A.I.D. EVALUATION SUMMARY - PART I

PD-ABN-921

93621

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

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:

Mission or AID/W Office USAID/New Delhi
(ES# 01/97)

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan ?

Yes [X] Slipped [ ] Ad Hoc [ ]

Evaluation Plan Submission Date: FY____ Q ____

C. Evaluation Timing

Interim [XX] Final [ ]
Ex Post [ ] Other [ ]

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)
386-0530	Trade in Environmental Services and Technologies (TEST)	09/30/92	09/30/97	$25,000	$15,450

ACTIONS

E. Action Decisions Approved By Mission Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Focus TEST activities in selected industry sectors	Amitabha Ray/ Hess (E^3)	Completed
2. Ensure ICICI commitment to implement TEST along the line recommended under Clean Industry Initiative (CII): strengthening incentives for the adoption of clean technologies and practices and enhancing the capacities to evaluate and incorporate such technologies and practices into Indian industry operations.	Amitabha Ray/ DHess (E^3)	Completed
3. Assess realistic need for additional project funding (i.e. obligation)	Amitabha Ray/ DHess (E^3)	Completed

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: Mission Review Committee Meeting — (Month) 1 (Day) 27 (Year) 1997

G. Approvals Of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Amitabha Ray		N. Ramesh	Linda Morse
Signature				
Date	4/9/97		4/3/97	4/10/97

Clearance: PDS:JTarter
EEE:DHess
EEE:RGoldman
DD:DMyers

ABSTRACT

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

The TEST evaluation report is intended to serve more as a strategic planning document than a typical mid-term evaluation. That is because the evaluation has been largely overtaken by events; it is occuring less than one year before the Project Assistance Completion Date of TEST, and simultaneously with the mission's redesign of TEST to begin implementing in early 1997 the industrial component of USAID/India's new Clean Technology Initiative (CTI/I), an outgrowth of the Indo-U.S. Common Agenda for Environment. Thus, the focus of the evaluation has been on extracting lessons learned from TEST's experience to date, to help inform the substantial modifications already underway.

COSTS

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Name	Affilliation			
Ms. Faith Halter (Team Leader) Mr. Robert Spongberg Mr. Paritosh Tyagi	Management Systems International (MSI)	AEP-0085-3-00-6015-00 Task Order 2	$87,000	Project

2. Mission / Office Professional Staff Person-Days (Estimate) _____

3. Borrower / Grantee Professional Staff Person-Days (Estimate) _____

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SUMMARY

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
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal Recommenadations
- Lessons learned

Mission or Office	Date This Summary Prepared:	Title And Date of Full Evaluation Report : Mid-term Evaluation
USAID /India	03/17/96	Trade in Environmental Services and Technologies (TEST), January 1997

PURPOSE OF ACTIVITY EVALUATED: The purpose of TEST has been to "assist Indian industries to adopt environmentally sound practices while promoting sustainable linkages between U.S. and Indian firms." The approach taken has rested heavily on a financing component; the original project design included:$20 million for financing, $5 million for technical assistance and other support activities to facilitate commercial transactions; and $10.8 million in financing from Host Country Contributions;. Key assumptions included: Strong regulatory and market incentives for Indian industries to upgrade their environmental management; a growing Indian market for environmental services and technologies that are not currently available in India; technically and economically competitive U.S. know-how and technologies, with sufficient interest from potential Indian and U.S. partners; a severe shortage of financing options for commercial environmental technology transfer between India and the United States; preferability of a "demand-driven" approach because the environmental market in India is too dynamic and varied to make targeting by sector, region, or environmental media advisable.

STUDY QUESTIONS: The main study questions were:

1. How effectively did the TEST implementing institutions, the Industrial Credit & Investment Corporation of India (ICICI) and Sanders International, carry out their obligations?

2. How well did activities to date meet the goals of TEST? What were the economic and environmental impacts, and what were the key factors influencing them?

3. How can TEST be redesigned most effectively to meet the goals of CTI/I? What were the lessons learned from TEST, and what is their relevance to CTI/I?

FINDINGS: Both the Industrial Credit & Investment Corporation of India (ICICI), the Government of India representative and grantee, and Sanders International (SI), the U.S. institutional contractor have worked energetically on TEST and have satisfied their project commitments. Interviewees nearly always reported being very pleased with service provided by ICICI and SI.

TEST has clearly contributed to achieving Strategic Objective 5 of USAID/India's Mission Results Framework. The types of commercial transactions at the core of TEST's design typically require up to a few years for the initial activity to blossom, and for the sustainability of new partnerships and multiplier effects (or the absence thereof) to become apparent. Detailed analysis of program impacts would require a longer time horizon, much more complete information, and more detailed analysis of existing information than is anticipated in the TEST logical framework or was possible during this evaluation.

URGENT NEED FOR MANAGEMENT DECISIONS: The team identified management issues that USAID and its institutional partners urgently need to address:

1. USAID and ICICI should promptly decide how to handle pending loan applications so as to minimize inconvenience to applicants and problems in program management. ICICI feels strongly that about $5-6 million should be awarded for loan applications currently in the pipeline. This would have major implications for the redesign of TEST because of the amount of money involved, unless this money would come from source other than projected funds for CTI/I.

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2. USAID should plan how to minimize potential disruption between the end of Sanders International's contract on January 31, 1997 and the time when a new contract for coordination of technical assistance is awarded. USAID expects to redefine the role of the U.S. institutional contractor for TEST and to award a new contract in early 1997.

LESSONS LEARNED FROM THE TEST EVALUATION AND IMPLICATIONS FOR CTI/I:

1. TEST should distinguish among markets for:
   a. New and/or growing, forward-looking industries;
   b. Older, mostly medium - or small-scale industries; and
   c. Environmental services.

2. A major financing component for TEST is no longer appropriate. It appears to the evaluation team that there is now adequate financing available in India for promising commercial transactions with environmental benefits. (ICICI disagrees with this conclusion.) However, the team recommends considering a limited financing component for demonstration projects of pollution abatement technologies that can readily be implemented on a wide scale, if the tested technologies prove environmentally and commercially viable.

3. Special commercial services to TEST participants have clearly facilitated some commercial transactions, but there is no ready way to evaluate the cost-effectiveness of this TEST program component. Therefore, the special commercial services should either become self-supporting or else be evaluated to determine whether the extra program costs are justified by resulting environmental and economic benefits.

4. CTI/I will present increased opportunities and needs for TEST to expand its partnerships, most importantly with USAEP and a broader range of Indian institutions.

5. For some of the new measures to be adopted, TEST will need to shift from its demand-driven approach to a more targeted focus (e.g. by sector, region, or environmental issue), to enhance program implementation and performance monitoring.

6. For CTI/I, there should be more focus on how to design performance indicators and how to monitor performance:

   a. As USAID already recognizes, Strategic Objective 5 in its Mission Results Framework (improved air and water quality at selected industrial sites and municipalities) needs to be re-evaluated in light of CTI.
   b. Performance indicators and the structure of performance monitoring should reflect the need for longer time horizons to evaluate project impacts.
   c. It is important to maximize learning from the initial three-plus yearsof TEST.
   d. USAID should structure reporting requirements for TEST to facilitate project monitoring and evaluation.
   e. USAID should consider making tracking and analysis of TEST performance itself a performance indicator, at least for the next 2-3 years.

CONCLUSION: The first phase of TEST occured during a time of rapid change in India's environmental market. The most important driving forces appear to be economic liberalization and globalization (for pollution prevention) and judicial activism linked to citizens' lawsuits (for upgrading of older facilities). USAID's plans to redesign TEST for CTI/I are consistent with the results of this evaluation. Overall, the most crucial "lesson learned" for CTI/I may be the need to strengthen design, monitoring and reporting for project indicators, to enhance feedback for ongoing project improvement. This is particularly important since TEST is intended as a "cutting edge" project, with potential as a catalyst for other U.S. Government programs and other international donors.

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ATTACHMENTS

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

Evaluation Report

COMMENTS

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

The evaluation not only highlighted lessons learnt from TEST implementation and achievements towards goal but also proposed how the project could be reoriented to address some of the issues recommended under the mission's Clean Industry Initiative (CII). These issues emerged from a mission assessment of needs and opportunities in industrial environmental management in India. The draft evaluation report was discussed with ICICI, the GOI representative and grantee and finalized after addressing the issues and concerns they raised.