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REPORT
OF
PROGRAM OFFICERS AND ECONOMISTS
CONFERENCE

Bureau for Asia and Near East
Agency for International Development

Annapolis, Maryland
September 29 - October 3, 1986

FINAL REPORT

PROGRAM OFFICERS and ECONOMISTS CONFERENCE

The Agency for International Development
Bureau for Asia and Near East

The Annapolis Hotel
Annapolis, Maryland
September 29 - October 3, 1986

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Final Report
for
Program Officers and Economists Conference

FINAL REPORT

ANE Program Officers and Economists Conference
Annapolis, Maryland
September 29 - October 3, 1986

From September 29 to October 3, 1986 AID program officers and economists met at the Annapolis Hotel. Nineteen program officers and 22 economists attended the conference. The group represented 16 USAID missions, ANE/DP, ANE/TR/E, MENA, and PPC. Numerous AID/W staff participated as moderators and discussants.

Purpose

The merger of AID's Asia and Near East Bureaus in the summer of 1985, and the resulting need for a bureau-wide, comprehensive review of the analytical, programming, and budgeting processes of the newly-created ANE Bureau, led to the decision to hold the conference.

Objective

The objective of the conference was to bring together ANE mission and bureau economists and program officers to discuss and formulate common approaches, procedures, operating styles, criteria, and standards that will govern ANE missions' annual programming and budgeting processes. Conference participants discussed their recent experiences with the format and substance of ANE Bureau's Program Week, focusing on the scope, modalities, and substance of mission Action Plans, CDSS's and ABS's, and presented proposals for possible revisions. The agenda also focused on the Gramm-Rudman-Hollings legislation and its affect on ANE budget reductions in general, and on the missions' portfolios in particular. Further, it focused on ways of efficiently absorbing these prospective budget reductions. The implications for the ANE Bureau of a contracted agricultural sector budget and a concomitantly expanded health sector budget were also explored.

Guest Speakers

Richard Billmire, economist and foreign policy analyst for Congressman Jack Kemp, opened the conference. Billmire gave a Hill perspective on the need for policy dialogue. He also addressed the need for effective relationships with other donors. Throughout the dinner speech Billmire stressed the receptivity of Hill staffers to continued dialogue with AID/W and field representatives.

Dr. Michael Quinn Patton, Director of International Programs at the University of Minnesota, gave a luncheon address on Tuesday, September 30. He discussed the four criteria by which impact and process evaluations should be judged as well as ten principles of good evaluation practices.

Thursday evening dinner was followed by Dr. Gustav Ranis. Dr. Ranis, Professor at Yale University, addressed the topic "Development Economics: What Have We Learned?" His presentation took us from the 1950s to the 1980s, and included a wide-ranging, and stimulating presentation on lessons of development experience.

Conference Assessment

A brief questionnaire seeking views on the structure, quality, and usefulness of the conference was answered by 31 participants (14 field program officers, 5 fields economists, 8 Washington representatives, and 4 persons who did not identify themselves).

A summary of the questionnaires indicates that:

- All found the conference useful and one third found it very useful.
- Non-ANE Bureau participation was thought to be important.
- Consultation by the Bureau on the proposed Conference Agenda with the field was good.
- Logistic support was good (there were some complaints about the food and the noise).
- A majority endorsed the decision to hold the meeting in Washington (18 to 10), and a majority (15 to 11) would like the next meeting in the field.
- All agreed on the desirability of outside speakers, but there was no consensus on the "right" number (6 thought there were too many, 10 too few, and 15 just the right number). The economists tended to want more speakers.
- The format was generally endorsed, but a number of participants would have preferred more small group sessions.

- Reaction to the agenda was mixed: 15 participants found it too full, while 13 thought it was about right. Washington participants in particular thought it was too full.

- Everyone endorsed bringing together program officers and economists.

A number of participants would have preferred more in-depth discussion of topics, with resolution of issues. Country-by-country show-and-tells were not well received. Overall, people wanted to sink their teeth into issues which were of importance to them, get them resolved, and produce clear recommendations for action (presumably directed to Washington). To this end, circulating issues and background papers in advance was suggested.

The organizers of the next conference will have to reach agreement on the depth and breadth of issues (the "tilt" should be more in the direction of depth). They will have to square the contributions that outside speakers and non-ANE Bureau participants make with the desire to have the meeting in the field (which could entail considerably more expense).

PROGRAM OFFICERS AND ECONOMISTS CONFERENCE
Ballroom C, Annapolis Hotel
Annapolis, Maryland
September 29 - October 3, 1986

SEPTEMBER 29, MONDAY

4:00 — Bus departs State Department (D Street entrance) for the Annapolis Hotel

6:30 — Reception at Annapolis Hotel
Welcoming remarks: Barry Sidman, ANE/DP

7:30 — Dinner, Ballroom C, Annapolis Hotel
Opening address: Richard Billmire, Economist and Foreign Policy Analyst, Staff of Congressman Jack Kemp

SEPTEMBER 30, TUESDAY

9:00 — Opening remarks: Charles Greenleaf, Assistant Administrator, Bureau for Asia and Near East

9:30 — AID's Programming Process

Discussion of CDSSs, Action Plans, Program weeks, ABSs. Detailed review of Action Plan guidance and format.

Issues: Does the Action Plan satisfactorily complement the CDSS? How detailed a review of past and proposed actions should the Action Plan attempt? Where should the line between Action Plans and PIRs be drawn? How can the Action Plan report on policy dialogue most effectively? What are useful definitions of goals, objectives and benchmarks? What should be the presumed useful life of a CDSS? To what extent should a CDSS address progress in achieving program objectives since the last CDSS submission?

Moderator: Barry Sidman

Discussants: John McCarthy, Robert Kramer, George Lewis

12:30 — Lunch, Ballroom C, Annapolis Hotel
Guest speaker: Michael Quinn Patton, University of Minnesota

How Can Evaluation Better Contribute to Assessing Program Impact?

2:15 Making Evaluation Useful to Decision Making

Issues: How can economic analysis be better integrated into evaluation? How can evaluation be used to assess achievement of CDSS objectives? Can project evaluations be clustered to assess sectoral strategies and examine strategic questions? How can project data collection systems be used for performance monitoring? As suggested by a recent IG report, are missions deferring performance monitoring responsibilities to evaluation teams?

Moderator: Maureen Norton

Discussants: Robert Rucker, Vivikka Molldrem

3:15 Coffee break

3:30 Economic Analysis and the Programming Process

Issues: How sensitive is the CDSS to changing economic conditions and policies? How important is economic analysis in determining the country strategy? In what ways, if any, has economic analysis helped to determine the impact of non-project assistance? Which projects are not amenable to meaningful economic analysis, and why? To what extent has economic analysis been used in evaluations to gauge impact? What have been the limiting factors?

Moderator: Mike Crosswell

Discussants: Peter Davis, Jon Sperling

5:15 Free

OCTOBER 1, WEDNESDAY

9:00 Policy Dialogue and Economic Reform

Discussants will compare the policy dialogue process in several countries.

Issues: What have been the most important internal and external factors determining the capacity of the mission to carry on a successful policy dialogue? How important are the size and character of the country program? Does AID need to have a programmatic presence in an area to discuss policies in that area? What modes of assistance (cash grants, commodity drops, PL 480, capital projects, policy/institution project) have been most supportive of policy dialogue? How can "policy projects" contribute?

Moderator: Peter Gajewski

Discussants: Paul Mulligan, Tom Oliver, Roger Montgomery

11:30 Integrating Evaluation into the Project/Program Management Process: A Case Study (Bangladesh)

Moderator: Robert Kramer

12:15 Lunch break

1:30 Macroeconomic Problems Affecting AID Programs

Issues: How serious have balance-of-payments problems been in affecting development prospects? What have been the most important sources of these problems (debt, commodity prices, remittances)? How should AID programs relate to Baker Plan/SAL efforts? How serious have savings and domestic resource mobilization problems been in affecting development prospects? Is there a bigger payoff to raising levels of investment or improving the efficiency of investment? How and to what extent should AID configure its programs to deal with these problems, or macroeconomic problems generally?

Moderator: Paul Deuster

Discussants: Jay Smith, Mark Kraczkiewicz, Jim Mudge

3:45 Coffee break

4:00 Career Development and Upcoming Assignments

Issues: Career planning for program officers and economists; selecting assignments and training opportunities.

Moderator: Jerry Jordan

Discussant: Janet Rourke

OCTOBER 2, THURSDAY

9:00 How to Maximize AID's Impact in a Time of Shrinking Resources (or, More with Less Revisited)

Issues: What are the opportunities to influence other donors' levels, policies, and sectors of emphasis? Are programs sufficiently focused or is AID pursuing too many priorities?

Moderator: Barry Sidman

Discussants: Chris Crowley, Gerry Donnelly

11:30 Managing PL 480 Programs

Issues: What program levels can be expected? How does early programming, and the new emphasis on section 106 and section 108, affect the ability to achieve policy reform through food aid? What are the opportunities associated with a section 416 program?

Moderator: Tom Reese

Discussants: Mike Kitay, John Giusti

12:30 Lunch break

(2:00-4:00 The Program Officers will meet in room 216 and Economists will meet in Ballroom C.)

2:00 Pipeline and Mortgage: How to Assess, How to Control (Program Officers only)

Issues: What are acceptable benchmarks for pipeline/mortgage judgments? What is the best way to analyze a pipeline? How should analysis feed into Action Plan reviews?

Moderator: Len Rogers, John Pielemeier

Discussants: Chris Crowley, Robert Rucker

3:15-4 Mechanics of Budget Management (Program Officers only)

Highlights of the budget management process, including PD&S budgeting, the CN/TN process; coping with the uncertainties of continuing resolutions; end-of-year obligations; de-ob, and re-ob procedures.

Moderators: Len Rogers, Doug Franklin

2:00-4 Economic Analysis of Non-project Assistance (Economists only)

Issues: Non-project aid provides a resource transfer; it may be associated with policy reforms, or broad adjustment efforts; and it may involve local currency programming. To what extent can economic analysis be used to assess the potential economic impact of cash transfers, CIPs, PL 480? To what extent should the political or security purposes of non-project aid govern the level of analysis? How and to what extent should non-project aid's economic impact be evaluated?

Moderator: Mike Crosswell

Discussants: Nishkam Agarwal, Lee Ann Ross

4:00 Coffee break (Ballroom C)

4:15 Strategic Issues for the 80s (For Program Officers and Economists in Ballroom C)

The session will consider some of the more important issues arising out of the recent program week cycle.

A. The latest World Development Report indicates that in all major countries in the region, with two exceptions, agricultural growth rates are declining significantly. Other analysis indicates the growing dependence of agricultural growth on international trends. Several countries in the region report significant agricultural surpluses. In the context of these changes, do we need to reconsider the role of agriculture in our development strategies?

B. In the 80s, Indian growth rates appear to have stabilized at a level considerably lower than in previous decades. Some analyses have attributed the slowdown to the aggregate size of a highly inefficient public industrial sector in India and its impact on capital markets and capital/output ratios. To what extent is this a region-wide problem? How do we assess the alternative strategies of (1) reducing the size of the public sector, (2) improving the efficiency of the public sector, or (3) increasing the flow of capital to the private sector?

C. A number of agricultural programs in the Bureau focus on low-productivity regions. Although these regions may contribute little to toal food production, the programs are defended because of their direct impact on employment and poverty. To what extent have these programs paid off in terms of employment and/or income? To what extent do these programs divert Bureau attention away from the failure of the industrial and off-farm sector to generate sufficient employment?

D. Does our experience suggest that either (1) encouraging structural adjustments and improvements in the policy/regulatory environment, or (2) direct promotion of entrepreneurship, development of specific products and industries, or facilitating commercial transactions, is the better strategy for encouraging private sector development?

Moderator: Norm Nicholson

6:30 Dinner, Ballroom C, Annapolis Hotel
Guest Speaker: Gus Ranis, Yale University
"Development Economics: What Have We Learned?"

OCTOBER 3, FRIDAY

8:00 Check out

9:00 Implementing AID's Priorities: "New" Ways of Doing Business

Issues: Given AID's heightened policy orientation, a growing emphasis on effective donor coordination, the stress on the private sector and the need to limit priorities, what changes in the way we do business are called for? Should cash transfers be encouraged? Should more umbrella projects be developed, with rolling design during the life of the project? How much can be done through programming local currency? Will performance-based disbursement work? What should the program modes of the 1990s look like?

Moderator: Bob Bell, Deputy Assistant Administrator, Bureau for Asia nd Near East

Discussants: Rick Brown, Bruce Odell, PPC

11:00 Feedback from field personnel and discussion with Bob Bell; agreement on principal conclusions and recommendations

12:30 Free

2:00 Bus departs from Annapolis Hotel for State Department

PARTICIPANT LIST
ANE PROGRAM OFFICERS AND ECONOMISTS CONFERENCE
SEPTEMBER 29 - OCTOBER 3, 1986

COUNTRY	PROGRAM OFFICER	ECONOMISTS
AFGHANISTAN	John Gunning	
BANGLADESH	Robert Kramer	Nishkam Agarwal
		Robert Navin
EGYPT	Jonathan Conley	Peter Gajweski
	Vivikka Molldrem	
INDIA	Christopher Crowley	Peter Thormann
INDONESIA		Robert Rucker
JORDON	Richard Brown	Mark Kraczkiewicz
MOROCCO	Ken Schofield	James Smith
	John Giusti	
NEPAL	George Lewis	
OMAN	David Mandel	
PAKISTAN	Peter Davis	Paul Mulligan
PHILIPPINES	William Oliver	Paul Deuster
		Gil Dy-Liacco
SRI LANKA		Lee Ann Ross
THAILAND	Edward Ploch	Roger Montgomery
		Craig Steffensen
TUNISIA	Jonathan Sperling	John Schamper
YEMEN	Gerry Donnelly	
ANE/DP	Barry Sidman	Mike Crosswell
	Norm Nicholson	Don Sillers
	John McCarthy	Eric Nelson
	Dick Fraenkel	Paul Golding
	Arthur Silver	Edward Krowitz
ANE/E		Paul Morris
ANE/MENA		Russell Misheloff
PPC	Joan Silver	
	Frank Kenefick	

AID'S PROGRAMMING PROCESS

Monitor: Barry Sidman
Discussants: John McCarthy, Robert Kramer, George Lewis, John Wilkinson

A. Issues

Does the Action Plan satisfactorily complement the CDSS? How detailed a review of past and proposed actions should the Action Plan attempt? Where should the line between Action Plans and PIRs be drawn? How can the Action Plan report on policy dialogue most effectively? What are useful definitions of goals, objectives, and benchmarks? What should be the presumed useful life of a CDSS? To what extent should a CDSS address progress in achieving program objectives since the last CDSS submission?

B. Discussion (The following are individual comments and do not necessarily reflect a concensus.)

Approval. It is important to have an "approved CDSS" so the mission can get on with the job and assure continuity --vital to interaction with host government.

Most CDSSs are "rolling plans" because programs, issues, information, etc., do not all mature at the same time.

Focus. There is enormous diversity in field programs and the CDSS must reflect that diversity. Yet, we want to focus attention on "blueprint" goals.

Level of analysis. Some argued that we cannot effectively track strategy progress and impact at the project level, but only at the macro and sectoral levels. Others argued that our only valid and effective tracking is at the project level and our macro/sectoral impact is simply the aggregation of those project impacts/outputs.

Impact. With modest resources, AID can seldom be expected to make a measurable impact at the macro or sectoral level.

If we can't evaluate an activity, it was argued, we should not do it.

Indicators. Indicators are a way to communicate USAID accomplishments. Indicators are also a way to change USAID thinking and programs.

It may be that the trouble we had measuring institutional development, pilot projects, etc. was not such a problem when they were a small part of a larger program. Now it may be all that we are left with.

Analysis. More numbers engender more analysis and review. But, is that a bad thing?

Responsibility. Some of the participants believed that preparing a CDSS is a USAID job. Others believed that in a decentralized mode of management, setting goals and setting strategy is a collaborative process between USAIDs and AID/W.

AID/W needs to know what is going on and with decentralization this becomes even more important.

Data. It was questioned whether AID/W really needs all the data required by APs and whether anyone reads the APs in any case.

Much of the requisite quantitative data now exists in published data sources and in evaluations, and in project documents. The problems which exist are (a) attributing these changes to AID activities, (b) fitting these impacts into a CDSS time-frame, and (c) the limited impact of AID's modest efforts.

Action Plan. As long as the CDSS remains at a fairly general level, we cannot avoid an AP which can bring specificity to the program.

The AP is not useful as a "report card" because we can't effectively measure a USAID program's impact in an annual timeframe.

AID/W and USAIDS should come to closer agreement on what is expected of this document/review.

The AP review does not make much sense without USAID participation.

The distinction between the AP and the PIR would make more sense if they were held in the same week. (ie, Program Week).

The complexity of the guidelines, the number of special interests, and the number of people who want to piggyback on the AP, make a short and simple document impossible.

Some sort of annual review is inevitable, but this particular document appears to serve no one's purpose.

The AP should not be a "workplan", but an executive level document which focuses on (a) policy agenda, (b) validation of strategy, (c) impact, and (d) constraints. As such it becomes an annual document for raising issues and maintaining AID/W-USAID consensus.

General. We should recognize that the need to articulate impact may not coincide with the need to change strategies. Similarly, the need to review and validate strategies does not coincide with the need to prepare a new one.

C. Recommendations

1. AID/W needs to know what is going on and with decentralization this becomes even more important.

2. One speaker, recognizing the different time-frames with which program components, issues, policies, and information mature, suggested a "modular" approach to CDSS review. This could then be integrated with the AP review.

3. We should do a new CDSS only when we have reason to believe that circumstances have changed sufficiently to require it.

4. Much of the requisite data are already in existence. The problem is to bring the data together, organize it and to assess its overall implications.

5. Sound economic data are the foundation of a CDSS, but there is a need to establish a firmer link between that analysis and the program strategy selected. Perhaps the improvement of the economic analysis overall in the CDSSs will help us to deal with the diversity of mission circumstances and permit us to avoid "blueprints".

6. There was considerable discussion of the suggestion that we strengthen the quantitative indicators in CDSSs. There was no objection to increasing use of quantitative indicators per se, and it was generally agreed that a backward looking assessment of accomplishments since the last CDSS and a forward looking projection of goals, both in quantitative and qualitative terms was reasonable.

7. There is a particular need to come to terms with how to deal with pilot projects, institutional development efforts, and policy dialogue in quantitative impact terms.

8. The establishment of quantitative targets is not primarily a technical problem but it is a very difficult management problem and requires continual, strong, and concerted mission leadership.

HOW CAN EVALUATION BETTER CONTRIBUTE TO ASSESSING PROGRAM IMPACT?

Speaker: Michael Quinn Patton

A. Issues

Michael Quinn Patton, Director of International Programs at the University of Minnesota, discussed the four criteria by which impact and process evaluations should be judged as well as ten principles of good evaluation practices.

B. Discussion

The four criteria are:

Utility - Was the evaluation used to help refine and improve the project?

Feasibility - Was the evaluation approach practical and was it politically sensitive?

Propriety - Was confidentiality honored? Were the evaluators objective?

Accuracy - Were the data accurate on which the evaluation findings and conclusions were based?

Ten principles of good evaluation practice are as follows:

1. No evaluation can answer everyone's questions. The evaluation planners must analyze who the users of the information will be and which ones have priority.

2. There are no perfect evaluations. All evaluation methods have problems. There will always be gaps in the data and there is no way to generate error-free data.

3. Project purpose and outputs must be realistic. If the design process is dishonest and builds on current AID fads (to ensure funding), you will have problems. (One consideration proposed by PPC was to renegotiate the logframe after the PP has been signed.)

4. Only evaluate what you have control over.

5. Gather the minimum necessary data rather than the maximum possible. Usually researchers find that they analyze only 10 percent of the data gathered. Usually not enough time and resources are allocated to data analysis.

6. Integrate evaluations within existing program activities.

7. Do not rely on quantitative methods alone in an evaluation. Qualitative methods systematically applied contribute a great deal to understanding.

8. Conduct evaluation in a learning process context. Forget about notions of success and failure; emphasize what has been learned.

9. Involve those who are going to use the findings in the evaluation. The impact of the evaluation report will be increased if the users are involved in planning and analyzing.

10. Analyze impact studies. Don't tuck evaluations away on the shelve. Evaluations provide a lot of data which need to be analyzed by the mission.

C. Recommendations

1. The critical decision points in a project should, to the extent possible, be identified during the early implementation phase of the project. This will allow evaluations to be scheduled and data to be collected sufficiently in advance of the decision point and will increase the usefuless of evaluation for decision making.

2. Evaluation teams should include, minimally, an evaluation specialist, a technical specialist, and host country expertise.

3. "Stakeholders" (mission, host country, contractor) should each name a person to be on the evaluation team. The team leader should be a nationally known leader.

MAKING EVALUATION USEFUL TO DECISION MAKING

Moderator: Maureen Norton
Discussants: Robert Rucker, Vivikka Moldrem

A. Issues

The purpose of the session was to examine the steps that missions are taking to make evaluation more useful for decision making.

How can economic analysis be better integrated into evaluation? How can evaluation be used to assess achievement of CDSS objectives? Can project evaluations be clustered to assess sectoral strategies and examine strategic questions? How can project data collection systems be used for performance monitoring? As suggested by a recent IG report, are missions deferring performance monitoring responsibilities to evaluation teams?

B. Discussion

Some of the problems that contribute to lack of use of evaluations were discussed.

Vague and ill-defined scopes of work. Evaluation teams cannot provide the information that the mission requires if the mission's information requirements are not spelled out clearly and precisely in the scope of work.

The use of the Buddy System and Old Boy/Girl Network in choosing evaluators. This results in team members who fail to "pull their weight" as well as analytically weak and unprofessional reports.

Insufficient outcome monitoring by the project officer. Project officers then lack knowledge about the status of project components and are consequently uncomfortable with the evaluation process. Evaluation then becomes a vehicle for audit rather than a vehicle for learning.

Evaluation Scheduling. Because of problems associated with recruiting and contracting the evaluation team, the evaluation results are often available long after they are needed.

Deficient Analysis. Evaluation reports are frequently based on impressionistic information rather than empirical evidence. This results in mission staff raising questions about the validity of findings and conclusions.

The experience of USAID/Cairo suggests that while evaluation reports do not necessarily provide new information to the project officer, he or she frequently used the report to advance the USAID position and to negotiate with counterparts. The USAID/Cairo representative also noted that collaboration with counterparts takes a great deal of time.

The USAID/Indonesia representative noted that evaluation is useful but is making less of a contribution than it might. It may be useful for pilot project replication (to convince the government to replicate the project), for avoiding problems in similar projects, and for making judgments about mission performance. The need to examine qualitative methods was stressed.

Conference participants were divided on the usefulness and feasibility of cost-benefit analysis.

C. Recommendations

1. The Bureau should gather information on qualitative methods and rapid appraisal, especially in the Near East, and circulate it to missions.

2. The Bureau should attempt to identify and circulate examples of cost-benefit analyses which have been conducted as integral components of the evaluation process.

3. Bureau and mission economists should review evaluation scopes of work and should be included on evaluation teams, when appropriate.

ECONOMIC ANALYSIS AND THE PROGRAMMING PROCESS

Moderator: Mike Crosswell
Discussants: Peter Davis, Jon Sperling

A. Issues

How sensitive is the CDSS to changing economic conditions and policies? How important is economic analysis in determining the country strategy? In what ways, if any, has economic analysis helped to determine the impact on non-project assistance? Which projects are not amenable to meaningful economic analysis and why? To what extent has economic analysis been used in evaluations to gauge impact? What have been the limiting factors?

B. Discussion

Accountability. Discussions so far have pointed to mounting pressures for demonstrating what our programs and projects are accomplishing. Economic analysis is basically an accounting tool for costs and benefits, so it ought to be helpful in meeting these pressures.

Evaluability. It was earlier argued that if an activity is too complex to evaluate, then perhaps we shouldn't be involved. An analogous proposition might be used for economic analysis.

Macro-Micro. Distinctions between macro and micro are becoming blurred and perhaps even counter-productive. They basically arise in a developed country setting, and may be unhelpful in an LDC setting, where sectoral policies are important and have macroeconomic consequences.

Near East Missions are reacting to changes in macro-environment where without a good analysis they would not have intervened. They are becoming more responsive. The mix between project and non-project assistance is an important dimension of this response.

Strategies/Policies. Major changes in host country economies don't necessarily require revisions in the CDSS. For instance, in Indonesia there's a strong capacity to adjust to economic shocks, and the program may not need to change so much. It's very important that analysis be thorough in order to be at all meaningful. This requires money, time, people, and an early start. AID/W assistance in securing money, time, and people would be appreciated.

Radical changes in the country setting (e.g. a structural crisis) may call for new strategies. The analysis should indicate the leverage or potential impact the program might have on the development setting and prospects.

Economic analysis in the Philippines needs to assess the new policy environment there. Where there is a basic change in the policy/political environment, it's necessary to re-examine the strategy. Therefore, when the policy direction of a country changes, it may be necessary to revise the CDSS.

There is a need to trace policy enunciation through implementation. So, in terms of announced policy changes, we should see their implementation and impact before revising CDSS. It's too soon to reach judgments on the policy setting in the Philippines.

What if we cannot withhold resources if economic policy remains in the wrong direction? Economic analysis could assist in deciding what sectors to move into/out of, given a mixed and a somewhat unfavorable policy setting.

Non-project Assistance/Policies. Economic analysis of non-project assistance needs to look at constraints and at the effects of changes in policies. For instance, in edible oils and fertilizer, it's been important to pinpoint the size of the problem and the effects of potential solutions.

It takes a crisis (political or economic) to influence approval. This constrains proposals to provide non-project assistance to avert a problem later on. But, if one applies enough talent to the issue, one might get Agency interest. Approval still requires a crisis. We can use PL 480 to leverage changes (Title III in Bangladesh), even in non-crisis situations. But Bangladesh needs food. No real political interests are there. A desperate need for resources facilitates policy change.

Projects. Project economic analysis may not be as important as we think, especially if we consider that analysis done on similar projects in similar settings is available. It's not necessary to duplicate efforts.

Economic analysis doesn't really affect what we do in India.

We generally spend too little time on project economic analysis given the importance it might play in decision making.

Economic analysis doesn't influence project decisions.

Even if the economic analysis doesn't play a key role in decision making, it's useful for documenting what impact we expect the project to have. This would facilitate later evaluation.

C. Recommendations

1. With respect to non-project assistance (NPA), this involves a resource transfer, as well as policy change sometimes, and the economic impacts of these ought to be, and can be, analyzed. The case for NPA can be strengthened by this analysis.

2. On conditionality for sectoral assistance--missions need guidance on linking disbursement to policy reform. Designing appropriate benchmarks for disbursement is not easy. We need advocates in the host country government for what AID is pushing in the way of reforms. We cannot achieve reforms by ourselves. We have to be supporting others' positions.

3. Congress wants to know where AID monies are going. There is a need to further analyze the economic impact of our programs if we are to maintain our budget levels because the impression is that our funds are fungible. These trends are forcing accountability on us. We can seize the initiative on how to account for the impact of assistance by developing our own framework, instead of having it imposed on us.

4. More economic analysis should be done in PIDs instead of as the last step in PP preparation.

5. All projects lend themselves to economic analysis given sufficient resources. But a lot depends on how important the undertaking is, and on money, time, and people available. The Agency should issue guidelines to identify where economic analysis is considered to be important.

6. World Bank and IMF documents usually accurately suggest the soft spots in the economy and policy setting, i.e., areas for intervention. AID sometimes follows these suggestions. Results are often disappointing. We should have our own independent analysis to point to the pitfalls of operating in certain sectors and to safeguard against being led down a wrong path by other donors. We should make more use of risk analysis.

7. In considering the scope for using economic analysis in evaluation, we should be guided by whether economic analysis was used to justify the activity (e.g. a project) in the first place. If so, then the evaluation can seek to update the analysis and test the assumptions that were originally made.

POLICY DIALOGUE AND ECONOMIC REFORM

Moderator: Peter Gajewski
Discussants: Paul Mulligan, Tom Oliver, Roger Montgomery

A. Issues

What have been the most important internal and external factors determining the capacity of the mission to carry on a successful policy dialogue? How important are the size and character of the country program? Does AID need to have a programmatic presence in an area to discuss policies in that area? What modes of assistance (cash grants, commodity drops, PL 480, capital projects, policy/institution projects) have been most supportive of policy dialogue? How can "policy projects" contribute?

B. Discussion

1. Preparation for effective participation by a mission in a policy dialogue with the host government will require mission officials to be aware of the assumptions and factors impinging on such endeavors, including:
   - the political and economic power base of the host government;
   - the perceived self-interests of all involved;
   - variations in the goals/objectives of the USG and the host government; and
   - those micro/macro aspects of host country conditions favoring and/or limiting specific reform measures.

2. Mission capacity to undertake a successful policy dialogue requires realistic evaluation of several prerequisites, including:
   - relevancy of host country conditions to AID/W guidelines;
   - presence and interest/support of donor community;
   - ability of mission to engage host government at working/technician and at policy-making levels;
   - existence and depth of economic or other crisis in host country; and
   - understanding of how policy is decided within host government.

3. Mission leverage in the policy dialogue is limited, at present, to perhaps the mere shifting of funds among projects in different sectors of the economy, due to the overriding need to protect OYB levels.

4. There was lack of consensus within the group on whether U.S. laws and extensive AID/W regulations exert a negative impact on the policy dialogue process. Generally, host governments regard such laws as standard operating procedure in dealing with the United States.

C. Recommendations

1. It was broadly demonstrated in the discussions that many are not convinced that the policy dialogue is an effective tool to meet AID objectives as they see them. These objectives are mainly project related.

2. The opinion of many participants is that we may be attempting to include too much in our policy dialogue with host country governments. The policy dialogue should be focused on those policy issues of most importance to effective development. Many of the less important micro issues should be handled through the project monitoring and management process. However, the key issues which are sectoral, like energy pricing, warrant a major focus.

3. Mission directors should have access to a pool of resources, primarily money, which will allow the mission to utilize technical expertize to make recommendations and provide studies on policy issues for the host government. AID's full understanding of the economic and political systems must be extensive to make the policy dialogue effective. Effective study, analysis and the formulation of recommendations in the policy dialogue, with generally competent host government officials, are critical to effective leverage.

4. Mission staff need to actively participate in every aspect and level of the policy dialogue with the host government, and not delegate the dialogue to outside consultants, although outside consultants may certainly be needed.

5. Recommendations stemming from the policy dialogue should focus on increasing productivity, foreign exchange earnings and on improving income distribution as well as interrelated sectoral goals. AID's mandate is dual; project success and the success of the macroeconomic policies of the host government.

6. By definition the policy dialogue addresses areas of sensitivity for the host government, therefore mission officials and consultants need to be mindful of the high potential for contention.

7. The effective implementation of policy reform will be disadvantageous to some groups within the host country. The policy dialogue process should also encompass the determination and implementation of means to compensate those disadvantaged groups.

8. A policy dialogue should result in the production of an implementation plan, with benchmarks, impact analysis and a monitoring system.

INTEGRATING EVALUATION INTO THE PROJECT/PROGRAM MANAGEMENT PROCESS: A CASE STUDY

Moderator: Maureen Norton
Discussants: Robert Kramer, Nishkam Agarwal, Robert Navin

A. Issues

The discussion centered around a management exercise that was conducted by USAID/Dhaka. The exercise included staff and counterpart training in evaluation, and assistance in integrating evaluation results into the Mission's program management process.

B. Discussion

The discussion addressed a range of USAID/Dhaka's senior management's concerns about evaluation in the mission, such as:

--the evaluation process frequently generates irrelevant information;

--the emphasis is incorrectly placed on preparing documentation, rather than on using information for decision making;

--evaluation is perceived as a one-shot event rather than an on-going process; and

--evaluations are conducted by outsiders unfamilar with the country context.

The workshop addressed these concerns. In particular, the workshop stressed:

--the need to reorient the mission evaluation system toward a user or decision-driven system;

--that building evaluation skills in counterparts also builds analytical skills--an essential element of institution building; and

--that monitoring and evaluation systems can be more useful for managers than one-shot evaluations.

A new mission evaluation order has been prepared as a result of the workshop. The new order will include procedures for:

--preparation of an annual evaluation and analysis plan;

--a new Quarterly Implementation Review format which emphasizes reporting results of project-level evaluation studies;

--an annual collaborative review with counterparts;

--use of the Evaluation Summary as a management tool; and

--the development of on-going project evaluation systems with counterparts.

C. Recommendations

1. Missions may want to review integration and use of evaluation in their management system and revise the mission evaluation order, if appropriate.

2. Missions may want to contact ANE/DP/E concerning future training workshops.

MACROECONOMIC PROBLEMS AFFECTING AID PROGRAMS

Moderator: Paul Deuster
Discussants: Jay Smith, Mark Kraczkiewicz, Jim Mudge

A. Issues

How serious have balance-of-payments problems been in affecting development prospects? What have been the most important sources of these problems (debt, commodity prices, remittances)? How should AID programs relate to Baker Plan/SAF efforts? How serious have savings and domestic resource mobilization problems been in affecting development prospects? Is there a bigger payoff to raising levels of investment or to improving the efficiency of investment? How and to what extent should AID configure its programs to deal with these problems, or macroeconomics problems generally?

B. Discussion

Macroeconomic Problems. Many ANE countries are experiencing or being threatened by potential macroeconomic problems, especially in balance of payments. In many cases these are seriously and adversely affecting developmental efforts, although in some cases, they are opening up opportunities for significant policy reforms, such as in Egypt. These range in seriousness from the crisis conditions of Morocco and the Philippines through critical problems in Egypt and Tunisia to India and Pakistan, which do not have immediate BOP problems and have generally managed to avoid them. Following the general observations are highlights on BOP/budget problems from the country-by-country presentations.

Baker Plan and Structural Adjustment Facility (SAF). Of the ANE countries, only Morocco and the Philippines were on the original Baker Plan list of 15 candidates. The original proposal consisted of greater assistance to developing countries with severe debt problems through more multilateral bank loans and increased commercial bank credit, combined with country reform in such areas as trade, taxes, producer prices, fiscal and monetary policies. There has been some progress in this respect in the Philippines, and less movement in the case of Morocco. Because of the implications of the plan for U.S. exports, especially in agriculture, Senator Bradley has floated an alternative approach of a cap on repayments.

The SAF might potentially benefit Pakistan, Bangladesh, Nepal, and Sri Lanka. In Pakistan, however, there is little need. In Nepal, a SAF is under discussion; however, reportedly the government disagrees with what the Bank and Fund are recommending, and the AID Mission has also expressed some reservations. In Sri Lanka, SAF discussions are expected later this year.

Other countries not included in either of these frameworks, e.g. Egypt and Tunisia, are nonetheless moving towards the same basic approach, i.e. formulating comprehensive adjustment programs and seeking support from donors as a group.

AID Response. The AID response to macroeconomic problems needs to be country specific. The particular problems, their causes, and the countries' economic conditions vary widely. Also, varying greatly are AID's available resources, the political environment, and U.S. political interests.

Often AID is limited in what it can do with its own resources. The amount available is frequently small in relationship to the economy of the country and its problems, or is already committed to other uses. For example, Yemen has little DA and high project mortgages.

In general, AID can be more effective in dealing with macroeconomic problems by working collabratively with the multilateral banks and other donors and by ensuring the complementarity of the actions. Depending on the totality of the particular situation, AID can often play a significant role.

One possible avenue of additional resources to deal with these problems is food aid. However, many of the countries do not have chronic food deficits.

As another means of assisting ANE countries in overcoming BOP problems, many urge AID to play a stronger advocacy role in U.S. trade decisions. For example, Thailand had been severely hurt by recent U.S. actions affecting rice and sugar prices. Bangladesh would benefit greatly from increased access for its textiles to the U.S. market.

Domestic Resource Mobilization and Investment. Several countries (Pakistan, Bangladesh, Thailand) mentioned domestic resource mobilization problems. In a number of countries (India, Philippines, Egypt, Morocco) the pattern of investment has been extremely inefficient, and there are large potential gains if the pattern of investment can be significantly improved. Thus, the burden on increasing levels of investment is less.

Country BOP Highlights. The following are brief highlights of the BOP situation selected from the much more extensive country presentations.

Philippines--Because of past austere adjustments, the present depressed economy, debt rescheduling and lower oil prices, the Philippines is not currently in BOP crisis. However, because of continuing heavy debt burden, BOP concerns may constrain future recovery and growth. Currently the country is experiencing a severe budgetary crisis, with the deficit, even after $300 million in U.S. assistance, running around $1.35 billion or 4.5 percent of GNP.

Morocco--Falling phosphate prices and failure to adjust to these world price declines are the origin of Morocco's balance of payments problem. Declining Arab donor aid also adversely affects Morocco's balance-of-payment position.

Tunisia--With oil as Tunisia's chief export, export earnings have fallen with the declining world price of oil. In addition soft world phosphate prices and EEC quotes on olive oil have hurt export prospects.

Egypt--Falling oil revenues and reduced tourism in the face of Middle East terrorism have exhausted the Central Bank commercial bank "pools" of foreign exchange, from which the government has paid for public sector grain imports and materials for public sector enterprises. As a result, the government is being forced both to open imports to the private sector and to recognize the costliness of public enterprises. In sum, the immediacy of Egypt; balance of payments crisis is a boon to policy reform.

Jordan--Directly feeling the effects of the oil shock through falling workers' remittances, Arab donor aid, and sales to neighboring oil exporters, Jordan's balance-of-payments is under pressure.

Yemen--Like Jordan, Yemen is experiencing the ill effects of the oil shock on remittances. The exploitation of recently discovered oil may only barely make up for short-falls in remittance income and Arab donor aid.

Pakistan--With a current account deficit of only 2-3 percent of GDP, Pakistan faces no balance-of-payments problems. Foreign exchange financing is readily available; rupee financing is far tighter. However, over the medium term, what will happen to remittance income is uncertain.

India--New oil reserves have not been found, and prospects are that India will again need to rely more heavily on borrowing. Repayments under a large SDR 3.7 billion Extended Fund Facility are coming due. India's economic managers are conservative and view a debt service ratio of 20 percent (nearly the current level) as a signal to take corrective action. Imports of intermediate goods for industry may, as a result be restricted, reversing recent liberalization and impeding industrial development and growth.

Bangladesh--On the down side are worsening terms of trade, adverse price elasticity for jute, and stagnation in aid levels and remittance income. These have been somewhat offset by some $100 million in price savings on oil imports.

Thailand--The benefits of oil price declines on Thailand's oil import bill have been offset by declines in world prices of Thailand's rice and tin exports. In addition, the appreciation of the yen is compounding Thailand's debt service problems as much of recent borrowing has been yen-denominated.

Indonesia--Indonesia has just devalued by 45 percent to head off any BOP problems caused by the drastic fall in oil prices. A cushion of reserves, plus self-sufficiency in rice, should provide Indonesia with a cushion until oil prices recover and devaluation spurs the development of additional export earnings.

Sri Lanka--Sri Lanka is having BOP problems because of the fall in tea prices and the ethnic conflict which is scaring away tourists and requiring large budget expenditures. Talks on a SAF should be starting soon.

HOW TO MAXIMIZE AID's IMPACT IN A TIME OF SHRINKING RESOURCES

Moderator: Barry Sidman
Discussants: Chris Crowley, Gerry Donnelly

A. Issues

What are the opportunities to influence other donor's levels, policies, and sectors of emphasis? Are programs sufficiently focused or is AID pursuing too many priorities?

B. Discussion

The Administrator has called for more donor coordination, including bilateral and multilateral donors, to increase AID's influence. What are the possibilities for coordination with the UN Resident Representatives?

The problems of too many priorities. This may be a red herring. Most missions are not in too many sectors per se. But at the Administrator's retreat last fall, there were complaints about the proliferation of priorities, e.g., child survival, private sector, etc.

Resource use. PL 480 is not so scarce. How substitutable is it? How do more or less fixed budget levels--OYBs--affect policy dialogue?

A consensus emerged from the Administrator's 1985 retreat, on the "multiplicity of fads and initiativies". There are, informally, two kinds of priorities:

(1) those that must be addressed in almost every country (e.g., agriculture, policy dialogue, private sector), and

(2) those that we will be involved in somewhere, or at a limited level, only where it makes sense (e.g., an S&T research project, or poplars in Nepal).

The subject of performance-based disbursement has been reopened; experimental instructions are near completion.

A study of OE levels indicated that they varied among regions and by the number of projects, rather than with their size. This correlation is being examined.

Doing more with less in the context of Yemen may not be possible. They are working with a $22 million budget, vice $32 million expected, and have had to cut off some donor coordination opportunities, and put some private sector as well as water activities on the shelf. In a technical assistance program, the lead time to get out of the sector is extensive, and it is expensive as well, rather like running a contract RIF.

Donor coordination in Yemen is complicated by the variety of donors. Bloc aid programs, for instance, are advising a pro-natalist policy. The government actively discourages donor coordination. Most donor coordination is instrumental rather than policy-oriented: how to get the government to clear project commodities, or permit donor inspection of their projects. Coordination with Arab donors has been very difficult, with many cliffhangars, e.g., the Agriculture Faculty project. There is good exchange of information with the multilateral donors, but limited coordination since they tend to be in different sectors, especially since the Bank left the water sector. The UNDP particularly needs to focus--they are all over the map, with some competition, e.g., for Arabic-speaking advisors. Coordination with bilateral donors is limited by the commodity export orientation of their programs.

Conflicting priorities are a problem, as in the case of the cabled demand for a detailed plan to deal with tropical storms, when they had no rain for three years. Resource constraints may force the Mission out of one of four sectors; this could be a mistake since any given sector might become nonoperative due to some ministerial change at any time.

There can be great inefficiencies in making use of other resources, as in putting together patchwork projects involving Dutch volunteers, PCVs, German commodities, UN inputs, etc. The Mission is trying to make increasing use of S&T Bureau offerings, in education and child survival. How the control issue works remains to be seen, but they have no choice if they want to be in these areas.

At a recent meeting with the Japanese, they said they would go along with other donors on issues of policy conditionality, but would not get out in front.

Coordinating with the UN Resident Representatives can be counterproductive in many cases, due to the nature of their position (inter alia), although working with individual agencies can be useful. Another major factor can be getting the IFIs to open a local office, although AID/W may have to mobilize Treasury support for the additonal management costs, which the U.S. Executive Directors tend to oppose.

On the bifurcation between necessary and other priorities, advocates of both tend to line up in Manila, each claiming authority from the Administrator

Imperatives to do more on priorities like child survival and privatization tend to ignore issues of absorbtive capacity; often no more can be done than is already being done.

On coordination, it should be noted that often donor representatives do not have the autonomy to engage in policy dialogue as missions do.

On the distinction between avoidable and unavoidable priorities, it is the Assistant Administrator's job to say no in the former cases; the Administrator understands this. The case of privatization guidance, though, was instructive. Nine months of bureaucratic static on the guidance drove the Administrator to dictate a cable requiring two privatizations a year; a worse outcome than if people had come together at the working level and worked out some reasonable compromise.

There are some competing demands on AID: OMB, aware of OE implications, supports more cash transfers. Congress, remembering Marcos, is deeply suspicious of such a trend.

Management is looking for efficiencies, reducing excess forward funding, more use of plentiful resources like PL 480, etc. And we may have to cut program outputs. The new buzz phrase will be "Be more catalytic" --of foundations, other donors, whatever.

The future is now in India. The OYB is 1/10 of 1 percent of the development budget, on a par with Holland's program. Even the IFIs have insignificant budgets. The Mission is shifting from irrigation construction to technology transfer. Donor coordination is informal. Note that requests for comments on IFI project proposals are often late, and there is never any feedback from AID/W.

On fixed levels affecting policy dialogue, expression of budget levels as a range would be useful.

It is important not to make firm commitments at Paris Club meetings--levels that include PVOs and private sector money are misinterpreted as government-to-government ODA.

Section 416 can be useful for structural adjustment and BOP support, as can 106/108 if carefully done.

IMF and Bank collaboration is very useful and important in Egypt. We usually agree on policies.

IFIs are the big game in Nepal; they have the structural adjustment action. The problem is that the Mission does not have access to their documents, in draft or in final, needed to coordinate effectively. AID/W help is needed to open the process if possible and get Mission access to structural adjustment documentation. Nepal and the Philippines complained about the review process for proposed IFI projects.

Regarding donor coordination on policy dialogue issues, the Philippines found the "mini-CG" a very useful instrument--just the United States, Banks, and key bilateral donors getting together without the formality of full CG meetings.

MANAGING PL 480 PROGRAMS

Moderator: Tom Reese
Discussants: Mike Kitay, John Giusti

A. Issues

What program levels can be expected? How does early programming, and the new emphasis on section 106 and section 108, affect the ability to achieve policy reform through food aid? What are the opportunities associated with the section 416 program?

B. Discussion

New initiatives under the food aid programs were discussed. It was noted that food has a constituency and that the amount of food available in FY 1987 will be roughly equal to that of FY 1986. Anticipated levels were identified.

A new spigot, Food for Progress, in which food is granted for policy change, was described. With a 75,000 MT level it is small and probably of limited utility for FY 87.

Title II is undergoing rethinking with an emerging consensus that it is no longer an appropriate vehicle, as it is self-perpetuating. It was noted that 5 percent ($14 million worldwide) of Title II can now be monetized to meet costs.

Another new wrinkle is linking food aid to structural adjustment. Section 416 will jump to 650,000 MT in FY 87, 500,000 in grain and 150,000 in edible oils. Two hundred thousand of this will be available to use in conjunction with structural adjustment programs, as can 200,000 MT of Title II. The down side of this is that there will be no multiyear programming so it will be difficult to use. As well, interagency approval is still needed.

The new section 106 and 108 programs were outlined, including the fact that the 108 program allows us to sell commodities for local currency and lend these funds to private banks who will then onlend to the private sector.

The opacity of the guidance was explained by the difficulty in negotiating it through the interagency committee. Highlighted was the hostility to AID in the process. Issues which remain are definitions of what constitutes a privately owned bank and how the efforts would be audited.

It was noted that the resolution of most issues would be at mission level. AID was urged to chair the committee which decides on implementation. The private sector nature of the 108 program and the unresolved nature of many guidelines were stressed. Section 108 is similar to ongoing activities in which USAID assists programming proceeds.

The Morocco program and the planned safety net program were described. It was noted that early PL 480 programming was not significant in terms of policy reform.

Uncertainties with regard to 108 were further defined, including, but not limited to, criteria for audit requirements and the lack of definitions regarding what would constitute a successful loan.

The potential adverse results of using food in structural adjustment, including disincentives for farmers, were pointed out. These problems were acknowledged and it was noted that programs should be targetted.

PIPELINE AND MORTGAGE:
HOW TO ASSESS, HOW TO CONTROL
(Program Officers)

Moderator: Len Rogers and John Pielemeier
Discussants: Chris Crowley, Robert Rucker

A. Issues

What are acceptable benchmarks for pipeline/mortgage judgments? What is the best way to analyze a pipeline? How should analysis feed into Action Plan reviews?

B. Discussion

There is renewed congressional interest in the Agency's project pipeline. Congressional staffers, however, are not interested in details, just the aggregate levels. The Agency's pipeline is therefore emerging as a targetable resource which could be caught up in the Gramm-Rudman process. Deferred or reduced obligations on the basis of "pipeline analysis" are a possibility to contend with in the future.

At present, AID has vague, perhaps even unknown, pipeline policies. A rule of thumb recently determined by PPC is that the average pipeline should be no larger than the previous three year's total obligations.

The India pipeline analysis was reviewed, which identified both structural and operational constraints for faster implementation/disbursement. Similar analyses done by others indicated a broad range of constraints to rapid disbursement: (a) cumbersome host government budgetary procedures, (b) outlay restrictions imposed by the IMF, and (c) counterpart fund budgetary shortfalls.

There was general consensus among the Program Officers that "pipeline analysis" at the aggregate country level is essentially useless. Statistical data aggregated at the country level will almost certainly mask or distort the true status of project implementation. This means there is a need to educate the user of pipeline statistics to the many pitfalls involved.

A proposal was made to break down pipelines not only to, but within, projects. At project levels there are standard components which can be looked at such as contracts, commodities, and training. These can be examined to develop standard disbursement rates, which in turn can be used to assess program/project pipelines. Clearly the Agency will need to develop a set of standards or benchmarks to demonstrate for Congress that pipelines are being periodically assessed, i.e., managed.

MECHANICS OF BUDGET MANAGEMENT
(Program Officers)

Moderator: Len Rogers, Doug Franklin

Deobligation/Reobligation. ANE Bureau deobs/reobs totalled $183 million in FY 86. There were no suggestions made to improve the deob/reob process for FY 87; most of the steps involved are mandatory and non-adjustable.

Program Development and Support (PD&S) Funds. A new management and reporting system will be introduced for FY 87. Following a review of individual country requests, the Bureau will then issue a budget allowance by account, not item-by-item as before. In response to a proposal that missions be given a total budget each year which need not be broken down to item level, the Bureau believed that it needed some modest justification for what is to be funded, along with a reasonable degree of reporting on use.

Obligation Performance. Following a brief discussion of ways for speeding up the annual obligation race, it was clear that there are no new, magic steps which will make a substantive difference. Planning obligations and managing the process are the keys to any improvements in obligation performance. Simpler contracting procedures and delegation of procurement authority to the field would also help.

ECONOMIC ANALYSIS
OF NON-PROJECT ASSISTANCE

Moderator: Mike Crosswell
Discussants: Nishkam Agarwal, Lee Ann Ross

A. Issues

Non-project specific aid provides a resource transfer; it may be associated with specific policy reforms, or broad adjustment efforts; and it may involve local currency programming. To what extent can economic analysis be used to assess the potential economic impact of cash transfers, CIPs, PL 480? To what extent should the political or security purposes of non-project aid govern the level of analysis? How and to what extent should non-project aid economic impact be evaluated?

B. Discussion

The point of departure was the moderator's impression that economic analysis had progressively less of a role to play with respect to projects, because the economic content of projects was steadily diminishing. On the other hand, non-project assistance involved resource transfers and in some cases was associated with policy changes, and therefore had significant economic content. However economic impacts typically went unanalyzed. The moderator saw a potential contribution for economists to make in this area.

The moderator went on to analyze channels through which NPA might have economic impacts. He pointed out some fairly conventional, simple techniques, based on analysis of supply and demand in particular markets, which would facilitate analysis of economic impact, including some rough quantitative estimates. This could be used for analysis of both policy reforms and resource transfers of particular commodities that entered an identifiable market.

In some cases, where NPA supported an adjustment program, the policy analysis might focus on the expected impact and outcome of the adjustment program. In cases where NPA provided foreign exchange, either directly or by financing imports that would have taken place in any case, the analysis might examine the "market" for foreign exchange, and discuss conditions in that market which would determine the contribution of the resource transfer in terms of economic impact. The moderator saw less opportunity for meaningful economic analysis of local currency proceeds, since these usually affected government expenditures, for which there were no market indicators of value.

The first discussant expanded on the supply and demand analysis contained in the moderator's presentation, drawing on examples from Bangladesh to illustrate the applicability of the general approach. The second discussant pointed to analysis associated with PL-480 in Sri Lanka, particularly disincentive analysis, as a concrete example of how to examine the impact of a resource transfer on particular markets.

The general discussion raised concerns about whether using simple techniques in complex situations would be counter-productive. In particular, rough quantitative estimates of economic impact based on the tools discussed would be open to criticism as rough estimates. Others thought that, with the proper qualifying statements about assumptions and techniques, the estimates could be useful and helpful; and that limited information was better than no information.

Participants also noted that under a CIP with a wide range of commodities, it would be difficult to estimate the impact of the resources transferred. Participants also saw more scope for analysis of local currency impacts than indicated by the moderator.

C. Other Topics

One participant raised a question about the desirable relationship between domestic prices and world prices in cases where the world market price did not reflect scarcity either because of policy distortions (US/EED food subsidies) or because of abnormal fluctuations in world prices (e.g., an unusual harvest). The general suggestion was to use long-term trends for world market prices, even if these reflected distortions in other countries, as long as the distortions were expected to endure.

The role of the economist in ANE and the Mission should place heavy emphasis on macro issues, especially inter sectoral resources allocation, as well as project analysis. It was noted that as program resources shrink, pressures on decision makers to bring focus to country programs will grow. In this context economic analysis of alternative program (sectoral) investments can provide critical information.

Concern was expressed about the draft "Guidelines for Country Trends and Program Performance Indicators". Problems of collection, aggregation, and interpreting data were raised. Some specific indicators listed were criticized as being not useful. It was explained by an authoritative source that a decision had been made that quantitative information would be useful in explaining AID's accomplishments to the Congress. Further, while certain indicators would be mandatory (and some, it was agreed, were relatively easy to collect and non-controversial), the Guidelines were for the most part illustrative. In effect, the missions were being challenged to develop quantitative indicators that would indicate their own successes and failures. The indicators need not be standardized across the ANE region; they should not have to be produced annually; and they should be readily available and presented in the CDSS cycle. A plea was made that non-essential data requirements be screened out by ANE Bureau. It was noted in this context that ANE Bureau has three new economists on board and that they could be helpful in tracking down data from Washington sources such as the IMF and World Bank.

The meeting closed with an exchange of information on economic consultants used by the ANE Missions.

STRATEGIC ISSUES FOR THE 80s

Moderator: Norm Nicholson

A. Issues

Three major themes were discussed: The role of agriculture in our development strategies, assistance in low-productivity sectors and regions, and the best modality for assistance to private-sector development. A fourth, stagnation in industrial growth, was mentioned but not discussed.

1. The latest World Development Report indicates that in all major countries in the region, with two exceptions, agricultural growth rates are declining significantly. Other analysis indicates the growing dependence of agricultural growth on international trends. Several countries in the region report significant agricultural surpluses. In the context of these changes, do we need to reconsider the role of agriculture in our development strategies?

2. In the 80s, Indian growth rates appear to have stabilized at a level considerably lower than the previous decades. Some analyses have attributed the slowdown to the aggregate size of a highly inefficient public industrial sector in India and its impact on capital markets and capital/output ratios. To what extent is this a region-wide problem? How do we assess the alternative strategies of (a) reducing the size of the public sector, (b) improving the efficiency of the public sector, or (c) increasing the flow of capital to the private sector?

3. A number of agricultural programs in the Bureau focus on low-productivity regions. Although these regions may contribute little to total food production, the programs are defended because of their direct impact on employment and poverty. To what extent have these programs paid off in terms of employment and/or income? To what extent do these programs divert Bureau attention away from the failure of the industrial and off-farm sector to generate sufficient employment?

4. Does our experience suggest that either (a) encouraging structural adjustments and improvements in the policy-regulatory environment, or (b) direct promotion of entrepreneurship, development of specific products and industries, or facilitating commercial transactions, is the better strategy for encouraging private sector development?

B. Discussion

Agriculture in Our Development Strategies. The introduction posed the question whether recent slowdowns in agricultural growth and the emergence of surpluses in many countries mean we should reconsider the role of agriculture in our development strategies.

Some discussants doubted that a slowdown had occurred either at all or in comparison with the growth of industry, or when qualitative changes in the product were taken into account. Others maintained that it had occurred, and further advances would require a "long slog": ground and surface water development, development of cash crops, and agricultural research. The last is a long-term activity, and one discussant questioned its value considering the effect of discounting on the present value of breakthroughs.

Surpluses in the OECD countries affect donor views of what should be done in agriculture. The United States still concentrates heavily on agriculture due to our expertise, and availability of land-grant universities.

The interactions in the global economy affect both our own and LDC agriculture (i.e., promotion of cassava production in Thailand, only to have the EEC market closed due to their own increased production).

Agricultural and agriculture-driven rural economic activity continues to provide employment and industrial growth. Most of the population is in such activities, as is much local investment. Agricultural growth creates effective demand for the product of manufacturing (Johnston/Mellor thesis).

In many countries there are still pockets of deficiency, due to poorly integrated markets. In other countries, there are no other identifiable sectors for investment, and remittances from migrants appear undependable. If we do not mistake self-reliance for self-sufficiency, there are still worthwhile investments to be made. Some countries have not yet experienced the Green Revolution. Most donors, including AID, now give low priority to infrastructure; the Japanese now are doing such projects.

Constraints include government policies, especially the regulatory environment, inefficient parastatals, insufficient infrastructure, and institutions which inhibit productivity increases.

Agricultural self-reliance, not self-sufficency, is a realizable goal.

Analysis should begin to take into account inter-related economies.

Aid to Low-productivity Sectors and Regions. Although low-productivity regions contribute little to food production, the programs are defended on grounds of employment and poverty reduction. The introduction asks whether the resources would have been better used to generate industrial and other off-farm employment.

One objective is quality. As long as returns are acceptable, not necessarily optimal, such aid can continue. There is a possible long-term payoff.

Political reasons may motivate projects in some regions, including keeping good relations with the host government.

The resources have a multiplier effect on demand, so one should not look only at the beneficiaries.

Why should we ignore comparative advantages within countries if we are stressing it between them?

Assistance Modes for Private-sector Development. Discussion was brief due to a tight agenda. The dilemma posed is that Small Scale Enterprises (SSEs) promotion does not work (too many firms in competition with one another) while our extension models do not work (support services are hard to provide). Yet policy reform is hard to do. A question is posed whether promotion does work for MSES, LSES, with U.S. firms locating offshore which will participate in the costs.

Size and competition make policy reform essential: many non-SSE policies impact firms inadvertently.

Infrastructure and energy sources were also found important to businessmen in one survey.

Credit per se is not useful: need technical and marketing assistance too, in a package.

A new private housing lending institution has changed the policy environment in India.

C. Recommendations

1. Agriculture in Our Development Strategies

--Work to relax constraints, develop infrastructure, integrate markets in order to permit productivity increases. Use conditionality on tranches of loans and grants.

--By changing the policy environment we may get a 1-2 percent jump in output growth.

--Agriculture should be included in an attack on all fronts of the economy.

2. Aid to Low-productivity Sectors and Regions

--Such projects may be justifiable for political reasons, but economically a waste of resources.

--AID should decide whether equity is still an independent explicit goal.

3. Assistance Modes for Private-sector Development

--None, for lack of time.

IMPLEMENTING AID'S PRIORITIES: "NEW" WAYS OF DOING BUSINESS

Moderator: Bob Bell
Discussants: Rick Brown, Bruce Odell, Herb Morris, Ron Venezia

A. Issues

Given AID's heightened policy dialogue orientation, a growing emphasis on effective donor coordination, the stress on the private sector and the need to limit priorities, what changes in the way we "do business" are called for? Should cash transfers be encouraged? Should more umbrella projects be developed, with rolling design during the life of the project? How much can be done through programming local currency? Will performance-based disbursement work? What should the program modes of the 1990s look like?

B. Discussion

The Deputy Assistant Administrator led off by stressing that programmatic objectives should determine the mode to be used, not the other way around; that a variety of ways of doing business already existed; and that staffing had to be considered in connection with the choice of mode.

The changes in the portfolio in Jordan and in particular the growing participation by the private sector in the Mission's portfolio were discussed. The private sector is now involved in the CIP, technical feasibility studies, and participant training projects, marking a break in the long-standing pattern of government-to-government assistance.

The DAA pointed out that modes to administer a wide variety of programs already exist. Furthermore, the same mode (e.g., cash transfer) can be used in many ways. It was pointed out that cash transfers range from a "pure and simple" cash transfer in Turkey, without any conditions, to the case of Portugal, where the government has agreed to endow a foundation and build public buildings in the Azores with the cash, making it "almost a program." It was suggested that programmatic objectives as well as politics have dominated the implementation of the cash transfer mode.

The checkered history of performance-based disbursement in the Agency was reviewed at length. The adoption of performance-based disbursement has been frustrated by lack of common understanding of the concept inside AID, the desire of auditors and others for AID to have greater control over the use of its funds, etc. Approval of performance-based disbursement activities has required extraordinary efforts by senior AID officials. Project proposals that provide for disbursing funds against sector-level performance indicators have had to be recast to provide for more direct control of AID funds. In the area of local currency programming, it was announced that a new Policy Determination would be issed soon. However, it will essentially reaffirm the Administrator's desire that local currency programming be seen as an integral part of the Agency's program, rather than breaking any new ground. As a result of such observations about policy development in AID, no one suggested inventing any additional new assistance modes. As we approach the 1990s, existing modes will be given new emphasis as the country situations warrant.

Audit exposure is a growing preoccupation in project management. It was reported that the auditors in the Philippines now are asking to clear project designs before implementation can begin. The DAA noted that this was a change in the auditors' role in the Agency.

Differing perspectives were expressed about the balance of project and program assistance in the Agency's portfolio. It was stated that the reason for the injection of cash transfers to Israel and Colombia years ago was to disburse large sums of money quickly. The DAA predicted that program assistance will grow in importance as the result of the relatively large size of some programs, especially in the Middle East, and staff limitations. Skepticism was voiced by field representatives that program assistance is any less staff-intensive than the project mode. In fact, more economic analysis is needed. It was suggested that some projects satisfy more of AID's multiple objectives and constituencies than do cash transfers. For instance, the BVS and Small Farmer Production projects in Egypt provide free foreign exchange to the GOE, and at the same time they achieve development objectives. The new agriculture project in Egypt is a hybrid cash transfer/policy reform project that is achieving important objectives of both the U.S. and Egyptian governments.

There was general appreciation for the position, expressed by the program officers from Yemen and Nepal, that the project mode would continue to predominate in the smaller, least developed countries in the region. Governments in these countries lack the capacity to carry out a policy dialogue with the donors. Projects are necessary in order to implement policy changes.

The DAA also raised the topic of administrative innovations at the project level, including rolling design and umbrella projects. The success of the umbrella agriculture project in Yemen was cited as an innovative means of dealing with budget cuts. The budget was reshaped without having to go though the deob-reob process in Washington.

The DAA reported that cash transfers have raised the issue with Congress of funds being used for non-U.S. procurement. There is a trend of Congress tightening up on cash transfers in the ESF account. At the same time, the Agency may receive authority to use DA funds for cash transfers. It was observed, however, that small cash transfers, such as in Sri Lanka, might not be significant either in resource or policy reform terms.

It was stated that, as the result of budget cuts and the agency's interest in performance in economic reform, the Administrator was thinking of introducing flexibility regarding country program levels. That is, beyond a core budget level, country levels would depend on economic policy performance. The Economic Policy Initiative in Africa is a possible example but has faced numerous difficulties. Budget levels of countries are determined by many factors besides policy performance.

C. Recommendations

The DAA concluded the session by stating that we need to keep an open mind with regard to ways of doing business. No existing mode of assistance should be excluded from consideration. He also suggested that it was important for program officers and economists to continue meeting regularly to exchange ideas.