

PN-AAL-058

EVALUATION GUIDELINES FOR NONPROJECT  
ASSISTANCE: COMMODITY IMPORT PROGRAMS(CIPs) AND CIP-LIKE  
ACTIVITIES

A.I.D. PROGRAM DESIGN AND EVALUATION METHODS REPORT NO. 4

by

Development Associates, Inc.

U.S. Agency for International Development

August 1985

The views and interpretations expressed in this report are those of the authors and should not be attributed to the Agency for International Development.

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FOREWORD

Nonproject assistance in the form of commodity import programs (CIPs) and similar activities constitutes a large share of total Agency for International Development (AID) development efforts. Until recently, such programs have not been evaluated in a systematic way. We present here a "menu" of approaches and techniques that can be used in future evaluations of these programs. The guidelines were prepared by Development Associates, Inc. However, Chapter 6, on the evaluation of economic impacts, has been heavily revised by the Center for Development Information and Evaluation. This document has been circulated widely in draft within AID for comment and represents a common understanding of many of the considerations that may enter into such an evaluation.

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GLOSSARY OF ABBREVIATIONS

AID	- Agency for International Development
CDSS	- Country Development Strategy Statements
CIF	- Cost, insurance, and freight
CIP	- Commodity Import Program
DA	- Development Assistance
DCM	- Deputy Chief of Mission
ECE	- Energy Commodities and Equipment Program
ESF	- Economic Support Fund
FOB	- Free on board
FR	- Financing Requests
FY	- Fiscal Year
GAO	- Government Accounting Office
GDP	- Gross domestic product
GNP	- Gross national product
GOE	- Government of Egypt
GOP	- Government of Pakistan
IBRD	- International Bank for Reconstruction and Development (World Bank)
IFB	- Invitation for Bids
IMF	- International Monetary Fund
L/C	- Letter of Credit
L/Com	- Letter of Commitment
LRMC	- Long-Range Marginal Costs
OED	- Operations Evaluation Department (World Bank)
PAR	- Performance Audit Report

- PCR - Project Completion Report
- PPC/CDIE - AID Bureau for Program and Policy Coordination, Center for Development Information and Evaluation
- SAL - Structural Adjustment Loan
- S&T - AID Bureau for Science and Technology
- SER/COM - Program and Management Services Directorate, Bureau of Management, Office of Commodity Management
- UNDP - United Nations Development Program
- USIA - U.S. Information Agency

ABBREVIATIONS USED IN THE CIP PROCESS

- APPRCUR - Approval of Procurement. Contained in the eligibility list of commodities.
- BIDOPEN - Bid Opening. Opening and evaluation of bids.
- BNKL/COM - Bank Letter of Commitment. Letter from AID to bank guaranteeing funds for procurement.
- CPI - Commodity Procurement Instruction. Lists commodities eligible for financing; included in initial Implementation Letters.
- DELIVERY - Delivery. Date commodity is received by importer.
- DIRL/COM - Direct Letter of Commitment. Letter from AID to supplier guaranteeing funds for procurement.
- ELIGDATE - Eligibility Date. Date after which funds may be disbursed if conditions precedent are met.
- FR - Financing Request. Document requesting authorization to initiate detailed financing arrangements for procurement of commodities.
- GRNTAGMT - Grant Agreement. Document signed by both governments outlining conditions and terms of the grant.
- IFB - Invitation for Bids. Formal procurement request for commodities in the public sector.

- IMPLETTR - Implementation Letter. Formal communication from AID to recipient government with instructions, guidance, and procurement procedures.
- L/CREDIT - Letter of Credit. Letter from bank to supplier authorizing funds for procurement.
- NEEDIDEN - Need Identification. Identifies needs of importing entities for specific commodities.
- NOOBJLTR - No Objection Letter. AID approves importer's choice of supplier.
- OFFLOAD - Offload. Commodity taken off vessel.
- PAAD - Program Assistance Approval Document. Form describing and justifying proposed CIP level and content; instrument by which the AID Administrator approves a nonproject assistance activity and authorizes obligation of funds for implementation.
- RELDATE - Release Date. Date commodity is released from customs.
- SEL&AWRD - Selection and Award. Selection of supplier and awarding of contract.
- SHIPDATE - Shipping Date. Date commodities are shipped from the United States
- VESSARRV - Vessel Arrival. Date vessel arrives at port of destination.

## 1. INTRODUCTION

The purpose of this report is to develop guidelines for the evaluation of commodity import programs (CIPs) and CIP-like programs (programs emphasizing a specific sector) within the Agency for International Development (AID). Specifically, it includes the following:

1. A description and the results of an analysis of the major characteristics of CIP programs and CIP-like programs (for example, an agricultural development loan to provide for commodity imports established with either Economic Support Fund [ESF] or Development Assistance [DA] funding)
2. A review of documentation provided by the Bureau for Program and Policy Coordination, Center for Development Information and Evaluation (PPC/CDIE) on AID's completed CIP and CIP-like evaluations, citing and explaining the major shortcomings as well as the major strengths of completed evaluations, tying such observations into the major characteristics of the programs
3. A review of selected International Monetary Fund (IMF) and World Bank evaluations of sector development and structural adjustment loans (documentation not provided by AID) and a description and explanation of their methodological relevance, if any, to AID's evaluation of CIP and CIP-like programs
4. An outline of at least two scopes of work for future CIP and CIP-like program impact evaluations, setting forth all of the major characteristics of such evaluations, including matters of both substance and process

Commodity import programs, through which the United States finances the foreign exchange costs of procuring and shipping a vast variety of commodities for use in the factories, farms, and homes of developing countries, have been an integral and major part of American foreign assistance efforts for over 30 years. Funded as grants under the authority of the Mutual Security Act of 1954, CIP and CIP-like activities were largely financed by loans in the 1960s that were authorized by the Foreign Assistance Act of 1961. Both grants and loans were authorized as Security Supporting Assistance under the Foreign Assistance Act of 1971. The Economic Support Fund, Part II, Chapter 4, of the Foreign Assistance Act of 1961 is the current source for most such loans and grants.

Common to all these programs, regardless of the provisions of the various acts, was the requirement to fulfill the need for rapid infusion of foreign exchange or commodities into a nation's economy. The objectives were varied: to reduce perilously high balance of payments deficits, to provide a measure of economic or political stability, to generate local currency for developmental needs, to provide the resources to meet reconstruction efforts resulting from natural calamities such as earthquakes, or to meet U.S. national interests by providing economic support based on "special economic, political, or security conditions." Obligations and expenditures for CIP and CIP-like programs have constituted about 40 percent of the total obligations and expenditures for U.S. economic assistance since World War II. Such programs have reached almost all of the less developed countries assisted by AID and its predecessor agencies. Yet, despite their size and importance in the AID scheme of assistance, AID/Washington did not formally evaluate a CIP until 1984. This situation is in direct contrast to the continuing evaluation of project assistance under the guidelines and directions in AID's Handbook No. 3: Project Assistance.

Not surprisingly, the General Accounting Office (GAO) took note of that fact when it issued its 1984 report on the overall management of AID's CIP efforts.<sup>1</sup> It urged AID management "to develop and formalize evaluation procedures for CIP assistance in compliance with the Foreign Assistance Act and AID directives."<sup>2</sup> GAO also commented that any prior attempts at assessing CIPs had been limited to brief descriptions of the past year's CIP performance. Even those, GAO said, were " cursory and, in some cases, unsubstantiated or based on incomplete and inaccurate information."<sup>3</sup>

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<sup>1</sup>U.S. General Accounting Office, AID Needs to Strengthen Management of Commodity Import Programs, GAO/USAID--84-87, February 29, 1984.

<sup>2</sup>GAO, p. 43.

<sup>3</sup>GAO, p. 42.

Despite the absence of formal guidelines, AID did conduct CIP evaluations in 1984 in Zimbabwe,<sup>4</sup> Somalia,<sup>5</sup> and Egypt.<sup>6</sup> The resulting reports have provided valuable insights and lessons for AID as well as the authors of this report. As part of this effort the U.S. Bureau of the Census detailed to AID two of its specialists in the Evaluative Studies Branch of its International Statistical Program Center. They served both as members of evaluation teams and as rapporteurs and observers of the methodology used in the Somalia and Egypt CIP evaluations.<sup>7</sup> Also valuable as background material are a 1970 report by PPC on the use of program loans to influence policy<sup>8</sup> and a 1982 memorandum by the former director of USAID/Egypt, Donald Brown, on the use of CIP as a development tool.<sup>9</sup>

At AID's suggestion, the team studied the PL 480 evaluation report for Jamaica<sup>10</sup> and interviewed the author of the appendix

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<sup>4</sup>J. Lieberson and A. Hawkins, An Evaluation of the Zimbabwe Commodity Import Program (Washington, D.C.: U.S. Agency for International Development, March 1984).

<sup>5</sup>T. Lewis, P. Hagen, and J. Ricardo, An Evaluation of the Somalia Commodity Import Program, 649-K-602 (Mogadishu: U.S. Agency for International Development, April 1984).

<sup>6</sup>Development Associates, Inc., Price Waterhouse Khattab (Egypt), and U.S. Bureau of the Census, USAID Commodity Import Program in Egypt, 1975-1984: A Review and Assessment, December 1984. One of the authors of this report was team leader for that evaluation.

<sup>7</sup>M.J. Hartz, The Evaluation of the Commodity Import Program in Egypt; Report on Evaluation Methodology and Recommendations, Program Center (Washington, D.C.: U.S. Bureau of the Census, International Statute Program Center, June 1984). J. Ricardo, Overview of the Evaluation of the Somalia CIP-I (PAAD 649-0118), (Washington, D.C.: U.S. Bureau of the Census, International Statute Program Center, August 9, 1984).

<sup>8</sup>V.A. Morss and E.R. Morss, An Approach to Evaluating 'Non-Project' Assistance (Washington, D.C.: U.S. Agency for International Development, June 1984).

<sup>9</sup>Donald S. Brown, "Commodity Import Programs as a Development Tool," Memorandum to the Administrator, Washington, D.C., October 19, 1982.

<sup>10</sup>U.S. Agency for International Development, AID Project Impact Evaluation Report No. 51, Jamaica: The Impact and Effectiveness of the PL 480 Title I Program (Washington, D.C.: U.S. Agency for International Development, February 1984.)

on methodology. He provided ideas on the use of economic models and data for evaluating the impact of PL 480 programs, which, although not covered in this report, are of sufficient similarity to provide useful parallels.

The World Bank has a large Operations Evaluation Department (OED) that combines audit and program evaluation services.<sup>11</sup> OED reviews Project Performance Completion Reports, conducts audits of some of the projects, and performs impact evaluations 5 years after the last disbursement for a small number of selected projects. The team reviewed the reports and guidelines made available by the Bank for their relevance to this study (see Appendix C).

There is no generally accepted methodology for evaluating nonproject assistance. Some authors advocate evaluating impact without reference to stated objectives of the program; others believe that evaluations should be guided by strict adherence to the objectives delineated in various program documentation. Some believe that a lack of sufficient valid economic data in developing countries prohibits meaningful macroeconomic studies and that the emphasis should be at the microeconomic level. Also to be determined is how to evaluate local currency generation; AID itself seems undecided on how that by-product of CIP should be approached.

There are two major aspects to any evaluation. One deals with administrative and logistical considerations, such as team composition, numbers and methods of interviews, development of questionnaires, and similar matters. The other is concerned with the theory and substance of the evaluation: what is to be evaluated and what kind of economic or other models might be best utilized in the process. This report concentrates on both areas.

The appendixes contain scope of work models that incorporate many of the lessons learned from other evaluation efforts, a brief review of World Bank evaluation documents, and a listing of reference materials. The team extend their thanks to the authors of these materials for their analysis and insights.

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<sup>11</sup>Warren C. Baum, The Project Cycle (Washington, D.C.: World Bank, 1982).

## 2. DESCRIPTIONS AND DEFINITIONS

This section provides an appropriate reference for understanding the major characteristics of CIP and CIP-like assistance administered by AID, as well as the differences among the various methods of overseeing such programs, whether through auditing, monitoring, accounting, inspecting, or evaluating these programs.

### 2.1 Nonproject Versus Project Assistance

Both CIP and CIP-like assistance fall under the rubric of nonproject assistance. Nonproject assistance, also referred to as program assistance, is accomplished by the transfer of resources, in the form of either foreign exchange or commodities, to support economic development or political stability, or both, as a means of relieving budgetary or balance of payments constraints on the host country's economy. Project assistance is based on a single activity designed to generate specific results. For example, a project could be designed to upgrade teacher skills at the primary level in the rural areas of a country. A project is AID's basic unit of management.

"Commodities", as used in this report, encompasses the vast array of raw materials and manufactured goods normally utilized by the business and industrial sectors in a country. Less often it includes foodstuffs such as grains, cereals, milk, and so forth, which are the major components of the PL 480 programs administered by AID. The programs may complement each other in any given country but have different goals and objectives. Typically, CIP assistance is provided for the producers and manufacturers of finished goods whereas PL 480 imports are provided for consumers of foodstuffs.

### 2.2 Commodity Import Programs

An important characteristic of a CIP is its potential to provide rapid and voluminous infusions of capital or goods into a country's economy, particularly in contrast to USAID projects involving long-term technical assistance or training with a small commodity input. Within limits, the rate of infusion can be controlled to meet shifting economic or political circumstances. It also may be halted at any time without running the risk of leaving half-finished buildings such as teacher training institutes or clinics. It may be utilized by private as well as parastatal economies and may be financed through grants or loans. It is one of AID's most flexible assistance tools.

### 2.2.1 How CIPs Work in Theory

The theory of how CIPs work is simple. AID assures a host country that it will pay the foreign exchange costs of procuring and shipping certain eligible commodities (normally of U.S. source and origin) mutually agreed on by AID and that government. If financing is through a loan, the government agrees to pay AID either in U.S. dollars or the local currency equivalent of the U.S. dollars over a given period of time (usually 30 to 40 years) at favorable rates of interest. If it is a grant, the local currency equivalent of the value of the commodities is deposited in a special account to be utilized for previously agreed on developmental purposes within the country, plus certain AID administrative obligations. The size and composition of the CIP is fixed each year after consultations with host country officials; these figures then provide the basis for AID's requests to Congress for funds for its various activities. After that, usual commercial practices take over, goods are procured and shipped, and AID pays the foreign exchange costs through the international banking system.

### 2.2.2 How CIPs Work in Practice<sup>12</sup>

In practice, theory gives way to a complicated series of steps involving documentation and approvals by government officials and the requirements of international financing transactions. AID will often find itself in the role of banker, making direct payments to U.S. suppliers, as well as serving as the guarantor of such payment to U.S. banks, which pay suppliers on presentation of required documents.

After the congressional appropriation process is completed and AID/Washington has secured authorization to proceed, USAID prepares a grant or loan paper that describes the proposed CIP and justifies it in political and economic terms. Although referred to as the Program Assistance Authorization Document (PAAD), it is in fact a form that constitutes the first page of the grant paper. The PAAD is submitted to AID/Washington for approval by the AID Administrator. The grant or loan paper includes a broad description of commodities to be financed and cites a series of conditions to be met before disbursement ("conditions precedent"), along with a number of covenants,

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<sup>12</sup>The report team is indebted to Daniel Pfoutz's description of the process in the Egypt CIP evaluation report. Pfoutz, a former AID employee, is a consultant to Development Associates, Inc.

including, if appropriate, those pertaining to local currency deposits. During the paper's preparation, the host government draws up a list by ministry, or by any other category, for the U.S. dollar amounts it proposes to allocate to any government agencies for their use. If the program is primarily for the private sector, the allocation to individual firms will be through the banking system and import licenses.

The conditions precedent and covenants approved in the PAAD and other terms and conditions of the grant or loan are also set forth in the agreement prepared by USAID. The agreement is signed by the ambassador and Mission director for the United States and appropriate officials on behalf of the host government. Then, initial Implementation Letters are issued by USAID. These name personnel, in addition to the AID director, who may represent the AID Mission in carrying out the CIP activity; set forth detailed instructions on how the agreement is to be carried out; provide the Commodity Procurement Instruction document that lists the commodities eligible for financing under the agreement; and cover any other pertinent information.

After the conditions precedent have been met, the government usually prepares a more detailed listing of commodities for any parastatal organizations or government agencies and arranges a series of meetings between USAID and the importers to discuss the proposed procurement. If the end-users have previously procured the same raw materials or equipment under AID financing, the discussion between USAID and the importers may be limited to the confirmation that they propose to use the same basic solicitation document, normally an Invitation for Bids (IFB), and the same specifications as before. In other cases, AID (the Office of Commodity Management) may help to develop specifications that are appropriate for the U.S. market.

After the IFB is completed, its availability will be announced by AID. Frequently, the IFB will be issued by the host government embassy in Washington, but suppliers will usually be required to submit bids to the importer in the host country. The IFB specifies the date, time, and place for the bid opening. Representatives of the bidders and the importer and an observer from AID will usually attend the bid openings. The importer analyzes the bids for responsiveness to the IFB and selects the successful bidder, that is, that responsive and responsible bidder whose price is lowest for the commodity requested.

If the transaction is to occur solely within the private sector, IFBs are not required. Importers may use regular commercial practices, including negotiated procurement. While the negotiations or IFB process is taking place, USAID prepares appropriate Financing Requests (FR) which are signed by USAID and the host country government and forwarded to AID/Washington. On

the basis of the FRs, AID/Washington issues Letters of Commitment (L/Com) to a U.S. bank against which the importers may open Letters of Credit (L/C) through a correspondent bank in the host country. FRs are normally processed 30 days after USAID receives the necessary information identifying recipient banks and dollar amounts. If the procurement involves commodities worth a large dollar amount from a single supplier, a separate FR may be processed after the award has been made in order to issue a direct L/Com to the supplier. Copies of L/Coms issued are provided to the appropriate ministry or end-user.

Normally, under public sector procurement, the supplier must post a performance guarantee after notification of an award. When that is done, the importer requests the issuance of a dollar-denominated L/C to the supplier against the bank L/Com previously issued. The supplier ships the commodities, and, on presentation by the supplier of the bill of lading and other documents required by AID Regulation One (to the L/Com bank in the case of the L/C, or to AID/Washington in the case of a direct L/Com), the purchase price is normally paid in full.

Participating banks administering CIP funds may include public and private sector commercial banks. It is the responsibility of the participating host country banks to ensure importer compliance with the provisions of local rules. The banks determine the eligibility of the importers and commodities and the priority of the transactions in the bank's overall operations. Bank fees are normally paid from CIP funds. CIP terms require, among other things, that any equipment procured be of U.S. source and origin and that the requirements of the U.S. 50/50 shipping law be met.

The participating U.S. bank sends copies of the commercial documents (the bill of lading, invoice, packing list, or other documents provided for in the L/C) to the local bank involved. If the importer meets its local currency obligations to the local bank, the documents are released. This enables the importer to clear the goods through customs and take possession. In the case of a direct L/Com, the supplier is responsible for forwarding the necessary documents to the importer.

Under AID regulations, the importer is expected to clear the goods "promptly," that is, within 90 calendar days or any other previously agreed-on time period. This completes the transaction.

### 2.3 CIP-Like Programs

In contrast to regular commodity import programs, CIP-like activities are usually directed at a specific sector such as agriculture, the iron and steel industry, energy, or education. Typically, they are based on a single commodity or package of related commodities. Such activities are of limited duration and their objectives and goals are expressed in more precise quantitative terms than those for CIPs. They may have a target for the growth or development of a sector in measurable outputs or a goal for supplying given quantities of inputs for a specified period (x tons of fertilizer imported and distributed over a 3-year period). They will frequently be tied closely to a policy dialogue between the United States and the host country and may often be released in tranches or conditioned on the achievement of policy goals such as import liberalization, credit tightening, or monetary or pricing changes. Because of the narrower focus, there is a more explicit developmental thrust to CIP-like programs than to CIPs. They are often implemented in countries where a CIP exists and may be funded on a loan or grant basis. The procurement and shipping of the commodities under CIP-like activities follow the same rules and regulations as CIPs and have the same AID/Washington backstopping.

A sampling of such activities (often titled "projects," even though they are classified as "nonproject assistance") taken from AID's fiscal year (FY) 1985 Congressional Presentation illustrates the variety of such programs:

- Zaire. An Economic Support Fund grant "to enhance the productivity and output of Zaire's agricultural sector by increasing the supply of U.S.-origin agro-inputs to private enterprises." Local currency generations will be used to support AID-supported development activities in Zaire.
- Pakistan. An energy commodities and equipment project to "direct balance of payments support for the procurement of mining and power generation and distribution equipment from the U.S. It will also provide the framework for a policy dialogue with the GOP [Government of Pakistan] on energy generation and pricing issues." (See Appendix B for scope of work based on this proposed program.)
- Egypt. Private sector production credit project. Although this is private sector CIP, the Government of Egypt prefers to limit the CIP designation to public sector programs so this CIP-like project is managed by a separate office in USAID, but backstopped by the CIP office in Washington (SER/COM).

- Costa Rica. A health supplies management project to streamline the drug and medical supplies purchasing system and to supply foreign exchange for the importation of medicines and medical commodities for the social security hospitals. The project is tied to the ongoing dialogue to increase the efficiency of health sector delivery systems.

## 2.4 Cash Transfers

Fitting neither the definition of a CIP nor of a CIP-like activity, cash transfers nevertheless account for an increasing proportion of AID's assistance. Funded from ESF, such transfers as of June 1985 range in size from the US\$1.2 billion cash grant planned for Israel in FY 1985 and US\$175 million for Turkey to US\$147.5 million for Honduras. Cash transfers are justified in almost every case as short-term balance of payments support. In Turkey, however, a large portion of the grant is for debt servicing. Cash transfers may also be utilized to meet emergency needs such as those resulting from crises or disasters, whether economic, natural or political. In addition, some transfers involve local currency generations to be used for specific development projects. Almost all cash transfers are tied to policy dialogues and often to the achievement of fiscal or monetary policies, in some instances endorsed or developed by the IMF. No methodology for evaluating cash transfers is included in this report.

## 2.5 Local Currency Special Accounts

In accordance with Section 609 of the Foreign Assistance Act, countries receiving commodities on a grant basis under arrangements that will result in the accrual of local currency proceeds to the country from the sale of those commodities must establish a special account for depositing these proceeds. Certain amounts are to be made available to the U.S. Government for its requirements, and the balance is to be used for recipient country development programs agreed to by USAID.

In practice, the local currency agreement is incorporated into the grant or loan agreement. The agreements generally carry a requirement for the adoption of an appropriate accounting system to track both the generation and disbursement of the funds. Deposits are usually made on a quarterly basis by the recipient government. Commonly, both governments agree annually on the percentage of the funds to be used for U.S. administrative and similar costs in-country and on the specific elements of programs or projects to be funded with the remainder. A long-standing

issue for AID is the extent to which its Missions are to monitor, audit, or evaluate such local currency uses. In some countries, the amounts are growing geometrically, and Missions will face staffing problems if they must monitor such uses as closely as they do U.S. dollar-funded projects. Some recipient countries attempt to restrain the use of such funds to decrease their inflationary effects.

## 2.6 Methods for Oversight

AID exercises its oversight responsibilities for its projects and programs in several ways. For the purposes of this report, it is sufficient to delineate the major areas to place evaluations in proper perspective.

### 2.6.1 Monitoring

Once a project or program begins, it is subject to continuous monitoring by those responsible for its implementation. This may be effected through periodic visits by project officers, Mission directors, or Washington program personnel. It is evidenced by weekly or monthly progress reports issued by contractors or host country representatives and in direct reports by project officers to the Mission director and then to AID/Washington. Monitoring is done to ensure that progress meets predetermined target dates, that funds are made available as needed, and that required technicians and other personnel are on staff. A monitoring system should provide benchmarks or warning signals for project officers to determine when events slip or timetables are not being met. This allows for corrective action at the appropriate levels. It is an ongoing effort that continues until the project is completed or terminated.

### 2.6.2 Accounting

Accounting activities parallel monitoring and take place in the Mission or in Washington. Accounting can take the form of simple bookkeeping or sophisticated computer and ADP tracking of thousands of vouchers and transactions (such as are common to CIP activities). Obligation and expenditure of funds are thus monitored and reconciled. But accounting will not by itself reflect project progress (except as a function of expenditures and obligations), nor will it generally provide warning signals of potential trouble, except, again, in terms of fund availabilities.

### 2.6.3 Inspections

AID inspections are the statutory responsibility of the AID Office of the Inspector General, which is itself a congressionally created position. The reach of the office is long: "the Inspector General of the Agency for International Development . . . shall supervise, direct, and control all audit, investigative, and security activities relating to programs and operations within [AID]." The Inspector General Act of 1978 grants to all inspectors general of the U.S. Government wide authority in which to exercise their responsibilities. Within that authority, AID's Inspector General may audit, inspect, assess, or even evaluate Agency activities. Inspections are performed at any time during or after the life of a project or program. However, inspections can also extend to nonprogram activities, such as the operations or management of a particular office, bureau, or discrete activity.

### 2.6.4 Auditing

Auditing implies checking and, in a narrower sense, checking on financial transactions. In the private sector and in Government, the concept has been expanded to include assessment, evaluation, and inspection, with the subject matter encompassing not only financial records, but also adherence to regulations, rules, laws, and agreements. It is significant that in AID the Office of the Inspector General audits and inspects every facet of AID's activities, and the least of that work is the actual checking of figures. Indeed, the reports emanating from that office often include the words "assessment" or "evaluation" in the titles. Auditing can occur during the life of a project or at the end; CIP transactions are post-audited in Washington and end-use audits are performed at the Mission in which transactions are inspected to determine whether commodities have been expeditiously and properly utilized. The General Accounting Office also conducts audits of AID activities, often at congressional direction.

### 2.6.5 Evaluation

Section 125 of the Foreign Assistance Act of 1961 directs the Administrator of AID "to improve the assessment and evaluation of the programs and projects carried out by that agency . . . ." Section 621A, "Strengthened Management Practices," requires AID to establish a management system that includes "the definition of objectives and programs" for U.S. assistance, the

development of quantitative indicators of progress toward these objectives, and "the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken." Furthermore, "the system should provide information to the agency and to the Congress that relates agency resources, expenditures, and budget projections to such objectives and results in order to assist in the evaluation of program performance, the review of budgetary requests, and the setting of program priorities." Pursuant to those directives, AID established a thorough project evaluation process, guidelines for which are found in Chapter 12 of Handbook 3 and in Design and Evaluation of Aid-Assisted Projects, a 1980 publication of the training and development divisions of AID.

AID initiated the performance of impact evaluations in the late 1970s. Before that, the focus had been more on corrective actions (mid-course corrections) and lessons to be learned. Project designers must now include funds and schedules for evaluations in the project documents. Evaluations may be accomplished by AID personnel, and by contractors or consultants, or by a mixture of the two, and may include host country personnel.

### 3. WHY EVALUATE CIPs?

Given the monitoring, accounting, audits, and inspections that accompany CIP and CIP-like activities, one may ask why what is essentially a balance of payments support program should be subject to the AID evaluation process. It is not likely that AID overlooked its massive CIP grants and loans as it developed the project evaluation system now in use. Some within AID have questioned the need for CIP evaluations. They point out that the purpose of a CIP is to provide a recipient country with the foreign exchange necessary to provide needed imports for its economy. The test, it is argued, is how fast and how efficiently moneys are disbursed and imports are put into production or consumption channels. These can be measured through the use of arrival accounting systems. If the commodities are those that the country needs and are on the AID eligibility list, what else could be examined that current audit procedures do not cover? This view is most prevalent in the group responsible for managing these complex programs through the application of an input measurement system. There is some merit in that approach, if one accepts the premise that balance of payments support is CIP's only goal.

However, through the years additional purposes have been grafted onto CIP: support of policy dialogue, including IMF and World Bank initiatives; generation and use of local currency proceeds; the addition of complementarity to the USAID project

efforts; and pursuit of independent development goals. Program officers and economists have been concerned that a simple measurement of the volume and flow of goods and the level of foreign exchange savings does not properly reflect even the balance of payments impact, much less all the other economic impacts such as employment generation, sector productivity, or additions to gross domestic product (GDP). Others have questioned how effective CIP has been in supporting economic and political policy dialogues. Does the United States become hostage to its large and continuing commodity programs, thus lessening their effectiveness as negotiating tools? At what point would the United States slow down, reduce, or halt a CIP activity in a country that is "vital to the U.S. national interests"? If CIP is also to augment a USAID development program, is it not true that the present AID evaluation policy requires an evaluation of that facet of a CIP?

### 3.1 Purposes of a CIP Evaluation

AID has accepted GAO's recommendation that its CIP activities should be evaluated. That requires an analysis of the purposes of such evaluations.

The scopes of work for the recent evaluations of three CIPs emphasize four areas of concern: (1) how well has the program been managed, (2) to what degree has it met its documented goals and objectives, (3) what has been its impact within the recipient country (which may involve unintended goals and objectives), and (4) what lessons are to be learned?

#### 3.1.1 Management

The purpose of evaluating the management of CIP is to determine how efficiently commodities and foreign exchange move; how effective the relations of the CIP staff are with the government and with the bank and importer community; how well the Mission and the recipient country meet their responsibilities for the local currency sales proceeds special account; how the arrival accounting system is operated and utilized (including an analysis of any automated data processing system); the extent to which end-use audits are made and applied; and how the Mission integrates the development goals of a CIP with its own project activities.

On the other hand, review of voucher files and examination of individual transactions to determine whether Regulation One rules have been met are areas best left to auditors and inspectors, whose tasks are well delineated in the SER/COM Audit Analysis Guidebook.

### 3.1.2 Objectives

As CIP agreements become more detailed in documenting the various purposes and goals of a CIP, the evaluators' task becomes more complex. Support of policy dialogue may establish a multitude of goals to be achieved by the CIP as a major tool for negotiations. One purpose of evaluating CIPs from an objectives standpoint is to determine whether the program is being overburdened with goals and purposes, to some of which CIP may be only tangentially related, and to determine whether it has become a catchall for the Mission's nonproject goals.

Objectives and goals are often set out in Congressional Presentations, Country Development Strategy Statements (CDSS), and Program Assistance Authorization Documents (PAAD), in addition to the CIP agreements. Evaluators should analyze these documents to ensure that there is a consistency of approach, because they may be used by Congress, GAO, and the Inspector General as standards against which to measure the effectiveness of a CIP.

### 3.1.3 Impact

Impact and objectives cannot be entirely disaggregated in the evaluation process. Many objectives may be expressed as desired impacts: "To increase production in the textile sector by 20 percent per annum" or "reduce urban unemployment by 30 percent over 2 years." Similarly, economists and programmers are not averse to formulating impact questions on a post facto basis for inclusion in a scope of work for evaluators to answer: "What has been the effect of the CIP on regional development?" "On the wage structure in the iron and steel sector?" "On gross domestic product?" "On the transportation of goods?"

It is seldom that an AID project has the widespread impact of a CIP, which can affect economic, developmental, social, and even political areas. The isolation and assessment of its impact on these areas could be the most important aspect of a CIP evaluation. Many impacts may have been unintended by the initial designers and authorizers of a CIP, especially one that was implemented rapidly to meet short-term needs but that has evolved into a long-term process. (In Section 7, specific aspects of the impact areas to be covered in a typical scope of work are recommended.)

### 3.1.4 Lessons To Be Learned

Evaluation is not a sterile or academic exercise; its ultimate purpose is to provide guidelines and recommendations to AID so that programmers and managers can adjust ongoing activities and put the lessons to work when they design and implement new activities. This purpose should not be lost sight of by either drafters of scopes of work or evaluators. There is a strong allure to delving deeply into the intricacies of economic and social analyses that may be of interest only to limited audiences; it may put off those who might benefit most from clearly expressed practical recommendations.

### 3.2 Purposes of a CIP-Like Evaluation

One major difference in the purposes for evaluating CIP and CIP-like activities is the greater emphasis on management in the former. Management of CIP activities, because of their size and generally longer life, is often a far more complex job. CIPs usually have elaborate arrival accounting systems, often as part of an ADP program; its managers deal with scores of different commodities, and they must relate to several institutions ranging from the government to banks and private importers. A sector program, on the other hand, may only involve a single commodity, imported through one importer or government ministry; rely on a simple arrival accounting system; and receive its necessary backstopping from SER/COM in AID/Washington. A large CIP may have up to 10 staff members; a sector activity may require only one project officer in a technical division to monitor imports.

However, evaluation of the achievement of objectives and the various impacts of a grant or loan on its particular sector is of similar importance in both activities. Certainly, the lessons to be learned are of equal value. There will be differences in techniques and methodologies, but those result from the nature of the activities, not from the purposes of the evaluations.

## 4. THE SCOPE OF WORK

The design of a successful evaluation effort begins with a well-considered scope of work. The evaluation team will refer to it often to check its own progress, and it will be used as a standard against which to judge the final product. If its terms and timing are unrealistic, the team will be faced with making ad hoc decisions on what to leave out of the process and the report. Time will not permit every possible objective of a given program,

whether or not it is stated, to be evaluated. There must be a careful selection of the most important issues and a ranking of those in order of priority. There should then be an indication of the level of precision required in addressing them. The following suggests areas to be covered in a scope of work, garnered in large part from the experience of the teams in Egypt, Somalia, and Zimbabwe.

#### 4.1 Inputs

Regardless of the office in AID that assumes responsibility for designing the evaluation, it is important that all offices dealing with substantive issues related to the evaluation be given ample opportunity to contribute. This includes AID's geographic bureaus and offices, SER/COM, PPC, and evaluation specialists in Washington and the program staff, CIP managers, the administrative office, and the controller's office in the USAID Mission. The administrative office should make clear what logistical support will or will not be made available (office, transportation, word processing), and the controller's office should indicate the availability and access to ADP systems for the team.

A paragraph describing the history of the program and problems that were encountered or that are foreseen is helpful, as is a brief sketch of the political and economic climate in the recipient country.

Evaluators should be given an opportunity to comment and suggest amendments to the scope of work before they leave Washington.

#### 4.2 Issues

Defining the issues with precision is like drawing a good map for the evaluators. It helps plot the course and defines the limits of the journey. All parties to the evaluation should know the limits before the evaluation so that unreasonable expectations are not created. Evaluators should know for whom they are writing--are they primarily economists or managers? Will the host government receive copies? Does the U.S. embassy have more than a passing interest? Should there be a restricted appendix in which matters of political impact will be discussed?

Once the issues have been defined, they should be divided into those that require qualitative and those that require quantitative answers. If too much emphasis is placed on quantitative requirements, the data available may not be sufficient. On the other hand, emphasis on only qualitative issues could lead to charges of intellectual laziness, or of writing in impressionistic terms.

In either case, appropriate indicators are necessary. If the impact on policy dialogue is being evaluated, the number of such conversations during a year may be an appropriate measure. More impressive would be enumeration of policy changes resulting from the discussions. The complexity and scope of economic indicators should not exceed the limits of available data, which may often be incomplete or out of date. A sense of proportion should be maintained.

Each list of issues should then be ranked in order of agreed importance, indicating those which must be addressed versus those which could be addressed if time permits. Time is key--there should be a realistic assessment of what can be done within the allotted period.

#### 4.3 Time

The scope of work should precisely state the time allowed for the team briefings and preparations in Washington, for fieldwork, and for writing the final report. An ample period in Washington for briefings by AID and outside agencies would be 5 days, including logistical preparations. Field time should be 3 weeks at a minimum, with up to 5 or 6 weeks not to be considered unusual. The relatively small additional cost of salaries and per diem for those evaluating a multimillion dollar program should be considered. The impact of data collection on fieldwork must be measured--it can consume more time than any other facet of the process. The Mission should be consulted for the effect of any local holidays or logistical problems that could impinge on the team's time. Even local working hours and traffic problems can make the interview process annoyingly time-consuming.

#### 4.4 Data Collection

Data collection involves collecting statistical data and scheduling and conducting interviews. The data must then be assembled into forms suitable for analysis.

The scope of work should indicate the sources of data and the extent to which the evaluators are expected to use quantitative data. It should make clear who has the responsibility for such work and when it is to be done. In a well-intentioned effort to meet this problem, the data collection effort for the evaluation of the project in Egypt was contracted to a separate group which was scheduled to complete the process even before the evaluation team was assembled. It did not succeed, primarily because the data collectors and the evaluators had no opportunity to coordinate their efforts. The data collection team was not certain what the evaluators would want, and the scope of work for the evaluators assumed the success of the collection effort.

Based on the experience in Egypt, it is recommended that in-country data collection be made part of the evaluation team's responsibility. Provision may be made for advance work by one or more members of the team, who, if necessary, would be assisted by locally employed personnel. Sufficient time must be allowed to permit data collection to be accomplished properly. Moreover, Mission guidance is important on this point.

#### 4.5 Team Composition

The scope of work is the appropriate place in which to detail the size and makeup of the team. (In its scope of work for this report, AID limited such teams to three members, which should be sufficient, although team size will vary with the size and complexity of the program to be evaluated.) It is recommended that one member be an economist, one have CIP or similar experience, and one have had prior intensive evaluation experience. Given the requirements for economic analysis at the macro and micro levels, an experienced economist is a crucial member of the team. Someone within AID with a good generalist background would be acceptable for either of the other two positions, particularly if there is relevant country or regional experience. The contributions of Bureau of the Census employees have been significant. Detailed from the Bureau's Evaluative Studies Program, they have participated in project evaluations and the CIP evaluations in Egypt and Somalia. They contributed valuable insights into the methodology used and made suggestions for future evaluations. Their reports were helpful in preparing this study. If possible, the evaluator detailed from the Bureau of the Census could be counted as a supernumerary, to avoid exceeding the three-member team limit. If there is a large ADP system in the USAID Mission, a concurrent evaluation of that system may be carried out by a specialist hired on a short-term basis.

All regular members of the team should be recruited for the full period of the evaluation and writing of the final report. For CIP-like evaluations, two people might suffice: one economist and one sector or commodity specialist (at least one with evaluation experience). Much depends on the size of the activity and the extent of the evaluation. An economist might be less crucial in this case than an experienced sector or commodity specialist, who perhaps would work with a person with a general AID background.

If an evaluation is to be accomplished entirely by direct hire, care should be taken that those selected are available full time and that no other duties are assigned. Ideally, this would mean employees from AID/Washington or USAID Missions. But a team composed entirely of employees might be perceived by some as being not as objective as a team that included outside specialists. A mixed team could quell that particular concern, particularly if the outside person is appointed team leader.

Whatever the composition of the team, there should be a USAID Mission employee available to the team on virtually a full-time basis. It is not necessary for that person to be from the CIP or technical office, but the person should be able to supply information and suggestions on firms and persons to be interviewed, from both the private and the public sectors, and to assist in setting up interviews within USAID and with other organizations. The selected employee should begin to compile lists of suggested interviews and schedules well before the team's arrival. An experienced local employee could perform these functions.

Thought should be given to including a local expert on the team, both for intrinsic skills and for foreign language capability. For example, this worked well in Egypt, where the Government of Egypt required that the team include an Egyptian economist (two were used). Such a person should be from academia or the private sector, but not from the government. Businessmen and women are reluctant at best to discuss business matters with strangers, but even more so if they know that the interviewer is from the government.

Once the scope of work is agreed on by all relevant offices, it can become part of the contract. When that is signed, preparatory work may begin.

Two outlines of proposed scopes of work, one for CIP and one for CIP-like activities, are included in this report as Appendixes C and D. These outlines are designed as potential checklists as well, and, in most cases, will cover more ground than any single evaluation is likely to warrant.

## 5. PREPARATORY WORK

### 5.1 In Washington

Assuming that sufficient time has been allowed in the scope of work, the base office should set up interviews and briefings in Washington for the team and should collect relevant documentation. Within AID, the country desk officer should supply the program agreements, PAAD, CDSSs, local currency agreements, and other relevant documents. SER/COM can provide computer printouts showing details of the program in terms of yearly totals; types of commodities; names of suppliers, banks, and importers; key dates; and similar data. That office can also provide copies of Regulation One. PPC, as the repository of AID evaluation reports, may schedule interviews with some of the authors of those reports.

In Washington, AID can obtain World Bank evaluation and country reports for the team's use through the office of the U.S. Executive Director (there is a liaison office in AID). Also, the local embassy may be a good source of country statistics, particularly on imports and exports. The U.S. Department of Commerce will have data on U.S. exports to the country concerned. Both IMF and World Bank personnel should be sought out for their views on the economic situation in the country and what requirements, if any, the IMF has in place or is negotiating with the recipient government. The State Department country desk officer should be consulted with respect to the current political situation and the U.S. Embassy's involvement in policy dialogue.

### 5.2 In-Country

Preparatory work in the recipient country consists primarily of data collection, including the scheduling of interviews. Accomplishing as much as possible before the entire team arrives will save valuable time. As noted above, we recommend that data collection not be left to a separate entity, whether contractual or otherwise. If necessary, one team member should arrive earlier than the others to take charge of the operation. The alternative is to wait until the entire team arrives to collect the data (except for the gathering of published statistics). The USAID Mission can make a valuable contribution by identifying sources of statistics and the persons who can provide these materials.

The team should manage the interview process. To do this efficiently, the CIP and program offices should be asked in advance to suggest firms or persons to be interviewed. This process may be guided by an instruction from the team on whether it wishes to use a random or stratified sampling method. (For a large CIP program, a stratified sampling might be more valid.) If possible, appointments for interviews should be made before the team's arrival, including those with USAID and embassy officers and key government officials. It should be stressed that ample time should be allowed for reaching appointment sites, for postponements, for time-consuming delays, and for the possibility of returning for follow-up interviews.

Finally, USAID Missions should advise the team whether a single government entity wants to coordinate interviews, particularly if the program is in the public sector.

### 5.3 Conducting Interviews

Even though interviews are vital to the evaluation, they are part of the preparation for performing the data analysis and framing recommendations in the report. Person-hours in the field must be carefully husbanded, which means that team members usually should not work in pairs during interviews. If language is a problem, it would be best to obtain local assistance. Even if it is not a problem, inclusion of a local person may still be helpful to minimize the foreign nature of the evaluation.

#### 5.3.1 Questionnaires

The use of a well-designed questionnaire (see Appendix A) will help focus the interviewer's ideas and save time. If possible, a copy of the questionnaire should be sent to the interviewee in advance. Often, the appointment will have been made through a secretary, and the person to be interviewed will have been given only a limited idea of what the interview is about. (Questionnaires should be sent to those who are direct participants in the program--representatives of firms, end-users, banks--and to those government agencies or organizations that are direct beneficiaries; they should not be sent before calls on recipient country government officials or high ranking U.S. officials.) If a questionnaire is not sent ahead, a copy should not be given to the interviewee unless it is asked for. At the time of the interview, it should be used, as unobtrusively as possible, as a guide by the interviewer.

Questionnaires should be short and carefully focused. Questions should be tailored for various groups: banks, public officials, private firms, and so forth. Good interview practice dictates that the questionnaires should be pretested, Although time will not usually permit this. In lieu of that, interviewers should be flexible and should be prepared to change questions and approaches based on experience.

The scope of work will be the basis for determining most of the questions, supplemented by the team's specific interests and methodology. The questionnaire should reflect the theory of the evaluation and the hypotheses that are being tested or assumed. The questionnaire usually should assume some background knowledge of the person being interviewed, for example, what his or her firm imports, how much it has imported in the last year or years, and what it manufactures. This information should be available from the CIP office and through the CIP arrival accounting system. If the interviewer asks many questions eliciting such basic information, the interviewee may view the exercise as less than serious. On the other hand, specific questions on the effect of CIP imports on production, employment, profits, market share, or exports will indicate the scope and depth of the interview.

Good sampling techniques may dictate that the number of interviews that should be carried out far exceed the capacity of the team. Discretion should be used. A large CIP involving hundreds of importers and thousands of transactions suggests the need for at least 50 well-selected interviews. Smaller programs will require fewer. The aim should be to select firms or agencies whose experience is representative of the various issues to be examined; that is, those who have knowledge of the commodities in terms of their value and kind, how they are shipped (bulk or otherwise), and their ultimate purposes. The views of the team's backup offices concerning sample size should be obtained before the team leaves Washington. The scope of work might contain reference to the sample size.

### 5.3.2 Training Interviewers

If interviews are conducted by people not on the evaluation team (as may happen in a large program in which a valid sample may require a score or more of interviews), a training session for interviewers is a requirement. First, interviewers should be given a clear idea of the content and substance of the program (many people confuse commodity import programs with food import programs). Second, interviewers should be told the type of information that is being sought (numerical data, impressions, opinions) and what hypothesis is being tested. Third, they must

learn to use patience and diplomacy, particularly when talking with businesspeople or officials who may regard the activity as an intrusion on their time. Unlike project participants, who are in many instances continually and closely involved in the project, participants in CIP and CIP-like activities may be occasional users of the program and may feel that it is not necessary to submit to surveys and questions. Experience gained from the initial interviews should lead to the development of procedures that make each new interview more productive than the last.

### 5.3.3 Recording the Results

In Egypt, the team found that recording the answers on the questionnaire at the time of the interview rather than later ensured greater validity of the end product and allowed the facts to be recalled more accurately. The task then became one of transferring the answers into a usable format. Because interviews were scheduled only for the morning hours, the afternoons were available for debriefing the interview teams. These sessions provided an opportunity for trading ideas on revising questions and for the initial analysis of results. An employee detailed from the Bureau of the Census to assist with the evaluation had designed the format of the questionnaires so that the answers could be recorded in structured, quantitative terms, because impressions and opinions are difficult to quantify unless they can be reduced to multiple choice responses. This also requires that the questions be limited in range and scope so that the resulting matrix of responses will facilitate analysis by the team.

### 5.3.4 Interviewing Those in the American Sector

Appropriate measures taken well ahead of the team's arrival can facilitate the participation of the American sector in the data collection process. Other than for courtesy calls, the team should consult with the ambassador or deputy chief of mission (DCM), the economic counselor or a designated member of his or her staff, the commercial attache, and officials of the American Chamber of Commerce, if one exists. Interviewers may choose to use questionnaires to make the process efficient and to focus the conversations. High in priority should be questions concerning the effect of the CIP or CIP-like activity on the policy dialogue. These questions should concentrate on what has been accomplished and what part CIP has played. (There might be some reluctance to share details with non-U.S. Government personnel on this topic.)

The DCM or ambassador may be willing to share views on the political effects of cutting back a program, increasing it, or changing its nature. Embassy personnel will have views concerning the visibility or sensitivity of the programs. If the program under evaluation is the focus of political attention, thought should be given to including politically sensitive issues in an appendix designated for limited distribution.

The commercial attaché will often have insights on local firms' views about the efficacy and efficiency of the program and will be able to interpret preliminary results in terms of this knowledge. The American Chamber of Commerce will be a focus for U.S. suppliers' concerns about the program as well as local importers' views.

The economic office of the embassy is a good source for statistics and views on the credibility of local data, particularly from government sources. That office is often a liaison with the USAID Mission and may reflect the ambassador's ideas on the program being evaluated.

In the USAID Mission, the first and most important source of information will be the officials that manage the CIP or CIP-like activity. There should be strong efforts by the team to establish a good working relationship with those officials, because initial concerns that the evaluation is really an audit or an inspection will have to be overcome. It is incumbent on the team leader to establish this rapport, because those officials can provide many helpful shortcuts in terms of information, suggested interviews, and interpretation of data.

For statistical data, both the office that manages the CIP and the controller's office are invaluable. In many Missions the controller has jurisdiction over the arrival accounting and ADP system; in most of them, he or she will be cognizant of the local currency generation program. The program office will have access to economic statistics of the country; indeed, it may have been the chief designer and contributor to the scope of work for the evaluation.

Mission organization varies, so no pattern exists on how and where a CIP program is supervised. In some Missions, the office that manages the CIP is an independent entity that reports to the director; in others it may be part of the capital development office and reports to the head of that unit. That supervisory officer should also be interviewed. The Mission director and his or her deputy are valuable sources of information on both the management of the activity and its economic and developmental impact. They can also provide guidance on the program's effect on the policy dialogue from first-hand contact with host government officials (the program officer is usually privy to those facts).

There is no clear delineation between preparatory work and the evaluation of the data. Delays and schedule changes can result in important interviews occurring during the last phases of analysis and writing.

## 6. EVALUATING THE ECONOMIC IMPACTS

The economic effects of CIP and CIP-like activities vary widely, depending on the nature of the program and the size of the program relative to host country size and policies. The following suggestions for CIP evaluations derive in part from the experience gained in four evaluations completed in 1984 (Somalia, Zimbabwe, and two in Egypt). Prospective evaluators will do well to examine the approaches taken in these evaluations.

A summary of the highlights of those four studies has been prepared.<sup>13</sup> We cite below the major issues presented in that summary.

- Policy Reform. Policy dialogue and policy reform are central to most CIPs. However, CIP policy goals are often hard to pin down specifically. Thus, it is difficult to monitor the policy impact of most CIPs. If a "policy checklist" were included in the original Project Paper it could serve as a useful tool for Mission management.
- Targeting: Commodities and Beneficiaries. There is a natural programming tension in any CIP between rapid disbursement rates and targeting commodities to the beneficiaries designated in the Country Development Strategy Statement (CDSS). The CIPs reviewed in this paper chose to emphasize disbursement rates. In future CIPs, it might make sense to more tightly limit commodity eligibility and importers to those that are most directly linked to AID's CDSS strategy.
- Foreign Exchange Rates. When designing a CIP, AID should critically examine the spread between the official and free market exchange rates. If the difference is large, AID should consider including policy conditions to narrow the spread. Alternatively, AID should consider providing the CIP at a rate closer to the free market rate.

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<sup>13</sup>See Joseph Lieberman, "Recent Evaluations of AID Commodity Import Programs (CIP)," Working Paper No. 54, PPC/CDIE, forthcoming.

- Local Currency Programming. A more activist approach to programming CIP local currency provides an opportunity to direct a portion of a developing country's domestic resources into areas that . . . AID's developmental strategy. As demonstrated in the Zimbabwe CIP, AID can have a key impact on development budget priorities in developing countries. The extra management costs of such an approach should be carefully weighed against the opportunity for increased development impact.

There is an evaluation agenda implicit in these remarks which can provide guidance to a team as it considers the design of its own evaluation.

More explicit potential tasks can be seen in the objectives of the team in Zimbabwe, for example, which were to examine the CIP in relation to that country's

...economic structure, industrial organization, dependency of industry on imports, the GOZ [Government of Zimbabwe] import allocation system and the actual functioning of the CIP--allotment of funds, procurement mechanisms, payment procedures, financing of imports and the final use of CIP goods. The use of local currency generation was also examined. The final objective was to judge the efficiency and effectiveness of the CIP against AID's development goals and the developmental needs of Zimbabwe.

Although approaches will vary by country, this "agenda" is a good starting point for any CIP evaluation. (See suggested outlines for evaluations of CIPs and CIP-like programs in appendixes.)

The scope of work will also be influenced by the nature of the commodity program. As explained earlier, the team may be required to evaluate either a CIP or a CIP-like program. Different economic conditions require different evaluation approaches. Two extreme cases, although oversimplified for purposes of comparison, can be used to illustrate this point. In one case AID may provide assistance to a country in which there is a relatively open, market-oriented system, floating (or not rigidly controlled) exchange rates, and the like. Under this circumstance, the commodities provided by the program will not move into the system unless there is some compensation for Regulation 1 costs associated with the commodities. Special subsidy programs need to be devised to "sweeten" the profit picture resulting from the use of CIP commodity availability. Here the approach is usually to provide easy credit terms to those importers utilizing CIP commodities. This scenario has implications for program evaluation. Essentially, all the CIP does is

change the source of commodity procurement, shifting it toward the United States. Because the same commodities are imported as before, there is little direct or even indirect beneficiary impact to be studied, normally an important consideration. Instead, team attention will focus on other matters. For example, was the subsidy excessive in some measurable sense? Did it provide windfalls to specific firms that raised equity questions or questions of economic efficiency? Did the CIP distort trade patterns?

A different type of program is that in which there is a heavily overvalued exchange rate, suppressed demand, and the like. (Frequently, such conditions are also concurrent with political instability.) In this case, it is common to "projectize" the CIP, specifying in some detail the commodities that can be imported, who can import those commodities (by sector), and similar conditions, all of which have important implications for beneficiary impact. Thus, under these conditions, the team's attention will focus on economic efficiency and beneficiary impact. These two generally different economic conditions, in sum, suggest two different kinds of evaluations. This distinction should be kept in mind when other details of evaluations are discussed below.

## 6.1 Two General Problems of Methodology

Before proceeding to specific aspects of the economic portion of the evaluation, it is necessary for the team to seek clarification on two issues: the fungibility of all assistance and the methodological difficulty of establishing causal links between the assistance and the observable changes in the economy. Each is an important issue, and they are interrelated. What follows may appear to be somewhat esoteric, yet these are issues that lie at the heart of any economic impact evaluation. They require consideration in the initial stages of the team's planning for they are fundamental to the design of the evaluation and to the selection of data to satisfy that design.

### 6.1.1 The Problem of Fungibility

The central problem here is the difficulty of tracing the end-use of resources. AID may specify that the commodities in question are to provide support for a particular sector, for example, and audits may show that the commodities in question were indeed used in that sector. It might therefore be inferred that this particular assistance was the true basis for increased resource availability in that sector. This inference is not

generally warranted without further information. For example, a host country whose economy is not distorted by "rigged" price signals, or by a multitude of parastatals not subject to market forces, would not unreasonably have been expected to supply resources to the very sectors now supported by AID. That is, AID would attempt to place resources where the returns are highest just as would a market-oriented host country. The economic assistance in this case would be used to free resources for use in other sectors that would not otherwise have received such resources given AID's own priorities.

There is a corollary. To the extent that the host economy is distorted in a market sense and consequently allocates resources to unproductive ventures, or where local resources are insufficient to satisfy even priority needs, AID will be in a better position to suggest market-oriented priorities to the host country. For example, if a palace were going to be constructed instead of a much-needed port facility, AID's intervention could secure the port facility (whether the facility would be maintained is a different question). Of course, the palace might still be built, barring specific conditionality to the contrary.

There is yet another kind of fungibility problem, highlighted in a PL 480 evaluation published in 1984.<sup>14</sup> The evaluation suggests that the first question to ask is whether AID is providing commodities in addition to those that would have been imported in the absence of the program or commodities that would have been imported under any circumstances. If AID is providing commodities additional to what would have been imported in the absence of the program, then the evaluation can properly focus on the effects of such increments on the sectors affected. If AID is providing goods that would have been imported anyway, then AID is in effect providing additional foreign exchange, not additional goods. In the latter case, it is virtually impossible to trace the specific impact of commodities. Rather, the evaluation will need to examine whether the host government policy environment was conducive to the most productive use of foreign exchange. In practice, most CIPs will provide for additional commodities.

The importance of the fungibility issue, then, is that it determines which approach is most appropriate for the evaluation team. This means that at the outset, the team will have to make a finding as best it can on the additionality issue. In-country

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<sup>14</sup>Comments of Michael Crosswell in Barry Sidman et al., Jamaica: The Impact and Effectiveness of the PL 480 Title I Program, AID Project Impact Evaluation Report No. 51 (Washington, D.C.: U.S. Agency for International Development, February 1984), p. H-1.

interviews with officials and others will help resolve the matter, as will a review of the actual level of imports over time. Decisions on this issue, however, will sometimes be subjective. For example, the team will have to infer from circumstantial evidence based on conversations relating to host government intent what the level of imports would have been in the absence of the CIP. The basis for the team's decision concerning the conditionality issue must be noted in the evaluation.

### 6.1.2 Problems in Determining Causality

If AID finances resource transfers to the industrial sector in a country to provide much-needed inputs, and output in that sector increases, can it be assumed correctly that the transfer was responsible for the growth? Perhaps, although no clear causality can be established in most cases because of other factors at work simultaneously. For example, the marketing system for inputs may have been improved. Labor market conditions may have changed, resulting in a lower unit labor cost of production. The exchange rate may have been reduced, resulting in increased export markets to which industry responded by increasing output.

Consider a different situation. Policy changes often are suggested or required in the CIP through conditions precedent or in covenants specified in the PAAD, and sometimes disbursements are made in tranches on the basis of specific policy changes. Assume that there is a condition precedent stipulating the freeing of agricultural prices. This is expected to lead to a producer price rise and, in turn, to an increase in farm output and agricultural incomes. Perhaps it can be established without question that the policy changes would not have been made in the absence of AID conditionality. So far so good. What else can be attributed to the AID resource transfer? Although standard economic theory suggests the chain of events cited above, there is no way to fix a causal relationship between the policy change and the subsequent changes hypothesized. In most cases, the team can cite with certainty only specific policy changes. The direct effect of these changes will be indeterminate. At most, the team will be able to argue only that the policy changes were probably a factor contributing to observable improvements in the sector. Their quantitative effects are uncertain, will work themselves out over the long run, and are probably part of other changes being made in the economy or which may occur in the international economy.

In sum, the team will not find it possible to establish links between policy changes and subsequent events in the economy in a strict causal sense. The best that can be done is to follow up on benchmark indicators of changes suggested by economic

theory. This is far less satisfying than "establishing" a link between a policy change AID prescribed and improvement in the economy, yet this is all that can be done.<sup>15</sup>

## 6.2 Relationship Between CIP and the Economy

The evaluation of the CIP or CIP-like program must meet two objectives. The program must be examined for its effect on the growth and stability of the economy and for its beneficiary impact. Also, the evaluation must relate the effects of the programs to the results anticipated in original program documentation. From either viewpoint it is necessary to have an overview of the economy--its size, structure, rate of growth--by broad sector as well as a whole, and to place these developments in their policy context. This is provided initially in the PAAD. Often the CIP is part of the donor-coordinated "package" of assistance designed to fill the "gap" between the amount of resources necessary to sustain a desirable growth rate in the host country and the amount of resources domestically available. In effect, the CIP is intended to be responsive to the broadest considerations underlying the growth of the host country's economy. Evaluation of the CIP, therefore, must place it in the context of all donor assistance to that country. Also, it is appropriate that any CIP evaluation begin with this broad picture, highlighting salient forces affecting growth, structure, and equity, with some indication of future change. Key macroeconomic policies would include monetary and fiscal policies, the trade regime, and the like. Key microeconomic policies would include those designed to stimulate specific industries, labor market interventions, and the like.

After having established the nature of the host country economy, it will then be possible to analyze how the CIP links into the overall economic structure. This would include an analysis of the composition of GDP and industrial and agricultural production, and the composition of imports in relation to specific industrial and agricultural needs.

For almost all developing countries, it would seem that little can be said about a CIP's impact on the national economy. The CIP is generally too small, the economy too large, and exo-

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<sup>15</sup>See Chris Hermann, "Implementing Policy and Institutional Changes by Performance Disbursement: Examples From the Philippines, Bangladesh, and Niger," Occasional Paper No. 1 in the series on program design and evaluation methodology (Washington, D.C.: U.S. Agency for International Development, forthcoming).

genous factors are too great. CIPs (even in cases such as Egypt) represent a very small share of foreign exchange availabilities. When compared to the average CIP, even "normal" droughts or changes in export prices will probably have a much greater impact on the economy of the developing country. Nevertheless, it should be possible at a macro level to analyze the structure of the developing country economy to see how well the CIP "fits." Also, below the macro level, the effect of the CIP can be great in a particular sector. If that sector is critical to the overall economy, then the macro effects may be pronounced (see Section 6.3 below, on sector impacts).

Data on these questions can be researched in Washington before team departure. It is strongly suggested that the team arrive in-country armed with this information. For one thing, there will be very little time for this kind of research after arrival. More important, these data will affect the entire range of work to be carried out by the team. Putting it together piecemeal in-country will not only be difficult, but will actually impede the work of the evaluation.

Data for this section are rather widely available through the country CDSS and the documentation supporting initiation of the CIP, and in various World Bank publications, U.N. documents, International Labor Organization reports, and so forth. In addition, as noted above, the team will begin with the economic analysis and data provided in the PAAD. This document also will provide the covenants and conditions precedent governing disbursement. The team will need to gauge the extent to which such stipulations have been met.

### 6.3 Impact on Selected Sectors

A CIP may provide for the importation of agricultural commodities, raw materials, and manufactured products. Imports may flow to any number of sectors.

Technical assistance and/or studies may also be provided through the CIP as part of a package to ensure that the most significant subsectors of the economy are targeted for imports, that the correct materials and quantities are obtained, that they are used in the most effective and productive manner, and that possibly related problems (e.g., policy bottlenecks, misuse, counterproductive practices, and so on) are identified and explained in a way that demonstrates to recipients that these problems should be addressed and that provides guidance on how that might be done.

Programs initiated for political and immediate development effects will be typical of unrestricted import programs. In

contrast, programs oriented more toward development, especially in badly distorted economies, often will delineate in varying degrees the commodities eligible for import and may be specific regarding the sectors. CIP-like programs specify commodities or sectors eligible for the program.

It was noted above that the macroeconomic effects may be difficult to measure because of the small size of the CIP relative to the economy. The effects of a CIP on a sector may be great, however. In the case of Sudan, where the CIP is used to finance the power/energy sector and improvements in this sector, the impact on the economy has been very large. Without the CIP inputs, Sudan would have foregone a considerable amount of its production, as much of it is dependent on a regular and dependable source of energy. To the extent that a CIP can be used to introduce some discipline into the use of a key targeted commodity to be procured, and services are provided through the CIP to ensure that the commodity is used correctly and, if applicable, maintained, the CIP has an impact beyond mere procurement of goods. The quick-disbursement quality of a CIP also allows for an emergency procurement of essential items that may otherwise be foregone because of a foreign exchange bottleneck (e.g., key agricultural inputs at planting or harvesting time, as was the case of fertilizers and seed for planting in Sudan, and the provision of jutebags and baling hoops for harvesting export crops).

The following suggestions for analyzing sectoral impact may require more time than that available for the evaluation. Before undertaking the detailed analysis of the sector, the team should determine if any such work has already been performed by AID, the World Bank, the United Nations Development Program (UNDP), or other donors, or by the host government, local universities, industry associations, or chambers of commerce. If so, valuable hours or days of the team's time could be saved. Such a search should commence well before the team arrives in the country. Results of studies conducted previously might include such measures as the following:

- Import coefficients for the economy, industrial sector, and selected industries
- Capital/output ratios for the economy and selected industries
- Employment generation resulting from different types of investment
- Employment effects of different rates of capacity utilization

- Changes that have occurred in subsequent CIPs, and the reasons for the changes

First, before analyzing any of the sectors, the team should review the overall mix of goods imported under the program. Second, data should be aggregated into sectoral categories. Third, it should be asked whether any of the goods replaced domestically produced goods. Any finding that imported goods under the program replaced goods produced in the country would be a negative factor in the evaluation because of the loss of output and employment for domestic producers. Fourth, how was the allocation of CIP goods made originally? The evaluation team should determine whether the selection of commodities proved to be justified.

In the sectoral analysis, an important economic question is whether the country has a comparative advantage in the industrial sector or subsector (manufacturing or agricultural) that has been a recipient of imports under the import program. Although a determination of the comparative advantage might be elusive, the more extreme cases can be identified. In those cases in which it is obvious that economic costs, or lack of comparative advantage, are high with regard to the particular industry, the CIP activity may have contributed to a misallocation of resources.

Because of data problems and changing economic conditions, it is recommended that only those cases in which an industry obviously has high costs and absolutely no comparative advantage should be cited in regard to the negative impacts of the import program. In those cases in which there is an obvious comparative advantage, the positive impacts of the CIP program should be noted.

Many industrial enterprises (manufacturing and agricultural) are in a gray area between comparative advantage and no comparative advantage, but to make the distinction requires a detailed study based on international cost analysis, including shadow pricing, for each industry. This analysis could help determine comparative factor costs and whether an industry has a comparative advantage or not. Furthermore, the international market is evolving continuously and what may be currently uneconomical may be economical in the future. Growth of local markets also can convert many industries into sound economic entities in the near future. The assumption is that many of these firms have been financially viable or successful in obtaining profits, because of tariffs or other protective devices, but they may have been uneconomical in the international market.

For in-depth analysis of the specific sectors, the following questions should be considered:

- Are spare parts readily available for American-made machinery imported with CIP funds?
- Are raw material imports efficiently utilized by American-made machinery?
- Are logical patterns of international trade being disturbed by the CIP activity? (This question is important for major imports.) Could imports have come from a closer source?
- Have recipients of the program benefited through excessive profits?
- What have been the effects on client labor costs and productivity in manufacturing?

In the usual developing country situation of foreign exchange scarcity, AID needs to be concerned with the effects of an overvalued foreign exchange rate. This influences not only the desire to import, but the size of the counterpart funds generated by the CIP. At overvalued rates, the developing country may not only import too much, in the macroeconomic sense, but may import inappropriate commodities that do not reflect the economy's "real needs," that is, commodities inappropriate to its labor-capital ratio. In addition, CIP importers may make windfall profits from CIP imports that are available at the "cheap," official exchange rate. The team will need to evaluate the effect of overvaluation on the effectiveness with which the CIP is used.

#### 6.4 Impact on Balance of Payments

The balance of payments is an accounting device for recording merchandise and monetary flows beyond national borders. A CIP grant or a cash transfer will appear in the current account, while loans will be part of the capital account. If a country has a merchandise deficit of \$10 million, then a grant wipes out this deficit on current account. If it receives a loan that is intended to accomplish the same effect, then the current account will remain \$10 million in deficit, and the capital inflow will be recorded in the capital accounts, along with an increase in equal amount of capital liabilities. The process of accounting for this transaction is conventional (one may say arbitrary), and it is difficult to derive economic meaning directly from the figures. Therefore, it is important that the team be clear on the economic questions it is asking of the CIP and then proceed quickly beyond the balance of payments accounts to answer those questions.

One might for some purposes want to gauge the CIP disbursements as a percentage of the portion of the current account deficit directly associated with the importation of goods and directly related services such as shipment costs. This, then, becomes a way of judging the effect of the CIP, if any, on reducing the deficit. If other items of the current account were included, however, (travel or repatriation of profits), this simple ratio would measure not only the contribution of the CIP to the goods deficit, but in addition its contribution to luxury travel and return of profits, perhaps to firms in a third country. In effect, this would be a measurement of quite different economic relationships.

There is yet another aspect of the balance of payments that might bear investigation. In some cases a CIP or cash transfer will so increase liquidity in the short run that the host country will find commercial terms eased. This change in itself may be important, quite aside from other longer term effects of these programs.

In brief, the problem for the evaluator is not so much a matter of how to calculate the impact on balance of payments, but rather how to assess the meaning of that impact. In those cases in which CIP is not a major factor in a country's import totals, the impact will be small and unimportant. The exception is a situation in which CIP imports displace regular free foreign exchange imports. The result in those rare instances would be a buildup in the country's foreign exchange or a reduction in its foreign exchange debt. Here the task of the team is to evaluate the policies affecting productive use of the increase in foreign exchange availability.

There may be instances in which the importing country faces a true scarcity situation and the CIP is thus clearly additive. This would most often occur at the beginning of the CIP after AID has determined that an urgent economic situation demands such an intervention. In this case, emphasis in the evaluation would be placed on the effects of such commodities on the functioning of specific sectors of the economy.

Again, no single method of analysis can be suggested for every evaluation. Much depends on the local situation and the objective of the CIP. There are also peripheral issues, including the following:

- If CIP disbursement were slowed in any year, what were the negative impacts?
- What has been the effect, through an improved balance of payments, of the ability of the banking system to obtain foreign loans and to obtain them at lower interest rates?

- To what extent have improvements in the current account affected the government's ability to meet IMF requirements?
- Are there fewer restrictions on the use of foreign exchange? Can specific central bank actions be cited?
- What has been the impact of the CIP on the nature of the banking system and how it does business? What has been the impact on procedures governing interbank activity and bank interaction with the government?

The team may encounter peripheral issues that require consideration as well.

## 6.5 Cross-Cutting Issues

There are many issues and questions that the team may think it appropriate to address, some more important in a particular country than others. Two issues, however, are conceptually important in all countries and require explicit consideration.

### 6.5.1 The Matter of Equity

Employment levels are important as a surrogate measure of the spread effects of the CIP. Employment in developing countries is the link between growth and equity. Using internal data, or data from comparable economies, one can attempt to estimate the impact on employment of the CIP, depending on the uses to which the resources are put. Short- and long-term employment effects will also differ. Beyond direct employment, CIPs can affect informal employment and on-farm agricultural employment.

The central issue here is to identify the beneficiaries of the CIP and those whose incomes might have been worsened either relatively or absolutely by the CIP. Quantitative estimates may be possible in some cases, although in all cases they will be extraordinarily difficult and perhaps beyond the resources of the team. Under any circumstance, the team will need to make a reasoned judgment on this important question of who gained and who lost from the CIP.

## 6.5.2 Institutional Impact and the Private Firm

Institutions stand between people and nature and determine in large measure how well people will use the resources available. They can be specific organizations (a ministry of agriculture, a development bank), they can be ways of organizing activities (markets, systems of land tenure), or they can be purely abstract (religious beliefs, standards of ethics). The CIP in some cases will represent a large new flow of resources relative to host country institutional absorptive capacity. Its impact on the private sector might be the most obvious question one could ask concerning a CIP. For example, did the CIP have any effect on licensing procedures and allocation decisions? How did the banking system respond to the growing number of private business concerns/business people? Did some segment of the private sector benefit to the detriment of another? What was the effect on distribution channels, on market information systems, and the like? Equally important, however, would be the effect of the CIP on existing parastatals and on the government sector generally.

An important question of institutional impact is how private enterprises fared as a result of the CIP. One approach here would be to conduct interviews at both large- and medium-size firms. Small firms may be included; however, the results obtained from the small firms may not justify the time and expense of evaluation. Interviews should provide answers to a number of questions regarding the effect on individual firms, including the following:

- What were the changes in output?
- What was the effect on gross revenues?
- What were the employment effects?
- If machinery was imported (U.S. origin), was it appropriate to the situation in the country?
- Did the capital-labor ratio shift? If the ratio rose, did this result in some workers being laid off? Or did the output rise sufficiently to offset adverse labor effects?
- Were raw materials (U.S. origin) suitable for machinery already in use?
- Did the rate of capacity utilization for the plant(s) change?

- In the opinion of management, what were the positive and negative impacts of the CIP program on the firm?
- To what extent have profits benefited from the program?
- What are the primary reasons for a firm staying in the CIP?
  - Quality of U.S. goods
  - Availability of spare parts
  - Customer preference
  - Favorable foreign exchange (U.S. dollar) rates

Beyond the firm level, the team should examine how the CIP has affected the development of the private sector. Although some of the observations may be covered in the sectoral analysis, the effect on the whole economy should be considered. In addition, the growth of small business should be evaluated, and an attempt should be made to find examples of small-scale business development. A chamber of commerce or association of private enterprises may be helpful in providing information. Here, attempts to quantify results may be difficult. However, the number of licenses issued annually for new businesses might be a useful indicator, as would the number of loans granted to new businesses and for plant expansion. Domestic development banks should be able to provide data on the size of loan recipients, with attention directed toward the small business sector.

#### 6.6 Creation, Use, and Programming of Local Currency

Although a CIP is designed to ease balance of payments pressures, the real resource transfer takes place when imported goods are provided through the CIP. In some cases local currencies are generated through the CIP. The spending of such counterpart funds is not in itself inflationary, because they are simply the monetary mirror of the real resource transfer. If such funds are not spent but are in effect "sterilized," then resources are being provided in excess of spending on those resources, and the overall effect is deflationary. If there is a charge that the CIP activity has induced inflation via an increase in the money supply related to increased reserves based on counterpart funds, the evaluators should discuss this allegation with the economic counselor of the embassy or the AID economist. A rough measure of the relative importance of counterpart funds can be achieved by expressing the amount generated by CIPs over relevant years as a percentage of business/corporate and personal savings.

Through letters of commitment and letters of credit from AID and the banking system, a mechanism is established for the

importer to place orders for desired equipment and commodities under CIP. Both private and public importers of CIP goods will pay for CIP imports through the banking system, with funds eventually being deposited into a CIP special account at the central bank or, possibly, some designated commercial bank.

It is reported that some countries allow only a few banks to work with the CIP accounts, thereby denying business to other banks, but many countries allow all recognized commercial banks to deal with CIP accounts. It is recommended that the evaluation team answer the following questions:

- How responsive was the banking system in handling the CIP accounts on initiation of the program?
- Was the government "fair" in its allocation of CIP business to the banking community?
- Did the recipients of CIP goods have problems in obtaining loans for their purchases? What were recipients' views on the terms of the loans and the period of repayment?
- What percentage of borrowers under CIP defaulted on their loans?

The use of local currency funds will be determined by prior agreement with AID. They could be used to support the operating budget of the government. Whether grant or loan, CIPs often include a formal agreement with the government for the funds to be allocated to development projects. Both governments establish a joint monitoring system for the use of funds; evaluation of the monitoring of the funds is directly related to auditing.

To determine whether CIP-generated counterpart funds have been used effectively, development projects receiving major support from these funds should be considered. It is assumed, for evaluation purposes, that virtually all of the development projects met the criteria of effectiveness on initial approval; however, the CIP evaluation could include an assessment of the impact of the benefiting development projects. Such an exercise will require assistance from AID Mission staff, and their collective experience in dealing with projects over a number of years should be helpful.

A related question is whether the extra management costs of the programmed use of counterpart funds was met easily or at substantial cost to the AID Mission. The costs that are relevant to this calculation are those activities that might otherwise have been carried out but that had to be abandoned or limited because of the management of the funds.

Counterpart funds advanced to development banks should be considered. If included in their loan portfolio, counterpart funds advanced to development banks have the advantage of being self-replenishing since they are repaid and can be loaned again.

There is some evidence to suggest that CIPs may become important in the future in providing for recurrent costs of projects previously funded by AID. In principle this raises no new problems in evaluation of the use of local currencies. However, it will be useful to examine the timing of the use of these funds relative to the drawing down of the CIP. If the latter is delayed, then so too will be spending from the fund, possibly jeopardizing the project. At the same time, use of such funds provides one more avenue of leverage for advancing projects assigned high priority by AID.

There is a broader qualification that must be noted concerning the use of CIPs for recurrent costs. As noted briefly above, in countries where the foreign exchange rate is brought into line with the real market value of local currency, and where the dollar is strong, importers may conclude that commodities under a CIP are too expensive. The costs associated with Regulation 1 procurement and cargo requirements may place any who use CIPs at a disadvantage. This scenario, of course, goes beyond the scope of work of a typical impact evaluation. However, because market-clearing foreign exchange rates are a goal of AID, the team will want to be aware of this potential problem and to note in its evaluation how the use of the CIP has been affected by it.

## 7. SOME MEASURES OF PROGRAM EFFECTIVENESS

### 7.1 Management and Efficiency of the CIP

One member of the team, preferably one who has had prior AID management, program direction, or CIP experience, should be given responsibility for this part of the evaluation. Care should be taken to resist adopting an audit approach when evaluating the management of a CIP or CIP-like activity. In each program, particularly ones that have been in existence for a long time, there might be instances of improper vouchers, commodities that proved to be defective, or similar shortcomings. Although they may be mentioned in the report, unless they are seen to be endemic in the system, they should not become the focus of the report.

Similarly, evaluators must maintain a fine line between the efficiency of the system and its impact. There is a tendency to examine the rate and level of fund disbursements and imports at a single point, or at the beginning of a program, and conclude that the program impact is adversely affected. No CIP or CIP-like

activity will be able to disburse funds or generate imports for the first several months of its existence.<sup>16</sup> Once they begin, however, such activities will reach measurable levels. The test then is how well the level was maintained. There will be aberrations among various commodities, depending not only on the nature of the commodity, but on whether the importer is in the private or public sector and on the importer's experience in handling international transactions and dealing with shippers, freight forwarders, and port officials. Complaints will be heard from individual firms about U.S. regulations, red tape, 50/50 shipping requirements, bid problems, inspection delays, and so forth. Each of those problems is real to the affected importer, but care must be taken to determine whether the complaints are part of a pattern or isolated examples. If the former, these complaints should be mentioned in the report as an impact problem or as a problem affecting the perception, and even the participation, of the import community.

### Indicators for Evaluation of CIP Management and Efficiency

1. The average disbursement rate and import level for the program since the first transaction.

Data sources: SER/COM printouts for CIP; USAID Mission arrival accounting figures.

2. The opinion of program participants concerning the efficiency of the system.

Data sources: Interviews with importers, bankers, and government officials, validated by interviews with USAID and embassy personnel.

3. Percentage of the transactions, by number and value, that have been subject to end-use audits in USAID. How thorough are the audits? Has there been follow-up?

Data source: Controller's office for copies of the audits and examples of follow-up actions.

4. Extent of USAID Mission monitoring of the local currency special account. Who does the accounting for the deposits and disbursements? Are the agreements for the use of the funds specific in allotting responsibility for

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<sup>16</sup>World Bank reports indicate rapid disbursements--less than 6 months--for many of its program or structural adjustment loans.

funding decisions, monitoring, and auditing? (See Section 6 for a full discussion of evaluating the impact of the special account.)

Data sources: Controller's office for reports; appropriate government agency records concerning deposit of funds; program office for agreement on funding of selected projects.

5. The frequency of CIP or technical staff meetings with relevant government officials, the import community, and the banks. Is there a regular meeting schedule? Is there a mechanism for representatives of all participants to meet with one another in a committee or advisory council?

Data sources: Interviews with participants in the program.

6. The degree of interaction between the CIP office in USAID and the rest of the Mission. Is it isolated or participatory? Does the program receive a sufficiently high level of scrutiny by Mission management? Is there an attempt by the Mission to make CIP complementary to the USAID project program? If so, have guidelines been issued?

Data sources: Interviews with CIP staff and USAID management, including program office; review of Mission orders.

7. Any input by the technical divisions into CIP decisions that affect a given technical area. Do the technical divisions have veto power over a given CIP transaction? What is the basis for exercising that power? To what extent are large infrastructure or turnkey CIP transactions monitored to ensure timely arrival of commodities or to determine the ability of recipients to use the commodities and to monitor the facility? Is there a system for converting such transactions into "project-like" activities or even into projects for inclusion in the Mission project review system?

Data sources: Interviews with technical division personnel and CIP staff; examination of Mission project review system.

8. Attitude of the CIP staff toward the purposes and function of the CIP. Is it harmonious with Mission management's or program division's views?

Data sources: Interviews with CIP, program, and Mission management.

9. Size and composition of the CIP staff.
  - a. Number and variety of CIP transactions. A great number of relatively small transactions in different commodity groups may require more staff of a specialized nature. A dozen large bulk transactions a year totaling several million dollars may only require one supply officer, but specialists may be required for iron and steel, agricultural commodities, health supplies, and so forth.
  - b. Sophistication and experience of the importing and banking community. The more experienced the business community, the less it will depend on CIP staff for guidance, specification drafting, screening of transactions, and assistance in dealing with American banks and AID/Washington. (But an overly sophisticated import community, one that seeks opportunities to manipulate the system for its own gains beyond the usual profit margins, may require an increase in commodity specialists to pre-audit every transaction.)
  - c. If the program is largely for the benefit of the parastatal sector, there may be an increased amount of paperwork because of the requirement for competitive bidding and the large number of agencies and organizations that must be dealt with, each varying in experience and sophistication.

Data sources: Interviews with Mission management, CIP management, and staff; with users of the program to determine whether any delays or inefficiencies in the system are perceived to be due to inadequate staffing; discussion with SER/COM in AID/Washington before departure.

10. Status of the arrival accounting system. To what extent is it utilized by the CIP staff? It is used intermittently or on a frequent basis? Is there an ADP system in the Mission that includes CIP transactions? How effective is it in tracking CIP transactions? Are reports provided to the recipient government agencies and ministries on a timely and regular basis?

Data sources: Interviews with controller, CIP staff, and government officials; examination of the systems by a knowledgeable ADP expert (if the ADP system is large and complex).

## 7.2 Policy Dialogue

Pursuing a policy dialogue with host government officials to effect structural adjustments or changes in the economy is a major priority for USAID Mission directors and often for ambassadors. The extent to which CIP and CIP-like activities form the basis for such discussions often depends on how the particular programs are conditioned. Practice indicates that CIP-like activities, more often than CIPs, are specifically structured through preconditions, disbursement of funds in tranches, or specific covenants to support policy dialogue. On the other hand, CIP agreements increasingly include such conditions. However, even without imposed conditions, large CIPs are often important in such dialogues. Once it is confirmed that the policy dialogue includes these programs, it is incumbent on the evaluators to examine their effect on the discussions.

Indicators of success may be either objective or subjective. If the latter, interviews with participants on both sides of the dialogue will reveal what they feel has been progress to date and the impact of the program under evaluation. But caution is indicated. Host government officials, if they are willing to discuss the issues at all, may be defensive about the need for using existing programs to "force" them to take given actions. U.S. participants may be no less frank in discussing what are often sensitive areas of negotiation between the two governments (and often between the host government and the IMF or World Bank).

### Indicators of Impact on Policy Dialogue

1. Overt policy changes corresponding to conditions and covenants in program agreements.

Data sources: Host government announcements, rules, decrees, laws, or regulations; interviews with USAID Mission and embassy officials.

2. Unannounced policy changes pursuant to conditions in program agreements.

Data sources: Interviews with government officials; market research; interviews with USAID Mission and embassy officials.

3. Successful IMF negotiations on standby agreements, if made a condition of loan or grant.

Data sources: IMF officials.

### 7.3 Development Impact

Because CIP-like activities are more narrowly focused than regular CIPs (usually on one sector or even subsector), the evaluation of their development impact is more straightforward. If, for example, the loan or grant is for the energy sector, the evaluation of the development impact could be the same as it is for a regular project, and the project evaluation techniques in AID's Handbook No. 3 would be applicable. The indicators in Sections 7.1 and 7.2 above may be used to determine the management and efficiency of the program and its impact on policy dialogue. However, for regular CIP activities the problem may be more difficult, unless specific development goals are made part of the CIP agreement. Most CIP's are not primarily designed for their development impact (despite the admonition in the Foreign Assistance Act of 1961 that development policy be taken into consideration when planning Economic Support Fund assistance). The emphasis remains on disbursements and import flows, and development goals are added without making material changes in imports. One effective method has been to emphasize imports for specific sectors, such as industrial production or agriculture. When this is done, evaluation is made easier because measurements of productivity or output may be meaningful.

However, because of the emphasis on inputs, development may be adversely affected through the financing of imports of commodities and equipment too sophisticated, complex, or expensive in relation to the basic development needs and priorities of the country. An example is financing sophisticated medical diagnostic equipment, the usefulness of which is limited to a few unique cases, when the country needs equipment or medicine to provide primary health care for the majority of the population. Such adverse impacts are difficult to measure in quantitative terms. They are often most effectively illustrated by case histories. Indeed, case histories may provide a better methodology for evaluating the development impact of a CIP activity in the absence of quantitative goals in the CIP agreement, but care must be taken in extrapolating from anecdotal experience.

In Zimbabwe, one important intended effect of the CIP was the generation of local currency to be used for the capital costs of the country's development projects; Zimbabwe was responsible for recurring costs. The evaluation team assessed the impact of those projects in much the same manner as they would for a regu-

lar project. In situations in which the special account is not a major intended objective of the program, an evaluation of the development projects may not be called for; it may be sufficient to assess the management of the account and review the record for compliance with the underlying agreements.

When a program is established largely to support government agencies and parastatal organizations, the government allocates the foreign currency credits by ministry, agency, and sector. A review of the selection and allocation system may provide insight into the government's development policies and the efficiencies of the system as it pertains both to foreign exchange and commodities. (In a largely private sector program, it is assumed that normal market forces result in a proper allocation and selection of commodities unless there is government intervention.) Evaluation of the government's allocation system requires an examination of the budget process, beginning with individual agency or organization budgets, tracing the review process through each level, and ending with an analysis of the final decisionmaking process. This could be included in a scope of work, but if so, the team should have a public administration or budget expert available.

#### Indicators of Development Impact

1. If the development targets or criteria are set out in the CIP agreement, they may be used as primary indicators. For example, if the program was to be used to import needed medical equipment for rural areas, indicators would be the volume and appropriateness of the imports, the number of beneficiaries affected, and the change in their health status.

Data sources: CIP records, including arrival accounting systems; on-site visits to facilities receiving and using the equipment; end-use audit reports; interviews with the health division staff in the USAID Mission and the ministry of health officials in the government.

2. If a stated target was an increase in productivity in a given sector of the economy, the indicators would be productivity figures for the sector before and after CIP, making allowances for the effect of other factors such as domestic or other foreign investments. However, the data may not be that readily available in many less developed countries.

Data sources, if available: National bank statistics; industry association records; interviews with leading firms within the sector; embassy statistics; chamber of commerce interviews.

#### 7.4 Political Impact

Measurement of the political impact of any part of an AID program requires a sensitivity on the part of the evaluators to the nuances of the political setting. Briefings in Washington should have provided some insights. Policy dialogue and the part played by CIP and CIP-like activities will be a prime area of inquiry (see Section 7.2). In addition, the scope of work may require the evaluators to assess the impact of the program in other areas.

If the scope of work asks for a political impact evaluation, it should also indicate whether that portion of the report should be in a separate limited-distribution annex. However, only in sensitive situations should a part of an evaluation be administratively restricted. If the report is to be credible to its audience, the less it is limited the better. A carefully crafted report could avoid direct quotations and still retain the essence of the points made. In the Egyptian CIP evaluation, the sensitive question of whether a part or all of the CIP should be converted to a cash transfer or some other type of program was openly discussed with Egyptian officials and embassy staff, and the pros and cons were presented in the body of the report.

In addition, guidance should be sought from those on the scene, particularly the ambassador or Mission director.

#### Indicators of Political Impact

1. The public perception of the role played by this particular U.S. activity.

Data sources: Interviews with embassy staff and U.S. Information Agency (USIA) officials; USIA files for newspaper articles or television publicity programs; interviews with bankers and firms not participating in the program.

2. The visibility of the program.

Data sources: Interviews with the embassy concerning feedback from government officials on "too many

Americans" or "too much emphasis on U.S. marketing requirements"; embassy staff on its perception of "too many Americans."

3. Demands for converting the program to alternate methods such as cash transfer programs.

Data sources: USAID interviews, embassy comments, carefully selected interviews with recipient government officials.

## 7.5 Distribution of Benefits

In a CIP-like activity with its narrower focus, determination of the extent of the distribution of benefits should present no difficulties.

### Indicators of Benefits Distribution for a CIP-Like Activity

1. Degree of access that designated beneficiaries have to obtaining fertilizer.
2. The benefit-cost analysis of its use.<sup>17</sup>

Data sources: Records showing number of tons imported; purchases by small, intermediate, and large farmers; interviews with users to determine effect on crop yields; profits before and after the use of fertilizer.

For a CIP activity, even the determination of the beneficiaries, other than naming the active participants such as importers, end-users, and banks may prove to be difficult. Firms may have problems in isolating the effect of their CIP imports on employment. To determine benefits for consumers of the output generated by CIP imports, inquiry would have to be made on a sector-by-sector basis. This underscores the advisability of using a case history approach. For example, a major CIP import in Egypt has been refuse collection equipment. Because the person in charge of waste collection for Cairo was an enthusiastic

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<sup>17</sup>See Project Evaluation Summary, Fertilizer Promotion (USAID/India, August 24, 1981) on the project in India for an excellent model for this kind of evaluation.

and articulate advocate of the benefits of the equipment, the evaluation report was able to demonstrate the employment effects (negative, because motorized equipment replaced hand laborers), environmental effects (sealed containers were used instead of open donkey carts), and the potential use of the refuse (pilot compost plants).

### Indicators of Benefit Distribution for CIP Activities

1. Indicators will vary from one industry or sector to another. For example, if the CIP has provided additional railroad equipment, a more complicated analysis would be required that first determines how much is replacement and how much additive. Then, resulting effects on passenger and freight miles and rates must be computed along with a determination of whether new lines were extended into previously unserved areas or communities. The social benefits may then be estimated for passengers and those dependent on freight.
2. If a large quantity of raw materials, such as iron coils or bars, has been imported, an analysis would be required of the products that were manufactured from those bars and coils, the uses to which the end products were put (construction of buildings or homes), and the beneficiaries or users of the end products (those occupying the homes or being employed as a result of the new construction).

Data sources: For this type of analysis there is little likelihood of statistical data being available beyond the import figures and the amount going to individual firms or government agencies. The primary source of information would be interviews and on-site visits. Mission CIP staff should be able to provide leads that would yield a useful analysis of both the beneficiaries and the benefits.

### 7.6 U.S. Market Share

An unspoken but nonetheless important aspect of a CIP is the effect it may have on American suppliers' permanent share of the import market in the recipient country through the sale of equipment and spare parts.

Indicators of Effects on U.S. Market Shares

1. Determining the share is a matter of comparing data for the period before and during the life of a CIP. Bar charts can be used to show a comparison of U.S. imports in the country to all imports by totals and by major commodity groups (see Figures 1 through 3 for examples).
2. For a determination of the trend of U.S. market penetration, Figure 3 is possibly predictive, showing that there is a growth of the non-CIP-financed share of the market. But whether the trend will continue at higher levels or even stay the same depends on other less quantifiable factors such as consumer acceptance, price, availability of adequate foreign exchange at rates that make U.S. goods competitive with other imports, aggressiveness of U.S. suppliers in exploiting the market, and the quality of local representation and service. This is particularly important if the CIP is reduced or terminated.

Figure 1. Imports From the United States Compared  
With All Imports Into the Country, 1979-1984  
(in millions of U.S. dollars)

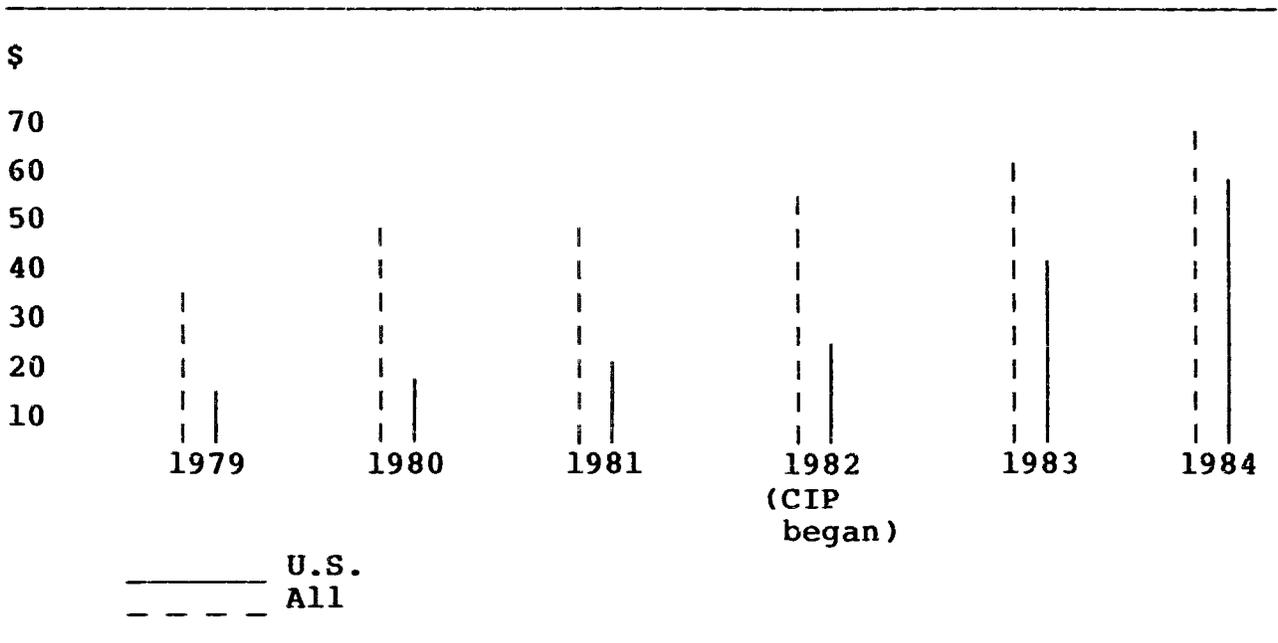


Figure 2. Imports of U.S. Trucks Compared With Imports of All Trucks Into the Country, 1979-1984 (in millions of U.S. dollars)

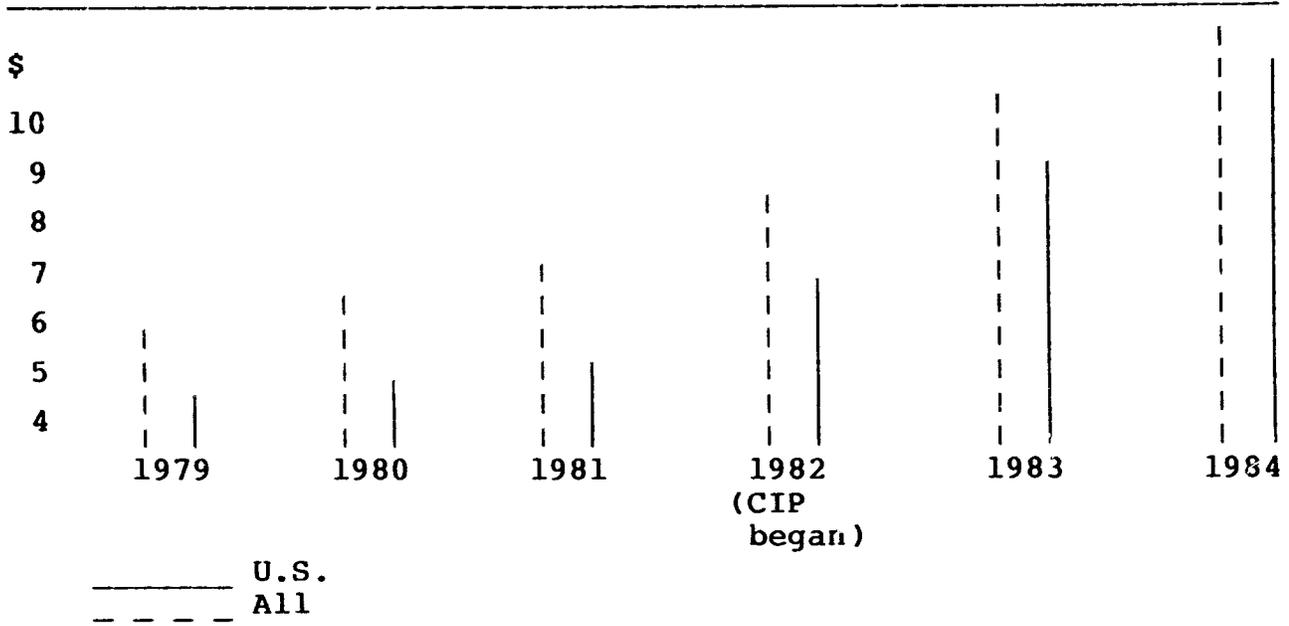
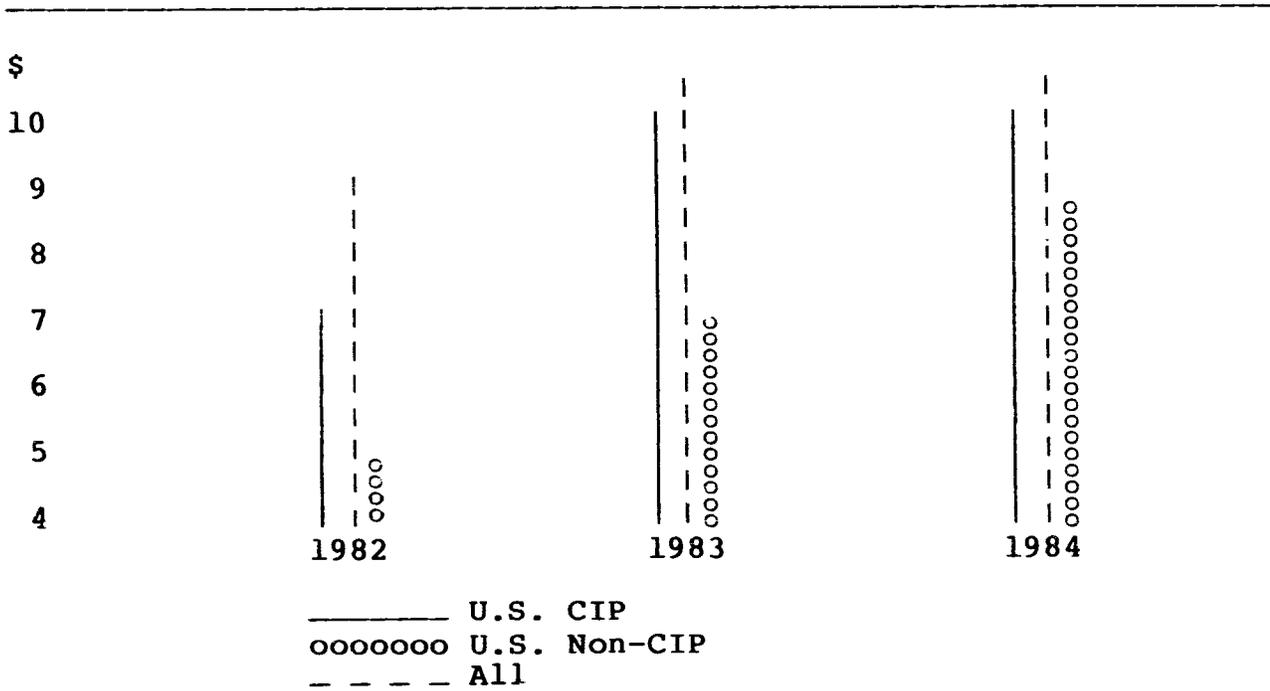


Figure 3. CIP and Non-CIP Imports of U.S. Trucks Compared With All Imports of Trucks Into the Country, 1982-1984 (in millions of U.S. dollars)



Data sources: For the bar charts, national bank, World Bank, IMF, and U.S. import and export statistics; for other more subjective data, interviews with importers, banks, consumers, and U.S. supplier representatives in the country.

## 8. PRODUCING THE REPORT

The purpose of an evaluation is to develop a method by which the evaluators can record and transmit their findings, conclusions, and recommendations to those who will use them in designing future assistance activities or apply them to ongoing programs.

The AID format for project evaluation reports presented in Handbook No. 3, of which many good examples are found in the series of published evaluation reports, is useful for nonproject evaluations as well. A suggested outline of a report is found in Appendix B. Because experience shows that many readers do not go beyond the executive summary, drafters should extract their major findings and recommendations for inclusion in that section, and the more detailed statistical findings and tables should be saved for appendixes.

Recommendations for future action, whether by the managers of the program being evaluated or for designers of future programs, should flow logically and directly from the findings and conclusions. The latter should have a valid data base. One criticism leveled at the draft report on the CIP in Egypt was the lack of sufficient data to justify the conclusions, particularly in the analysis of the developmental impact. Thus, it is better at the outset to indicate areas in which data were not available or were inconclusive.

Keeping in mind that an evaluation should be constructive, the language and style should remain unsensational and professional. Raised hackles will only result in defensive responses and little inclination to accept recommendations. As noted in Section 3, the report should be directed to its audience, taking into consideration host government sensitivities and the often disparate interests of programmers and implementers.

In some situations, the USAID Mission may require a final draft of the report before the team's departure--a manner of ensuring that USAID has an initial input into the final product. This should be accompanied by a debriefing session with interested USAID Mission and embassy personnel. This not only helps to emphasize important portions of the report or underscore cer-

tain recommendations, but it also provides the team with some initial reactions that will aid in writing the final version. This is especially true if the draft has been circulated at least 24 hours before the debriefing.

A final caution: Report writers must know when to write finis to their efforts, eventually foregoing that one further analysis or the attempt to reduce all the data to yet another esoteric formula.

The final section of this report contains a series of relevant appendixes. The sample scopes of work in Appendixes C and D to a large extent capture the essence of this report. They are not to be slavishly followed; they should be tailored to the specific situation. However, the authors are confident that their use by AID when drafting scopes of work for evaluating nonproject assistance activities will facilitate the work of those selected to carry out that important task.

APPENDIX A

SAMPLE QUESTIONNAIRES

1. CIP EVALUATION FOR PRIVATE SECTOR FIRMS

(Note: Actual questionnaire should leave ample space in which to record answers.)

NAME OF FIRM: \_\_\_\_\_ PERSON(S) INTERVIEWED: \_\_\_\_\_

LOCATION: \_\_\_\_\_

\_\_\_\_\_ TITLE: \_\_\_\_\_

MAJOR PRODUCT OR SERVICE: \_\_\_\_\_

ESTIMATED DOLLAR VOLUME: US\$ \_\_\_\_\_ PER YEAR

YEARS IN CIP: \_\_\_\_\_ TYPE OF CIP IMPORTS: \_\_\_\_\_ US\$ \_\_\_\_\_

\_\_\_\_\_ US\$ \_\_\_\_\_

1. Is firm an end-user \_\_\_\_\_ retailer \_\_\_\_\_ wholesaler \_\_\_\_\_?

2. If end-user:

What is the end-use?

Manufacturing \_\_\_\_\_

Converting \_\_\_\_\_

Use in other products (buildings) \_\_\_\_\_

3. If retailer or wholesaler:

To whom is product resold?

Consumers \_\_\_\_\_

Retailers \_\_\_\_\_

Manufacturers \_\_\_\_\_

Other end-users \_\_\_\_\_

4. To what extent have CIP commodities affected firm's total sales or production?

Minimal \_\_\_\_\_ %

Somewhat \_\_\_\_\_ %

Average \_\_\_\_\_ %

Above average (over) \_\_\_\_\_ %

5. To what extent have CIP imports affected employment?  
 Not at all \_\_\_\_\_  
 Reduced \_\_\_\_\_ %  
 Small increase \_\_\_\_\_ %  
 Large increase \_\_\_\_\_ %
6. Why has firm continued (if it has) to use CIP imports?  
 (Rank 1,2,3, etc.)  
 Quality of U.S. goods \_\_\_\_\_  
 Spare parts availability \_\_\_\_\_  
 Quality of local representative \_\_\_\_\_  
 Speed of delivery \_\_\_\_\_  
 Availability of dollars at favorable exchange rates \_\_\_\_\_  
 No other source of goods \_\_\_\_\_
7. Have imports under CIP substituted for imports from other countries?  
 Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, which countries? \_\_\_\_\_
8. Have imports under CIP substituted for domestically produced commodities?  
 Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, which ones? \_\_\_\_\_  
 Dollar value of substitution US\$ \_\_\_\_\_
9. Has firm experienced difficulties with local banks in borrowing money?  
 Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, what kind of difficulty?  
 Interest rates too high \_\_\_\_\_  
 Term too short \_\_\_\_\_  
 Firm's creditworthiness questioned \_\_\_\_\_  
 Bank not interested \_\_\_\_\_
10. What special complaints does firm have about the CIP process?  
 A. With Local Government? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, then:  
 Too much paper work \_\_\_\_\_  
 Too much official intervening \_\_\_\_\_  
 Policy unclear or changes rapidly \_\_\_\_\_  
 Favoritism \_\_\_\_\_ (public sector vs. private \_\_\_\_\_)  
 (large firms vs. small \_\_\_\_\_)

- B. With USAID? Yes \_\_\_\_ No \_\_\_\_ . If yes, then:  
 Too much paper work \_\_\_\_  
 Rules unclear \_\_\_\_  
 Slow deliveries \_\_\_\_  
 Prices too high \_\_\_\_  
 Time for inspection too short \_\_\_\_  
 Delays between steps too long \_\_\_\_  
 50/50 shipping too expensive \_\_\_\_  
 Not enough contact with USAID officials \_\_\_\_  
 Not enough published information about program \_\_\_\_
- C. With U.S. suppliers? Yes \_\_\_\_ No \_\_\_\_ . If yes, then:  
 Goods too expensive \_\_\_\_  
 Quality not good \_\_\_\_  
 Quality inconsistent \_\_\_\_  
 Spares not available \_\_\_\_  
 Spares too expensive \_\_\_\_  
 Performance guarantees not effective \_\_\_\_  
 Number of local representatives \_\_\_\_  
 Local representatives not helpful \_\_\_\_
- D. With banks? Yes \_\_\_\_ No \_\_\_\_ . If yes, then:  
 Too slow in processing documents \_\_\_\_  
 Too stringent in applying rules \_\_\_\_  
 Give lower priority to CIP transactions \_\_\_\_  
 Show favoritism between customers \_\_\_\_
11. How would firm improve CIP process? (Freewheeling answers at this stage in view of specific complaints above.)
12. Can firm give examples of how its use of CIP-imported commodities contribute to economic or social development of country or region? (Case history approach.)
13. What are firm's views on impact of CIP on private sector?  
 Little impact \_\_\_\_  
 Great impact \_\_\_\_  
 Explain.
14. On public sector?  
 Little impact \_\_\_\_  
 Great impact \_\_\_\_  
 Explain.

2. CIP EVALUATION FOR BANKS

(Note: Actual questionnaire should leave ample space in which to record answers.)

NAME OF BANK: \_\_\_\_\_ PERSON(S) INTERVIEWED: \_\_\_\_\_

LOCATION: \_\_\_\_\_

\_\_\_\_\_ TITLE: \_\_\_\_\_

1. How long has bank participated in CIP transactions? \_\_\_ years  
Is bank in private \_\_\_ or public \_\_\_ sector?
2. What percentage of its import transactions are CIP financed?  
\_\_\_ %
3. To what extent has handling CIP transactions affected bank income?  
No effect \_\_\_  
Somewhat \_\_\_  
Great deal \_\_\_
4. Does bank in any way make a distinction between its CIP customers and those using regular import channels? Yes \_\_\_  
No \_\_\_. If yes, how?  
Terms \_\_\_  
Rates of interest \_\_\_  
Restricts availabilities of foreign exchange \_\_\_  
Other (Explain.)
5. What are current terms charged by bank for local currency loans used to buy dollars for CIP imports?  
Years \_\_\_  
Interest rate \_\_\_  
Down payment \_\_\_  
Distinction between private and public sector firms?  
Yes \_\_\_ No \_\_\_  
If yes, explain.
6. What are terms charged by bank for non-CIP local currency loans used to purchase foreign exchange?  
Year \_\_\_  
Interest rates \_\_\_  
Down payment \_\_\_
7. What is percentage of defaults by CIP borrowers? \_\_\_  
By non-CIP borrowers for foreign exchange? \_\_\_

8. Does bank have a sufficient number of contacts with USAID officials?  
Yes \_\_\_\_\_ No \_\_\_\_\_  
If no, how frequent should they be? \_\_\_\_\_
9. What are bank's chief complaints about the effects of CIP transactions on its operations? (Give examples.)  
Too costly for time involved \_\_\_\_\_  
Too much interference from USAID \_\_\_\_\_  
Too much government red tape \_\_\_\_\_  
Rules change too often \_\_\_\_\_  
Problems with U.S. banks \_\_\_\_\_
10. How does bank view impact of CIP on private sector? On public sector? Explain.
11. Does bank have opinion on effect of CIP on any specific sectors of economy? (Building, manufacturing, agricultural, mining, industry, etc.)

3. CIP-LIKE ACTIVITY EVALUATION FOR INTERVIEWING ULTIMATE  
BENEFICIARIES OF AGRICULTURAL SECTOR PROGRAM

(Note: Actual questionnaire should leave ample space in which to record answers.)

PERSON(S) INTERVIEWED: \_\_\_\_\_ TITLE: \_\_\_\_\_

LOCATION: \_\_\_\_\_ TYPE(S) OF CROP: \_\_\_\_\_

1. What was crop production per acre before using USAID-imported fertilizer?  
 \_\_\_\_\_ tons (or bushels)
2. How much fertilizer did you use per acre before USAID fertilizer became available?  
 \_\_\_\_\_ bags  
 \_\_\_\_\_ tons  
 How much did it cost? \_\_\_\_\_ per bag \_\_\_\_\_ per ton
3. How much did you sell your crop for during the last year before using USAID fertilizer?  
 \_\_\_\_\_ per bushel
4. How much fertilizer do you use now per acre? \_\_\_\_\_  
 Is it the same kind you used before (if you know)? Yes \_\_\_\_\_  
 No \_\_\_\_\_
5. What is your crop production per acre now? \_\_\_\_\_  
 \_\_\_\_\_ tons (or bushels)
6. How much do you sell your crop for now?  
 \_\_\_\_\_ per bushel
7. In your opinion, has the use of fertilizer supplied through USAID improved your crop? \_\_\_\_\_  
 Improved your yield \_\_\_\_\_  
 Increased your income \_\_\_\_\_  
 Increased your profit \_\_\_\_\_
8. Will you be able to afford to continue using fertilizer at the present prices? \_\_\_\_\_ At higher prices? \_\_\_\_\_
9. Do you keep records of fertilizer use? Yes \_\_\_\_\_ No \_\_\_\_\_  
 Crop production and income? Yes \_\_\_\_\_ No \_\_\_\_\_  
 (Note: Interviewer may want to examine such records to amplify and verify answers to above questions).
10. General comments.

4. CIP-LIKE ACTIVITY EVALUATION FOR INTERVIEWING  
IMPORTER OF FERTILIZER FINANCED BY USAID PROGRAM

(Note: Actual questionnaire should leave ample space in which to record answers).

NAME OF FIRM: \_\_\_\_\_ PERSONS(S) INTERVIEWED: \_\_\_\_\_

LOCATION: \_\_\_\_\_

\_\_\_\_\_ TITLE: \_\_\_\_\_

1. How many years in fertilizer importing business? \_\_\_\_\_  
Did you go into business solely as a result of this program? \_\_\_\_\_
2. What was annual volume of business prior to USAID program?  
\_\_\_\_\_
3. Who were customers? (In terms of location, and whether individual farmers or members of cooperatives.) \_\_\_\_\_  
\_\_\_\_\_
4. How much USAID-financed fertilizer have you imported in the past 2 years?  
\_\_\_\_\_ bags  
\_\_\_\_\_ tons
5. Has this replaced any fertilizers you imported through other channels? Yes \_\_\_\_\_ No \_\_\_\_\_  
If yes, to what extent? \_\_\_\_\_
6. What was the price for which you sold fertilizer per bag from:  
Non-U.S. sources \_\_\_\_\_  
U.S. sources \_\_\_\_\_
7. What effect has the USAID import program had on your operations?  
Expanded \_\_\_\_\_ %  
Stayed same \_\_\_\_\_  
  
On income?  
Increased \_\_\_\_\_ %  
No effect \_\_\_\_\_  
  
On number of employees?  
Increased \_\_\_\_\_ %  
No effect \_\_\_\_\_

8. What complaints do you have concerning this program?  
Too much red tape \_\_\_\_\_  
Too many forms \_\_\_\_\_  
Too much government interference \_\_\_\_\_  
Too much USAID interference \_\_\_\_\_
9. How would you change the USAID program? \_\_\_\_\_
10. Do you plan to expand your business as a result of this program? Yes \_\_\_\_\_ No \_\_\_\_\_
11. Can you relate any success stories among your customers using the new fertilizer? (Case histories.)

## APPENDIX B

### SUGGESTED OUTLINE FOR A CIP EVALUATION REPORT

#### Introduction

#### Executive Summary

#### 1. Background of the Program

- 1.1 Political
- 1.2 Economic
- 1.3 Original Objectives
- 1.4 Implied and Additional Agency for International Development (AID) Requirements

#### 2. Policy Dialogue With Host Government

#### 3. Relationship Between CIP and the Economy

#### 4. Economic Effects of the Program

- 4.1 Macroeconomic
- 4.2 Selected Sectors and Economic Linkages
- 4.3 Balance of Payments
- 4.4 Local Currency Funds

#### 5. Impact on the Balance of Payments

#### 6. Development Impact

- 6.1 Measured by Specified Objectives
- 6.2 Unintended or Unforeseeable Effects
- 6.3 Complementarity With USAID Goals
- 6.4 Equity Considerations and Institutional Development

#### 7. Management of the Program

- 7.1 Efficiency of Commodity Distribution
- 7.2 Arrival Accounting and ADP Systems
- 7.3 End-Use Audits
- 7.4 Relations Within USAID Mission
- 7.5 Relations With Host Government Officials
- 7.6 Size and Composition of Staff

#### 8. Recommendations and Lessons Learned

**Appendixes**

- A. Description of Methodology
- B. Statistical Analysis
- C. Tables
- D. Persons Interviewed
- E. Reference Material

## APPENDIX C

### SUGGESTED OUTLINE FOR SCOPE OF WORK FOR A CIP EVALUATION

#### I. BACKGROUND MATERIAL

##### A. Political

1. Political situation in the country
2. Relations between the United States and the country

##### B. Economic

1. Current economic situation in the country
2. Special economic problems
3. History and background of CIP
  - a. Original rationale for CIP
  - b. Stated purposes of CIP
  - c. Purposes added or evolved (unstated)
4. Current CIP
  - a. Size, composition, and principal commodities
  - b. Special conditions
  - c. Local currency special account
  - d. Attitude of host country toward CIP
  - e. Host country policies affecting CIP foreign exchange and imports

##### C. Management

1. Mission organization
2. CIP office organization (names, positions)
3. Host country government
  - a. Principal ministry dealing with CIP
  - b. Role and function of national bank
  - c. Role and function of planning, finance, or other relevant ministries
4. U.S. Embassy organization

#### II. PURPOSES OF THIS EVALUATION

##### A. Political Impact

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1. Effect of program on U.S. bilateral relations
2. Alternative resource-flow arrangements

**B. Economic Impact**

1. Effect of CIP on balance of payments, foreign exchange reserves, economic growth, imports, consumption patterns, U.S. share of market
2. Effect of program on growth of private sector
3. Relevance of program to policy dialogue
4. Effect of program on IMF targets or negotiations

**C. Developmental Impact**

1. Whether developmental objectives stated in CIP agreements have been met, and analysis of unintended impacts
2. Analysis of complementarity of program with USAID's project goals; with World Bank and UNDP programs
3. Whether lessons may be learned from selected case histories
4. Effectiveness of local currency special account projects
5. Analysis of any significant social impact resulting from CIP
6. Equity considerations and institutional development

**D. Management Assessment**

1. Whether size and composition of staff is appropriate to task
2. Whether level of CIP imports has been steady and appropriate to country's needs
3. Analysis of the ADP system's contribution to the efficiency of the program
4. Whether end-use audits are performed systematically and results applied
5. Relationship of CIP staff to technical divisions; to controller's office

6. Assessment of management of local currency special account

E. Evaluation Methodology

Report on lessons to be learned from this evaluation that may be applied to subsequent CIP evaluations

III. SIZE AND COMPOSITION OF TEAM

A. Expertise Required

1. Economic (industrial, developmental, general)
2. Managerial
3. Generalist
4. Short-term experts (ADP, logistics)

B. Source

1. Contract or consultant
2. Direct hire
3. Country economist or logistician
4. Bureau of the Census, on detail

C. Mission Support Staff

1. U.S. direct hire or Foreign Service national
2. Tasks
  - a. Interview scheduling
  - b. Data collection
  - c. Liaison with Mission staff, embassy, U.S. Information Agency

IV. LOGISTICS AND SUPPORT

A. Time for Task

1. In Washington for briefings and travel preparation
2. In the field
  - a. Draft submitted to Mission before team departure
  - b. Final report after receiving Mission comments

3. Deadline for submission of final report

B. Mission Support (yes or no)

1. Office space

2. Secretarial and word processing time

3. Transportation to and from interviews

4. Access time to Mission ADP or arrival accounting system

V. DATA COLLECTION

A. In Washington

1. AID responsibility

- a. AID-generated material
- Evaluation reports
  - Country Development Strategy Statements
  - Congressional presentations
  - CIP agreements and annexes
  - SER/COM printouts for country CIP; copies of Regulation One

b. Non-AID material

- World Bank reports on host country
- IMF reports

c. Interviews and briefings

- Country desk officers, both AID and State Department
- Program economist within AID bureau
- SER/COM desk officer
- Bureau for Program and Policy Coordination evaluation staff

2. Team responsibility

- a. Statistics from country embassy in Washington
- b. U.S. Department of Commerce for export statistics to country

B. In-Country (ahead of team's arrival)

1. Mission responsibility

- a. CIP statistics; arrival accounting reports; national bank statistics on GNP, GDP, trade, foreign exchange flows, balance of payments
- b. Mission manual orders on Mission organization, CIP office, local currency special account, special orders affecting CIP

- c. End-use audit reports on CIP transactions
- d. Lists of suggested interviews
  - Official, USAID and embassy
  - Country government and parastatal firms and organizations
  - Representative private sector firms by size, variety of commodities, sector, and length in program

- 2. Team Responsibility
  - a. Develop questionnaires
  - b. Conduct interviews (using short-term assistance as required)
  - c. Develop format for recording interview results

VI. SUBSTANTIVE TASKS (in order of priority, after decisions have been made on methodology)

- A. Impact of CIP on Host Country in terms of Stated Program as Evidenced in PAAD, CIP Agreement, Congressional Presentations, and CDSs. (The following are assumed for purposes of the outline:)

- 1. Relationship between CIP and the economy.
- 2. Indicators of impact on selected sectors (name three most important sectors)
  - a. Replacement of domestically produced goods by CIP imports
  - b. Comparative advantage in sector enjoyed by country (little or no advantage, results desultory; serious lack of advantage may mean misallocation of resources)
  - c. Output and effect on prices
  - d. Increase in employment
  - e. Changes in investment in sector
  - f. Linkages to other sectors
  - g. Effect on consumers
- 3. Indicators of impact on balance of payments
  - a. Relationship of current account deficit to amount disbursed under the program
  - b. Percentage by which deficit has been affected over length of program
  - c. Impact, if any, of slow-downs in disbursements
  - d. Ability of banking system to obtain foreign loans and at lower interest rates
  - e. Extent improvements have affected government's ability to meet IMF requirements
  - f. Restrictions on use of foreign exchange compared with first years of program

4. Indicators of political impact (with instructions on whether to make this a restricted annex)
    - a. Status of bilateral relations
    - b. Views expressed by host country officials
    - c. Editorials in press
    - d. Embassy attitude toward visibility of program
    - e. Embassy views on position of host government on matters of U.S. national concern
    - f. Extent to which CIP is brought up in political dialogue
    - g. Requests for alternate resource transfer arrangements such as cash transfer
  5. Indicators of impact on policy dialogue
    - a. Extent to which specific conditions made part of policy dialog have been met as evidenced by government decrees, rules, laws, and policy announcements
    - b. Opinions of Mission and embassy personnel on efficacy of policy dialogue and its impact, if any, on CIP
- B. Impact on Unstated or Unintended Areas of Host Country's Economy or Society
1. Indicators for determining the ratio of relative importance (time it would have taken the economy to save enough to have imported the same quantity of goods supplied through CIP)
    - a. Counterpart funds deposited over a given time period
    - b. Business and corporate savings plus personal savings
  2. Indicators for determining the allocation of foreign exchange by sector in comparison to priority needs of economy
    - a. Foreign exchange allocations by sector for period before and after CIP commenced
    - b. Growth figures for sectors during same periods
    - c. Description of factors entering into foreign exchange allocation process for private and public sectors, particularly for CIP imports
  3. Indicators of impact on development
    - a. Degree of compatibility between CIP and USAID project goals
      - Measured by USAID inputs into sectors as compared with CIP imports for those sectors

- Measured by level of sophistication, complexity, and costs of CIP imports
  - b. Case histories for selected development sectors illustrating development effects of specific CIP commodities
  - c. Comparison of CIP imports by sector with imports under similar World Bank or other bi-lateral programs
  - d. Allocation of CIP imports in terms of recipient country's current development plan sector goals<sup>1</sup>
4. Indicators of the impact of local currency special account on development projects
    - a. Improvement in progress of projects resulting from input of special account funds
    - b. Extent to which special account funds replaced host government contributions or USAID dollar-purchased local funding
  5. Indicators of the impact of local currency special account requirements on CIP importers and banks
    - a. Interest rates and loan terms to importers borrowing local currency to pay for foreign exchange for CIP imports in comparison with rates and terms for non-CIP transactions
    - b. Number of defaults by CIP and non-CIP borrowers
    - c. Distribution of foreign exchange between public and private sector importers or among private importers by government, by banks, and among banks by government
  6. Indicators of the impact of local currency special account deposits on inflation
    - a. Comparative cost of living indices and other similar figures
    - b. Expressed views of host government officials on use or freezing of special account funds
  7. Indicators of impact on development of private sector and small businesses
    - a. Number of licenses issued for new businesses
    - b. Number of loans to new businesses

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<sup>1</sup>If achievement of specific goals for the development or improvement of a given sector is part of the CIP's stated objectives, then an analysis would be made of that particular sector to determine whether the goals have been met, using as indicators growth and other indicia set out in the CIP agreement.

- c. Loans made by development banks to small businesses

8. Institutional impact

9. Impact on equity

C. Assessment of Efficiency and Management of CIP

1. Indicators for assessing efficiency

- a. Average annual disbursement rates and import levels since opening of CIP
- b. Opinions of participants concerning efficiency of system
- c. Percentage, by U.S. dollar volume and number, of end-use audits of CIP transactions; quality of such audits
- d. Percentage of unfavorable audits receiving follow-up action by USAID

2. Indicators for assessing management

- a. Regularly scheduled meetings
  - Between USAID CIP staff and host country officials
  - Between CIP staff and importers
  - Among representatives of all participants, banks, importers, CIP staff, and government
- b. Views of Mission staff on interaction between CIP staff and technical divisions; and program office
- c. Mission guidelines for integrating CIP with USAID program or project goals
- d. Number of CIP transactions converted to projects or project-like activities and placed on USAID project review schedule
- e. Mission guidelines for monitoring and accounting for special account deposits and disbursements
- f. Extent to which Mission monitors and evaluates projects receiving special account funds
- g. Management and use of arrival accounting system, including current status, degree of access, and capabilities
- h. Size and makeup of CIP staff, taking into consideration size and complexity of program, number of individual transactions, whether mixed or solely private or public sector

## APPENDIX D

### SUGGESTED OUTLINE FOR SCOPE OF WORK FOR A CIP-LIKE ACTIVITY EVALUATION<sup>1</sup>

#### I. BACKGROUND MATERIAL

##### A. Political

1. Political atmosphere in Pakistan
2. Relations between the United States and Pakistan

##### B. Economic

1. General economic situation in Pakistan
2. Economic conditions affecting energy sector
3. USAID program and major goals
4. Policy context of ECE program
  - a. Pakistan's Sixth 5-Year Plan
  - b. Balance of payments problems
  - c. Private sector participation in energy sector
  - d. Energy pricing policies
  - e. Policy dialogue
    - Balance of payments in general
    - Energy pricing
    - Private sector role in energy
    - Banking, credit to private sector, loan terms for private investors

##### C. Current Status of ECE Program

1. History of program implementation, with status of obligations, expenditures, and volume of imports
2. Description of special problems revealed by audits or reports

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<sup>1</sup>This suggested outline is based on the proposed Pakistan Energy Commodities and Equipment (ECE) Program (#391-0486) and is specific to the Pakistan program. There are many different kinds of CIP-like activities. The evaluation of such activities must be tailored to the circumstances of individual countries and programs.

3. Attitude of Government of Pakistan officials toward ECE
4. GOP policies or actions that affected ECE negatively or positively

D. Management Facts

1. USAID/Pakistan table of organization
2. Backstop office organization, including names and positions
3. Embassy/Islamabad organization
4. GOP ministries dealing with ECE program
  - a. Principal technical ministry
  - b. Other ministries, including Finance, Supply, and Planning

II. PURPOSES OF THIS EVALUATION

A. Economic Impact

1. On GOP balance of payments position
2. On private sector participation in the energy sector
3. On energy pricing policies
4. On GOP's progress toward economic liberation
5. On the role of the private sector in resource mobilization and productivity investment
6. On achievement of energy policy objectives of the GOP Sixth 5-year Plan
7. Any unintended or unforeseen effects

B. Effect on Policy Dialogue

1. On announced objectives of the USAID-GOP policy dialogue, particularly deregulation and private sector expansion
2. On development of consumer and producer energy pricing
3. On reinforcing the policy activities of other USAID energy programs and World Bank efforts in tariffs and pricing

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4. Whether the original terms and conditions of the ECE program proved to be realistic in light of subsequent events

C. Developmental Impact

1. On helping GOP attainment of an average annual energy growth rate of 9.6 percent (said to be necessary to support a 6.4 percent annual growth rate in GDP)
2. On achievement of the energy sector goals of the GOP 5-Year Plan
3. On assisting the GOP to meet its energy conservation goals

D. Management Assessment

1. Whether the level of imports under the ECE was timely and appropriate to the objectives
2. Whether the size and composition of the staff managing the program were appropriate to the task
3. Whether the GOP management staff was adequate to its responsibilities
4. Effectiveness of the interaction among the USAID, GOP, and multilateral participants

E. Evaluation Methodology

Whether the methodology used in this evaluation may be replicated in other similar evaluations and what lessons may be learned and passed on to other evaluators

### III. PROCEDURAL MATTERS

A. Size and Composition of Evaluation Team

1. Expertise required
  - a. Public utility (energy) economist with rate experience
  - b. Development specialist
  - c. Generalist with commodity experience
2. Source
  - a. Contract or direct hire

- b. Mixed
- c. Pakistani national
- d. Bureau of the Census person on detail (for methodology)

- 3. Mission support staff
  - a. U.S. direct hire (American or Pakistani)
  - b. Tasks
    - Interview scheduling
    - Data collection
    - Liaison with USAID, U.S. Embassy, and GOP

#### B. Logistics and Support

- 1. Time period
  - a. In Washington, for briefings and travel preparation
  - b. In field
    - Draft submitted to USAID before departure
    - Final report prepared after receiving USAID comments
  - c. Deadline for final report
- 2. USAID Support (yes or no)
  - a. Office space
  - b. Secretarial and word processing
  - c. Transportation to and from interviews
  - d. Access time to USAID ADP or arrival accounting system

#### IV. DATA COLLECTION

##### A. In Washington

- 1. AID-generated material
  - a. Other evaluation reports
  - b. Pakistan CDSS and ABS
  - c. Asia Bureau Congressional Presentation
  - d. ECE PAAD and final agreement plus amendments
  - e. Audit reports on ECE
- 2. Non-AID Material
  - a. World Bank reports on Pakistan and copies of loan documents to Pakistan in energy sector
  - b. IMF reports and agreements with GOP
  - c. GOP 5-Year Plan
- 3. Interviews and briefings
  - a. Pakistan desk officers in AID and State
  - b. Asia Bureau economists and project officers

- c. Bureau for Science and Technology for energy office staff
- d. PPC evaluation staff
- e. World Bank and IMF officials knowledgeable about the energy sector in Pakistan

## B. In Pakistan

1. USAID responsibility
  - a. Program documents, program statistics, arrival accounting reports, and statistics on energy sector
  - b. National bank statistics on GDP; balance of payments; foreign exchange flows; oil imports; gas, oil, and coal production figures
  - c. USAID Mission manual orders on organization, with names and positions of key officials
  - d. Local audit reports or end-use audits
  - e. Lists of suggested persons for interviews
    - USAID Mission and embassy officials
    - GOP officials in Ministries of Finance, Planning, Energy; National Bank, etc.
    - Representatives of private and public sector organizations in the energy sector
    - Representatives of energy consumer groups
2. Team responsibility
  - a. Developing questionnaires
  - b. Conducting interviews (using short-term assistance, as necessary)
  - c. Collecting additional data, as necessary
  - d. Developing format for recording results of interviews

## V. SUBSTANTIVE TASKS

- A. Analysis of Economic Effects of ECE Program in Light of the Stated Objectives and Conditions in the PAAD and Program Documentation
  1. Indicators of impact on balance of payments
    - a. Relationship of current account deficit to amount disbursed under ECE
    - b. Percentage by which deficit has been affected over length of program
    - c. Impact, if any, of slow-downs in disbursements
    - d. Ability of banking system to obtain foreign loans and at lower interest rates, taking into consideration exogenous factors
    - e. Extent improvements have affected GOP's ability to meet IMF requirements under any standby arrangements

2. Indicators of impact on energy sector
  - a. Replacement of domestically produced goods by program imports
  - b. Movement of public funds from industrial projects and fertilizer subsidies to energy infrastructure
  - c. Deviation of GDP growth rates from 6.4% over life of program
  - d. Energy prices before and after institution of ECE program
  - e. Private sector investment in energy sector before and after ECE
  - f. Consistency of local energy prices with international energy prices for oil, gas, electricity, and coal sectors
  - g. Progress on the long-range marginal costs (LRMC) study carried out by the World Bank with USAID's direct support
  - h. Interaction of other USAID energy projects and programs with ECE
  
- B. Analysis of the Effect of the ECE Program on Policy Dialogue, Particularly as it Relates to the Energy Sector, Using the Following Indicators
  1. Policy changes in the energy sector reflected in GOP laws, decrees, regulations, and policy issuances
  2. Private sector expansion in the energy sectors directly affected by the ECE program
  3. Progress in the liberalization of the economy as evidenced by the lifting of controls
  4. Increased self-sufficiency in energy production in Pakistan over the life of the ECE program
  5. Kinds and efficacy of electricity conservation measures instituted by GOP
  
- C. Analysis of the Effect of the ECE Program on Economic Development<sup>2</sup> in Pakistan, Using the Following Indicators

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<sup>2</sup>The proposed program documents do not indicate that a local currency special account will be established for the US\$20 million grant portion of the project. If it were to be established, see the suggested outline for evaluating that account under the CIP outline (Appendix C).

1. Annual GOP growth rate compared with 6.4% target
2. Shift of GOP priorities from industrial projects and fertilizer subsidies to rural development and social sectors
3. Increases in gas, coal, and electric consumption by various sectors of the economy, particularly the poorest elements, over the life of the ECE program
4. Reductions in oil imports and increases in domestic gas and oil production over the life of the ECE program
5. Case histories illustrating direct impact of improved energy policies on rural and poor urban consumers, particularly pricing changes
6. Increases in private sector share of investment in energy sector, accompanied by case histories illustrating development of new firms or growth of existing firms

D. Assessment of ECE Program Efficiency, Using the Following Indicators

1. Timing of disbursements compared with stated objectives of assisting GOP balance of payments position
2. Arrival of commodities in terms of users' readiness and ability to install and utilize equipment and major shipments of commodities
3. In connection with above, number of negative end-use audits performed by USAID and percentage which received follow-up action
4. Installation of machinery and equipment on dates originally established in PERT charts, if used

E. Assess ECE Program Management, Using the Following Indicators

1. Percentage, by US dollar volume and number, of end-use audits of ECE transactions; quality of such audits
2. Organization charts of ECE management staff, if a separate group, or the backstop office in USAID, reflecting allocation of responsibilities for discrete portions of project

3. Charts showing GOP organization for managing its implementation responsibilities
4. Interaction and cooperation between USAID and GOP officials responsible for implementing ECE
5. Number and adequacy of USAID staff assigned to ECE
6. Management and use of arrival accounting system dedicated to ECE imports, including sharing with GOP
7. Extent to which senior USAID management follows progress of ECE and acts to ensure resolution of implementation bottlenecks

## APPENDIX E

### REVIEW OF SELECTED WORLD BANK EVALUATION DOCUMENTS

The scope of work for this report requested the team to review selected IMF and IBRD evaluations of sector development and structural adjustment loans and describe and explain their methodological relevance, if any, to AID's evaluation of commodity import programs (CIPs) and CIP-like programs.

Through AID, the team obtained a draft copy of the Bank's "General Guidelines for Preparing Project Completion Reports" (September 1983); its Operational Manual Statement No. 3.58 ("Guidelines for Preparing PCRs [Project Completion Reports] on Structural Adjustment Loans," November 1982); three World Bank Project Performance Audit Reports; and three Annual Reviews of Project Performance Audit Results.

#### 1. GENERAL GUIDELINES FOR PREPARING PROJECT COMPLETION REPORTS

A draft copy of this 71-page detailed guide for borrowers for preparing Project Completion Reports of World Bank projects has been sent to government agencies and others outside the World Bank for comment. The reports are prepared at or shortly after project completion to compare costs and currently expected benefits with those expected at the initiation of a project. These reports are intended to reinforce self-evaluation by executing agencies and government departments.

Although there are references to sector loans, such loans are not comparable to AID's nonproject assistance to sectors; they are projects in the AID definition of that word.

There is more emphasis on the performance aspects of projects--operating, financial, and institutional--and less on impact; the latter is covered under "Economic Reevaluation," and emphasizes cost-benefit analyses.

It is a valuable resource document for those evaluating AID projects but is not as relevant to evaluations of AID's nonproject assistance activities.

## 2. GUIDELINES FOR PREPARING PCRs ON STRUCTURAL ADJUSTMENT LOANS

Structural adjustment lending is a nonproject activity by the World Bank to support programs of policy and institutional change necessary to modify the structure of an economy so that it can maintain both its growth rate and the viability of its balance of payments in the medium term. The World Bank describes structural adjustment loans (SALs) as the evolution of program lending.

This 3½ page Operational Manual Statement is more relevant than the first document for evaluating AID's CIP-like activities, but it is less detailed than the basic PCR guidelines to which the statement is a supplement.

Guidance is given in general terms and covers three areas of assessment: role of the bank, accomplishments and SAL justifiability, and implementation and monitoring of SALs.

There is emphasis on analyzing the impacts of the loan, both planned and unforeseen, as well as the reasonableness of conditions and assumptions that may have affected performance under the SAL arrangements.

An assessment of the World Bank's role in assisting the borrower in technical and policy areas is called for, as is comment on the World Bank's supervision over SAL operations.

If permission can be obtained from the World Bank, this statement could become a valuable appendix to AID's guidelines for evaluating CIP-like activities and for designing scopes of work.

## 3. PROJECT PERFORMANCE AUDIT REPORTS

Each of these three reports pertains to loans to a different country; one was for overcoming balance of payments problems, one was for both balance of payments relief and improvement in the agricultural sector, and one was for expansion of the manufacturing sector. Each loan was similar in design to AID's sector grants or loans: short-term foreign exchange infusions coupled with conditions designed to effect longer term policy and structural changes. They included counterpart funds, across-the-board imports, and imports limited to a given sector.

The methodology relied more on analysis of economic data available than on interviews. Of importance in one report was an

interim report from the borrower on its progress in meeting the loan conditions.

Each of these reports was bound with and based on a prior Project Completion Report, in one case carried out by the borrower government (the World Bank encourages borrowers to do their own PCRs).

Performance audit reports are carried out by the World Bank on a selective basis for projects and program loans, but are done for all SALs. In some instances, auditors may only do an intermediate audit (reading PCR, files, correspondence) or decide to do a full audit, which involves going to the borrowing country, visiting the sites, and interviewing officials. The latter are required for all SALs but not for all program loans. Selection is based on cost, importance of the loan, global implications of issues, and status of the PCR.

#### 4. ANNUAL REVIEWS OF PROJECT PERFORMANCE AUDIT RESULTS

There are nine annual volumes in this World Bank series (the 10th one is due shortly). Each volume is devoted almost entirely to project reviews and contains summaries of SAL and program loan audits. These summaries are excellent in noting lessons learned about the design, implementation, and monitoring of these specific loans but do not discuss methodology. They are valuable resource documents for project designers and implementers.

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