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PROJECT MONITORING SYSTEM

FOR THE

PRIVATE SECTOR OFFICE

OF

U.S.A.I.D. REGIONAL DEVELOPMENT OFFICE/CARIBBEAN

DRAFT FINAL REPORT

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"The 'thread of continuity' that ties project inputs to outputs to purpose and goals often has been twisted, sliced or severed. With some notable exceptions, a lack of congruence exists among indicators used in project design, monitoring and evaluation. Instead of maintaining one set of "monitoring books" which applies to all three functions and provides a solid foundation for accountability, PSO effectively carries three sets of books: one which was created in the course of designing the project, another which is used for monitoring the project, and a third set of books which is compiled during the course of evaluations."

EXCERPT FROM EXECUTIVE SUMMARY
OF PROJECT MONITORING SYSTEM
REPORT, LBI, OCTOBER 1987

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ABSTRACT

This report proposes a system for monitoring the achievements of the projects of RDO/C's Private Sector Office. A comparative review of Project Implementation Status Reports on PSO projects submitted during the period 1980-1987 and of project evaluation results identifies important deficiencies in the project monitoring system as it has been implemented in the past and as it is being implemented today. These deficiencies include poor initial selection of indicators, reliance on inflated targets and project status information, and the absence of an early-warning capability. The report recommends that PSO put two cohorts of indicators in place. "Project Commensurables" measure functions which are common to PSO projects. These indicators can be used to make cost-effectiveness comparisons between two or more projects in the portfolio and/or to sum up results for the program as a whole. "Project Distinguishables" measure the distinctive features of each project.

Information for the recommended monitoring system would be supplied to PSO in three ways. First, organizations implementing PSO projects would include specified data as part of their regular reporting requirements. Second, information would be selectively validated through direct contacts between PSO Project Officers and members of the private sector target group in the OECs countries. To rationalize the use of staff resources and to assure that this activity is actually carried out in the face of competing Mission priorities, 1-2 weeks each year would be set aside for annual field validation. Third, key information on the status of formal sector businesses in the OECs states (whether or not they are beneficiaries of USAID projects) would be gathered annually by telephone survey or other relatively inexpensive means. Other recommendations include the completion of a diagnostic survey in the OECs states and consideration of a program of assistance to the statistical agencies of OECs governments to improve the quality and timeliness of the reporting of business-related information.

A program of implementation is proposed, permitting the introduction of monitoring system improvements on a staged basis. The implementation program is designed to supplement and fulfill existing USAID guidance, rather than to replace it. The report identifies "The Will to Monitor"-- Mission management's sustained resolve to hold itself and its implementing organizations accountable for results-- as the most important single determinant of the success of a PSO monitoring system.

EXECUTIVE SUMMARY

A. INTRODUCTION

Since 1980 the Private Sector Office (PSO) of the Regional Development Office/Caribbean (RDO/C) has managed a portfolio of up to fourteen projects. Over the past few years, many questions have been raised concerning the status of individual projects and of the program as a whole. Some of the answers to these questions have been provided through project evaluations. Often, however, evaluator's conclusions have been provided too late in the project's history or on the basis of too little accumulated evidence to permit on-going adjustments in project implementation.

Typically, the answers which PSO has provided to the question, "What is the status of these projects now?" have missed the mark. The lack of objectively verifiable and consistently defined sets of indicators of project achievement has confounded the assessment process. The "thread of continuity" that ties project inputs to outputs to purpose and goals often has been twisted, sliced or severed. With some notable exceptions, a lack of congruence exists among indicators used in project design, monitoring and evaluation. Instead of maintaining one set of "monitoring books" which applies to all three functions and provides a solid foundation for accountability, PSO effectively carries three sets of books: one which was created in the course of designing the project, another which is used for monitoring the project, and a third set of books which is compiled during the course of evaluations.

Three sets of books can buttress widely differing views on the matter of project success or failure. Evaluations have revealed a persistent pattern of inflation in the setting of targets and the reporting of results. Without a direct "audit trail" that ties claims of impact on employment, exports, and investment to verifiable achievements of individual firms and some means of assessing the extent to which project assistance has contributed to these achievements, monitoring becomes an art form more closely related to advertising than to accounting, economics, or management science.

This report analyzes the strengths and weaknesses of PSO's present monitoring and proposes a comprehensive package of monitoring system improvements. The package is broken down into individual components which can be combined and phased in according to Mission priorities and preferences.

B. PROBLEMS TO BE RESOLVED

LBII performed a comparative analysis of the Private Sector's Implementation Status Reports 1980-1987, project evaluations conducted during this period, and other materials containing assessments of PSO projects. Although there have been substantial recent improvements in the format and content of the Private Sector Office's Project Implementation Status Reports, some serious problems still persist. These include:

1. A lack of consistency in the reporting of project inputs, outputs, and purposes.
2. A lack of objectively verifiable indicators in both the LogFrame format and/or the Project Implementation Status Reports (PISR).
3. A lack of portfolio commensurables, particularly cost effectiveness indicators which permit performance comparisons between projects and a quantitative assessment of the portfolio as a whole.
4. A lack of prioritization of indicators. The information requirements of the Mission Director are different from those of the Project Officer and a monitoring system should reflect these differing managerial priorities.
5. A pervasive pattern of inflation of targets and objectives during the design of the project which are unachievable and therefore not suitable for monitoring during the implementation stage of the project.
6. Exaggeration and embellishment in project reporting.

All of these problems have resulted, not surprisingly, in a lack of incisive analysis of project problems. In most projects, the issues identified in the monitoring reports do not correspond to the major issues identified in the evaluation reports. Furthermore, the use of poorly defined indicators makes it difficult to establish accountability for the accomplishment, or lack thereof, of project objectives.

C. RECOMMENDATION:

LBII recommends a monitoring system that focuses on implementing new indicators (to address problems 1-4 in the preceding section) as well as developing field validation visits and other survey activities (to address problems 5-6). These activities should result in more reliable monitoring information, establish a more solid basis for accountability, and allow the PSO to adjust and/or design realistic targets for existing and future projects.

1. INDICATORS:

Three sets of indicators are proposed: "Top Five Indicators", "Project Distinguishables", and "Project Commensurables". The "Top Five Indicators" represent the most important goal and purpose-related indicators, all of them drawn from the commensurable list. The "Project Distinguishables" are more output related and measure the distinctive features of each project. Finally, the "Project Commensurables" provide indices on the efficiency, sustainability, relevance and impact of each project. These indicators can be used to make overall cost-effectiveness comparisons between projects and for the program as whole.

The three sets of indicators aim to establish uniformity and objectivity in project monitoring. They are organized by management level-- "upper-level", "middle-level", and "operating level" --with each set of indicators corresponding to the specific priorities of the differing managerial levels within AID and the implementing organizations. Specifically, the "Top Five Indicators" respond to the Mission and Program Director's concerns related to the number of "success stories" at the firm-level associated with a project, the distribution of project costs, the number of jobs created, the amount of credit extended and exports generated. The "Project Distinguishables" focus more on specific output achievements that the Project Officers should track. Finally, the "Project Commensurables" allow both the "upper-level" Mission and Program Directors as well as the "middle-level" Project Officers in RDO/C to compare the cost effectiveness of projects and the portfolio in general.

Obtaining the information needed to prepare these indicators should not be expensive, since most of the required data can be reported through existing implementing organization and RDO/C reporting formats. Furthermore, rather than creating new sets of reports and a separate paper trail, the proposed monitoring system works within the parameters of Project Implementation Status Report (PISR) and of the Annual Action Plan. However, implementing organizations would be required to supply additional information on revised reporting formats.

2. ADDITIONAL INFORMATION GATHERING ACTIVITIES:

Two information gathering activities, an annual field validation survey by the Project Officers and the completion of an in-depth diagnostic survey of formal and informal sector businesses in the OECS, are recommended for implementation during the first and second quarters of calendar year 1988. Another survey activity, an annual telephone survey of formal sector businesses in the OECS, is recommended for implementation towards the end of 1988.

Finally, the institutional development of the statistics departments of OECS countries should be considered over the next 1-2 years.

a. ANNUAL FIELD VALIDATION

The annual field validation visits would allow Project Officers to verify the project achievements related to the "Top Five Indicators" and reported by the implementing organizations. The visits would specifically prevent the problem of inflated achievement attribution from raging out of control. As importantly, they would allow the AID staff to take a direct reading on the intended target groups' accomplishments, needs, and frustrations.

b. IN-DEPTH DIAGNOSTIC SURVEY

The in-depth diagnostic survey would be a continuation of a pilot survey begun by LBII in St. Kitts, St. Lucia, and Barbados in July 1987. The survey would test the assumptions underlying RDO/C's present Private Sector Program. In addition, the survey could be used to provide insights for reshaping the program. This survey is recommended to be completed some time in 1988. Thereafter, it could be conducted every five years.

c. OTHER SURVEY WORK

Other recommendations concerning additional information gathering activities include a telephone survey of formal sector businesses and the institutional development of statistical agencies of OECS governments. The former would focus on gathering quantifiable information related to employment, exports, and investment. At present, there is no timely information made available on the performance of the formal sector businesses in the OECS. Eventually, a longer-term alternative to the telephone survey would be the institutional development of statistical agencies that could collect data related to macroeconomic trends and business performance in the OECS countries.

E. KEY ISSUE: THE WILL TO MONITOR

The principal driving force behind an effective monitoring system is a strong "will to monitor". There are several factors, however, which can weaken the resolve of the RDO/C and implementing organizations' staff to devote their constructive energies to the monitoring effort. These include:

1. Reluctance to Deflate Targets: Reviews and evaluations of Private Sector Projects demonstrate a pervasive pattern of setting unrealistically high targets during the project design stage. Unrealistic targets undermine good project monitoring,

because they cause false alarms, encourage disingenuous reporting, and contribute to cynical attitudes concerning accountability. Since the Project Paper documents essentially serve as marketing documents in competition for scarce resources, the targets set for projects are likely to remain high. Therefore, the burden for initiating a realistic deflation of these targets must fall to the monitoring system. However, it may be quite difficult for decision-makers who are involved in setting the targets in their roles as project "marketers" to agree to downward adjustments. Any Officers who attempt to initiate early downward revisions may risk criticism that they are not committed to their projects.

2. Reluctance to Be Assessed: Being monitored conveys a sense of having one's work scrutinized and judged in detail. In intercultural settings there exists a potential for misunderstanding and resentment resulting from the implementation of a detailed monitoring system. Changing a pattern in which results may have been routinely overstated or embellished in the past contains a potential for confrontations between RDO/C personnel and the staffs of implementing organizations.

3. Aversion to Red Flags: Managers may not be able to react in a timely fashion to implementation problems signaled by a good monitoring system. Time-consuming administrative requirements, political considerations, lack of readily available technical expertise, and other factors can make it difficult for a manager to respond in a timely manner to red flag indicators. Managers tend to dislike systems and activities that present them with problems that they cannot solve, and may react by downgrading such systems and activities.

For these reasons and others, the effectiveness of a monitoring system is very much dependent on the attitudes and priorities of leaders within the Mission. In the final analysis, the "will to monitor" must come from the top.

F. RECOMMENDATIONS AND STRATEGIC OPTIONS

Given the limited financial and human resources at its disposal, Mission management must weigh the value of monitoring system improvements against other important competing claims for resources. On the basis of its assessment of the need, LBII recommends that RDO/C implement a "Comprehensive Package" of improvements in the Private Sector Office monitoring system, including eight specific elements. Four other options, which incorporate selected elements of the "comprehensive package" would permit RDO/C to address more limited objectives.

1. OPTION #1: THE "COMPREHENSIVE PACKAGE"

The monitoring system option recommended by LBII includes eight basic elements: (1) three sets of indicators (2) compliance check list, (3) revised reporting formats for implementing organizations, (4) diagnostic survey (5) annual field validation visits and analysis by PSO Staff, (6) annual telephone surveys, (7) enhancement of CAIC (non-SEA) and ECIPS accounting systems, and (8) design of a project for upgrading of the capabilities of the statistical departments of OECs governments.

Time phasing of the recommended comprehensive package is shown in the following tabulation:

TIME PHASING ACTIVITIES IN THE "COMPREHENSIVE PACKAGE"

Group A By End of Calendar Year 1987 (Indicators and Related Documentation--Short Term Priorities):

1. Finalize Three Sets of Indicators
2. Install Compliance Check List
3. Develop and Revise the Reporting Formats

Group B. By End of Calendar year 1988 (Information Gathering and Analysis--Medium-Term Priorities):

4. Complete In-Depth Diagnostic Survey
5. Initiate Annual Field Validation Visits by PSO Staff
6. Conduct First Annual Telephone Survey
7. Complete Work Scopes and Enhancements in CAIC and ECIPS Accounting Systems

Group C. By End of Calendar Year 1989 or 1990 (Information Gathering and Analysis-- Long-Term Priorities):

8. Design a project for the institutional development of statistics departments in OECs governments.

The basic strategy embodied in the comprehensive package is to develop indicators and related documentation (Group A) first, and then to proceed with additional information gathering and analysis activities (Group B and Group C). LBII believes the full set of improvements will remedy monitoring system deficiencies identified in this report.

2. OPTION # 2: "MINIMUM PACKAGE"

KEY ELEMENTS: (1) Monitor "Top Five Indicators" Only

This "Minimum Package" represents a very austere approach to improving the PSO monitoring system. It consists only of utilizing the "Top Five Indicators" for each PSO project.

Information on these indicators would be obtained from the implementing organizations. Initially, at least, RDO/C would not undertake the validation of this information through annual field visits. The "Minimum Package" is most appropriate if the RDO/C wishes to approach the task of upgrading the PSO system with a great deal of caution and/or with significant austerity in the utilization of resources. The "Minimum Package" does not imply commitment to go forward with any other monitoring system change or improvement. It delays any decision on the use of additional indicators and field survey work until the PSO staff and implementing organizations gain experience with this first step.

3. OPTION # 3: "ACCOUNTABILITY PACKAGE"

KEY ELEMENTS: (1) Monitor Three Sets of Indicators
(5) Initiate Annual Validation Survey
(7) Install ECIPS/CAIC Accounting Improvements

This "Accountability Package" is focused on making substantial improvements in the reliability of information used for monitoring PSO projects. The elements implemented would include the "Top Five Indicators" along with the "Project Distinguishables" and the "Project Commensurables". In order to ensure the proper measurement of achievements, the Project Officers would carry out the first annual validation survey in March/April of next year. In addition, a study would be carried out in calendar year 1988 for improving the accounting systems in the ECIPS project and CAIC project (non-SEA components).

4. OPTION # 4--"Annual Action Plan Package"

KEY ELEMENTS: (1) Monitor "Top Five Indicators" Only
(5) Initiate Annual Field Validation Survey
(6) Initiate the Annual Telephone Survey

The "Annual Action Plan Package" has as its principal priority the compilation of information needed for RDO/C to report on a few of the more important "performance achievement" indicators in the Annual Action Plan. This package consists of the information provided by the implementing organizations on the "Top Five Indicators" and confirmed in the field by the Project Officers. In addition, this package contains the telephone survey which will allow the RDO/C to compare program achievements to the overall "state of the world" of the target group.

5. OPTION # 5--"Program Redesign Package"

KEY ELEMENTS: (1) Monitor "Top Five Indicators" Only
(4) Complete In-Depth Diagnostic Survey
(5) Initiate Annual Field Validation Survey

This option is designed to rigorously review the assumptions of the RDO/C private sector program, and to provide insight into the future direction of the program. The focus of the diagnostic survey will be on the Eastern Caribbean business community as a whole, rather than on current beneficiaries of assistance supported by RDO/C. This survey would be a continuation of the pilot survey conducted by LBII in St. Lucia, St. Kitts, and Barbados, in which numerous "lessons learned" and qualitative insight into the efficacy of the PSO program was provided.

At the same time, monitoring of the "Top Five Indicators" would be carried out in order to keep track of current trends in the performance of direct beneficiaries. The annual field validation survey would be coordinated with the diagnostic survey in order to confirm the accuracy of the "Top Five Indicators" and provide in-depth information on the recipients of AID-financed services.

G. CONCLUSION

Each of the options presented embody trade-offs among the interests of RDO/C in an improved monitoring system for the Private Sector Office, the short and long-term effects of proposed improvements on RDO/C's relations with its implementing organizations, costs of the specific activities recommended, and commitments of the time and energy of the RDO/C staff.

Any final choice will have advantages and disadvantages. What is most important is that the selected option should have the full understanding and support of Mission management and staff. Ultimately, the key to effective monitoring is to ensure that the people doing the monitoring accept and believe in the system.

INTRODUCTION

A. OVERVIEW

This report consists of six sections. The present section (Introduction) provides a brief overview of the contents of the report and summarizes the most important events leading up to the recommended monitoring system. Section I reviews the existing monitoring system used by the Private Sector Office. Section II presents LBII's recommended monitoring system in summary form. Section III provides the details of the recommended monitoring system. Section IV discusses the major issues that need to be considered before deciding on the final components to be included in the monitoring system. Finally, section V provides a menu of strategic options and monitoring "packages" that may be more appropriate and phased-in as the need arises in the RDO/C.

B. BACKGROUND

The U.S. Agency for International Development (USAID) contracted Louis Berger International Inc. (LBII), contract No. 538-0119-C-00-6027, to design a project monitoring system for the portfolio of the Regional Development Office/Caribbean's (RDO/C) Private Sector Office (PSO). Since April of this year, several events leading up to the current recommended monitoring system have taken place. These events and the resulting shifts in the focus of the monitoring system are described below.

1. THE INITIAL APPROACH: INTEGRATION WITH AN ENUMERATOR CONDUCTED LARGE SCALE SURVEY

A preliminary draft report on monitoring system design was prepared during the first quarter of 1987, and was subsequently designated as a draft working paper. The head of the Private Sector Office was briefed on LBII's recommendations in April of 1987. These recommendations then envisioned a monitoring system which would be launched by an enumerator-conducted large scale survey described in the Scope of Work of the contract between RDO/C and LBII, and would selectively extend the survey findings on an annual basis.

However, the large scale survey by enumerators was subsequently replaced by a pilot survey conducted by specialized professionals in Barbados, St. Kitts, and St. Lucia. Following review of LBII's pilot survey report, RDO/C decided not to move forward with additional survey effort, but rather to defer the matter for future consideration. The present report contains LBII's recommendations in future survey work as part of its monitoring system recommendations.

2. MONITORING PRIORITIES

In July, a memorandum from Harvey Lerner to David Mutchler summarized some preliminary conclusions on what the priorities and focus of the monitoring system should be. These included:

- (1) the system should be centered on the needs of the Project Officer and the Mission for pertinent, timely, and reliable information on project status.
- (2) the system should not require large additional expenditures of funds to support ongoing gathering and analysis of data by implementing organizations or consultants; however, some modest commitment of the Mission's own resources (Project Officers' time) will be required in order to make significant improvements in the present system.
- (3) The monitoring system should be viewed as an integral part of a system which is designed to provide information for both monitoring and evaluation purposes.
- (4) Implementing organizations should be required to provide regular and reliable information on a few key data series pertaining to project impact and successful assistance activities.
- (5) Annual visits to businessmen (including participation in the annual field validation) should be viewed as a mandatory part of the monitoring responsibilities of the Project Officer responsible for an RDO/C Private Sector Project.

3. BASIC QUESTIONS AND PROBLEMS

A subsequent memorandum from Mr. Lerner to Mr. Mutchler (August 27, 1987) focused on the major decisions and issues related to monitoring that should be addressed. Before identifying, in detail, the future priorities and issues to be addressed, the memorandum opened by asking two fundamental questions:

- a) Contract and AID/Washington mandates aside, is there really a need for a change in any of RDO/C's existing monitoring systems?
- b) If so, what aspects of the present systems really need to be changed or improved?

Answers to these questions focused on first distinguishing between two types of monitoring--"achievement" and "compliance" monitoring. As the memorandum states, achievement monitoring

"emphasizes the circumstances of target groups and resulting impacts on the economy." Compliance monitoring, on the other hand, "focuses mainly on implementing organizations and on RDO/C itself."

With this distinction made, the memorandum goes on to state that:

"there are substantial needs and opportunities for improving the design of achievement monitoring functions, but that improvements in compliance best could be accomplished through better execution of existing guidance."

Specifically, regarding the compliance monitoring system, LBII had the following comments:

"LBII's views with respect to compliance monitoring appear to coincide with the views of those we have talked to within the Mission. A few improvements should be made by RDO/C, but there is no practical way to make fundamental changes in the design of the system. The existing situation is heavily influenced by Congressional, government-wide, and agency-wide requirements. From the vantage-point of the Mission, improvements in compliance, basically require that a greater share of time and energy of Mission personnel be devoted to understanding and applying existing guidance, which now exists in great abundance. Rather than laying on more paperwork, the keys here appear to be communicating management priorities (making clear that compliance issues either do or do not come ahead of other important activities) and the personal motivation of Mission staff members (who must spend the time and effort required to read, understand, and apply the rules and requirements involved. Conditions and major compliance items not now tracked by the new MACS system could be handled by requiring Project Officers to submit a statement on the status of these omitted items together with their quarterly status report contributions."

Regarding the achievement monitoring system, LBII identified two fundamental problems:

1) It does not focus on, nor deal directly with PSO's "market," the private sector in the Caribbean. Instead, it tends to focus on the concerns of AID's traditional programs and on the implementing organizations through which PSO activities are carried out.

2) A host of problems relating to purpose statements, indicators, and lack of consistent use of objective information seriously erode the concept of accountability.

In the course of its work, LBII has developed a "macro" schematic flow chart on the essential elements and interaction between these elements for both monitoring and evaluation purposes. Specifically, the key system elements consist of eight components:

1) A Generic Scope of Work follows the LogFrame format. It relates the program to projects in terms of a common set of goals, functionally standardized purpose elements, inputs and outputs. Such a scope of work was defined in LBII's Work Plan and has been revised during the course of evaluations.

2) A Cost-Effectiveness Framework allocates inputs and outputs by country and by standardized function (such as training, technical assistance, financing provided) and provides a basis for making cost-effectiveness comparisons.

3) Formal Sector Telephone Surveys would gather information on project and program performance directly from private sector firms in OECS countries. Ideally these activities would be conducted as a postcard-telephone census and include all firms in the formal sector in each of the OECS states. Business associations such as national Chambers of Commerce and/or CAIC would be contracted annually to conduct the surveys. File searches of National Development Foundation files would track data on small businesses and microbusinesses.

4) An Annual Field Validation tests the accuracy of information on development impacts of RDO/C assistance provided by implementing organizations. This activity puts PSO Project Officers directly in touch with private sector target groups on a regular basis. Identification and documentation and analysis of "success stories" would be one important function of the survey. Annual field validation would utilize the services of PSO professionals for one week in the field and for one week of analysis of results each year.

5) A Project Monitoring System establishes key indicators which should be tracked by the top management of the Mission and by Project Officers responsible for PSO projects. It uses information contained in reports of implementing organizations and draws on the results of the telephone surveys of the formal sector and annual field validations. Information compiled in the project monitoring system is fed into individual project evaluations.

6) A Program Monitoring System furnishes information prescribed by AID/W guidance. It contains development indicators (provided by AID/W) and program achievement indicators which RDO/C obtains from the formal sector telephone survey and published sources of projections/data.

7) Project Evaluations are carried out using the Generic Scope of Work which ties them to a program framework. The evaluations utilize data series assembled by the project monitoring system as new information from field interviews.

8) Program Evaluations also rely on information gathered from the project monitoring system, as well as information from all the other system elements, particularly the Generic Scope of Work and the Cost-Effectiveness Framework.

As shown in Exhibit 1 all these system elements make up a Mission-wide globe of priorities and concerns. The left "hemisphere" of the exhibit represents the primary concern of the Program Office, and the right hemisphere of the primary concern of the Private Sector Office.

Exhibit II provides a fuller picture of the relationships among elements in the system in terms of a systems flow diagram. During the conceptual phase of LBII's work on the contract, a Generic Scope of Work was created and tied to a compatible Cost Effectiveness Framework. Both frameworks guide the gathering and analysis of information. Data gathered by means of implementing organization reports, formal sector telephone surveys, field validation surveys, and from other sources is combined to carry out the four "subsystem" functions of project monitoring, program monitoring, project evaluation, and program evaluation. Improvements in these functions, particularly in the monitoring of project achievements, lead to the desired outcome: consistent and objective assessment of project and program performance.

C. CONCLUSION

The present report builds on the basic conceptual framework established during the earlier monitoring system work. With this background, the following sections provide a full analysis of the needs for improvements in RDO/C's monitoring system, particularly with regards to achievement monitoring. In the following sections, more details are provided on specific implementation problems and recommendations.

EXHIBIT I

MAIN ELEMENTS OF AN INTEGRATED PERFORMANCE MONITORING AND EVALUATION SYSTEM

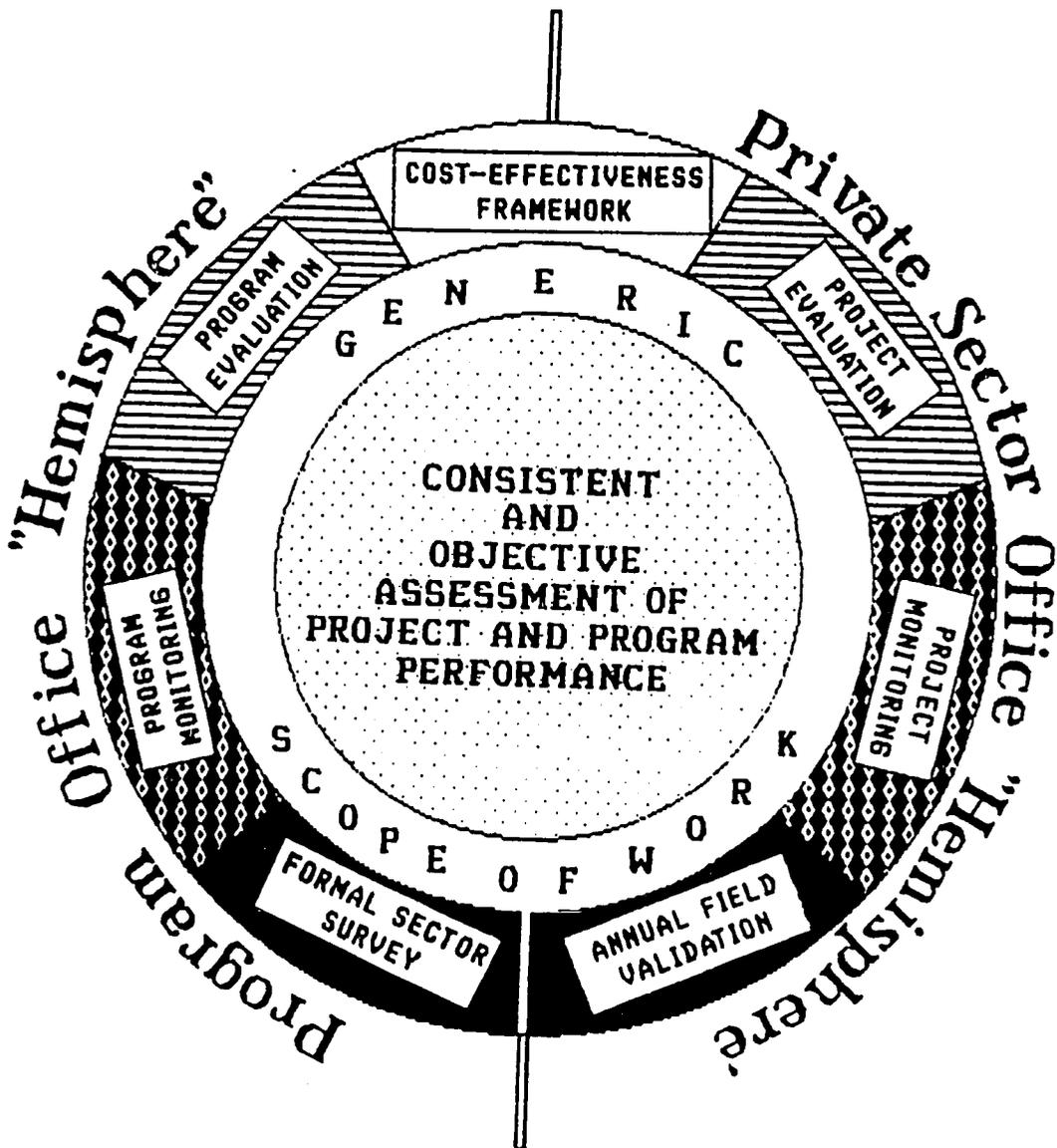
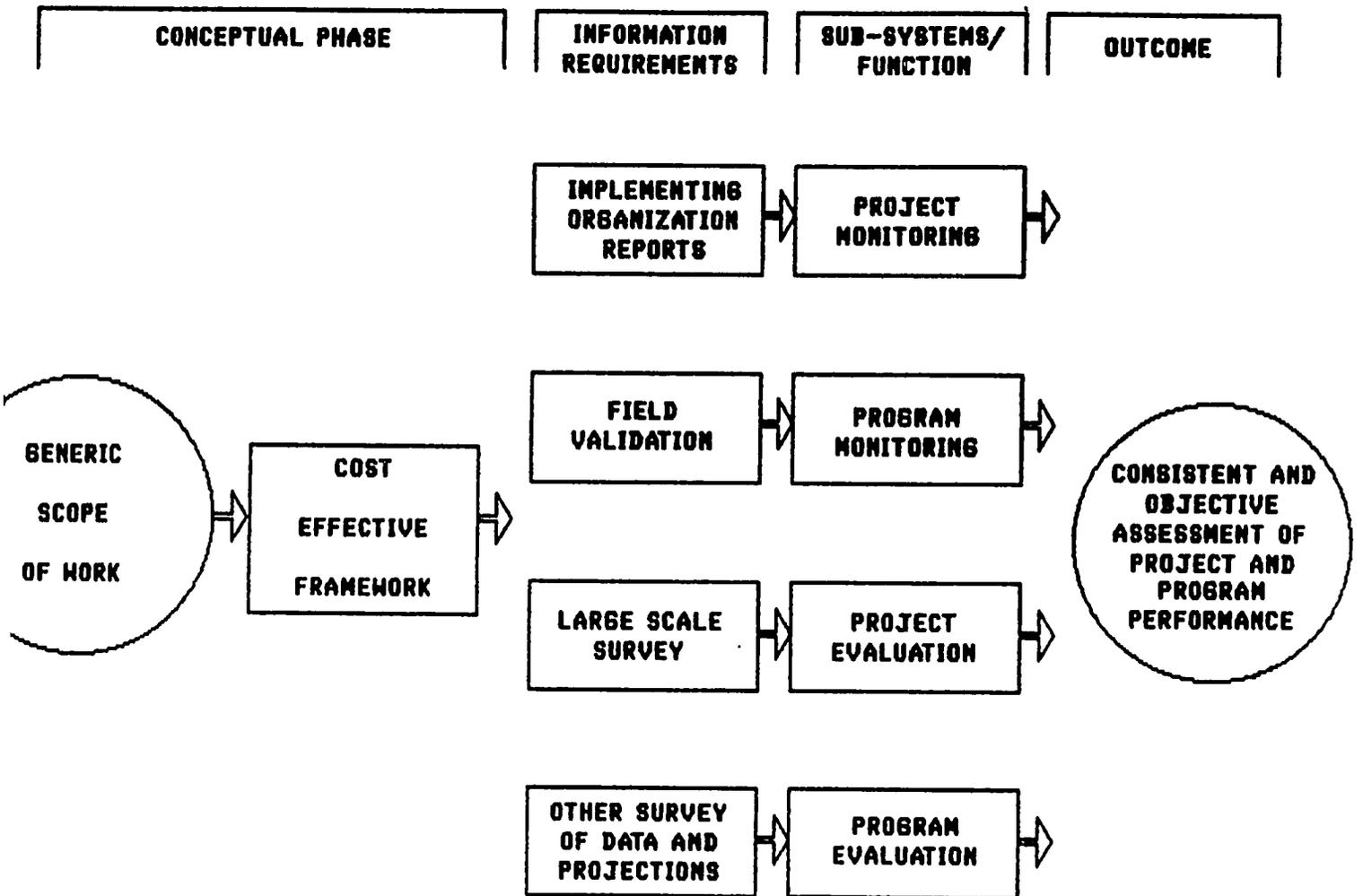


EXHIBIT II

SYSTEM FLOW DIAGRAM



SECTION I

REVIEW OF PRIVATE SECTOR OFFICE MONITORING REPORTS

A. INTRODUCTION

In theory, an effective monitoring system for RDO/C's Private Sector Office (PSO) should report on a set of indicators established during the design stages of the projects in the PSO portfolio. Reporting should follow a consistent format. Information reported should be accurate and objectively verifiable. Above all, the system should help managers to identify important problems before they get out of hand.

In practice, these goals have eluded RDO/C's Private Sector Office. A review of the monitoring reports for the 14 projects in the PSO portfolio 1980-1987 and of evaluations of seven of these projects carried out by Louis Berger International, Inc., revealed some significant shortcomings in the present system.

Primarily, the "thread of continuity" that ties project inputs to outputs to purpose and goals is often twisted, sliced or severed. With some notable exceptions, a lack of congruence exists among indicators used in project design, monitoring and evaluation. Instead of maintaining one set of "monitoring books" which applies to all three functions and provides a solid foundation for accountability, PSO effectively carries three sets books: one which was created in the course of designing the project (incorporated into the Project Paper LogFrame in the form of "objectively verifiable indicators"), another which is used for monitoring the project (incorporated into the Project Status Implementation Reports which the Mission prepares on a quarterly basis and sends to Washington), and a third set of books compiled during the course of evaluations (reflecting special requirements of particular evaluation scopes of work and/or the predilections of evaluation teams).

B. SUMMARY OF MAJOR PROBLEMS

The lack of an overriding and uniformly applied monitoring framework results in inconsistent reporting and substantially diminishes the value of the efforts expended on design, monitoring, and evaluation. Specific shortcomings may be summarized as follows:

1. Lack of Consistency in Reporting:

- a. The presentation of project inputs in the quarterly (PISR) reports has not been consistently applied within and between projects.
- b. The reporting on project outputs and purposes has differed from project to project and from year to year.
- c. For only a few of the projects have the output and purpose indicators shown in the PISRs corresponded to the LogFrame indicators.

2. Lack of Prioritization:

- a. Monitoring reports do not convey a sense of priority or relative importance among indicators. A thoughtful ordering of indicators can accomplish two purposes: (1) establish clear priorities for the implementing organization and (2) help each level of Mission management focus on information which is pertinent to its respective duties. The information requirements of the Mission Director are different from those of the Project Officer, and a well-designed monitoring system should correspond to these differing priorities.

3. Lack of Objectively Verifiable Indicators:

- a. USAID's LogFrame format includes a section on "Objectively Verifiable Indicators." Such indicators are supposed to be quite specific and to supply an unambiguous tracking mechanism for the achievement of purposes and outputs. In most cases, however, these indicators in both the LogFrame and the Mission's Project Implementation Status Reports are overly qualitative and difficult to measure at output and purpose levels. To put the matter quite bluntly, the designated "objectively verifiable indicators" often are not objectively verifiable.
- b. The use of non-specific, qualitative "indicators," coupled with the inconsistency with which indicators are selected, updated and tracked, makes it difficult to monitor "performance" or "achievement." Without clearly defined achievement indicators, it is difficult to establish accountability for the accomplishment, or lack thereof, of project objectives.

4. Lack of Incisive Analysis of Problems:

- a. For most projects, the problems identified in the monitoring reports did not correspond to the major problems identified in the evaluation reports.
- b. Analysis of problems identified in the monitoring reports, tended to be superficial, focusing on symptoms rather than causes.

5. Lack of Portfolio Commensurables:

- a. For all the projects there is a noted absence of commensurable indicators, particularly of cost-effectiveness indicators which permit comparisons between two or more projects and/or a quantitative assessment of the portfolio as a whole..
- b. The monitoring system also fails to tie project reporting information together in such a way that it can generate pertinent information needed to fulfill the program monitoring requirements of the Mission's Annual Action Plans.

6. Target Inflation:

- a. Beginning with the indicators selected for the LogFrame format and continued during project implementation is a built-in institutional tendency to "overstate" or "view with pride" the potential and actual achievements of the project. The target inflation used to "market" a project in Washington is not deflated during the monitoring of the project precisely because there is no single set of monitoring books. The use of different indicators for the design, monitoring and evaluation of the project leads to various undisputed and, often times, over-optimistic claims of success.

In summary, there has been little or no integration of a design/-monitoring/evaluation process which starts with the creation of the initial project LogFrame, continues during the Mission's periodic reporting, and ends with the final project evaluation. Nor has the monitoring of individual projects been tied directly to the program reporting requirements of the Annual Action Plans. It can be argued that the pressures faced by the Mission have disassembled an ostensibly integrated system into three separate and only occasionally interacting subsystems, each driven by a different mandate: (1) a subsystem which markets the project (the project paper preparation process) and which puts the best face on its prospects for future success as the project competes at its birth for scarce resources; (2) a subsystem heavily oriented

toward the USAID's internal communications (within the Mission and between the Mission and AID/Washington), which focuses on administrative developments and helps to explain the dearth of discussion of basic issues in PISR's; and (3) a subsystem intended to make judgements on project impact and achievement, and to justify changes or major decisions (on-going and ex post evaluations, often performed by consultants or other outsiders).

It is important to note that, side by side with centrifugal forces which have tended to erode the wholeness of the design/-monitoring/evaluation system, there have been significant improvements over the years in the form and content of PSO project status reporting. These improvements are discussed in the following subsection.

C. EVOLUTION OF THE PISR FORMAT

The problems described in the previous subsection have been counterbalanced to some extent by improvements in PSO's project status reporting. In recent years, the Mission has installed and PSO has applied a format for Project Implementation Status Reports that has resulted in progressively more detailed and consistent presentations. Specifically, beginning in 1985, the PSO implemented standardized monitoring forms that provided detailed categories for analysis. More so than the pre-1985 reporting format, the new Project Implementation Status Report (PISR) format resulted in Project Officers consistently commenting on project inputs, outputs and purposes. Below is a look at the presentation format from 1980 to 1985 and from 1985 to the present:

<u>1980-1985 FORMAT</u>	<u>1985-PRESENT FORMAT</u>
1. Summary/Background Data	1. Background Data
2. Project Description (Usually states Project Purpose)	2. Project Purpose
3. Status Summary	3. Project Status
4. Comments on Implementation	a. Financial Status
*5. Problems and Delays	b. Major Outputs
6. Major Activities Expected Next Quarter	c. Other Accomplishments and Overall Status
*7. Status of Financial Plan	*d. Follow-up Actions From Prior Reporting Period
	*e. Summary of Audits and Evaluations
	4. Problems and Delays
	5. Major Activities During Next Six Months:
	a. Corrective Action
	b. Upcoming Major Project or Management Activities
	*c. AID/W Actions

* Not always included or commented on.

6. Mission Director's
Assessment
*7. Special Concerns

With the implementation of the new format, the Project Officers have begun to review, with a greater degree of consistency, the output and purpose indicators included in the LogFrame format. But this new format has not resolved all the problems mentioned in section B. Despite the establishment of specific project purpose and output sections, the selection and analysis of indicators is still inconsistently applied. In many cases, the indicators included in the PISR's do not always correspond to the indicators presented in the LogFrame. Many are also difficult to quantify. Furthermore, the more detailed monitoring format has not resulted in a more thorough analysis of key issues. In general, regardless of the type of format used, most of the issues identified in the PISR's focus more on procedural and symptomatic problems, rather than on those issues that serve as the root causes behind the overall success and failure of the project.

D. PROJECT INPUTS (FINANCIAL DATA)

In all of the reports, there is a presentation of key financial data including: period disbursements, cumulative disbursements, amount obligated, committed, and expended. Before 1985, however, only a few of the reports presented the financial information in a uniform manner. When reading the pre-1985 monitoring reports, one always wonders: "To what extent are actual disbursements keeping pace with planned expenditures? If not, why not?" The answers to these questions were not always presented. In fact, a detailed review of seven projects' monitoring reports revealed that only a little more than half (52 out of 91) of the reports provided a table of planned versus actual expenditures and disbursements. The remaining reports either neglected to include any financial information or focused on specific budget expenditures without out comparing them to planned expenditures.

After 1985, the reporting of financial data was more uniform. In all the post-1985 PISR's there is information provided on amounts committed, obligated and expended. Still, all these comparisons are provided on a global basis. There is no indication of how actual disbursements in year 1 compare to what was budgeted in year 1. As a result, it is difficult to determine the "absorptive capacity" of the projects on a yearly basis. Furthermore, it is difficult to determine, except on a global basis, how realistic the project design and budgeting of funds are.

Besides the annual presentation of actual versus planned disbursements, none of the PISR's provide information on project expenditures by function, country or target group. As such it is difficult to determine whether money is being spent on the primary functions and target group areas. Without any detailed breakdown of project costs, it is difficult to trace the cost-effectiveness of individual projects and assess whether project expenditures are going towards the most pertinent and relevant areas.

E. PROJECT OUTPUTS

Before 1985, it was difficult to identify the major outputs of each project. Most of the PISR's would, at best, only cryptically refer to achievement in terms of project outputs or provide some generalized commentary on the overall implementation of the project. Beginning in 1985, however, the presentation of output-related achievements was more clearly stated. Still, the indicators used to analyze these achievements did not always correspond to the output indicators included in the LogFrame. Below is a more detailed review of the PSD's most recent and best attempts at tracking project outputs (from 1985 on).

As shown in Table 1, the presentation of project outputs in the monitoring reports of 13 projects (PDAP and IPED are combined) has not been consistently applied. Since 1985, most of the PISR's have provided information on major outputs. However, the indicators included and reviewed in the reports did not correspond to the LogFrame indicators included in the original Project Papers (or the output indicators referred to, but not formally expressed in a LogFrame framework, in non-AID project design papers). For only three projects did the output indicators in the PISR's correspond completely to the indicators included in the LogFrame analysis. More common were those projects that excluded most of the LogFrame indicators. In nearly a half of the projects, the information presented in the PISR's excluded or failed to comment on three or more LogFrame indicators. In many cases, the reports referred to indicators that corresponded more to purpose or even goal indicators (the case of CFDF and IPIP with an emphasis of jobs created); or focused on indicators that were overly qualitative and hence either too difficult or easy measure. For example, in the case of EIPII, the comment "DFC's have been strengthened in all the LDC territories" is very subjective and open to a wide range of interpretation. Does that comment mean they are financially self-sufficient? Does it mean that, in every case, they assisted more businesses than in the previous year? Or does it simply mean that they would have been financially weaker in the current year if they had not received RDO/C funds?

LEGEND:

* INDICATES THAT THE INDICATOR IS CONSIDERED
OVERLY QUALITATIVE AND/OR DIFFICULT TO MEASURE

TABLE 1

INFORMATION ON THE PROJECT OUTPUTS INDICATORS

* QUOTATION MARKS ARE USED FOR DIRECT CITATIONS FROM THE
PROJECT IMPLEMENTATION STATUS REPORT

PROJECT	LOGFRAME OUTPUT INDICATORS	MAJOR OUTPUTS IN PISR'S	LOGFRAME INDICATORS MISSING FROM PISR'S
1. 007/057--REG. ASRID. DEV.	<p>A. 007:</p> <ol style="list-style-type: none"> 52 SUB-LOANS= \$5,200,000 26 INVESTMENTS=\$1,300,000 10 STUDIES COMPLETED 280 PERSON MONTHS OF TECHNICAL ASSISTANCE <p>B. 057:</p> <ol style="list-style-type: none"> ARTICLES OF INCORPORATION APPROVED; COMMENCEMENT OF OPERATIONS LAAD/CARIBE SUB-PROJECTS FINANCED FOLLOWING SUB-PROJECT INDICATORS: <ul style="list-style-type: none"> SUB-PROJECT OBJECTIVES BEING MET INTEREST/PRINCIPAL PAYMENTS RECEIVED MINIMAL DELIQUENCIES INTEREST PAYMENTS TO AID ARE MET 	<ol style="list-style-type: none"> 5 DIRECT LOANS TO DFC'S MADE BY CDB 4 LINES OF CREDIT TO DFC'S MADE BY CDB FULL AMOUNT OF RESOURCES USED; SUB-LOANS EXCEEDED 52 TARGET 	<ol style="list-style-type: none"> AMOUNT OF TECHNICAL ASSISTANCE PROVIDED; NUMBER OF STUDIES DONE SUB-PROJECT INDICATORS FOR THE 057 PROJ:
2. 012/018--EIP11	<ol style="list-style-type: none"> 2-4 REGIONAL COMMERCIAL BANKS OPERATING WITH CDB/GOVT. EXPERIMENTAL LENDING ARRANGEMENTS 3-5 REVITALIZED DFC'S IN OPERATION 5 SUB-LOANS FOR THE DEVELOPMENT OF INDUSTRIAL ESTATES 150 SUB-LOANS ANNUALLY TO SMALL AND MEDIUM BUSINESSES 42 PERSON YEARS OF T.A. 	<ol style="list-style-type: none"> "2-4 REGIONAL COMMERCIAL BANKS OPERATING" REQUIREMENT HAS BEEN DROPPED DUE TO DISINTEREST "DFC'S HAVE BEEN STRENGTHENED IN ALL THE LDC TERRITORIES" 11 SUB-LOANS FOR THE DEVELOPMENT OF INDUSTRIAL ESTATES TARGET OF EXTENDING 150 SUB-LOANS ANNUALLY HAS BEEN EXCEEDED; ALL THE DFC'S RECEIVED SMALL BUSINESS ADVISORS FOR 1-2 YRS. 	<p>NOTHING</p>
3. 035/0135--CCCU/11	<ol style="list-style-type: none"> 7 NATIONAL LEAGUES WILL BE FINANCIALLY SELF-SUFFICIENT CCCU WILL BE SELF-SUFFICIENT IN CORE OPERATIONS TOTAL CREDIT UNION MEMBERSHIP WILL EXCEED ORIGINAL ESTIMATE OF 567,000 BY 3,500. LOCAL CREDIT UNION WILL RECIEVE T.A. AND TRAINING 	<ol style="list-style-type: none"> "CORE STAFF AT CCCU ... AT ITS FULL COMPLEMENT" "CCCU STAFF CONTINUED TO PROVIDE INSTITUTIONAL STRENGTHENING SERVICES TO THE CREDIT UNION MOVEMENT IN THE REGION" "EMPHASIS ...PLACED ON THE TRAINING OF TRAINERS" 	<ol style="list-style-type: none"> FINANCIAL SELF-SUFFICIENCY INFORMATION MEMBERSHIP TRENDS TRAINING INFORMATION
4. 042--PDAP/PDAP11	<p>A. PDAP1:</p> <ol style="list-style-type: none"> COMPLETE 3 STUDIES COMPLETE 3 POLICY STUDIES DEVELOP AND IMPLEMENT AT LEAST 5 MAJOR PROJECTS PER COUNTRY; DEVELOP AND IMPLEMENT AT LEAST 4 JOINT-VENTURE PROJECTS WITH U.S. FIRMS <p>B. PDAP11:</p> <ol style="list-style-type: none"> 50 STARTS OR EXPANSIONS 12,000 NEW JOBS ONE OR MORE PUBLIC, PRIVATE, OR MIXED OFFICE IN EACH COUNTRY 	<ol style="list-style-type: none"> NUMBER OF BUSINESS STARTS OR EXPANSIONS NEW EMPLOYMENT NUMBER OF NATIONAL INVESTMENT PROMOTION OFFICES DEVELOPED 	<ol style="list-style-type: none"> NUMBER OF STUDIES COMPLETED
5. 043--CAIC	<ol style="list-style-type: none"> 3 PROGRAM PLANS FINALIZED 3 STUDIES COMPLETED CHAMBERS SURVEYED AND AREAS OF MUTUAL CONCERN ESTABLISHED "MONEY DISBURSED TO APPROPRIATE PROGRAMS" TASK FORCES COMPLETE ASSIGNMENTS 	<ol style="list-style-type: none"> AFFILIATES STAFFED AND TRAINED "CAIC HAS IMPACT ON POLICY" WAS EVALUATED SUCCESSFULLY NUMBER OF T.A. RECIPIENTS NUMBER OF TRAINING RECIPIENTS NUMBER OF POLICY STUDIES AND ANALYSES COMPLETED 	<ol style="list-style-type: none"> AMOUNT OF MONEY DISBURSED TO "APPROPRIATE PROGRAMS" AREAS OF MUTUAL CONCERN ESTABLISHED TASK FORCE ASSIGNMENTS COMPLETED PROGRAM PLANS FINALIZED
6. 060--CPDF	<ol style="list-style-type: none"> CONSIDER 60-120 PROJECTS/YEAR DETAILED PROMOTIONAL DEVELOPMENT ON 12-25 PROJECTS/YEAR REFER 7-15 PROJECTS/YEAR TO FINANCIAL INSTITUTIONS FINANCE 5-10 PROJECTS/YEAR 	<ol style="list-style-type: none"> NUMBER OF FEASIBILITY STUDIES NUMBER OF FUNDED SUB-PROJECTS 	<ol style="list-style-type: none"> NUMBER OF PROJECTS CONSIDERED NUMBER OF PROJECTS REFERRED
7. 079--DOMINICA SED	<ol style="list-style-type: none"> PROVIDE T.A. TO 300 MICRO-ENTERPRISES 	<ol style="list-style-type: none"> 43 LOANS=\$53,000 	<ol style="list-style-type: none"> STAFFING INFORMATION

LEGEND: * INDICATES THAT THE INDICATOR IS CONSIDERED
OVERLY QUALITATIVE AND/OR DIFFICULT TO MEASURE

TABLE 1

INFORMATION ON THE PROJECT OUTPUTS INDICATORS

* QUOTATION MARKS ARE USED FOR DIRECT CITATIONS FROM THE
PROJECT IMPLEMENTATION STATUS REPORT

PROJECT	LOGFRAME OUTPUT INDICATORS	MAJOR OUTPUTS IN PISR'S	LOGFRAME INDICATORS MISSING FROM PISR'S
	2. APPROX. \$664,000 OF LOANS FROM LOCAL BANKS WILL BE GUARANTEED BY THE MDF 3. MDF WILL BE FULLY STAFFED (1 EXECUTIVE DIRECTOR, 4 SMALL BUSINESS EXTENSION AGENTS, AND SUPPORT STAFF). * 4. TRAINING OF LOAN PROMOTERS WILL LARGELY BE DONE BY LOCAL PERSONNEL * 5. ESTABLISH BROAD AND DIVERSE ORGANIZING COMMITTEE	2. PROVISION OF COUNSELLING SERVICES 3. NUMBER OF CLIENTS ASSISTED	2. TYPE OF TRAINING PROVIDED 3. INFORMATION ON ORGANIZING COMMITTEES
2. 084--CFSC	1. LOAN PORTFOLIO OF \$13.2 MILLION BY YEAR 4 OF THE PROJECT	1. NUMBER OF BUSINESSES ASSISTED 2. NUMBER AND AMOUNT OF LOANS	NOTHING
3. 087--REGIONAL DEV. TRAINING	1. 48 SINGLE BUSINESS INTERVENTIONS 2. 315 INTERMEDIATE ENTERPRISES ASSISTED 3. 560 MANAGERS & SUPERVISORS TRAINED 4. 7.2 PERSON YEARS OF BIMAP STAFF TRAINING 5. 200 SHORT-TERM TRAINING AWARDS GIVEN 6. 30 L-7/15 SHORT-TERM PERSON YEARS OF TRAINING IN THE PUBLIC SECTOR 7. 5.7 PERSON YEARS OF PRIVATE SECTOR TRAINING	A. OCT.-MARCH 1985: 1. NUMBER OF COMPANIES THAT COMPLETED FIRST PHASE OF "ORGANIZATIONAL DEVELOPMENT INTERVENTION" PROCESS 2. NUMBER OF WORK PLANS FOR ACTION PROGRAMS COMPLETED BY COMPANIES. B. APRIL 1985-MARCH 1986: 1. NUMBER OF TRAINING PARTICIPANTS IN IIE 2. NUMBER OF SENIOR MANAGEMENT PARTICIPANTS IN IIE 3. NUMBER OF INTERVIEWED CANDIDATES FOR BIMAP C. APRIL 1986-JUNE 1987: 1. NUMBER OF SINGLE BUSINESS INTERVENTIONS 2. NUMBER OF INTERMEDIATE ENTERPRISES ASSISTED 3. NUMBER OF MANAGERS/SUPERVISORS TRAINED 4. NUMBER OF BIMAP STAFF TRAINED	1. NUMBER OF TRAINING AWARDS 2. TRAINING AND T.A. ACCOMPLISHMENTS STATED IN PERSON YEARS
4. 088--IPIP	1. OVER 600,000 SQ. FEET OF FACTORY SPACE DEVELOPED	* 1. FACTORY SPACE * 2. INCREASE IN EMPLOYMENT * 3. INCREASE IN EXPORTS	NOTHING
5. 0102--CARIB. MKTING. ASSIST.	* 1. ESTABLISH VIABLE, FUNCTIONING PARTNERSHIPS WITH LOCAL ECONOMIC DEVELOPMENT SUBCOMMITTEES (EDS) IN ST. LUCIA, BARBADOS AND DOMINICA AND COUNTERPART N.Y. PARTNERSHIPS IN ROCKLAND, ALBANY AND DUTCHESS COUNTIES * 2. RECRUIT AND ORIENT APPROPRIATE, EXPERIENCED AND WELL-QUALIFIED SPECIALISTS * 3. IDENTIFY AND ENLIST VOLUNTEER AND PAID CONSULTANTS IN BOTH PARTNERSHIP AREAS TO PROVIDE ASSISTANCE TO CARIBBEAN ENTREPRENEURS * 4. PROVIDE INDIVIDUALIZED, CUSTOM-DESIGNED TRAINING TO CARIBBEAN BUSINESS PEOPLE AND THEIR EMPLOYEES * 5. FACILITATE THE MARKETING OF GOODS AND PRODUCTS FROM THE THE CARIBBEAN	* 1. "HIRING OF COORDINATORS ... HAS HAD MAJOR IMPACT UPON PROJECT EXECUTION" * 2. "EDS'S ARE NOW COMMUNICATING WITH THEIR NEW YORK COUNTERPARTS" * 3. "BARBADOS EDS COORDINATED A VISIT FOR GARMENT MANUFACTURERS TO ALBANY" * 4. "ROCKLAND COUNTY EDS ARRANGED A TRADE FAIR...AT WHICH ST. LUCIA HANDICRAFT PRODUCTS WERE DISPLAYED"	1. SPECIALISTS RECRUITED 2. CONSULTANTS HIRED 3. TRAINING PROVIDED
6. 0133--SMALL ENTER. ASSIST.	* 1. ESTABLISH AND STAFF RCU * 2. STAFF NATIONAL COORDINATING SECRETARIAT * 3. PROVIDE 1,130 MICROBUSINESSES WITH TECHNICAL AND FINANCIAL ASSISTANCE	1. ESTABLISHED A REGIONAL COORDINATING UNIT 2. NUMBER OF MCC'S ESTABLISHED 3. NUMBER OF MICRO-FIRMS ASSISTED	1. LOAN PORTFOLIO SIZE

LEGEND:

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* QUOTATION MARKS ARE USED FOR DIRECT CITATIONS FROM THE
PROJECT IMPLEMENTATION STATUS REPORT

TABLE 1

INFORMATION ON THE PROJECT OUTPUTS INDICATORS

PROJECT	LOGFRAME OUTPUT INDICATORS	MAJOR OUTPUTS IN PIR's	LOGFRAME INDICATORS MISSING FROM PIR's
C. 0136--KOF ASSISTANCE	4. SUITABLE LOAN PORTFOLIO SIZE AND QUALITY (FINANCIAL RATIOS PROVIDED) 5. PROVIDE T.A. TO 450 SMEs. 6. 750 PARTICIPATING INDIVIDUALS, FIRMS, AND INSTITUTIONS	5. NUMBER OF TRAINING PROVIDED TO SMEs 6. ESTABLISH SBICs. 7. ESTABLISH SME CREDIT FUND	EVERYTHING
	* 1. PROVIDE RESOURCES FOR A SYSTEM OF CREDIT FOR VIABLE SMALL PRODUCTIVE BUSINESSES * 2. CREATE A MORE PRODUCTIVE AND VIBRANT SMALL BUSINESS SECTOR * 3. IMPROVE THE MANAGERIAL AND TECHNICAL BUSINESS SKILLS OF SMALL ENTREPRENEURIAL GROUPS AND INDIVIDUALS * 4. INCREASE INDIVIDUAL EARNINGS AND EMPLOYMENT FOR MARGINAL ENTREPRENEURIAL GROUPS	N.A.	

The issue of selecting and reviewing measurable or appropriate indicators is one that has eluded both the preparers of the PISR's and the baseline LogFrames. For example, one of the principal goals included in the LogFrames of all the projects is to increase employment. This "goal", however, is used as a purpose indicator in three reports and as an output indicator in two reports. Even when indicators selected correspond to appropriate outputs, they still tend to be difficult to measure and quantify. Specifically, our analysis concludes that more than a third of the output indicators included in the LogFrame were either: a) overly qualitative, and/or b) too general. All these vague indicators allow managers to claim any project development as an achievement of a target. For example, in the case of CFSC one of the LogFrame output indicators is to "establish a viable long-term credit institution". Unfortunately, there is no description of what exactly constitutes viability. Is it being able to function without AID financing, or does it simply mean providing a certain number of loans during the year?

The same problems associated with the LogFrame indicators is true for close to 30% of the indicators included in the PISR's. The vagueness and lack of consistency regarding acceptable levels of performance, could be due in part to the Project Officer's attempt to aggregate several explicit indicators or to focus on what he/she viewed as the few overriding crucial indicators. It could also reflect a practice of putting the best face on failure. In any case, use of ambiguous, nebulous, and inexplicit indicators reduces accountability and ultimately makes it difficult to determine the likelihood whether or not the results anticipated in the project design paper will be achieved.

On this last point, the monitoring reports rarely provide a clear indication that specific output targets will be achieved. In the section on "Comments on Implementation", one finds an abundance of statements like: "Moving ahead of schedule", "Majority of plans are being implemented", "Loans are leading to increased employment". These comments reflect on general trends but rarely are supported by specific facts or evidence on the achievement of specific output indicators.

F. PROJECT PURPOSES

As shown in Table 2, the same problems associated with the reporting of project outputs also afflict the tracking of project purposes. As in the case of project outputs, the overall project purpose is stated in all of the reports. But the indicators or end-of-project-status (EOPS) criteria used to determine the achievement of the project purpose is presented in only 8 out of the 13 reports. Out of those eight, only one project, the SEA project, comments on purpose indicators that correspond exactly to the purpose indicators originally presented in the LogFrame.

LEGEND:

* INDICATES THAT THE INDICATOR IS CONSIDERED OVERLY QUALITATIVE AND/OR DIFFICULT TO MEASURE

* QUOTATION MARKS ARE USED FOR DIRECT CITATIONS FROM THE PROJECT IMPLEMENTATION STATUS REPORT

TABLE 2

INFORMATION ON THE PROJECT PURPOSE INDICATORS

PROJECT	LOGFRAME PURPOSE INDICATORS	MAJOR PURPOSES IN PISR'S	LOGFRAME INDICATORS MISSING FROM PISR'S
1. 607/057--REG. AGRIB. DEV.	<p>A. 007: * 1. SYSTEM FOR SUB-PROJECT IDENTIFICATION AND PROMOTION IS ESTABLISHED AND FUNCTIONING EFFECTIVELY</p> <p>* 2. RATE OF COMMITMENT FOR SUB-PROJECTS REACHES US\$ 3.0 MILLION/YR.</p> <p>* 3. RATE OF DISBURSEMENT FOR SUB-PROJECTS REACHES US\$ 2.5 MILLION/YR.</p> <p>* 4. PARTICIPATING FIRMS BENEFIT TARGET GROUP IN ACCORDANCE WITH TO "SELECTION CRITERIA".</p> <p>B. 057: 1. PAID-IN-EQUITY CAPITALIZATION REACHES US\$2,000,000</p> <p>2. L-T LOANS AMOUNT TO \$ 6,000,000 BY YEAR 4</p> <p>3. TOTAL INVESTMENT PORTFOLIO AMOUNTS TO \$ 7,570,000</p> <p>4. NET INCOME IS POSITIVE BY YEAR 3</p> <p>5. OTHER FOR LAAD, S.A.: TOTAL PROFITABILITY, RETURN ON NET WORTH COMMERCIAL DEBT SECURED.</p>	N.A.	EVERYTHING
2. 012/018--EIP11	<p>1. 1,050 PERMANENT JOBS GENERATED</p> <p>2. \$14 MILLION INCREASE IN INVESTMENTS IN THE INDUSTRIAL SECTOR</p> <p>3. CDB COMITS \$8.4 MILLION TO INDUSTRIAL PROJECTS</p>	<p>1. BUDGET ALLOCATIONS FOR:</p> <p>--INDUSTRIAL ESTATES</p> <p>--ON-LENDING</p> <p>--SMALL BUSINESS ADVISORS</p> <p>--SPECIALIZED T.A.</p> <p>--EVALUATION</p>	EVERYTHING
3. 035/0135--CCCU1/11	<p>* 1. INCREASE MOBILIZATION OF SAVINGS</p> <p>* 2. INCREASE MEMBERSHIP</p> <p>* 3. INCREASE LOANS FOR PRODUCTIVE AND PROVIDENT PURPOSES AT THE COMMUNITY LEVEL</p>	<p>1. BUDGET ALLOCATIONS FOR:</p> <p>--CCCU CORE OPERATIONS</p> <p>--TECHNICAL ASSISTANCE</p> <p>--COUNTRY DEVELOPMENT PROGRAMS</p>	EVERYTHING
4. 042--PDAP	<p>A. PDAPI 1. 25 PROJECTS= \$30 MILLION</p> <p>* 2. DIMINUTION IN LAG TIME FOR COUNTRY TO OBTAIN FUNDS.</p> <p>3. VARIOUS OPERATIONAL ISSUES.</p> <p>B. PDAP11: * 1. "INVESTMENT FLOWING INTO THE REGION"</p> <p>* 2. "EXPORT VOLUMES UP"</p>	<p>1. NUMBER OF BUSINESS STARTS</p> <p>* 2. STATEMENT: "EXPORTS HAVE INCREASED"</p> <p>3. NUMBER OF OPERATING NATIONAL INVESTMENT PROMOTION AGENCIES</p> <p>* 4. BUDGET ALLOCATIONS</p>	<p>1. DIMINUTION IN LAG TIME</p> <p>2. VALUE OF TOTAL INVESTMENT</p>
5. 043--CAIC	<p>1. EXECUTIVE DIRECTOR IN PLACE AND FULLY OPERATIONAL</p> <p>2. 5 FULLY STAFFED OPERATING DIVISIONS AND PROGRAM PLANS UNDERWAY</p> <p>3. SUBSCRIBE NEW MEMBERS TO LEVEL WHICH AT LEAST MAINTAINS CAIC'S PROJECTED MEMBERSHIP FINANCIAL CONTRIBUTIONS</p> <p>4. OBTAIN \$200,000 IN MEMBERSHIP DUES AND OTHER CONTRIBUTIONS FROM MEMBERS</p> <p>* 5. USE NEWSLETTERS TO IMPROVE COMMUNICATION</p> <p>6. DESIGN AND IMPLEMENT 2 MAJOR PROGRAMS IN EACH DEPARTMENT</p> <p>* 7. MOBILIZE DONOR CONTRIBUTIONS</p> <p>* 8. LIAISON WITH OTHER AGENCIES AND BUSINESS ASSOCIATIONS</p> <p>9. DEVELOP DATA BANK AND ON-GOING INFORMATION COLLECTION ABILITY</p>	<p>* 1. "AFFILIATES FUNCTIONING EFFECTIVELY IN 7 TERRITORIES"</p> <p>* 2. "ORGANIZATIONS COOPERATIVELY STRENGTHENING THEIR ROLE IN ECONOMIC POLICY-MAKING"</p> <p>3. OBJECTIVE OF MEETING "NON-PROGRAM COSTS FROM SUBSCRIPTIONS IS NOT COMPLETE</p> <p>4. NUMBER OF MEMBERSHIP BUSINESSES AND ORGANIZATIONS</p> <p>* 5. BUDGET ALLOCATIONS</p>	<p>1. AMOUNT OF MEMBERSHIP DUES</p> <p>2. AMOUNT OF DONOR CONTRIBUTIONS</p> <p>3. LIAISONING WITH OTHER AGENCIES</p> <p>4. DATA BANK AND INFORM. COLLECTION ABILITY</p>
6. 060--CPDF	<p>* 1. BEVELDP PRODUCTIVE VENTURES IN \$500,000-5,000,000 RANGE</p>	<p>1. FACILITATED FUNDING COMMITMENTS OF \$46R</p>	<p>1. SIZE OF PRODUCTION INVESTMENT</p>

LEGEND:

* INDICATES THAT THE INDICATOR IS CONSIDERED
OVERLY QUALITATIVE AND/OR DIFFICULT TO MEASURE

* QUOTATION MARKS ARE USED FOR DIRECT CITATIONS
FROM THE PROJECT IMPLEMENTATION STATUS REPORT

TABLE 2

INFORMATION ON THE PROJECT PURPOSE INDICATORS

PROJECT	LOGFRAME PURPOSE INDICATORS	MAJOR PURPOSES IN PISR'S	LOGFRAME INDICATORS MISSING FROM PISR'S
1. 079--DOMINICA SED	<ul style="list-style-type: none"> * 1. PROVIDE T.A. IN DEVELOPING TARGETS, ORG. ACTIVITIES, SUPERVISION * 2. ESTABLISH GUARANTEE LOAN FUND * 3. IDENTIFY AND ANALYZE SMALL BUSINESS PRODUCTIVE ACTIVITIES * 4. ESTABLISH ACCOUNTING SYSTEM AND OTHER MANAGERIAL ASSISTANCE * 5. HELP MOFD IN FUND-RAISING EFFORTS 	<ul style="list-style-type: none"> 2. CREATED 1,173 JOBS 	<ul style="list-style-type: none"> 1. SIZE OF FUNDRAISING EFFORTS 2. MOF ORGANIZATIONAL DEVELOPMENT
2. 084--CFSC	<ul style="list-style-type: none"> * 1. ESTABLISH VIABLE LONG-TERM CREDIT INSTITUTION 2. DEVELOP \$13 MILLION LOAN PORTFOLIO * 3. CREATE NEW EMPLOYMENT OPPORTUNITIES FOR SKILLED AND UNSKILLED LABOR * 4. RESULT IN INCREASED PAYMENT OF TAXES TO EASE BALANCE OF PAYMENT SUPPORT 	<ul style="list-style-type: none"> * 1. "INSTITUTION ESTABLISHED AND PORTFOLIO GROWING" 	<ul style="list-style-type: none"> 1. RESOURCE GENERATION FROM TAXES 2. DISTINCTION BETWEEN SKILLED AND UNSKILLED LABOR GENERATION
3. 027--REGIONAL DEV. TRAINING	<ul style="list-style-type: none"> * 1. REDUCE PERSONNEL TURNOVER * 2. ESTABLISH BETTER MANAGEMENT INFORMATION SYSTEM * 3. IMPROVE EMPLOYEE SKILLS * 4. IMPROVE PLANT AND EQUIPMENT UTILIZATION * 5. IMPROVE PRODUCTION EFFICIENCY 	<p>GENERAL STATEMENTS LIKE:</p> <ul style="list-style-type: none"> * 1. "PROJECT HAS IMPROVED MANAGEMENT INFORMATION AND EMPLOYEE WORK HABITS & SKILLS" * 2. "TRAINEES PERFORMING BETTER, SEVERAL PROMOTED, ..." 	<ul style="list-style-type: none"> 1. PERSONNEL TURNOVER 2. PLANT AND EQUIPMENT UTILIZATION 3. PRODUCTION EFFICIENCY
4. 088--IPIP	<ul style="list-style-type: none"> 1. 4,000 NEW JOBS 2. ADDITIONAL \$200 MILLION IN GROSS EXPORT SALES 	<ul style="list-style-type: none"> 1. 123 NEW JOBS * 2. "EXPORT SALES MINIMAL TO DATE" 	<ul style="list-style-type: none"> EVERYTHING
5. 0102--CARIB. MKTNG. ASSIST.	<ul style="list-style-type: none"> * 1. PROVIDE COMPREHENSIVE MARKETING ASSISTANCE TO CARIBBEAN ENTREPRENEURS * 2. IMPROVE THE COMPETITIVE POSITION AND INCREASE THE SALES OF PRODUCTS AND SERVICES IN U.S., REGIONAL AND LOCAL MARKETS 	<ul style="list-style-type: none"> N.A. 	<ul style="list-style-type: none"> EVERYTHING
6. 0133--SEA	<ul style="list-style-type: none"> * 1. INCREASE PRODUCTION AND SALES OF LOCAL GOODS AND SERVICES * 2. INCREASE LOCAL INVESTMENT AND COMMERCIAL BANK FINANCING * 3. IMPROVE LOCAL AND REGIONAL SUPPORT SERVICES FOR SMALL AND MEDIUM SCALE ENTREPRENEURS 	<ul style="list-style-type: none"> * 1. PRODUCTION AND SALES OF LOCAL GOODS AND SERVICES = 0 * 2. LOCAL INVESTMENT AND COMMERCIAL BANK FINANCING = 0 * 3. LOCAL AND REGIONAL SUPPORT SERVICES FOR SMALL AND MEDIUM SCALE ENTREPRENEURS 	<ul style="list-style-type: none"> NOTHING
7. 0136--MOF ASSISTANCE	<ul style="list-style-type: none"> * 1. PROVIDE SUPPORT TO STIMULATE INCOME AND EMPLOYMENT GENERATION * 2. BROADEN THE ENTREPRENEURIAL BASE IN PARTICIPATING COUNTRIES * 3. PROMOTE DEVELOPMENT OF SMALL/MICRO BUSINESSES 	<ul style="list-style-type: none"> N.A. 	<ul style="list-style-type: none"> EVERYTHING

All the remaining reports are missing at least two LogFrame indicators. In the case of 8 projects, there are three or more LogFrame indicators missing in the PISR's.

More so than with outputs, the indicators included in both the LogFrame and actual monitoring reports are excessively qualitative and difficult to measure. According to our analysis, less than half the indicators presented in LogFrames and the PISR's represent quantifiable criteria (such as number of jobs, percentage of arrears, etc.) with explicit targets set. The remaining criteria are what could be termed "qualitative", "open-ended", and either overly difficult or easy to attribute achievement. For example, in the case of Regional Development Training, it would be difficult to measure the success of "improving employees' skills". In the case of CAIC, how much "liaisoning with other agencies and associations" is considered acceptable? An indicator should help to answer questions and raise other questions related to the achievement of project purposes; it should not require a question to first determine its significance.

With the exception of three projects (IPIP, CFSC, CPDF), none of the monitoring reports provide a clear indication on the likelihood that the project purposes will be achieved. In the case of CCCU-I and II, one never receives an idea of how the financial status of national credit union leagues are progressing, nor of the loan volumes and membership status of the credit unions themselves. Similarly, except for the last year, the reports on CAIC avoided commenting on whether membership is increasing or decreasing.

The lack of assessment related to purpose achievement, and the resulting consequences, was especially evident in the Regional Agribusiness Development project. During the project, there was a dramatic shift in the use of funds away from contributing to equity financing (one of the project's purposes) to providing on-lending funds to small farmers for farm improvements (originally not included as a project purpose). At no point, however, was this shift in purpose pointed out. Instead, the status summaries merely pointed out that the FACD would be extended to allow certain on-lending institutions to fully disburse project funds. The lack of discussion of a major shift in approach (and the failure to develop a framework for measuring achievement of a new project purpose) suggests both a lack of commitment to a prior project purpose and a lack of accountability for achieving a new one. Such practices, do not make for good management. Focusing on disbursement as an overriding end in itself can lead to the subordination of specific project purposes and defeat the purpose of a monitoring system.

G. COMPARATIVE ANALYSIS OF THE MONITORING REPORTS AND EVALUATIONS

Tables 3 and 4 present matrices on the projects and the key indicators and problems included in the final evaluations as compared to the monitoring reports. As is shown in the tables, there is very little correlation between the indicators and problems presented in the evaluations and the monitoring reports. In the evaluations, there were normally 6-8 key indicators or information areas used to determine the efficiency, effectiveness, impact and sustainability of the projects. These included operating ratios, membership levels, percentage of loans in arrears, and the business performance of loan recipients. Some of these indicators could serve as project commensurables, but they are noticeably absent from the PISR's. In most of the monitoring reports, there were normally less than three indicators that corresponded to those used in the evaluations. Only in the case of EIP, CFSC and the IPIP did the monitoring reports focus on issues that were then commented on in the evaluations.

Given deficiencies in the selection of indicators and in the orientation of the monitoring reports discussed previously, it is perhaps not surprising that the problems analyzed in the monitoring reports did not correspond to the major problems identified in the evaluations of many of the same projects. In fact, in only 55 out of 91 reports reviewed was there even any specific references to major problems in a section entitled "Problems and Delays". Even in those reports that included some commentary on major problems, the issues identified were often either too general in their formulation or too narrowly focused on procedures to suggest the need for decisive action. The most prominent issues cited in the monitoring reports (presented roughly in the order of the number of times an issue was cited) were: 1) implementing organizations lack qualified staff; 2) general comments on "lack of demand", "few requests" for services being rendered; 3) incomplete and/or delayed reporting by implementing organizations; 4) delays in AID disbursement approvals; and 5) delays in the implementation of mid-term evaluations and reviews. One has a sense of administrative tunnel vision. The preparers of the PISRs appear to have had little direct contact with the private sector target group, and to lack familiarity with what is going on out there on the firing line.

The set of problems identified in the PISR's differed both in substance and depth of analysis from those presented in the final evaluations. For example, while the monitoring reports may have pointed out that a delay in disbursement was due to a "lack of demand", the evaluation pointed out that the lack of demand was due to a fault in project design in overlooking the intermediary financial institution's reluctance to take on foreign exchange risk. Instead of procedural problems, the evaluations rightfully

TABLE 3

PRINCIPAL INDICATORS ANALYZED IN THE MONITORING REPORTS AND FINAL EVALUATIONS

PROJECT	TOTAL INVEST.	TOTAL CREDIT	EMPLOYMENT GENERATION	MANUF. EXPORTS	EXPORT EARNINGS	FOREIGN EXCHANGE IMPACT	IMPLEN. ORGANIZ. LOAN/ARREARS INFO.	TARGET # OF BUSINESS STAFF PERFORM.	GROSS SALES	ACTUAL/ PLANNED DISBURS.	ACTUAL/ PLANNED DISB. BY GEOG. AREA	ACTUAL/ PLANNED IMPLEN. ORG. EXPENDITURES	MEMBER-SHIP TRENDS	SELF SUFFIC. RATIOS	FACTORY SPACE
1. 067/057—REG. AGRIB. DEV.															
A. EVALUATION	XXX	XXX	XXX				XXX	XXX	XXX	XXX	XXX	XXX			
B. MONITORING		XXX (AID ONLY)							XXX			XXX (1ST YR. ONLY)			
2. 012/010—EIP11															
A. EVALUATION	XXX	XXX	XXX	XXX						XXX					XXX
B. MONITORING		XXX	XXX							XXX (PARTIAL)					XXX
3. 035/0135—CCCU/11															
A. EVALUATION			XXX (EST.)				XXX	XXX		XXX	XXX	XXX	XXX	XXX	
B. MONITORING							XXX (PARTIAL)			XXX (COUNTRY PROGRAM GRANTS ONLY)					
4. 043—CAIC															
A. EVALUATION							XXX	XXX		XXX		XXX	XXX	XXX	
B. MONITORING															(LAST 2 YRS. ONLY)
5. 050—CPDF															
A. EVALUATION	XXX	XXX	XXX	XXX	XXX					XXX					
B. MONITORING		XXX	XXX												
6. 084—CFSC															
A. EVALUATION	XXX	XXX	XXX			XXX	XXX	XXX		XXX				XXX	
B. MONITORING		XXX						XXX		XXX (PARTIAL)				XXX	
7. 068—IPIP															
A. EVALUATION		XXX	XXX		XXX					XXX					XXX
B. MONITORING		XXX	XXX		XXX					XXX					XXX

TABLE 4

MAJOR PROBLEMS DISCUSSED IN MONITORING REPORTS AND EVALUATIONS

PROJECT	INADEQUATE IMPLEN. ORG. SELF-SUFFICIENCY (RATIOS, ARREARS)	LOW DEMAND FOR SERVICES W/REASONS	TARGET INFLATION	UNSTABLE MEMBERSHIP TRENDS	SHIFT IN/IGNORE PROJECT PURPOSE W/ REASONS	POOR PROJECT DESIGN	TOO MANY/ MISDIRECTED GOALS	POOR REPORTING	IMPLEN. AGENCY SLOWNESS	CUMBERSOME AID REGULATIONS	LACK OF EVAL./REVIEW	LACK OF PROPER STAFF
1. 007/057--REG. AGRIB. DEV.												
A. EVALUATION		XXX	XXX		XXX	XXX						
B. MONITORING								XXX	XXX			
2. 012/018--EIP11												
A. EVALUATION								XXX				
B. MONITORING								XXX	XXX			XXX
3. 035/0135--CCCU1/11												
A. EVALUATION	XXX		XXX	XXX								
B. MONITORING							XXX					XXX
							XXX					XXX
4. 043--CAIC												
A. EVALUATION	XXX		XXX	XXX								
B. MONITORING											XXX	XXX
5. 060--CPDF												
A. EVALUATION	XXX											
B. MONITORING	XXX											
								XXX				
6. 084--CFSC												
A. EVALUATION	XXX	XXX	XXX			XXX	XXX					
B. MONITORING	XXX (LITTLE ANALYSIS)											
7. 088--IPIP												
A. EVALUATION		XXX	XXX									
B. MONITORING		XXX	XXX									

examined problems associated with low demand, inflated targets, poor project design, and conflicting or misdirected goals.

The monitoring reports' focus on procedural problems often have a buck-passing flavor to them. For example, a poor disbursement rate could be blamed on the implementing agency's slowness in presenting claims or AID/Washington's tardiness in providing certain approvals. While these factors well may have contributed to the inability of the project to achieve project outputs and purposes, there are usually other contributing factors as well. Often times, stunted loan demand and/or slow institutional development can be identified through a more detailed review of operating ratios, membership levels, and end-borrower repayment record.

In general, the information provided in monitoring reports should provide an indication of the problems that are eventually examined in detail in the evaluation reports. One indication that the Project Officers are not receiving proper information is the fact that one of the most important activities mentioned in the reports was the need to carry out a review and/or evaluation of the projects. Without any conclusive evaluative data, the officers resort to mentioning problems that are mostly "generic" and are likely to occur in any project be it in the private sector, agriculture sector, or health and population sector.

H. OVER-DEPENDENCE ON EVALUATIONS

For some years, RDO/C was a kind of pressure-cooker in which the forces driving the launching of new projects and the moving of money were viewed as higher priorities than the careful monitoring of the use of resources in ongoing projects. In this environment, most attempts at judging the successes and weaknesses of the project were viewed as "hot potatoes," best delayed and left to consultants and other outside evaluators. As a result, some projects ran their courses from beginning to end without any serious attention to their deficiencies. Others yielded "Lessons Learned" after it was too late to apply these lessons to themselves. In others, problems erupted in mid-course and caused a great deal of trouble.

In general, the setting and tracking of project achievements along with the assessments of the performances of the RDO/C staff, contracted consultants and implementing organizations has been less than satisfactory. Contrary to LogFrame philosophy, the designation of objectively verifiable indicators in project designs has not been taken very seriously, either in the amount of effort devoted to indicator selection or in the amount of informed judgment applied to the task of setting performance targets. Target inflation-- the setting of unrealistic goals in the expectation that puffing will help sell a project or a

proposal (or perhaps spur on the efforts of implementing organizations)-- has been matched by a lack of candor and by inflation in reporting results. Given other pressing Mission priorities and the sensitivities of RDO/C's implementing organizations, Project Officers have spent little time in the field attempting to determine for themselves whether what was being reported on paper was actually happening. Confirmation of results were more easily left to others.

The disadvantages of deferring any adjustments to unrealistically high targets until outside auditors or evaluators arrive on the scene, has been dramatically illustrated in the case of the history of PDAP. During the design and implementation stages, the Mission's monitoring process did not critically analyze the original targets set or independently validate any achievement claims. The specific targets which were set (particularly employment generation) contributed to an unbalanced performance in which institution building requirements were unwisely-deferred. Over time, the imbalance between the direct investment promotion efforts of the contractor and assistance to indigenous investment promotion organizations increased. Lacking any means for measuring a better balance or indicating that there was an imbalance to begin with, the stage was set for an incredibly noisy and self-defeating popping of the balloon of inflated expectations with the 1986 evaluations. It would have been far better for RDO/C, for its contractor, and for indigenous institutions in the Caribbean had the project been established within a disciplined framework from the start. In order to prevent the development of an "expectations gap" among these groups, there should be a policy of candor and "reality-testing" incorporated into the monitoring system.

I. CONCLUSION

Project monitoring should be regarded as part of an integrated design/monitoring/evaluation process which starts with project design and ends with ex post evaluation. An assessment of PSO project monitoring reports and a comparison with project evaluation results indicates that a number of deficiencies exist. On the basis of the review presented in this section, the following improvements should be made:

1. The indicators presented in the LogFrame and monitoring reports should be quantifiable, consistently defined and achievable.
2. The presentation of financial data in Project Implementation Status Reports should include planned versus actual expenditure data for each year. In addition, there should be some breakdown of project costs by function, country and target group.

3. Monitoring system indicators selected should be prioritized and matched according to the information requirements of differing levels of management. For example, the indicators tracked by the Mission Director and AID/Washington should be more purpose/goal oriented and fewer in number than those followed by the Project Officers.
4. Project indicators should provide a direct link between monitoring and evaluation reports. Specifically, the indicators should provide information on the efficiency, sustainability, relevance and overall impact of the project.
5. The Private Sector Office should employ indicators that will measure project functions and performance characteristics that are commensurable among PSO projects. Commensurables should be used to compare the cost-effectiveness between projects and of the program in general.
6. There should be a "Target Achievement Review" session held after a project has been in operation for a year or two. During this review the Project Officers would discuss with the implementing organizations' Directors the likelihood that the targets established in the LogFrame will be achieved. If the targets are clearly set too high, then they will be revised and the revision along with accompanying explanations will be documented.

SECTION II

RECOMMENDATIONS

LBII proposes a monitoring system that balances the ideal with the practical. The recommended monitoring system includes five main elements: (a) Indicators; (b) Reporting Requirements; (c) Field Validation; (d) Field Surveys and; (e) Accounting System Enhancements for the ECIPS and for the CAIC component of the CAIC/SEA projects. The first two elements system, indicators and reporting requirements, are considered core activities and should be put in place in 1987. The third activity is also considered essential, and should be put in place in 1988. The last two elements, concerning additional information gathering activities, are considered desirable, but not essential, especially in the short-term. Each of the five elements of the monitoring system is discussed in turn below.

A. MONITORING INDICATORS:

A critical problem identified in Section I is the selection of an appropriate set of indicators. The indicators need to be: (1) prioritized, (2) quantifiable, (3) consistently defined, and, where possible, (4) commensurable. In recommending a list of indicators, LBII drew upon two primary sources-- the detailed classification contained in LBII's Generic Scope of Work and the conceptualized, but never specifically utilized, Cost-Effectiveness Framework. The Generic Scope of Work, which LBII has been using in a series of evaluations of Private Sector Office Projects, is organized on LogFrame principles. The Cost-Effectiveness Framework, originally viewed as a separate analytical tool along with a monitoring system for tracking the relationship between inputs expended and outputs delivered, has been incorporated directly into the recommended monitoring system. Instead of a separate Cost-Effectiveness Framework, there are now cost-effectiveness indicators that are used as "project commensurables" for measuring the efficiency, sustainability, impact and relevance between projects. All the recommended sets of indicators allow managers within AID and the implementing agencies to monitor and evaluate individual project progress as well as the overall health of the portfolio.

1. RECOMMENDATION:

The recommended monitoring indicators (presented in detail in Tables 1-3 in Section III) are organized into the following categories: a) "Top Five Indicators" (Table 1), b) "Project

Distinguishables" (Table 2), and c) "Project Commensurables" (Table 3). These sets of indicators respond to the information requirements of differing levels of managerial responsibility within USAID and the implementing organizations. The indicators allow managers to track the achievement of a few of the most critical LogFrame indicators at the input, output, purpose and goal levels. The proposed monitoring system provides information on the cumulative performance of PSO projects (e.g., number of businesses assisted, jobs created, credit extended, etc.) on which the PSO must report in RDO/C's Annual Action Plan. Finally, the indicators provide a linkage between individual project monitoring requirements and criteria needed to evaluate the PSO portfolio in general.

The "Top Five Indicators" (Table 1 in Section III) represent a few input-, purpose-, and goal-related indicators common to all projects. Specifically, the indicators recommended are:

- (1) Number of validated firm-level "success stories;"
- (2) Project costs including annual actual/planned disbursements (%) and the percentage of AID disbursements by function, country, and target group;
- (3) Number of jobs affected and created,
- (4) Amount of total investment generated and/or credit extended to AID-assisted firms; and
- (5) Amount of export earnings and/or foreign exchange generated.

While these indicators can be used by all levels of management within AID, they are primarily intended for "upper-level" managers --the Mission Director, Directors of the Private Sector and Program Offices, and AID/Washington officials. The indicators should be used by these decision-makers for: (a) monitoring the achievement of LogFrame purposes and goals, (b) providing information on a few of the most important performance achievements in the Annual Action Plan and (c) evaluating the portfolio in terms of relevance and impact.

The second set of recommended indicators, "Project Distinguishables" (Table 2), are function-specific and organized according to the level of decision-making. The functional categories are: institutional development, technical assistance/training, investment promotion, finance, project development, and policy advocacy and development. The managerial levels referred to are: "upper-level" (described above); "middle-level" managers (principally Project Officers) and; "operating-level" decision-makers which consist of the officers of the implementing and intermediate organizations. (An "implementing organization" is one which renders services and/or provides services directly to a private sector firm. An "intermediary organization" serves as a

wholesaler of funds, which it receives from USAID and distributes to implementing organizations.) For each of the above functions and levels of decision-making, a set of indicators has been selected which allow the PSD and the implementing organization's managers to track the achievement of individual project outputs. The rationale is that the number of indicators should decrease as the level of decision-making moves "upstream" towards the top of the AID hierarchy. In this manner, the upper-level managers concern themselves with the "Top Five Indicators" and 1-2 other monitoring indicators, while the Project Officers (middle-level) and Implementing Agency Directors (lower-level) focus on more detailed monitoring indicators.

The final set of indicators focus on the cost-effectiveness of individual projects and the portfolio in general (Table 3). These indicators are termed "Project Commensurables" and are organized by evaluation categories which are common to all projects. The commensurable categories are: sustainability, efficiency, relevance, and impact. These indicators generally focus on the ratios of project purpose and output achievements to inputs expended. More than the other sets of indicators, the project commensurables provide a direct link between monitoring and evaluation tasks and between individual project and overall portfolio assessments.

2. PRINCIPAL RISKS AND LIABILITIES:

As the monitors move from considering "upper-level" to "middle-level" to "operating-level" indicators, there is an increasing degree of specificity and correspondingly greater potential for detailed control. If the Mission Director sees something in the "upper level" monitoring reports that he does not like or understand, he can request further explanation from the Project Officers. Similarly, if the Project Officers are puzzled or disturbed about their reports, they can ask questions of operating-level officials in the intermediary or implementing organizations. If suitable explanations still are not forthcoming, direct access to the target group also is possible. The more comprehensive the monitoring system and the more thorough the process of monitoring becomes, the greater the risk that the implementing organizations being monitored may feel a sense of intrusion. The more frequently they are called upon to explain, the greater the likelihood that the monitoring process may come to be regarded as a form of surveillance.

Moreover, a well-designed monitoring system tends to force action (or at least inquiry) when the numbers it provides send up a red flag. If managers believe that it is unwise to inquire or to act, they may not wish to have red flags waved at them frequently. A monitoring system that rings too many alarm bells

too often may quickly become unpopular with the persons doing the monitoring as well as with the organization being monitored. This phenomenon is further discussed under the heading, "The Will to Monitor" in Section IV of this report.

3. IMPLEMENTATION TIMETABLE:

All three sets of indicators presented in this report should be reviewed and finalized in the next few weeks. A review meeting has been scheduled for November 12, final decisions should be made by the end of that week. Alternatives concerning the number of indicators selected for implementation are discussed in Section V.

B. PROJECT/PROGRAM MONITORING REPORTING REQUIREMENTS:

1. RECOMMENDATION:

LBII recommends that the RDO/C work within existing reporting formats. The primary monitoring documents to be used are the Project Implementation Status Reports (PISR) and the Annual Action Plans. The principal conduit of monitoring information will be the periodic reports of the RDO/C's implementing organizations. With some slight revisions in the PISR format, the Private Sector Office will present to the Mission Director quarterly reports on the selected "upper-level" and "middle-level" indicators. The end-of-the-year PISR will then include information on the "Top Five Indicators" which will be included in the Annual Action Plans sent to AID/Washington. The major activity that should be carried out before the system becomes functional is the development of new or supplemental reporting formats for the implementing organizations to present to RDO/C and the revision of existing PISR formats. Explanatory material and definitions should accompany these formats.

2. PRINCIPAL RISKS AND LIABILITIES:

As the monitoring system puts in place more discriminating indicators of project performance, the reporting requirements of the implementing organizations will also increase somewhat. Very few people enjoy reporting on detailed information that may be used to criticize their performance. There could be some complaints from implementing organizations concerning additional costs and administrative burdens of the system, or concerning its basic philosophy.

3. IMPLEMENTATION TIMETABLE:

Decisions regarding the indicators to be employed should be made by the Mission by the end of the week of November 9, 1987. Formats and explanatory materials are to be completed by December 15, 1987.

C. ANNUAL FIELD VALIDATION VISITS:

Two other recommendations by LBII concern additional information gathering activities. Annual field validation visits by the Project Officers are discussed in this sub-section. Surveys and statistical analyses concerning employment, exports, investment and other indicators of economic performance in the OECS countries are discussed in sub-section D.

1. RECOMMENDATION:

LBII recommends that annual field validation visits be carried out by the Project Officers in late January or early February of each year (given other system implementation requirements, the 1988 visits probably should be deferred until March or April). Members of the PSO staff would spend about a week in the field each year. Each staff member would devote his efforts to a single island, examining effects of all PSO projects on that island. Results would then be correlated on a project-by-project basis and on a program basis. If the validation effort were carried out by mid-February, the results could be incorporated into this year's Annual Action Plan.

The annual field validation visit is recommended for two reasons. First, the site visits would allow the Project Officers to assess first-hand the accomplishments, needs, and frustrations of the target group. Just as a private business seeks to monitor the marketplace opportunities through consumer research and a good marketing executive seeks to keep his finger on the pulse of his ultimate customers, the Private Sector Office should keep abreast of changing circumstances and attitudes of its private sector target group. According to current USAID guidance, this is what a Project Officer should be doing as part of his current monitoring duties. In practice, it has been very difficult for PSO staff members to extricate themselves from their offices in the RDO/C. Annual field validation can be regarded as a form of mandatory resource allocation, which protects the monitoring function from erosion under the influence of competing priorities.

Secondly, the annual field visits enable the Project Officer to selectively validate the information provided by the implementing organization. Given the history of exaggeration in targeting and reporting results, it is difficult to conceive how any reliable achievement monitoring system could omit some form of external validation of results reported by implementing organizations. The monitoring approach recommended by LBII gives prominence to firm-level "success stories" as monitoring indicators: specific, well-documented, credible, and verified accounts of the ways in which RDO/C-financed assistance helped particular firms increase investment, employment, exports, or achieve other desirable objectives. The presence (or absence) of a sufficient number of firm-level successes, to which USAID-funded assistance has made a clear contribution, is regarded as a strong indication of project and program success. First-hand assessment (and, initially at least, rewriting of the accounts) of claimed firm-level successes would be an important focus for the field validation effort.

Without some form of on-going assessment of the firm level achievements and of the claims of implementing organizations that they have contributed to these achievements, verification tasks must be left to evaluations. While these evaluations can provide a degree of objectivity not otherwise available, they cannot be relied on to provide annual information. Moreover, they seldom succeed in getting PSO Project Officers into the field to talk with businessmen.

Besides the evaluations, some quantitative validation information conceivably could be obtained on a regular basis by expanding the scope of commercial-type audits which most of RDO/C's implementing organizations have annually. But such an exercise would not capture the full range of benefits envisioned for annual field validation. Another alternative would be for the annual validation to be carried out by consultants. However, this would be more expensive and probably less beneficial to the substance of RDO/C's Private Sector Program than having PSO staff members do the validation on a regular basis.

2. PRINCIPAL RISKS AND LIABILITIES:

More so than in the case of the selection of indicators, the annual field validation survey would run the risk of creating acrimonious relations between RDO/C and the implementing organizations. While the primary purpose of the visits would be to learn about the positive developments in the project (number of success stories), the validation process on claimed achievements may be viewed as threatening. The implementing organizations may believe that AID is questioning their integrity.

esides the risk of misunderstanding, the annual field validation will also require a commitment of the Project Officers' time. This additional work assignment may be viewed as less important than the Project Officers' other responsibilities.

IMPLEMENTATION TIMETABLE:

Putting new monitoring forms and guidance in place-- and receiving the information mandated by these forms-- are conditions which must be fulfilled before the first field validation should be carried out. From a practical point of view, the earliest time for field validation would be in March or April of 1988. Therefore, while considered an integral part of the monitoring system, this component of the system can be delayed until after the indicators and reporting formats are established. Any insights provided from the annual site visits would be included in the existing PISR and Annual Action Plan reporting format.

ADDITIONAL SURVEY WORK:

RECOMMENDATION:

In addition to the annual field validation work, LBII recommends that three additional survey-related activities be considered. In the order of priority, the three activities are: the completion of an in-depth diagnostic survey of the formal and non-formal business sectors in the OECS countries, conducting an annual formal sector telephone survey of business conditions in the OECS countries, and the exploration of a program of RDO/C assistance to national statistical agencies in improving the provision of information on business activity in OECS countries. Together, these activities should provide the PSO with more accurate information on the overall business environment and performance of all the target group businesses in the OECS.

LBII recommends that the in-depth diagnostic surveys be extended as recommended in its July, 1987 report on a pilot survey carried out in Barbados, St. Kitts, and St. Lucia.¹ Specifically, LBII recommended the completion of formal sector diagnostics in the five remaining OECS states (all except Barbados and St. Kitts) and the continuation of informal sector diagnostics in three states: Dominica, Grenada, and St. Kitts and Nevis. The diagnostics serve two functions. They are designed to test the

¹ Traders, Manufacturers and Hucksters (Draft Final Report, July 18, 1987), Executive Summary, Section 4.5.4.

assumptions underlying the existing RDO/C Private Sector Program. In addition, the diagnostics provide insights which can be useful in redesigning or recasting the program.

The diagnostic surveys should be spaced at intervals of about five years. They should provide comparisons between private needs as articulated by businessmen, these needs as viewed by expert interviewers, and these needs as served by the substantive content of RDO/C's private sector program.

Until some other source of timely information is available on the performance of formal sector businesses in the OECS states, an annual telephone survey could be carried out through national Chambers of Commerce and/or other national business associations.² Ultimately, the annual surveys should be conducted by a regional business association such as CAIC. On an annual basis (probably in December or January when the end-of-year business performance results are known), each of the local Chambers of Commerce would ask questions regarding employment, investment, and exports/foreign exchange generated to a sample of approximately thirty formal sector businesses in each country. The survey would allow AID to compare the performance of AID-assisted firms with the performance of the formal sector as a whole. Using the performance of the formal sector as a comparison or "surrogate for a control group." Such information would provide a perspective on the contributions of RDO/C assistance. It would also make a direct contribution of information needed for inclusion in Annual Action Plans. The annual telephone survey well could grow into an effort of a more substantial magnitude. There is a lack of timely and pertinent information on private sector activity throughout the OECS states which is felt by the business and donor communities alike; USAID assistance seems most appropriate in this area-- at least until the capabilities of national statistical agencies reach the level where they can fulfill business and donor requirements.

A final recommendation related to survey work has longer-term requirements and implications. RDO/C should examine the possibility of providing resources to improve the capabilities of the statistical agencies of each of the OECS governments.

particularly in the area of providing business information. Since improvements could be undertaken as part of a general program for improving statistical capabilities this option might prove very cost-effective and useful for both USAID and OECS countries. However, a great deal depends on the motivation of individual governments to make such improvements and ultimately to support them from national revenues. At present, only the Government of St. Lucia appears to have put forth the effort and received the assistance required to establish a satisfactory capability for the collection and analysis of pertinent data.

PRINCIPAL RISKS AND LIABILITIES:

The most important consideration associated with these recommendations are the costs involved. At a minimum, the estimated cost of the telephone survey would be about \$30,000. The in-depth diagnostic survey would probably cost between \$50,000 and \$100,000. Finally, the development of the OECS statistical departments would involve very high institutional development costs over a 1-2 year period.

In addition to the costs there is always the risk that the businesses surveyed will be reluctant to provide accurate information. If this reluctance is pervasive, then the overall accuracy and usefulness of the survey work will be weakened. However, this risk should not be blown out of proportion. In fact, the business persons interviewed during LBII's pilot survey carried out in July of 1987 were most forthcoming.

IMPLEMENTATION TIMETABLE:

The in-depth diagnostic survey should be considered for implementation sometime during the first or second quarters of the calendar year 1988. The telephone survey could be implemented as early as January of 1988, although a more realistic timeframe would be the end of 1988. Finally, the institutional development of the statistical agencies should be considered a long-term priority and one that could be considered for development sometime in the next 1-2 years.

OTHER RECOMMENDATIONS:

As mentioned in the LBII's September 1987 paper, Program Cost Data Base³, neither the implementing organizations nor AID has

³ "Program Cost Data Base", Louis Berger International Inc., September 29, 1987.

an accounting system that is capable of providing costs by function, target group beneficiary, or country. Briefly stated, the most cost-effective long-term solution to the reporting of project costs would be to implement a computerized accounting system geared more towards project management criteria rather than disbursement guidelines.

The details of implementing a more standardized accounting system are presented in the "Small Enterprise Monitoring System" report prepared by LBII in April 1987. A second recommendation is that a compliance checklist be filled out by each PSO Project Officer as the same time PISR quarterly inputs are required. While RDO/C's compliance monitoring system documentation is adequate, periodic reviews of compliance requirements are in order. A sample checklist is contained in Appendix A of this report.

F. CONCLUSION:

LBII's recommendations for the monitoring system are summarized in the tabulation:

-
- | | |
|---|--|
| 1. SHORT-TERM PRIORITIES: | A. FINALIZE THE THREE SETS OF INDICATORS |
| -- SELECTION OF A-1,A-2, A-3 CONFIRMED BY: NOVEMBER 13,1987 | 1. "Top Five Indicators"
2. "Project Distinguishables"
3. "Project Commensurables" |
| -- B, C, AND D TO BE COMPLETED BY DECEMBER 15, 1987 | B. DEVELOP NEW QUARTERLY REPORTING FORMATS FOR THE IMPLEMENTING ORGANIZATIONS |
| | C. REVISE THE PISR FORMAT |
| | D. INSTALL COMPLIANCE CHECK LIST |
| 2. MEDIUM-TERM PRIORITIES: | A. COMPLETE DIAGNOSTICS |
| -- FIRST AND SECOND QUARTERS, CALENDAR 1987 | B. INITIATE ANNUAL TELEPHONE SURVEYS BY CHAMBERS |
| | C. INITIATE ANNUAL FIELD VALIDATION VISITS BY PSO STAFF MEMBERS |
| 3. LONG-TERM PRIORITIES: (1-2 YEARS) | A. ARRANGE FOR INSTALLATION OF ACCOUNTING SYSTEMS THAT ALLOCATE COSTS BY FUNCTION, COUNTRY, AND TARGET GROUP |

**B. CONSIDER ASSISTANCE TO
STATISTICS DEPARTMENTS OF OECS
GOVERNMENTS**

These recommendations seek to redress the problems identified in section I. In addition, they try to focus on practical and cost-effective implementation issues. While they are presented as one package, they can also be phased in (this approach is discussed in Section V). In the following sections, these recommendations are discussed in greater detail as well as the major issues that need to be resolved before the system becomes functional.

SECTION III

DETAILS OF THE PROPOSED MONITORING SYSTEM

This Section outlines in detail a recommended project monitoring system for the Private Sector Office (PSO) of the USAID Regional Development Office/Caribbean (RDO/C). The proposed monitoring system has three principal goals:

- (1) to measure relationships between expenditure of financial resources (inputs) and project achievements (outputs, purposes and goals);
- (2) to match indicators of project progress to information needs at various levels of management (Mission Director, Project Officer, and Implementing Agency) and;
- 3) to highlight the strengths and weaknesses of each project and of the program portfolio in general. While focusing on project monitoring requirements, the proposed system also is intended to contribute to program monitoring and to both project and program evaluations.

The presentation of this monitoring system is divided into five sections. Section A discusses conceptual tools, issues and requirements of the PSO monitoring system. Section B presents a series of tables which set forth the three sets of recommended indicators: 1) "Top Five Indicators", 2) "Project Distinguishables" and, 3) "Project Commensurables" by management level and function. Section C examines the reporting requirements associated with the recommended indicators. In Section D, additional information gathering activities are recommended to complement the information on the indicators provided by implementing organizations. Finally, Section E recommends a specific list of indicators for the four on-going projects in the PSO portfolio: CAIC/SEA, CPDF, CFSC, and PDAP. A brief discussion on the use of the monitoring system is also provided.

A. AN ACHIEVEMENT MONITORING SYSTEM FOR RDO/C'S PRIVATE SECTOR OFFICE: CONCEPTUAL ISSUES AND GOALS

1. THE PURPOSE OF MONITORING

Since 1980, the Private Sector Office (PSO) of RDO/C has managed a portfolio of as many as fourteen projects. As in any public or private organization, effective management of this portfolio

quires the timely and relevant flow of information from the lower levels of management to the senior levels, and from the beneficiary group to the intermediary institution to the funding agency (USAID). Along this management and institutional continuum, the most important areas of consideration are: resources budgeted and expended (inputs), the immediate, tangible results of the expenditure or conversion of inputs (outputs), and medium/long-term objectives accomplished (purposes and goals). Each level of management needs monitoring indicators which help a manager to answer fundamental questions from his or her own vantage-point: "What is happening in the project?", and "If progress in achieving targets with respect to outputs, purposes and goals is not occurring as planned, what is wrong?".

As discussed in Section I of this report, the existing PSO monitoring system has not provided sufficient information to provide answers to fundamental questions in a timely fashion. The fact that several tasks for developing a more effective monitoring system are included in LBII's contract, reflects a recognition by RDO/C of the need for improvement and for change. While not explicitly stated in the LBII's scope of work, a monitoring system should establish linkages among: management levels (implementing organization, Project Officer, Office Chief, Mission Director), existing projects in the portfolio, and the design-monitoring-evaluation phases of individual projects and the program in general. Proper linking requires the tracking of inputs and outputs as well as goals and purposes. It also should include the selection of indicators that identify each project's performance in terms of achieving acceptable levels of efficiency, sustainability, relevance, and over-all impact on the target group.

PROPOSED CONCEPTUAL TOOLS FOR MONITORING

During the initial stages of developing a monitoring system, LBII completed a draft working paper⁴ on a project monitoring system which envisioned the use of four monitoring tools: the generic scope of work, a cost-effectiveness framework, a large scale survey, and an annual field validation by RDO/C Project Officers. Over the past several months, the scope of the originally planned system has been reduced. Specifically, the monitoring system proposed in this paper does not focus on, nor is it dependant on developing a data-base of information compiled from a large-scale survey. Any survey work is now considered secondary to the

⁴ "Proposed Private Sector Office Monitoring System", Draft Report by Louis Berger International, Inc., April 1987.

development of satisfactory indicators to be reported on by the implementing organizations.

Assuming that the issue of the annual field validation and additional survey work remain unresolved for some time, the core of the proposed monitoring system can still be installed. That core focuses on information provided by the implementing organizations. The principal conceptual tools to be used include the generic scope of work and a cost-effectiveness framework.

More specifically, the proposed monitoring system includes three sets of indicators. The first two sets of indicators, "Top Five Indicators" and "Project Distinguishables", focus on a select group of goals, purposes and outputs as listed in the generic scope of work and other AID documents such as Project Logframes and Mission Annual Action Plans. The selected indicators allow one to track inputs, outputs and, purposes and goals. In terms of Annual Action plan requirements, the "Top Five Indicators" provide information on some of the more important "project performance achievements" including the number of jobs created, number of exports generated, and number of businesses assisted. These indicators are considered fundamental to every project. The other set of indicators are referred to simply as "Project Distinguishables" and they are essentially unique to each project. They allow decision-maker at various levels of AID to monitor the achievement of outputs of each project.

The third set of indicators to be included in the project monitoring system are labeled "Project Commensurables". These indicators are separated from "Project Distinguishables" since they focus on cost-effectiveness indicators that can be used for inter-project comparisons and for an overall portfolio evaluation. Unlike the "Project Distinguishables" which simply comment on the level or amount of project inputs, outputs and purposes achieved, the "Project Commensurables" attach a unit cost or percentage to the most important outputs and purposes. Furthermore, these commensurable indicators are organized more by evaluation requirements, than by management requirements. The "Project Distinguishables" are classified according to levels of decision-making-- "upper-level", "middle-level", and "operating-level". The "Project Commensurables", on the other hand, are organized in terms of: efficiency, sustainability, impact and relevance categories. The breakdown of project commensurables into these categories corresponds to the principal evaluation requirements as outlined in the AID Evaluation Handbook⁵. These

⁵ "AID Evaluation Handbook", AID Program Design and Evaluation Methodology Report No. 7, Agency for International Development (AID), April 1987.

indicators, therefore, are intended for both monitoring and evaluation purposes. While the "Project Distinguishables" can also be used for evaluation purposes (as is the case with any monitoring system), the "Project Commensurables" are specifically designed to provide the necessary quantitative indices for assessing the PSO portfolio according to AID evaluation guidelines.

3. ISSUES ASSOCIATED WITH THE SELECTION OF MONITORING INDICATORS

a. GENERAL DEFINITION AND SELECTION OF INDICATORS

As demonstrated in Section I, the existing monitoring system lacks consistency and uniformity in terms of the definition and use of indicators. As a result, the Project Implementation Status Reports (PISR) often either cover too many indicators or focus on inappropriate indicators. In short, ad hoc designation of indicators leads to ad hoc analysis and monitoring.

The proposed monitoring system, therefore, must strive to accomplish several goals. First, the system must include indicators that are quantifiable, consistently defined and realistically achievable. In this way the system should establish consistency and uniformity in reporting from one management level to the next. Second, the system should be flexible enough to accommodate existing and future projects. In other words, the proposed system should not be functional only in relation to the existing project mix in the portfolio. The indicators selected and other recommended information gathering activities should be applicable towards future projects as well. Thirdly, the system should be adaptable to existing AID project design and reporting requirements. The most cost-effective monitoring system can be achieved by improving existing reporting formats rather than creating a new paper trail. Finally, the proposed system should be simple enough that implementation does not require significant extra work or resources.

Aside from establishing flexible and standardized indicators, the proposed monitoring indicators should address managers' priority questions. That is, the indicators selected should reflect the information requirements of at least three levels of decision-making: "upper-level" (most likely the Mission Director level), "middle-level" (Project Officer level), and "operating-level" (implementing organization Directors). In most cases, executives of implementing organizations have to concern themselves with more detailed information regarding client demand and staffing decisions, than does the Mission Director. Therefore, the list of indicators to be monitored by the implementing organization

will probably be more detailed than those designated as primary concern of the Mission Director.

b. DEFINITION OF PROJECT COMMENSURABLES AND COST-EFFECTIVENESS

The premise behind the selection of the "Project Commensurables" is that all these indicators provide some indication of the cost-effectiveness of the individual projects and portfolio in general. A major problem in selecting these commensurables is in defining cost-effectiveness.

There are three factors to consider when defining cost effectiveness: costs, benefits, and the extent to which the benefits justified the costs (effectiveness).

The Program Cost Data Base presented by LBII to RDO/C, already presents a breakdown of costs. ⁴ But even after costs are organized into more detailed categories, it is not certain that the benefits derived from expended resources are readily identifiable or attributable to those costs. For example, in the case of technical assistance it is a formidable task to first identify all the costs associated with a technical assistance activity, then determine the benefits derived from the program. How does one measure any claimed productivity increase associated with the program? In the case of investment promotion, to what extent does a contractor really influence and convince a foreign businessman to invest? In these cases and others where a benefit is hard to quantify, especially in those related to institutional development, the focus is often placed on an output such as the number of people trained, or number of businesses contacted. In the search for quantifiableness, it is easier and more certain to say that 100 people were trained rather than state that the training resulted in an increase in productivity and profitability of 10%.

i) COST-BENEFIT ANALYSIS

Assuming that benefits are eventually defined, the final question focuses on how effective are these benefits given the costs involved. Cost-benefit analysis may be regarded as a special case of cost-effectiveness analysis in which the "effectiveness" is defined as an increment in national income. If all benefits can be translated into value-added or other building blocks of national income, a comprehensive, impact-related, fully commensurable assessment is then possible. Since costs and benefits

⁴ "Program Cost Data Base for the Private Sector Office", Louis Berger International, Inc., September 27, 1987.

can then be related in dollar terms, the time value of money can be taken into account.

If one could determine the increase in value-added (contribution to Gross National Product) of each project, it would be possible to aggregate all these benefits and costs and determine a net present value, internal rate of return, or cost-benefit ratio. In the case of the PSO portfolio, however, a large percentage of total disbursements went towards technical assistance and institutional development, the benefits of which may be very difficult or costly to quantify in terms of incremental contribution to national income. In the absence of good estimates of the full range of benefits in terms of national income, a traditional cost-benefit analysis cannot be carried out. What can be done, however, is to use impact or "benefit" variables such as job creation, new investments, expansion of exports (calibrated in terms other than contribution to national income) as "partial" (externally non-commensurable) measures of benefits in a series of cost-effectiveness comparisons. The comparisons will lack a common denominator (jobs, exports, and investment are ultimately non-commensurable with each other except in terms of their effect on national income), but comparisons can be made across projects or individual indicators and the results of the program as a whole can be summarized on an indicator-by-indicator basis.

1) INDICATOR-BY-INDICATOR BASIS

A common indicator of cost effectiveness concerns the efficiency of a project. This definition of cost-effectiveness focuses on the outputs of a project and would most likely result in the presentation of a variety of ratios: cost per trainee, cost per study prepared, cost per staff member, etc. The major problem associated with this technique is that the issue of determining effectiveness and justifying costs is left incomplete. It is possible that the cost per trainee of one project was \$10/trainee and that this project was less effective in affecting productivity than a project that cost \$1,000/trainee.

Moreover, by focusing exclusively on "impact" related and "efficiency" related cost-effectiveness measures, one runs the risk of overlooking other criteria that contribute to cost effectiveness. One crucial criterion used by AID officials for defining the success of projects, relates to the sustainability of project derived benefits. For example, one project may be defined as extremely cost-effective because the project resulted in securing financing for 100 start-up businesses that resulted in the creation of 2,000 jobs, at a cost of \$1,000 per job. These highly favorable benefits and ratios, however, may ignore the fact that only one out of the 100 businesses remains in business after the project ends. Without measuring the sustainability of

a project's impact or efficiency related benefits, it is difficult to provide a final stamp of approval on the overall cost effectiveness of the project. Another indicator of success that can arise or be overlooked relates to the relevance of the defined benefits. It is possible that a project may be extremely cost-effective in stimulating exports. But if the majority of these exports in fact originate from non-OECS countries, then the overall cost-effectiveness may be minimal since the project never reached the original target group and geographic scope.

iii) PORTFOLIO APPROACH

Cost-effectiveness should be viewed as a multi-dimensional term that includes a purpose/goal component (impact), an output/input relationship (efficiency), a time component (sustainability), and a target group impact component (relevance). The division of the term cost-effectiveness into these four components will allow RDO/C staff to judge both the overall success of the PSO portfolio and or each individual project. Just as portfolio analysis in a large corporation involves analyzing the trade-offs between risks and returns of various business units, the portfolio analysis of cost-effectiveness in the PSO portfolio should involve analyzing the trade-offs between efficiency, sustainability, impact and relevance of each project.

In effect, these four classes of indicators allow one to carry out "sub-optimization" analyses--or separate studies on sub-problems of a larger mission or government goal (maximization of cost-effectiveness). As Roland McKean pointed out long ago in Efficiency in Government through Systems Analysis:

"...decision-making must be broken into chunks, since it is impossible for a single analysis to examine all the problems of choice simultaneously." ⁷

While McKean's analysis is directed more towards deciding on future alternatives, it can also be applied towards monitoring and evaluations. Reliance on one set of indicators like the efficiency of delivering outputs, is not sufficient by itself for monitoring or evaluating the overall effectiveness of any one project or the program portfolio. What is needed are project commensurables which allow for inter-project comparisons on the subgoals --efficiency, sustainability, relevance, and impact-- which make up the larger goal of achieving cost-effectiveness. All four of these components are part of a cost-effectiveness

⁷ Roland McKean, Efficiency in Government Through Systems Analysis, pg. 30.

framework which can be used for project-project comparisons and for an overall assessment of the portfolio.

3. RECOMMENDED MONITORING INDICATORS

This section reviews in detail the three sets of indicators as presented by management level and function. These recommendations are summarized in Tables 1-3. In all the tables presented, it should be noted that the recommendations are subject to revision after staff at RDO/C have reviewed these tables.

Tables 1-3 provide summaries of recommended indicators. They go from the "Top Five Indicators" (Table 1) to more function- and management level-specific indicators (Table 2 and 3). As already stated this format corresponds to the identified need for prioritization and standardization of indicators.

Aside from dividing the monitoring indicators into "Project Distinguishables" and "Project Commensurables", the following classification system has been used. In Table 1 the "Top Five Indicators" represent those indicators which, in LBII's judgment, are a minimum requirement of all projects. For "Project Distinguishables" presented in Table 2, there are three levels of indicators: a) "Upper-Level Indicators" represent those indicators to be tracked by the Mission Director and the Directors of the Program and Private Sector Office; b) "Middle-Level Indicators" are those indicators followed closely by the Project Officers, and c) "Operating-Level Indicators" are those indicators followed by the implementing organization Directors. In Table 3, the presentation of "Project Commensurables" is organized by the following evaluation guidelines: a) "Efficiency" represents costs per outputs and operating expense ratios; b) "Sustainability" looks at an institution's potential for becoming independent or less dependent on AID financing; c) "Relevance" examines the extent to which project resources are reaching the intended target group of countries and beneficiaries and; d) "Impact" assesses the cost per job affected and cost per job created.

TABLE 1: TOP FIVE INDICATORS

The indicators presented in this table are viewed as basic and designated as reporting requirements for every project in the PSO portfolio. These indicators are bottom-line oriented focusing on the end-use of project funds and any resulting impact-related achievements. They are also "macro" oriented in the sense that they begin to relate project expenditures to potential macro-economic benefits resulting from increased employment opportunities, foreign exchange and investment. Unlike the other monitoring indicators (Tables 2 and 3), this set of indicators

TABLE I
"TOP FIVE INDICATORS"

CATEGORY OF INFORMATION	INDICATORS	FREQUENCY OF REPORTING
A. SUCCESS STORIES	1. NUMBER OF SUCCESS STORIES	YEARLY
B. PROJECT COSTS	1. ANNUAL ACTUAL VS. PLANNED DISBURSEMENTS (1)	YEARLY
	2. % OF AID FUNDS DISBURSED BY:	
	--COUNTRY	
	--FUNCTION	
--TARGET GROUP CATEGORY		
C. JOBS AFFECTED AND CREATED	1. NUMBER OF JOBS: A) AFFECTED B) CREATED (NEW JOBS CLAIMED)	YEARLY
D. EXPORTS OR FOREIGN EXCHANGE GENERATED	1. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED	YEARLY
E. TOTAL INVESTMENT AND/OR CREDIT EXTENDED	1. TOTAL INVESTMENT GENERATED BY PROJECT	YEARLY
	2. TOTAL CREDIT EXTENDED	
	3. NUMBER OF BUSINESSES RECEIVING CREDIT	
* THIS MIGHT BE DIFFICULT TO MEASURE AND MAY DEPEND ON ESTIMATES		

are directed towards the Mission Director and AID/Washington administrators. They focus on a few , but not all, of the performance program achievements that could and should be included in RDO/C's Annual Action Plan.

Specifically, the "Top Five Indicators" are divided into five categories: (1) number of success stories; (2) project costs; (3) number of jobs affected and created; (4) exports and/or foreign exchange generated and; (5) total investment and/or credit extended. The greatest shortcoming associated with these indicators is in defining and attributing project achievements. Below is a more detailed discussion on defining achievements in these categories.

) Success Stories:

As pointed out in full detail in the LBII report on the SEAP monitoring system , success stories are "examples of the best that the organization has done, and hopefully can do again in the future." ^e The success stories are suppose to provide tangible evidence of a direct link between the stated purposes or goals of project, and the achievement of those purposes at the firm-level. Specifically, the implementing organization when in identifying success stories should verify that: 1) Something good and relevant to the purposes of the project happened at the firm level; 2) these good results can be quantified in terms of jobs, income, sales, exports, etc.and; 3) these achievements are attributable in part or whole to the assistance provided by the project.

In a nutshell, the purpose of including the success story is to determine the overall relevance and impact of a project. The success story is a micro-analysis which documents, in detail, the sensibleness and reasonableness of macroeconomic attributions which may be made elsewhere. It serves to overcome the predisposition of some skeptics who may believe that the project is having no impact except on the people who staff the delivery system. If at the end of the year a delivery institution or project has no target group beneficiaries that are considered success stories", then the project may be considered lacking in relevance and ability to respond to the target group's needs. On the other hand if a project can point to three or more success stories every year, then the project, from an order of magnitude perspective can be viewed as relevant and reasonably effective in having some impact on the target group.

^e "Small Enterprises Assistance Project Monitoring System, Design and Development Report", Louis Berger International, Inc., April 1987.

ii) Project Costs:

Regarding the allocation of costs, there are several basic reporting requirements. The first concerns planned versus actual disbursements on an annual basis. While by no means a very accurate indicator, a comparison of actual and planned disbursements provides an early and useful insight into the absorptive capacity of a project.

More detailed information on the end-use of disbursements is gathered from the presentation of project costs by country, function and target group category. Discussion on the country-, function-, and target group-specific categories has already been presented in the Program Cost Data Base presented by LBII. The country breakdown of costs includes categories for each OECS country, as well as two "spill-over" categories--the "OECS Region" and "Other" categories. The allocation of costs by function include the following categories: institutional development, technical assistance/training, investment promotion, finance, project development, policy advocacy and development, and project overhead. Finally, the categories used for target group allocations include: foreign investors, large firms, medium firms, small firms, and micro enterprises.

The breakdown of costs by all these categories allows one to see the extent to which project expenditures are reaching the intended target group countries, beneficiaries and functions. Similar to actual vs. planned disbursements, these percentages provide a first-cut insight on the cost-effectiveness of the project as defined in terms of relevance and the expected impact of AID resources on the target group.

iii) Jobs Affected and Created:

One of the most direct measures of impact achievement by a project is the number of jobs affected and created by a project. Some cost-effectiveness indicators that should be followed on a yearly basis would be the cost per job affected and cost per job created. These measuring sticks are predominantly applicable to projects that have a large finance, investment promotion, or project development component. In the cases of institutional development, technical assistance/training, and policy advocacy, any attribution of jobs created may be more difficult and more limited.

Regardless of the type of project, defining a "job created" is not an easy task. For this reason, the job created category is called "new jobs claimed". Furthermore, as an indication of the maximum attributable number of jobs associated with a project, another category entitled "Jobs Affected" is included. "Jobs

"affected" would include all employees of a business that received significant assistance from an AID project. For example, in the case of micro-enterprise assistance, it may be difficult to ascertain the extent to which a business was able to sustain or hire more labor. In that case, one might simply state that all the employees of that business were "affected" by AID assistance.

Regarding "new jobs claimed", a more specific but still flexible definition is required. For the purposes of this framework, the tabulation of new jobs claimed will be based off a spectrum reflecting varying degrees of assistance. In the case of projects providing credit the spectrum of assistance will consist of three tiers: 1) Funds provided represent 50% or more of the total investment, 2) Funds lent represent between 25 and 50% of total investment funds, 3) and the amount lent is less than 25% of the total investment. In the case of the investment promotion and project development projects, the spectrum of assistance is also three-fold although more qualitative. In the first tier is the group of businesses that could not or would not have made the investment without the assistance of AID. This group would include, for example, those firms that decided to invest in the ECS because of the information and assistance provided by the DAP project. The second group of beneficiaries would be those businesses that without AID assistance would have had to delay their investment by a significant amount of time. In this group could be businesses that depended on FDAP and CPDF services for expediting their investment decision, and in so doing, allowed them to take advantage of market opportunities. The final group on the spectrum would be those businesses with which AID assistance was appreciated but was not considered essential to saving the business any significant time. This group would include those businesses that FDAP met at the airport, or talked to on the telephone and nothing more.

For the final tabulation of "new jobs claimed", only those businesses that fit into the first two tiers of the credit and investment promotion and project development projects would be included. This delineation provides flexibility for the delivery agents to identify their accomplishments and for recognizing the varying degrees of "critical mass" associated with any new investment. While difficult to determine the extent to which the critical mass could be attained without AID assistance, the framework assumes that the creation of any critical mass is an important accomplishment in and by itself. In any case, any estimates by the implementing organization can be cross-checked and critically examined during an annual validation survey and/or mid-term evaluations carried out during the project life cycle.

Finally, regarding both "jobs affected" and "new jobs claimed", the information should be presented in terms of total person-

years (260 work days per year, 8 hours per day). In this way, part-time employment, cottage industry labor, seasonal employment and other non-commensurable types of employment will be reduced to a common denominator.

iv) Foreign Exchange or Exports Generated:

Attribution of foreign exchange or exports generated should be carried out in a similar manner as that of jobs created. This indicator, however, may be more difficult to employ, since many businesses are often reluctant to share information on sales and total investment. In many cases, therefore, it may be necessary to provide estimates based on rough percentages or calculations of total sales or other information which a given business may be willing to provide.

The information provided on this indicator will be applicable to the Annual Action Plan, although it will not be as detailed. The Annual Action Plan asks for exports as broken down by "commodity-tie" and "non-traditional" exports. As presented in this report, any information provided would be in global terms (i.e. there would be no distinction between commodities and non-traditional exports).

v) Total Investment/Credit Provided:

As in the case of the previous indicator, the collection of information on total investment may be hindered by the assisted businesses' reluctance to reveal this information. In many cases, therefore, it may be necessary to estimate total investment associated with AID assistance. This may be done using industry averages of assets/employee.

At a minimum, if no information on total investment is provided, then information on total credit and number of businesses receiving credit under AID projects should be compiled. This indicator serves as an indication of the bare minimum investment associated with a business. It also responds to one of the principal performance achievement indicators outlined in the AID/W Annual Action Plan.

2. TABLE 2: PROJECT DISTINGUISHABLES BY MANAGEMENT LEVEL AND FUNCTION

It is essential to identify and classify critical indicators of progress and performance which address managers' priority questions. The monitoring indicators selected should correspond to three levels of management responsibility: "upper-level management" (Mission/Program Directors), "middle-level manage

TABLE 2

"PROJECT DISTINGUISHABLES"

(BY FUNCTION AND MANAGEMENT LEVEL/ALL REPORTED QUARTERS)

FUNCTION	CANDIDATE LIST OF PROJECT DISTINGUISHABLE INDICATORS	RECOMMENDED INDICATORS BY MANAGEMENT LEVEL:	"UPPER-LEVEL"	"MIDDLE-LEVEL"	"OPERATING-LEVEL"
			(MISSION/PROGRAM DIRECTOR)	(PROJECT OFFICER)	(IMPLEMENTING ORGANIZATION)
A. FINANCE	1. NUMBER OF INQUIRIES		1. AMOUNT OF LOANS OUTSTANDING	1. AMOUNT OF LOANS OUTSTANDING	1. NUMBER OF INQUIRIES
	2. NUMBER OF LOANS APPROVED			2. NUMBER OF LOANS APPROVED	2. NUMBER OF LOANS APPROVED
	3. NUMBER OF REPEAT LOANS			3. NUMBER OF LOANS DISBURSED	3. NUMBER OF REPEAT LOANS
	4. NUMBER OF LOANS TO WOMEN			4. NUMBER OF LOANS OUTSTANDING	4. NUMBER OF LOANS TO WOMEN
	5. NUMBER OF LOANS DISBURSED			5. NUMBER OF OVERDUE LOANS	5. NUMBER OF LOANS DISBURSED
	6. NUMBER OF OUTSTANDING LOANS AT END OF QUARTER			(NOTE: INFORMATION ON THE AMOUNT OF LOANS IN ARREARS AND THE % OF LOANS IN ARREARS ARE CONSIDERED "PROJECT COMMENSURABLES" AND NOT INCLUDED IN THIS TABLE.)	6. NUMBER OF OUTSTANDING LOANS AT END OF QUARTER
	7. NUMBER OF OVERDUE LOANS				7. NUMBER OF OVERDUE LOANS
	8. NUMBER OF LOANS DEFAULTED				8. NUMBER OF LOANS DEFAULTED
	9. NUMBER OF LOANS RESCHEDULED				9. NUMBER OF LOANS RESCHEDULED
	10. AMOUNT OF LOANS OUTSTANDING				10. AMOUNT OF LOANS OUTSTANDING
	11. LOAN AMOUNTS DISTRIBUTED BY SECTOR				11. LOAN AMOUNTS DISTRIBUTED BY SECTOR
	12. LOAN AMOUNTS DISTRIBUTED BY TARGET GROUP CATEGORY				12. LOAN AMOUNTS DISTRIBUTED BY TARGET GROUP CATEGORY
B. TECHNICAL ASSISTANCE/ TRAINING	1. NUMBER OF INQUIRIES		1. NUMBER OF BUSINESSES ASSISTED (DEFINED AS BUSINESSES RECEIVING MORE THAN 5 HRS. OF T.A./TRAINING)	1. NUMBER OF BUSINESSES ASSISTED	1. NUMBER OF INQUIRIES
	2. NUMBER OF SINGLE BUSINESS INTERVENTIONS			2. NUMBER OF CLIENT HOURS BY: A) SECTOR B) TARGET GROUP CATEGORY	2. NUMBER OF SINGLE BUSINESS INTERVENTIONS
	3. NUMBER OF ENTERPRISES ASSISTED				3. NUMBER OF ENTERPRISES ASSISTED
	4. NUMBER OF MANAGERS/SUPERVISORS ASSISTED				4. NUMBER OF MANAGERS/SUPERVISORS ASSISTED
	5. NUMBER OF REPEAT INTERVENTIONS				5. NUMBER OF REPEAT INTERVENTIONS
	6. NUMBER OF CLIENT HOURS BY: A) SECTOR B) FIELD OF OPERATION (PRODUCTION, MARKETING, ACCOUNTING, ETC.) C) TARGET GROUP CATEGORY				6. NUMBER OF CLIENT HOURS BY: A) SECTOR B) FIELD OF OPERATION (PRODUCTION, MARKETING, ACCOUNTING, ETC.) C) TARGET GROUP CATEGORY
	7. NUMBER OF CLIENT DAYS BY: A) COUNTRY				7. NUMBER OF CLIENT DAYS BY: A) COUNTRY

TABLE 2

"PROJECT DISTINGUISHABLES"

(BY FUNCTION AND MANAGEMENT LEVEL/ALL REPORTED QUARTERLY)

FUNCTION	CANDIDATE LIST OF PROJECT DISTINGUISHABLE INDICATORS	RECOMMENDED INDICATORS BY MANAGEMENT LEVEL:	"UPPER-LEVEL" (MISSION/PROGRAM DIRECTOR)	"MIDDLE-LEVEL" (PROJECT OFFICER)	"OPERATING-LEVEL" (IMPLEMENTING ORGANIZATION)
D. INSTITUTIONAL DEVELOPMENT	1. AMOUNT OF MEMBERSHIP DUES		1. NUMBER OF MEMBERS	1. NUMBER OF MEMBERS	1. AMOUNT OF MEMBERSHIP DUES
	2. NUMBER OF MEMBERS		2. AMOUNT OF MEMBERSHIP DUES	2. AMOUNT OF MEMBERSHIP DUES	2. NUMBER OF MEMBERS
	3. DIVERSIFICATION OF FUNDING			3. NUMBER OF QUALITY TOP LEVEL MANAGERS	3. DIVERSIFICATION OF FUNDING
	4. STAFF TURNOVER			4. STRONG POLITICAL CONSTITUENCY (YES OR NO)	4. STAFF TURNOVER
	5. STAFF SIZE/QUALITY				5. STAFF SIZE/QUALITY
	6. LEADERSHIP/MANAGEMENT CAPABILITIES				6. LEADERSHIP/MANAGEMENT CAPABILITIES
	7. POLITICAL CONSTITUENCY BACKING (YES/NO)				7. POLITICAL CONSTITUENCY BACKING (YES/NO)
E. PROJECT DEVELOPMENT	1. NUMBER OF INQUIRIES		1. NUMBER OF PROJECTS UNDERTAKEN	1. NUMBER OF PROPOSALS THAT SECURED FUNDING	1. NUMBER OF INQUIRIES
	2. NUMBER OF PROPOSALS PREPARED			2. NUMBER OF PROJECTS UNDERTAKEN	2. NUMBER OF PROPOSALS PREPARED
	3. NUMBER OF PROPOSALS THAT SECURED FUNDING				3. NUMBER OF PROPOSALS THAT SECURED FUNDING
	4. NUMBER OF PROJECTS UNDERTAKEN				4. NUMBER OF PROJECTS UNDERTAKEN
F. INVESTMENT PROMOTION	1. NUMBER OF CONTACTS		1. NUMBER OF VENTURES STILL IN EXISTENCE	1. NUMBER OF APPROVED APPLICATIONS	1. NUMBER OF CONTACTS
	2. NUMBER OF VISITS			2. NUMBER OF VENTURES UNDERTAKEN	2. NUMBER OF VISITS
	3. NUMBER OF APPLICATIONS			3. NUMBER OF VENTURES STILL IN EXISTENCE	3. NUMBER OF APPLICATIONS
	4. NUMBER OF APPROVED APPLICATIONS				4. NUMBER OF APPROVED APPLICATIONS
	5. NUMBER OF VENTURES UNDERTAKEN				5. NUMBER OF VENTURES UNDERTAKEN
	6. NUMBER OF VENTURES STILL IN EXISTENCE				6. NUMBER OF VENTURES STILL IN EXISTENCE
G. POLICY ADVOCACY AND DEVELOPMENT	1. NUMBER OF CONTACTS/MEETINGS		1. NUMBER OF FAVORABLE POLICY CHANGES	1. NUMBER OF ISSUES PUT ON THE AGENDA	1. NUMBER OF CONTACTS/MEETINGS
	2. NUMBER OF ISSUES PUT ON AN AGENDA			2. NUMBER OF FAVORABLE POLICY CHANGES	2. NUMBER OF ISSUES PUT ON AN AGENDA
	3. NUMBER OF PAPERS/POLICY STUDIES PUBLISHED			3. NUMBER OF POLICY PAPERS PRODUCED	3. NUMBER OF PAPERS/POLICY STUDIES PUBLISHED
	4. NUMBER OF FAVORABLE POLICY OUTCOMES				4. NUMBER OF FAVORABLE POLICY OUTCOMES

ment" (Project Officer), and "operating-level" management (implementing organizations' executives)

The indicators selected are drawn from the following functional groups that are common throughout all of the existing projects in the PSO portfolio: Institutional Development, Technical Assistance/Training, Finance, Investment Promotion, Policy Advocacy and Development, and Project Development (for a more detailed discussion on these categories see the Program Cost Data Base presented by LBII on September 29, 1987). For each function there are three categories of key indicators which correspond to the above management levels. At the upper-level, there are one or two indicators that focus on the achievement of overall project purposes. At the middle-level, there are several indicators that focus on the achievement of project outputs but also touch upon project purpose and inputs. Finally at the implementing organization level the indicators are more detailed and provide insight on the specific needs and demands of the target group, as well as the organizations ability to respond to those demands.

This classification system is not meant to be used in an inflexible or mutually exclusive fashion. In many cases, it will be appropriate for "trickle-down" of key indicators to occur from the top management level down. That is, the key indicator for upper-level management could also serve as an indicator for the middle and operating-level managers. On the other hand, "reverse trickle-down" from the bottom up should almost never occur. At no time should the key indicators for the implementing organization managers become the primary concerns of directors/officers in the PSO.

Finally, as shown in Table 2, the "Candidate List of Project Distinguishables" represents a list of indicators appropriate for consideration by implementing organizations. This list, is by no means considered immutable. Both the candidate list and recommended indicators by management level are subject to revision. What is important is that once the final list is selected that subsequent reports rigorously adhere to and provide information on these indicators.

TABLE 3: PROJECT COMMENSURABLES BY FUNCTION

As already pointed out, the recommended project commensurables consist of four categories used for evaluating projects and programs in general: efficiency, sustainability, relevance, and impact. As in the case of the project distinguishables, they are organized by function. Unlike the other monitoring indicators, these indicators are not divided by management level. As already discussed, however, those indices that measure "relevance" and the effectiveness of 'impact' related achievements, are essen-

TABLE 3

"PROJECT COMMENSURABLES"

(FOR BOTH QUARTERLY AND END-OF-YEAR/ANNUAL ACTION PLAN REPORTING)

FUNCTION	CANDIDATE LIST OF PROJECT COMMENSURABLES	INDICATORS BY EVALUATIVE CATEGORY:	EVALUATIVE INDICATORS		"RELEVANCE" AND "IMPACT" INDICATORS ARE DERIVED FROM THE "TOP FIVE INDICATORS" LIST:												
			"EFFICIENCY"	"SUSTAINABILITY"	"RELEVANCE"	"IMPACT"											
A. FINANCE	A. QUARTERLY REPORTING: 1. OPERATING EXPENSES/TOTAL FUNDS EMPLOYED (%) 2. LOAN \$ IN ARREARS/LOAN \$ OUTSTANDING (%) 3. NET INCOME/TOTAL FUNDS EMPLOYED (%) * (ONLY FOR NON-MDF FINANCIAL INSTITUTIONS) B. YEARLY REPORTING: 1. LOAN FUNDS DISBURSED/AID FUNDS DISBURSED 2. TOTAL OTHER FUNDS/AID FUNDS (LEVERAGE RATIO) 3. AID FUNDS DISBURSED/JOB AFFECTED 4. AID FUNDS DISBURSED/NEW JOB CLAIMED	1. OPERATING EXPENSES/ TOTAL FUNDS EMPLOYED (%) 2. NET INCOME/ TOTAL FUNDS EMPLOYED (%) 3. LOAN FUNDS DISBURSED/ AID FUNDS DISBURSED	1. LOAN \$ IN ARREARS/ LOAN \$ OUTSTANDING (%) 2. TOTAL OTHER FUNDS/ AID FUNDS	1. % OF AID FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY 2. NUMBER OF SUCCESS STORIES	1. AID FUNDS DISBURSED/ JOBS AFFECTED 2. AID FUNDS DISBURSED/ NEW JOBS CLAIMED												
						B. T.A./TRAINING	A. QUARTERLY REPORTING: 1. COST/TRAINEE DAY BY: A) SECTOR B) TARGET GROUP CATEGORY B. YEARLY REPORTING: 1. FEES COLLECTED FROM CLIENTS/TOTAL FUNCTION RELATED EXPENSES (%) 2. AID FUNDS/TOTAL FUNDS (%) 3. BACKLOG OF FUNDS AVAILABLE BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING (I.E. AID 40%, EEC 35% AND NATIONAL GOVT. 25%) 4. AID FUNDS DISBURSED/JOB AFFECTED 5. AID FUNDS DISBURSED/NEW JOB CLAIMED	1. COST/TRAINEE DAY BY: A) SECTOR B) TARGET GROUP CATEGORY	1. FEES COLLECTED FROM CLIENTS/TOTAL FUNCTION RELATED EXPENSES (%) 2. AID FUNDS/TOTAL FUNDS (%) 3. BACKLOG OF OUTSIDE FUNDING BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING	1. % OF AID FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY 2. NUMBER OF SUCCESS STORIES	1. AID FUNDS DISBURSED/ JOBS AFFECTED 2. AID FUNDS DISBURSED/ NEW JOBS CLAIMED						
												C. INSTITUTIONAL DEVELOPMENT	A. QUARTERLY REPORTING: 1. DUES OR FEES COLLECTED/CORE SERVICE EXPENSES (%) B. YEARLY REPORTING: 1. BACKLOG OF FUNDS AVAILABLE BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING (I.E. AID 40%, EEC 35% AND NATIONAL GOVT. 25%) 2. TOTAL AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (%)	1. DUES OR FEES COLLECTED/CORE SERVICE EXPENSES (%)	1. DUES OR FEES COLLECTED/CORE SERVICE EXPENSES (%) 2. BACKLOG OF OUTSIDE FUNDING BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING 2. TOTAL AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (%)	1. % OF AID FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY 2. NUMBER OF SUCCESS STORIES	1. AID FUNDS DISBURSED/ JOBS AFFECTED 2. AID FUNDS DISBURSED/ NEW JOBS CLAIMED

TABLE 3

"PROJECT COMMENSURABLES"

(FOR BOTH QUARTERLY AND END-OF-YEAR/ANNUAL ACTION PLAN REPORTING)

FUNCTION	CANDIDATE LIST OF PROJECT COMMENSURABLES	INDICATORS BY EVALUATIVE CATEGORY:			(THE "RELEVANCE" AND "IMPACT" INDICATORS ARE DERIVED FROM THE "TOP FIVE INDICATORS" LIST)												
			"EFFICIENCY"	"SUSTAINABILITY"	"RELEVANCE"	"IMPACT"											
D. PROJECT DEVELOPMENT	A. QUARTERLY REPORTING: 1. COST/PROPOSAL PREPARED 2. COST/PROJECT UNDERTAKEN B. YEARLY REPORTING: 1. TOTAL FEES COLLECTED/TOTAL OPERATING EXPENSES (X) 2. BACKLOG OF FUNDS AVAILABLE BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING (I.E. AID 40%, EEC 35% AND NATIONAL GOVT. 25%) 3. AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (X) 4. AID FUNDS DISBURSED/JOB AFFECTED 5. AID FUNDS DISBURSED/NEW JOB CLAIMED	1. COST/PROPOSAL PREPARED 2. COST/PROJECT UNDERTAKEN	1. TOTAL FEES COLLECTED/TOTAL OPERATING EXPENSES (X) 2. BACKLOG OF OUTSIDE FUNDING BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING 3. AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (X)	1. % OF AID FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY 2. AID FUNDS DISBURSED/NEW JOBS CLAIMED 2. AID FUNDS DISBURSED/NEW JOBS CLAIMED	1. AID FUNDS DISBURSED/JOB AFFECTED 2. AID FUNDS DISBURSED/NEW JOBS CLAIMED												
						E. INVESTMENT PROMOTION	A. QUARTERLY REPORTING: 1. COST/APPROVED APPLICATION 2. COST/VENTURE UNDERTAKEN B. YEARLY REPORTING: 1. COST/LOCAL INVESTMENT PROMOTION SPECIALIST TRAINED 2. FEES COLLECTED/CORE SERVICE EXPENSES (X) 3. COST/VENTURE STILL IN EXISTANCE 4. AID FUNDS DISBURSED/JOB AFFECTED 5. AID FUNDS DISBURSED/NEW JOB CLAIMED	1. COST/APPROVED APPLICATION 2. COST/VENTURE UNDERTAKEN 3. COST/LOCAL INVESTMENT PROMOTION SPECIALIST TRAINED	1. FEES COLLECTED/CORE SERVICE EXPENSES (X)	1. % OF AID FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY 2. AID FUNDS DISBURSED/NEW JOBS CLAIMED 2. NUMBER OF SUCCESS STORIES	1. AID FUNDS DISBURSED/JOB AFFECTED 2. AID FUNDS DISBURSED/NEW JOBS CLAIMED						
												F. POLICY ADVOCACY AND DEVELOPMENT	A. QUARTERLY REPORTING: 1. TOTAL DUES OR FEES COLLECTED/ TOTAL OPERATING EXPENSES (X) 2. COST/FAVORABLE POLICY OUTCOME PLACED ON THE AGENDA (\$ UNIT COST) B. YEARLY REPORTING: 1. BACKLOG OF OUTSIDE FUNDS A) BY NUMBER OF MONTHS OR YEARS B) BY PERCENTAGE BREAKDOWN (E.G. AID 40%, EEC 35%, AND NATIONAL GOVERNMENT 25%) 2. TOTAL AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (X) 3. AID FUNDS DISBURSED/JOB AFFECTED 4. AID FUNDS DISBURSED/NEW JOB CLAIMED	1. COST/FAVORABLE POLICY OUTCOME PLACED ON THE AGENDA	1. TOTAL DUES OR FEES COLLECTED/ TOTAL OPERATING EXPENSES (X) 2. BACKLOG OF OUTSIDE FUNDING BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING 3. AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (X)	1. % OF AID FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY 2. AID FUNDS DISBURSED/NEW JOBS CLAIMED 2. NUMBER OF SUCCESS STORIES	1. AID FUNDS DISBURSED/JOB AFFECTED 2. AID FUNDS DISBURSED/NEW JOBS CLAIMED

tially considered "upper-level" management indicators. The remaining indicators which focus on the "efficiency" and "sustainability" of each project are considered more as "middle-level" indicators.

Specifically, the "relevance" and "impact" indicators focus on the extent to which the project is cost-effective in achieving the goals and purposes outlined in the Logframe. In terms of order of magnitude or a macro perspective, these indicators allow one to answer the questions: "Are most of the resources going towards relevant areas and is there any indication that the expenditure of these resources has had any impact?"

The indicators for the "relevance" category include the percentage of resources allocated towards OECS countries, functions and a targeted beneficiary group. Also included are the number of success stories. As pointed out and included in the "Top Five Indicators" list, these examples of project achievement at the firm level demonstrate the relevance and ability of the project to reach the intended target group. The "impact" indicators focus on number of jobs affected and created (the cost effectiveness indicator would be cost/job). These preliminary indicators are presented in Table 1.

The analysis of the relevance and impact indicators should be viewed as interactive and not mutually exclusive. If the project is not having any demonstrable impact on the targeted geographic area (the OECS) or the designated beneficiary group (say small businesses), that raises questions regarding the relevance of the project. Conversely, if a project does not produce any evidence of "success stories" (a monitoring indicator for the relevance of the project), it is unlikely that the overall impact of the project will be very significant.

The "impact" and "relevance" Project Commensurability focus mostly on the achievement of the program goals and purposes. The "efficiency" and "sustainability" indicators, on the other hand, examine the relationship between inputs and outputs. Similar to the relevance and impact indicators, these two sub-classes of cost-effectiveness indicators should be viewed in tandem. While in the short run it is possible to be inefficient and still be sustainable (due to large subsidies), in the long run any sustainable project will have to develop some degree of efficiency. The principal question to be answered with these indicators is: "Is there any evidence that the cost of delivering an output is decreasing, and that the overall costs of delivering these services will eventually be sustainable without AID assistance?"

The principal indicators to measure efficiency are cost per output ratios. On a quarterly basis, the ratio of the cost/-

trainee hour, cost/project developed, cost/policy study, etc. would be examined to see if the implementing organization is becoming more "efficient" at delivering an output. Regarding the issue of sustainability, several indicators will be required. In the case of credit project, the sustainability of the project will depend largely on the extent to which the borrowers are able to pay back the loans. Therefore, the principal sustainability indicator would be the percentage of loans in arrears/ loans outstanding. For the intermediary organizations involved in training or policy advocacy, the issue of sustainability consists of two types of sustainability: internal and external. Internal sustainability measures the extent to which fees or dues charged by the organization cover the expenses of core services. This ratio is internal in nature because it measures the extent to which the direct costs of core services are covered by internal or service related revenues. On the other hand, similar to non-profit groups in the U.S., these institutions are also dependent on outside or external grants. Therefore, in terms of external sustainability, the principal indicators would be the backlog of funds and the percentage of AID funds which form that backlog. In this manner, one would know the likelihood that the institution will maintain its overall services in the near future and the extent to which AID is to remain the principal provider of outside funds.

In general, the ratios included in the list of project commensurables are relatively easy to quantify and define. The main exception being in the definition of trainee hours and trainee days. The definition used will be the same as that used for the EA monitoring system. For consultancy-type assistance, total trainee hours will be the hours the advisor spent working with the client or on the client's problem (excluding time spent travelling and general administration time). For classroom-type situations, the total number will be the number of class-hours multiplied by the number of participants. A trainee day would be the total number of hours divided by 8 hours. For all the numerators of the ratios (total cost), the focus will be on the total amount of AID funds disbursed for that quarter or year. Even though, there may be a considerable amount of other funds which make up total funds, the goal is to find out efficiency of AID funds disbursed. This can then be weighed against the efficiency ratio which takes into greater consideration the relationship between AID funds and other funds.

RECOMMENDED REPORTING REQUIREMENTS:

Table 4 presents a summary of recommended monitoring and cost-effectiveness indicators by function for the upper-level and middle-levels of management--the Mission Director and Project

TABLE 4

REPORTING REQUIREMENTS FOR ALL THREE SETS OF INDICATORS

FUNCTION	QUARTERLY REPORTING		END-OF-YEAR/ANNUAL ACTION PLAN REPORTING	
	PROJECT DISTINGUISHABLES	PROJECT COMMENSURABLES	TOP-FIVE INDICATORS	PROJECT COMMENSURABLES
A. FINANCE	1. AMOUNTS OF LOAN OUTSTANDING 2. NUMBER OF LOANS OUTSTANDING 3. NUMBER OF LOANS APPROVED 4. NUMBER OF LOANS DISBURSED 5. NUMBER OF OVERDUE LOANS	1. OPERATING EXPENSES/TOTAL FUNDS EMPLOYED (X) 2. LOAN \$ IN ARREARS/LOAN \$ OUTSTANDING (X) 3. NET INCOME/TOTAL FUNDS EMPLOYED (X) (ONLY FOR NON-NDF INSTITUTIONS)	1. NUMBER OF SUCCESS STORIES 2. PROJECT COSTS: A) ANNUAL ACTUAL/PLANNED DISBURSEMENTS (X) B) FUNCTIONAL, COUNTRY, TARGET GROUP BREAKDOWN 3. NUMBER OF JOBS: A) AFFECTED B) CREATED (NEW JOBS CLAIMED) 4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED 5. A. TOTAL INVESTMENT AND/OR CREDIT EXTENDED B. NUMBER OF BUSINESSES EXTENDED CREDIT	1. AID FUNDS DISBURSED/JOBS AFFECTED (X/JOB) 2. AID FUNDS DISBURSED/NEW JOBS CLAIMED (X/JOB) 3. LOAN FUNDS DISBURSED/AID FUNDS DISBURSED 4. LEVERAGE RATIO OF OTHER FUNDS EMPLOYED/AID FUNDS
B. TECHNICAL ASSISTANCE/ TRAINING	1. NUMBER OF BUSINESSES ASSISTED 2. NUMBER OF CLIENT HOURS BY: A) SECTOR B) TARGET GROUP CATEGORY	1. COST/TRAINEE DAY BY: A) SECTOR B) TARGET GROUP CATEGORY	1. NUMBER OF SUCCESS STORIES 2. PROJECT COSTS: A) ANNUAL ACTUAL/PLANNED DISBURSEMENTS (X) B) FUNCTIONAL, COUNTRY, TARGET GROUP BREAKDOWN 3. NUMBER OF JOBS: A) AFFECTED B) CREATED (NEW JOBS CLAIMED) 4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED 5. A. TOTAL INVESTMENT AND/OR CREDIT EXTENDED B. NUMBER OF BUSINESSES EXTENDED CREDIT	1. AID FUNDS DISBURSED/JOB AFFECTED 2. AID FUNDS DISBURSED/JOB CLAIMED 3. FEES COLLECTED FROM CLIENTS/ TOTAL FUNCTION RELATED EXPENSES (X) 4. AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (X) 5. BACKLOG OF FUNDS AVAILABLE BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING
C. INSTITUTIONAL DEVELOPMENT	1. NUMBER OF MEMBERS 2. AMOUNT OF MEMBERSHIP DUES 3. NUMBER OF QUALITY TOP LEVEL MANAGERS 4. STRONG POLITICAL CONSTITUENCY (YES/NO)	1. DUES OR FEES COLLECTED/ CORE SERVICE EXPENSES (X)	1. NUMBER OF SUCCESS STORIES 2. PROJECT COSTS: A) ANNUAL ACTUAL/PLANNED DISBURSEMENTS (X) B) FUNCTIONAL, COUNTRY, TARGET GROUP BREAKDOWN 3. NUMBER OF JOBS: A) AFFECTED B) CREATED (NEW JOBS CLAIMED) 4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED 5. A. TOTAL INVESTMENT AND/OR CREDIT EXTENDED B. NUMBER OF BUSINESSES EXTENDED CREDIT	1. BACKLOG OF OUTSIDE FUNDS BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING 2. AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (X)
D. PROJECT DEVELOPMENT	1. NUMBER OF PROPOSALS PREPARED	1. COST/PROPOSAL PREPARED	1. NUMBER OF SUCCESS STORIES	1. FEES COLLECTED/TOTAL OPERATING EXPENSES (X)

TABLE 4

REPORTING REQUIREMENTS FOR ALL THREE SETS OF INDICATORS

FUNCTION	QUARTERLY REPORTING		END-OF-YEAR/ANNUAL ACTION PLAN REPORTING	
	PROJECT DISTINGUISHABLES	PROJECT COMMENSURABLES	TOP-FIVE INDICATORS	PROJECT COMMENSURABLES
	2. NUMBER OF PROPOSALS WITH SECURED FINANCING	2. COST/PROJECTS UNDERTAKEN	2. PROJECT COSTS: A) ANNUAL ACTUAL/PLANNED DISBURSEMENTS (Z) B) FUNCTIONAL, COUNTRY, TARGET GROUP BREAKDOWN	2. BACKLOG OF OUTSIDE FUNDS BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING
	3. NUMBER OF PROJECTS UNDERTAKEN		3. NUMBER OF JOBS: A) AFFECTED B) CREATED (NEW JOBS CLAIMED)	3. AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (Z)
			4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED	
			5. A. TOTAL INVESTMENT AND/OR CREDIT EXTENDED B. NUMBER OF BUSINESSES EXTENDED CREDIT	
E. INVESTMENT PROMOTION	1. NUMBER OF APPROVED APPLICATIONS	1. COST/APPROVED APPLICATIONS	1. NUMBER OF SUCCESS STORIES	1. COST/VENTURE STILL IN EXISTANCE
	2. NUMBER OF VENTURES UNDERTAKEN	2. COST/VENTURE UNDERTAKEN	2. PROJECT COSTS: A) ANNUAL ACTUAL/PLANNED DISBURSEMENTS (Z) B) FUNCTIONAL, COUNTRY, TARGET GROUP BREAKDOWN	2. COST/LOCAL INVESTMENT PROMOTION SPECIALIST TRAINED
	3. NUMBER OF VENTURES STILL IN EXISTANCE		3. NUMBER OF JOBS: A) AFFECTED B) CREATED (NEW JOBS CLAIMED)	3. FEES COLLECTED/CORE SERVICE EXPENSES (Z)
			4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED	
			5. A. TOTAL INVESTMENT AND/OR CREDIT EXTENDED B. NUMBER OF BUSINESSES EXTENDED CREDIT	
F. POLICY ADVOCACY AND DEVELOPMENT	1. NUMBER OF ISSUES PUT ON THE AGENDA	1. TOTAL DUES OR FEES COLLECTED/ TOTAL OPERATING EXPENSES (Z)	1. NUMBER OF SUCCESS STORIES	1. BACKLOG OF OUTSIDE FUNDS BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING
	2. NUMBER OF FAVORABLE POLICY CHANGES	2. COST/FAVORABLE POLICY OUTCOME PLACED ON THE AGENDA (\$ UNIT COST)	2. PROJECT COSTS: A) ANNUAL ACTUAL/PLANNED DISBURSEMENTS (Z) B) FUNCTIONAL, COUNTRY, TARGET GROUP BREAKDOWN	2. AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (Z)
	3. NUMBER OF POLICY PAPERS/ STUDIES PUBLISHED		3. NUMBER OF JOBS: A) AFFECTED B) CREATED (NEW JOBS CLAIMED)	
			4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED	
			5. A. TOTAL INVESTMENT AND/OR CREDIT EXTENDED B. NUMBER OF BUSINESSES EXTENDED CREDIT	

Officers in AID. Besides organizing the indicators by function, these indicators are also organized according to the frequency of reporting. The two categories used are "quarterly reporting" and "end-of-year/annual action plan reporting".

The proposed system is intended to enhance the existing monitoring system. It assumes that most of the information on indicators will be provided by the implementing organizations, although it could later on incorporate information gathered from a target group survey and/or annual field validation. Rather than create new paperwork, the system seeks to add to the existing PISR and Annual Action Plan format. All of the indicators included under the "quarterly reporting" category will be included in each PISR. For example, all the project cost information would be included in the "Financial Status" section of the PISR. The key project distinguishables and project commensurables would be included in the section entitled "Major Outputs". Finally, information on the top five indicators would be included either in the "Overall Status" or "Project Purpose" section.

The "Top Five Indicators" will be presented only in the end-of-year quarterly report from the implementing organization. The Project Officer will then include these indicators in the PISR and the Annual Action Plan. While the implementing organizations will be responsible for providing quarterly information to the Project Officer, the Project Officer will work closely with the FSO in integrating information from the quarterly reports into the PISR's and the Annual Action Plan. Specifically, the top five indicators will be presented in the Annual Action Plan with accompanying narrative. In addition, the project commensurables which focus on trends related to efficiency, sustainability, relevance, and impact will be included in the Annual Action Plan. If additional survey work and/or field validation trips are adopted by the FSO, then the Project Officer would also be responsible for incorporating this additional information into the Annual Action Plan.

In terms of the reporting formats to be used by the implementing organizations, LBII will design these formats in the coming weeks. Accompanying explanatory material and definitions will also be developed by the end of December.

D. ADDITIONAL INFORMATION GATHERING ACTIVITIES

Aside from the implementing organizations supplying the FSO with the required monitoring information, there exist several other conduits of information. Two short to medium-term priorities recommended by LBII include an annual field validation survey and the completion of an in-depth diagnostic survey of formal and

informal sector firms in the OECS, first begun as a Pilot Survey by LBII in July, 1987. Other additional information gathering activities include a telephone survey of formal sector firms in the OECS countries, and the development of a project to establish or improve the statistical agencies of OECS governments. Finally, in order to improve the reporting of project costs, LBII recommends the installation of accounting systems that allocate costs by function, country, and target group for the ECIPS and CAIC (non-SEA) projects.

All the survey activities are intended to focus RDO/C effort and resources on obtaining information directly from its target groups. There are several theories which support direct marketing and surveying of target groups. In his book Marketing Management, Philip Kotler states that :

"The capacity of organizations to survive and prosper depends on their ability to create value for target markets in an environment of ever-changing human needs and wants." ⁷

In Kotler's terms, the private firms in the OECS represent the target market for RDO/C's Private Sector Program. The key to success for this Private Sector Program is to adjust its products to the needs of its target group.

A second variation on the same theme is provided by "public choice" theory:

"Difficulties in determining consumer satisfaction or demand in the absence of competitive pricing arrangements mean that responsiveness must also be taken into account in evaluating the performance of government agencies. Responsiveness can be defined as the capacity of a government agency to satisfy the preferences of its citizens....Measures of responsiveness usually depend on interviews conducted in a sample survey of a relevant population of citizens.

In the final analysis, benefits can be calculated only in relation to consumer preferences, and the criteria of efficiency and responsiveness are interdependent. The criteria of efficiency must include responsiveness

⁷ Philip Kotler, Marketing Management, Prentice Hall, 1990. pp. 3-4.

as an essential component."¹⁰

As in the case of the marketing approach, the public choice theory states that the most cost-effective way of delivering services by a public agency like AID is to try and maximize responsiveness to the needs and wants of the intended recipients of those services. One of the best and most direct ways of determining the preferences of the target group is through surveys and interviews with the target group.

Finally, a strong argument for conducting site visits and establishing a direct dialogue with the target group beneficiaries is presented in Chapter 11, "Project Monitoring", in the AID handbook. As the handbook points out:

"Among the most productive and timely monitoring tools are conferences, meetings and personal consultations with...beneficiaries and other project participants. Such information exchanges can be highly informative and are often needed to put in perspective the findings from other monitoring methods." ¹¹

Out of the list of survey options presented, the ones that are considered highest priority over the next six months is the implementation of an annual field visit by the Project Officers and the completion of an in-depth diagnostic survey of the formal and informal sector businesses.

1. ANNUAL FIELD VALIDATION VISITS:

As pointed out in Section II, the Annual Field Visit should be carried out every year in late January or early February. The timing of the visit should correspond with the end-of-the-year reports from the implementing organizations when information on the performance summaries (Top Five Indicators) of the targeted businesses are provided. The execution of the field visit at this time will allow the PSD to gather and validate information needed for the Annual Action Plan. The primary purpose of the visit is twofold: 1) to keep a hand on the pulse of the private sector target group and take an annual reading of their accomplishments, needs and frustrations and 2) to verify that the

¹⁰ Robert L. Bish and Vincent Ostrom, The Public Choice Approach, American Enterprise Institute for Public Policy Research (1973)/ pp. 21-22.

¹¹ "Project Monitoring", Chapter 11, AID HANDBOOK # 3, 1982, pp. 6-7.

achievements reported by the implementing organizations are reasonably accurate and relevant.

The estimated time required to conduct these visits would be around 1-2 weeks. The Project Officer would spend a week in the field interviewing, then a few days back in the office analyzing and processing the gathered information for the Annual Action Plan. Each staff member would devote his/her efforts to a single island, examining the effects of all PSO projects on that island. Results would then be correlated on a project-by-project basis and then on a program basis.

An alternative to the Project Officer conducting the validation visit would be to have an independent auditor assess the achievement claims. Just as an accounting firm checks the financial records of the implementing agency, an independent auditor could verify the accuracy of the project achievements reported to AID. This alternative relieves the Project Officer from committing valuable time and from the direct possibility of incurring the wrath of implementing organization personnel. But it would not capture the full range of benefits envisioned for the field visits. It would prevent the AID staff from taking a direct reading of the private sector target group's preferences. It also would not necessarily eliminate the risk of offending the implementing agencies. For example, in the case of CFSC the fallout from an evaluation done by an independent auditor was tremendous. To this day, the relationship between CFSC and AID has been adversely affected due to the highly critical, and some say unwarranted and unfair, claims made against CFSC by the auditor.

2. IN-DEPTH DIAGNOSTICS OF FORMAL AND INFORMAL SECTOR BUSINESSES:

The results from the diagnostic Pilot Survey carried out by LBII in Barbados, St. Kitts, and St. Lucia in May and June of 1987 indicate that quantitative indicators alone provide an insufficient basis for judging the relevance of PSO projects and program to its target groups. The diagnostic sample surveys of the formal sector in two countries and the non-formal sector in one country sought to reexamine project/program hypotheses and to probe behind Caribbean businessmen's initial answers to conventional questions. An assessment of the strengths and weaknesses of the target group firms provided preliminary indications that the PSO portfolio deserves reassessment and that opportunities exist to move the program in new directions. However, there are very substantial differences among the Eastern Caribbean states, and results obtained in the countries surveyed cannot be extrapolated to the entire area. LBII recommends the completion of

diagnostics as outlined in its Pilot Survey report in July, 1987. As described in that report, LBII's preferred alternative would complete formal sector diagnostics in the remaining five OECS countries of Antigua, Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines. Non-formal sector diagnostics would be carried out in Dominica, Grenada, and St. Kitts and Nevis.

One of the dangers of a monitoring/evaluation system that is closely tied to design documents and to tightly defined project/program logic is that an entire portfolio can be locked into a single frame of reference and into a single set of assumptions. These assumptions and the needs of the target group should be subjected to thoroughgoing reexamination after a substantial amount of experience has been accumulated. In the case of the RDO/C's Private Sector Program, such a reexamination is in order perhaps once every five years. A diagnostic survey is a useful stimulus and adjunct to program reassessment.

3. TELEPHONE SURVEY OF FORMAL SECTOR BUSINESSES:

Apart from the employment data provided in decennial census, the timely and reliable provision of year-to-year trends are sorely lacking on the performance of the OECS economies and their respective private sectors. In the absence of a believable "state of the world" information, it is difficult to determine whether the accomplishments of AID-assisted firms are due to the project or to more macro-economic trends.

In order to acquire this information, a telephone survey could be carried out by the Chambers of Commerce in each of the OECS countries. Every year, preferably in late December or early January when the end-of-year business performance results are known, a random sampling of thirty firms from each country would be selected. Before telephoning the businesses, a short questionnaire would be sent out asking information regarding exports, employment, and investment. A follow-up telephone conversation would then gather information on these categories. In addition, follow-up visits could be made to three firms in each country to test the information provided by telephone.

The survey results could be used by both RDO/C and other business-support institutions in the region. Furthermore, the exercise would represent a constructive and cost-effective way for RDO/C to encourage the development of business associations in the region.

4. INSTITUTIONAL DEVELOPMENT OF STATISTICAL AGENCIES IN OECS COUNTRIES:

Eventually, the experience drawn from the telephone survey could grow into a broader approach to assisting statistical organizations, both business associations and the statistical offices of national governments, to provide needed information to the business community and governmental agencies like RDO/C. RDO/C should examine the possibility of developing a project for the institutional development of these statistical offices. This long-term goal, however, would depend a great deal on the governments' interest and ability to eventually support these agencies from national revenues. At present, only the government of St. Lucia has received the necessary assistance to establish a satisfactory capability for the collection and analysis of pertinent data.

5. INSTALLATION OF STANDARDIZED ACCOUNTING SYSTEMS IN THE ECIPS AND CAIC (NON-SEA) PROJECTS:

As mentioned in LBII's September 1987 paper, Program Cost Data Base¹², neither the implementing organizations nor AID has an accounting system that is capable of providing costs by function, target group beneficiary, or country. Most of the existing systems are geared more towards disbursement guidelines, rather than project management criteria. Already for the SEA project, LBII has carried out a study and recommendations for implementing a more project management oriented accounting system. A similar study should be done for the ECIPS and CAIC projects. For the CFSC and CPDF projects, such a system is not considered as important. In the case of the CFSC project, project disbursements are focused on loans which are directly traceable to a specific and target group and country. Regarding the CPDF project, there are several other international lending agencies involved in the project, and AID assistance represents a small percentage of total project funding.

E. RECOMMENDED INDICATORS AND METHODOLOGY FOR THE ANALYSIS OF INDICATORS IN THE FOUR ON-GOING PROJECTS IN PSO:

1. INDICATORS:

All three sets of indicators presented in Section 8 can and should be used for monitoring and evaluations at both the project

¹² "Program Cost Data Base", Louis Berger International Inc., September 29, 1987.

and program level. The disaggregated cost categories, success stories and ratios can be used to review an individual project or can be aggregated and included in program reviews.

Table 5 presents the monitoring indicators for the four on-going projects in the PSO portfolio. As is shown in the table, the "Top Five Indicators" should be used for all projects, regardless of the functions emphasized in the project. On a yearly basis the implementing organization should provide information on the amount of project expenditures by function, country, beneficiary, and budget category, the number of success stories, the number of jobs, the amount of exports and, the total investment generated by the project over the year. As already mentioned earlier, these indicators provide a global overview on the relevance and impact of the project. They should allow AID officers to verify that the level of project expenditures relates to the project goals in terms of target group, geographic scope, and prioritization of functions. The number of success stories should be used as an indication that the project is, at a minimum, reaching some beneficiaries. The impact ratios are included only in those projects that can show some direct correlation between services rendered and impact-related achievements. These indicators should provide some insight on the extent to which the project is contributing to some of the more important program "performance achievement" indicators.

In the case of "Project Distinguishables" and "Project Commensurables", the indicators selected for the four projects focus on the principal functions of each project. In most projects there are one or two functions that represent the primary goals of the project. For example, in PDAP the functional goals are investment promotion and institutional development. Therefore, the project "distinguishables" and "commensurables" included for monitoring are those indicators listed in the investment promotion institutional development function categories as presented in Tables 2 and 3. In the CFSC project the primary function is finance, and all of the project "distinguishables" and "commensurables" are selected from the finance function category presented in Tables 2 and 3. For each project then, the primary functions should be identified and the corresponding project distinguishables and project commensurables from those functions included for analyzing project progress in terms of efficiency, sustainability, impact and relevance.

2. METHODOLOGY FOR ANALYZING THE INDICATORS:

For both the project distinguishables and commensurables, the objective of any analysis should be in identifying and explaining trends. Every quarter the indicators should demonstrate an

TABLE 5

RECOMMENDED INDICATORS FOR ONGOING PROJECTS

PROJECT	PRINCIPAL FUNCTION AREAS	QUARTERLY REPORTING		END-OF-YEAR/ANNUAL ACTION PLAN REPORTING	
		PROJECT DISTINGUISHABLES	PROJECT COMMENSURABLES	TOP-FIVE INDICATORS	PROJECT COMMENSURABLES
A. CAIC/SEA	1. POLICY ADVOCACY 2. TECHNICAL ASSISTANCE/ TRAINING 3. FINANCE 4. INSTITUTIONAL DEVELOPMENT	A. "UPPER-LEVEL"	A. "EFFICIENCY"	A. "UPPER-LEVEL AND MIDDLE-LEVEL"	A. "RELEVANCE"
		1. AMOUNT OF LOANS OUTSTANDING	1. COST/TRAINEE DAY BY: A) SECTOR B) TARGET GROUP CATEGORY	1. NUMBER OF SUCCESS STORIES	1. PERCENTAGE OF AID DISBURSED FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY
		2. NUMBER OF BUSINESSES ASSISTED	2. COST/FAVORABLE POLICY OUTCOME	2. ANNUAL ACTUAL/PLANNED DISBURSEMENTS	
		3. NUMBER OF MEMBERS	3. OPERATING EXPENSES/ TOTAL FUNDS EMPLOYED (X)	3. NUMBER OF JOBS AFFECTED AND CREATED	
		4. AMOUNT OF MEMBERSHIP DUES		4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED	
		5. NUMBER OF FAVORABLE POLICY CHANGES		5. TOTAL INVESTMENT GENERATED AND/OR CREDIT EXTENDED	
		B. "MIDDLE-LEVEL"	B. "SUSTAINABILITY"		B. "IMPACT"
		1. NUMBER OF LOANS APPROVED	1. LOAN \$ IN ARREARS/ LOAN \$ OUTSTANDING (X)		1. AID FUNDS DISBURSED/JOB AFFECTED
		2. NUMBER OF LOANS DISBURSED	2. TOTAL DUES OR FEES/ CORE SERVICE EXPENSES (X) (FOR TECHNICAL ASSISTANCE IN SEA AND POLICY ADVOCACY IN CAIC)		2. AID FUNDS DISBURSED/NEW JOB CLAIMED
		3. NUMBER OF LOANS OUTSTANDING			C. "EFFICIENCY"
		4. NUMBER OF OVERDUE LOANS			1. LOAN FUNDS DISBURSED/AID FUNDS DISBURSED (X)
		5. NUMBER OF CLIENT HOURS BY: A) SECTOR B) TARGET GROUP CATEGORY			2. TOTAL FUNDS EMPLOYED/ AID FUNDS
		6. NUMBER OF QUALITY TOP LEVEL MANAGERS			D. "SUSTAINABILITY"
		7. NUMBER OF ISSUES PUT ON THE AGENDA			1. TOTAL AID FUNDS DISBURSED/ TOTAL FUNDS EMPLOYED (X)
8. NUMBER OF POLICY PAPERS PUBLISHED			2. FEES COLLECTED FROM CLIENTS/ TOTAL OPERATING EXPENSES (X) (FOR T.A. IN SEA AND POLICY ADVOCACY IN CAIC)		
			3. BACKLOG OF FUNDS AVAILABLE BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING		
B. CFSC	1. FINANCE	A. "UPPER-LEVEL"	A. "EFFICIENCY"	A. "UPPER-LEVEL AND MIDDLE-LEVEL"	A. "RELEVANCE"
		1. AMOUNT OF LOANS OUTSTANDING	1. OPERATING EXPENSES/ TOTAL FUNDS EMPLOYED (X)	1. NUMBER OF SUCCESS STORIES	1. PERCENTAGE OF AID DISBURSED FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY
		B. "MIDDLE-LEVEL"	2. NET INCOME/TOTAL FUNDS EMPLOYED (X)	2. ANNUAL ACTUAL/PLANNED DISBURSEMENTS	
		1. NUMBER OF LOANS APPROVED	B. "SUSTAINABILITY"	3. NUMBER OF JOBS AFFECTED AND CREATED	
2. NUMBER OF LOANS DISBURSED	1. LOAN \$ IN ARREARS/	4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED			
3. NUMBER OF LOANS OUTSTANDING		5. TOTAL INVESTMENT GENERATED AND/OR CREDIT EXTENDED			
4. NUMBER OF OVERDUE LOANS			B. "IMPACT"		
			1. AID FUNDS DISBURSED/JOB AFFECTED		

TABLE 5

RECOMMENDED INDICATORS FOR ONGOING PROJECTS

PROJECT	PRINCIPAL FUNCTION AREAS	QUARTERLY REPORTING		END-OF-YEAR/ANNUAL ACTION PLAN REPORTING	
		PROJECT DISTINGUISHABLES	PROJECT COMMENSURABLES	TOP-FIVE INDICATORS	PROJECT COMMENSURABLES
					C. "EFFICIENCY" 1. LOAN FUNDS DISBURSED/AID FUNDS DISBURSED (Z) D. "SUSTAINABILITY" 1. TOTAL FUNDS EMPLOYED/AID FUNDS
C. PDAP	1. INVESTMENT PROMOTION 2. INSTITUTIONAL DEVELOPMENT	A. "UPPER-LEVEL" 1. NUMBER OF VENTURES STILL IN EXISTANCE B. "MIDDLE-LEVEL" 1. NUMBER OF APPROVED APPLICATIONS 2. NUMBER OF VENTURES UNDERTAKEN 3. NUMBER OF VENTURES STILL IN EXISTANCE 4. NUMBER OF LOCAL INVESTMENT PROMOTION SPECIALISTS	A. "EFFICIENCY" 1. COST/APPROVED APPLICATIONS 2. COST/VENTURE UNDERTAKEN 3. COST/LOCAL INVESTMENT PROMOTION SPECIALIST TRAINED B. "SUSTAINABILITY" 1. FEES COLLECTED/CORE SERVICE EXPENSES(Z) (FOR INVESTMENT SERVICES)	A. "UPPER-LEVEL AND MIDDLE-LEVEL" 1. NUMBER OF SUCCESS STORIES 2. ANNUAL ACTUAL/PLANNED DISBURSEMENTS 3. NUMBER OF JOBS AFFECTED AND CREATED 4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED 5. TOTAL INVESTMENT GENERATED	A. "RELEVANCE" 1. PERCENTAGE OF AID DISBURSED FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY B. "IMPACT" 1. AID FUNDS DISBURSED/JOB AFFECTED 2. AID FUNDS DISBURSED/NEW JOB CLAIMED C. "EFFICIENCY" 1. COST/LOCAL INVESTMENT PROMOTION SPECIALIST TRAINED 2. COST/VENTURE STILL IN EXISTANCE D. "SUSTAINABILITY" 1. FEES COLLECTED/CORE SERVICE EXPENSES (Z) 2. BACKLOG OF FUNDS AVAILABLE BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING 3. AID FUNDS DISBURSED/TOTAL FUNDS EMPLOYED (Z)

TABLE 5
RECOMMENDED INDICATORS FOR ONGOING PROJECTS

		QUARTERLY REPORTING		END-OF-YEAR/ANNUAL ACTION PLAN REPORTING	
PROJECT	PRINCIPAL FUNCTION AREAS	PROJECT DISTINGUISHABLES	PROJECT COMMENSURABLES	TOP-FIVE INDICATORS	PROJECT COMMENSURABLES
D. CPDF	1. PROJECT DEVELOPMENT	A. "UPPER-LEVEL"	A. "EFFICIENCY"	A. "UPPER-LEVEL AND MIDDLE-LEVEL"	A. "RELEVANCE"
		1. NUMBER OF PROJECTS UNDERTAKEN	1. COST/PROPOSAL PREPARED 2. COST/PROJECTS UNDERTAKEN	1. NUMBER OF SUCCESS STORIES 2. ANNUAL ACTUAL/PLANNED DISBURSEMENTS 3. NUMBER OF JOBS AFFECTED AND CREATED 4. TOTAL EXPORTS OR FOREIGN EXCHANGE GENERATED 5. TOTAL INVESTMENT GENERATED	1. PERCENTAGE OF AID DISBURSED FUNDS BY: A) COUNTRY B) FUNCTION C) TARGET GROUP CATEGORY
		B. "MIDDLE-LEVEL"			B. "IMPACT"
		1. NUMBER OF PROJECTS WITH SECURED FUNDING 2. NUMBER OF PROJECTS UNDERTAKEN			1. AID FUNDS DISBURSED/JOB AFFECTED 2. AID FUNDS DISBURSED/NEW JOB CLAIMED
					C. "SUSTAINABILITY"
					1. TOTAL FEES COLLECTED/ TOTAL OPERATING EXPENSES (Z)
					2. BACKLOG OF FUNDS AVAILABLE BY: A) NUMBER OF MONTHS OR YEARS B) PERCENTAGE BREAKDOWN BY SOURCE OF FUNDING
					3. AID FUNDS DISBURSED/ TOTAL FUNDS EMPLOYED (Z)

improvement. A "red flag" should go up if the indicators worsen in two consecutive quarters, or if at the end of a year the indicators have not improved by more than 10%. Of course, during the initial implementation of the system it may be necessary to adjust these "red flag" indicators if they are deemed inappropriate or exceedingly difficult. Still, as in the case of amending the U.S. Constitution, any future adjustments should be rigorously reviewed before becoming accepted norms. Otherwise, there exists the risk that the monitoring system will be changed so often as to become meaningless.

On a yearly basis the project commensurables need to be aggregated to provide an overall assessment of the effectiveness of a project or the program in general. Specifically, the Project Officer should provide a ranking of 1, 2 or 3 for each of the Top Five indicators and project commensurable categories--relevance, impact, efficiency, and sustainability. In general, a ranking of 1 indicates that the indicators have been improving (by more than 10%) and that the number of success stories is 3 or more. A ranking of 2 would indicate a "no improvement" status (less than 10%) for the indicators and between 0 and 3 success stories. Finally, a ranking of 3 would reveal that the indicators are worsening and that there were 0 success stories. Once each category is allotted a ranking, all four categories can be added up to provide an overall cost-effectiveness ranking.

At this point, it would be difficult to determine in absolute terms whether a project has been cost-effective. Obviously, a total score of 4 (a ranking of 1 for each of the four categories) would be viewed as cost-effective. Conversely, a total score of 12 would indicate some serious problems. But what about a score of 8 or 10? In these cases it is important to prioritize and/or compare the results to other projects. Within the project, one has to determine which of the four effectiveness categories is more important at that point in the project life cycle. For example, the fact that a project hasn't improved its sustainability ratio during the first year of the project may not be cause for concern. Between projects as well, the overall success or failure in one category in one project can be weighed against the results of the other projects. While one project may be disastrous in terms of sustainability but excellent in terms of impact, this may be compensated by a project with similar functional goals that is self-sufficient but doesn't have quite the impact of the other project.

What is important then is to develop a portfolio management perspective. As a first step in analysis, every project should be reviewed on its own terms. After its strengths and weaknesses are identified (according to the "Top Five Indicators", "Project Distinguishables" and "Project Commensurables"), it should then

be compared to the ranking of indicators in other projects. The overall goal should be one of developing a cost-effective program portfolio--one that is balanced in terms of relevance, impact, efficiency and sustainability.

SECTION IV

MAJOR IMPLEMENTATION ISSUES

Implementing a monitoring system can pose a wide range of difficulties. This section discusses two sets of issues. The first set is technical. It concerns requirements for function-oriented accounting information and for consistent application of achievement attribution scales. The second set of issues concerns "the will to monitor," the attitudes which the staffs of the Mission and its implementing organizations have toward efforts to establish accountability for results.

A. TECHNICAL ISSUES

The primary technical problems that need to be addressed are the lack of a accounting system which accumulates costs in categories related to project achievement (particularly at the implementing organization level) and a lack of experience in measuring and attributing firm-level achievements to project assistance. As pointed out in the SEA monitoring report, the existing RDO/C accounting categories do not break out project costs by function, country or beneficiary.¹³ This problem could be overcome if, like SEA, each of the implementing organizations were to redesign their accounting systems to capture this information at entry. Until all implementing organizations have made such adjustments, functional breakdowns of cost may have to be done as a manual adjunct to the existing cost reporting. If this is the case, then the allocation of costs by "hand" for all the recommended categories will be a time consuming task.

Besides the lack of an accounting system geared towards project and program analysis, difficulty may be anticipated in maintaining consistency in the application of attribution scales. The problem is not unlike that of achieving consistent grading policies among teachers in a school. This is especially the case for measuring "new jobs created", "foreign exchange/exports generated", and "total investment". The attribution definitions proposed in this paper are open to interpretation (as they are intended to be). Aside from comparing "new jobs created" to the maximum attribution scale of "jobs affected", the prevention of inflation in achievement attribution will require "calibration"

¹³ "Small Enterprise Assistance Project Monitoring System Design and Development Report", Louis Berger International Inc., April 1987.

tandardization of scores assigned on the basis of field validation results.

. "THE WILL TO MONITOR"

The "Will to Monitor" refers to an intangible set of factors that largely determine whether a monitoring system will work or not. By definition, monitoring requires one group of people to assess the actions and achievements of another group of people. In order for monitoring to be carried out successfully, each group must do what is necessary to make the system work. Good monitoring involves the timely and accurate transfer of pertinent information from beneficiaries in the target group to implementing organizations to RDC/C to AID/Washington. The will to monitor concerns the various actors' motivations to: (a) seek out or compile the required information (b) transmit the information (c) analyze the information and (d) initiate the necessary action needed to redress problems. In the final analysis, the "will to monitor" comes down to the willingness to commit the resources, take the risks, and make the decisions necessary to establish an effective system of accountability.

Willingness to cooperate in monitoring activities cannot be considered a foregone conclusion. There are many factors that can turn the "will to monitor" into a "will not to monitor". These factors, which range from fundamental priorities in allocating staff effort to intercultural sensitivities, are by no means all bad." A wise implementation strategy does well to understand and take account of them. The principal human constraints are addressed under three headings: reluctance to deflate targets, reluctance to be assessed, and aversion to red flags.

Reluctance to Deflate Targets:

Institutions and their managers have very strong survival instincts. There is a natural tendency on the part of an organization's executives to put the best face on events: to emphasize good news and minimize bad news in reporting achievements. No one within an organization-- particularly persons in middle management-- wants to be responsible for deflating expectations to which the organization has become formally committed. Yet that is precisely what RDC/C's staff would have had to have done regularly if an effectively functioning monitoring system had been in place in the past five years.

Actually every one of the fourteen Private Sector Office projects which LBII has reviewed during the course of its work has suffered from target and/or reporting inflation. Beginning with the Project Paper and Logframe, project goals and purposes

have been set at extremely optimistic, even visionary levels. Presumably the project designers had in mind "marketing" considerations, the creation of the favorable image needed to win approval of the project in its competition for the allocation of scarce resources. But once high expectations have been formally incorporated into the project documentation, these expectations take on a life of their own. The initial overstatements tend to set a tone for implementing organization reporting, project status summaries and Annual Action Plan narratives. Reports from implementing organizations which err on the high side support visionary forecasts and really have not been unwelcome.

If the discipline of an achievement monitoring system had been seriously applied upon project implementation, many of the targets originally set in PSO project LogFrames would have had to have been judged to be unachievable very soon after each project was initiated. While it is relatively easy for an outside evaluator or auditor to declare LogFrame goals to be unrealistic a year or two after the project design, it is much more difficult for decision-makers who were involved in setting the targets to do so in the early stages of project implementation. If implementing organizations or RDD/C staff complain about the goals, they risk responses that they "are not committed to the project," "are not trying hard enough" or "are not doing their jobs correctly". Indeed, they may be tagged with the onus of being involved in a "poor project design".

The deflation of expectations established in project designs is a task that has generally been deferred and left to outsiders: IG management auditors and the more perceptive and forthright of evaluators. In some cases, the bad news does not arrive until the project has been completed, in which case, it becomes a rather innocuous "Lesson Learned." In other cases, the deflation process in itself has created serious embarrassment, affecting the credibility of Mission and the implementing organization, as well as spurring target revision and improved reporting.

2. Reluctance to Be Assessed:

Being "monitored" conveys a sense of having one's work scrutinized in detail and judged by another. Subordination and subjection to the power of another is implied. In intercultural settings, the potential for misunderstanding and resentment is considerable. From RDD/C's perspective, the risk of angering implementing organizations by putting them on the defensive and/or by overburdening them with additional information reporting requirements may be a serious concern. From the viewpoint of an implementing organization, monitoring may be regarded as an entering wedge for RDD/C "micro-management" of its affairs. The

extra effort of having to monitor the performance of the target group may be viewed as a misallocation of resources. Conceivably they could regard annual field validations carried out by RDO/C Project Officers, as excessive intrusion and policing of their programs.

While the recommended monitoring system seeks to minimize additional reporting requirements, there still will be some revisions made. For many, any attempt at improving the monitoring system is equated to increased paper work. In an institution already overburdened with paper work, the perceived threat of having to fill out more reports can serve as a major disincentive.

3. Aversion to Red Flags:

The final issue involves the managerial question "What to do" if the monitoring system indicates a problem. Every monitoring system presumes that managers will respond to "red flags". But not every manager will be able to react to implementation problems. Along with the organizational and motivational issues already identified, there may be a limited number of responses available to a manager. Often times, political considerations and/or bureaucratic procedures can delay a timely response to a problem. Other times, project performance problems may be related to general economic trends, that are out of the control of decision-makers. Where managers are reluctant or unable to react to problems, their enthusiasm for a system that places problems before them will most likely be less than overwhelming.

C. CONCLUSION

There are a host of factors which can erode or undermine serious attempts to monitor progress of a project or program--ranging from considerations of personal pride and reputation to attitudes which can be traced to the underlying structure of USCID's project documentation system.

In formulating our recommendations for change, we have first asked the question,

"What reasonably cost-effective set of measures could solve the problems we have observed in USCID's past monitoring reports and, more fundamentally, in USCID's efforts to understand, in real time, what the data reports on several FSO problem projects.

We have provided a consultant's answer to that question, identifying both a comprehensive solution and a series of options keyed to a number of special objectives. In the final analysis, matching a monitoring system to the needs of an organization comes down to a matter of what the leadership and the professional staff of that organization are prepared to support as matter of self-imposed discipline: self-discipline that they are determined to maintain in the face of the pressures that will inevitably challenge and test any attempt at constructive change.

SECTION V

CONCLUSION: STRATEGIC OPTIONS

Given the limited financial and human resources at its disposal, Mission management must weigh the value of monitoring system improvements against the value of other important tasks which it faces. The previous section concluded with a discussion of a variety of human and organizational considerations which were summarized under the rubric of the "will to monitor," which also are relevant to an appropriate choice. This final section presents a "Comprehensive Package" of recommended improvements in the Private Sector Office monitoring system. In addition, various combinations of a few monitoring system elements are presented. These combinations focus on specific, more limited objectives which RDO/C may wish to pursue in making improvements in the PSO monitoring system. In all, five options are defined. The Consultants believe that these five options represent the major strategic alternatives from which the Mission should choose.

A. OPTION #1: THE "COMPREHENSIVE PACKAGE"

As presented in section II, the recommended monitoring system involves eight main elements: (1) three sets of indicators, (2) compliance checklist, (3) revised reporting formats for implementing organizations and the FSO, (4) diagnostic survey, (5) annual field validation visits and analysis by FSO staff, (6) annual telephone surveys, (7) enhancement of CAIC (non-SEA) and ECIPS accounting systems and (8) design of a project for upgrading the capabilities of the statistical departments of OECB governments. In the following tabulation, a 'comprehensive package' of activities has been grouped by function and by time-phased priority:

TIME PHASING ACTIVITIES IN THE "COMPREHENSIVE PACKAGE"

- Group A By End of Calendar Year 1987 (Indicators and Related Documentation--Short Term Priorities):
1. Finalize the three sets of indicators
 2. Install Compliance Check List
 3. Develop and Revise the Reporting Formats
- Group B. By End of Calendar year 1988 (Information Gathering and Analysis--Medium-Term Priorities):

4. Complete In-Depth Diagnostic Survey
5. Initiate Annual Field Validation Visits by PSO Staff
6. Conduct First Annual Telephone Survey
7. Complete Work Scopes and Enhancements in Accounting CAIC and ECIPS Accounting Systems

Group C. By End of Calendar Year 1989 or 1990 (Information Gathering and Analysis-- Long-Term Priorities):

8. Develop a project for the institutional development of statistics departments in OECs governments.

The "comprehensive package", shown in this tabulation is LBII's preferred alternative. The time-phasing of the three major groups of activities (A through C), the inclusion of a full complement of eight activities (1 through 8) in the package, and the ordering of activities within each group all represent explicit judgements by the Consultant. The basic strategy embodied in the comprehensive package is first to develop indicators and related documentation (Group A) and then to proceed with additional information gathering and analysis activities (Group B and Group C).

Quite different strategies for executing the comprehensive package are conceivable. For example, if RDO/C wishes to give overriding attention to preparations for the Annual Action Plan (and/or if the Mission wants to proceed very deliberately with monitoring system changes), then the best option may be to limit activity in 1987 to the "Top Five Indicators" and to execute the rest of the program on a step-by-step basis, waiting for feedback on each step before taking the next one. On the other hand, if RDO/C's highest priority is to redesign its Private Sector Program from the ground up, a strong argument could be made for giving first attention to the completion of the diagnostic survey and then proceeding full-speed with the rest of the package once new program directions are defined.

LBII is scheduling a total of six person weeks of consulting time during November and December, 1987 and January, 1988 for the purposes of preparing monitoring reporting forms and assisting the Program Office with the Annual Action Plan. The selection of an option in the coming weeks by the Mission would contribute to the optimum use of this time. Whether some version of the comprehensive package or some other option is chosen, a set of decisions concerning LBII's activities for the remainder of the contract will be required during the second week in November. A meeting to review the present report and to discuss these options is scheduled for November 12.

B. OTHER BASIC OPTIONS

1. Range of Choices

A wide variety of options involving one or more of the activities contained in the "Comprehensive Package" is conceivable. In order to assist RDO/C in its considerations, four additional "packages" have been defined, each of which focuses on a particular objective or approach. They are the "Minimum Package" (Option #2), the "Accountability Package" (Option #3), the "Annual Action Plan Package" (Option #4), and the "Program Redesign Package" (Option #5).

2. OPTION # 2: "MINIMUM PACKAGE"

KEY ELEMENTS: (1) Monitor "Top Five Indicators" Only

This "Minimum Package" represents a very austere approach to improving the FSO monitoring system. It consists only of utilizing the "Top Five Indicators" for each FSO project. Information on these indicators would be obtained from the implementing organizations. Initially, at least, RDO/C would not undertake the validation of this information. The "Minimum Package" is most appropriate if the RDO/C wishes to approach the task of upgrading the FSO system with a great deal of caution and/or with a minimal commitment of resources. The "Minimum Package" does not imply commitment to go forward with any other monitoring system change or improvement. It delays any decision on the use of additional indicators and field survey work until the FSO staff and implementing organizations agencies gain experience with this first step.

3. OPTION # 3: "ACCOUNTABILITY PACKAGE"

**KEY ELEMENTS: (1) Monitor Three Sets of Indicators
(5) Initiate Annual Validation Survey
(7) Install ECIFS/CAIC Accounting Improvements**

This "Accountability Package" is focussed on making substantial improvements in the reliability of information used for monitoring FSO projects. The elements implemented would include the "Top Five Indicators" and along with the "Project Distinguishables" and the "Project Commensurables". In order to ensure the proper measurement of achievements, the Project Officers would carry out the first annual validation survey in March/April of next year. In addition, a study would be carried out in calendar year 1988 for improving the accounting systems in the ECIFS project and CAIC project (non-SEA components).

While more expensive than the "Minimum package", the "Accountability Package", if properly installed and maintained, provides considerably greater assurance that the problems which have plagued the system in the past will be overcome. The use of the project commensurables would allow the RDO/C to track the cost-effectiveness of the implementing organizations as well as the portfolio in general. The field validation survey would provide confirmation or corrective adjustments for data submitted by implementing organizations and would give Project Officers an opportunity to directly assess the changing needs and wants of the PSD target group. The increased assurance of the reliability of monitoring information available to RDO/C, will bring with it some risk of offending the implementing organizations. Considerable tact may be required to avoid friction where it is necessary for RDO/C to adjust reports provided by implementing organizations.

4. OPTION # 4--"Annual Action Plan Package"

KEY ELEMENTS: (1) Monitor "Top Five Indicators"
(5) Initiate Annual Field Validation Survey
(6) Initiate the Annual Telephone Survey

The "Annual Action Plan Package" has as its principal priority the compilation of information needed for RDO/C to report on "performance achievement" indicators in the Annual Action Plan. This package consists of the information provided by the implementing organizations on the "Top Five Indicators" and confirmed in the field by the Project Officers. In addition, this package contains the telephone survey which will allow the RDO/C to compare program achievements to the overall "state of the world" of the target group.

This option largely responds to the "upper-level" management priorities. It also has the benefits of keeping the RDO/C staff abreast of the changing circumstances and needs of its target group, as well as providing more reliable information on general economic trends in the OECD countries. Of course, along with this additional information gathering there are increased costs. The telephone survey would cost on the order of \$30,000-\$40,000.

5. OPTION # 5--"Program Redesign Package"

KEY ELEMENTS: (1) Monitor "Top Five Indicators"
(4) Complete In-Depth Diagnostic Survey
(5) Initiate Annual Field Validation Survey

This option is designed to rigorously review the assumptions of the RDO/C private sector program, and to provide insight into the future direction of the program. The focus of the diagnostic survey will be on the Eastern Caribbean business community as a whole, rather than on current beneficiaries of assistance supported by RDO/C. This survey would be a continuation of the pilot survey conducted by LBII in St. Lucia, St. Kitts, and Barbados, in which numerous "lessons learned" and qualitative insight into the efficacy of the FSO program were provided. At the same time, the monitoring of the "Top Five Indicators" would be carried out in order to keep track of current trends in the performance of direct beneficiaries. The annual field validation survey would be coordinated with the diagnostic survey in order to confirm the accuracy of the "Top Five Indicators" and provide in-depth information on the recipients of AID-financed services.

C. CONCLUSION

Each of the options presented embody trade-offs among the interests of RDO/C in an improved monitoring system for the Private Sector Office, the short and long-term effects of proposed improvements on RDO/C's relations with its implementing organizations, the costs of the specific activities recommended, and the commitments of time and energy of the RDO/C staff.

Very much aware of the deficiencies of the existing system and of the problems that have occurred in the past, LBII has recommended a comprehensive approach to improving the FSO monitoring system. Nevertheless, a consulting firm's perception of what is functional and cost-effective may differ from those who have to use and allocate resources to the monitoring system. Thus, LBII's comprehensive recommendation has been disaggregated into a range of options from which the RDO/C may select that approach which is most suitable to it.

Any final choice will have advantages and disadvantages. What is most important is that the selected option should have the full understanding and support of Mission management and staff. Ultimately, the key to effective monitoring is to ensure that the people doing the monitoring accept and believe in the system.

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