastructure or governance. Projects are conceived and supervised according to a predefined project cycle. As the borrowing government, the Government of Turkey is then responsible for implementing projects. The project is run by Project Implementation Units, and independent audits of the projects for the Turkish government are completed by the Board of Treasury Controllers. Technical assistance and supervision are provided by the Bank.

For our study, a sample of nine projects was examined from both a financial and managerial perspective. The projects were selected based on two criteria: (1) they were completed within the last ten years (1997-2007) and (2) Implementation Completion Reports (ICR) were available.

Limiting our analysis to projects completed in the past 10 years ensures that we identify relevant strengths and weaknesses in how the projects were implemented. Moreover, the Bank underwent various stages of reorganization in the early 1990s. The Comprehensive Development Framework (CDF), which the Bank adopted in 1998 as a result of those reforms, now governs development strategies. This framework spells out four principles,

all of which mark significant shifts in thinking about development since the early 1990s:¹⁵

- Development strategies should be comprehensive and shaped by a long-term vision.
- Each country should devise and direct its own development agenda based on citizen participation.
- Governments, donors, civil society, the private sector and other stakeholders should work together in partnership led by recipient countries to carry out development strategies.
- Development performance should be evaluated on the basis of measurable results.

Since the adoption of the 1998 CDF, the Bank has put a greater emphasis on evaluating the results of its lending programs. Although the Bank has developed several tools to carry out this task, the ICR is the only evaluation conducted for all completed projects. For this reason, we included only projects within the last 10 years to ensure that all reports that are associated with these projects follow a similar structure. An ICR is prepared at the end of every World Bank loan disbursement period and is used to identify accomplishments, problems, and lessons learned. The ICR is a comprehensive evaluation report that documents both the actual and intended results of project components.¹⁶ A more detailed look into the World Bank's rating scale is available in Appendix 3. Each goal and component that comprises the objectives of the overall project is also rated in a similar manner. For example, if the overall goal was to improve education, the components of that goal which are also rated would include teachers trained, schools built, etc.

As an official World Bank document, the ICR is an evaluation of a project from the position of the Bank. The ICR is prepared by an ICR task team made up of Bank operational staff. In preparing the ICR, the task team holds discussions with the borrower, the implementing agency, beneficiaries and any other stakeholders involved. The task team is required to record the views from each of these stakeholders. Finally, the task team must confirm that it has provided advice and support to the borrower in preparing its own contribution to the ICR. Thus, although the ICR is prepared by Bank employees, multiple viewpoints are taken into account.¹⁷

Overview of Projects

The current selection of nine projects consists of all closed or completed projects within the last 10 years that have been evaluated by the World Bank. Projects which have recently closed and do not yet have completion reports were not looked at as we could not evaluate implementation strengths and weaknesses without a report. Projects which were abandoned or were not completed were not included in our analysis for the same reason.

¹⁵ "Comprehensive Development Framework: Frequently Asked Questions." 2006 <<http://go.worldbank.org/CXLO25YMM0>>.

¹⁶ "The World Bank Policy on Disclosure of Information." 2002. P. 21.

¹⁷ "The World Bank Operational Manual: BP 13.55 Implementation Completion Reporting" 2005. P. 5.

The projects include:

Project Name
Basic Education Project (BEP) <i>Improving rural access to schools</i>
Export Finance Mediation Loan (EFML) <i>Providing credit to export related businesses</i>
Industrial Technology Project (ITP) <i>Providing credit for firms to upgrade technological infrastructure</i>
Cesme-Alacati Water Supply & Sewerage Project (WSSP) <i>Improving reliability and health of water and sewer systems</i>
Turkey Commodities Market Development Project (TCMDP) <i>Establishing exchanges for rural based commodities (i.e., grain)</i>
Economic Reform Loan (ERLP) <i>Improving governance and performance of public sector entities</i>
Participatory Privatization Irrigation Project (PPIMP) <i>Mitigating negative social and economic impact of the privatization of state-owned enterprises (job-loss compensation)</i>
Privatization Social Support Project (PSSP) <i>Privatizing and improving rural irrigation systems to user organizations</i>
Earthquake Rehabilitation Project (EKRP) <i>Restoring infrastructure and improving flood and earthquake protection to assist reconstruction from the Adana Earthquake</i>

Additional information on these projects is provided in Chapters 3 through 6. In some of the analyses, additional projects were considered, which is clearly noted.

Chapter 2: Comparison of World Bank Loan Terms with Other Institutions

By Marko Zivanov, edited by Ashley Brown, with contributions from Ergul Haliscelik and Pinar Berk

Motivation for Study

The majority of the World Bank group (more specifically, International Bank for Reconstruction and Development, or IBRD) funded projects in Turkey are in the form of loans. In order to measure the effectiveness of these projects, various components surrounding the loans must be taken into account; for instance, the conditions under which loans are approved are important to the whole process (e.g. grace periods and interest rates). Furthermore, loan conditions of other institutions in the international financial market should be considered in an evaluation of the competitiveness and value of World Bank loan conditions.

The motivation for conducting this study was to create a general picture of available loan opportunities in the international financial market specific to Turkey. The intention was to help Turkish Government (referred later as Client) identify the best possible loan terms from various lending institutions. A secondary focus was a comparison of recent trends in yearly loan amounts between the World Bank and the European Investment Bank (EIB). The objective was to assess whether there was a connection between better loan terms and higher yearly loan amounts approved for Turkey. This comparison also contributed to the overarching goal of assessing the contribution of World Bank projects to Turkey's development and to help the Turkish government in future loan decision-making.

After a comparison of these major terms and conditions, the analysis contributed to overall suggestions for the Turkish government. As previously mentioned, this study was intended to create a general picture of available opportunities for Turkey in the international financial market and to help assess World Bank projects within the country.

Methods

In order to achieve these objectives, several financial institutions that offer loans accessible to Turkey were considered. Two organizations, the European Investment Bank (EIB) and the International Fund for Agricultural Development (IFAD), were selected as the focus because they were most comparable to the World Bank. Other institutions, such as the International Monetary Fund and the Islamic Development Bank, were not considered because they have not approved loans for Turkey thus far.

Data describing the major terms of loans offered by these institutions was gathered as well as data showing loan amounts approved by the EIB and IBRD from 2001 to 2006 in Turkey. All data used in this section was retrieved from the IBRD,¹⁸ EIB, and IFAD websites, where the data was documented and publicly accessible.

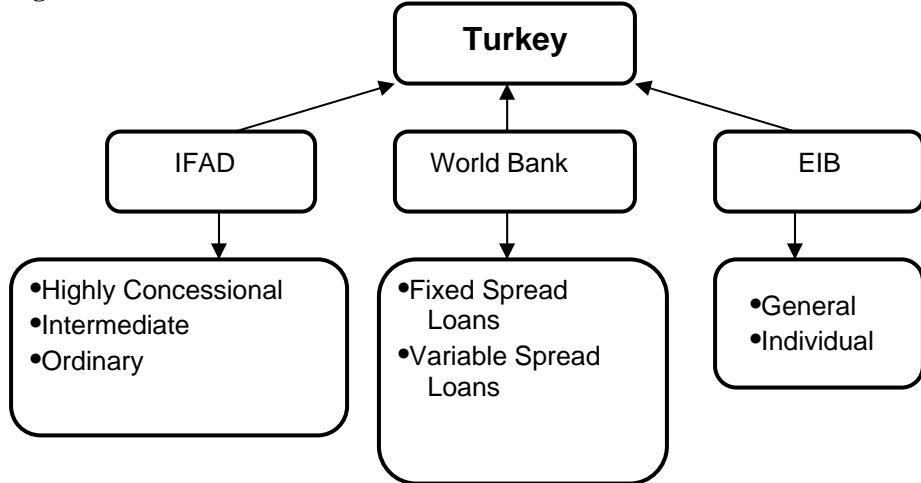
¹⁸ IBRD website:
<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTIBRD/0,,menuPK:3046081~pagePK:64168427~piPK:64168435~theSitePK:3046012,00.html>

IFAD website: <http://www.ifad.org/>

EIB website: <http://www.eib.europa.eu/>

In the analysis, major loan terms and conditions were evaluated. IFAD, EIB, and IBRD loans were compared with respect to individual terms and conditions, including interest rate and repayment terms. Two main groups of loans offered by the IBRD were examined in greater detail than IFAD and EIB loans, given that the World Bank is the focus of our research. Figure 1 illustrates our research focus—with Turkey and the World Bank at the center. The Figure also depicts that IFAD offers three types of loans; the World Bank offers two types; and the EIB offers two types. We have evaluated these different types of loans in more detail only for the World Bank, as this was main focus of our project.

Figure 1



Finally, trends in approved loans from EIB and IBRD from 2001 and 2006 were also evaluated, as we believed that this could shed greater light on the comparison of loans between these two institutions. The data we had was referring to yearly total loan (for all sectors) amounts in a given year. By listing yearly loan amounts, we determined the trend for both institutions and then we compared trends in a given period of time. So the comparison was based on the funds approved—not on the number of projects approved.

Findings

IFAD and IBRD

The following comparison is based on major loan terms and conditions between IFAD and IBRD. Main details are presented for both institutions, and they are compared with respect to each component (mission, interest rates, currency, etc).

To begin, IBRD's mission is to fight poverty and help poor and middle-income countries. By doing so, IBRD aims to encourage sustainable development in these countries. Main allies of IBRD are public and government institutions, although the private sector is occasionally involved in projects as well. IFAD, a specialized agency of the United Nations, was founded as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference. The organization is dedicated to eliminating rural poverty in developing countries; it focuses on country-specific solutions, such as increasing rural access to financial services, markets, technology, land, and other natural resources. These solutions are geared towards achieving higher

incomes and improved food security in collaboration with rural poor people, governments, donors, and non-governmental organizations. Thus, the missions of IFAD and IBRD are similar in respect to fighting poverty; however, IFAD's mission is more specific and tied to the agriculture sector.

Loan Types

IFAD offers borrowers three types of financing: loans, grants, and co-financing grants/loans; whereas, the IBRD offers fixed spread loans (FSL) and variable spread loans (VSL). For co-financed IFAD projects, co-financing partners generally engage in "parallel financing," in which they agree to finance different components or categories of expenditures for the same project. According to the IFAD Operational Manual:

"The Borrower submits applications for withdrawal from the appropriate source of funds depending on the expenditure involved. Should disbursements be suspended by only one of the donors involved, the project activities funded by the other donors may in some cases proceed without interruption. However, as projects are usually designed as a whole, a partial suspension (for example, the withdrawal of funding for technical assistance) may lead to the interruption of all project activities."¹⁹

Under this approach, the pace at which each source of funds is deducted depends on the pace of implementation of the components or activities involved.

Currency

The IBRD's FSLs are available in several currencies, including United States dollars, Euros, Japanese yen, and any others that the IBRD can efficiently intermediate. IFAD loans, on the other hand, are titled in Special Drawing Rights of the International Monetary Fund (SDRs).²⁰ The denominated currency for IFAD loans is usually the United States dollar. However, "disbursements are made in the currencies in which the expenditures to be financed from the proceeds of the loan have been paid or are payable, or in such currency as IFAD may select."²¹ The loan account is charged with the SDR equivalent of the currency used to make the disbursement. This means that both institutions bear a certain amount of flexibility in regards to currency choice, and therefore, we cannot conclude that this is a significant difference in the comparison of loans.

¹⁹ International Fund for Agricultural Development. "Loan and Grant Administration". Operational Manual, 2003, Section 1.1. Page 1.

²⁰ "Special Drawing Rights (SDR)" refers to an international reserve asset to settle transactions between countries and help balance international liquidity. The value of the SDR is calculated by the International Monetary Fund (IMF) on the basis of a weighted basket of four currencies: US dollar, Euro, Japanese yen, and UK pound. The IMF publishes the value of the SDR each day in terms of the US dollar, and the Reserve Bank of Australia provides an equivalent value in Australian Dollars.

²¹ International Fund for Agricultural Development. "Loan and Grant Administration". Operational Manual, 2003, Section 3.2. Page 1.

Lending Rates

Although IBRD lending rates are tied to the LIBOR rate, IFAD's Office of the Controller uses the prevailing SDR exchange rate of the United States dollar on the last day of the month preceding the loan negotiations (rounded up to the next SDR 50,000). Consequently, lending rates across these institutions are determined through different tools. Since lending rates are a significant part of loan agreements, it would be beneficial to evaluate historical trends of these two rates (LIBOR and SDR exchange rate) to obtain a more comprehensive assessment of options for Turkey.

Repayment Terms

Although the World Bank offers its borrowers the flexibility to tailor the repayment terms of FSLs (i.e., grace period, repayment period, and amortization structure) within existing financial policy limits during project preparation, IFAD loans are repayable in accordance with the amortization schedule set forth in the loan agreement. Repayments are made in equal semi-annual installments. The amortization schedule is agreed upon on the basis of the date that the IFAD's Executive Board approves the loan. Therefore, for a loan with a fifteen-year grace period, the first repayment in the currency determined during the loan negotiations is due on the first semi-annual repayment date after the fifteenth anniversary of the date of the Executive Board approval. Necessary modifications to the amortization schedule discussed with the borrower during the loan negotiations may be made before the final signature of the loan, if a delay is expected in the Executive Board's approval.

Project Completion Date

IFAD and the World Bank define "project completion" in different terms. IFAD calculates this by summing the duration of the project implementation period (set forth in the President's Report and Recommendations approved by the Board) and the loan effectiveness date (the date when a loan agreement enters into full force).

EIB and IBRD

The EIB and IBRD also exhibit differences in loan terms and conditions. The EIB's objective is to finance economically viable projects implemented both by public and private entities. The EIB mission in Turkey is primarily focused on the improvement of economic development, fostering the accession of Turkey into the European Union. This mission is both similar and different to the mission of IBRD, as mentioned above. European Union members are not poor countries, and financing coming from the EIB is not intended to remedy poverty (which is the primary goal of IBRD). At the same time, fostering "economic development" and "sustainable development" can be deemed as similar rationale. This is especially true in the case of Turkey, where sustainable development is probably part of IBRD's mission (given that Turkey is a middle-income country).

Loan Currencies

EIB offers two types of loans—individual and global. The EIB uses the Euro (or any other EU member's currency), United States dollar, or Japanese yen for individual loans. For global loans, the currency is to be determined by the partner institution of the EIB,

and surprisingly, no restrictions are placed on this. Therefore, currencies are primarily the same across IBRD and EIB loans. However, unlike the EIB, the IBRD does not permit partnership institutions to determine the currency—which is a significant difference.

Base rate

IBRD loans use the LIBOR rate as the base rate, whereas EIB loans do not have a determined rate (loans are modified based on EIB's partnerships). This suggests that EIB loans have greater flexibility in this respect.

Amount of loan

EIB individual loans do not have upper limits—the only limit is that the EIB can only fund up to 50% of total project costs. For global loans, this is limited to 25 million Euros. Thus, the two institutions have similar requirements in terms of loan amounts—no upper limits for IBRD or EIB individual loans.

Lending Rate

For IBRD (both FSLs and VSLs), lending rates are comprised of a base rate (which is LIBOR) and a spread. For FSLs, spread is fixed for the life of the loan, and for VSLs, spread is IBRD's weighted average cost margin relative to the six-month LIBOR. EIB offers fixed and floating interest rates, but it also allows partnership institutions to make suggestions. It is thus obvious that both institutions provide more general guidelines regarding interest rates. This could allow flexibility in both cases, and our analysis did not find anything that would put either one of these at an advantage.

Maturity Rates

Final maturity for IBRD loans is 25 years, while EIB's is 5 to 12 years for industrial projects and 15 to 25 years for infrastructure and energy projects (this refers to individual loans only since there are no conditions for global loans). Thus, maturity rates across IBRD and EIB are comparable. In general, Turkey is classified as a higher-income borrower of IBRD loans, and the maturity rate for this category of countries is generally 15 years. The EIB does not use such a classification.

Grace Period

Grace periods for IBRD loans for higher-income countries are between three and five years, while EIB loan grace periods are not pre-specified (they are determined in partnership with the organizations involved). Therefore, IBRD puts limits on grace periods, while the EIB does not. Thus, the EIB has more flexibility with respect to this component as well.

Charges

The EIB leaves charges to the partner institutions, while IBRD has many provisions regulating fees, including front-end-fees (1%) and commitment fees (0.75%). This suggests that EIB loans are more flexible than IBRD loans. It would be beneficial to

examine fees for individual EIB projects, as this difference across the institutions may no longer hold. However, the fact that there is no minimum fee limit with EIB loans (as is the case with IBRD) supports our flexibility conclusion. It may seem that this can be offset with higher interest rates, but it will be shown that this is not the case.

Payment Dates

For IBRD loans, payments are usually made on the 1st or 15th of a month, and then on semi-annual installments (for both FSLs and VSLs). For EIB, loans are paid on annual or semi-annual plans; thus, again, EIB loans exhibit more flexibility than IBRD loans.

Prepayment Options

For EIB, a prepayment option is not mentioned in the general conditions, while prepayment is an option for IBRD's. However, the general conditions for EIB loans allow for tailoring of the loan according to EIB's partnership institutions; there is no indication suggesting that prepayment is excluded with EIB loans.

Recent Loan Amount Trends in Turkey

General statistics were also explored because they highlight the EIB and IBRD loan amounts and trends in Turkey. Two data sets show the statistics that relate to funding from these two institutions, and the time period is from 2001 through 2006. As seen in the Figure 2 below, there is a striking upward trend in EIB funding (red line) in the last year. In 2006, there was an approximately 40% percent increase from 2005. According to estimates available on the EIB web site, a similar trend is expected to continue, and in 2007, loans should reach 2 billion EUR (1.8 billion EUR in 2006). The blue line in the figure shows the situation with respect to IBRD loans, and there is a different trend than with EIB. During the last three years, the trend in receiving loans was more modest than in 2001 and 2002.

Figure 2

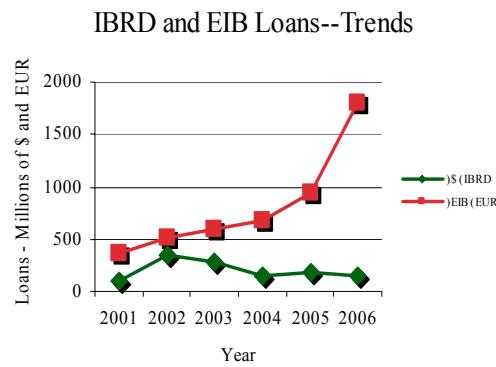
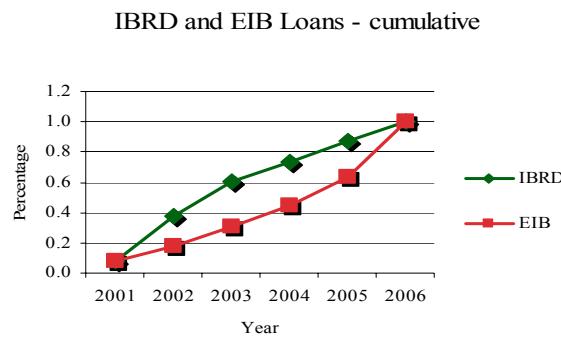


Figure 3 supports the cumulative picture from Figure 2, showing significant increases in approved loan amounts from the EIB in the last two years.²² On this graph, amounts for given years were summed over all IBRD and EIB funds for that year. The IBRD amount from loans provided to Turkey has decreased in the last three to four years, and the

²² Amounts are in millions of US dollars for IBRD and in millions of EUR for EIB.

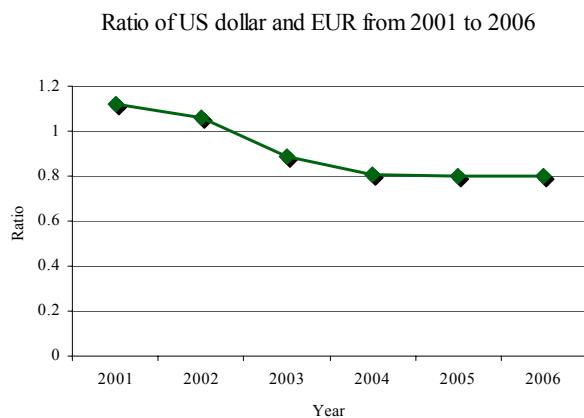
general trend is negative.²³ At the same time, the amount of loans approved by the EIB has increased sharply.

Figure 3



It is important to note that the loan currencies of the two institutions were not same; the US dollar was used by the IBRD and the Euro was used by the EIB. The ratio of the two currencies was changing in the last couple of years, and this can skew the comparison. The ratio of the two currencies during this time is presented in the figure below.

Figure 4



IBRD Loan Types: Fixed Spread Loan (FSL) and Variable Spread Loan (VSL)

Given that the World Bank is the focus of this study, we also closely examined the two types of loans, FSLs and VSLs, available. While they share some common features, there are also significant differences. To start with similarities:

- Both have a variable interest rate with six-month LIBOR as the base rate; base rate is the 6-month LIBOR at the start of an interest period for most currencies, and a recognized commercial bank floating rate reference for others.
- They are available in multiple currencies, including the Euro, US dollar, and Japanese yen.

²³ The amount is actually a sum of all commitments paid by IBRD in a given year.

- Both are eligible for any loan charge waivers (commitment fee and interest waiver), as annually determined by the IBRD’s Board of Executive Directors.
- In the event of full or partial prepayment, the prepayment premium, if any, is based on the IBRD’s redeployment cost of the prepaid loan amount. Borrowers may prepay at any time all or any part of the disbursed and outstanding loan balance.
- The front-end fees are 1% of the loan amount, payable upon the effective date; this fee may be financed out of the loan proceeds. Lastly, commitment fees are 0.75 % on undisbursed loan amounts, beginning 60 days after the loan agreement is signed.

There are many differences between the two types of loans, including:

- VSLs do not have the currency conversion features that are embedded in FSLs. With FSLs, all or part of the undisbursed balance may be converted into another currency that the IBRD can efficiently intermediate, and, all or part, of the disbursed balance may be converted into another currency that the IBRD can efficiently intermediate. Disbursed balances relating to local expenditures may also be converted into the borrower’s local currency—subject to the availability of a liquid swap market in the local currency.
- VSLs do not provide the interest rate conversion features that are embedded in FSLs. The variable lending rate on the disbursed balance may be converted to a fixed-rate and vice versa; this option may be exercised by the borrower at any time during the life of the loan for all or part of the disbursed and outstanding balance. Borrowers may also direct the IBRD to undertake automatic rate fixings through interest rate conversions, executed at regular time intervals, or upon certain levels of disbursements. This option may be exercised on all or part of the amounts to be disbursed. Borrowers may cancel this automatic rate-fixing arrangement at any time.
- VSLs do not have embedded interest rate caps or collars that are embedded in FSLs; with the latter, a cap or collar on the variable lending rate may be established for up to the entire disbursed amount.
- The lending spread over LIBOR for FSLs is fixed for the life of the loan, while the spread over LIBOR for VSLs is reset every semester. The VSL spread is the sum of IBRD’s weighted average cost margin relative to six month LIBOR for funding allocated to VSLs (recalculated each June 30 and December 31), and the IBRD’s standard lending spread.
- VSL repayment terms are governed by standard country terms and have limited flexibility, while FSL repayment terms can be tailored during project preparation to the needs of borrowers.
- FSL loan charges are slightly higher than those of the VSL. The FSL commitment fee incorporates a funding risk premium for the first four years of the loan’s life, and the FSL spread includes a refinancing risk premium.

- In the case of delays in disbursements beyond the grace period, repayment installments for VSLs are fixed amounts based on the total loan amount committed, whereas in the case of FSLs, repayment installments are calculated as a percentage of the disbursed and outstanding loan amount.

Recommendations

Based on the findings above, preliminary recommendations can be formulated. While IFAD's narrow mission focused on agriculture may appear to be a weakness, it actually supports Turkey in an important way. Agriculture corresponds to about 13% of Turkey's GDP, and the agricultural sector still employs 45% of the workforce, including more than 90% of rural women working outside of the home. Therefore, although the potential level of IFAD funding in Turkey is relatively modest, IFAD financing is very important for the Turkish economy for the following reasons:

- “Creating multiple effects through attracting other substantial resources for rural development from the government and international community.
- Catalyzing the inflow of private investment into the presently less-developed eastern parts of the country.
- Assisting in fulfilling requirements of EU convergence.
- Complementing and supporting the initiatives and processes of key partners in development, notably the EU, the World Bank, and UNDP.”²⁴

The EIB showed greater flexibility in loan terms than IBRD, and a large part of this flexibility can be attributed to EIB's mission in Turkey (to aid in EU accession). This led to better financing terms from the EIB for Turkey over the last several years, which is further supported by the general comparison of recent loan trends of EIB and IBRD. Finally, the EIB only operates in the European domain, and it likely has better in-depth knowledge about prospective EU candidates than the World Bank has—geographical closeness and related knowledge is another advantage for EIB loans.

Finally, the examination of IBRD loan types highlighted both similarities and differences across FSLs and VSLs. While the general components (lending rate (base), commitment and front-end fees, waiver provisions, prepayment charges and loan charge waiver) of these loans were similar, all other components (repayment terms and installments, lending spread, and loan charges) were different. Some of these differences are important to debt management, which Turkey should consider. Beyond this, however, it is difficult to conclude if one type is preferable over the other. On a different note, the analysis of IBRD loans highlights that there are limited options for middle-income countries. Moreover, if Turkey further improves its economy, loans from IBRD will become even more restricted, which is also true for IFAD loans.

²⁴ International Fund for Agricultural Development. “Republic of Turkey, Country Strategic Opportunities” Paper, 2006, p.20.

Chapter 3: Evaluating World Bank Loans in Real Terms

By Mihir Iyer and Joshua Kunin-Goldsmith, edited by Ashley Brown

Motivation for Study

The Treasury of Turkey has access to both domestic and international lending sources to finance its public expenditures. The Treasury compares and contrasts interest rates and maturities to determine the financing option that will generate the highest benefit. They also seek out non-monetary benefits from the loans they take, such as an increase in organizational capacity or an improved reputation in the international lending market. In our analysis, we applied a technique to help evaluate the monetary costs of the sample of nine World Bank loans to Turkey (referred to in Chapter 1), in order to provide an accurate picture of the actual cost of the loans in terms of nominal and real interest rates.

Our technique of converting loan transactions into real terms improves upon the World Bank's traditional method, the Official Development Assistance (ODA) technique, by utilizing a more realistic discount factor. It has been argued that the World Bank's ODA technique, for determining the benefits of the loans that they disburse does not incorporate the appropriate discount rate.²⁵ The ODA method of calculating the real value of loan repayments and interest rates has several limitations. Among these is the somewhat arbitrary 10 percent rate used to discount all future cash flows. This rate is higher than most accepted discount rates and, therefore, overvalues current disbursements versus future repayments. Furthermore, the Bank's standard discount rate is fixed across all cash flows for any given loan and does not take into account the market fluctuations inherent within any economy.

The analysis conducted here uses the U.S. Consumer Price Index (CPI) as the discount rate to convert all payments into equivalent terms instead of an arbitrary discount rate. It also varies according to market conditions providing a picture of changes over time, with future payments in converted current terms. Additionally, this analysis will consider the various fees associated with each loan as effective interest payments giving the Turkish government a more accurate representation of their obligation than considering interest payments alone.

Methods

We used U.S CPI conversion factors to convert loan transactions into 2006 U.S. dollar terms.²⁶ Additionally, we obtained a comprehensive data set from the Under-secretariat of the Treasury consisting of disbursements and repayment amounts for 16 completed projects; we focused on the sample of nine projects introduced in Chapter 1.²⁷ The repayment consists of front-end fees, commitment fees, principle payments, and interest payments. Once the transaction data for the sample of projects and 2006 CPI conversion factors were obtained, we used Microsoft Excel to make our calculations for each project.

²⁵ Inter-American Development Bank (Banco Interamericano de Desarrollo). Office of the Chief Economist. Working paper #387. MEASURING AID FLOWS: A NEW APPROACH. Charles C. Chang, Eduardo Fernandez-Arias, Luis Serven. December 1998. Pg. 5.

²⁶ Robert C. Sahr. Political Science Department, Oregon State University in Corvallis, Oregon. Retrieved on March 25th from: http://www.oregonstate.edu/Dept/pol_sci/fac/sahr/sahrhome.html

²⁷ The Road and Traffic Safety (RTS) project was used in replace of the Privatization Social Support Program project due to lack of available data for the latter.

The data set included the following information for each transaction as established by the World Bank in loan agreements with Turkey:

- Transaction date for disbursements
- Original disbursement amount
- Disbursement amount in U.S. dollars
- Transaction dates for front-end fees, commitment fees, principle payments, and interest payments.
- Original amount of front-end fees, commitment fees, principle payments, and interest payments.
- Amount of front-end fees, commitment fees, principle payments, and interest payments in U.S. dollars

Analysis Plan

CPI Adjusted Cash Flows

In order to convert the disbursement and repayment figures into 2006 U.S dollar terms, we adjusted the transaction amounts with the consumer price index for U.S dollars. We chose the CPI since all the transaction amounts were in terms of U.S. dollars. The conversion of these figures is necessary because the value of the dollar varies with time so a dollar in 1999 is not the same as a dollar in 2015; since transaction dates range from 1999 to 2015, converted figures represent the transaction amount more accurately.

Traditionally, the World Bank uses a fixed discount factor of 10%, which has major limitations as it fails to take into account time, currency, and maturity.²⁸ The discount factor will change when any of these three elements changes, so using a fixed value of 10% does not provide an accurate picture of the real values of cash flows.

The option to use LIBOR as the discount rate was not feasible since LIBOR rates are not published more than 12 months into the future. Since, the repayments for these nine projects will not terminate for many years after 2007, it would be difficult to determine real interest rates with a LIBOR based discount factor. According to the British Banker's Association, LIBOR publisher, forecasting LIBOR is complex due to the fact that it is a short-term interest rate, and it is sensitive to many factors like policy, market liquidity, crises, etc²⁹. This is not to say that CPI is the most effective way of converting these figures to something meaningful in present dollar terms. Alternatives are available, including an index of a basket of government treasury bonds and commercial lending rates, which provide different results. The use of any of these indexes would be better than the fixed 10% discount rate since they take into account aforementioned factors like time, currency, and maturity.

The following formula was then used to convert the repayment and disbursement amounts:

²⁸ Inter-American Development Bank (Banco Interamericano de Desarrollo). Office of the Chief Economist. Working paper #387. MEASURING AID FLOWS: A NEW APPROACH. Charles C. Chang, Eduardo Fernandez-Arias, Luis Serven. December 1998. pg. 5

²⁹ British Banker's Association, (2006, March 21), LIBOR Definitions, <http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=225&a=1416>

$$\frac{\text{Transaction Amount for year } Y}{\text{CPI Conversion Factor for year } Y} = \text{Transaction Amount in 2006 USD}$$

Real Interest Rate

The real interest rate was determined using total repayments and disbursement in 2006 U.S. dollar terms. Repayments consist of all fees, principal payments, and interest payments. The following formula was used to determine the real interest rate:

$$\frac{\text{Total Repayments in 2006 USD} - \text{Total Disbursement in 2006 USD}}{\text{Total Disbursement in 2006 USD}} \times 100 = \text{Real Interest Rate}%$$

Findings

The true interest rates for each loan are summarized in the tables below.

Table 1 shows amounts for each project's total cash flows in both real and nominal terms. Both real and nominal repayment data constitutes actual past repayments as well as all scheduled future payment for each loan. Payments made and disbursed in currencies other than United States dollars have been converted into dollars using 2007 exchange rates (the most recent available). Real cash flows have been calculated in 2006 United States dollar equivalents. Real figures for future repayment have been inflation adjusted using estimates for future CPI based inflation.

Adjusting the amounts for inflation values past payments higher than future payments. In other words, future repayment obligations become less valuable as they get farther off into the future. Not surprisingly, the real amounts for disbursements are consistently higher and the amounts for repayments consistently lower than their nominal complements. For example, for the ERLP project real disbursements equaled \$850 million versus \$760 nominal and real repayments totaled \$1 billion compared to \$1.063 billion nominal.

Table 1

Project Name	Nominal Disbursement	Real Disbursement	Nominal Repayment	Real Repayment
Road and Traffic Safety (RTS)	\$102,149,194.02	\$116,981,584.02	\$ 173,241,844.56	\$ 171,092,057.19
Economic Reform Loan (ERLP)	759,600,000.00	850,564,735.23	1,063,266,814.52	1,000,202,728.90
Export Finance Mediation Loan (EFML)	249,716,346.19	283,656,579.61	272,106,256.23	285,725,401.95
Industrial Technology Project (ITP)	153,214,667.20	139,903,884.28	207,645,462.02	192,427,968.20
Earthquake Rehabilitation Project (EKRP)	241,081,032.74	283,821,169.33	369,066,812.01	368,198,207.86
Turkey Commodities Market Development Project (TCMDP)	1,433,625.03	1,628,568.57	2,088,529.24	2,017,745.60
Basic Education Project (BEP)	288,026,730.71	328,610,245.05	423,056,855.10	408,975,370.02
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	8,364,728.00	9,228,890.21	8,026,332.56	7,479,993.51
Participatory Privatization Irrigation Project (PPIMP)	19,710,742.71	22,521,514.05	25,614,600.45	24,783,798.21

Table 2 summarizes both nominal and real interest rates for each loan. It must be noted that these rates are total for the life of the project, not annual interest rates. This means that shorter loans have shorter cumulative interest rates. The numbers for both real and nominal rates vary substantially. The Cesme-Alacati Water Supply & Sewerage Project (WSSP) was not the same type of loan as the other projects and will not be considered in the following discussion, although it is included in Table 2; it should be noted that WSSP was a “Guarantee” meant to be more favorable to Turkey.

Nominal rates vary from 9% to 70%, while real rates range from 1% to 46%. Real interest rates are mostly lower than the corresponding nominal rates, ranging from slightly higher to three times lower. The variability of the difference between real and nominal rates emphasizes the importance to loan recipients of making such calculations. The goal of the Turkish Treasury is to minimize real interest rates and, in order to do so, all payments must be viewed in equal terms. Since loan disbursements and repayment

are scheduled at the time of the loan agreement, this calculation can be made *ex ante* (using predicted interest rates and inflation numbers).

Table 2

Project Name	Nominal Interest Rate	Real Interest Rate
Road and Traffic Safety (RTS)	70%	46%
Economic Reform Loan (ERLP)	40%	18%
Export Finance Mediation Loan (EFML)	9%	1%
Industrial Technology Project (ITP)	36%	38%
Earthquake Rehabilitation Project (EKRP)	53%	30%
Turkey Commodities Market Development Project (TCMDP)	46%	24%
Basic Education Project (BEP)	47%	24%
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	-4%	-19%
Participatory Privatization Irrigation Project (PPIMP)	30%	10%

Table 3 shows Turkey's loan obligations for each loan that are not principal repayments. These amounts include all front-end fees, commitment fees, and interest payments. Across all projects, the real results reflect slightly higher percentages that are not principal for the real values. This means that interest combined with loan fees constitute a slightly larger portion of total loan costs in real terms. Although the results are not extreme, this comparison shows how the true cost of Turkey's loan obligations is higher when the time value of money is factored in.

Table 3

Project Name	Nominal Proportion of Repayment That is not Principal	Real Proportion of Repayment that is not Principal
Road and Traffic Safety (RTS)	16%	16%
Economic Reform Loan (ERLP)	29%	30%
Export Finance Mediation Loan (EFML)	8%	9%
Industrial Technology Project (ITP)	27%	28%
Earthquake Rehabilitation Project (EKRP)	35%	37%
Turkey Commodities Market Development Project (TCMDP)	32%	34%
Basic Education Project (BEP)	32%	34%
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	30%	32%
Participatory Privatization Irrigation Project (PPIMP)	23%	24%

Limitations

There were several limitations to our approach, including:

- The Consumer Price Index (CPI) was chosen as the measure of inflation. Ideally, since the loan amounts are invested in Turkey, inflation would have been measured in Turkish Lira. However, finding the data necessary to index prices to the Turkish rate proved prohibitive. Furthermore, since the loan amounts are calculated and paid in United States dollars, using the CPI should provide a reasonable approximation for the actual inflation costs of the loans.
- The methodology used to index each payment for inflation aggregates all disbursements into yearly lump sums, which are then discounted using the average inflation during that year. This method does not take into account the month in which each payment occurred and treats payments received at the end of the year the same as those at the beginning of that same year. Though it would be more accurate to index each amount to the month (or even day) of the cash flow, here it is assumed that the variation will even out enough not to effect to overall analysis.
- Using inflation to discount all cash flows allows us to compare all amounts on equal terms. However, this does not take into account the time value of these cash flows. In other words, it does not take into account any other discount rate that Turkey might wish to employ when considering costs and benefits in accepting the terms of a World Bank loan. This discount rate should depend on other factors such as domestic (Turkish) return on investment, domestic bond returns, and other related factors.³⁰ We are not in a position to make assumptions for the Turkish Government in deciding the appropriate discount factor for this

³⁰ Boardman, Anthony, Greenberg, Anthony, Vining, Adrian, and Weimer, David. Cost-Benefit Analysis Concepts and Practice (2006). Pgs. 237-271.

type of analysis. The optimal decision should be reached through an internal discussion of the Turkish social, political, and economic context.

- The index used to discount each payment for inflation take into account past CPI to calculate past inflation. These are ex-post numbers and therefore completely accurate. However, all numbers after 2006 are only estimates of what inflation will actually be and become less and less precise as they move into the future. It is impossible to know what inflation will actually be and these numbers constitute the best available estimate.
- It was assumed that the data set from was complete, including all transactions from each sample loan.

Recommendations

The following are recommendations based on the results presented in this chapter:

- It is important to consider that the discount factor influences the outcomes of the calculation and so different discount factors will give different real interest rates. There are many options available in selecting the discount factor. The most appropriate discount factor will take into account time, currency, and maturity of the loan. The discount rate should be chosen by the Treasury to most accurately reflect the opportunity cost for any given project.
- The real interest rate and real repayment values should be determined ex ante, before signing the loan. The results obtained from this model play an important role in influencing the decision to proceed with projects.
- First, the interval of disbursements and repayments will also affect the model's calculation of the real interest rate. If disbursements occur rapidly and within closer intervals, the real interest rate will be lower and vice versa. Also, the present value of loan disbursement and repayments should be provided in the World Bank Project Appraisal Document and Staff Appraisal Document. This will provide a more accurate evaluation of the financial commitments that will be required of the borrower.

Chapter 4: Financial Overview of World Bank Financed Projects

By Pınar Berk and Ergül Halışçelik, edited by Victoria Long

Motivation for Study

The Undersecretary of the Treasury has implemented many World Bank financed projects. As the development needs of Turkey continually change and questions are raised regarding the utility of World Bank projects, the need for a financial tool was identified by our team and the Undersecretary of Treasury. This tool was developed as a matrix and includes financial components applicable to every project undertaken by the Undersecretary of Treasury and the World Bank. The uniqueness of this tool is its ability to be used to assess the financial relationship with the World Bank by the transferring data regarding future World Bank projects. This chapter will provide a financial overview of the World Bank-Turkey relationship as well as specific details related to already-completed projects. The matrix complements already existing internal audit reports, which have been conducted by the World Bank. Thus, this chapter will provide a financial overview of ten projects implemented within the last ten years, show the various financial components and to compare across projects and sectors. One difference to note is that this chapter studies ten projects as opposed to nine. This is because we did not want to leave out Marmara Earthquake Emergency Reconstruction Project (MEER), that is one of the largest and most comprehensive loan agreements between the World Bank and Turkey.

This project sought to provide a comprehensive financial study and give the Undersecretary of Treasury a tool to:

- Demonstrate how projects are financially implemented.
- Highlight cross-project financial variability.
- Provide variables for assessing loan negotiations and project planning.
- Provide criteria that will allow the Undersecretary of Treasury information to objectively compare and contrast projects in the future loan negotiation and project planning processes.
- Evaluate the financial aspects of projects by providing a set of comparison variables so that original objectives can be compared with and evaluated against actual results.

Methods

Data Selection

Specific financial information described in detail in the Analyses Section of Chapter 4 was collected from official World Bank sources; Project Implementation Documents (PID), Project Appraisal Documents (PAD), Loan Agreements (LA), Implementation Completion Reports (ICR), and Project Performance Assessment Reports (PPAR) were studied for the same sample of projects (refer to chapter 1). PID, PAD, and LA documents were used for analysis of project planning stages; the remaining four documents were used for implementation and post-implementation results analysis. Additionally, confidential data and reports were provided to our team by the

Undersecretary of the Treasury, for further comparison and analysis. The data was available in various digital formats including Excel, Portable Document Format (PDF) and Microsoft Word files. The data was used to create a meaningful picture for our client, presented in a matrix with ten categories.

Ten World Bank-Turkey projects completed in the last ten years were chosen as the main subjects of our analysis. The rationale behind project is described in Chapter 1 and summarized below:

- The Projects had an Implementation Completion Report³¹.
- The World Bank adopted a document called Comprehensive Development Framework (CDF) in 1998 which included further developed poverty reduction strategies.
- This document form provided a consistent format and means by which to study and compare the projects.
- The time period was most representative of variables and factors which are relevant in today's world.

The following seven official documents were analyzed for each project:

PID: Project Information Document

PAD/SAR: Project Appraisal Document/Staff Appraisal Document

LA: Loan Agreement

ICR: Implementation Completion and Results Report

TRD: Tranche Release Document

EA: Environmental Assessment

PPAR: Project Performance Assessment Report

Analyses

We examined the contents and the financial information available in all the reports and documents described above at the end of Methods Section. The financial data were then sorted and were reviewed individually to determine true fit to the matrix. The categories in the matrix were developed keeping the content and the nature of the data in mind. Eventually, we chose 10 main categories that would cover all the information useful for our analysis. These 10 categories are listed below.

1.) Financing Type

Financing methods include four types:

- | | |
|--------------|-----------|
| • loans | • grants |
| • guarantees | • credits |

³¹ An ICR is prepared at the end of every World Bank loan disbursement period (anywhere from one to ten years) and is used to identify accomplishments, problems and lessons learned.

2.) Lending Instrument

Lending instruments are uniquely identified for the type of lending.
There are two main categories of lending instruments:

Investment Lending:

SIL: Specific Investment Loan
SIM: Sector Investment and Maintenance Loan
APL: Adaptable Program Loan
LIL: Learning and Innovation Loan

TAL: Technical Assistance Loan
FIL: Financial Intermediary Loan
ERL: Emergency Recovery Loan
ECO: Expanded Co-financing

Adjustment Lending and Other Non-project Lending:

SAL: Structural Adjustment Loan
SAD: Sector Adjustment Loan
PSL: Programmatic Structural Adjustment Loan
RIL: Rehabilitation Loan

SSL: Special Structural Adjustment Loan
DRL: Debt Reduction Loan
PRC: Poverty Reduction Support Credit

3.) Type of Loan Product

There are two main categories of loan products:

Fixed-Spread Loans (FSL)

Fixed Spread Loans are available in Euros, Japanese Yen, United States Dollars as well as currencies which the International Bank for Reconstruction and Development can efficiently intermediate. The lending rate for FSL's is tied to a six month LIBOR in each loan currency; the LIBOR is reset semi-annually. The spread over LIBOR is fixed for the life of the loan.

Borrowers have flexibility during project preparation to tailor the FSL's repayment terms (grace period, repayment period, and amortization structure) within existing financial policy limits. Borrowers choose between two types of repayment schedules: **commitment-linked repayment** schedules, in which the loan's repayment schedule commences from the beginning of the interest period following loan approval, and **disbursement-linked repayment** schedules in which disbursed amounts have individual repayment schedules that commence from the beginning of the interest period following disbursement.

The FSL has embedded flexibility over the life of the loan to:

- Alter the loan currency on disbursed and undisbursed amounts
- Fix or un-fix the interest rate on disbursed amounts
- Cap or collar the interest rate on disbursed amounts

Variable-Spread Loans (VSL)

Variable Spread Loans are available in EUR, JPY, USD and other currencies which the IBRD can efficiently intermediate.

The lending rate for VSLs is tied to six month LIBOR in each loan currency and is reset semi-annually. The spread is a pass-through to borrowers of the IBRD's weighted average cost margin relative to 6-month LIBOR for funding allocated to these loans, and is recalculated semiannually.

Repayment terms for VSLs are based on country criteria (chapter 2) Turkey falls into the fourth country category.

4.) Charges:

All charges associated with the loan:

- Lending Rate
- Applicable Waiver for Lending Rate
- Commitment Fee
- Applicable Waiver for Commitment Fee
- Front End Fee

5.) Proposed Terms:

Proposed terms are uniquely identified for the loan:

- Grace period (yrs)
- Years to Maturity
- Project implementation period
- Effectiveness date
- Closing date

6.) Project Cost and Financing:

Project Cost and Financing section shows various financing costs and disbursement amounts as a component and percentage of actual project cost and estimated project cost. Disbursement amount is described as the amount that has been disbursed from a loan commitment.

The section includes the following cost items:

- Estimated Total Project Costs (The World Bank & the other sources)
- Actual Project Cost
- Actual Project Cost/Estimated Project Cost
- The World Bank loan signed amount
- Cancelled amount
- Net loan amount = The World Bank loan signed amount – Cancelled amount
- Disbursement Amount

- Estimated World Bank Contributions =

$$\frac{\text{The original amount signed with the World Bank}}{\text{Estimated Total Project Costs (The World Bank + Others)}}$$
- Percent Disbursed =
$$\frac{\text{Disbursement Amount}}{\text{The original amount signed with the World Bank}}$$

7.) Estimated Disbursements:

Estimated Disbursements shows annual disbursements and cumulative disbursements.

8. Financial Plan:

The Financial Plan exhibits data showing the amount of a particular loan scheduled to be funded by the World Bank and others.

9.) Sector Distribution (Target Sectors for the Project):

Target Sectors for a given project show how much of a single loan went to which sector(s) so that benefits to those particular sector(s) can be identified. This study includes the following sectors:

- Industry and trade
- Energy and mining
- Health and other social services
- Agriculture, fishing and forestry
- Public Administration, Law, and Justice
- Information and communications
- Finance
- Water, sanitation and flood protection
- Transportation
- Education

10.) Principal Outstanding

An overall picture of amounts which have been disbursed, repaid, and prepaid is given by the principal outstanding.

Prior to this project, no individual or agency has developed a common set of financial criteria for analyzing or comparing the World Bank projects. Below is an example on project described in a matrix format, which includes all of the components listed above.

The remaining nine projects in matrix form are presented in Appendix 2.

Privatization Social Support Project (PSSP)

CONDITIONS		45870 Privatization Social Support Project			
1	Type	Loan		8 Financing Plan at Board Presentation	
2	Lending Instrument	SIL-Specific Investment Loan		Financier	Amount (\$)
3	Type of Loan products	VSL-Variable Single Currency Loan		IBRD	250,000,000.00
4	Charges			BORR-Borrower	105,300,000.00
a	Interest Waiver Status	Eligible		Total	355,300,000.00
b	Lending Rate Contractual	LIBOR BASE (5.79%)			
c	Applicable Waiver	0.25%			
5	Terms				
a	Rate Reset Date	10/15/2006			
b	Rate Type	Variable			
c	% of Spread	0.75 ?(or +) the weighted average margin			
d	Grace Period (yrs)	5.32			
e	Project Implementation Period (yrs)	4			
f	Effectiveness Date	22-Dec-00			
g	Closing Date	31-Dec-05			
6	Project Cost and Financing				
a	Estimated Total Project Cost	355,300,000			
b	Actual Project Cost	353,430,000			
c	Actual/Estimated (b/a)	99.47%			
d	Loan Amount	250,000,000			
e	Cancelled Amount	619,467			
f	Net loan Amount (d-e)	249,380,533			
g	Disbursement Amount	249,380,000			
Estimated World Bank Contributions					
h	(d/a)	70.36%			
i	Percent Disbursed (g/d)	99.75%			
7	Estimated disbursements (million \$)				
	Financial Year	2001	2002	2003	2004
	Annual	21	58	98	73
	Cumulative	21	79	177	250
9	Target Sectors for the project				
	Industry and trade	76.00%			
	Energy and mining	15.00%			
	Health and other social services	9.00%			
10	Principal Outstanding (\$)				
	Disbursed	249,380,533			
	Repaid	20,803,000			
	Prepaid	0			
	Regular Repayments	20,803,000			
	Principal				
	Outstanding	228,577,533			
	% of Repaid	8.34%			
	% of Principal				
	Outstanding	91.66%			

Results

General loan conditions findings

Table 1. Summary of Loan Conditions Across Projects

Loan Conditions			
Project	Type of Financing	Lending Instrument	Type of Loan Product
1) Privatization Social Support Project (PSSP)	Loan	Specific Investment Loan(SIL)	Variable Single Currency Loan (VSCL)
2) Economic Reform Loan (ERL)	Loan	Structural Adjustment Loan (SAL)	VSCL
3) Export Finance Mediation Loar (EFML)	Loan	Financial Intermediary Loan (FIL)	VSCL
4) Marmara Earthquake Emergency Reconstruction Projec (MEER)	Loan	Emergency Recovery Loan (ERL)	Fixed-Rate Single Currency Loan (FCSL)
5) Industrial Technology Project (ITP)	Loan	Specific Investment Loan(SIL)	VSCL
6) Emergency Flood & Earthquake Recovery Project (EFER)	Loan	Emergency Recovery Loan (ERL)	FCSL
7) Turkey Commodities Market Development Project (TCMDP)	Loan	Learning and Innovation Loan(LIL)	FCSL
8) Basic Education Project (BEP)	Loan	Adaptable Program Loar (APL)	FCSL
9) Cesme-Alacati Water Supply & Sewerage Project (WSSP)	Guarantee	Specific Investment Loan(SIL)	VSCL
10) Participatory Privatization Irrigation Project (PPIMP)	Loan	Sector Investment and Maintenance Loan (SIM)	VSCL

Table 1 indicated that there was some variability across projects with respect to loan conditions. The results are summarized below.

Type of Financing

Nine of the 10 researched projects were financed by loans; only 1 was financed through guarantees.

Lending Instrument

Approximately 30% of the researched projects were investment loans. 10 % percent were structural adjustment loans, 20% emergency recovery loans, 10% financial intermediary loans, 10% learning and innovation loans, 10% adaptable program loans, and another 10% were sector investment and maintenance loans.

Type of Loan Product

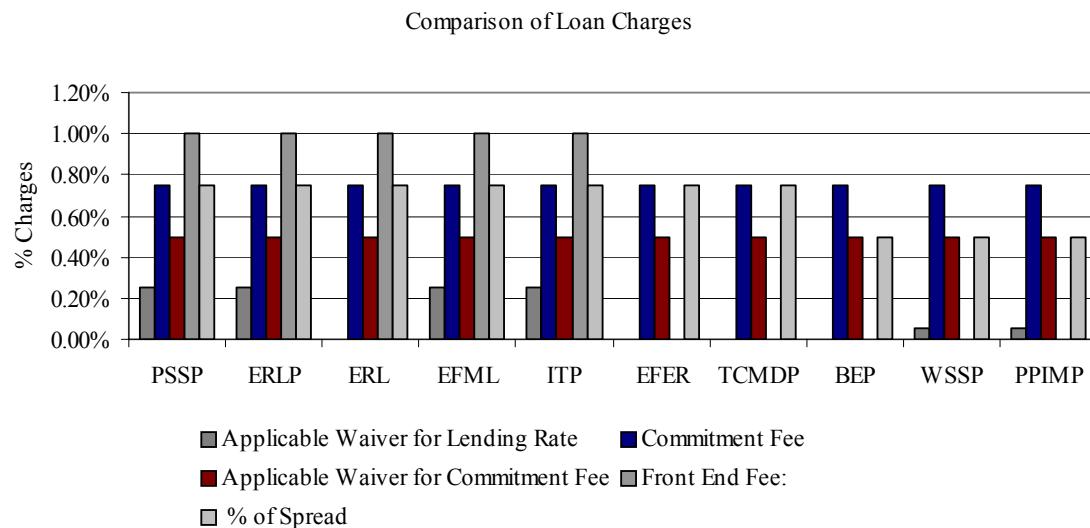
With regard to “Types of Loan Product”, it was shown that 60% of the loans were variable single currency loans (VSL); 40% of the loans were fixed-rate single (FSL) currency loans.

Table 2. Summary of all charges related with all the projects

Project_Names/ Charge s	PSSP	ERLP	ERL	EFML	ITP	EFEF	TCMDP	BEP	WSSP	PPIMP
Interest Waiver Status	Eligible	Eligible	Eligible	N/A	Undetermined	Eligible	Undetermined	Undetermined	Undetermined	Undetermined
Lending Rate Contractual	LIBOR BASE (5.79%)	LIBOR BASE (5.79%)	LIBOR BASE	LIBOR BASE	LIBOR BASE (5.76%)	LIBOR BASE	LIBOR BASE	LIBOR BASE	LIBOR BASE (5.49%)	LIBOR BASE (5.52%)
Applicable Waiver	0.25%	0.25%	N/A	0.25%	0.25%	N/A	N/A	N/A	0.05%	0.05%
Rate Reset Date	15-Oct-06	15-Oct-06	N/A	15-Feb-07	15-Jan-07	N/A	N/A	N/A	15-Dec-06	15-Jan-07
Commitment Fee (Contractual)	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Applicable Waiver	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Front End Fee:	1%	1%	1%	1%	1%	N/A	N/A	N/A	1%	N/A
% of Spread	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.50 - (or +) the weighted average margin	0.50 - (or +) the weighted average margin	0.50 - (or +) the weighted average margin

Graph 1, illustrated below, displays the commitment fee, applicable waiver to commitment fee, the front-end fee, and the percentage of spread across ten projects.

Graph 1. Summary of the Most Important Charges Across Projects



This graph shows that the Privatization Social Support Project, the Economic Reform Loan Project, the Marmara Earthquake Emergency Reconstruction Project, and the Export Finance Intermediation Loan Project had the same percentage of spread (0.75 %), commitment fee (0.75 %), applicable waiver fee (0.50), and front end fee (1 %). Although the rest of the projects had the same commitment fees, applicable waiver rate and percentage of spread, they did not have front end fees.

Applicable Waiver to Lending Rate

Only 6 projects had applicable waiver to lending rate. Four of them have an applicable waiver rate to lending rate of 0.25 % while the other two have 0.05%.

Commitment Fee

All projects had a commitment fee of 0.75%.

Applicable Waiver to Commitment Fee

If a project had a commitment fee of 0.75%, 0.50% of this fee was subject to an applicable waiver fee. Essentially, the borrower paid a commitment fee of 0.25% instead of the initially agreed upon 0.75%.

In graph 1 above, all projects have a commitment fee (0.75% in our case) had an applicable waiver fee of 0.50%.

Front-end fee

In regards to graph 1, we concluded that nearly 60% of the projects had front-end fees of 1%; front-end fees were not applicable to 40% of the projects.

Percentage of Spread

The rate of spread applicable to 70% of the projects is 0.75 %, whereas 30% of the projects are subject to a spread rate of 0.50 %.

Findings related with the Proposed Terms of Loans

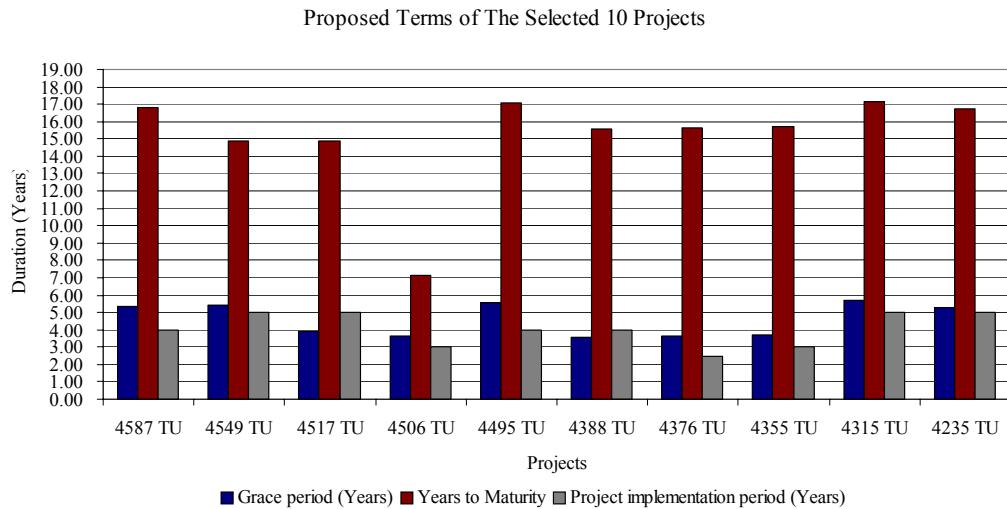
Table 3. Summary of Proposed Terms related with the ten projects

Project Names/ Proposed Terms	PSSP	ERLP	ERL	EFML	ITP	EFER	TCMDP	BEP	WSSP	PPIMP
Grace Period(yrs)	5.32	5.41	3.91	3.61	5.58	3.59	3.66	3.73	5.67	5.25
Years to Maturity	16.82	14.91	14.91	7.11	17.08	15.59	15.66	15.73	17.17	16.75
Implementation Period(yrs)	4	5	5	3	4	4	2.5	3	5	5
Effectiveness Date	22-Dec-00	27-June-00	29-Dec-99	11-Oct-99	18-Oct-99	13-Oct-98	26-Feb-99	12-Aug-98	7-Sep-98	24-Apr-98
Closing Date	31-Dec-05	30-Apr-04	31-Dec-06	31-Aug-03	30-Apr-06	30-Sep-03	30-March-03	31-Dec-03	31-Dec-04	30-June-04

The table 3 and the graph 2 uniquely identify and compare the implementation periods, grace periods and maturity across ten projects.

The horizontal axis in graph 2 shows selected projects while the vertical axis shows the duration of projects in years.

Graph 2. Comparison of the Most Important Proposed Terms Across the Projects



The significance of table 2 is that it shows us all the proposed terms associated with the projects. By using the information in table 2, such as grace period, years to maturity and project implementation period, we provided a comparison of the most important proposed terms across projects. The following observations were made from the above overview of the proposed terms:

- Years to maturity generally ranges between 14 and 17 years.
- The Export Finance Intermediation Loan is the only project with significantly different years to maturity (about 7 years).
- Grace periods vary from 4 to 6 years.
- Project implementation periods vary from 2 to 5 years.

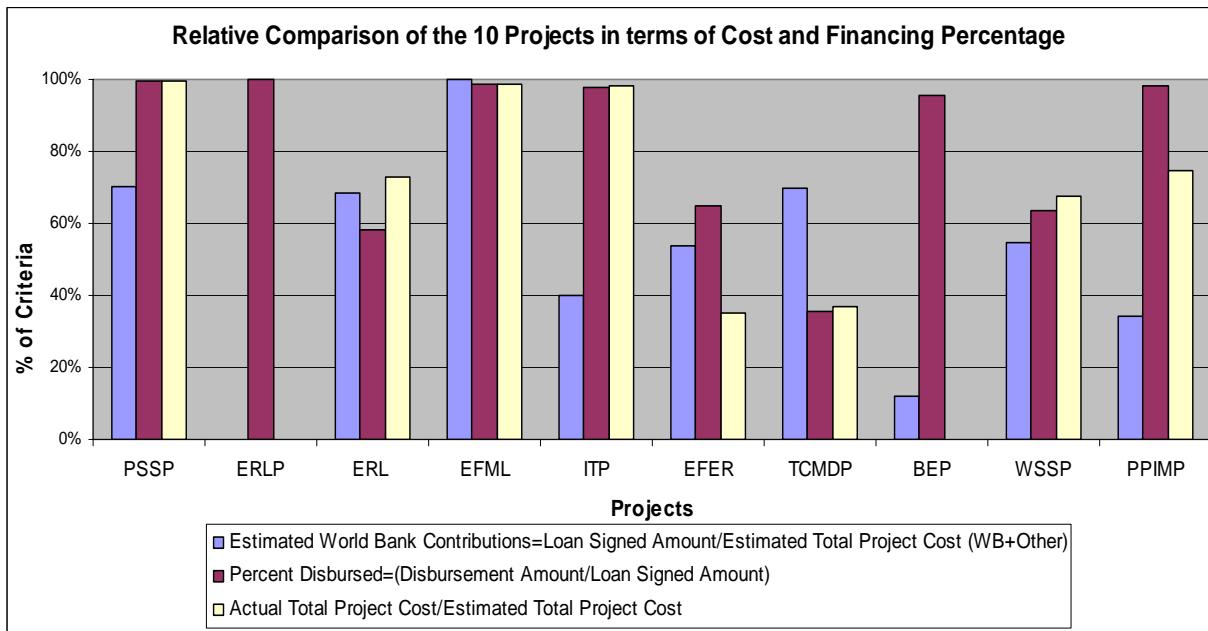
These results are not surprising to us because we were expecting that the variables like grace period and maturity to vary across the projects. Each project is different in nature, meaning their type of financing, lending instrument and type of loan products differ. Therefore, we cannot expect a certain trend as far as the variables described above are concerned.

Table 4. Summary of Project Cost and Financing Items for All Projects

Project Cost and Finacing (in \$ million)	PSSP	ERLP	ERL	EFML	ITP	EFEF	TCMDP	BEP	WSSP	PPIMP
Estimated Total Project Cost (The World										
a Bank+Others)	355.30	N/A	737.11	253.03	387.00	685.00	5.72	2,515.20	24.00	58.78
b Actual Project Cost	353.43	N/A	538.77	249.71	380.60	239.80	2.11	N/A	16.18	44.00
c Actual/Estimated (b/a)	0.99	N/A	73.09%	98.69%	98.35%	35.01%	36.89%	N/A	67.42%	74.86%
The original amount of signed with the										
d World Bank	250.00	759.60	505.00	252.53	155.00	369.00	4.00	300.00	13.10	20.00
e Cancelled amount	0.62	0	198.34	2.82	3.14	128.84	2.58	13.81	4.76	0.32
f Net loan amount (d-e)	249.38	759.60	306.66	249.71	151.86	240.16	1.42	286.19	8.34	19.68
g Disbursement Amount	249.38	759.60	294.37	249.71	151.86	240.16	1.42	286.19	8.34	19.68
h Estimated WB Contributions (d/a)	70.36%	N/A	68.51%	99.80%	40.05%	53.87%	69.93%	11.93%	54.58%	34.03%
i Percent Disbursed (g/d)	99.75%	100.00%	58.29%	98.88%	97.97%	65.09%	35.39%	95.40%	63.65%	98.40%

The table 4 shows us various financing costs and disbursement amounts as a component and a percentage of actual project cost and estimated project cost. The graph 3a below compares the estimated World Bank contributions, percent disbursed and actual total project cost by displaying them on the vertical axis as a percentage of their original amount. The horizontal axis in graph 3a shows selected projects.

Graph 3a



How much of the pledged financing by the World Bank was realized by the World Bank?

The blue bar represents estimated initial World Bank contribution percentage (pledged amount). For the privatization social support project, 70% of this project was financed by the World Bank; 30% of it was financed by either the Government of Turkey or other sources. As seen from the graph, it is between 11.93% and 99.80%.

The red bar represents how much the amount that was pledged by the World Bank when the loan amount was signed has actually been disbursed. As it can also be seen from the graph, percent disbursed is between 35.39% and 100%.

The pale yellow bar shows the percentage of actual costs in relation to the estimated costs of the project. Looking at the graph we can say that it is between 35.01% and 99.47%.

Another important point that needs to be considered is that although the World Bank uses the percent disbursed ratio as **Disbursed = Disbursement Amount/Net Loan Amount**

Our research led us to believe that the formula below is a better representative of the disbursement ratio:

Disbursed = Disbursement Amount/ Loan Signed Amount

The World Bank disbursed ratio would be almost 100% for all projects. The formula used by the World Bank considers the cancelled amount while calculating the disbursement ratio. This ratio should contrast used funds (disbursement) with planned amounts (the original amount of loan) more accurately. The cancelled amount should be

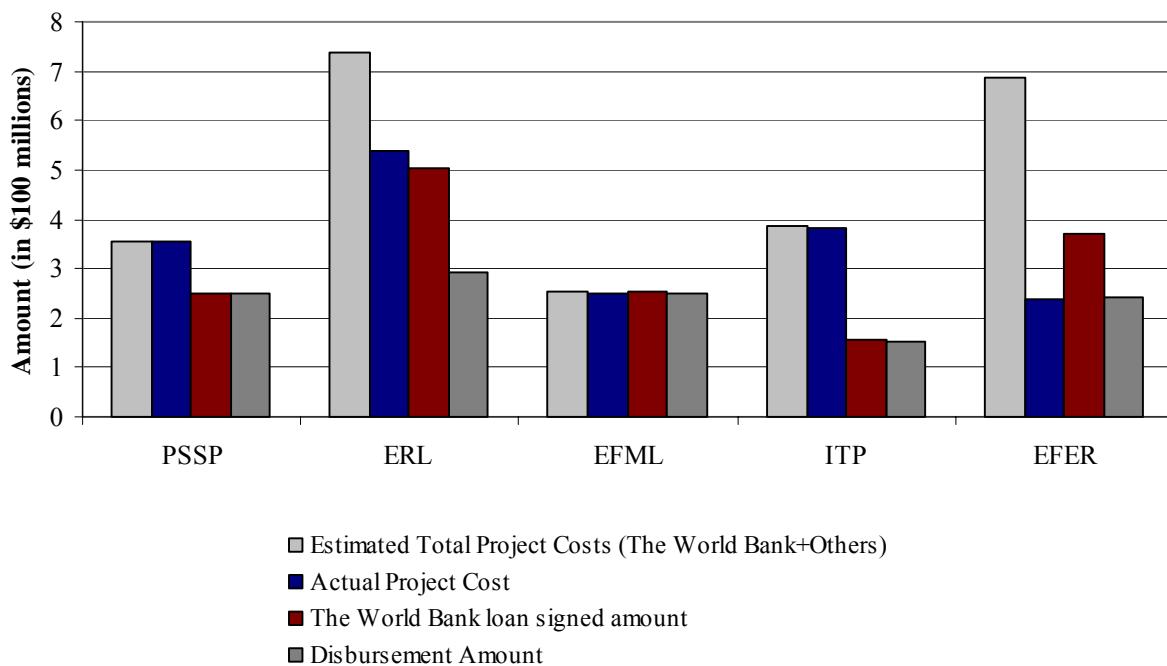
considered only in results (Disbursed Amount), not in the planned amount (original amount of loan).

Estimates created during the planning stage of the projects were not one-hundred percent reflected in the post-implementation results.

Graphs 3b and 3c are categorized according to the sizes of the projects. The reason we do that is comparing the nominal amounts of cost and financing between similar sized projects are more realistic. It is not feasible to compare a small project to a large project on the same graph and compare them on nominal terms.

Graph 3b. Nominal Comparison of the Largest 3 projects in terms of Cost and Financing

Comparison of the Largest 5 projects in terms of Cost and Financing



Based on the graph above, it is hard to make general observations or come to a conclusion that a real trend in terms of actual project cost, the signed amount of loan, estimated total project cost and disbursement amount exists among the biggest five projects.

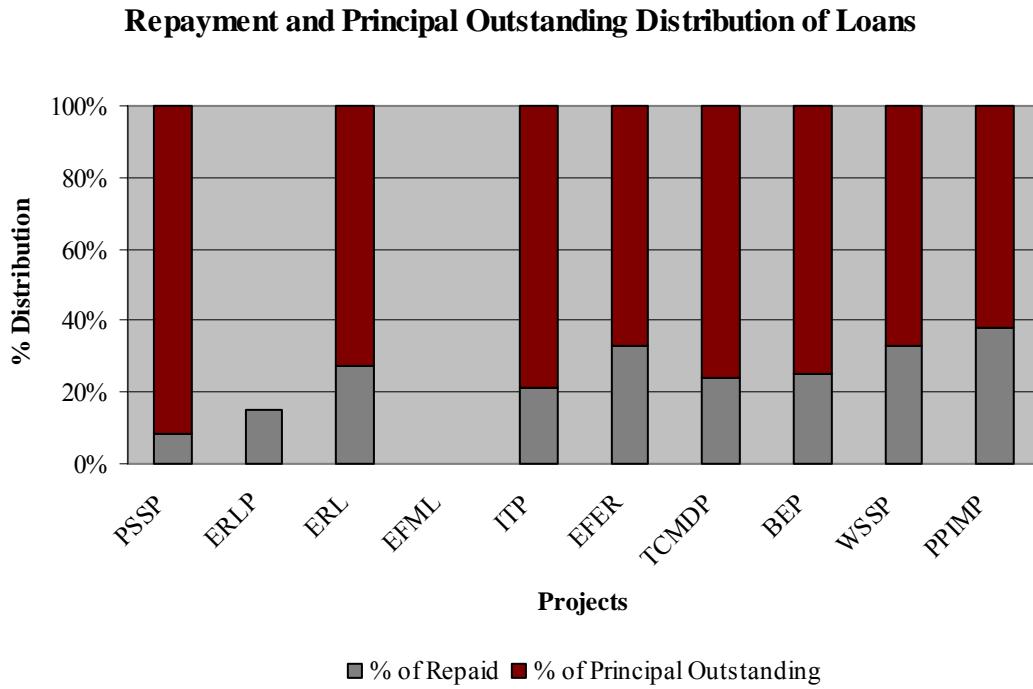
It seems that the estimated total project costs of Marmara Earthquake Emergency Reconstruction Project and Emergency Flood and Earthquake Recovery Project were well over the actual project costs.

It also seems that for Privatization Social Support Project, Marmara Earthquake Emergency Reconstruction Project and Industrial Technology Project, the originally signed amount of the loan with the World Bank was exceeded.

On the other hand, Export Finance Intermediation Loan seems like a very balanced project with almost equal figures for estimated and actual costs, the original signed amount of loan and the amount disbursed.

The money disbursed by the Marmara Earthquake Emergency Reconstruction Project and Emergency Flood and by the Earthquake Recovery Project is lower than the original signed amount of loan.

Graph 3c. Nominal Comparison of the Smallest 3 projects in terms of Cost and Financing



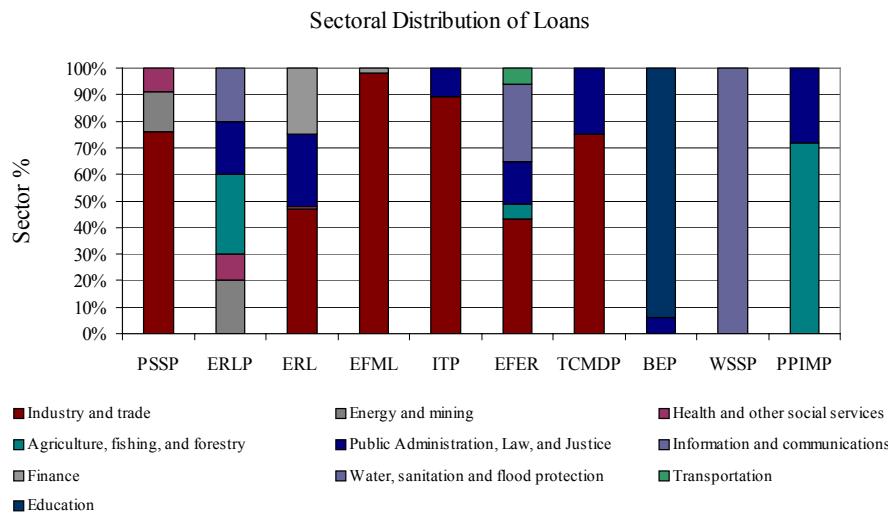
In regards to the graph 3c above; for all three projects (Cesme-Alacati Water Supply and Sewerage project, Privatization of Irrigation Project and Commodities Market Development Project); the estimated total project cost is always higher than the actual project cost.

On the other hand, the disbursed amount of money by the Cesme-Alacati Water Supply and Sewerage project and by the Commodities Market Development Project is lower than the originally signed amount of loan. This is because of the some cancellation amount of the original loan.

Only Privatization of Irrigation Project has almost equal amount of money disbursed in correspondence to the originally signed amount of loan. Only a small fraction (1.5 %) of the original loan was cancelled for this project.

Findings related with sectoral distribution of loans

Graph 4a. Sectoral Distribution of Loans: Percent of a Single Loan per Sector

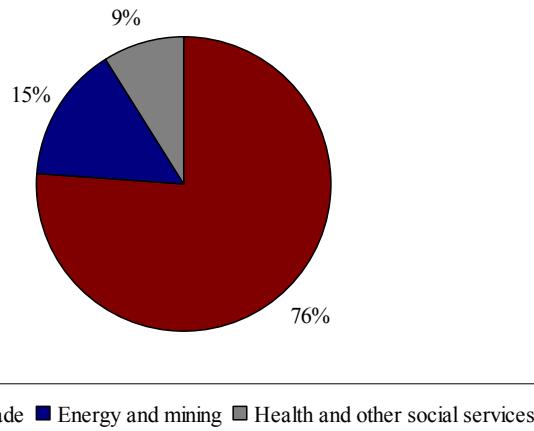


On the horizontal axis of graph above (4a), we see the names of the loans/projects. The vertical axis of the same graph exhibits either a single sector or multiple sectors that receive a percentage of monetary benefit from a particular loan. For example, the Cesme-Alacati Water Supply & Sewerage Project's (WSSP) supports only water, sanitation and flood protection sector whereas Emergency Flood & Earthquake Recovery Project (EFER) supports multiple sectors such as Industry Trade, Water Sanitation and Flood Protection, Agriculture Fishing and Forestry, Transportation and Public Administration, Law, and Justice.

The following graphs from 4 b to 4 k show the sectoral distribution of each respective project.

Graph 4b. Privatization Social Support Project

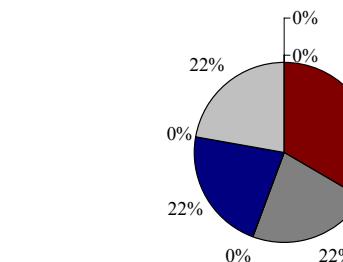
Sectoral Distribution of 4587 Privatization Social Support Project



The pie chart in the graph above shows that 76% of the Privatization Social Support Project supports Industry and Trade sector, 15% of it supports Energy and mining sector and the remaining 7% aids Health and other social services sector.

Graph 4c. Economic Reform Loan (ERL)

Sectoral Distribution of 4549 Economic Reform Loan

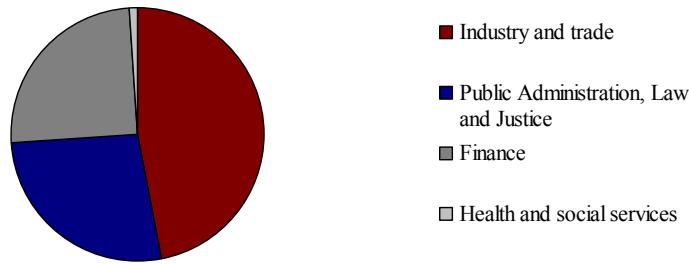


- Agriculture, fishing, and forestry
- Public Administration, Law & Justice
- Information and communications
- Energy and mining
- Health and other social services

The pie chart in graph 4c shows that 30% of the Economic Reform Loan supports Industry and trade sector, 20% of it supports Information and communications, the other 20% of it supports Public Administration, Law, and Justice whereas the remaining 20% Health and other social services.

Graph 4d. Marmara Earthquake Emergency Reconstruction Project

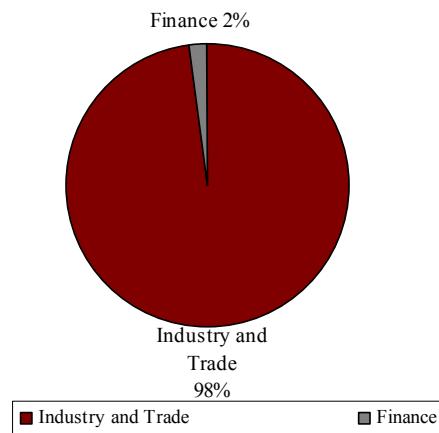
Sectoral Distribution of Marmara Earthquake Emergency Reconstruction Project



As the pie chart drawn for the MEER project indicates, 47% of the emergency recovery loan signed under the name of MEER project supports Industry and trade sector, 27% of it supports Public Administration, Law, and Justice, 25% of it Finance sector and only 1% supports Health and other social services.

Graph 4e. Export Finance Intermediation Loan

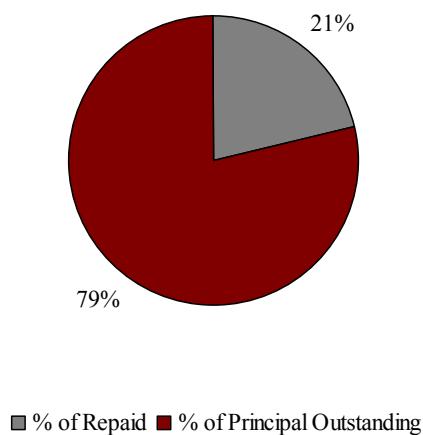
Sectoral Distribution of Export Finance Intermediate Loan



As the name (Export Finance Intermediation Loan) suggests, 98% of this loan was used to support Industry and Trade sector whereas 2% of it was used to support Finance sector.

Graph 4f. Industrial Technology Project

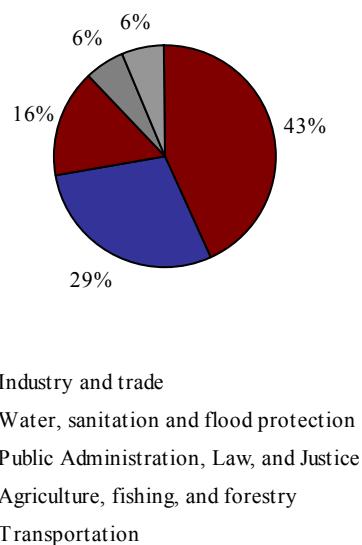
Repayment and Principal Outstanding Distribution
of 4495 Industrial Technology Project



Industrial Technology Project is one of the few that is targeted dominantly towards one sector: Industry and trade. This sector receives 89% of the monetary benefits coming as a result of this project, whereas 11% of it benefits Public Administration, Law, and Justice.

Graph 4g. Emergency Flood & Earthquake Recovery Project

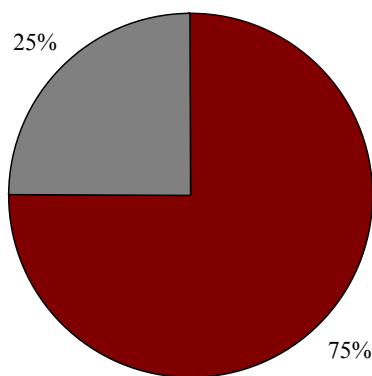
Sectoral Distribution of 4388 Emergency Flood &
Earthquake Recovery Project



As it has been mentioned earlier, Emergency Flood & Earthquake Recovery Project benefits several sectors. 43% of it supports Industry and trade, 29% of it supports Water, sanitation and flood protection, 16% of it supports Public Administration, Law and Justice, 6% of it supports Agriculture, fishing and forestry whereas the last 6% of it supports transportation.

Graph 4h. Commodities Market Development Project

Sectoral Distribution of 4376 Commodities
Market Development Project



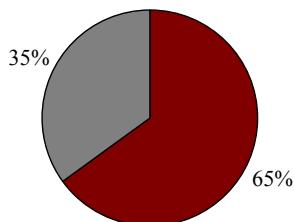
■ Industry and trade ■ Public Administration, Law, and Justice

Graphs 4h and 4i appear similar to the sectoral distribution observed in the Export Finance Intermediation Loan and the Industrial Technology Project. As expected, 94% of the Basic Education Project supports Education sector whereas the remaining part of it helps for better education-related regulations in the sector of Public Administration, Law, and Justice. It is also not surprising that 75% of the Commodities Market Development Project helps to improve Industry and trade sector.

Graph 4j. Cesme-Alacati Water Supply & Sewerage Project

Sectoral Distribution of 4315 Cesme-Alacati

Water Supply & Sewerage Project



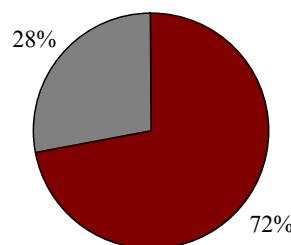
■ Sewerage ■ Water supply

Cesme-Alacati Water Supply & Sewerage Project is a guarantee. 65% of this guarantee is used for the improvement of the Sewerage sector whereas 35% of it is used to upgrade Water supply sector.

Graph 4k. Privatization of Irrigation Project

Sectoral Distribution of 4235 Privatization of

Irrigation Project

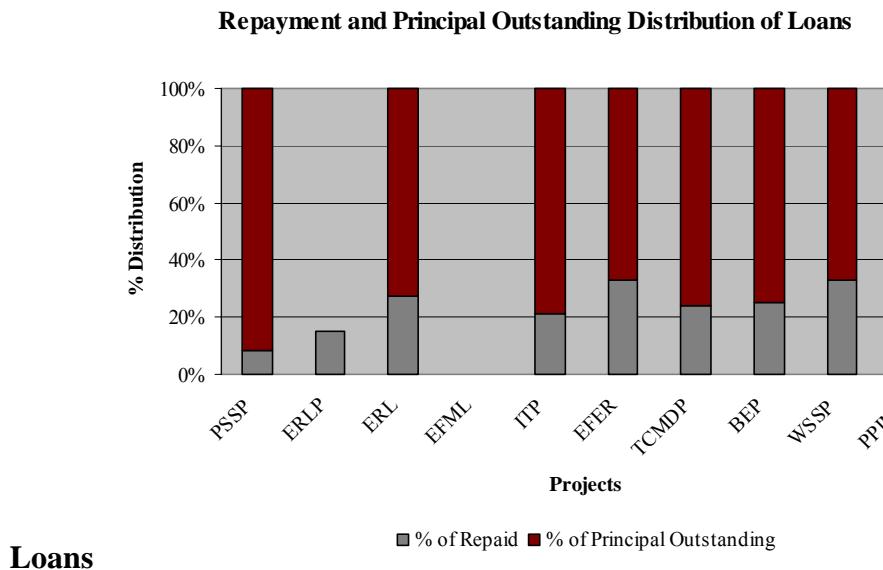


■ Agriculture, fishing, and forestry
■ Public Administration, Law, and Justice

Finally, the Privatization of Irrigation project proves to be a major support for the agriculture, fishing and forestry sectors, rendering 72% of its funds available for the improvement of these sectors.

Repayment and Principal Outstanding Distribution of loans

Graph 5. Repayment and Principal Outstanding Distribution of



Loans

The above graph shows what percent of the total disbursement has already been paid (% of repaid) and what percent of the disbursement will be paid in the future (% of Principal Outstanding). As seen in the graph above, the Turkish Government paid 100% of total disbursement of the one loan, Export Finance Intermediation Loan, while the remaining nine projects have different Repaid and Principal Outstanding ratios. It is also important to notice that current Principal Outstanding ratios are much higher than repaid ratios.

Summary of Results

We examined the financial indicators of each selected project according to the criteria seen in more detail in the summary matrix (see Appendix 2). We believe the results of the financial comparison of the selected projects can be presented best with a summary matrix (see Appendix 2). The individual matrices (A1-A10) developed for each project were combined into a summary matrix to provide a clear picture of the projects, which includes all the components described earlier in the methods section.

We found that proposed terms are different across the projects; a clear trend does not exist. This is not surprising; variables like grace period and maturity are expected to vary across the projects. Each project is different in nature. The type of financing required, lending instruments useful, and loan types differ.

We also found that the funds that become available as a result of the loan agreements between the World Bank and Turkey are typically used to support numerous key sectors of the Turkish economy.

We know that current Principal Outstanding ratios for Turkey are much higher than repaid ratios. This piece of information should not be misleading about Turkey's repayment performance. The figures belong to a certain point in time. However, the Turkish government regularly makes payments to the World Bank.

Some of the presented information was publicly available, some was not. Data was scattered throughout many documents and different reports. We believe our study of the financial overview of the World-Bank projects will provide a firm foundation for increased transparency in Turkey and other countries that receive World-Bank funding. Seeing the financial figures, proposed terms, charges, types of financing, lending instruments in one place for all past and present projects can help. Observations or financial experiences can serve as precedent for the success of future projects

Recommendations

The World Bank should change its definition of disbursement ratio.

Although the World Bank uses the percent disbursed ratio as:

$$\text{Disbursed} = \frac{\text{Disbursement Amount}}{\text{Net Loan Amount}}$$

We think that the formula below is a better representative of the disbursement ratio:

$$\text{Disbursed} = \frac{\text{Disbursement Amount}}{\text{Loan Signed Amount}}$$

Using the World Bank's disbursement ratio would give us a misleading picture because this ratio is always calculated to be 100% for any project considered. The formula used by the World Bank considers the cancelled amount while calculating the disbursement ratio. We think that this ratio should be able to compare the actual used fund (a.k.a disbursement) with planned amount of the loan (a.k.a the original amount of loan signed with the World Bank) in a more accurate way. Therefore we need to consider the cancelled amount only in the actual result part (Disbursed Amount), not in the planned amount (the original amount of loan signed with the World Bank).

- Fixed spread loans (FSLs) are more flexible. Borrowers have flexibility to tailor repayment terms (i.e., grace period, repayment period, and amortization structure) to meet their project and asset/liability management needs. The Fixed Spread Loan has embedded flexibility over the life of the loan to: change the loan currency on disbursed and undisbursed amounts; fix or unfix the interest rate on disbursed amounts; and cap or collar the interest rate on disbursed amounts.

The Turkish Undersecretary of the Treasury has a unit of experts strictly dealing with debt and risk management. **Since FSLs are more flexible and borrowers have flexibility to tailor repayment terms, The Undersecretary of the Treasury should focus more on the FSLs since their experts can manage issues such as grace periods and currency conversions to better benefit their country.**

As GDP per capita in Turkey increases, Turkey will move up to a higher country category where borrowing conditions become less favorable. Increased GDP is by no means an undesirable progress. However, the **Turkish government should be well-prepared for possible changes in their borrowing conditions.**

- Borrowers should take all the charges listed below into consideration when negotiating for the loan charges and conditions. This will prove helpful for borrowers in calculating and comparing the World Bank loans with other funding sources.

- Front-end Fee
- Lending Spread
- Risk Premium
- Commitment Fee
- Interest Waiver
- Commitment Fee Waiver
- Front-end Fee Waiver

We recommend the Turkish government use and elaborate the financial tool that we created as a matrix. As we mentioned earlier in the significance of the analysis part, this matrix may provide variables useful for assessing loan negotiations and project planning; may help the government officials to determine criteria common to international and/or domestic financial institutions enabling them to objectively compare and contrast projects implemented by different governmental, international, and private institutions.

Limitations

- As a result of the financial analysis of 10 World-Bank financed projects, raw financial data scattered throughout various reports were turned into a clear picture through matrices, charts, and graphs. In order to turn this picture into a concrete set of recommendations, our team insight into these projects for studying the interactions in the project implementation. The staff involved in project implementation and the financial experts working in these projects should be interviewed to see if their observations match to put the puzzle between the implementation and financial sides together.
- One of the main objectives of financially evaluating the projects was to compare initial planning to eventual completion. For the very same limitation mentioned above, we cannot be sure if and to what degree the financial differences that surfaced as a result of a planned vs. actual comparison are related to each other.

Chapter 5: Managerial Analysis

By Nick Fraser, Paula Maguina Ugarte, and Karumuna Kajage, edited by James Wilson

Motivation for Study

This analysis is intended to give the client a better understanding of the factors that can impact project outcomes. A past performance analysis of World Bank financed projects in Turkey was conducted in order to better understand the problems that occur during project implementation. The main question being asked in this section is: What are the common strengths and weaknesses affecting implementation that are occur across projects? The uniqueness of this study is that these strengths and weaknesses are defined beyond the rating given to the project in the evaluation report by the World Bank. Currently, the World Bank has no such official method to compare managerial and implementation problems and strengths across different projects.

The three main research questions we sought to answer are as follows:

- What are the common weaknesses and strengths occurring during implementation?
- How can these be classified in a manner to easily compare them across projects?
- What suggestions can we put forth to help improve the implementation process in the future?

Methods

Based on available information and resources, a specific methodology called “Content of Analysis” was used.³² The main data source used in this analysis was the Implementation Completion and Results Report (ICR). Please refer back to Chapter 1. This methodology suggests using documented sources as a medium to study the unit of analysis in a systematic way. In this case, the weaknesses and strengths were identified by the World Bank and organized and systemized by the study team.

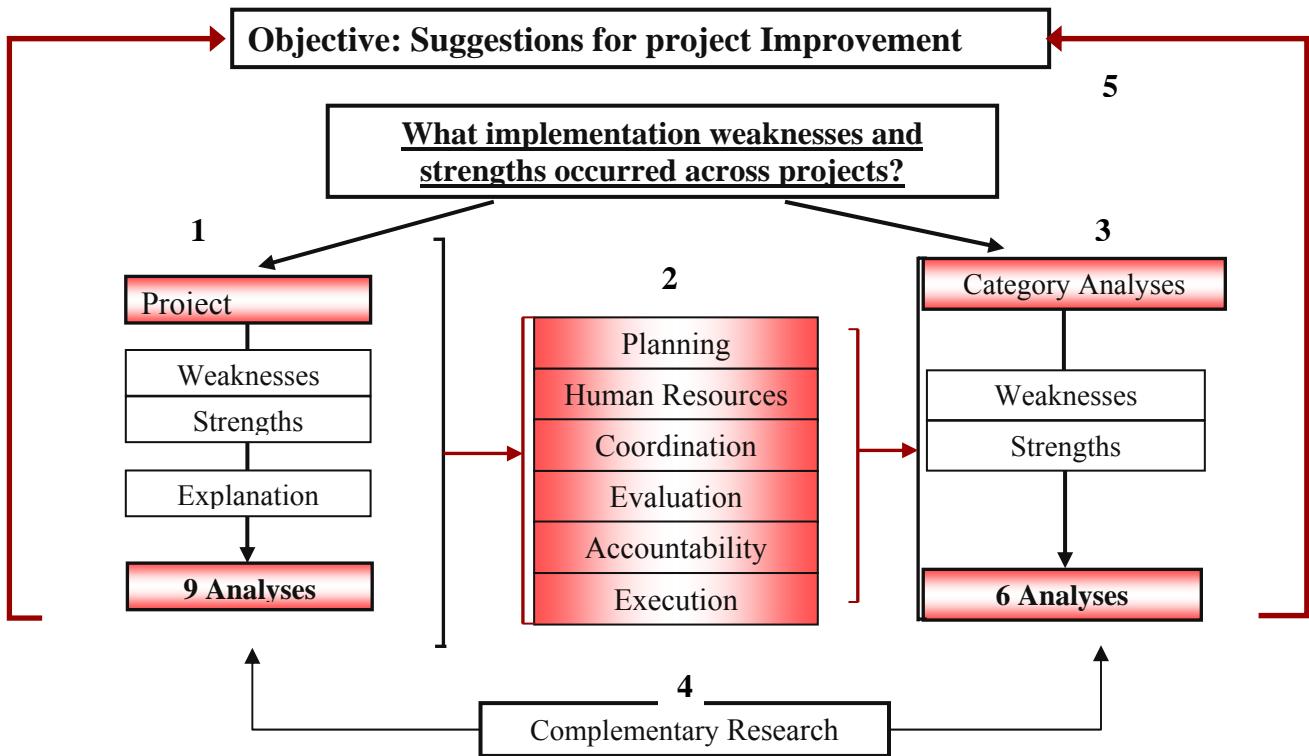
In order to preserve the value of this methodology, the four basic ideas suggested by Philipp Mayring³³ were followed during the process.

- Fitting the material into a model of communication
- Rules of analysis: the material is to be analyzed step by step
- Categories in the center of analysis
- Criteria of reliability and validity

³² This step model has been adapted from *Philipp Mayring*. Qualitative Content Analysis. Volume 1, No. 2 – June 2000.

³³ *Philipp Mayring*. Qualitative Content Analysis. Volume 1, No. 2 – June 2000.

Conceptual model



The steps detailed in the graphic are:

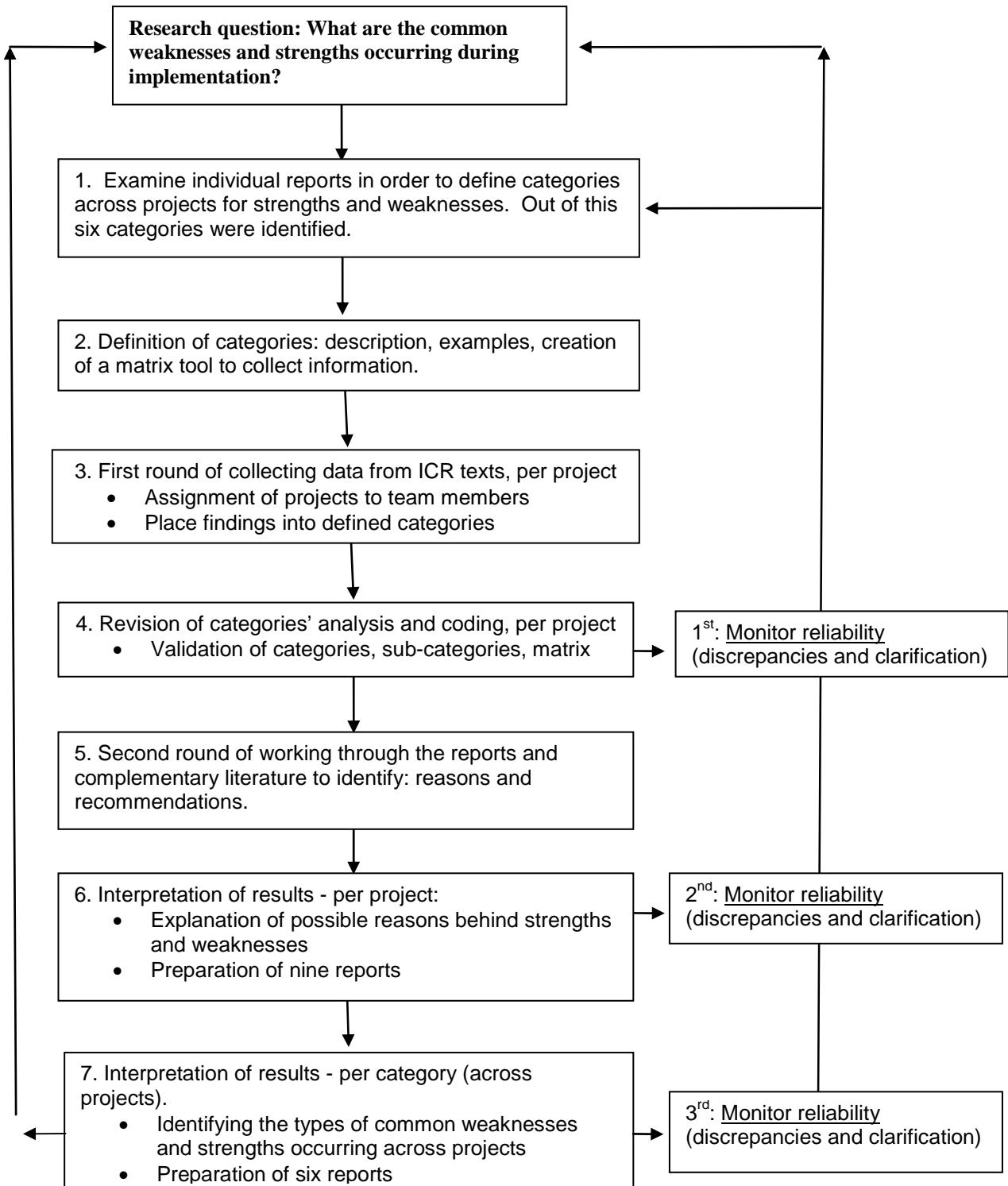
1. Project Analyses: Factors affecting implementation were identified by the team but extracted from the individual project reports.
 - a. **Weaknesses:** defined as factors that were explicitly mentioned in the ICR text as those which “negatively” affected project implementation. Indicators-key words: lack, unable, weak, fragile
 - b. **Strengths:** defined as factors that were explicitly mentioned in the ICR text as those which “positively” affected project implementation. Indicators-key words: help, capability, strong, strength
2. Category creation: Six categories were created based on the strengths and weaknesses identified in projects. Also, a context variable was included to take into account factors beyond the control of implementing agencies. These categories are:

<ul style="list-style-type: none"> • Planning: Factors that stem primarily from lack of adequate planning and design before implementation
<ul style="list-style-type: none"> • Human Resources: Factors that stem mainly from personnel and staffing at different levels
<ul style="list-style-type: none"> • Coordination: Factors that stem mainly from communication, interaction or efficiency problems between two or more organizations involved in implementation
<ul style="list-style-type: none"> • Accountability: Factors that stem mainly from a lack of transparency, financial or managerial controls and responsibilities for outputs
<ul style="list-style-type: none"> • Evaluation: Factors that stem mainly from difficulty or inability to accurately assess and measure the intended outcomes
<ul style="list-style-type: none"> • Execution: Factors that are not necessarily attributable to any other category but because of a variety of reasons impacted the outcomes of the project goals

3. Category Analyses: Strengths and weakness across categories were identified to highlight factors occurring across projects.
4. Complimentary Research: Outside research was examined to support the explanations and recommendations for the analyses.
5. Suggestions for project improvement: The project analyses combined with the category analyses and complimentary research were all used as a basis for forming suggestions to improve the managerial aspect of project implementation.

The analysis process in detail

This graphic shows the primary research question and the seven main steps of the analysis to answer this question along with three points which were used to monitor the reliability and consistency of the data.



Results

Using the described qualitative analysis method, project weaknesses and strengths were grouped into six categories. This was intended to provide a better understanding of the challenges faced during the implementation process across different types of projects. The results of this method are given in the following six categorical summations below. An in-depth overview of strengths and weaknesses for individual projects is listed in Appendix 3.

Section 1: Planning Findings Across projects

Category definition: Strengths and weaknesses that stem primarily from planning and design issues before actual implementation takes place.

Figure 1: Planning weaknesses and strengths across projects

Project Name	Weakness	Strength
Basic Education Project (BEP)	X	
Export Finance Mediation Loan (EFML)		X
Industrial Technology Project (ITP)		X
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	X	X
Turkey Commodities Market Development Project (TCMDP)	X	
Economic Reform Loan (ERLP)	X	X
Participatory Privatization Irrigation Project (PPIMP)		
Privatization Social Support Project (PSSP)	X	
Earthquake Rehabilitation Project (EKRP)	X	

Project reports with identified weaknesses in Planning

According to our methodology, weaknesses in planning were identified in six projects. Specifically, the weaknesses found were: “Lack of planning for long term objectives”, “Needs assessment” and “Failing to plan for known potential pitfalls.”

Lack of planning for long term objectives

A lack of systematic procedures to implement long term capacity building objectives was a major factor that negatively affected two projects.

BEP

- This project needed defined benchmarks to track the achievement of long term objectives. As a result, many of the inputs needed to reach these objectives were not identified until the final phase of the project. Examples of these inputs include increased teacher and principal training.

ERLP

- The implementation of this project suffered without clear and systematic processes of how to privatize state owned enterprises. As a result, the Bank did not have an adequate plan on how to go about the privatization process. This led to shortages in expertise during implementation. Furthermore, the plan failed to take Turkish law into account, which limited the stake that a private company

could hold in a state owned enterprise at 50%. As a result, the offers to privatize 20% and 33.5% of the enterprise were too low to attract serious bidders.

Needs assessment

Three projects suffered from improper needs assessment during the design phase and implementation units failed to properly estimate the needed time or resources required to achieve project objectives.

TCMDP

- Ministries working within this project were not given clearly defined roles and responsibilities.

PSSP

- Estimates of compensation amounts were needed in order to compensate state employees who had lost jobs due to privatization. As the project was being implemented, however, it became clear these estimates were not based on a realistic needs assessment. These figures eventually needed to be adjusted upward.

EKRP

- This project suffered because the type of structures that qualified for project reconstruction funds was not clearly defined. At a later stage, it became clear how difficult it would be to assess how many structures needed to be built. Contributing to this problem was the fact that the definition of “collapsed housing” was vague. As a result, approximately twice as many houses were built in comparison with the number needed.

Failing to plan for known potential pitfalls

Though every contingency cannot be planned for, one project suffered setbacks because known political events that would affect the outcome were not considered.

WSSP

- The main problems in the planning phase of this project can be attributed to failing to take political ramifications into account that had potential to impact the final outcome. An election during project implementation led to a change of political leadership in Cesme. The newly elected leadership chose to withdraw support for the goals of the project and agreements had to be renegotiated. This led to significant delays in project implementation.

Project reports with identified strengths in Planning

Four projects exhibited strengths in planning during the implementation period. Two types of strengths were found: “Design flexibility” and “Planning objectives around or consistent with favorable conditions.”

Design flexibility

One project was designed with the flexibility that allowed resources and money to be moved around if needed in response to the effectiveness of initiatives.

ITP

- This project was allowed unallocated funds for use in initiatives that later demonstrated high performance, such as venture capital funds and technology parks. The Bank was aware that the complex nature of technology development projects required the need for this type of flexibility.

Planning objectives around or consistent with favorable conditions

Three projects planed objectives around favorable external conditions that later helped in reaching positive outcomes.

EFML

- There were a number of firms seeking the kind of loans offered by this type of project. The needs of these firms were determined in the planning stage of the project and this ensured a large number of potential clients.

ERLP

- The benchmarks for this project were timed so that successful outcomes were possible. Despite a three year delay in the implementation process, the original benchmarks were met because of how the project was designed. As project implementation took place during a period of falling inflation, the costs of private and public sector borrowing were reduced.

WSSP

- Institutional arrangements made during the planning phase led directly to secondary benefits. The agreement formed between Cesme and Alacati proved to be weak initially but grew deeper the project progressed. This proved beneficial as it allowed the ministries involved in the project to defer more autonomy to those working in the field. This, in turn, led to greater institutional development.

In summary, a total of six projects were found to have had implementation weaknesses in planning while four had strengths in this area. Two projects, the Water Supply and Sewerage Project and the Economic Reform Loan had both planning weaknesses and strengths. One project, Participatory Privatization Irrigation Project, had no identifiable weaknesses or strengths in this category.

Section 2: Human Resources finding across projects

Category definition: Weaknesses and strengths that stem from personnel and staffing issues. As a result of rotating of top managers, for example, there were inadequate skill transfers for the personnel that implemented the project.

Figure 2: Human Resources weaknesses and strengths across projects

Project Name	Weakness	Strength
Basic Education Project (BEP)	X	
Export Finance Mediation Loan (EFML)		
Industrial Technology Project (ITP)	X	
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	X	
Turkey Commodities Market Development Project (TCMDP)	X	
Economic Reform Loan (ERLP)		X
Participatory Privatization Irrigation Project (PPIMP)	X	
Privatization Social Support Project (PSSP)		X
Earthquake Rehabilitation Project (EKRP)		X

Project reports with identified weaknesses in Human Resources:

Using the given methodology, five projects were identified as having weaknesses in this area. Two different types of weaknesses were found: “Changing and underutilization of people” and “Lack of training support systems.”

Changing and underutilization of people

The turnover of staff was a constant concern in three of the nine projects studied. In addition, both experts and managers were underutilized throughout project implementation. These two issues reduced accountability and created problems in procurement.

PPIMP

- There was considerable turnover among General Directorate (GDRS) officials and in the State Hydraulic Works (DSI) after the project was extended in 2002.

ITP

- New management did not effectively utilize the expertise of the previous management. The change in management occurred in 2004.

WSSP

- The project implementation unit lacked key operating personnel such as a staff accountant or a general secretary. The failure to fill these positions put a significant strain in the implementation of the project.

Lack of training support system

Adequate training for staff and managers was absent in two projects. This was a problem even in cases where financial support for training existed.

BEP

- Teachers were not given adequate training in order to meet project objectives. Specifically, only \$3.7 million out of an allocated \$31.2 million for in service training was utilized. Following the project, a review of the training program was not completed.

WSSP

- A lack of training for project staff limited project efficiency. The cost of the project was increased due to reliance on outside staff. A single staff training session was not conducted throughout the entire project implementation period.

TCMDP

- Training essential to manage the project was delayed. These delays were caused by personnel turnover in the ministry and the evaluation committee.

Project reports with identified strengths in Human Resources:

Using our methodology three projects were identified as having implementation strengths. Three types of strengths were found: “Professional capabilities”, “Experience and familiarity” and “Structural support.”

Professional capabilities

The professional capabilities demonstrated by project staff helped the implementation process significantly in two different projects. When the members of project implementation units made use of these capabilities, their positive contributions to project implementation were recognizable.

PSSP

- The contributions of the project coordination unit (PCU) were found to be excellent as they met all the required outputs. Additionally, the same PCU was maintained for Privatization Social Support Project 2 (PSSP-2).

EKRP

- The project implementation unit was effective in managing emergency programs. The unit mitigated implementation bottlenecks proactively. It was later identified as a team with strong technical capacity for reconstruction activities.

Experience and familiarity

The level of both experience and familiarity with Bank reduced inefficiencies in the EKRP project.

EKRP

- Project managers were experienced and familiar with Bank procedures. The Housing Development Administration (HAD) had previously carried out its activities under the existing project implementation unit which was established in 1992.

Structural support

Structural support applies to the Economic Reform Loan. The two elements were important: 1) the implementation of national laws that were needed to meet the project goals 2) the introduction of national measures to improve both service and final output.

ERLP

- In 1999, the implementation of the pension law increased both the retirement age and minimum contribution. This introduced structural reforms within the overall social security reform program that were needed to meet project goals. An

unemployment insurance scheme was also established. This met the structural reform objective as additional measures to modernize and improve social insurance were needed.

In summary, a total of five projects were found to have had implementation weaknesses in human resources while three had strengths in this area. None of the projects studied exhibited both weaknesses and strengths in this category. Only one project, the Export Finance Mediation Loan, had neither identifiable weaknesses nor strengths in human resources.

Section 3: Coordination findings across projects

Category definition: Strengths and weaknesses that stem from issues regarding interaction between two or more organizations involved in implementation.

Figure 3: Coordination weaknesses and strengths across projects

Project Name	Weakness	Strength
Basic Education Project (BEP)	X	
Export Finance Mediation Loan (EFML)		X
Industrial Technology Project (ITP)		X
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	X	
Turkey Commodities Market Development Project (TCMDP)		
Economic Reform Loan (ERLP)	X	X
Participatory Privatization Irrigation Project (PPIMP)		X
Privatization Social Support Project (PSSP)		
Earthquake Rehabilitation Project (EKRP)	X	

Project reports with identified weaknesses in Coordination

Using the given methodology, four projects suffered from coordination weaknesses during implementation. Two types of weaknesses were found: “Coordination among ministries and stakeholders” and “Hierarchical decision making.”

Coordination among ministries and stakeholders

Three projects had issues of coordination among project stakeholders. This resulted in unmet project objectives and delays which impacted the overall project.

BEP

- Within the Ministry of Education (MONE), there were coordination and collaboration problems between the head office and line units in the provinces. In addition, information flow within the ministry declined towards the end of the project implementation period.

EKRP

- A lack of communication between the State Hydraulic Works and other state organizations held back the achievement of certain project outcomes. In general,

the nature of agency communication made coordination between agencies difficult in the context of an emergency. Coordination and procurement efforts were complicated by the fact that many contractors working on the project arrived from different countries.

ERLP

- Disagreement among key agencies on how to complete the privatization process was the major weakness exhibited by this project.

Hierarchical decision making

One project suffered from a coordination weakness due to decisions being made from a central office which were not aligned with the decisions made by field units.

WSSP

- Hierarchical decision making created a disconnect between the work completed by line units and the head office of the Cesme-Alacati Union. This was evident when the private contractors that were hired by the Bank that provided to be unpopular with local officials.

Project reports with identified strengths in Coordination

According to our methodology, four projects exhibited coordination strengths during implementation. Specifically, two types of strengths were found: “Participation during implementation” and “Coordination by a central entity.”

Participation during implementation

Three projects benefited from strong participation and collaboration between the implementing agencies during the course of the project implementation period.

ITP

- The participatory approach taken during implementation by the main stakeholders contributed to positive outcomes. Since the main goal of the project involved assisting private sector firms, additional effort was needed to inform these firms about how to work with Bank projects. A participatory approach to accomplish this task resulted in greater overall collaboration between stakeholders.

EFML

- The project exhibited excellent collaboration from stakeholders as a result of project design. In particular, the lending processes used allowed opportunities for self examination and feedback between agencies.

EKRP

- A high level of commitment from the project implementation unit provided greater coordination between the Government of Turkey and the Bank.

Coordination by a central entity

PPIMP

- An effective PCU was contributed to several successful outcomes related to coordination. For example, the PCU actively promoted the project across the country and was active in disseminating materials relevant to the project. As many of these materials needed to be translated into Turkish, there was need for coordination by a central entity.

In summary, a total of four projects were found to have had implementation weaknesses in coordination. Four projects were found to have strengths in this area. Only one project, the Economic Reform Loan, had both weaknesses and strengths in this category. The Turkish Commodities Market Development Project and the Privatization Social Support Project did not have identifiable strengths or weakness in coordination.

Section 4: Evaluation findings across projects

Category definition: Problems that stem mainly from an inability to accurately assess and measure the intended outcomes. For example, project duration and cost were poorly calculated.

Figure 4: Evaluation weaknesses and strengths across projects

Project Name	Weakness	Strength
Basic Education Project (BEP)	X	
Export Finance Mediation Loan (EFML)	X	
Industrial Technology Project (ITP)		X
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	X	
Turkey Commodities Market Development Project (TCMDP)		X
Economic Reform Loan (ERLP)	X	X
Participatory Privatization Irrigation Project (PPIMP)	X	
Privatization Social Support Project (PSSP)		
Earthquake Rehabilitation Project (EKRP)		X

Project reports with identified weaknesses in Evaluation:

Using our methodology, five projects were identified as having weaknesses in evaluation during the implementation period. Two types of weaknesses were found: “Poor anticipation of project obstacles” and “Poor assessment of project benefits.”

Poor anticipation of project obstacles

Across projects, numerous obstacles were found that negatively impacted outcomes. Such obstacles could have been easily avoided if more thought was given when measuring the intended outcomes of projects.

WSSP

- Private contractors were more expensive than anticipated. The bank made a mistake by underestimating the costs of hiring private operators to manage the water supply and sewerage. As a result, project implementation became far more expensive than anticipated.
- All project documents were prepared in English without Turkish translation. The Bank and project managers should have anticipated the problems this would

cause. As only one staff member spoke at the time, transmitting the details to local project managers was difficult.

EFML

- Problems related with the timing and quality of data from financing private banks caused delays in analyzing the Bank's performance. Though a few of the implementing agency banks had worked with World Bank projects previously many had not and this could be the reason for these delays.

Poor assessment of project benefits

There was a general lack of assessment across projects on how the outcomes of the projects would meet the overall needs of the target population. This represents a weakness in evaluation.

EFML

- This project had small overall impact on exports when compared to the entire Turkish economy. This comparison, however, does not take into account the effect on export sector which is the focus of this project. A better comparison is needed to evaluate the true impact of the project.

BEP

- Outputs related to creating information technology (IT) rooms and training IT coordinators were poorly evaluated. Goals related to these outputs were achieved, but poor evaluation limits how the impact can be measured. For example, the number of IT coordinators working in Turkey before the project began was not recorded. Therefore, it was impossible to determine the true measure of the impact that the project had.

Project reports with identified strengths in Evaluation:

Using our methodology, four projects were identified as having strengths in evaluation during the implementation period. Two types of strengths were found: "Increased institutional capacity" and "Improved monitoring."

Increased institutional capacity

In certain cases, a project increased the productivity and capacity of individual institutions.

TCMDP

- Prior to project implementation, standards for grading wheat and cotton in Turkey did not exist. Subsequent to project completion, wheat and cotton is graded according to the criteria that the project established. This development was a major step forward in facilitating trading for these commodities.

ERLP

- The Value-Added Tax (VAT), which was introduced as a part of this project and other tax increases led to an increase in Gross Domestic Product (GDP). The introduction of a package of new taxes fulfilled the fiscal reform objective of the project and structural reform measures were implemented to strengthen the tax system.

Improved monitoring

Across the projects in our sample, we were able to evaluate mechanisms that were put in place to ensure transparency and successful project outcomes. Projects were measured according to progress made in order to ensure compliance and a high level of staff performance.

ITP

- The project had strong monitoring and evaluation mechanisms. Three sets of indicators were used to measure progress. These indicators were designed in consultation with participating organizations. The development impact of the project was measured by analyzing survey data that was collected with assistance from the State Institute of Statistics.

EKRP

- Measures of financial accountability were observed throughout the implementation of this project. For example, all project expenditures were authorized before they were incurred.

In summary, a total of five projects were found to have had implementation weaknesses in evaluation. Four projects were found to have strengths in this area. The Economic Reform Loan was found to have both weaknesses and strengths in evaluation. The Privatization Social Support Project had no identifiable weakness or strengths in this category.

Section 5: Accountability findings across projects

Category definition: Problems that stem mainly from a lack of transparency, financial controls or managerial controls. A lack of control in management, for example, led to the misappropriation of funds in a project.

Figure 5: Accountability weaknesses and strengths across projects

Project Name	Weakness	Strength
Basic Education Project (BEP)		
Export Finance Mediation Loan (EFML)		
Industrial Technology Project (ITP)		X
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	X	
Turkey Commodities Market Development Project (TCMDP)	X	X
Economic Reform Loan (ERLP)		X
Participatory Privatization Irrigation Project (PPIMP)		
Privatization Social Support Project (PSSP)		X
Earthquake Rehabilitation Project (EKRP)		X

Project reports with identified weaknesses in Accountability:

Using our methodology, two projects were identified as having weaknesses in accountability during the implementation period. Two types of weaknesses were identified: “Lack of procedure” and “Financial mismanagement.”

Lack of Procedure

In a few projects, procurement procedures were not correctly followed. This was especially evident in projects that dealt with privatization in Turkey. Many project managers lacked understanding on how the privatization process works. Further, there was a general disregard of the legal requirements of the privatization process among key government officials.

ERLP

- The sale of an electricity distribution company was completed without investigating the critical steps needed in the privatization process.

Financial mismanagement

In some cases, project funds that were meant for project implementation were diverted for other purposes. Additionally, organizations such as the Union of Chambers and Commodity Changes (TOBB) made poor use of their authority because they failed to follow the financial requirements established by the World Bank.

WSSP

- Municipal officials, in particular the mayors of Cesme and Alacati, consistently used the revenues generated by the project for unrelated purposes. These actions raise questions about the integrity of the project management.

Project reports with identified strengths in Accountability:

Using our methodology, five projects were identified as having strengths in accountability during the implementation period. Two types were identified: “Financial control within institutions” and “Improved technology.”

Financial control within institutions

There were several programs across projects which were introduced by either government officials or project implementation units in order to better manage funds.

ITP

- Each project agency opened four separate accounts so that each could monitor and oversee project expenditures. This proved to be an improvement upon earlier projects, which were based on one centralized account. Assigning accounts in this way distributed control and provided a measure of transparency for each agency.

PSSP

- Payments were made after government officials audited each case according to criteria of eligibility. This requirement was established by procedures agreed upon by the government officials.

EKRP

- The audit reports from participating entities were made available and major issues of accountability were avoided.

ERLP

- All budgetary funds, save one, were closed. Subsequently, this achievement helped meet the fiscal reform objective of the project. Specifically, this object was to improved public expenditure management and control.

Improved technology

Technological infrastructure was set up by project implementation units to ensure integrity, efficiency, and security of financial flows.

PSSP

- A well developed electronic information system was established. This system contributed to a transparent system of tracking employment and retirement status in the audits.

TCMDP

- This project was made stronger by establishing a vision of how a modern commodity exchange functions. This provided a level of transparency in transactions.

In summary, only two projects were found to have had implementation weaknesses in accountability. Five projects were found to have strengths in this area. One project, the Turkish Commodities Market Development Project, exhibited both accountability strengths and weaknesses. Three projects had no identifiable weaknesses or strengths in this category: Basic Education Project, Export Finance Mediation Loan and the Participatory Privatization Irrigation Project.

Section 6: Execution finding across projects

Category definition: Weaknesses and strengths in execution cannot be attributed to any other category. They are related to a variety of factors that impact project outcomes. Examples of weakness in execution include long delays in project implementation and procurement problems.

Figure 6: Execution weaknesses and strengths across projects

Project Name	Weakness	Strength
Basic Education Project (BEP)	X	X
Export Finance Mediation Loan (EFML)	X	X
Industrial Technology Project (ITP)	X	
Cesme-Alacati Water Supply & Sewerage Project (WSSP)	X	
Turkey Commodities Market Development Project (TCMDP)		
Economic Reform Loan (ERLP)	X	X
Participatory Privatization Irrigation Project (PPIMP)	X	X
Privatization Social Support Project (PSSP)	X	X
Earthquake Rehabilitation Project (EKRP)		X

Project reports with identified weaknesses in Execution:

Using our methodology, seven projects were identified as having implementation weaknesses. Four types of weaknesses were identified: “Implementation support”, “Procedures and procurement information”, “Implementation delay and funding execution” and “Service delivery.”

Implementation support

A lack of organizational support has been noted in three projects. This is identified as a consequence of issues in project coordination, legal issues and lack of resources. It is interesting to note that this was an identified strength in some of the same projects.

BEP

- The project coordination team could not satisfactorily support the implementation process. This led to reorganization in the middle of the project implementation period. The project coordination team was rearranged and external consultants were hired.

PPIMP

- The water users’ organization (WUO) was not legally recognized during the period of project implementation.

WSSP

- The resources needed to maintain the sewerage systems were not available during project implementation.

Procedures and procurement information

Problems in using the World Bank procurement processes were found on two projects.

EFML

- The procurement process imposed on the implementation agency was very restrictive.

ITP

- Agencies implementing the project were not aware of how flexible the Bank procurement procedures actually were.

Implementation delay and funding execution

Two of the nine projects faced systematic delays. These delays were related to: problems in the approval processes, administrative procedural delays, fragmentation of implementing agency, and difficulty in meeting with beneficiaries in spread out in rural areas.

BEP

- Only 3 out of 11 planned assessments were completed. Long delays in implementing these assessments took up time and resources needed to fulfill the assessments that were not completed. In general, the project was implemented slowly because of the fragmented nature of the agency, slow approval processes and the distance between remote provinces.

PSSP

- The project faced a delay of about a year because payments were distributed slowly during the first half of the implementation period. Studies required to complete the project were delayed because privatization process was postponed. As a result, the actual findings of these studies were unavailable for use in other components of the project.

Service delivery

Problems with the quality and quantity of service delivery were identified in three projects. The reasons that were found related to this type of weakness include a lack of knowledge about target capacity.

EFML

- Small firms with little credit history were unable to secure loans despite good project ideas. The demand for these loans among small firms was greatly underestimated.

PSSP

- This project suffered because of the quality of service being offered: the types of jobs offered, generally low skill job with minimal wages, were not appropriate for the target population.

PPIMP

- Both the quality and quantity of training services provided to the Water Users Organization (WUO) was insufficient. In addition, there was a lack of an evaluation system for the project. Therefore, it was not possible to confirm that the revenues generated by the WUO were higher than the operation cost.

Project reports with identified strengths in Execution:

Using our methodology, six projects were identified as having implementation strengths. Four types of strengths were found: “Implementer capacity”, “External support”, “Procedures and procurement information” and “Recipient capacity.”

Implementer capacity

Specific capabilities in key units in charge of implementation played an important role in five of nine projects. One of the most highly commended units was the project implementation unit.

EFML

- Those in charge of project implementation were able to draw on the lessons learned from previous credit line projects.

BE

- Government construction of schools was exemplary and provided needed classrooms. As the Government of Turkey had experience in school construction, they were able to build on past experience in this area.

PSSP

- Implementing agencies played a key role in the success of the project. Specific example of this include: managing the implementation process, discussion of the project with stakeholders, establishing an information system, and identification of best practices.

PPIMP

- The implementation of the project was facilitated by strong support from the principal implementing agency. Agency staff in both Ankara and at the regional levels provided enthusiastic support to the devolution of responsibility for irrigation systems.

EKRP

- The project implementation unit was very well organized and effective.

External support

One particular project demonstrated a positive connection between external support and the project outcome. The legal structure and the resources used in this project, beyond the implementing agencies, were provided by externally. A common aspect shared by both of these projects was their broad national impact. This impact led to government commitment for legal and external support, economic reforms, and greater resources commitment during natural disasters.

EKRP

- The budget and staff resources that were allocated in order to complete project implementation were sufficient.

ERLP

- An Electricity Market Law was passed in 2001. This established an independent regulatory agency.

Procedures and procurement information

The use of Bank procurement processes was recognized by those involved with the PPIMP project as a best practice.

PPIMP

- Several project participants reported that the use of Bank procurement procedures saved considerable money.

Recipient capacity

One of the projects was positively affected by the capacity of the target population to carry out and follow the projects outcomes.

EFML

- The good performance of the target companies that received these loans was partially due to the fact that most all had previously established a presence in the export market.

In summary, most of the projects studied exhibited implementation weaknesses and strengths in this category. Two projects, the Industrial Technology Project and the Water Supply & Sewerage Project were found to have had only execution weaknesses. Only strengths in evaluation were found in the Earthquake Rehabilitation Project. One project, the Turkish Commodities Market Development Project, had no identifiable weaknesses or strengths in this category.

Summary of findings

The summary below lists the strengths and weaknesses found throughout the nine projects and is divided into six categories. The weaknesses will be used provide suggestions for improvement in future projects while the strengths will serve as indicators for best practices.

Category	Results	
	Weaknesses	Strengths
<i>Planning</i>	<ul style="list-style-type: none"> • Lack of planning for long term objectives • Needs assessment • Failing to plan for known potential pitfalls 	<ul style="list-style-type: none"> • Design flexibility • Planning objectives around or consistent with favorable conditions
<i>Human Resources</i>	<ul style="list-style-type: none"> • Changing and underutilization of people • Lack of training support system 	<ul style="list-style-type: none"> • Professional capabilities • Experience and familiarity • Structural support
<i>Coordination</i>	<ul style="list-style-type: none"> • Coordination among ministries and stakeholders • Hierarchical decision making 	<ul style="list-style-type: none"> • Participation during implementation • Coordination by a central entity
<i>Evaluation</i>	<ul style="list-style-type: none"> • Poor anticipation of project obstacles • Poor assessment of project benefits 	<ul style="list-style-type: none"> • Participation during implementation • Coordination by a central entity
<i>Accountability</i>	<ul style="list-style-type: none"> • Lack of procedure • Financial mismanagement 	<ul style="list-style-type: none"> • Financial control within institutions • Improved technology
<i>Execution</i>	<ul style="list-style-type: none"> • Implementation support • Procedure and procurement information • Implementation delay and funding execution • Service delivery 	<ul style="list-style-type: none"> • Implementer capacity • External support • Procedures and procurement information • Recipient capacity

Recommendations

The following suggestions are based on the weaknesses and strengths found across projects. This includes remedies for identified weaknesses and suggestions to build upon observed strengths. The recommendations correspond to each category of analysis that was identified in the methodology: planning, human resources, coordination, accountability and evaluation. The execution category encompasses broader suggestions that are applicable to overarching strengths and weaknesses.

Planning

- Incorporate periodic benchmarks that assess progress towards institutional development goals during project implementation. This would help prevent the goals from being postponed until the final stage of the project.
- Improve needs assessment to prevent the underestimation of resources required to meet project objectives.
- To the extent possible, anticipate political events which could affect project outcomes.

- Assure that project designs in future projects have some amount of flexibility built in. This is particularly relevant considering how this has contributed to favorable outcomes in past projects.
- Examine current government priorities to determine overlap with project goals. The effectiveness of this approach is evident in development organizations that have adopted it, such as the United States Agency for International Development (USAID) and the Peace Corps.³⁴

Human Resources

- Implement a training support system for key teams and units within projects in order to improve professional capabilities.³⁵
- Assess the people implementing a project in order to provide inputs “for the design and evaluation of training systems.”³⁶ This needs assessments should include both the project implementation units and cross sector units.
- Develop short-run and long-run training programs for managers and key staff members before and during the implementation process.
- Coach civil servants and consultants, focusing on project specific technical, managerial, and coordination skills.³⁷
- Develop a system to identify barriers to covering training needs. Additionally, improve the conditions for training the trainers.
- Provide a guarantee of knowledge flow across both project and agency by developing a basic agreement for the continuity of management.³⁸
- Design strategies to ensure smooth transition of management in case of personnel changes. This can improve the allocation and redistribution of knowledge across project implementation units.
- Develop stakeholder networks in order to protect managerial capabilities amidst political pressure.

Coordination

- Clarify functions and roles among the units and implementing agencies involved in implementation. For example, each agency should have clearly defined expectations about their role. This definition needs to be disseminated throughout implementing agencies.
- Incorporate at least one representative from the line unit in each implementing agency when making procurement and contract decisions.
- Expand and empower the “central coordination unit” in charge of project coordination to assure all stakeholder agencies define success in the same way.

³⁴ Vasquez, Gaddi. “Paving the Way for Entrepreneurs to Enter the Market Economy.” Economic Perspectives. February 2004. <http://usinfo.state.gov/journals/ites/0204/ijee/vasquez.htm>

³⁵ Goldstein, Irwin L. defines training process as “the systematic acquisition of skills, rules, concepts, or attitudes that result in improved performance in the work environment” (Goldstein, Irwin L., 2005. pg. 385).

³⁶ Goldstein, Irwin L., 2005. Pg.386.

³⁷ Latham and Morin define coaching as “an on-site training method that can be used to increase the knowledge, skills and abilities (...) of trainees in entry level as well as in managerial position. A coach (e.g., supervisor, trainer, peers) provides guidance by setting goals that are difficult, yet attainable”. (Latham and Morin, 2005. pg. 57)

³⁸ Shad Morris, Scott A. Snell and David Lepak (2005) pg.57-90

- This is critical as a lack of coordination is often cited as a reason for poor project outcomes.³⁹
- Increase collaboration between participating agencies and the Bank to better realize cooperation efforts between the two organizations.

Evaluation

- Assure that all potential stakeholders have at least a basic understanding of project objectives and components. This contributes to the vision of the project and minimizes unnecessary redundancy in project implementation.
- Improve efforts by both the Government of Turkey and the Bank to ensure all relevant documents are translated from English to Turkish.
- Develop methodologies to incorporate evaluation feedback into the management process. This ensures improvements to performance and the correction of undesired behavior.
- Improve the needs assessment system to reduce the overestimation or underestimation of target population needs.
- Implement a self-evaluation process for project implementation units in order to improve performance.
- Incorporate multiple approaches to the delivery or implementation method used in projects. This is known as a process evaluation in the social research field.⁴⁰

Accountability

- Allow project managers in the implementation units to fully exercise their authority over projects. This will minimize unwanted interference during project implementation and ensure accountability. According to the Partnership Governance and Accountability (PGA) framework, “Clarity of Authority” is needed for those in leadership positions to make effective decisions.⁴¹
- Turkey and the Bank should make an effort to conduct seminars for project staff in order to reinforce project objectives. This exercise should take place before and during project implementation. Furthermore, documents listing project objectives should be translated into Turkish to avoid a knowledge gaps in expectations.
- Guarantee that the implementing agency assesses the characteristics and needs of the target population or project beneficiaries when designing an appropriate training and delivery processes. This contributes to the development of appropriate skills and knowledge in the personnel of the implementing agencies.

Execution

- Develop protocols with clear instruction on how to proceed in an emergency situation.
- Improve the assessment process during each phase of implementation in order to reduce overestimation of inputs.

³⁹ Sommers, Adele. “Managing Project Risks: 10 Major Mistakes Your Team Can Avoid.” [ImpactFactory](http://www.impactfactory.com/p/managing_team_project_risk_skills_training_development/friends_1134-0106-86782.html). 2005.

http://www.impactfactory.com/p/managing_team_project_risk_skills_training_development/friends_1134-0106-86782.html

⁴⁰ “Introduction to Evaluation” Social Research Methods Online. 2006.

<http://www.socialresearchmethods.net/kb/interval.php>

⁴¹ “Partnership Governance and Accountability Framework: Reinventing Development Pathways.” PGA General Report Online. 2006.

- Improve the process of making financial decisions. Projects need to be managed by specialist units that are authorized to make decisions and respond quickly to sudden change.
- Maintain the quality and capability of the human resources involved in the implementation.
- Incorporate the use of post-evaluation data as a tool to improve operational performance.
- Develop organizational capabilities to improve the learning process. The use of pre-existent units (such as PIU) was very effective but needs to transfer this capacity to other units and improve coordination among them.
- Incorporate knowledge from local communities affected by projects.
- In projects that relate to natural disasters, design preventive solutions by identifying how vulnerabilities can be reduced.⁴²

Limitations

Because the information contained in the reports was limited, it was difficult to assess the reasons that certain strengths and weaknesses existed. Outside sources and cross referencing of data between projects was used to infer possible reasons.

- The identification of our six categories was a subjective process. There are likely both weaknesses and strengths that overlap categories. We attempted to resolve this problem by sharing findings among the group members to reach consensus that strengths and weakness were being defined consistently between projects.
- Because of the nature of qualitative data, it was difficult to asses the level of impact of a single strength or weakness. It was not possible, for example, to assess if a project with multiple weaknesses in one category suffered more than one that had just a single weakness. This was overcome by refusing to make judgments based solely on the number of strengths or weaknesses present.
- The small sample size made it difficult to make broad generalizations. Our focus has been on identifying categorical strengths and weaknesses, but we cannot draw conclusions about the entire Turkish portfolio of World Bank funded projects.

Best practices

- Making use of the World Bank evaluated outcomes for project components allowed us to quickly identify strengths and weaknesses because of the explicit wording that the Bank used to signify the impact on outcomes.
- Originally the qualitative analysis was aimed at identifying weaknesses. In the midst of our analysis, it became apparent that much would be learned by also identifying strengths. Creating a list of strengths greatly improved our recommendations to the client.
- By creating six categories to classify strengths and weaknesses, it was feasible to compare implementation problems across projects.
- The presence of an “execution” category made it possible to classify larger problems which did easily fit into any other categories or represented a combination of more than one category.

⁴² World Bank Independent Group (IEG). “Lessons from Natural Disasters and Emergency Reconstruction.” January 10, 2005. <http://www.worldbank.org/oed/disasters/#top>.

- The task of developing a methodology was made easier by selecting projects that were completed in the last 10 years, as project reports during that period were written in a common format.

Chapter 6: Recommendations

By Ashley Brown, James Wilson, and Mete Demirci with contributions from Aykut Erdogan

Our findings and analysis have allowed us to develop recommendations that will help the Turkish government better implement World Bank financed projects. These recommendations represent the synthesis of our entire body of work, drawing upon the findings and suggestions discussed earlier in this document (refer to Chapters 2 through 6). The team members with experience working for the Government of Turkey provided the insight needed to ensure that our suggestions were feasible. In summary, these recommendations are intended to be practical ways that the Government of Turkey can use World Bank funds more effectively and efficiently.

We identified the following three ways that the Government of Turkey can better implement World Bank financed projects:

- Improved planning
- Greater transparency
- Increased accountability

Planning

The findings of this study reveal that more effective planning can improve the implementation of World Bank funded projects in Turkey. Improvements in the planning stage stand to benefit project outcomes and, consequently, are worthy of attention.

Figure 1 below illustrates how the findings mentioned in Chapters 2, 3 and 5 contribute to the recommendation for increased planning. Based on our managerial analysis, a weakness in planning was identified in six of the nine projects (see Chapter 5). For instance, several projects showed a lack of detailed timelines and insufficient attention to external factors that may impact project outcomes. There were also observed weaknesses in coordination that could be overcome, in part, through better planning. For example, projects were often delayed due to the fact that loan disbursements and government budget outlays did not coincide.

Our comparison of loans between the World Bank and European Investment Bank (EIB) in Chapter 2 revealed that EIB loans are often a more attractive alternative. This should be taken into account as the government of Turkey identifies and plans potential projects. Decision-making during the planning stages of projects can also be improved by our evaluation of loans in real terms; our findings in Chapter 3 reveal that interest rate variability greatly influences the cost of various projects such that market conditions should be closely considered. Moreover, better planning has the potential to shorten the length of a loan which lowers the effective rate.

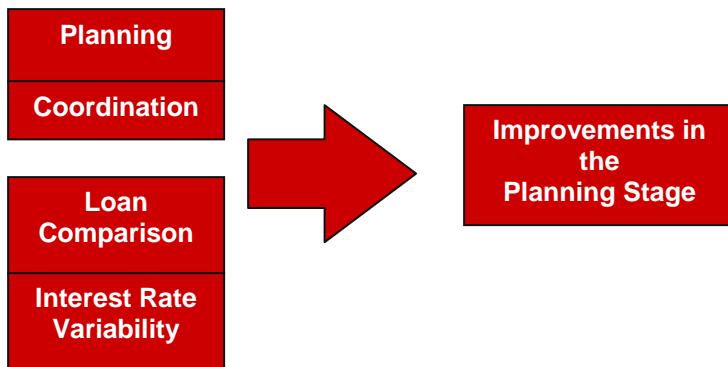


Figure 1

In order to improve planning, the following suggestions were developed:

- **Project Implementation Units, Treasury Controllers, and the State Planning Organization should be involved in the planning process.** Given that the project implementation units oversee the execution of projects, it is important to have their buy-in, which is best obtained during the planning phase. If these individuals are able to influence the planning stage, then they will feel more ownership towards the project. Treasury Controllers oversee and audit a variety of internationally financed projects, and consequently, have great insight about potential challenges and common obstacles. This foresight should be incorporated into project plans in order to minimize subsequent delays. Lastly, the State Planning Organization has individuals who are experts in overseeing large scale projects, and this resource should be tapped in order to improve project implementation.
- **Through better planning, loan disbursements can be aligned with the budget.** The Government of Turkey should take extra precautions to approve the funding of projects at the same time as the World Bank (or other funding institutions). To do so, greater communication may be required between the Government and the World Bank. Alternatively, standards may need to be developed so that both parties are clear and explicit about when funding will be made available. This is beneficial because it reduces both the length and cost of future loans.
- **Best practices should be identified across funding organizations.** Turkey should evaluate the strengths and weaknesses of various international funding organizations (both in terms of loan conditions and project implementation) and then incorporate the strengths into all funded projects. Our findings in Chapter 2 revealed that the EIB has recently offered more favorable loan terms to Turkey, and there may be additional differences between funding organizations that should be accounted for in the selection of projects and the initial planning stages.
- **External factors and vulnerabilities should be identified.** While not all external conditions can be accounted for in advance, some events such as political elections should be considered when planning the timeline of a project. Given that political, economic, and social factors can all influence the implementation of a project, there should be sufficient efforts to mitigate negative consequences. Similarly, market conditions and interest rate variability should be closely examined prior to loan agreements; decision-making during the planning stages of

a project can be improved by our evaluation of loans in real terms. Both the real interest rate and real repayment values should be determined before future loan agreements are signed (refer to Chapter 3). Finally, all of the above has the capacity to lower the duration of the loan and, thereby, minimize future repayment costs.

Transparency

In addition to planning, the findings of this study revealed a need for greater transparency. A more transparent approach in the selection, execution, and evaluation of projects can lead to gains in efficiency, and consequently, help the Turkish government to more effectively use World Bank funding.

As shown in Figure 2, there were several findings that led our team to conclude that increased transparency would improve future use of World Bank loans. First, our findings in Chapter 3 reveal that the selection of discount rates influences the perceived opportunity cost of projects. More broadly, the criteria used to select and justify pursued projects can be manipulated to defend a wide range of projects. Through our close examination of nine recent (as summarized in Chapter 1) World Bank projects, it was also evident in Chapter 5 that projects are not adequately monitored throughout the execution phase. The status of projects is also not readily available to stakeholders and beneficiaries, who may be able to offer recommendations to improve project execution. A more transparent process that increases that distribution of such information and allows for greater monitoring has the potential to minimize delays and enhance project outcomes.

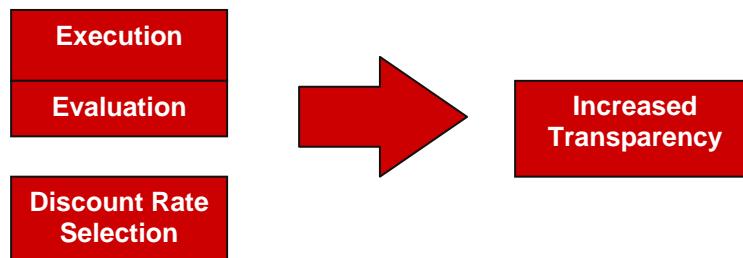


Figure 2

The following recommendations would help achieve greater transparency:

- **Projects should be selected based on well-defined criteria.** While different discount rates may be justified for projects depending upon sector and other factors as discussed in Chapter 3, the rationale should be clear and transparent. Otherwise, proponents of competing projects may be skeptical. Other criteria used to select projects should also be clear and consistently enforced so that stakeholders understand the procedures. These standards need to be agreed upon in advance to ensure that projects are undertaken for objective reasons, rather than political motives or short-term gains.
- **Interim reports should be prepared and made available to the public.** This increases access to information throughout the duration of projects and creates the opportunity to make modifications. For instance, beneficiaries of

projects may be able to provide valuable feedback to enhance the project outcomes while changes can still be incorporated. These interim reports should also include explanations for any delays as described in Chapter 5, which increases accountability and encourages project members to address obstacles along the way.

- **A central web site with key documents in English and Turkish should be accessible.** Again, this allows more stakeholders to have access to information, which enables improvements to be made throughout the project. Greater transparency also diminishes that amount of speculation and criticism that is based on inaccurate information. The need for document translation is more clearly laid out in Chapter 5.

Accountability

The findings from the financial and managerial analyses reveal that the Turkish Treasury should improve the accountability of World Bank financed projects. More specifically, Figure 3 below depicts the core findings—weaknesses in human resources and execution and the financial integrity of project implementation—that support this conclusion. Greater accountability has the potential to improve multiple phases of projects, and thereby, greatly influence the effectiveness of project implementation.

Our managerial analysis in Chapter 5 indicated that five of the nine projects exhibited human resource weaknesses. For instance, new managers did not effectively use staff because roles and responsibilities were not clearly defined in project documents. Moreover, there was an observed lack of adequate training for both management and staff. Seven of the nine projects examined in Chapter 5 also showed weaknesses in the execution phase. The general characteristics of these execution weaknesses were delays in procurement procedures and inadequate service delivery that stems from lack of knowledge with respect to beneficiary needs and/or capacity. Lastly, through the financial overview of the nine selected projects discussed in Chapter 4, our team discovered that there is a lack of financial management. In Chapter 5, the potential benefits associated with greater financial accountability were highlighted in the Industrial Technology Project, in which four separate accounts were created to foster financial responsibility.

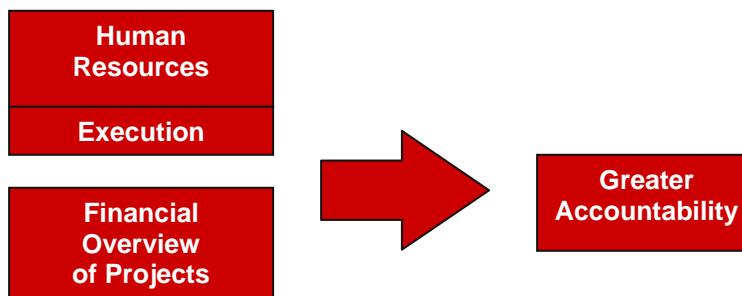


Figure 3

Based on these findings and the corresponding analysis, our team recommends the following:

- **Project Implementation Units and project managers need clearly defined roles.** In order to evaluate performance and increase accountability, expectations must be explicit and clear. Individual responsibilities need to be measurable, when possible, to facilitate evaluation. Moreover, these duties should be set at the beginning of the project so that a fair assessment can be completed. If requirements change throughout the project, then revised responsibilities should be documented and approved by project managers and the individuals involved (see recommendation for project charter below).
- **Project objectives should be clear and measurable.** Entire teams should be evaluated based on the completion of project objectives. Contingencies should be incorporated in *advance* for external events that unpredictably influence successful project implementation; otherwise, the failure to achieve outcomes can be blamed on “outside” factors, which may or may not be appropriate. The goal is to diminish the justification or defense of poor project outcomes.
- **Financial oversight of projects should be emphasized.** Project finances should be closely monitored throughout the projects, and audited interim budget reports should be made publicly available. Explanations should be required for exceeding allocated funding, and use of funding should be clearly documented to prevent misuse. When projects are completed, the actual use of funds should be compared to estimates to help in the financial planning for future projects.
- **Project charters can be used to define explicit standards for all projects.** Such charters should define targets and outcomes as well as roles and responsibilities. To hold individuals accountable, administrative penalties associated with unrealized tasks should be included.

Chapter 7: Suggestions for Future Research

By James Wilson and Mete Demirci

This study identified a number of areas that World Bank financed projects in Turkey can be evaluated with more research. Our team intended to design an econometric model to better understand the effects of World Bank project on specific sectors or geographic regions in Turkey. Due to limitations in available data and existing econometric modeling techniques this task could not be completed.

Our background research on econometric modeling revealed that the effects of foreign aid on the growth rate in Turkey are very low.⁴³ Despite this finding, we recommend that the Government of Turkey make greater use of econometric analysis in decision making. This is an area in which the Bank excels. For example, the Export Finance Intermediation Loan ICR reveals that the Bank used econometric analysis to measure the impact of the Turkish Technology Development Foundation on research and development.

Our intention was to incorporate a method of econometric analysis to evaluate project impacts in much the same way. Unfortunately, the needed data was not available from either the Bank or the Turkish Government. We urge the Turkish Treasury to work in conjunction with the Bank in order to collect the relevant data needed to determine project impact. This method of analysis has the potential to be an excellent tool for decision makers in the Government of Turkey.

In addition, our team attempted cost-benefit analysis as a method of project appraisal. Although adding up individual project costs was not difficult, determining project benefits was a challenge that we could not overcome. Our intention was to monetize the social and economic benefits of each project. In certain cases, these calculations are trivial because project benefits are essentially measured financial outcomes. Again, the Export Finance Intermediation Loan is a good example; computing the benefits of offering loans with low interest rates and higher maturity periods can be done with little difficulty.

For the Basic Education Project, however, measuring social benefits requires significant research. The impact of an education project can not be accurately measured until years after it is completed. For this project specifically, we were unable to find outcome measures such as increases in the number of students after the project was implemented or the changes in the student-teacher ratio. As cost-benefit analysis is a valuable tool for measuring project effectiveness, the client should consider measuring these outcomes.

Our final suggestion for the client is to make better use of the Audit Reports prepared by the Treasury Controllers. The members of our team with experience working for the Turkish Government have indicated that Treasury Controllers are responsible in the administrative system for auditing the World Bank financed projects. These reports were not referenced in the Bank documents that we analyzed and were not available to us in the early stages of our project. This limited the depth of our analysis as we did not have the project evaluations that were completed by the client. In conducting future research, both Audit Reports and Bank reports should be made available. This will allow for more comprehensive analysis and recommendations.

⁴³ Yalcin, Ebru. "İktisadi Büyüme Ve Dis Krediler." Ankara, 2005: p. 57.

Appendix 1: Background Information of Nine Projects

A. World Bank Evaluation Ratings

Project Name	Description	Starting Date	Closing Date	Overall Rating	Sustainability	Institutional development impact	Bank performance	Borrower performance
Basic Education Project	Improving rural access to schools	12-Aug-98	31-Dec-03	Unsatisfactory	Likely	Negligible	Unsatisfactory	Unsatisfactory
Export Finance Mediation	Providing credit to export related businesses	17-Jun-99	31-Aug-03	Satisfactory	Likely	Modest	Satisfactory	Satisfactory
Industrial Technology Project	Providing credit for firms to upgrade technological infrastructure	18-Oct-99	15-Jul-01	Highly Satisfactory	N/A**	N/A**	Satisfactory	Satisfactory
Cesme-Alacati Water Supply & Sewerage Project	Improving reliability and health of water and sewer systems	7-Sep-98	31-Dec-04	Satisfactory	Likely	Modest	Satisfactory	Satisfactory
Turkey Commodities Market Development Project	Establishing exchanges for rural based commodities (grain, cotton, etc)	26-Feb-99	30-Mar-03	Satisfactory	Likely	Modest	Satisfactory	Unsatisfactory
Economic Reform Loan	Improving governance and performance of public sector entities	18-May-00	30-Apr-04	Satisfactory	Likely	Substantial	Satisfactory	Satisfactory
Privatization Social Support Project	Mitigating negative social and economic impact of the privatization of state-owned enterprises (job-loss compensation)	22-Dec-00	31-Dec-05	Satisfactory	Highly Likely	Substantial	Satisfactory	Satisfactory
Participatory Privatization Irrigation Project	Privatizing and improving rural irrigation systems to user's organizations	24-Apr-98	30-Jun-04	Satisfactory	Likely	Modest	Satisfactory	Satisfactory
Earthquake Rehabilitation Project	Restoring infrastructure and improving flood and earthquake protection assist reconstruction from the Adana Earthquake	13-Oct-98	30-Sep-03					

** This project has not been ranked in these categories. Rather, it was ranked in "Risk to development outcome" as "Moderate".

B. Project Summaries and Sector Overviews

The Basic Education Project Project ID: P009089

Loan Amount: US\$300.0 million

Approval Date: June 23, 1998

Closing Date: December 31, 2003

Project Summary:

From the Project Appraisal Document, the objectives of the Basic Education project were: (i) the expansion of the capacity of basic education schools, (ii) training of teachers, school principals and inspectors, (iii) development of central and provincial implementation capacity to carry out the program, and (iv) creation of a mechanism to monitor and evaluate the outcomes of the program. Four components have been defined as follows: (i) expanded basic education coverage, (ii) improved basic education quality, (iii) program implementation support, and (iv) monitoring and evaluation. Project, bank and borrower performance are rated as “unsatisfactory.” Therefore, bank concluded many lessons from this project: improving monitoring and course correcting during implementation, focusing on institutional capacity building in monitoring and evaluation of projects is critical, and establishment of a project management structure is a prerequisite for implementation.

Sector Overview:

Turkey approved the law requiring basic education for the first eight years in 1973. But for some administrative and economic reasons, it was not able to fully implement this law. Many years were needed for the country to set up the infrastructure necessary for providing universal primary education, but since the 1980s almost all children between ages six and ten have been educated by public and private schools.

The literacy rate of Turkey in 1990 was 81%. There were remarkable public interests in expanded basic education in Turkey throughout the rest of that decade. In August of 1997, Turkish Parliament passed new Basic Education Law (no. 4306) that extended the duration of mandatory schooling from five to eight years and spelled out improvements in the quality and application of basic education.

Total annual expenditures for the Basic Education Program have been on the order of US\$3 billion. This amount includes investments in the building of new schools, the repair or expansion of existing buildings, buying of new computers, educational materials, hiring new teachers and other educational staff, as well as new recruitment and additional staff training. During the period of 1997-2002, with direct government funding and private contributions, the Ministry of National Education built 81,500 new primary-education classrooms that will increase classroom supply by 30%.

Export Finance Intermediation Loan
Project ID: P065188

Loan Amount: US\$253.0 million
Approval Date: July 6, 1999
Closing Date: February 28, 2003

Project Summary:

The project was designed to achieve two objectives: (i) to provide short and medium term working capital finance to private exporting firms to assist the Turkish exporting sector, (ii) to help establish long term sector development aligned with the Government's financial sector reform program. The 1998 global financial crisis starting from East Asian region hit the Turkish economy and hurt its export sector. After that, the World Bank approved the project appraisal related with providing credit to the exporting enterprises and technical assistance for Turkish Eximbank (a major public bank that finances export and import sectors). The loan was initially given to the Eximbank and the lending was done through six private banks that were selected according to the criteria agreed between Eximbank and the World Bank. Those six private banks made the sub-loans to private exporting enterprises for procurement of raw materials, equipment, works and services in order to expand their current exporting volumes. For most of the aspects, the project is rated as "satisfactory."

Sector Overview:

Since 1980, Turkey has changed its economic development policy from "import substituting industrialization" to "export led growth" strategy. Government opened economy up to world trade, export-promoting incentives (including tax exemptions, rebates and favorable credit terms), direct import controls have been eliminated, and quantity restrictions have been dismantled. Government reduced the intervention to the economy to minimum level. As a result of these efforts, Turkey has gained market share from 0.15% in 1980 to 0.6% in the year 2003. Between 1980 and 2004 exports of Turkey has increased from 2.9 billion dollars to 63 billion dollars. In 1980, structure of exported goods was mainly agricultural products and raw materials whereas as of 2005 it has changed to higher value added industrial products such as transportation vehicles and office equipments.

The share of the foreign trade in the whole economy has risen steadily starting from 1980s. The volume of foreign trade consisted of 8.6% of the GNP in 1970 while this share rose to 15.7% and 23.4% in 1980 and 1990, respectively.

In 2000, foreign trade volume rose to US\$82.3 billion while the export/import ratio was 51%. The share of foreign trade volume in GNP was 40.8%. In 2004 it's expected that foreign trade consists roughly 55% of GNP, while export/import ratio is 64.7%. Also, the share of industrial products in total exports reached to 84.8%, while it was 83.7% in 2003.

**Industrial Technology Project
Project ID: P009073**

Loan Amount: US\$155.0 million
Approval Date: July 17, 1999
Closing Date: April 30, 2006

Project Summary:

From the Project Appraisal Document, the objectives of the Industrial Technology project were: (i) help harmonize the Turkish technology infrastructure with European Union Custom standards, (ii) provide funds to the firms in upgrading their technological capabilities to improve the competitiveness of the Turkish industry. In order to achieve above objectives, four components have been defined: (i) strengthening of industrial property rights services, (ii) strengthening of metrology services, (iii) restructuring of R&D institutions, and (iv) supporting technology upgrading by firms. The project was rated as “highly satisfactory” in terms of outcome; bank and borrower performance received ratings of “satisfactory.”

Sector Overview:

The Government acknowledged its key role in providing a suitable environment for technology development. In the 1990s, Turkey passed various laws regulating industrial property rights and established or reorganized several institutions: TUBITAK, Technology Development Foundation of Turkey (TTGV), the National Metrology Institute (UME), Small and Medium-sized Industry Development Organization (KOSGEB), R&D support schemes, Turkish Patent Institute (TPE), Turkish Accreditation Agency (TURKAK), technology development zones/techno parks, etc.

In order to further promote innovation among Turkish industry, the Government initiated a scheme known as TİDEB (currently known as TEYDEB) to provide grants to private firms for R&D activities. The government also granted public research institutions some degree of autonomy to become more market-oriented and reduce their dependence on government funding.

After the trade liberalization policies and negotiations with European Union, Turkish industry has needed to increase substantially from low-skill goods to advance products that are demanded by the outside customers. These changes required heavy demands on the Measurement standards infrastructure and necessitate further expansion and strength. Therefore, promoting private sector efforts for technology through a intermediary such as TTGV would become more important.

Privatization Social Support Project
Project ID: P069894

Loan Amount: US\$250.0 million
Approval Date: December 21, 2000
Closing Date: December 31, 2005

Project Summary:

The development aim of this loan was to provide direct support the privatization programs launched by the government of Turkey. The project included four components: Job Loss Compensation, Labor Redeployment Services, Social Impact of Economic Reform Program and Project Management. The active measures included training, temporary work, and small business consulting components. The project components were designed to complement one another to provide a comprehensive social support intervention to privatization. The project outcome was given a “satisfactory” rating. Sustainability was judged to be highly likely and the institutional development impact was substantial. Both Bank and borrower performance were declared “satisfactory.”

Sector Overview:

By the end of the past century, it was clear that the structural reforms that Turkey implemented during the 1980s and 1990s failed to deliver the favorable employment and wage growth predicted by the proponents of reform. The 1997 Country Assistance Strategy noted that several state owned enterprises (SOEs) have been a major drain on the Turkish economy and should be privatized. Privatization came at cost; between the end of 2000 and the beginning of 2003, the unemployment rate doubled. Two programs targeting displaced workers were initiated by the Bank during this period. The first was the Privatization Implementation Assistance and Social Safety Net Project (PIAL), which was started in 1994. These funds provided by this project were underused because privatization did not proceed as planned. The Privatization Social Support Project was the second.

Participatory Privatization of Irrigation Management and Investment Project
Project ID: P009072

Loan Amount: US\$20.0 million

Approval Date: October 14, 1997

Closing Date: June 30, 2004

Project Summary:

The project was launched with the following aims: (i) strengthen irrigation-related institutions by enabling the State Hydraulic Works (DSI) and the General Directorate of rural services (GDRS) to provide guidance and technical support to water users' associations (WUO), (ii) by helping WUOs to fulfill their responsibility for irrigation management and investment, (iii) relieve the public sector of funding and subsidizing the cost of irrigation operation and maintenance, (iv) initiate a process of reducing public sector responsibility for funding and managing irrigation investment, and (v) promote efficient and sustainable use of irrigation systems. The outcome was received a rating of "satisfactory" and sustainability was declared likely. The institutional development impact was declared substantial; the Bank and borrower performance both earned "satisfactory" ratings.

Sector Overview:

The agricultural sector is responsible for over 70% of the total water consumption in Turkey. Water scarcity has become of major concern since 1960s and efforts have been made to better manage and ensure the efficient use of water for sustainable agricultural development. With support from the Bank, the DSI sent more than 50 senior officials to USA and Mexico in 1993 to investigate the technical, legal and institutional aspects of the transfer of irrigation systems. These visits have had substantial effect; an ambitious program of devolution to transfer management responsibility for large scale irrigation systems to local control was started soon after. Under this program, the DSI transferred control of irrigation systems to locally controlled irrigation associations.

Turkey Emergency Flood and Earthquake Recovery Project

Project ID: P058877

Loan Amount: US\$191.0 million
Approval Date: September 10, 1998
Closing Date: September 30, 2003

Project Summary:

The loan was intended to assist the government of Turkey in restoring basic infrastructure in municipalities and rural areas affected by flood and earthquakes. Several vulnerability reducing investments were made, including 13 flood protection schemes in the West Black Sea Flood region. Achievements in infrastructure construction included the rehabilitation of sewerage systems, municipal and rural roads, water supply systems, and bridges. Private housing was rebuilt in direct response to the Adana earthquake: 5,000 urban housing units were constructed, and 3,131 rural beneficiaries received funding that enabled them to complete the reconstruction of their houses. The Operations Evaluations Department (OED) rated the overall outcome as “satisfactory.” Sustainability was rated as likely and institutional development as modest. Performance from both the Bank and borrower were rated “satisfactory.”

Sector Overview:

In the last century, Turkey has experienced 130 earthquakes (5.0 magnitude and above) which have caused approximately 80,000 casualties and heavy damage to 450,000 buildings. Between 1992 and 1999, earthquakes in Turkey killed approximately 18,000 people and caused an estimated US\$20 billion in damage. Turkey ranks among the Bank’s top 10 borrowers for natural disaster recovery and management. Since 1992, the Bank has responded to six disaster emergencies in Turkey with four loans. TEFER was originally intended to assist in recovery of natural disasters that occurred in 1998; the Marmara earthquake in August, 1999 was Turkey’s most devastating natural disaster in recent history. This second earthquake delayed and restructured the implementation of the project.

Cesme-Alacati Water Supply & Sewerage Project **Project ID: P008985**

Loan Amount: US\$13.1 million

Approval Date: April 14, 1998

Closing Date: December 31, 2003

Project Summary:

The Cesme-Alacati municipalities are popular tourist destinations during the summer months, and the pre-existing water and sewerage systems were unable to meet the needs of the higher population levels. The number of residents increases from approximately 20,000 to 100,000 during the summer. As a result, private, uncontrolled wells were primarily relied upon to meet demand. Moreover, poorly maintained septic tanks were resulting in private sewage treatment plants infiltrating the groundwater, thereby, posing serious health risks. This project had three main objectives, including: institutional development of the union overseeing the water systems in these municipalities; improved operational conditions of the water supply system; and completion of the sewerage system. The project was considered “successful” in developing new institutional arrangements and “partially successful” in improving the efficiency of water operations.

Sector Overview:

Six institutions, including the State Planning Organization, oversee water and sewerage services at the national level in Turkey. In the major cities, autonomous utilities owned by the metropolitan and district municipalities share responsibility for the delivery of the services. In smaller municipalities, such as Cesme and Alacati, municipal departments have this obligation. These departments are often unable to finance such investments and manage the projects, in which case a municipal union can be formed to do so. The unions, under Law 1580, have the legal ability to exercise authority over the services and have full ownership of the assets. Within this context, the World Bank’s strategy has changed over time within the sector. A few decades ago during the 1970s, the emphasis was on soundly designed and implemented physical facilities. However, there was limited success in improving the institutional performance of water utilities. Consequently, most strategies today promote private participation to provide assistance, especially within smaller municipalities.

Turkey Commodities Market Development Project
Project ID: P048851

Loan Amount: US\$4.0 million
Approval Date: July 16, 1998
Closing Date: March 30, 2003

Project Summary:

The Turkish government has been dedicated to a broad program to reduce its intervention in the agricultural sector. This project, in particular, was intended to strengthen the commodity-based infrastructure as a way to increase marketing efficiency and assist the government in diminishing its intervention. The specific objectives included: increased marketing efficiency of grains and cotton; demonstrate the benefits of increased private commodity marketing; and provide a model for development of other private exchanges. Overall, the project received a “marginally satisfactory” rating. There were a number of flaws, but it was assessed that the benefits outweighed the shortcomings (although only a third of its loan funds were disbursed). For a relatively small investment, there were substantial benefits in terms of paving the way for future agricultural reforms and development of commodity exchanges.

Sector Overview:

Turkey exhibits great potential for rural growth in regions where many of the country's poorest citizens live. The country is the world's 11th largest producer of grains and the 6th largest producer of cotton. However, during 1975 through 1996, the agricultural sector only grew at about 1% per year, while GNP growth was around 3.4% per year. As a share of the whole economy, the sector diminished from 36% to 15% over the same time period. Heavy government intervention, including trade controls, government procurement, and input subsidies, has played a substantial role in the slow growth. Government involvement resulted not only in the reduction of efficiency of agriculture production but also added to the country's fiscal deficit. One the main reasons that the government has been reluctant to decrease its involvement is the concern that the private sector will be unable to fill the void. This project was intended to provide evidence of the improved efficiency of commodity marketing possible through lowered government involvement and to help define an appropriate role for the government in the agricultural sector.

Economic Reform Loan
Project ID: P068792

Loan Amount: US\$759.6 million
Approval Date: May 18, 2000
Closing Date: March 31, 2003

Project Summary:

This loan was intended to assist Turkey in the implementation of an economic reform program through financing for the balance of payments and the budget. Core structural components of the program were considered critical to ensure the sustainability of the disinflation program, to create the foundation for restored growth, and to strengthen public sector governance. The main components included: macroeconomic performance; fiscal reform and adjustment; social security reform; agricultural reform; telecommunications reform; energy reform; and enterprise privatization. The overall project received a “satisfactory” rating, but some of the components were not achieved as envisioned. Specifically, social security reform received an “unsatisfactory” rating and telecommunications reform and energy reform both received “moderately unsatisfactory” ratings. Additionally, the project duration was longer than anticipated due to external factors including the financial crises in 2001 and elections in 2002. The new government then began working with the World Bank in early 2003 to complete the remaining loan conditions.

Sector Overview:

In 2000, the Turkish government pursued an aggressive economic reform program. Both the World Bank and the International Monetary Fund provided support for this endeavor. The program was beginning to show positive results when 9/11 took place, which affected the Turkish economy through lower export demand, decreased tourism, and reduced access to international financial markets. These factors combined strained the domestic financial markets. By November 2001, Turkey was estimated to face an external financing gap of US\$10 billion for 2002. The economic reform program was subsequently strengthened in 2002 to address the deep-rooted macroeconomic problems, including heavy debt, high inflation, and banking sector difficulties. These issues among others affected the implementation and success of the loan.

Appendix 2: Financial Matrices of 9 Projects

A.1. Economic Reform Loan (ERLP)

CONDITIONS		45490 Economic Reform Loan (ERL)	
1 Type	Loan	8 Financing Plan	
2 Lending Instrument	SAL - Structural Adjustment Loan	Financier	Amount(\$)
3 Type of Loan products	VSL - Variable Single Currency Loan	IBRD	759,600,000
4 Charges		Total	759,600,000
a Interest Waiver Status	Eligible		
b Lending Rate Contractual	LIBOR BASE (5.79%)		
c Applicable Waiver	0.25%		
5 Proposed Terms		9 Target Sectors	
a Rate Reset Date	10/15/2006	Agriculture, fishing, and forestry	
		30.00%	
b Rate Type	Variable	Public Administration, Law &	
		20.00%	
c Applicable Waiver	0.50%	Information and communications	
		20.00%	
d % of Spread	0.75 ?(or +)the weighted average margin	Energy and mining	
		20.00%	
e Grace Period (yrs)	5.41	Health and other social services	
		10.00%	
f Project Implementation Period (yrs)	5		
g Closing Date	30-Apr-04		
6 Project Cost and Finacing		10 Principal Outstanding (\$)	
a Estimated Total Project Cost (The World Bank+Others)		Disbursed	759,600,000
b Actual Project Cost	N/A	Repaid	113,940,000
c Actual/Estimated (b/a)	N/A	Prepaid	0
d Loan Amount	759,600,000	Regular Repayments	
			113,940,000
e Cancelled Amount	0	Principal Outstanding	
			645,660,000
f Net loan Amount (d-e)	759,600,000	% of Repaid	15.00%
g Disbursement Amount	759,600,000	% of Principal Outstanding	0.00%
h Estimated World Bank Contributions (d/a)	N/A		
i Percent Disbursed (g/d)	100.00%		
7 Estimated disbursements (million \$)	N/A		

**A.2. Export Finance Mediation(Intermediation) Loan
(EFML)**

CONDITIONS		45060 Export Finance Intermediate Loan (EFIL)		
1 Type	Loan			
2 Lending Instrument	FIL - Financial Intermediary Loan			
3 Type of Loan products	VSL - Variable Single Currency Loan			
4 Charges				
a Interest Waiver Status	N/A			
b Lending Rate Contractual	History			
c Applicable Waiver	0.25%			
5 Proposed Terms				
a Rate Reset Date	15-Feb-07			
b Rate Type	N/A			
c Applicable Waiver	0.50%			
d % of Spread	0.75 ?(or +) the weighted average margin			
e Grace Period (yrs)	3.61			
f Years to Maturity	7.11			
g Project Implementation Period (yrs)	3			
h Effectiveness Date	11-Oct-99			
i Closing Date	31-Aug-03			
6 Project Cost and Financing				
a Estimated Total Project Cost	253,030,000			
b Actual Project Cost	249,710,000			
c Actual/Estimated (b/a)	98.69%			
d Amount of Loan	252,530,000			
e Cancelled Amount	2,817,949			
f Net loan Amount (d-e)	249,712,051			
g Disbursement Amount	249,712,051			
h Estimated World Bank Contributions (d/a)	99.80%			
i Percent Disbursed (g/d)	98.88%			
7 Estimated disbursements (thousand \$)				
Financial year	2000	2001	2002	
Annual	77,525	100,005	75,000	
Cumulative	77,525	177,530	252,530	

8 Financing Plan at Board Presentation	
Financier	Amount(\$)
IBRD	252,530,000
Total	252,530,000
9 Target Sectors for the project	
Industry and trade	98%
Finance	2%
10 Principal Outstanding (\$)	
Disbursed	249,712,051
Repaid	249,712,051
Prepaid	0
Regular Repayments	249,712,051
Principal Outstanding	0
% of Repaid	100.00%
% Principal Outstanding	0.00%

A.3. Marmara Earthquake Emergency Reconstruction Project (MEER)

CONDITIONS		45170 Marmara Earthquake Emergency Reconstruction Project		
1	Type	Loan	8	Financing Plan at Board Presentation
2	Lending Instrument	ERL - Emergency Recovery Loan	Financier	Amount (\$)
			IBRD	505,000,000
			LOCAL GOV.	176,180,000
			Beneficiaries	55,930,000
			Total	737,110,000
3	Type of Loan products	FSCL - Fixed- Rate Single Currency Loan	9 Target Sectors for the project	
			Industry and trade	47.00%
			Public Administration, Law, and Justice	27.00%
			Finance	25.00%
			Health and social services	1.00%
4	Charges			
a	Interest Waiver Status	Eligible		
b	Lending Rate Contractual	N/A		
c	Applicable Waiver	N/A		
5	Proposed Terms			
a	Rate Reset Date	N/A		
b	Rate Type	N/A		
c	Applicable Waiver	0.50%		
d	Years to Maturity	14.91		
e	Effectiveness Date	29-Dec-99		
f	Closing Date	31-Dec-06		
6	Project Cost and Finacing		10 Principal Outstanding (\$)	
a	Estimated Total Project Cost	737,110,000	Disbursed	294,367,377
b	Actual Project Cost	538,771,659	Repaid	81,041,436
c	Actual/Estimated (b/a)	73.09%	Prepaid	0
d	Loan Amount	505,000,000	Regular Repayments	81,041,436
e	Cancelled Amount	198,338,341	Principal Outstanding	213,325,941
f	Net loan Amount (d-e)	306,661,659	% of Repaid	27.53%
g	Disbursement Amount	294,367,377	% of Principal	
h	Estimated Wordl Bank Contributions (d/a)	68.51%	Outstanding	72.47%
i	Percent Disbursed (g/d)	58.29%		
7	Estimated disbursements (million \$)			
	Financial year	2000	2002	2003
	Annual	266.50	37.70	0.40
	Cumulative	266.50	504.20	504.60
				505.00

A.4. Industrial Technology Project (ITP)

CONDITIONS		44950 Industrial Technology Project										
1 Type	Loan	8 Financing Plan										
2 Lending Instrument	SIL - Specific Investment Loan	Financier	Amount(\$)									
3 Type of Loan products	VSL-Variable Single Currency Loan	IBRD	155,000,000									
4 Charges		Total	155,000,000									
a Interest Waiver Status	Undetermined	9 Target Sectors for the Industry and trade										
b Lending Rate Contractual	LIBOR BASE (5.76%)	89%	Public Administration, Law, & Justice									
c Applicable Waiver	0.25%	11%										
5 Proposed Terms		10 Principal Outstanding (\$)										
a Rate Reset Date	15-Jan-07	Disbursed	151,857,583									
b Rate Type	Variable	Repaid	32,300,000									
c Applicable Waiver	0.50%	Prepaid	0									
d % of Spread		Regular Repayments	32,300,000									
e Grace Period (yrs)	5.58	Principal Outstanding	119,557,583									
f Years to Maturity	17.08	% of Repaid	21.27%									
g Project Implementation Period (yrs)	4	% of Principal Outstanding	78.73%									
h Effectiveness Date	18-Oct-99											
i Closing Date	30-Apr-06											
6 Project Cost and Financing												
Estimated Total Project Cost (The												
a World Bank+Others)	387,000,000											
b Actual Project Cost	380,597,583											
c Actual/Estimated (b/a)	98.35%											
The amount of loan signed with												
d the World Bank	155,000,000											
e Cancelled Amount	3,142,417											
f Net loan Amount (d-e)	151,857,583											
g Disbursement Amount	151,857,583											
Estimated World Bank												
h Contributions (d/a)	40.05%											
i Percent Disbursed (g/d)	97.97%											
7 Estimated disbursements (million \$)		2000	2001	2002	2003	2004						
Financial year												
Annual		5	15	30	60	45						
Cumulative		5	20	50	110	155						

A.5. Emergency Flood and Earthquake Recovery Project (EFER)

CONDITIONS		43880 Emergency Flood & Earthquake Recovery Project		
1	Type	Loan	8	Financing Plan at Board Presentation
2	Lending Instrument	ERL	Financier	Amount (\$)
3	Type of Loan products	FSCL- Fixed-Rate Single Currency Loan	IBRD	369,000,000
			Total	369,000,000
4	Charges			
a	Interest Waiver Status	Eligible		
b	Lending Rate Contractual	N/A		
c	Applicable Waiver	N/A		
5	Proposed Terms			
a	Rate Reset Date	N/A		
b	Rate Type	N/A		
c	Applicable Waiver	0.50% the weighted average margin		
d	% of Spread			
e	Grace period (yrs)	3.59		
f	Project implementation period (yrs)	4		
g	Closing date	30-Sep-03		
6	Project Cost and Financing			
a	Estimated Total Project Cost	685,000,000	10	Principal Outstanding (\$)
b	Actual Project Cost	239,800,000	Disbursed	240,164,462
c	Actual/Estimated (b/a)	35.01%	Repaid	79,209,074
d	Loan Amount	369,000,000	Prepaid	0
e	Cancelled Amount	128,835,538	Regular Repayments	79,209,074
f	Net loan Amount (d-e)	240,164,462	Principal Outstanding	160,955,388
g	Disbursement Amount	240,164,462	% of Repaid	32.98%
	Estimated World Bank		% of Principal	
h	Contributions (d/a)	53.87%	Outstanding	67.02%
i	Percent Disbursed (g/d)	65.09%		
7	Estimated disbursements (million \$)			
	Financial year	1999	2000	2001-02
	Annual	158	142	69
	Cumulative	158	300	369

A.6. Turkey Commodities Market Development Project (TCMDP)

CONDITIONS		43760 Commodities Market Development Project		
1 Type		Loan		8 Financing Plan at Board Presentation
2 Lending Instrument		LIL-Learning and Innovation Loan	Financier	Amount (\$)
			IBRD	4,000,000
			Local Govts	1,700,000
			Total	5700000
3 Type of Loan products		FSCL-Fixed- Rate Single Currency Loan		
4 Charges				
a Interest Waiver Status		Undetermined		
b Lending Rate Contractual Applicable Waiver		LIBOR BASE N/A		
c Rate Reset Date		N/A		
d Rate Type		N/A		
e Applicable Waiver		0.50%		
f % of Spread		0.75 ? (or +) the weighted average margin		
5 Proposed Terms			9 Target Sectors for the project	
a Grace period (yrs)		3.66	Industry and trade	75%
b Years to Maturity		15.66	Public Administration, Law, and Justice	25%
c Project implementation (yrs)		2.5		
d Effectiveness date		26-Feb-99		
e Closing date		30-Mar-03		
6 Project Cost and Financing			10 Principal Outstanding (\$)	
a Estimated Total Project Cost		5,720,000	Disbursed	1,415,617
b Actual Project Cost		2,110,000	Repaid	338,649
c Actual/Estimated (b/a)		36.89%	Prepaid	0
d Signed Loan Amount		4,000,000	Regular Repayments	338,649
e Cancelled Amount		2,584,383	Principal Outstanding	1,076,968
f Net loan Amount (d-e)		1,415,617	% of Repaid	23.92%
g Disbursement Amount Estimated World Bank		1,415,617	% of Principal	
h Contributions (d/a)		69.93%	Outstanding	76.08%
i Percent Disbursed (g/d)		35.39%		
7 Estimated disbursements (million \$)				
Financial year		1999	2000	2001
Annual		1.20	1.70	1.10
Cumulative		1.20	2.90	4.00

A.7. Basic Education Project (BEP)

CONDITIONS		43550 Basic Education Project	
		8 Financing Plan at Board Presentation	
1 Type	Loan	Financier	Amount (\$)
2 Lending Instrument		IBRD	300,000,000
3 Type of Loan products	APL-Adaptable Program Loan	Total	300,000,000
4 Charges			
a Interest Waiver Status	Undetermined		
b Lending Rate Contractual	LIBOR BASE		
c Applicable Waiver	N/A		
d Rate Reset Date	N/A		
e Rate Type	N/A		
f Front End Fee:	N/A		
5 Proposed Terms			
a Grace period (yrs)	3.73		
b Years to Maturity	15.73		
c Project implementation period (yrs)	3		
d Effectiveness date	12-Aug-98		
e Closing date	31-Dec-03		
6 Project Cost and Financing			
a Estimated Total Project Cost	2,515,200,000	10 Principal Outstanding (\$)	
b Actual Project Cost	N/A	Disbursed	286,192,189
c Actual/Estimated (b/a)	N/A	Repaid	72,068,250
The amount of loan signed with the		Prepaid	0
d World Bank	300,000,000	Regular	
e Cancelled Amount	13,807,811	Repayments	72,068,250
f Net loan Amount (d-e)	286,192,189	Principal	
g Disbursement Amount	286,192,189	Outstanding	214,123,938
Estimated World Bank		% of Repaid	25.18%
h Contributions (d/a)	11.93%	% of Principal	
i Percent Disbursed (g/d)	95.40%	Outstanding	74.82%
7 Estimated disbursements (million \$)			
Financial year	1999	2000	2001
Annual	148.40	143.80	7.80
Cumulative	148.40	292.20	300.00

A.8. Cesme - Alacati Water Supply and Sewerage Project (WSSP)

CONDITIONS		43150 Cesme-Alacati Water Supply & Sewerage Project					
1 Type	Guarantee	8 Financing Plan at Board Presentation					
2 Lending Instrument	SIL-Specific Investment Loan	IBRD 13,100,000.00 Total 13,100,000.00					
3 Type of Loan products	VSL-Variable Single Currency Loan						
4 Charges		9 Target Sectors for the project					
a Interest Waiver Status	undetermined	Sewerage 65% Water supply 35%					
b Lending Rate Contractual	(5.49%)						
c Applicable Waiver	0.05%						
c Rate Reset Date	15-Dec-06						
d Rate Type	Variable						
e Commitment Fee (Contractual)	0.75%						
e Applicable Waiver	0.50%						
f Front End Fee:	1%						
	0.50 ?(or +) the weighted average						
g % of Spread	margin						
5 Proposed Terms							
a Grace period (yrs)	5.67						
b Years to Maturity	17.17						
c Project implementation period (yrs)	5						
d Effectiveness date	7-Sep-98						
e Closing date	31-Dec-04						
6 Project Cost and Financing		10 Principal Outstanding (\$)					
a Estimated Total Project Cost	24,000,000	Disbursed 8,338,509.39					
b Actual Project Cost	16,180,000	Repaid 2,731,600.00					
c Actual/Estimated (b/a)	67.42%	Prepaid 0					
d The amount of loan signed with							
d the World Bank	13,100,000	Regular Repayments 2,731,600.00					
e Cancelled Amount	4,761,491	Principal Outstanding 5,606,909.39					
f Net loan Amount (d-e)	8,338,509	% of Repaid 32.76%					
g Disbursement Amount	8,338,509	% of Principal Outstanding 67.24%					
h Estimated World Bank							
h Contributions (d/a)	54.58%						
i Percent Disbursed (g/d)	63.65%						
7 Estimated disbursements (million \$)							
Financial year		1999	2000		2001	2002	2003
Annual		1.00	2.40		3.60	3.50	2.60
Cumulative		1.00	3.40		7.00	10.50	13.10

A.9. Participatory Privatization of Irrigation Project (PPIMP)

CONDITIONS		45870 Privatization Social Support Project			
1 Type	Loan				8 Financing Plan at Board Presentation
2 Lending Instrument	SIL-Specific Investment Loan				Financier Amount (\$) IBRD 250,000,000.00 BORR-Borrower 105,300,000.00 Total 355,300,000.00
3 Type of Loan products	VSL-Variable Single Currency Loan				
4 Charges					
a Interest Waiver Status	Eligible				
b Lending Rate Contractual	LIBOR BASE (5.79%)				
c Applicable Waiver	0.25%				
5 Terms					9 Target Sectors for the project
a Rate Reset Date	10/15/2006				Industry and trade 76.00%
b Rate Type	Variable				Energy and mining 15.00%
c % of Spread	0.75 ?(or +) the weighted average margin				Health and other social services 9.00%
d Grace Period (yrs)	5.32				
e Project Implementation Period (yrs)	4				
f Effectiveness Date	22-Dec-00				
g Closing Date	31-Dec-05				
6 Project Cost and Financing					10 Principal Outstanding (\$)
a Estimated Total Project Cost	355,300,000				Disbursed 249,380,533
b Actual Project Cost	353,430,000				Repaid 20,803,000
c Actual/Estimated (b/a)	99.47%				Prepaid 0
d Loan Amount	250,000,000				
e Cancelled Amount	619,467				Regular Repayments 20,803,000
f Net loan Amount (d-e)	249,380,533				Principal Outstanding 228,577,533
g Disbursement Amount	249,380,000				% of Repaid 8.34%
Estimated World Bank Contributions					% of Principal Outstanding 91.66%
h (d/a)	70.36%				
i Percent Disbursed (g/d)	99.75%				
7 Estimated disbursements (million \$)					
Financial Year		2001	2002	2003	2004
Annual		21	58	98	73
Cumulative		21	79	177	250

B. Summary of the results of the financial comparison of the projects

CONDITIONS	PSSP	ERLP	ERL	EFML	ITP	EFEF	TCMDP	BEP	WSSP	PPIMP
1 Type of Financing	loan	loan	loan	loan	loan	loan	loan	loan	guarantee	loan
SIL - Specific Investment Loan	SAL - Structural Adjustment Loan	ERL - Emergency Recovery Loan	FIL - Financial Intermediary Loan	SIL - Specific Investment Loan	ERL - Emergency Recovery Loan	LIL - Learning and Innovation Program Loan	APL - Adaptable Program Loan	SIL - Specific Investment Program Loan	SIM - Sector Investment and Maintenance Loan	
2 Type of Lending Instrument	VSL - Variable Single Currency Loan	VSL - Variable Single Currency Loan	FSCL- Fixed- Rate Single Currency Loan	VSL - Variable Single Currency Loan	FSCL- Fixed- Rate Single Currency Loan	FSCL- Fixed- Rate Single Currency Loan	FSCL- Fixed- Rate Single Currency Loan	VSL - Variable Single Currency Loan	VSL - Variable Single Currency Loan	
3 Type of Loan products	LIBOR BASE (5.79%)	LIBOR BASE (5.79%)	LIBOR BASE (5.76%)	LIBOR BASE (5.76%)	LIBOR BASE (5.76%)	LIBOR BASE (5.76%)	LIBOR BASE (5.76%)	LIBOR BASE (5.49%)	LIBOR BASE (5.52%)	
a Interest Waiver Status	Eligible	Eligible	Eligible	N/A	Undetermined	Eligible	Undetermined	Undetermined	Undetermined	Undetermined
b Lending Rate Contractual	Applicable Waiver	0.25%	0.25%	N/A	0.25%	0.25%			0.05%	0.05%
c Rate Reset Date	10/15/2006	10/15/2006	N/A	15-Feb-07	15-Jan-07				15-Dec-06	15-Jan-07
d Commitment Fee (Contractual)	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
e Applicable Waiver	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
f Front End Fee:	1%	1%	1%	1%	1%	N/A	N/A	N/A	1%	N/A
g % of Spread	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.75 - (or +) the weighted average margin	0.50 - (or +) the weighted average margin	0.50 - (or +) the weighted average margin	0.50 - (or +) the weighted average margin
h Proposed Terms	PSSP	ERLP	ERL	EFML	ITP	EFEF	TCMDP	BEP	WSSP	PPIMP
a Grace period (yrs)	5.32	5.41	3.91	3.61	5.58	3.59	3.66	3.73	5.67	5.25
b Years to Maturity	16.82	14.91	14.91	7.11	17.08	15.59	15.66	15.73	17.17	16.75
c Project implementation period (y)	4	5	5	3	4	4	2.5	3	5	5
d Effectiveness date	22-Dec-00	27-Jun-00	29-Dec-99	11-Oct-99	18-Oct-99	13-Oct-98	26-Feb-99	12-Aug-98	7-Sep-98	24-Apr-98
e Closing date	31-Dec-05	30-Apr-2004	31-Dec-06	31-Aug-03	30-Apr-06	30-Sep-03	30-Mar-03	31-Dec-03	31-Dec-04	30-Jun-04
Project Cost and Finacing										
a Estimated Total Project Cost	355,300,000	N/A	737,110,000	253,030,000	387,000,000	685,000,000	5,720,000	2,515,200,000	24,000,000	58,780,000
b Actual Project Cost	353,430,000	N/A	538,771,659	249,710,000	380,597,583	239,800,000	2,110,000	N/A	16,180,000	44,000,000
c Actual/Estimated (b/a)	99.47%	N/A	73.09%	98.69%	98.35%	35.01%	36.89%	N/A	67.42%	74.86%
The original amount of signed d with the World Bank	250,000,000	759,600,000	505,000,000	252,530,000	155,000,000	369,000,000	4,000,000	300,000,000	13,100,000	20,000,000
e Cancelled amount	619,467	0	198,338,341	2,817,949	3,142,417	128,835,538	2,584,383	13,807,811	4,761,491	320,827
f Net loan amount (d-e)	249,380,533	759,600,000	306,661,659	249,712,051	151,857,583	240,164,462	1,415,617	286,192,189	8,338,509	19,679,173
g Disbursement Amount	249,380,000	759,600,000	294,367,377	249,712,051	151,857,583	240,164,462	1,415,617	286,192,189	8,338,509	19,679,173
h (d/a)	70.36%	N/A	68.51%	99.80%	40.05%	53.87%	69.93%	11.93%	54.58%	34.03%
i Percent Disbursed (g/d)	99.75%	100.00%	58.29%	98.88%	97.97%	65.09%	35.39%	95.40%	63.65%	98.40%

Appendix 3: Supplement to Managerial Findings

A. World Bank Evaluation Ratings

Evaluation reports for every World Bank project conducted in Turkey since 1997 has followed this rating system:

For overall outcome and component performance (such as individual components or bank and borrower performance):

Highly Satisfactory
Satisfactory
Unsatisfactory
Highly Unsatisfactory

For sustainability:

Highly Likely
Likely
Unlikely
Highly Unlikely

For impact to institutional development:

High
Substantial
Modest
Negligible

B. Matrix of Strengths and Weaknesses

Basic Education Project Strength and Weakness Matrix

Category	Results	Results Description
Planning	Weakness	Physical inputs which were to set the stage for later development did not get realized until the later parts of the project and then there was little time to impact development.
	Weakness	Bank goals did not focus enough on institutional capacity building at the central and local level.
	Weakness	The bank did not seek opportunities or entry points to engage in dialogue with the government on other aspects of education quality.
Human Resources	Weakness	Adequate training of teachers was not accomplished according to project objectives.
Accountability		
Evaluation	Weakness	Outputs related to creating IT rooms and training IT coordinators. Outputs were achieved but there is no evidence this helped the component objective.
	Weakness	Bank did not continually evaluate its value added role nor assess its options to make a larger impact on the program.
	Weakness	Objective was to provide a mechanism to respond to developments arising during implementation and to support pilot projects did not get fully implemented and was plagued by long delays.
Coordination	Weakness	Government requirements and procedures for approval of procurement documents caused serious delays.
	Weakness	Ministry of Education (MONE) structure had overlapping functions. Coordination among line units problematic. MONE was very fragmented in its roles and functions throughout the entire implementation.
	Weakness	Extensive and complicated government approval procedures delayed project implementation.
Execution	Strength	Government construction of schools was exemplary and provided needed classrooms.
	Weakness	Unsatisfactory support for the Project Coordination Team.
	Weakness	Objective to use ongoing evaluation to provide essential feedback for gauging progress and responding to changing circumstances was never fully implemented.
	Weakness	Government achieved great progress but implementation was very slow.
	Weakness	Educational materials were eventually provided but took unacceptably long.
Context		Marma earthquake of 1999 caused the project to revise its objectives and devote significant resources to reconstructing schools that were destroyed or damaged.
		Turkey's interest in joining the EU has acted as a stimulus for further development of basic education and helped to contribute to sustainability of the project.

Export Finance Mediation Loan Strength and Weakness Matrix

Category	Results	Results Description
Planning	Strength	Project was well received since objectives focused on meeting a demand that was being unmet by the market.
	Strength	Participating banks and exporters associations were consulted during the design phase of the project.
Human Resources		
Accountability		
Evaluation	Weakness	Relatively small overall impact on exports when compared to the size of the Turkish economy.
	Weakness	Problems related with the timing and quality of data from financing private banks which caused delays in analyzing the banks performance.
Coordination	Strength	The project served as means to facilitate greater interaction within the Turkish banking sector to become more aware of its structural weaknesses.
Execution	Weakness	Unable to lend money to smaller firms with little credit history even if they had very good project ideas.
	Weakness	Restrictive procurement process.
	Strength	Good performance of the target companies for these loans was partially due to the fact that most all had previously established export markets.
	Strength	Drew on expertise and lessons learned from previous credit line projects.
	Strength	Eximbank the primary borrower adapted very quickly to the Bank's requirements and had previously done extensive research to screen eligible participating banks.
	Strength	Several of the implementing banks had previous experience with the World Bank and adjusted easily to the rules and operations.
Context		Government previously attempted financial reform to address growing problems in the banking sector with moderate results.

Industrial Technology Project Strength and Weakness Matrix

Category	Results	Results Description
Planning	Strength	Incorporated many lessons learned from past projects in this field
	Strength	Flexibility that was designed into the project provided the right environment for innovative initiatives to be piloted (techno parks, venture capital, etc.).
	Strength	The project was designed with strong private sector participation.
Human Resources	Weakness	Some procurement problems after a change in Bank management in 2004. New management did not utilize expertise of existing staff.
Accountability	Strength	Four separate accounts were opened for each Project Agency so that each could monitor and oversee expenditures (compared to one centralized account in previous similar projects).
Evaluation	Strength	The project had strong independent monitoring and evaluation mechanisms.
Coordination	Strength	Participatory approach taken. During implementation numerous meetings were held with Turkish counterparts and stake holders to determine appropriate interventions and assess financial risk
	Strength	Central Project Implementation Unit was established to coordinate common aspects of the project.
Execution	Weakness	Concern with the Bank's procurement process. The results were not overly problematic, but agencies were not aware of how flexible the Bank actually was.
Context		Project objectives consistent with Country Assistant Strategy (CAS) and were reflective of current government priorities at the time.

Privatization Social Support Project Strength and Weakness Matrix

Category	Results	Results Description
Planning	Weakness	Rough preliminary estimate of targets.
	Strength	Flexibility in design.
Human Resources	Strength	The Project Coordination Unit contributions were assessed as excellent.
Accountability	Strength	Payments after government audit
	Strength	Well-developed electronic information system contributed to transparency.
Evaluation		
Coordination		
Execution	Weakness	Slow payments in the first half of the project and need for an extension.
	Weakness	The studies were initially delayed by the postponement of the privatization process. As a result, the actual findings could not be used in other components.
	Weakness	No coincidences between the characteristic of the service (jobs offered) (low-skill type with minimal wages) and the target populations.
	Strength	Implementing agency's commitment and pro-activeness in: 1) managing the process of implementation, 2) discussing with stakeholders, 3) establishing an information system, 4) identification of best practices.
Context		Related to the economic crisis, elections in 2002, currency devaluation, etc.; this delayed the privatization process.
		Legislative change: re-employ any worker laid off between 1992 and 2004.

Participatory Privatization Irrigation Project Strength and Weakness Matrix

Category	Results	Results Description
Planning		
Human Resources	Weakness	There was considerable turnover among GDRS and DSI officials soon after the project extension (18 months) was granted in November 2002.
Accountability		
Evaluation	Weakness	No systematic collection of data on the greater efficiencies produced by investments.
	Weakness	Need better quality of information to better interpretative outputs in different areas.
Coordination	Strength	Excellent cooperation and ideas on implementation were obtained from all parties.
	Strength	The Project Coordination Unit was also active in disseminating materials relevant to the project, translating them into Turkish and distributing relevant foreign materials.
Execution	Weakness	Insufficient training was provided to WUO.
	Weakness	Training was too rooted in the older, “top-down” paradigm and too theoretical to be effective.
	Weakness	The government did not pass a WUO law during the period of project implementation despite this having been a condition of the project.
	Weakness	The “training needs assessment” for the project was never implemented in part because of insufficient agency support and confusion surrounding the extension of the project.
	Strength	Several agencies reported that use of Bank procurement procedures saved considerable money.
	Weakness	There is a lack of good evidence that all WUOs have received sufficient funding from their memberships to be sustainable in the long run
	Weakness	Financial crisis slowed purchases of equipment, reduced farmer and WUO incomes, and increased uncertainty; thus the realization of some project benefits was delayed.
	Weakness	Uncertainty: The initial refusal was linked to a more general issue linked to general management of the World Bank project portfolio in Turkey and was not project specific. However significant progress was lost during the period and it contributed to the non-completion of some planned project activities.
	Strength	Strong support from the principal implementing agency and staff in Ankara.
	Weakness	Change in a number of government positions on relevant issues. The Bank believed that it was not possible to justify the extension of a project not linked to the agreed reform agenda.

Earthquake Rehabilitation Project Strength and Weakness Matrix

Category	Results	Results description
Planning	Strength	Carefully defined portfolio of activities.
	Weakness	Project design faced the difficulty of quickly and accurately assessing the scale of the need for housing reconstruction (overestimation of housing reconstruction).
	Weakness	Detailed feasibility study was required to identify integral solutions (not forecasted in preliminary identification of emergency).
Human Resources	Strength	Project Implementation Unit (PIU) was effective in managing emergency programs.
	Strength	The PIU had strong technical capacity for reconstruction activities (focused on the delivery of physical structures, but with less attention to social and environmental aspects during the design and planning phases).
	Strength	Policy makers and experienced managers.
	Strength	Staff showed flexibility.
Accountability	Strength	The audit reports from participating entities were generally available and there were no major accountability issues.
	Strength	Aide logs were regularly prepared.
Evaluation	Strength	Financial accountability and follow-up was observed (expenditures were duly authorized before they were incurred).
	Strength	Project was adequately supervised and closely monitored.
Coordination	Strength	Members of Turkey and the Bank made a joint effort to adopt straightforward solutions.
	Strength	Effective coordination provided by the PIU (with supervision task team and implementation agencies).
	Weakness	Lack of coordination between State Hydraulic Works (DSI) and other state organizations delayed implementation.
Execution	Strength	PIU was very well organized and effective.
	Strength	Sufficient budget and staff resources were allocated.
Context		The level of the natural disaster absorbed Turkey's political and administrative attention and commitment.

Cesme-Alacati Water Supply & Sewerage Project Strength and Weakness Matrix

Category	Results	Results Description
Planning	Weakness	Change of political leadership in Cesme led to delay of execution and completion.
	Weakness	Fragile institutional structure of Cesme-Alacati Union.
	Strength	The project was successful in developing new institutional arrangements.
Human Resources	Weakness	Lack of key operating personnel hired because government approval was not granted.
	Weakness	Lack of any form of staff training.
	Weakness	Short of staff both in numbers and capability.
Accountability	Weakness	Financial mismanagement by municipal officials.
	Weakness	Private contractors were more expensive than anticipated.
	Weakness	All project documents were prepared in English and not in Turkish.
Evaluation	Weakness	Private contractors were more expensive than anticipated.
Coordination	Weakness	Bank forced Cesme-Alacati Union to sign a contract with private operator
Execution	Weakness	Macroeconomic instability that led to higher prices by private operators.
	Weakness	Lack of knowledge/sophistication about the role of private sectors by local officials.
	Weakness	Poor maintenance of the sewerage system by private operators.
	Weakness	Poor billing collection by private operators.
Context		This loan was in the form of a bank guarantee, which is meant to back government obligations that have failed to materialize while also encouraging private sector participation.

Turkey Commodities Market Development Project Strength and Weakness Matrix

Category	Results	Results Description
Planning	Weakness	Lack of understanding of Bank's functions and procedures in the ministry in charge.
Human Resources	Weakness	Lack of essential legislation to implement the project.
	Weakness	Delay of essential training to manage the project.
Accountability	Strength	Successful in providing to participating exchanges a sophisticated vision of how a modern commodity exchange functions.
Evaluation		
Coordination	Weakness	Poor financial management system.
	Strength	The Polatli and Edirne exchanges have evolved from registries of grain sales into markets around which prices for grain in Turkey are based.
Execution		
Context		The success of the project was due to the limits of its scope and amount of investment. It was considered a very small project with a focused objective of developing the commodities market in Turkey.

Economic Reform Loan Strength and Weakness Matrix

Category	Results	Results Description
Planning	Weakness	Bank focused more on the concept of private transfer and not the practicalities.
	Weakness	Attempt to sell government owned assets without transfer of management.
	Strength	Inflation fell dramatically, and the public sector and public sector borrowing requirement declined substantially. Therefore the outcomes of ERL met the benchmarks set under the program despite the three year delay.
Human Resources	Strength	1999 pension law was fully implemented increasing retirement age and minimum contributions.
	Strength	An employment insurance scheme was established.
Accountability	Weakness	Lack of prequalification of tenders in privatization.
	Strength	All budgetary funds except for one were closed, more than fulfilling the project target.
Evaluation	Weakness	21 distribution companies were not yet incorporated and therefore not yet legal entities.
	Strength	Value-added tax and other tax increases led to a 2% increase in GNP.
Coordination	Weakness	Disagreement among key agencies in the privatization process caused delays.
	Strength	Agricultural Sales Cooperative Unions were transformed into autonomous entities (privatization goal) and budgetary funding had been eliminated.
Execution	Weakness	New political leadership after election delayed the project.
	Strength	Liberalization of the telecommunications market.
	Strength	An Electricity Market Law was passed in 2001 which established an independent regulatory agency.
Context		The project was successful in bringing crucial reforms to aid Turkey's economic progress. However the delay of this project was largely due to changes in management and macroeconomic instability.

C. Summary of Findings

		BEP	EFML	ITP	WSSP	TCMDP	ERLP	PPIMP	PSSP	EKRP
Planning	Weaknesses	x		x	x	x	x	x	x	x
	Lack of planning for long term objectives	x				x		x	x	x
	Needs assessment				x			x	x	x
	Failing to plan for known potential pitfalls			x						
Human Resources	Strengths	x	x	x		x				
	Design flexibility		x							
	Planning objectives around or consistent with favorable conditions	x		x		x				
Coordination	Weaknesses	x	x	x	x	x	x	x	x	x
	Changing and underutilization of people		x	x				x		
	Lack of training support system	x		x	x					
	Strengths				x	x	x	x	x	x
Evaluation	Weaknesses	x	x	x		x	x	x	x	x
	Poor anticipation of project obstacles		x	x						
	Poor assessment of project benefits	x	x							
	Strengths			x	x	x	x	x	x	x
Accountability	Weaknesses			x	x					
	Lack of procedure				x			x		
	Financial mismanagement				x					
	Strengths		x	x	x	x	x	x	x	x
Execution	Weaknesses	x	x	x	x		x	x	x	x
	Implementation support	x		x				x		
	Procedures and procurement information		x	x						
	Implementation delay and funding execution	x						x		
Execution	Service delivery		x				x	x		
	Strengths	x	x			x	x	x	x	x
	Implementer capacity	x	x			x	x	x	x	x
	External support				x			x		x
Execution	Procedures-procurement information				x				x	
	Recipient capacity	x								

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