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A SHORT INTRODUCTION TO NONPROJECT ASSISTANCE

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WHAT IS NONPROJECT ASSISTANCE?:

The Agency does not appear to have a truly precise definition of nonproject assistance (NPA). It is, for the most part, a definition by exclusion - i.e. "that which is not a project" (See Handbook 4, Nonproject Assistance). AID Handbook 3 (Project Assistance) states that project assistance involves a discrete activity designed to achieve a finite result directly related to a discrete development problem. Money, personnel, training and equipment are provided to attain a specific goal. Typically, the development problems addressed are institutional and/or infrastructural constraints, for example the need for a teacher training college or the need for a dry-season irrigation system.

In contrast, NPA is seen as generalized, short-term resource support to the host country's economy as a whole or to one of its principal sectors. NPA is not linked to specific projects or to the discrete "output" goals normally associated with projects. It can be provided quickly to head off a balance of payments crisis or for short-term relief from external debt. Development problems appropriately addressed with NPA are primarily host government (HG) policy constraints and general resource shortfalls in the economy which are constraining growth and improved capacity utilization. Because NPA is not tightly programmed governments value it highly, making it a good "leverage" instrument to spur economic policy reforms. Likewise, NPA can help provide the foreign exchange needed to import spare parts, fertilizer and other productive inputs. In Agency usage, the terms "nonproject assistance" and "program assistance" are used synonymously. This causes some confusion, because the words "project" and "program" are used imprecisely by AID and by the donor community.

In practice the terms "project assistance" and "nonproject assistance" do not represent mutually exclusive categories. While agency budgeting systems can and do designate whether a given activity represents a project or nonproject expenditure, the distinction can often appear arbitrary on a practical level. This is because NPA can be "projectized", or programmed for specific uses, to the point that it comes to resemble a normal project or a group of projects. In theory, the more NPA comes to resemble a project, the less justification there is for its use. AID policy states that project assistance is the Agency's preferred mode of assistance, and that designers of NPA programs have to demonstrate why their goals could not be better addressed with a project. However, there are a number of factors that have led the Agency to increasingly rely on NPA despite a stated policy which appears to discourage its use. Those factors will be discussed below, but first some basic definitions of common types of NPA are in order. Note that Disaster Recovery, Emergency Relief, Debt Relief and Housing Guaranty programs are not included in this paper. They can be properly classified as NPA, but the policies and issues surrounding their use are different enough to require a separate discussion in their own right.

TYPES OF NPA:

1. **Cash Transfers** - A cash transfer is a deposit of dollar funds into the account of the Host Government (HG). It provides immediate balance of payments and/or government budget support on an emergency basis, and can be used to support economic policy reforms and stabilization efforts. Governments can spend the dollars directly as foreign exchange for public sector import requirements, or can purchase local currency, releasing foreign exchange for private sector use. The local currency can then be used to finance general government expenditures, to meet HG counterpart contribution requirements for DA-funded AID projects, or a number of other development objectives.. Cash transfers are often utilized when there is an overwhelming U.S. foreign policy rationale for providing assistance. They are funded out of Economic Support Fund (ESF) accounts and are the "purest" form of NPA, i.e. the end use of cash transfer funds are only indirectly programmed or controlled by the U.S. Government. Over 2/3 of total NPA takes the form of cash transfers. About half of the $3.5 billion allocated to cash transfers went to Israel in FY1985 as part of the Camp David Accords. Outside of the Middle East, cash transfers are largely concentrated in Latin America. Despite the increased prevalence of cash transfers in AID's total portfolio, Agency policy states that they are the least-preferred mode of economic assistance, to be used only when all other instruments are shown to be inappropriate.

2. **Commodity Import Programs** - A Commodity Import Program (CIP) is a tied foreign exchange program designed for fast disbursement. Like cash transfers, CIPs are funded from ESF accounts. Dollars are made available to LDC governments to finance imports of specified categories of commodities. Thus the CIP addresses both the problem of a general shortage of foreign exchange and specific resource constraints in priority development sectors. Commodities targeted in a CIP tend to be production inputs (i.e. fertilizer, machinery, spare parts) rather than consumer goods. A typical feature of CIP agreements is that local currency (l/c) generated by the foreign exchange transaction is to be spent in a manner mutually agreed upon by AID and the Host Government. Such local currency can be used for general HG budget expenditures, or can be reserved to support AID-HG development projects. One common l/c use has been for private sector credit. CIP agreements are usually designed to support specific LDC policy reforms. The degree to which CIP funds are precisely programmed or "projectized" varies considerably. Some CIP agreements especially those in Africa, are quite specific regarding how dollar and local currency resources are to be spent. In FY 85, CIPs represented about 11% of total NPA, and are concentrated in the Near East, Africa, and Asia. There are no CIPs in the LA region.

3. **Sector Assistance** - "Program sector assistance" is, in effect, a hybrid form of NPA. Sector programs are primarily justified as a means of alleviating policy constraints to sectoral productivity and output, and as a means to address resource shortfalls. While sector programs are classified by AID as a "non-project vehicle" they are designed, programmed and approved largely in accordance with AID procedures outlined in Handbook #3 (Project Assistance). Sector programs can be funded either from DA or ESF accounts. Like CIPs, sector programs usually involve significant commodity imports and local currency generations. Also like CIPs, the degree to which those resources are "projectized" or closely programmed varies from case to case. The distinguishing feature of sector programs are their focus on a single sector and on sector-level resource and policy constraints. AID requires that such programs be based upon a detailed sector analysis. As compared to CIPs, the justification for sector programs rests more heavily on policy reform than on resource transfers. Specifically sector, programs funded out of DA accounts cannot use balance of payments or budgetary support as a program rationale. Sector assistance represents about 6% of total NPA expenditures and is found in all AID bureau programs, although it is more common in the LA region.

4. **Public Law 480, Title I** - Title I provides highly concessional loans to finance U.S. agricultural commodities. Agricultural commodities are usually sold on the local market by the recipient government, generating local currencies. In principle, those currencies are to be allocated to important "self help" activities specified in the Title I agreement. Legally, since Title I commodities are financed via loans, the local currency generations are the property of the recipient government. Title I legislation does not require AID involvement in l/c programming but in practice the Agency exercises a significant degree of control over l/c uses. Title I local currency is often programmed into existing AID projects or into the operating budgets of development-oriented government ministries. Recent directives from the Administrator indicate that AID/W wants missions to play an increasingly agressive role in programming PL 480 local currency (see item #18 in bibliography). Title I programs are supposed to be designed so that commodity sales do not discourage agricultural production in the recipient country. Approximately 15% of total NPA was in the form of Title I assistance in FY85.

5. **Public Law 480, Title III** - Title III provides U.S. agricultural commodities to IDA-eligible countries. Recipient countries are required to undertake specific actions to address constraints to equitable development, especially in the food and agricultural sector. Local currency generations may be used for agreed-upon development activities which can be counted against the countries repayment obligation to the U.S., in effect meaning that the U.S. may forgive the loan. In dollar terms, this is the least significant form of NPA, representing only about 2% of total nonproject aid in FY85.

WHY IS NPA INCREASING IN POPULARITY?

No single factor can explain the rise of NPA as a vehicle for economic assistance. Explanations offered by various authors can be grouped into political, administrative and development/economic arguments. For a more complete discussion of these factors, the reader can refer to the numbered citations appearing in the annotated bibliography at the end of this document:

Political:

Congress has determined that ESF funds can be used to serve the overriding foreign policy and security interests of the United States. NPA has been used as "rent" for U.S. overseas bases, and to provide emergency balance of payments and budget support to friendly governments. Congress and the Administration increasingly view foreign aid as a direct instrument of U.S. foreign policy. When foreign policy considerations are paramount, such as in the case of cash transfers to Israel, the development-oriented criteria normally applied to traditional projects become inappropriate or irrelevant.(2,6)

Administrative:

AID Missions are facing management and administrative manpower constraints which limit their ability to design, manage and evaluate new projects. These manpower shortages contribute to management "bottlenecks" leaving large amounts of money obligated to sit "in the pipeline" unspent. NPA is seen by missions as a way to economize on staff time and "move" money quickly. AID/W seems ambivalent towards this rationale. Officially, staff economies are discounted as a justification for NPA, but at least one draft NPA policy paper specifically approved of them . Staff in PPC/PDPR have said that they are "sympathetic" and "flexible" on this issue. There is considerable debate as to whether NPA really does economize on staff time an whether it is, in fact, a "cheap" way to move money.. The requirement for extensive macroeconomic analysis places a premium on qualified economists which are often scarce in Missions. The workload associated with tracking imported commidities and programming local currencies is often underestimated. (2,5,22)

Traditional AID projects have been overburdened with legislative "barnacles" layered on by both Congress and by the AID bureaucracy itself. NPA activities are less subject to extensive design "checklists", reporting requirements, and detailed financial accounting. This relates to the "staff economies" argument but these "barnacles" can restrict project designers' flexibility. The desire to circumvent legal and bureaucratic obstacles may partially explain the popularity of "projectized" NPA -- the activity really resembles a project but may be too difficult to implement as a project under AID regulations. While there are restrictions and reporting requirements for NPA, the need for speed and flexibility in programming NPA has led the Congress and AID to keep them to a minimum. The "barnacles" argument may also apply to the choice of NPA instrument. Some people in AID prefer Cash Transfers to CIPs because Cash Transfers avoid the procurement, shipping and accounting requirements associated with a CIP which can slow the disbursement of funds. (2)

Host country governments face even more severe management manpower shortages which restrict their ability to absorb new projects. "Lack of qualified counterparts" is a problem endemic to AID projects. When one considers the number of donors in a given country, each with its own project portfolio, each with counterpart personnel requirements and reporting requirements, the problem becomes obvious. Commodity or cash support allows HGs to integrate donor resources into their existing programs.(2)

In some cases, opting for NPA is a recognition that the HG has acheived the planning and management sophistication necessary to implement its own development projects without AID management assistance. Even in choosing between various NPA instruments, this management capacity argument can apply. In countries where AID has doubts about the HG's management capacity (i.e. in Africa, Egypt, etc..) it is more likely to provide NPA in the form of a CIP than a cash transfer because AID retains greater control over how the money is spent. (6,13,24)

Development/Economic:

More an more attention has been focused on the role that LDC economic policies play in the development process. Accordingly donors have increasingly stressed "policy dialog" and policy conditionality in their aid programs. Project assistance has limited value in pursuing policy reforms because its impact is limited to certain sectors, regions and constituencies. NPA is highly valued by HG officials and is thus a good way for AID to "buy a seat at the policy table".(2,6,23,24)

Many countries suffer from severe capacity underutilization in their economies caused by a lack of raw materials, spare parts and other production inputs stemming from a shortage in foreign exchange. Projects are best suited for developing new infrastructural capacity, whereas NPA can be used to address the recurrent costs of maintaining and utilizing existing roads, machinery and institutions.(2,3,17)

As the donor community focuses its attention on the private sector in LDCs, NPA often appears to be the most direct way to aid private enterprise development. By increasing the supply of foreign exchange, NPA allows businessmen to import needed commodities they might otherwise have to go without because of foreign exchange rationing. Also, local currency generations are often set aside as working capital for development banks supplying credit to the private sector.(21)

ISSUES/CONCEPTS IMPORTANT TO NPA

Policy Reform and Conditionality:

Policy reform and conditionality are related but not the same. Conditionality means that a donor has required that specific macroeconomic or sectoral policy changes must occur in order for aid to be disbursed. IBRD structural adjustment loans are examples of this. Policy reform in the more general sense can occur with or without "hard" conditionality. Some argue that no lasting reform can take place unless the host government is convinced that the reforms are in its long run interest. Thus NPA buys donors a "seat at the policy table" but ultimately only persuasion will bring real change. In this view, open conditionality may be unnecessary and possibly counterproductive if it raises sovereignty concerns and thus makes reforms politically difficult. A more extreme view is that NPA is entirely irrevelant to reform. If a host government decides that a given policy change is a good idea, it will carry out the change regardless of whether aid is given or withheld.

A more positive view holds that NPA linked to conditionality lowers the opportunity cost of reforms to political leaders. By linking reforms to additional resources, the apparent cost of undertaking politically costly reforms is reduced. NPA can be used to compensate groups hurt in the short run by policy reforms, for example by raising salaries for civil servants hit by reduced subsidies on basic foodstuffs. It can also increase the resources, and thus power available to reform-oriented elites in the LDC government. Failing to impose conditionality on NPA may actually impede reform by giving LDC leader additional resources which mask the effects of economically damaging policies.

Conditionality or policy reform objectives can focus on a single productive sector, or on general macroeconomic policy issues. On macroeconomic policy, AID has tended to support conditions established under IMF stabilization agreements. Recent Congressional legislation (1984 foreign assistance supplemental legislation, 1985 & 1986 continuing resolutions) prohibits AID from restricting "obligation or disbursement solely as a result of the policies of any multilateral institution.", but it appears that AID will continue to support, or at least not undercut IMF & IBRD policy conditions.

Local Currency:

The proper use and management of local currency generations has been and remains a controversial issue in AID. Legislation provides little guidance to AID on how l/c should be used. Mission practices vary from playing almost no role in the programming of local currency, to programming l/c resources into USAID activities almost as if they were USG funds. When NPA is provided as a concessional loan, which is often the case (except cash transfers), local currency generations are the property of the Host Country. But most NPA agreements include language to the effect that the l/c will be spent for mutually agreed upon purposes.

Local currency is often channeled into AID projects. Such l/c resources can serve as part or all of the 25% host country counterpart contribution required in DA-funded projects. Whether this practice frustrates Congressional intent with regard to counterpart contributions depends on how one one views ownership of the l/c. If the l/c is truly the property of the host country then the practice is proper, but if one views it as an asset provided by, and controlled by AID, one's conclusions may be different. AID is not operating under any clear guidance on this issue. While Congress has not objected to AID's current practice this remains a grey area. The trend is now toward AID playing a greater role in l/c programming, so the issue may become more critical in the future.

Accountability:

Even if a USAID does not attempt to "micromanage" the expenditure of local currency or foreign exchange under an NPA program, it is still expected to account for how the money was spent. On one hand, if AID has provided a cash transfer or a CIP in exchange for certain policy reforms or as "rent" on a military base, it might be argued that AID should not care how the HG used the funds. Congress, the GAO, and the Inspector General's office do not see it that way. Legally, under the cash transfer mechanism, AID is not required to account for how U.S. dollars are spent, the only exception being El Salvador where Cash Transfer dollars are segregated into a special account. However, the political reality is that AID has to be able to demonstrate that it has at least some idea of where the money went, even when there are technically "no strings attached". In the case of CIPs, explicit restrictions are attached to the funds, but monitoring mechanisms are not spelled out in the legislation. How detailed an accounting is necessary is an open question, and practices vary widely from mission to mission.

In Africa l/c generations generally must be deposited in a special account, while in some LA Bureau countries, USAIDs have been content to let the Host Government mingle the funds with general revenues as long as the HG can account for their use. "Overinvoicing" imports and "underinvoicing" exports can help facilitate capital flight in some countries. By overstating the value of imports, businessmen are able to buy more foreign exchange from the Central Bank than they really need. Similarly they can understate the value of exports, allowing them keep a portion of their earnings in dollars rather than being forced to sell them back to the Central Bank for local currency. This problem has led USAIDs in Central America and the Caribbean to require HGs to set up "price checking units" in the countries' central banks. These units, often financed with aid-generated local currency, help ensure that the invoice prices for goods being imported or exported are reasonably consistent with general market prices.

Also in LA Bureau countries an "attribution process" is in force in many countries under which documentation is submitted to prove that approved commodities were imported from the U.S. (or other CACM or Caribbean countries) in an amount equal to the amount of the cash transfer. The attribution mechanism may appear similar to the CIP mechanism, but in the case of attribution, documents are submitted after the fact and no attempt is made to link a specific disbursement of dollars to a specific shipment of commodities. Thus disbursement is not delayed by paperwork, and the timing of imports is more flexible.

Such accounting and reporting requirements add to administrative overhead in both USAIDs and LDC governments. Congressional, GAO and public concerns regarding real or suspected misuse of ESF funds in the Philippines, Egypt, El Salvador and elsewhere are not likely to go away. Missions are looking for creative ways to manage and account for NPA which maintain flexibility and do not eliminate the staff economies normally associated with this mode of assistance, or at least do not make NPA more difficult to implement than projects.

Fungibility/Additionality:

There are always questions about whether a given aid program actually resulted in increased resources for a region or a targeted development sector. It can be argued that allocating aid money to a project or program simply relieves the HG of the need to spend their own money, freeing it up for other purposes. Money is fungible in that it is easily transferred, converted, reallocated etc.. Fungibility refers to the question of where aid money really ends up in the LDC economy. The question is relevant to project assistance, but is especially important to NPA. With project assistance, if one can reasonably assume that the selected project activity would not have taken place without foreign aid, then one can conclude that the aid has reached its target. Because NPA is only broadly aimed at economic sectors, trying to determine how resources would or would not have been allocated becomes problematic at best. If AID provides commodities that would have been imported anyway, then all that has really been provided is additional foreign exchange. This may be acceptable in a cash transfer program but it may not be in a CIP or sector program.

Projectizing:

ESF money can be and is allocated to bona fide AID projects. About 21% of total ESF obligations went to projects in FY 1985. But that is not what is meant when one hears references to a "projectized CIP". Instead it means that AID has entered into a CIP agreement where the commodities and/or the local currency generations are allocated to a specific project-type activity or group of activities. Projectized CIPs can be found in Egypt and in Africa.

Projectizing occurs most commonly where AID needs to disburse NPA resources but does not believe that the HG has the capacity to implement its own programs, or where the HG's and AID's development priorities do not entirely coincide (to be blunt, we don't trust them). AID/W and missions appear to like projectized CIPS because they afford AID a high degree of control while retaining much of the flexibility and administrative simplicity of NPA. On the other hand, agency auditors and the GAO have repeatedly charged that it is both illegal and infeasible to manage a project as a CIP activity. A number of CIP-funded infrastructure projects in Egypt have been subject to serious delays, procurement scandals, and highly critical audits. The GAO and the IG argue that the legal and administrative framework associated with a CIP does not provide a project officer with the procedural and information tools he or she needs to implement a complex project.

HOW DOES ONE IDENTIFY NPA IN DIS?

One doesn't. No combination of descriptors will extract the majority of them. Here are some sure signs of NPA so you'll know when you've found it.

* Food for Peace Title I, Food for Peace Title III: Either as a title or a descriptor.

* Cash Transfer, Budget Support, Economic Stabilization, Structural Adjustment, Economic Support Fund: As a project title.

* Program Loan, Commodity Import: As a project title.

* Sector Loan, Sector Program, Sector Support: Maybe, as a project title. You have to check them though.

* Any project with a "K" or an "L" in the project number: Not easy to search on. "K" denotes CIPs or Cash Transfers, "L" denotes program loans.

* Any project with a "PAAD" as a design document: We are missing many design documents for NPA activities, but the existence of a PAAD is an UNAMBIGUOUS indicator that you are dealing with NPA no matter how much the activity sounds like a project. This is a helpful sign if you are looking over a sector program, which may have project-type components and may even be funded out of DA accounts.

* Funding from ESF (coded as "ES" in DIS) or Security Supporting Assistance (coded as "SA") accounts does not necessarily mean that the activity is NPA: Watch out. If there's a PP, it's a project.

If all you need is budget data or geographic breakdowns, Bob Hudec in PPC/PB/PIA can provide clean numbers. How he gets them is, as always, obscure, but they are official and can't be readily duplicated by this office.

ANNOTATED BIBLIOGRAPHY ON NPA

This bibliography is not a comprehensive list of NPA documents available to R&RS. Rather it highlights some of the documents that were most useful in preparing this summary, as well as a number of "fugitive" documents which a researcher might not otherwise run across. No effort was made to include the growing number of NPA program evaluations in DIS. They are, for the most part, easily retrievable.

1. AID Needs to Strengthen Management of Commodity Import Programs, U.S. General Accounting Office, GAO/NSAID-84-47, February 29, 1984, (DIC# 351.8275 U58).

   A good inventory of the basic difficulties AID faces in managing and accounting for NPA funds. This report spurred AID to develop guidelines for the evaluation of CIPs (See Evaluation Guidelines...)

2. Berg, Elliot; Batchelder, Alan, Structural Adjustment Lending: A Preliminary Assessment, Elliot Berg Associates for PPC/EA, March 1983. (PD-AAQ-564)

   The bulk of this paper examines recent World Bank experience with structural adjustment lending with an eye toward identifying lessons relevant to AID's policy-based NPA programs. The paper also contains some interesting and valuable discussions of the "pros" and "cons" of conditional assistance, as well as the reasons for its renewed popularity among donors. Highly recommended.

3. Bowles, Donald, Emerging Issues in Non-Project Assistance (NPA), PPC/CDIE/PPE, April 14, 1986. (RS Files)

   A short paper prepared for the DAC Expert Group on Evaluation. It draws on the summary of donor responses to the DAC questionnaire on NPA referenced here, as well as a review of AID and IBRD evaluations of NPA. It is an issues paper, not a summary of lessons learned, and it addresses design, implementation, policy & conditionality, and evaluation.

4. Bowles, Donald, Guidelines for Evaluating Non-Project Assistance, PPC/CDIE/PPE, March 31, 1986. (RS Files)

This paper, prepared for the DAC Expert Group on Evaluation, is essentially a distillation of CDIE's Evaluation Guidelines for CIPs and CIP-like Activities (AID Program Design and Evaluation Methodology Report No. 4). Focuses more on general evaluation issues and less on the mechanics of evaluation than PDEMR #4 and does not limit itself to AID programs only.

5. Bowles, Donald, Responses to the DAC Questionnaire on Non-Project Assistance, December 1985, Draft. (RS Files)

Prepared for the DAC Expert Group on Aid Evaluation. A summary of DAC member responses to a questionnaire drafted by Bowles. Illustrates how widely donor practices and terminology vary with regard to NPA.

6. Brown, Donald S., Commodity Import Programs as a Development Tool, Memorandum to the Administrator, A/AID, October 1982. (RS Files)

This thoughtful paper examines the relative merits of CIPs and cash transfers as vehicles for macro and/or micro-level policy reform. Relates general policy issues to specific examples. Brown emphasizes the importance of defining AID's objectives in providing NPA and argues for flexibility in programming assistance on a case by case basis.

7. Clyburn, Lloyd, The Propriety and Design of Sector Support Activities, Draft, AID, September 1975, (DIC# 630 C649)

This paper is primarily concerned with the rationale for, and design implications of, agricultural sector programs. Still, much of the information is applicable to programs in other sectors. Contains some valuable annexes, including early policy guidance on sector programs and an intercountry evaluation of agr. sector loans in Latin America. The policies discussed are out of date, but the document is useful in differentiating between sector and program-level NPA.

8. Crosswell, Michael, Economic Analysis of Non-Project Assistance, Draft, ANE/DP, August 12, 1985. (RS Files)

An exploratory "think" piece which seeks to apply basic economic theory to the analysis of NPA. It divides the economic effects of NPA into those which relate to policy reform and those resulting from resource transfers. Not a detailed analysis but it raises some interesting questions.

9. Economic Support Fund Programs and Procedures, LA Bureau, Author Unknown, 1985. (RS Files)

A summary of current AID practice in the programming and budgeting of ESF programs. Highlights Congressional and GAO concerns regarding the management of ESF-funded activities.

10. Evaluation Guidelines for NonProject Assistance (CIPs) and CIP-like Activities, AID Program Design and Evaluation Methodology Report No. 4, PPC/CDIE, August 1985. (PN-AAL-058)

Although this report does not address the evaluation of ESF cash transfers it does outline a comprehensive approach to evaluating the impact of commodity-oriented NPA. Useful even for those not specifically concerned with evaluation because the methodology outlined provides a window into field-level implementation of NPA programs. An edited version of this report will probably be added to AID Handbook #4 (Non-Project Assistance), answering GAO criticism of AID for failing to evaluate the impact of NPA. Handbook #4 presently contains no guidance on the evaluation of NPA.

11. Hermann, Chris, Implementing Policy and Institutional Change via Performance Disbursement:Examples from the Philippines, Bangladesh and Niger, A.I.D. Evaluation Occasional Paper No. 1, PPC/CDIE, July 1985. (PN-AAT-806)

This report documents an approach to policy conditionality which involves dividing funding into tranches linked to a series of incremental policy reforms. The technique can be applied to project or nonproject assistance, but by its nature more closely resembles NPA. The country examples presented illustrate how blurred distinctions between NPA and project assistance can be in practice.

12. Issues Paper on Sector Loan Policy, AG/OAS, October 1972. (DIC# 336.15A912)

An interesting discussion of policy questions facing AID with respect to sector loans. Many of the issues identified - i.e. the role of sector analysis, proper uses for local currency, conditionality and proper benchmarks for evaluation, are still quite relevant.

13. Kilgour, Mary, The Development and Use of New Delivery Systems by AID in Colombia: Sector Loans and Block Grants, AID/PPC, 1973. (PN-AAG-662)

Documents USAID/Colombia's experience with sector loans in the late 1960s and early 1970s. The LA Bureau was a pioneer in sector programming and Columbia was a showcase for the sector approach. Sector loans were characterized as a response to Colombia's "growing planning sophistication."

14. Lieberson, Joseph, Recent Evaluations of AID Commodity Import Programs (CIPs), AID Evaluation Occasional Paper No. 4, PPC/CDIE, March 1985 (PN-AAT-505).

This short paper, produced as part of CDIE's efforts to develop evaluation guidelines for CIPS, summarizes four CIP evaluations done in 1984. It identified four key issues: policy reform, targeting, exchange rates and local currency programming.

15. Miller, Devorah, United States Non-Project Assistance (NPA) - Response to Questionnaire by the DAC Expert Group on Evaluation, PPC/CDIE/PPE, 1985? (RS Files)

An excellent overview of current AID practices and policies with respect to NPA. Includes tables showing categorical and region breakdowns of NPA flows for FY 1981-85.

16. Preliminary Draft; Draft Policy Paper; Non-Project Assistance, PPC/PDPR, 198?, probable author - Thomas Miller.

This is one of several draft policy papers written by or for PPC/PDPR in recent years on NPA. This version takes a fairly negative stand on NPA. Balance of payments constraints are not in themselves an adequate justification for NPA, and the use of local currency generations for Host Country counterpart contributions is discouraged.

17. Program Sector Assistance Guidance, AID Handbook #1, Part VII, October 30, 1985. (RS Files, AID Library)

This annex to the AID Policy Handbook was originally issued as an August 30, 1983 worldwide cable from the Administrator (State 246904). In the absence of a formal policy paper on NPA, it remains the most up-to-date policy statement on NPA. The guidance focuses specifically on sector programs and does not address more general-level NPA instruments such as Cash Transfers or CIP-based policy reform activities cutting across sectors. It stresses that a rigorous sector analysis proceed any sector program.

18. Programming PL480 Local Currency Generations, AID Policy Determination No. 5 (PD-5), AID, February 22, 1983. (PN-AAM-591)

This determination provides general guidelines for USAIDs to follow "when it has been determined that AID should become more actively involved in the programming of local currency.." It does not provide any hard decision criteria for USAIDs to use in making such a determination. Gives examples of acceptable uses for l/c. In 1984 a worldwide cable from the Administrator expanded the coverage of PD-5 to include all forms of NPA, not just PL 480. A more comprehensive policy on l/c programming is currently circulating in draft form and may be formally approved this summer.

19. Providing Effective Economic Assistance to El Salvador and Honduras: A Formidable Task, General Accounting Office, GAO/NSIAD-85-82, July 3, 1985. (RS files)

Highlights the difficulties AID faces in implementing NPA-based policy reform in countries where the U.S. have substantial national security/foreign policy interests. The report urges that federal agencies try to agree on the relative priority of economic reforms. and recommends that Congress provide explicit guidance on the importance it places on these reforms.

20. Riddell, Roger C., An Economic Evaluation of Zimbabwe's Commodity Import Programs with Special Reference to the United States Programs, AID, August 1983. (PD-AAR-143)

A thoughtful country study of the macroeconomic impact of CIPs . It begins with a theoretical examination of CIPs in general before moving on to Zimbabwe. The paper is especially interesting because it examines the impact of all concessional commodity assistance programs in Zimbabwe rather than restricting itself to U.S. programs

21. Rudel, Ludwig, The Feasibility of Local Currency Programming for Private Enterprise Development, AID/PRE, February 15, 1984. (PD-AAR-047)

The major purpose of this paper is to explore various possibilities for mobilizing aid-generated local currency resources for private sector development, but is essential reading for anyone interested in the more general issue of l/c programming. It contains an excellent summary of past and current practices. Extensive annexes contain a number of cables and short papers on l/c programming which are very useful.

22. Sector Assistance Programs, Draft Action Memorandum for the Administrator, probable author - Jerry Wolgin, PPC, 1981.

This is a draft version of the Program Sector Assistance Guidance which now appears in Handbook #1. While addressing the same topic, it bears little resemblance to the final 1983 version. The paper cites three main advantages of program sector assistance: policy dialog, quick disbursement, and staff economies. This version represents one of the few times PPC has explicitly endorsed the staff economies rationale for NPA. An attached response to the draft from the Near East Bureau expresses fundamental disagreement with the paper calling it "unnecessary, unworkable, inappropriate and potentially pernicious..."

23. A Study: Conditionality in the Agency for International Development's Economic Assistance Programs in Six Countries, PPC/PDPR, February 27, 1985. (PN-AAR-463)

This paper examines the use of policy conditionality in AID's programs in six countries, and included both project and nonproject assistance. It finds that conditionality is rarely associated with DA-funded or project-type activities unless a country lacked a significant ESF program, confirming the observation that NPA is AID's primary instrument for "leveraging" policy reforms. The case studies are more factual than analytic, detailing individual conditions imposed on each program reporting on host countries' performance in meeting the conditions.

24. The Use of Program Loans to Influence Policy; Part I - Summary and Conclusions, Part II - Country Studies, Evaluation Paper 1A, PPC/E, March 1970.(PN-AAQ-813, DIC#353.0072 A265G)

This study, declassified since 1977, represents the only substantive account of AID's early experience in program lending. It covers the FY 1962-68 period and focuses in depth on the issues of conditionality and policy leverage, specifically excluding questions surrounding the direct development impact of program funds or the appropriateness of policies AID was recommending at the time. The study broadly confirmed the the theory that program lending can play an effective role in influencing policy, but recognized that causal links between program loans and policy reforms are hard to prove and that the degree of influence AID gained had often been exaggerated.