

SUMMARY OF AID'S EXPERIENCE

1.0 Introduction

This paper summarizes AID's experience for selected development sectors and cross-cutting issues based on information from CDIE's Impact Evaluations, Development Experience Reviews, and a recently completed analysis of FY 1984 project evaluations. Unlike the World Bank, AID does not rely on a single uniform measure of project success (such as estimated economic rate of return) and there is little basis for the kind of quantitative sector comparisons found in the World Bank's Annual Review of Project Performance. While CDIE's evaluations cover most of the sectors and issues included in the World Bank reports, the studies are more issue oriented and less concerned with precisely measuring project performance.

2.0 Cross-cutting Issues

Although CDIE is conducting several ongoing studies aimed at improving AID's understanding and performance in relation to such issues as technology transfer and development management, the following sections focus more narrowly on the extent to which such cross-cutting issues are being successfully addressed by current projects. The analysis is based primarily on a review of 308 project evaluations conducted in FY 1984. Most of these projects were initiated in the late 1970's and early 1980's.

2.1 Host Country Compatibility

Most of the projects reviewed were responsive to host government needs, desires, and development priorities and substantially consistent with AID's development goals and with U.S. and host country national interest. At the same time, some projects were found to be less compatible with customs, cultures, and socioeconomic conditions in the particular locales in which they were being implemented. In some cases neither AID nor the host government had sufficient knowledge or appreciation of such intra-national cultural variations. The result is that some projects, though national in scope, were not effective in important geo-cultural regions of the country.

2.2 Institutional Development

The project evaluations reveal that most AID managers have a strong and prevailing appreciation of the central importance of institution building. The evaluations further indicate that AID personnel have become skilled in institution building, especially through human resource development. A related CDIE study further indicates AID's participant training programs have played a significant role in providing managers with the technical skills needed for effective program implementation, while also providing them with a greater appreciation of American practices and

values. With a few exceptions, AID contract teams appear increasingly to share the conviction that institution building is at the core of the development process and a principal goal of their assistance efforts.

2.3 Design and Implementation

The project evaluations indicate that while generally highly professional and effective, AID's project design and implementation systems also impedes the full realization of AID's development goals. Projects are rarely designed with a sufficient duration to create successful new organizations or even to strengthen existing ones, seriously undercutting the Agency's institution building goals. The evaluations also revealed a tendency for AID managers to regard project papers as inviolable once approved. Thus even when conditions changed, or when original, often dated, information proved inaccurate, mid-course corrections were difficult.

The problems of too little time and too fixed a design were exacerbated by frequent delays in project implementation. These included the lengthiness of the project paper approval process; protracted grant and loan agreement negotiations; the time required to meet (sometimes inappropriate or unduly restrictive) conditions precedent; lengthy technical assistance contract negotiations; and slow procurement of equipment, supplies and construction. Such delays sometimes cut in half the actual working time available for an already too short project.

2.4 Sustainability

Although ensuring the sustainability of development programs is a basic aim of AID assistance, the evaluations indicate that this goal is not yet being pursued as diligently or successfully as other elements of institution building. One important factor hampering efforts to enhance program sustainability is the continuing, too rapid turnover of mission, contractor, and host government staff. This was also reflected in poor project and contractor monitoring in some projects and in inadequate USAID attention, involvement, and assistance. Few project evaluations paid particular attention to sustainability issues or how the likelihood of sustainability could be improved during project implementation. Several recent CDIE studies have indicated that greater attention to financial self-sufficiency (through user fees, market interest rates, etc.) is often an important factor in institutional sustainability.

2.5 Technology Transfer

The evaluations indicated that serious barriers to technology transfer still exist and that most projects are at best achieving mixed success in transferring improved technology to beneficiaries. The problems appear especially severe in

agriculture and in Africa and the Near East, where acceptance even of proven technologies by poor farmers is proving difficult. This gap between available technologies and their use by small farmers is one of seriously large proportions and remains difficult to understand. Sometimes the failure appears to represent inadequate extension or communication of new methods, sometimes it reflects insufficient adaptation of technologies to local conditions, sometimes it reflects farmer judgements that the risks from new technologies are too high or the returns too low. Sometimes the problems seem to reflect conflicts among American technicians themselves over research and extension responsibilities. Overall, the failures point out the need for projects to more clearly address the entire technology transfer process, from research through development, extension, adaptation and use.

Health, nutrition, and family planning projects tended to achieve more acceptance of modern practices than agriculture projects. In the health area, however, beneficiaries proved much more willing to adopt curative health services than preventative practices. Surprisingly, the project evaluations also found that potable water consumption rarely increased after safe new water systems were installed--perhaps because of ingrained habits of frugally water use. Energy projects also encountered resistance to the adoption on new fuel efficient cooking stoves, even though this stoves were supposedly healthier and less costly to operate.

2.6 Addressing the "Four Pillars"

The evaluations indicated that projects are substantially addressing the four policy pillars of Agency policy. More specifically, the evaluations showed that (1) almost all projects have technology transfer and institution building goals; (2) that a smaller, but a substantial proportion of projects address private sector issues; and (3) that only a few projects reflect a policy dialogue approach. The limited evidence on policy dialogue probably reflects the nature of the project evaluations themselves, which tend to be nuts and bolts, bottom-up assessments. Policy dialogue involves larger concerns of mission strategy and higher level meetings that are not likely to be reflected in project evaluation reports.

3.0 Sector Summaries

3.1 Agriculture

Most of AID's agriculture projects seek to increase agricultural production and incomes and enhance rural standards of living by transferring improved technology to small farmers. Specific project components may focus on agricultural credit, other farm inputs, marketing, irrigation, research and extension, or agricultural planning and policy. Most projects combine several components. Integrated agricultural development projects are designed specifically to provide a comprehensive set of

agricultural services to a particular geographic area. Integrated rural development projects add related health, transportation, education, and other social development services. Nearly all projects seek to improve indigenous agricultural institutions as a basis for sustainable growth, though in the least developed countries substantial emphasis is also placed on direct services to farmers.

Overall, AID's agriculture projects have played a significant role in increasing agricultural production throughout the world, and have been especially successful in Asia and parts of Latin American. Projects have been less successful in Africa and in the least developed countries more generally.

The analysis of FY 1984 project evaluations indicates that many farmers are still not adopting new technologies. Indeed in several cases farmers have not adopted new methods even when seemingly appropriate technologies, physical inputs, and extension services were available. Despite promising developments in farming systems research, links among research, extension, and farming remain weak and technology is often poorly adapted to farmer needs and constraints. and inadequately extended. Failures in extending improved technologies, poor agricultural policies, and a lack of complementary inputs are preventing adoption of improved technologies that do exist. These findings question the conventional wisdom that a lack of appropriate technology is the primary constraint to agricultural improvement.

3.1.1 Irrigation

AID's experience with irrigation projects has been generally favorable. The technology of irrigation is well understood and AID has usually successfully constructed or rehabilitated irrigation systems as planned. These improved irrigation systems have increased agricultural production and improved the income and living conditions of beneficiaries.

At the same time, irrigation projects have rarely achieved the crop intensities and production increases anticipated in project designs. The major problems have centered on the difficulties of managing and maintaining complex water systems and delivering necessary services to target populations. Often, irrigation projects were developed with an inadequate understanding of indigenous farming practices, of the amenability of farmers to change, and of the impact of irrigation on existing social and economic systems. In several cases irrigation projects have had a negative effect on income equity, decreasing the standard of living of poor participants, while wealthier farmers prospered.

While irrigation projects often appear extremely cost-effective when they are designed and even when construction is completed, successful operation and maintenance to sustain anticipated economic returns has proven more difficult. As the Program

Evaluation Report notes, "effective irrigation is complex, involving the interaction of physical structures, water, agronomy, soils, the environment, climate, management techniques, social and political systems, cultural practices, and a host of support facilities" The long term success of AID's irrigation projects clearly depends on the development of more effective and sustainable institutions to manage irrigation facilities.

3.1.2 Agricultural Credit

A recent CDIE study of 50 agricultural credit projects implemented between 1973 and 1985 found that 30 of these projects (60%) were substantially successful. Projects were judged successful if they increased farmer adoption of new technology; resulted in significant increases in agricultural output, incomes, or jobs; provided credit on a timely basis; strengthened or created appropriate financial institutions; were perceived by farmers as serving their needs; and had viable repayment and default rates.

Factors common to successful credit projects included:

- o Appropriate Technology - previously tested technology that met farmer needs;
- o Favorable Government Policies - host country pricing policies that encouraged agricultural investments and financial and interest rate controls that allowed rural financial institutions to operate in an economically viable manner;
- o Effective Delivery Mechanisms - strong lending institution management, an effective means of reaching farmers, and the financial strength to absorb some degree of loan default;
- o Lending Rates - onlending interest rates high enough to cover the cost of capital.

The CDIE study found that the sustainability of a lending program was closely linked to the interest rates charged and that credit institutions were more likely to develop long-term viability if interest rates reflected the true opportunity costs of capital and the costs of administering credit. The CDIE study also concluded that lending institution management was a critical factor in determining default rates. Successful credit projects relied on institutions with proven capacities for handling loans or provided training and technical assistance to strengthen these management capabilities. The CDIE study also found that medium and long-term credit were more likely to benefit larger farmers. To reach small farmers projects needed to include short-term credit, to utilize local institutions, and to tailor loan requirements to small farmer needs.

3.1.3 Integrated Rural Development

Impact evaluations of 11 integrated rural development (IRD) projects revealed that despite implementation and sustainability problems most projects achieved at least some of their objectives and provided other associated benefits. Seven of the eleven projects contributed to increased agricultural production by bringing new lands under cultivation, increasing input supplies, or improving agricultural infrastructure. Most of these projects also increased beneficiary income. Some projects provided additional benefits, such as improvements in health services, local schools, literacy training, and transportation.

IRD projects tended to be more successful when they applied well tested agricultural technologies that did not require radical changes in farming practices, involved little risk, and could be flexibly adapted to unanticipated conditions. IRD projects commonly encountered difficulties in coordinating the efforts of the numerous agencies and organizations providing project related services. The evaluations found that private and voluntary organizations were usually more flexible, independent, and effective managers of IRD projects than government or quasi-government agencies. In several IRD projects well-organized beneficiary groups also contributed to effective implementation and helped to mobilize essential political support.

3.1.4 Research and Extension

CDIE's impact evaluations found that AID's agricultural research projects successfully trained scientists and administrators and improved national agricultural research institutions. In several cases AID supported research activities also resulted in substantial increases in agricultural production and productivity. At the same time, the evaluations concluded that more effective transfer of research results will require a better understanding of farmer needs and indigenous farming systems and improved linkages among researchers, extensionists, policy makers, and farmers.

Preliminary findings from an ongoing CDIE study of agricultural extension indicate that extension systems remain the weakest technology transfer link in many developing countries. Although several AID projects have successfully demonstrated particular innovative extension techniques, particularly those involving mass communications and the private sector, broader improvements in public extension systems are also needed. This will require better ties among extensionists, researchers, farmers, and private sector organizations and development of better agricultural technology management strategies.

3.2 Potable Water

AID's potable water projects are focused primarily on improving the access of the rural poor to better quality water. From AID's perspective, potable water projects represent a health rather than a public utility intervention. AID has found that potable water is a strong felt need that rural villagers are willing to sacrifice cash and labor to obtain.

AID's potable water evaluations have concentrated on the impact of potable water on beneficiary quality of life and standard of living. Although the health impact of potable water projects has proven less dramatic than initially envisioned, the projects have improved access to water and are generally highly valued by recipients. Several impact evaluations note the crucial role of women in successful potable water projects and emphasise the need for input from women in site selection, fee setting, needs assessment, and so on. Women also tend to be the primary beneficiaries of potable water projects and their most enthusiastic village advocates.

3.3 Rural Electrification

AID has invested in rural electrification based on the assumption that the availability of electricity would increase the productivity of farming, improve rural employment opportunities, and generally enhance the quality of rural life. However, CDIE's impact evaluations show that the benefits from rural electrification have been mixed. While the social benefits--extending the day, adding comfort and modernity, and powering appliances--were highly valued, three of four evaluations found little impact on agricultural production. The cost of the electrical equipment needed for modern farming was simply too great for most farmers. The primary users of electricity in farming were large landowners and livestock (dairy and poultry) producers. Market town commercial outlets and industries were also substantial electricity users.

In general, the major constraint in electrifying poor households has been the cost of installation. The full price of electricity has seldom been passed to consumers, especially in rural areas where delivery costs are higher, creating potential sustainability problems. The evaluations also found that cooperatives were no better at managing of rural electrification than credit unions, banks, or similar institutions, nor were they particularly successful at stimulating participatory decision-making or a sense of ownership among members.

Women had the largest economic benefit from home electricity. Most women quickly purchased small appliances and some women were able to do additional crafts work in the evenings because of electric lights. Poorer women, however, couldn't afford appliances and received fewer benefits. In general the

introduction of rural electrification tended to increase local inequities and enhance social stratification.

3.4 Rural Roads

By the late 1970's, rural roads projects represented more than 7% of AID's Development Assistance funding. These projects focused on constructing, rehabilitating, and maintaining local and collector roads directly linking farmers to villages, towns, and larger transportation systems. Nearly all of these projects sought to improve rural incomes and well-being by increasing agricultural production through better farmer access to inputs, services, and markets.

CDIE's Impact Evaluations found that all of the rural roads projects examined constructed roads that were still in use and all were associated with increases in agricultural production. The evaluations also found that new road construction was associated with greater increases in agricultural production than road upgrading. Most production increases involved non-food export crops. Projects were also associated with expanded use of agricultural credit, large increases in land value, and with shifts in point of sale from the farm to roadside or small towns, often resulting in better prices for farmers. Improved roads also resulted in the proliferation of small shops in towns and the expansion of rural markets along new or improved routes. Other benefits included easier access to existing medical, educational and social services, and to new recreational and employment opportunities.

Although rural roads had a predominantly positive impact and while rural people voiced almost unanimous approval, projects had some less desirable consequences: The construction of rural roads sometimes sharpened income disparities by benefiting the well-off proportionately more. New or improved roads also increased the competition for land and in several cases poorer farmers were displaced or threatened with displacement. Other possible negative impacts included a shift from food to cash crop production and possible deforestation, soil erosion, and declining soil fertility due to increased agricultural intensity. The evaluations concluded that on the whole rural roads projects were quite successful, but that the greatest difficulty has been in developing effective and sustainable road maintenance institutions.

3.5 Development Finance Companies

AID's development finance company (DFC) projects seek to stimulate employment and exports by improving development finance institutions and transferring additional resources for on-lending to entrepreneurs. AID has experimented with a variety of development finance institutions and loan priorities. Overtime, the emphasis has shifted towards small scale enterprise and farm

oriented investments, which represented the bulk of the loan portfolio by 1981.

Historically, AID's development finance company projects have been plagued with low DFC profitability, high arrearage on loans outstanding, problems with interest rate controls, and problems of sustainability. The primary sources of these problems have been inappropriate host government policies (e.g. interest rate restrictions), poor management, and poor external conditions (volatile inflation, economic recession, export problems, and the like). Despite these problems, recent CDIE studies found that development finance company projects in Ecuador and the Philippines had a substantial impact on job creation, export generation, and economic growth.

3.6 Education

AID's education projects focus on assisting disadvantaged groups, especially women and the rural poor, and have significantly benefited these groups, particularly in basic education. In most instances, moreover, AID assistance was associated with significant and sustainable improvements in host-country educational institutions. However, the evaluations indicate that the extent of project impact is more a function of internal host country conditions--levels of political and social strife, cultural commitment to education, economic conditions, and financial and organizational constraints--than of AID or contractor performance.

AID's education projects have not been particularly successful in generating host-country support for vocational and agricultural technical schools, or for curriculum reform. This appears to reflect indigenous cultural biases against technical training and the the higher recurrent costs associated with curriculum reform. The CDIE report concludes that major attention should be focused on how costs are apportioned between central and regional governments and local entities, on the reasonableness of these costs in light of resource availability, and on devising strategies for motivating the payment of maintenance expenses, particularly from local communities. The report also recommends that education planners devote more attention to assessing employment trends and assuring that graduates are prepared with appropriate job skills.

3.7 Health

AID's health projects focus on basic health care delivery systems, selective disease prevention and control, and related health planning and research. Over time, AID's health project emphasis has shifted. In the early 1970's AID began supporting a number of low-cost health care delivery projects for rural populations. Throughout the 1970's the agency increasingly invested in Primary Health Care approaches for low-income populations. More recently, child mortality has been

specifically targeted and an increasing emphasis has been placed on the use of private sector and mass communication dissemination channels.

Most of the impact evaluations found significant problems in health service organization and management. At the same time, all but one of the projects were found to have had a positive impact on institutional capabilities. Nearly every evaluation also raised questions about the long-term sustainability of health initiatives, reflecting concerns not only about financing problems, but also about shifting political support, weak community participation, inappropriate technology, and dependence on imported commodities and foreign technical assistance. At the same time, several of the evaluations indicated that community residents were willing and able to cover significant project costs, particularly for curative care. Although all of the evaluations reported increases in health service utilization attributable to AID inputs, links between utilization and health status could not be firmly established.