

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.  
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>USAID/Sri Lanka</u> (ES# _____)		B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY ___ Q ___		C. Evaluation Timing Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>	
D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)					
Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
(None)	PL-480 Title III	1991	1993	\$105M	\$70M

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director		Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required			
1.	Hold Mission meeting to decide if further improvements in operations and implementation, and any consequent changes to Mission Orders.	G.Anders/ J.Goggin	03/01/93
2.	Prepare operational guidelines.	J.Goggin/ T.deSoyza	04/01/93
3.	Develop a more structured methodology for selection of potential policy reform measures.	J.Goggin	11/30/93
4.	Mission should seek an alternative mechanism for the analytical support APAP furnished the Title III program.	R.Brown/ G.Anders	06/30/93
5.	Develop proposal for two-year extension FY94-95 including operations manual (as in 2. above), new policy reform measures (following methodology in 3. above), and food security progress indicators per guidelines from AID/W.	G.Anders/ J.Goggin	02/15/93

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation:	(Month)	(Day)	(Year)
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G. Approvals of Evaluation Summary And Action Decisions:				
Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
	James Goggin	Ms. S.L.Kuruppu	Randall Casey	Richard M. Brown
Signature				
Date	2/19/93		5 February 1993	2/19/93

A B S T R A C T

H. Evaluation Abstract (Do not exceed the space provided)

This mid-term evaluation (October 1992) was conducted through an IQC contractor on the basis of extensive review of Mission program design and implementation documents, review of Congressional and AID/W documents and extensive interviews with GSL and Mission staff. The purpose of the evaluation was to assess a series of substantive issues (e.g., effectiveness of performance-based disbursement system, sustainability of the program and potential new policy reform measures for an extended program) and several procedural issues (e.g., USAID's internal monitoring system, USAID/GSL/other donor coordination on food aid and policy reform, and integration of PL-480 Title III program in Mission strategy.)

The major findings and conclusions are:

a) Substantial accomplishments include:

The policy reforms have been consistent with the strategic objectives of the USAID program.

The reforms have reinforced the broad reforms of the international agencies.

The program is consistent with USAID's interest in a smaller role for government.

The performance-based disbursement system has been successful.

b) Program accomplishments are laying the groundwork for future reforms.

c) The two year extension requested by the Mission will be necessary, at a minimum, for a more complete reform process.

The major recommendations are:

- 1) The two-year extension should be approved.
2. A Mission Workshop is needed to further improve future implementation.
3. An Operations Manual is also needed.
4. A more structural format is needed for developing USAID positions.
5. The Mission should seek an alternative mechanism for the type of support Agricultural Planning & Analysis Project (APAP) furnished the Title III program.
6. Program benchmarks should be broken out into a greater number of more detailed components.

C O S T S

I. Evaluation Costs

Name	1. Evaluation Team	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Paul Wenger		ISTI	30	39,000	PD&S
Dr. Hannan Ezechiel		ISTI			
2. Mission/Office Professional Staff Person-Days (Estimate) <u>7</u>			3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>1</u>		

**A. EVALUATION SUMMARY - PAR**

**S U M M A R Y**

**J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)**

**Address the following Items:**

- |  |                             |
|--|-----------------------------|
| • Purpose of evaluation and methodology used     | • Principal recommendations |
| • Purpose of activity(ies) evaluated             | • Lessons learned           |
| • Findings and conclusions (relate to questions) |                             |

**Mission or Office:**

**Date This Summary Prepared:**

**Title And Date Of Full Evaluation Report:**

**A. PURPOSE OF ACTIVITY EVALUATED:**

USAID's food aid program for Sri Lanka under the new Title III legislation was initiated in 1991. The program was authorized for an initial term of three years but was intended from its conception in the Mission's Multi-Year Food Assistance Program (MYFAP) to be extended for a further period of two years. This program was the logical follow-on to a Title I program that had provided virtually continuous food and development support to the country from 1956 through 1990.

The Sri Lanka Title III Program Agreement based on a modified version of the MYFAP authorizes three tranches of approximately \$35 million each, conditioned upon the availability of resources and AID approval of stated GSL policy reforms; the critical feature of the Program being its policy conditionality. The Agreement also provides for the application to developmental programs of local currency generated by commodity sales upon the meeting by the GSL of agreed benchmarks based upon the stated policy reforms, a procedure called: "Performance-Based Disbursement." The Agreement includes provisions for joint reviews and evaluations of the program, its design, operation and impact.

The team has determined that there is no substantial overlap between the broad, general programs of the other agencies such as the International Monetary Fund, the World Bank and the Asian Development Bank and the specific agriculture/private sector focus of Title III.

The reform measures in the current program can be classified into three groups: (a) institutional reforms; (b) policy reforms; and (c) preparatory studies for future reforms. These include but are not limited to: the liberalization of imports and domestic trade in food commodities; revision of plant quarantine measures; and phasing out of export taxes on key agricultural sector products. Four studies are designed to lay the foundation for future reforms to reduce the role of government and facilitate the growth of the private sector in commercial activities.

**B. PURPOSE OF EVALUATION AND METHODOLOGY USED:**

The PL-480 Title III Agreement includes provision for periodic reviews and evaluations of the food assistance program; its design, operation and impact. Since the Title III program is a new mode of development assistance and is one which represents a very significant element in the Mission's overall assistance program, a thorough evaluation was undertaken relatively early in the program's life. This mid-term assessment of the policy orientation and operational complexity of the Title III program was designed to furnish the Mission useful insights and recommendations to improve program performance and the program's anticipated two-year extension.

The evaluation team relied on intensive review of USAID program design and implementation files and documents as well as the relevant legislation and PL-480 guidance material prepared by AID/W. Extensive field interviews were held with GSL and USAID personnel.

**C. FINDINGS AND CONCLUSIONS:**

The effectiveness of the performance-based disbursement system for local currency proceeds was carefully examined. The team found strong indications that the system has been effective in expediting implementation of the agreed

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reforms; the team attached particular importance to the statements of USAID counterparts in the GSL to that effect that the system has led to steady progress toward implementation of the reforms.

The movement of commodities has been done with reasonable efficiency within Sri Lanka - partly due to intensive Mission monitoring - but has been troubled on the U.S. side. However, the GSL institutions involved in the grain trade have a poor record for permitting deterioration of quality in the foods they handle and for excessive costs due to overstaffing.

The reporting system is adequate and prompt; the GSL and USAID have combined their efforts to produce an excellent system and operated effectively.

The monitoring system and follow-up are adequate; the Mission and GSL are keeping well on top of the activities under the program.

The price negotiation procedure has been efficient and reflective of market prices; the price is determined on the basis of reported prices of commercial wheat shipments, c.i.f. Trincomalee, during the time period most closely corresponding to the initial PL-480 deliveries.

The identification of the Recipient Agencies is only marginally satisfactory. Instead of the Mission Local Currency Programming Committee meeting and making a documented schedule of allocations to be negotiated with the GSL, it appears to be left to one or two USAID officers to carry an informal and undocumented list for consideration by their counterparts.

Funds are used for activities consistent with the enabling PL-480 legislation as well as AID policy and USAID strategy: The Food Stamp program is the most important single element of Food Security for lower income Sri Lankans. Similarly, expenditures in the agricultural sector are well within the scope of USG policy.

#### D. CONCLUSIONS AND RECOMMENDATIONS:

The Title III Program as a whole is going extremely well, having already made substantial accomplishments in its first fifteen months of implementation:

#### CONCLUSIONS:

1. The policy reforms under the Agreement have been consistent with the strategic objectives of the USAID program and have assisted in meeting those objectives by reducing the role of the government, strengthening the private sector and increasing market responsiveness. They have created fiscal and economic benefits by reducing the losses by inefficient or uneconomic government operations and by increasing output, employment and incomes.
2. The Title III reforms have also been complementary with and reinforcing of the broad reforms included in the programs of the international agencies. The USAID's concentration on important specific measures and tight programming of reforms and benchmarks is correct and should be continued.
3. The program is consistent with USAID's interest in a smaller role for government, since the agreed policy and institutional changes result in a reduction of the government role in the economy and a strengthening of the private sector.
4. The performance-based disbursement system has been used successfully to accelerate implementation of the reform program through the nature of the benchmarks chosen. IT has helped USAID to advance the process through formal and informal interaction with the GSL.
5. Program success reflects sound Mission policy development, extensive experience with its prior Title I program and, perhaps most important, a willingness to look at itself and its program and accept constructive criticism.

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## S U M M A R Y (Continued)

6. Program accomplishments to date have not only included reforms of considerable ongoing strategic and economic impact, they are also laying the conceptual and informational groundwork for even more substantial reforms in the future.
7. The scope of needed restructuring in Sri Lanka and the steps being taken under the Title III Program to assist in the process are such that three years is a totally inadequate time frame. The two year extension requested by the Mission is a reasonable and first step.

### RECOMMENDATIONS:

The RECOMMENDATIONS below are largely a matter of fine-tuning, but they are important for the continued success of the program in the future:

#### FOR USAID/SRI LANKA:

1. Although a great deal of thought based on considerable experience in USAID and GSL has gone into selection of the Title III reforms and benchmarks - and, as noted above, a large measure of success has been attained - neither general criteria nor formal selection procedures have yet been established.
2. The impact of the reform program can be improved by a more rigorous process of selection and formulation of reforms and benchmarks.
3. Overall, GSL analytical capabilities are fairly strong, but this is so in part because of APAP and other such external support, but strengthened analytical capacity is describable of operational departments and the independent policy research capability in Sri Lanka.
4. A Mission Workshop should be held for all professionals to explore how the immense potential of the Title III Program can be utilized to aid in the performance of other development functions.
5. A complete Operations Manual of Title III policies and procedures should be prepared once the above Workshop has elicited the fullest range of both substantive and procedural matters to be included.
6. A more structured and better documented format should be established and adhered to for developing the USAID position regarding policy reform selection and local currency uses.
7. APAP, with its important input into the Title III planning process, is phasing out. The Mission should explore alternative mechanisms for obtaining the same type of support for the program.
8. Program effectiveness and ease of monitoring would be greatly enhanced if the Benchmarks were broken out into a considerably greater number of more detailed components.

#### FOR AID/W:

1. The two-year extension of the Program that would conform it with the MYFAP presentation is clearly both necessary to permit the long-lead-time programs presently under way to be carried out and justified by the excellent execution of the Program to date by both USAID and GSL.
2. Support should be given to whatever activity the Mission feels will best fill the role of APAP in promoting analytical capabilities for both the Mission and GSL in the areas of private sector agriculture and Title III reforms.
3. Shipping delays on the U.S. side and the loading and/or actual shipment of substandard grain are distressing to the Sri Lankans who depend on our shipments, as well as to the USAID which has to try and calm their fears, and harmful to the United States as a reliable supplier of agricultural commodities.

**ATTACHMENTS**

**K. Attachments** (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

**COMMENTS**

**L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report**

**MISSION COMMENTS:**

The primary focus of the evaluation was on the design and implementation of the PL-480 Title III program, a new mode of development assistance only initiated in mid-1991. Due to the complex nature of the economic policy reform process, there were no expectations that realistic and useful economic impacts of the program could be assessed at the mid-point of the three-year program. Further, the Mission looked for guidance on the implementation of the new program and on the soundness of its policy reform orientation. The evaluation furnishes useful recommendations regarding the selection of target policy reform measures and the structuring of benchmarks. These recommendations are already being used in our design of the FY1993-FY1994 extension.

Assessment of the impacts of Title III policy and institutional reforms will begin during FY1993 with PD&S funds. In particular, establish and tracking of food security indicators will be carried out to determine the impact of the Title III program on the following: agricultural exports and rural incomes; improved efficiency in the food import and distribution system, and nutritional status of the rural population.