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SELECTED CASE STUDIES OF PRIVATE SECTOR PROJECTS IN ASIA AND NEAR EAST

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INTRODUCTION

This document is a compilation of sixteen short case studies of private sector projects undertaken by the Agency for International Development in Asia and the Near East (ANE). The projects included were active and/or initiated in 1984 or thereafter. The criteria for classifying a project as private sector were developed in conjunction with officers of the ANE Bureau. They are the following:

- Projects which directly assist private sector institutions or make significant use of private sector entities or delivery mechanisms in pursuit of project objectives;
- Projects which aim to improve the economic environment for growth of private sector firms;
- Training projects with a significant private sector component;
- Research projects designed explicitly to examine issues or problems that affect private enterprise development;
- Infrastructure projects designed explicitly to facilitate growth and expansion of private business; and
- Projects with components that meet any of the above criteria.

As established in the scope of work, the case studies are based strictly on project evaluations and project papers; no field work or interviews were undertaken. As a result, the descriptions and conclusions are only as accurate as the evaluations that they were based on. Moreover, the selection of projects for case study was, of necessity, based on the availability of an evaluation report.

Cases were developed for each of the following categories:

- Small and Micro-Enterprise Development
- Policy Reform
- Trade and Investment Promotion
- Financial Market Development/Capital Mobilization
- Training/Human Resources Development
- Infrastructure Development
- Health Care

- Technology Transfer

The case studies are primarily descriptive and do not purport to draw any conclusions as to the applicability of the lessons of each project to different countries or contexts. Because the success of a project is frequently dependent on specific country conditions, as well as on the particular individuals who were involved in the implementation of the project, no conjectures on the replicability of a "successful" or "unsuccessful" project are made or intended.

CASE #1: FINANCIAL MARKET DEVELOPMENT/ CAPITAL MOBILIZATION

RURAL FINANCE PROJECT - BANGLADESH 388-0037

A. Project Description

The Rural Finance Project, implemented by the Bangladesh Bank (BB), was authorized in 1983 and financed by a $75 million grant from USAID. The main purpose of the project is to create an efficient and economically viable rural financial system that will be capable of mobilizing savings and of providing credit facilities to a larger number of private farmers and entrepreneurs in Bangladesh. In order to achieve this purpose, the project will promote policy changes and institutional reforms that will eliminate market distortions and improve the operational efficiency of the current financial system.

The project has three principal components:

1. Policy Reform Activities

The project will enter into policy dialogue with the Government of Bangladesh (BDG) on the rural banking system, explore a number of problems, and support adoption of effective policies. Three key areas will be targeted: (a) rationalization of interest rates through interest rate increases and establishment of an Advisory Committee on Interest Rates; (b) mobilization of rural savings through support of market research, review of savings restrictions, establishment of an innovative savings campaign fund, and expansion of BB savings promotion efforts; and (c) loan recovery improvement through implementation of accounting changes, revision of penalty interest structures, and creation of a new incentive system.

2. Procedural Reform Activities

The project will concentrate on various means of improving the efficiency of the central bank and of rural financing institutions. These activities aim at reinforcing and complementing the policy reforms by focusing on training, reviews of lending efficiency, and other means of institutional strengthening. One activity will explore alternatives for expanding rural branch banking.

3. Reviews and Evaluations

This component will focus on the development of a system to monitor the impact of policy changes. In addition, it will

support a review of the financial sector later in the project to evaluate the impact of policy reforms and to determine the desirability of additional changes.

B. Project Achievements

The principal expected achievements of the project are: a rationalized interest rate system; improved savings mobilization techniques; more efficient lending procedures; improved management systems; and practical banking research. With respect to private enterprise development, the project will have two important impacts: (1) it will increase the availability of credit facilities to private farmers and rural entrepreneurs and, thus, facilitate trade and investment; and (2) it will result in significant improvements in the climate and profitability of rural banking and, thus, make this area more attractive to private institutional investors.

The interim evaluation indicated that the project had already achieved significant success and that, if the dialogue with the BDG continued, the project would be even more successful in promoting reforms to facilitate development of the rural financial system. Some of the key accomplishments of the project include the following:

- The BDG has made a number of policy changes that appear to have resulted from policy discussions and experiments between policy makers and A.I.D. staff and consultants.

- The Bank of Bangladesh has taken some important steps in favor of interest rate rationalization since the project started, including introduction of a 4% service charge on agricultural loans and establishment of a "refinance matrix" designed to encourage banks to raise funds through savings mobilization. Moreover, the Bank has agreed on a basic method of calculating interest rates that will result in a more rational rate structure.

- The BB is moving towards implementation of several accounting reforms in response to problems of overdue loans which will have a major impact on the financial position of the banks and on the BDG fiscal position. The BDG, however, is reluctant to introduce all of the recommended accounting changes all at once, and has indicated its preference for implementing these gradually over a period of years. According to the evaluation report, it is not clear whether this will enable the BDG to achieve the expected goals while avoiding any loss of confidence in the banks and, simultaneously, finding other revenues to substitute for those currently generated by the banks' accounting system. Foreign

assistance to recapitalize the banks while the accounting reforms are implemented is more likely to lead to a successful outcome.

- The project has resulted in a large number of valuable analytical and policy studies, and in the compilation of very useful raw data on issues related to loan recovery, interest rate determination, and savings mobilization.

C. Principal Strengths and Weaknesses of Project Design

Overall, the evaluation team found that the project had been effective in promoting policy reform and, in general, in influencing the policy thinking of the BDG. In particular, the project has been successful in using specific data and observations gathered during the course of developing analytical and policy studies to advise and make formal presentations to senior government officials. This access to senior officials with both the titular and the real power to implement reforms has been a key strength of the project.

The mid-term evaluation report contained very little information on the weaknesses of the project design. It did note, however, that the project was inadvertently drifting away from a focus on general rural credit to a nearly exclusive emphasis on agricultural credit. The evaluation team felt it was important to re-emphasize credit for all kinds of rural enterprises because there is considerable need to promote other sources of employment in the rural areas in addition to agriculture.

The evaluation report also noted that, in policy discussions with the BDG, it was important to emphasize the need to establish a financially viable rural banking system on which any legitimate enterprise can depend for capital and on which any individual can depend for safekeeping of his savings. The report also emphasized the importance of coordinating project activities with those of other donors.

D. Concluding Observations

The development of financial markets is intimately linked to the creation of an appropriate policy environment. This project is an excellent example of how these two issues can and should be linked in the pursuit of long-term objectives to mobilize capital for production and employment generation.

The project has provided a number of important lessons, including the following: (1) The success of policy reform projects should not be appraised on the basis of whether or not specified policy changes were implemented at the designated time. More important

is evaluating whether or not the project provided direction to policy formulation, and whether or not it contributed to analysis of policy alternatives and to a better understanding of the consequences of maintaining the status quo, thus setting in motion the policy reform process. (2) In implementing projects that aim at bringing about policy reform, USAID officers should ensure that, from the outset, they have access to senior government officials with both the nominal and real power to effect reforms. (3) In seeking to implement the recommendations resulting from background research and policy analysis, it is important to target areas with the greatest potential impact, especially those that are mutually reinforcing.

CASE #2: FINANCIAL MARKET DEVELOPMENT/ CAPITAL MOBILIZATION

PRODUCTION CREDIT PROJECT - EGYPT 263-0147

A. Project Description

The Production Credit Project was authorized in 1982 and amended in 1985. Its main objective was to increase the economic contribution of Egypt's private sector. As a corollary, the project aimed at developing a financial system with the capability to service a full range of short-, medium-, and long-term financial needs as well as to support a growing and diverse private sector. The project's stated purpose was to support expanded investment by productive private enterprises.

Attainment of the project goals and purposes was to be accomplished primarily through the provision of short-term credit for the import of needed industrial raw materials, spare parts and capital equipment. For this purpose, an initial grant of $67 million was authorized to provide funds on a first-come, first-serve basis to private and public sector banks for on-lending to the private sector. By mid-1986, the project had financed 589 transactions worth close to $87 million for about 304 firms.

Although the project concentrated on the provision of short-term credit, it also was designed to have an institutional development component. This component included technical assistance, training, and studies to improve a variety of banking skills, conduct credit policy analyses, and support the development of new financial instruments. The objective was to support policy dialogue between A.I.D. and the Government of Egypt (GOE) on broader credit policy issues and alternative policy directions. By supporting the development of improved data and better knowledge of credit conditions, the project would help put into place "the building blocks for a constructive policy dialogue."

Significantly, the project paper called for the establishment of a Private Sector Steering Committee which would engage in regular discussions with USAID on credit and conditions for Egypt's private sector. The Committee was to play a key role in both the policy and program aspects of the project. Prior to project authorization, the GOE had agreed to the conduct of semi-annual consultations with USAID through the Committee on a variety of credit and business policy matters. The Central Bank of Egypt was also to become directly involved in policy and program issues.

B. Project Achievements

The project was expected to have significant policy and program ramifications. A.I.D. funds would be supplied through a widened banking network and the number of potential private sector end-users would be greatly expanded. Together, the short-term credit and institutional development components would result in:

- greater private sector access to and use of short-term credit;
- increased number of banks serving private sector credit needs;
- greater access to credit for small and medium sized firms;
- improved banking skills as well as credit and loan procedures; and
- changes in credit policy.

The end-of-project evaluation, conducted in 1984, found that the project was very successful in providing foreign exchange inputs to private sector industries, but that it was less successful in providing short and medium term credit. In addition, it found that the goals of the project were too ambitious and that the magnitude of intervention was relatively small and, thus, not sufficient to have a significant effect on the sector or on the economy in general. The evaluation of the project was particularly critical of the fact that the Private Sector Steering Committee never got off the ground and the institutional development component was not really activated.

Nonetheless, a subsequent special evaluation in 1986 found that the project had made some significant contributions and that it could not be easily classified as either a success or a failure. This study indicated that even though credit may have been less important than foreign exchange for most participating firms, the credit aspects of the project were nevertheless significant.

The main findings on the project's achievements included:

- The greatest share of approved transactions was for end users of raw materials and capital goods. This was important because previous A.I.D. commodity import projects had been criticized on the grounds that traders received most of the funds.
- Funds were spread among a wide range of companies not just the few that had reportedly monopolized previous programs. This was accomplished by limiting transactions

to a maximum of $500,000 and allowing a firm to import only $1 million.

- The types of import commodities financed under the project generally were appropriate to meet Egypt's development needs and were effectively used.

- The relative importance of credit and foreign exchange provided by the project varied according to individual firm and sector. Although the majority of the firms used the project for foreign exchange primarily, credit was important to a significant minority of firms, but less frequently to industrial firms.

C. Principal Strengths and Weaknesses of Project Design

The project design incorporated a number of new and solid features. Unlike previous commodity import projects which operated primarily through allocation quotas to the large public sector commercial banks, this project was designed to make resources available to banking institutions against specific transactions as needed, and according to commitment and disbursement performance. In addition, the project expanded the number of participating banks to include selected joint venture and wholly-owned private Egyptian banks. This constituted a major policy advance because, for the first time, joint venture and private banks would be allowed to compete on equal terms with the public sector banks for A.I.D. funds.

The evaluation of the project found that the transaction-based, client demand system worked well since banks that performed efficiently and quickly received more funding, and the project was able to move A.I.D. funds quickly and effectively. In addition, transactions were found to be flowing to private sector banks at a rate which approximated their "fair share" of the banking market.

Some of the key weaknesses of the project centered around the failure to implement the training, technical assistance and studies component of the project. This situation limited the developmental impact of the program considerably. Moreover, because the Private Sector Committee never met, an opportunity for exchanging views among A.I.D., the GOE, and the private sector was lost.

The project evaluation team also found that the foreign exchange maintenance of value requirement (MOV) was a flaw in project design because it made importers reluctant to use the financing portion of the program. Although the MOV provision was instituted in an attempt to have the importer pay the real value of purchased merchandise, the effect of imposing this requirement at a time when the foreign exchange rate was highly subsidized was to limit the use of the credit component. Rather than run the risk of devaluation, importers paid cash at negotiation of documents and

converted the risk to local currency. The end result was that the project functioned more as a foreign exchange window than a true credit facility.

D. Concluding Observations

This project had a mixed record: it was very successful in providing foreign exchange to finance private sector imports, but less successful in attaining its credit market and institutional development objectives. Some key lessons include: (1) Projects that focus on improving the allocation between short and long term credit, on strengthening institutions, and on supporting changes in policy to remove distortions in credit markets often aid the private sector as much or more than the mere provision of additional funds. (2) A flexible mechanism needs to be developed for adjusting effective foreign exchange rates, taking into consideration US source and origin requirements. In this case, the MOV provision, originally intended to insure that importers would pay a more realistic price for foreign exchange, actually discouraged the use of the project's credit facility. (3) In designing projects, consideration should be given also to the provision of term credit in both foreign exchange and local currency, particularly to firms with export potential. In this case, the evaluation team found that access to medium and longer term local currency credit, as well as export credit, was as important a constraint as foreign currency availability, and that the project should have taken advantage of recent policy changes by the GOE and efforts by other donors to identify additional areas for credit provision rather than focus exclusively on imports. (4) Institutional development, training, and the establishment of a forum for the exchange of ideas between A.I.D., the host government, and the private sector is a critical area which should be given priority in the implementation of projects.

CASE #3: TRADE AND INVESTMENT PROMOTION

PRIVATE SECTOR IN DEVELOPMENT PROJECT - THAILAND 493-0329

A. Project Description

The Private Sector in Development Project was authorized in 1983 and financed with $6.1 million from USAID. Thai contributions consisted of $1.57 million "in kind" from the Royal Thai Government (RTG) and $430,000 from the private sector. The principal objective of the project was to contribute to the structural adjustment goals of the RTG's Fifth Development Plan, which aims at improving the country's balance of trade and reducing unemployment problems, particularly in areas outside of Bangkok. The Fifth Development Plan recognizes that the private sector plays a crucial role in the country's development and that it must increase its participation as a direct agent of change.

The main purpose of this four year project was to increase private sector investment in employment generating, export-oriented, resource-based ventures in areas outside of Bangkok. Another important stated purpose was to facilitate the involvement of small and medium-sized firms in priority sectors. To achieve its purposes, the project supported the following three activities:

1. Investment Analysis and Promotion

The first and major component of the project consisted of technical assistance to the Board of Investments (BOI) to undertake an investment promotion campaign designed to identify business opportunities in priority sectors (especially electronics, agribusiness, metal fabrication and jewelry) and attract US investment.

2. Strengthening of Private Sector Analysis Capabilities and Dialogue with RTG

This component was designed to strengthen the capabilities of key private sector organizations to conduct policy analysis of important issues affecting private sector development, and to recommend appropriate policies to the RTG. This was to be accomplished by financing the following: (1) three staff analysts--one each for the Thai Chamber of Commerce (TCC), the Association of Thai Industries (ATI), and the Thai Banking Association (TBA)--and (2) a series of studies on issues such as tax policy, regulation of imports and exports, technology transfer, and so forth.

3. Development of Linkages between US and Thai Private Sector Organizations

This component was designed to build informal linkages between US and Thai private sector associations in priority areas, especially in agribusiness, in order to encourage mutual cooperation, technology transfer, and future business relations.

B. Project Achievements

The principal expected achievements of the project were a number of new investments and other business arrangements in export-oriented, labor intensive and natural resource-based industries. It was also expected that linkages established under the project between the US and Thai private sectors would stimulate a steady flow of information on markets and new technology between the two countries. In addition, it was expected that the project would result in improved policy analysis and planning capabilities among selected private sector associations, which would in turn result in more realistic policies and regulations and, thus, in a more favorable investment climate.

The final evaluation of the project in 1987 concluded that, even though all participants implemented their mandates in a competent manner, the project achievements were very modest and of low sustainability in the absence of continued external funding at similar levels. The principal achievements of the first component included three investment promotion campaigns which had resulted in one plant start up, up to five approved applications directly or indirectly attributable to the project, and several confirmed and prospective sourcing arrangements.

With regards to component two, the evaluation team found that a major share of project funded policy studies had been completed, but that it was too early to determine their impact even though the government was responding to some of them already. In addition, the evaluation noted that it was not likely that the level of policy analysis activities undertaken by the 3 Thai associations with USAID funding would be sustained from membership funds, and that the strengthening of the capabilities of these organizations that had resulted from the project was very modest.

Finally, the evaluation team found that the third project component had not materially affected the level of agribusiness sector interchange between Thai and US business and that, given the sophisticated nature of Thailand's agribusiness sector, this was not a necessary activity to begin with.

C. Principal Strengths and Weaknesses of Project Design

The project was in general well positioned to fit into the context of Thailand's economic climate of the period, and it was a timely response to the RTG's interest in promoting an expanded private sector role in the economy. Importantly, the project also sought to build on and complement the activities of other donors and of other A.I.D. bureaus. The evaluation team, however, found more weaknesses than strengths in the project design. Moreover, these weaknesses were found to stem to an important extent from the lack of internal USAID experience in the investment and export promotion fields at the time. The following are some of the major problems identified by the evaluation team:

- Low Cost Effectiveness of Investment Promotion Strategy:

  The team found a high ratio of non-project to project related investment promotion activities during the period which raised serious questions about the cost effectiveness of the investment promotion missions financed by the project. The team estimated that, based upon the allocation of contractor costs to mission support activities throughout the program, each mission had cost approximately $500,000.

- Low Impact and Limited Sustainability of Institutional Strengthening Strategy:

  Because the project-funded analysts were temporary contract employees of the TCC and ATI, and because the policy studies were executed by external consultants on a contract basis, it is unlikely that there was a significant upgrading of internal organizational capabilities to conduct policy analysis. For this and other reasons, the team concluded that the policy analysis and dialogue upgrading activities produced modest, and not very sustainable results.

- Inadequate Assessment of Project Objectives and Priorities:

  The evaluation team found that the decentralization objectives of the project were at the time somewhat in conflict with the priority to promote increased exports, and that introducing decentralization criteria into the promotion strategy was premature. The team also felt that the project's emphasis on agro-industry was inappropriate, and that the third project activity was unnecessary.

  Finally, the team found no evidence that the stated project objective of widening participation in the modern

business sector by providing better growth opportunities for small and medium-sized firms not connected to major investment group was a priority project concern. Moreover, the export orientation of the project virtually guaranteed that it would be larger, relatively more capitalized Thai firms which would be involved in the joint ventures. Thus, given the context of the Thai economy, if a major objective of the project was, indeed, to increase participation by small and medium firms, USAID efforts should have been directed more toward domestic market oriented industrial promotion projects.

D. Concluding Observations

This project sought to promote trade and investment in Thailand through a combination of institution-building, policy formulation, and direct promotion of US and Thai investments in priority areas. Unfortunately, the lack of USAID internal expertise in the investment promotion area contributed to serious flaws in the project design which limited the project's achievements. It should be noted, however, that according to project documents the USAID recognized this limited internal expertise, but nevertheless felt that this and similar projects could serve "as a necessary learning experience".

Because the major weaknesses of the project arose from the project design itself rather than from actual implementation, the lessons are primarily related to the former. They include the following: (1) In designing trade and investment promotion projects, assessing the cost effectiveness of alternative export promotion strategies should be an important priority. The investment mission approach used by USAID in this project is a high priced strategy which has been found to have low output/cost results relative to other types of investment promotion. In this case, the funds used to support investment missions might have been better spent on training to upgrade the technical expertise of selected staff of the Board of Investments in priority promotion sectors. (2) Increasing public/private sector policy dialogue is a gradual process. Projects which aim at quick, measurable results are inappropriate. (3) In designing a project more care should be given to how objectives relate to priorities and to how conflicts between these can be avoided.

CASE #4: TRADE AND INVESTMENT PROMOTION

PRIVATE SECTOR DEVELOPMENT PROJECT - INDONESIA
497-0329

A. Project Description

The Private Sector Development Project was authorized in 1982 as an exploratory effort to promote an expanded role by the private sector in Indonesia. The project was initially funded by a $2.0 million loan, a $0.5 million grant from USAID, and a $1.8 million contribution by the Government of Indonesia (GOI). Following amendments to the project in 1984 and 1986, A.I.D. funding was increased to $9.6 million, of which $6.9 million was a loan and the remainder a grant.

The main purpose of the project is to test methods of strengthening the Indonesian private sector through training and links to the US private sector, and to provide information to Indonesian decision-makers about opportunities to develop the Indonesian private sector. To accomplish this purpose, the project was designed around three major components:

1. Management Training

Under the guidance of the Ministry of Finance (MOF), the project established a program to send Indonesian entrepreneurs as well as mid-career and senior Indonesian businessmen from private companies for short term management training courses at US business schools.

2. Facilitating Private Investment through Greater Involvement of US Business

This component was implemented by the Indonesia Investment Coordinating Board (BKPM). Two local consulting firms were retained to identify investment opportunities, prepare project profiles, and facilitate joint activities between Indonesian and US entrepreneurs.

3. Special Studies and Consulting Services

This component, executed by the MOF, aimed at financing special studies such as assessing the need to establish a financial institution to provide venture capital, conducting a survey of US business interest in Indonesian investments, exploring opportunities for smaller enterprise investments, and so forth.

B. Project Achievements

The project was expected to establish an immediate and visible program of support for the Indonesian private sector and for increased US/Indonesian private sector linkages. In addition, it was expected to provide a base for institutional development supportive of long-term private sector growth.

The project evaluation, conducted in 1986, focused strictly on an assessment of component 2. For this reason, no conjectures can be made about the effectiveness or lack thereof of components 1 and 3. The principal achievements noted in the evaluation include the following:

- Two investment profiles were completed, three were near completion, and two more were expected. These profiles were reasonably thorough, but none showed wide market potential and none had elicited any investor interest.

- There were about 250 investment inquiries during the period. Of these, 54 US and Indonesian firms had received consulting services. Moreover, the consultations led to 6 applications to the BKPM; 4 other applications were relatively certain. Together, these applications represented a total potential investment of $10 million, and could lead to the creation of an additional 550 jobs. Relative to the costs of $240,000 incurred for the consulting services involved, the project had a very good return by global investment promotion standards.

C. Principal Strengths and Weaknesses of Project Design

The main strengths of the project are ones of timing and accurate needs assessment. The project noted the gap in investment promotion and consulting in Indonesia and filled an important need in a timely manner.

The major weaknesses were in the area of implementation. According to the evaluation team, the performance of the BKPM in implementing the contract was very poor and the administration of the contractors was also inadequate. The implementing agency reportedly demonstrated little interest in the project, provided almost no written direction, and provoked considerable delay in project implementation. Moreover, during preparation of the investment profiles, BKPM often rejected profile proposals, changed profile topics after profiles were already partially completed, and refused to terminate infeasible profiles. Unfortunately, according to the evaluation, USAID failed to take a firm stance to improve contract implementation early on.

In spite of these implementation problems, the evaluation team recommended an extension of the project, noting that initial project results were encouraging and that no other investment consulting efforts were available. The team did recommend, however, that the project profiles be dropped altogether and that the project focus instead on investment promotion and consulting. It also recommended that the contractors be allowed to market their services more aggressively.

D. Concluding Observations

The project evaluation concluded that this project, despite enormous implementation problems, was a worthwhile effort in investment promotion. The host country's needs were well-assessed and the project was a timely one. The main lessons are: (1) USAID needed to work more closely with the implementing agency and react to deficiencies in implementation early on. (2) The timing of a project is critical. (3) The development of investment profiles requires considerable expertise and a careful assessment of market conditions. In the absence of this expertise, other types of investment promotion efforts may be more effective. In this case, the investment profiles, the average cost of which was $40,000 per profile for one of the contractors, proved to be of limited or no benefit for the following reasons: the contractors lacked expertise; the implementing agency was arbitrary in its selection of profiles and did not promote the projects; and market conditions were changing rapidly.

CASE #5: TRADE AND INVESTMENT PROMOTION

PRIVATE SECTOR FEASIBILITY STUDIES PROJECT - EGYPT 263-0112

A. Project Description

The Private Sector Feasibility Studies Project was authorized by USAID in 1979 for $5 million over a 4 year period. The initial contribution of the Government of Egypt (GOE) was $1.1 million or 18% of total estimated project costs. The project was later amended in 1985 and the life of project authorization was increased to $8 million. The implementing agency was the Egyptian General Authority for Investment and Free Zones (GAFI) within the Ministry of Economy and Economic Cooperation.

The main objective of the project was to increase the flow of private US investment to Egypt as a means of increasing private participation in the economy and creating greater employment and income opportunities. The stated project purpose was to create a mechanism which would provide incentives for and expedite the conduct of pre-investment feasibility studies by US businesses interested in investing in Egypt.

The principal project components included:

- Sectoral Studies
- Feasibility Studies
- Reconnaissance Visits to Egypt
- Training of GAFI Staff

B. Project Achievements

The expected achievements of the project included: 10 sectoral studies; 20 reconnaissance visits; 20 feasibility studies; and 16 trained personnel.

An evaluation conducted in 1985 concluded that the project had encountered many difficulties which had hindered progress and the achievement of project goals. Nonetheless, the project had accomplished the following:

- 84 applications from US investors had been received, of which 36 had been approved, and 4 were under review.
- 10 reconnaissance visits and 7 feasibility studies had been completed. The reconnaissance visits provided for

reimbursement of direct costs to US investors of up to $6,000. The feasibility studies component provided for cost-sharing for pre-approved allowable study costs of up to $200,000. Three US companies whose feasibility study applications had been approved were processing Law 43 applications for investment in Egypt.

- Seven GAFI staff members had been trained. Unfortunately, following training, five of the trainees were transferred to other departments and no longer worked on the project.

- Ten sectoral studies had been prepared. Ten industrial sectors were surveyed and the resulting studies were mailed to 365 US company executives. Opinions on the quality of the studies varied widely.

C. Principal Strengths and Weaknesses of Project Design

The evaluation team supported the project's approach to investment promotion and recommended an extension of the project. According to the evaluation report, the majority of US applicants interviewed indicated that the spirit and financial incentives offered by the project were an important factor in their decision to explore investment opportunities in Egypt. Nevertheless, the project suffered from a number of weaknesses which limited the achievement of project goals. The principal weaknesses described in the evaluation report include the following:

- Inadequate timing of project inputs: The project was highly publicized in the US before the application procedures were adequately developed and before half of the sectoral studies were completed. This limited considerably the impact of the promotional campaign.

- Deficient application procedures: Lack of experience among GAFI officials and the US contractor led to major structural difficulties in the design of original application procedures for US investors. As a result, the procedures were vague and did not properly clarify the selection criteria to be applied. They also did not specify precisely the type of information and documents required by US applicants. These deficiencies led to misunderstandings between all parties involved and to considerable delays in project implementation.

- Weak marketing and promotion strategy: A massive and untargeted promotion campaign was undertaken early on, with no real follow-on, by the US contractor. In addition a bureau was set up by GAFI in New York to help promote US investment but, because it was given no clear

mandate and responsibilities, its effectiveness was very limited and it had to be closed two years after its opening.

- Institutional impediments: Implementation of the project by GAFI was relatively inflexible, inconsistent and overly bureaucratic. Moreover, lack of coordination between officials in Cairo and in the commercial section of the Egyptian Embassy in Washington, D.C. resulted in considerable delays.

- Poor organizational structure and administrative facilities: The project lacked full time management as the Director, the highest ranking official within GAFI, was involved in a number of other activities. In addition, there was no clear definition of the responsibilities of the project staff and other officials involved.

The evaluation team found that the negative impact of these weaknesses was partially offset as project personnel gained more experience and became more enthusiastic about the project. In addition, new procedures were introduced in 1984, but the time elapsed between introduction of these new procedures and the evaluation was too short for the team to evaluate their impact. Nonetheless, a follow-on project was recommended and approved in 1985.

The principal recommendations of the evaluation team were:

- To reorganize the existing management structure, particularly with regards to human resources, staff responsibilities and authorities, administration facilities and communications.

- To modify the present procedures in the areas of initial screening, routing of applications and communications with US applicants to ensure that applications were handled in a timely and professional manner.

- Adoption of more innovative and effective marketing and promotion efforts. The project should be promoted as part of a package, comprising other private sector A.I.D. programs, such as medium term credits.

D. Concluding Observations

The Private Sector Feasibility Studies Project was an innovative effort aimed at strengthening the private sector in Egypt through promotion of increased US investment. The main lessons learned from this project include the following: (1) The timing of project

inputs is critical. In this case, the establishment of functioning administrative and policy procedures, and the completion of sectoral studies, should have preceded active promotion of the project. (2) A targeted investment promotion strategy is generally more cost-effective. (3) In designing an investment promotion project, attention should be given in the project paper to establishing a realistic time frame for securing investments. The investment process is typically a 4 to 5 year process depending on the particular types of investment sought.

CASE #6: SMALL AND MICRO-ENTERPRISE DEVELOPMENT

PVO CO-FINANCING II PROJECT - PHILIPPINES 492-0367

A. Project Description

The PVO Co-Financing II Project was authorized in 1984 after an evaluation of its predecessor, No. 492-0345, asserted that co-financing had proven to be a sound approach to promoting development of rural low-income groups in the Philippines, and recommended that a follow-on project be developed.

The stated purpose of the project is to improve the social and economic conditions of selected low-income groups through participatory, innovative, small-scale or pilot activities which are devised and implemented by U.S. and local private voluntary organizations (PVOs). In addition, the principal objectives and expected achievements of the project are: (1) to stimulate PVOs to undertake a greater number and variety of activities; (2) to strengthen PVO capabilities in project design, management and evaluation; and (3) to support constructive development activities through PVOs for poor, primarily rural, groups.

The principal activity of the project is providing grants to PVOs to carry out sub-projects which fit pre-determined criteria developed by the A.I.D. mission. Project activities also include mission-financed efforts to guide and assist PVOs in planning, managing and evaluating development projects. These have included training, guidebooks and other published materials, and technical assistance to help PVOs conduct their operations more effectively.

B. Project Achievements

A mid-term evaluation indicated that the project is an excellent one and that it is well on its way to achieving its principal objectives. In particular, the assessment noted the following:

- The project has made significant strides in stimulating PVOs to undertake a greater and more diverse range of activities.

  Since the beginning of the project, there has been a significant increase in the number of PVOs, especially indigenous PVOs, engaged in development projects as well as in the number and range of activities being implemented. In the three years of project life, 38 grants had been made, 10 to US PVOs and 28 to local PVOs, compared to a total of 30 grants (13 to US PVOs and 17

to local PVOs) made during the 4 years encompassed by the predecessor project. Moreover, even though projects tended to be concentrated in agriculture, health and micro-enterprise development, there was considerable diversification within these areas, particularly in micro-enterprise development.

- The project has had a favorable impact on the capacity of PVOs, especially indigenous PVOs, to conduct their activities.

  During the first three years of the project, 74% of the grantees were Filipino PVOs and there was evidence of a substantial increase in the number of PVOs with the necessary institutional capability to meet A.I.D. selection criteria. In addition, the evaluation team found that the mission had provided a number of services which had been well-received and had had a positive impact on PVO operations. These included: annual orientation sessions for grantees; training seminars on planning, evaluation and management; training of selected PVO staff members at the Asian Institute of Management; development of guidebooks and manuals to assist PVOs in project design and evaluation; assistance in establishing effective financial systems and provision of consultants to help in different project design and evaluation areas.

- The sub-projects implemented by grantees are having a positive impact on beneficiaries.

  The project has supported a wide range of income generating activities which are contributing to improved living standards for the poor. Many of these sub-projects involve establishing a variety of credit mechanisms, while others entail marketing of agricultural or other products. All are small scale activities.

C. Principal Strengths and Weaknesses of Project Design

The principal strengths of the project lie in its reliance on a cost-effective management mechanism with a demonstrated capacity to work effectively at the community level. The PVO community in the Philippines has a long history of working with low income groups in the implementation of small and micro- scale projects. Moreover, there are literally thousands of PVOs with experience in a wide range of activities. The flexibility offered by the PVOs has allowed for testing of pilot projects and innovative activities at reasonable costs. In addition, PVO staff generally were found to have an effective working relationship with the village people who were the primary beneficiaries of the project. Nevertheless, the evaluation team found that some of the efforts being made in

promoting micro-enterprise development were naive, and that this area remains a difficult and sometimes risky undertaking for many PVOs.

The principal weaknesses of the project center around the issue of sustainability of community activities in the absence of appropriate continuing support structures. According to the mid-term assessment of the project, because self-sustaining community organizations generally require some form of continuing institutional support or reinforcement, consideration should be given during review and approval of grants involving the establishment of village level organizations to the means for providing such support after the grant phases out. The team found that in some of the activities observed, no institutional support was provided for. In addition, the evaluation team found that the typical 3-year ceiling on length of grants was sometimes too short, and that provisions should be made for a phased withdrawal of sub-project activities.

The project evaluation report also suggested that some PVO staff members may lack a good understanding of the complexities of credit and marketing management and may not have sufficient experience in these areas to fully assess the economic sustainability of some of the sub-project activities. As a result, there was some doubt as to the economic sustainability of some of the activities observed. A key recommendation of the evaluation team was, therefore, to employ an economist to examine ongoing and planned activities to ensure that they are economically viable.

D. Concluding Observations

A salient feature of this project is its focus on involving the private sector in improving conditions and opportunities of the rural poor. Because the Philippines is quite unique in Asia in terms of the number, variety and vibrancy of its PVO community, this type of project is particularly appropriate to this country, and the project's record of success is evidence of this.

Thus far, two chief lessons of the project stand out. First, the project is evidence that A.I.D. support of PVOs, through grants as well as training and other operational assistance, is an important means for building the institutional capabilities of these organizations and for undertaking small and micro-enterprise development projects. Second, more thought needs to be given to the appropriate structures needed to attain sustainability of PVO-sponsored income generating activities.

CASE #7: SMALL AND MICRO-ENTERPRISE DEVELOPMENT

SMALL SCALE AGRICULTURAL ACTIVITIES PROJECT - EGYPT 263-0096

A. Project Description

The Small Scale Agricultural Activities (SSAA) Project was authorized in 1979 and completed in 1984. USAID provided $1.7 million, and the Government of Egypt (GOE) contributed $400,000 or 19% of total project costs. The goal of the project was to help improve the quality of life for rural families and to increase the participation of small entrepreneurs in national economic development. The project was the first USAID effort in Egypt to directly assist the small farmer and small rural entrepreneurs through funding of research, development, testing, and extension of appropriate agriculture and agriculture-related technology.

The project had three main purposes: (1) to introduce and/or adapt technologies appropriate to small farmer and rural resident needs; (2) to begin the process of developing an institutional capability in appropriate technology (AT); and (3) to increase rural employment opportunities through expansion of small rural-based agribusiness enterprises. To achieve these objectives, the project supported the following key components:

1. Data Gathering

This activity consisted of an ongoing review of AT in Egypt, communication and information exchange with other AT centers, establishment of an AT library and data bank, and information sharing with other donors on AT.

2. Training

This consisted of on-the-job training for counterpart and cooperating agency personnel working on the project, and participant training overseas in various countries where AT efforts were ongoing and relevant to the Egyptian context.

3. Development of AT Sub-Projects

This consisted of local research and development of AT equipment and processes, as well as adaptation of foreign AT innovations to the local needs and conditions.

4. Training and Extension

This consisted of extending tested equipment items or processes to small farmer-users and local

manufacturers/entrepreneurs via both demonstrations and on-site instruction of users.

5. Institutional Assessment

This consisted of evaluating the demand for and prospects of establishing a permanent Egyptian AT institution.

B. Project Achievements

The final evaluation report in 1984 indicated that the project had made commendable progress in a short period of time, and had exceeded its original targets in terms of the number of appropriate technology sub-projects it had sponsored. Overall, fifty-two technologies were introduced in six different areas: food processing, rural development, pest control, animal production, plant production, and irrigation/soil preparation. Of these 50 sub-projects, the outputs of 31 were starting to reach the end-user, in some cases in significant quantities, at the time the evaluation was conducted. According to the evaluation team, however, the extent to which the outputs were adopted by farmer end-users was modest and adoption by small, rural manufacturers was more limited. In the opinion of the team, this was a consequence of the lack of one-on-one (extension agent to farmer, extension agent to rural manufacturer) extension services provided under the project.

Nonetheless, the evaluation team found that most of the sub-projects were appropriate, replicable at reasonable costs, and cost effective compared with traditional activities for end-users. Although in some cases the outputs were too expensive for the individual small farmer, they were within reason for a small group of neighboring farmers. The report also found that many of the income-generating activities, especially those in the food processing and dairy areas, had positive effects for rural women.

The project evaluation report also noted that the project had contributed to developing a nascent interest and capability in appropriate technology in Egyptian agriculture. To a large extent, however, the degree of institutionalization would depend on the level of support given to appropriate technology by the Agricultural Mechanization Research Institute, a then newly established institute under the aegis of the Ministry of Agriculture, which had been designated to incorporate the SSAA project after its completion.

C. Strengths and Weaknesses of Project Design

A key assumption in the project design was that the small farmer and rural manufacturer, once made aware of the project innovations,

would adopt them rapidly with minimal one-on-one extension support. As a result, the training and extension component focused primarily on demonstrations of appropriate technology. In addition, no funding was allocated for in-country training of project and project related personnel in direct extension to end-users. Although the project was later amended to reallocate funding to institute limited training to assist the project in reaching the target rural communities, there was not enough time left to achieve the desired effect. In short, as a result of an inadequate assumption and the consequent neglect of one-on-one extension support was that adoption rates were modest and the project's impact was lessened.

Another weakness noted in the evaluation report was the relatively short life-of-project selected. According to the evaluation team, the time frame established for the project was too short to accomplish all that was expected. In addition, given the relatively short time frame of the project, and the lack of design emphasis on and funding for one-on-one extension and in-country training, the evaluation team felt that a more effective strategy would have been to support fewer sub-projects with greater chances of gaining widespread acceptance. Because the project supported the introduction of many sub-projects, however, the team found that at the end of the project there were a large number of sub-projects which were in the early stages of the extension process, appeared to have merit, yet had not had the acid test of end user acceptance.

The evaluation report also indicated that the project should have employed a rural sociologist to conduct a socio-economic survey, including a needs assessment of potential end users. This would have provided benchmarks by which to measure project progress, as well as a mechanism for obtaining feedback from end users which would have been helpful in making project course corrections, and in selecting new sub-projects.

D. Concluding Observations

This project was an ambitious and innovative effort to extend appropriate technology to small farmers and rural entrepreneurs. The main lessons learned are the following: (1) Reliance on the "demonstration effect" for spreading new technology is not sufficient. An active and continuous extension effort is necessary to support adoption of new technologies. (2) Conducting a base-line socio-economic study at the beginning of a project is very important because it facilitates feedback and permits a more effective evaluation of the project later on. (3) The time required for the AT process (problem identification to widespread application of solutions) to take place is longer than 3-5 years. (4) Small, rural manufacturers are not likely to start producing AT equipment as a result of having been exposed to such items.

Credit, linkages between farmers and manufacturers, and an initial guaranteed market are also required.

CASE #8: PRIVATE SECTOR HEALTH CARE

PRIMARY HEALTH CARE FINANCING PROJECT - PHILIPPINES 492-0371

A. Project Description

The Primary Health Care Financing Project was authorized in 1983 as a joint undertaking of the Government of the Philippines (GOP) and USAID. USAID will finance $16.5 million of this $30 million project, while the GOP will fund the remaining 45%. The stated purpose of the project is to improve access to and utilization of sustainable primary health care services (PHC) managed and financed by communities with minimum or no support from the government. A key assumption is that greater use of certain basic PHC services will help to reduce high fertility and high infant and early childhood mortality, a major goal of A.I.D.'s health sector strategy in the Philippines. Another important assumption is that the use of PHC services will grow if access to such services is facilitated, and that greater access can be assured only if communities and beneficiaries themselves assume much of the cost of providing these services.

A key objective of the project is to increase private sector participation in the health sector in order to provide better access to PHC services for the population and to assure the long-term financial viability of the health care system. The project includes a major health care financing study that will begin to provide the GOP with information about the distribution and fee structure of private PHC providers, the coverage of private facilities, government spending on health care, and other relevant information for increasing reliance on the private sector in the health care area.

B. Project Achievements

The principal components and expected achievements of the project are three:

1. Health Care Financing Schemes

This activity aims at field testing, through both private and public organizations, a variety of schemes for financing self-reliant health care services at the community level. An important purpose is to demonstrate the advantages of relying on the private sector and on communities themselves to develop and manage PHC services. Another purpose is to demonstrate to the GOP how the recurrent costs of PHC services might be

shouldered by equitable cost-sharing arrangements between the communities, the private sector and local government.

2. Special Studies and Policy Analysis

This activity finances a series of background and exploratory studies to assess different ways of improving the delivery of selected PHC services. Some of the studies planned would provide the basis for policy dialogue and change, while others are designed to support the third project component--service delivery. The studies will also complement information generated under the financing schemes component.

3. Service Delivery

This component aims at strengthening the GOP's ability to provide technical support in four key areas:

- Botica sa Barangay Program: Managerial and technical assistance will be provided to ensure that boticas become commercially viable outlets for essential drugs, contraceptives and PHC commodities.

- Ministry of Health (MOH) barangay health worker and midwifery programs: Changes in training curriculum and methodology will be made to strengthen these programs.

- PHC Commodities: Funding will be provided to supply commodities and equipment to PHC workers.

- Information, Education and Communication (IEC) Program: Funding will be provided to strengthen the public education and mass media aspects of the national PHC program.

The mid-term evaluation of the project concluded that the three project activities had progressed very slowly in the 2.5 years of project implementation and that the project's achievements were, consequently, limited. The evaluation team noted the following:

- Of the 21-31 targeted financing schemes, only 3 had been approved, and only 1 of the 3 was on-going at the time of the evaluation.

- Of the 8 special studies scheduled for completion during the period, only 1 had been completed.

- The projected improvements in service delivery were limited by the pending completion of special studies that were supposed to guide improvements in program design and policy change. Only IEC activities and commodity improvements were accomplished and, in the words of the

evaluation team, most were "simply reiterations or modifications of previous efforts along the same lines."

C. Principal Strengths and Weaknesses of Project Design

The principal strengths of the project are conceptual. The combination of financing alternatives, strengthening of government programs in key areas, and background studies to support the two previous activities could have an important impact on health sector programming in the Philippines as well as a positive demonstrative effect. Unfortunately, while the interrelationship of these activities increases the potential impact of the project, difficulties in one area have had the effect of restricting achievements in other areas.

The major weaknesses identified in the mid-term evaluation report, however, are structural and systemic in nature. In particular, the evaluation team found weaknesses in project management arising from a lack of clear definition of the responsibilities of the two implementing agencies, the Ministry of Health and the Philippine Council for Health Research and Development (PCHRD). The project suffered considerably because of the lack of full-time project and component managers who could direct the activities on a daily basis, identify operational problems, and seek to correct these problems. Moreover, the team found that there was no one individual responsible for coordinating the various project components and for providing overall direction to the project.

With regards to the special studies component, for example, the team found that the review process was too long and cyclical, and did not ensure adequate or appropriate outputs. As a result, the specific focus and objectives of the studies were often missed by the parties who drew up the scopes of work, supervised the design of the research instruments, and conducted the studies themselves.

Difficulties in implementing the financing schemes component arose both from deficiencies in project management and from flaws in the project plan itself. The team found that neither management nor the project plan provided clear enough guidelines as to what schemes would be desirable and worthy of support. In addition, because the majority of the proposals submitted had to do with setting up a business enterprise (the surplus from which was expected to support PHC activities), the team felt that the review and evaluation processes should consider the real commercial viability of the projects and, thus, their potential replicability.

The project evaluation also noted that inadequate consideration had been given to the value of using the IEC component as a vehicle for promoting increased private sector and community participation in health financing activities.

D. Concluding Observations

The Primary Health Care Financing Project has been described as an innovative and pioneering undertaking which seeks to demonstrate how private resources can help finance the recurrent costs of health care and free up government resources for other programs that could not otherwise be financed due to resource limitations. Conceptually, the project is a good example of how private initiatives can be incorporated into the traditional areas of A.I.D. assistance and could have an important demonstrative effect in other countries. Through its different components, the project aims at (1) examining the basis of existing policies and programs, (2) analyzing the cost-effectiveness of certain government programs, and (3) testing alternative financing schemes. If these activities were carried out to their fullest potential, they could provide powerful tools for engaging in policy dialogue with the GOP and for facilitating increased private sector participation in the health care sector.

The difficulties in implementing this project point to the following lessons: (1) The tactical requirements of implementing a new health development strategy must be closely examined and operationally fine-tuned to ensure effective and efficient execution; (2) the organization and management aspects of new projects as well as systems and procedures to be adopted should be well-defined and understood by all parties concerned; (3) central coordination and supervision of the overall project is essential; (4) if two or more institutions are involved in project implementation, the lines of authority and the responsibilities must be clearly defined.

CASE #9: PRIVATE SECTOR HEALTH CARE

SOCIAL MARKETING OF CONTRACEPTIVES PROJECT - PAKISTAN 391-0484

A. Project Description

The Social Marketing of Contraceptives Project (SMC) was authorized in 1984 after almost 10 years of exploration and study. USAID provided a grant of $20 million to the Government of Pakistan (GOP), which in turn agreed to contribute no less than the equivalent of $1.07 million. The project was designed to be implemented entirely within the private sector and to draw almost exclusively on local commercial expertise. The goal of the project was to reduce the rate of natural population increase as a corollary to USAID's and the GOP's larger goal of achieving national social and economic development.

The stated project purpose was to increase contraceptive usage by promoting family planning and expanding the availability of contraceptives through the private sector. A key element of the project design was to place primary emphasis on making contraceptives available to low income acceptors at affordable prices. The issue of program self-sustainability was clearly established as a secondary concern. To achieve this purpose, the following objectives were set for the project:

- increasing the number of retail outlets that stock condoms or oral contraceptives from 27,000 to at least 54,000;
- distributing at least 192 million condoms and 9 million cycles of orals;
- providing at least 1.9 million couple years of protection (CYP);
- averting about 450,000 births;
- increasing revenues to the extent that a substantial proportion of the operating cost is covered until such time as the project becomes economically self-sustaining; and
- undertaking market research that utilizes the resources, talent and expertise of the private sector.

To attain these objectives, the project established a social marketing program for contraceptives with the following key components: development of a contract with a private sector firm

charged with managing the social marketing effort; provision of an adequate supply of contraceptives; promotion of contraceptive products; distribution and sales of contraceptives; and market assessments on contraceptive products and users. USAID funding would support technical advisory assistance in social marketing; funding of the local costs of implementing the project; provision of contraceptives and some other commodities; and short-term training for selected members of the GOP and the private sector firm's management.

B. Project Achievements

The interim project evaluation in 1988 indicated that the project had made excellent progress towards achieving its goals. In fact, the evaluation noted that "the Pakistan SMC project appears to have the potential to be one of the most effective social marketing projects in the world. Its product presentation is unparalleled among CSM programs worldwide, and sales are second only to the India and Bangladesh CSM programs (both of which have been in operation for over ten years)."

The evaluation found that after only two years of activity, the project's sales goals had been met and exceeded. In fact, the principal product, the Sathi condom, had achieved such a high level of distribution and visibility in the market place throughout the country that it had become an everyday household product.

C. Principal Strengths and Weaknesses of Project Design

The principal strengths of the project were the following:

- Strong Management and Organizational Structure: The evaluation report found that the local manufacturing and marketing firm selected to implement the project, W. Woodward Pakistan Ltd., was very well suited and had been an excellent choice. While maintaining close contact with both the GOP and USAID, it had been given considerable discretion in the management of day-to-day operations. Two key subcontractors were also performing their functions very well. One, Pakistan Consultancy Services (PCS), was selected to provide operating support in the audit area and to conduct market research. In addition, another subcontractor, PSI Marketing Associates (PSIMA), brought to the project considerable experience in social marketing and a strong background in marketing consumer products from the commercial sector.

- Extensive Distribution and Effective Displays: The evaluation team found that the packaging of the project condom and consistent use of high quality graphics and

design elements in both point of sale and communications materials had resulted in extensive product distribution. Moreover, the team noted that the packaging and displays were perhaps the highest quality product presentations they had observed in any SMC project in the world.

- Effective Promotion and Advertising Strategy: The promotion and advertising strategy consisted of developing a consistent message and a step-by-step process that started with vigorous point of sale promotion followed sequentially at three-month intervals, by introduction of advertising in cinemas, through radio and TV, and the press. The message was appropriate to the sensitive cultural and religious context, and the use of the media was flexible. Considerable promotional efforts among distributors and retailers through display and incentive programs were particularly effective and, according to the evaluation team, can be credited with having played a major role in the success of the project.

- Low Pricing Structure: The product price was set purposely very low to facilitate increased distribution among low-income groups. Since sustainability was a secondary project goal, the evaluation team felt that the low price was appropriate and that prices should not be raised until sales had at least tripled from their current levels.

The principal weaknesses were in the area of research. Because the project had focused all efforts on distribution and sales, not much research had been undertaken to identify who the customer was and what his/her attitudes and preferences were. The team felt that focusing on the supply side had been an appropriate initial strategy, but that the project needed to begin to focus research efforts on identifying the client with greater precision in order to refine the marketing and promotional activities, and to expand the appeal across a broader range of prospective customers.

Another weakness was the lack of formal mechanisms for regular meetings among the principals of Woodward, PCS and PSIMA. According to the evaluation report, regular meetings would have provided a more reliable forum for problem-solving and established clearer guidance on which firm was responsible for taking action on which issue.

D. Concluding Observations

The success of this project confirms the validity of the project design and purpose, namely, that the need exists for additional sources of readily available temporary methods of contraception and that the SMC approach of relying on local private sector firms

was an appropriate way of making these methods available. The main lessons learned include the following: (1) Selection of the "right" implementing agency or agencies is crucial. In this case, the marketing and distribution skills of Woodward, the extensive experience of the supporting organizations, and the high level of commitment from the GOP all played a crucial role in the successful development and implementation of the project. (2) Effective communication between the implementing agency, the government, USAID and other players involved is essential to the long-term viability of a project. (3) Active involvement of the distributors and retailers is an effective marketing and promotion strategy, and can play a major role in the success of a SMC project. In this case, Woodward succeeded in making the distributors and retailers feel that this was also their project by supporting trade seminars, promotional efforts, and training. (4) Extensive use of attractive, well-designed point of sale retail materials is an important means of making the public aware of contraceptives. In this project, this type of distribution and promotion contributed significantly to the acceptance of the Sathi condom as an everyday household item.

CASE #10: POLICY REFORM

ENTERPRISE POLICY REFORM PROJECT - BANGLADESH 388-0067

A. Project Description

The Enterprise Policy Reform Project was authorized in 1985 with the purpose of strengthening the capacity of the Ministry of Planning to devise improved policies affecting small, especially off-farm, enterprises. The Government of Bangladesh (BDG) will contribute the equivalent of $4.5 million or 60% of the project costs, while USAID will fund $3 million. A key assumption is that poor policies are inhibiting the development of small enterprises in the country. Moreover, because the current data base is inadequate to make informed policy decisions, particularly about small enterprises, support for improved data collection and processing will contribute indirectly to improved policy formulation and reform.

The project consists of three main phases. The first and primary phase, begun in September 1985, focuses on strengthening the capacity of the Bangladesh Bureau of Statistics to: (1) collect, process, and publish census data on all non-agricultural productive activities in a timely and accurate manner, and (2) conduct two follow-on surveys, a Survey of Household and Cottage Industries (SHHCI) and an Annual Economic Survey (AES). Technical assistance will be provided through a long-term advisor from the US Bureau of the Census. In addition, the project will provide training and commodities, including optical mark readers, office machinery, printing equipment, and other materials and supplies.

Phase II, which started in July 1987, consists of a buy-in to the centrally-funded Employment and Enterprise Policy Analysis (EEPA) Project, financed under a sub-project of the Technical Resources Project (388-0027). It provides assistance to the Bangladesh Planning Commission through a resident economic advisor from the Harvard Institute of International Development (HIID) and through other technical assistance aimed at conducting macroeconomic, sectoral, and other studies that will lead to policy recommendations in the area of small enterprise development.

Phase III builds on the first two phases. It focuses on facilitating the policy dialogue process between A.I.D. and the BDG on issues related to small enterprise development. At the time of the mid-term evaluation on which this case is based, however, the third phase had not yet been designed, and Phase II had been operative for only eight months.

B. Project Achievements

The principal expected accomplishments of Phase I are three:

- Execution and Analysis of an Economic Census: The census will serve as sampling frame for economic units of all kinds and sizes throughout Bangladesh, and will contribute substantially to an updated and improved list of manufacturing industries.

- Institutionalization of an Annual Economic Survey: Based on the economic census, the project will support this continuing survey of fixed location, non-agricultural establishments (excluding household and cottage industries).

- Execution of Survey of Household and Cottage Industries: This will be a one-time survey of informal sector household and cottage industries.

At the time of the mid-term evaluation, the scheduled implementation of Phase I activities had been limited by a number of factors outside the control of the implementing agency, including delays in procurement of necessary equipment. Consequently, the results of the Economic Census, which were to be made available to the Phase II economic advisor, were delayed about one year. Delays in the execution of the Economic Census in turn led to delays in the AES and SHHCI. These delays have contributed to considerable tensions between the Phase I and the Phase II advisors, and between the two USAID offices charged with managing the different phases, PD&E and PRO/ECON.

The evaluation report also noted the following: deficiencies in the number of staff available to undertake the census; wastage of resources arising from inadequacies in materials and equipment; and disappointing census coverage rates (91% for households and 85.1% for establishments, a lower rate than that of previous censuses).

With respect to Phase II, the evaluation team found that the advisor had carved an important niche in the Planning Commission in a very short period of time, had assembled an outstanding staff, and was playing an important role in the preparation of the Fourth Five-Year Plan and other major activities not anticipated by the project designers.

C. Principal Strengths and Weaknesses of Project Design

The project recognizes that the existing data base is inadequate for making informed policy decisions and that, as the BDG is moving towards greater reliance on the private sector, the nature of economic planning has changed and so have the information

requirements. A market oriented economy requires that greater reliance be placed on devising broad policies designed to elicit an appropriate private sector response, as opposed to focusing on meeting public sector investment and production targets in target sub-sectors. The design of Phase I is, therefore, an important undertaking and will serve three broad objectives:

- Inform the policy process: Designing an appropriate environment for promotion of small enterprises requires current and valid information such as surveys or studies. The economic census supported by the project will provide the requisite sampling frame to conduct these types of studies and surveys.

- Inform the project development process: The economic census will provide the sampling frame required to undertake other studies that can support the development of projects by A.I.D., the BDG, and other governmental and donor agencies.

- Provide benchmark data and other information: The census provides an ideal vehicle for establishing benchmarks that can be used to monitor progress toward achieving program goals. The surveys are also useful instruments for donor agencies in devising future program interventions.

While attainment of these objectives is in itself important, the real long term success of the project will depend on the degree to which the data compiled in Phase I is used during Phases II and III to inform and influence policy making in Bangladesh with respect to small enterprise development. Unfortunately, at the time of the mid-term evaluation, the linkages between Phases I and II were strained by tensions between the corresponding project managers and advisors. A key weakness thus seems to be the split management characteristic of the different project phases. Although, as the evaluation team pointed out, tensions commonly arise between data users who want immediate products and data collectors who face resource and other constraints, split management of these activities tends to exacerbate tensions, while joint management tends to reduce them.

Another apparent weakness in project design is the underestimation of the amount of resources required to generate and analyze information, and to engage in both qualitative and quantitative field-based research studies in Phase II.

D. Concluding Observations

This project is an example of an indirect intervention to promote policy reform and facilitate the formulation of more adequate

policies in a particular area, in this case, small enterprise development. The project will provide an essential base from which a more suitable policy framework can be established and, if the complementary phases are implemented to their full potential, could have a significant impact on policy making.

The lessons of this project include the following: (1) The shift from state-led to private sector-led economic growth requires that countries avail themselves of a different set of data that can be used to support policies that elicit greater private sector participation in the economy. Therefore, it is important to re-assess the information requirements of governments attempting to move towards more market-oriented economies. (2) An indirect intervention into the policy reform process such as this can yield substantial returns by contributing to the formulation of better informed and more suitable policies. The time frame required for a project such as this to have an impact on the policy framework and achieve the larger objective of policy reform, however, is long, and requires the development of strong linkages between data collectors and data users to ensure that information is relevant and is utilized. (3) The impact of a project such as this is difficult to measure because it depends on additional inputs to ensure that the data collected are used to inform policies affecting the stated project objectives. (4) Because of the inevitable tensions that usually arise between data collecting institutions and data users, joint management of these types of activities may be more effective.

CASE #11: POLICY REFORM

FOOD SECURITY MANAGEMENT PROJECT - PAKISTAN
391-0491

A. Project Description

The Food Security Management Project was authorized in 1984 with the objective of supporting the food security goals of the Government of Pakistan (GOP). USAID provided a grant of $35 million, out of total estimated project costs of $39.5 million. The contribution of the GOP amounted to about $4.5 million or 11% of total project costs over a five year period. The project complemented parallel initiatives by the World Bank, the Asian Development Bank, and the Food and Agricultural Organization.

The stated purpose of the project was to improve the analytical and policy formulation framework, the managerial capabilities, and the physical capacity of the GOP to manage the national food security system effectively and efficiently. This purpose was to be accomplished through support of the following three components:

1. Economic and Policy Analysis (EPA):

This component was intended to build local capacity to conduct economic and policy analysis and to encourage policy makers to rely on these analyses when making policy decisions. It consisted of two major sub-components: (1) One involved the establishment and institutionalization of an Economic Analysis Network (EAN) composed of public and private institutions to coordinate and implement an increased quantity of policy-relevant analysis. (2) The other involved development of a Special Studies Program designed to address key issues in the food security area, including: food security strategy such as trade policy for basic grains; price policy; public versus private sector involvement in the storage and marketing of grains; the impact on nutrition of food security policies; the availability of agricultural data for informed decision-making; and increased use of private sector institutions to carry out functions on behalf of the public sector, such as performing economic and agronomic research on contract to the GOP.

2. Agricultural Data Collection (ADC):

This component aimed at improving the existing basic agricultural statistics collection system. It was explicitly focused on the transfer of a data collection technology built around the concept of an area sampling frame (ASF) which had originally been developed for US agriculture, but which had since been applied successfully in about ten countries.

3. Post-Harvest Management (PHM):

This component was designed to assist the GOP to improve the management of its national grain storage system. Initially, the project would assist in the evaluation of existing public sector management systems, identification of improvements needed in the design and operation of these systems, and implementation of these improvements. Subsequent activities were designed to support one-time interventions to compensate for the impact of inadequate, past policies (i.e. rehabilitation of storage operations) or more permanent changes in the operation of the system (i.e. through training and institution building). The main sub-components were: Storage Rehabilitation; Storage Technology Development and Transfer; and Vertebrate Pest Control.

The project was implemented by the Federal Ministry of Food, Agriculture and Cooperatives (MINFA). Nonetheless, the project was designed to provide ample opportunities for private sector participation in the provision of project-related services. The project called for the Pakistani private sector to play a major role in implementing the project through participation in the economic and policy analysis research program, the grain storage research and technology program, and the rehabilitation of grain storage facilities. In addition, the institution-building and technology transfer activities of the project were expected to benefit the private sector directly. Finally, the role of the private sector was a major topic of most of the economic and policy studies financed under the project.

B. Project Achievements

The mid-term evaluation of the project found that implementation had proceeded slowly due to delays in the GOP clearance process and administrative difficulties, including delays in key appointments. In addition, progress among the different project components was found to vary, with the greatest achievements attained in the EPA component, followed by the ADC and PHM components. Nonetheless, the project overall was found to have made some significant accomplishments and to have influenced the policy reform process in a positive way.

The EPA component had made significant strides in terms of strengthening the policy analysis capabilities of MINFA and creating an Economic Analysis Network of local research organizations. Although formal institutionalization of the EAN within the GOP institutional structure was not complete at the time of the evaluation, the GOP had made key appointments in that regard, and a high level Advisory Committee on Policy Analysis in Agriculture had been set up to provide policy guidelines to EAN.

Also notable was the fact that EAN had awarded contracts to several private consulting firms to undertake policy research studies.

In addition, the evaluation report found that a number of key studies on wheat pricing and rationing policies had been completed under the project's EPA component, and that several other important analytical and policy studies had been completed or were in progress. A series of well-organized and useful policy workshops and seminars had also been conducted, and valuable training of local professional staff was being provided. Significantly, the evaluation report found that these studies and policy seminars were among the factors that had influenced policy reform in the direction of deregulation and liberalization. In particular, the evaluation noted recent GOP decisions on wheat derationing, deregulation of wheat movement within the country, partial deregulation of oilseeds trade, removal of price controls on edible oils, and liberalization of the distribution of imported fertilizer.

The accomplishments of the ADC component were more limited due to Ministry of Defence security restrictions with regards to the use of photos and mapping materials which were needed for ASF construction and survey, and which were not clearly specified in the conditions precedent. Nonetheless, the results of initial surveys were found to be promising, timely, and highly reliable with regards to production forecasts for several major crops. In addition, this component was making a positive contribution with regards to the transfer of microcomputer technology and training, which would lead to more efficient and reliable data processing and assist greatly in the implementation of the ASF survey nationwide.

Implementation of PHC activities was more limited due to problems in getting GOP clearance on conditions precedent and adequate staffing for the research and training components. Nevertheless, the evaluation team found that PHM had been essential in bringing about a significant change in fiscal policy which would ensure adequate financing for repair and maintenance of public storage facilities. Timely information provided by the project assisted the GOP in making a decision to end the ration shop system for wheat, and to consider instituting a price differential between the purchase and selling price of wheat which would provide an incentive for the private sector to invest in storage facilities.

C. Principal Strengths and Weaknesses of Project Design

A major strength of the project design was that all components served as vehicles by which USAID could join the World Bank and other donors in a well-informed and constructive policy dialogue with the GOP in a key policy area: management of food security. The EPA component supported policy analysis and was designed to strengthen and expand the policy dialogue with the GOP on a range

of agricultural policy issues. The PHM component also provided opportunities for A.I.D. and the GOP to engage in a dialogue on key policy issues in the grain storage sub-sector. Finally, the ADC component supported the policy dialogue indirectly by providing improved and more timely data to policy makers.

Importantly, all project components also aimed at institution-building through training, technical assistance, and other direct support of individual resource institutions. In the case of the EPA component, the creation of an innovative institution like the EAN was expected to lead to greater and more effective coordination, and to a multiplier effect in institution building development by promoting the transfer of technology from one institution to another within the framework. The ADC component provided institution-building assistance to increase the capacity of both provincial and federal agencies in data collection and processing. Finally, the PHM component was also designed to promote institution-building through technical assistance and various forms of training, including short-term, in-country management and technical training, as well as degree level training in US and Pakistani universities.

Although the mid-term evaluation found that progress in institution-building was still limited, particularly in the case of PHM activities, it indicated that the EPA and ADC components had made considerable progress towards achieving this objective, and that significant progress in PHM was expected in the near future.

D. Concluding Observations

This project demonstrates that timely and high quality economic and policy analysis can be instrumental to the conduct of constructive policy dialogue with LDC governments. It also shows the value of broadening the institution-building concept from one that focuses exclusively on building the internal capacity of the government to carry out economic and policy analysis to one that focuses on building "process" capacity. "Process" capacity refers to the ability to draw on a range of public and private sources to conduct analysis, with the government policy unit focusing primarily on the definition, coordination, and interpretation of the research undertaken by other entities.

The main lesson of this project is that policy research and analysis can be an effective means for generating policy reform if it is of good technical quality and is prepared at the right time and at the request of the government. In this case, those studies that met these criteria influenced GOP policy reform in a number of important areas.

CASE STUDY #12: TRAINING/HUMAN RESOURCES DEVELOPMENT

DEVELOPMENT AND MANAGEMENT TRAINING PROJECT -- INDIA 386-0487

A. Project Description

The Development and Management Training Project was authorized in 1982 for a five year period. A.I.D. provided a $6.1 million grant to the Government of India (GOI), which in turn contributed $2.1 million. Following a number of amendments to the project, the authorized amount was increased to almost $13 million and the life of the project was extended to 1991. The implementing agency is the Department of Economic Affairs (DEA) in the Ministry of Finance.

The main project goal is to help increase the institutional capacity of GOI development agencies in sectors of high priority to both A.I.D. and GOI. The stated purpose of the project is to strengthen the managerial and technical capabilities of public and, where appropriate, private sector manpower in areas of A.I.D. and GOI collaboration, including agriculture, engineering (irrigation, water management and general rural development), forestry, energy, and health.

The initial project design focused primarily on training of individuals in public sector institutions. A key rationale was that in many of the priority development areas where training would be offered, such as irrigation and forestry, the public sector was the dominant provider of capital and services. Nonetheless, the project design also called for direct involvement of private sector organizations in the development of certain training programs, and for training of private sector entities in those sectors with a history of significant private sector participation (e.g. energy, industrial technology, and social services). Moreover, subsequent amendments have called for expansion of the private sector focus as both provider and recipient of training activities conducted under the project.

The most recent project amendment in 1988 also places greater emphasis on women in development activities, and adds a component for conducting training programs related to implementation of the Housing Investment Guarantee Project being funded by A.I.D.. The latter involves training to strengthen the capacity of the Industrial Development Bank of India to act as intermediary lending institution to recipient housing finance agencies.

Additional funding is also available to finance relatively long-term special projects which support the strengthening of the capacity of selected training institutions in technical education,

management education, entrepreneurship development, and the training of women. Activities include: development of new curricula; upgrading of teaching techniques; provision and development of institutional specific teaching aids; and training of trainers.

B. Project Achievements

Between its inception in 1982 and 1988, the project generated trained manpower in diverse fields such as Power, Agriculture, Water Resources, Health, Environment, Welfare (Handicapped), and Women in Development. In quantitative terms, the project trained more than 4,000 individuals in India and about 200 in the U.S.

The mid-term evaluation found that the project had become increasingly involved with projects in the private sector. In particular, the evaluation noted that the women's training program was going very well and had acquired significant momentum. Involvement of mainstream private sector organizations, however, had been much more limited according to the report.

C. Principal Strengths and Weaknesses of Project Design

The mid-term evaluation report indicated its strong support for continuation of the project. It found that the project was conceptually very sound and was making a significant contribution to Indian development.

A key strength of the project was its operational approach to management training. Based on an assessment of needs, the project was developed with a view towards improving management skills and techniques through short-term, practical training intended to increase the capacity of middle and upper level staff as opposed to training of more managers through longer-term and more academic programs. In fact, long-term academic training in the US, which was one of the four components in the original project design, was eliminated as a result of a subsequent policy resolution by the GOI.

The most important finding of the evaluation team was that in-country, in-service training was considerably more important than US and third country training, and more critical than had been realized in the beginning of the project. For this reason, the team recommended that it should be the basis for future project development. Additional findings included the following:

- Training the trainers is a key element which merits even greater emphasis.

- The value and importance of US trainers as participants in the in-country training programs may have been overrated in the project design as their participation has been more limited and with no adverse effects on the project. Plenty of Indian experts were found to be available.

- The US and third country training component needs to be more structured.

- Along with course support, greater general institutional support should be provided.

- The women's training program has been extremely successful.

- Training of private sector organizations, other than private women's organizations, has been limited and needs to be increased. In this regard, the evaluation team recommended that private sector training be categorized under a separate component from public sector training and have its own separate budget. It also recommended that it be strengthened by forming a working committee of interested parties from the Indian private sector, the Mission, the Foreign Commercial Service, the Indian Institute of Public Administration (IIAP), and DEA.

D. Concluding Observations

Although this project aims primarily at strengthening public sector institutions through skills and management training, its focus has evolved towards greater involvement of the private sector as both provider and beneficiary of training. The key lessons learned include: (1) In-country training programs can be more cost-effective alternatives to US or third-country training. (2) The availability of indigenous expertise should be evaluated carefully before bringing outside experts who may not add significantly to project implementation but might be more costly. (3) Projects that aim primarily at training of public sector employees can make significant use of private sector entities in the provision of services. (4) Private sector training programs within large public sector training-oriented projects may be enhanced by separating them into a different component to monitor progress more closely and concentrate efforts.

CASE STUDY #13: TRAINING/HUMAN RESOURCES DEVELOPMENT

PRIVATE SECTOR MANAGEMENT DEVELOPMENT PROJECT - INDONESIA 497-0345

A. Project Description

The Private Sector Management Development Project was authorized in 1984 for a life-of-project authorization of $4.0 million. A USAID grant was provided to the Institute for Management Education and Development (LPPM), Indonesia's oldest private management development institution, which in turn contributed $2.4 million or 37% of total project costs. A key assumption behind development of the project was that lack of trained managers is a major constraint on the ability of the private sector to contribute to Indonesia's development through increased productivity and creation of employment opportunities. Thus, the main objective of the project is to increase the capacity to train private sector business managers in Indonesia through support of a key private educational institution.

LPPM was selected because, in contrast to other public and private organizations in Indonesia, it provides a broad range of educational, consulting and other services to businesses and views its institutional mandate to be national development in general, and management development in particular. Despite these and other strengths, LPPM suffered from a number of weaknesses, including the following: limited strategic planning capabilities; heavy dependence for income on short courses based on Western models which were considered to be less than optimal; virtually no research capacity; inadequate overseas training in operations research, project analysis and quantitative analysis to complement its expansion plans in the consulting field; and extremely expensive MA and PHD training programs. Thus, the main purpose of the project was to assist LPPM in addressing these weaknesses and in spreading its strengths to a greater individual and institutional audience.

To accomplish this purpose, the project supports five major activities:

1. Strengthening of Strategic Planning Capabilities

   The project provides technical assistance to help LPPM in revising its institutional plan and strengthening its planning process.

2. Training

The project funds MA and PhD training for LPPM professional staff, as well as short-term training in case writing, market analysis and small business curriculum development.

3. Research Assistance

The project provides technical assistance to LPPM's research department aimed at developing a new research program with a focus on long range products and strategies.

4. Consulting Services Assistance

Technical assistance to help the consulting department redefine its objectives and strategies in order to integrate its activities into the whole organization's strategic plan.

5. Outreach Assistance

This key project activity was designed to improve the financial stability and management capability of regional private voluntary organizations (PVOs) and to teach them how to instruct rural small businesses in the basic elements of business management through support of LPPM's Small Business Management Department (PPK). Support of this outreach program will center on three main activities: (a) institutional development of private management institutes outside Jakarta; (b) expansion of LPPM's expertise in small business consulting to other interested organizations; and (c) support to Indonesian PVOs to increase their skills in small business development activities.

B. Project Achievements

The principal expected achievements of the project include:

- a strengthened institutional plan and planning process;
- a trained staff (about 32 MAs and 10 PhDs);
- an expanded consulting department with an integrated institutional strategy that complements other institutional functions;
- an established outreach program, including a small business consultant development course in up to six institutions; and
- a restructured research program.

The mid-term evaluation report in 1986 focused primarily on the outreach program. By that time, the program had developed to the point where much of its capacity was in place (staff were trained, a curriculum was developed, standardized procedures were in place, etc.). The main findings were that the program had been operating at a loss since its inception and had failed to develop a long-term strategic plan. In addition, the evaluation team found that the curriculum was not fully responsive to the program's changing clientele, staff were inexperienced, and there was no process for replacing staff when reductions occurred. Moreover, the effectiveness of the outreach program was limited due to lack of: market analyses; criteria on which to base program decisions; and plans to guide the program's relationships with clients. Finally, in attempting to target clients, the program was encountering problems in its interpretation of what grant activities were considered appropriate.

C. Principal Strengths and Weaknesses of Project Design

Although the evaluation report indicated that the outreach program was basically a good one, it found a number of weaknesses in the following areas:

- Program Direction: The program had no long-term strategic planning, no mechanism for establishing consensus on goals, and no procedures for insuring a logical progression in program development.

- Program Content: There was no feedback evaluation mechanism that could be used in the development of future curricula. The program also concentrated on the trade and services sector, rather than on production and marketing, and so was not fully responsive to the needs of the business community.

- Staff: Program staff were relatively inexperienced.

- Finances: The program had been losing money since its inception. Because it relied on sponsors for its support, it had focused more on responding to donor wishes than on taking steps to strengthen itself financially.

D. Concluding Observations

The effectiveness of this project has been limited to an important extent by the lack of strategic planning. As a result, no market analyses have been conducted to determine future activity areas, program decisions are not being based on sound criteria, and plans to guide the program's relationship with outreach clients are

lacking. In addition, the outreach program is unable to support itself as a cost center, and there seems to have been little attention given to the issue of long-term sustainability of the program. The main lessons include: (1) strategic planning should be a key component of major project activities; (2) sustainability issues must be addressed by the donor organization and should not be left up to the grantee; and (3) analysis of the market is crucial in determining the demand for services and the future course of a project.

CASE #14: INFRASTRUCTURE DEVELOPMENT

RURAL ELECTRIFICATION II PROJECT - BANGLADESH 388-0054

A. Project Description

The Rural Electrification II (RE II) Project was authorized in 1981 to finance the development of electrical distribution systems in selected rural areas of Bangladesh with the purpose of facilitating production and employment creation. Of the total estimated project costs of $68.9 million, USAID provided a $50 million grant. The Government of Bangladesh (BDG) financed the remaining $18.9 million, or 27% of the total estimated project costs. In addition, as part of a larger rural electrification program, other donor agencies and governments committed funds for complementary activities, including the World Bank ($50 million) and Kuwait ($30 million).

RE II was a follow-on to the Rural Electrification I Project (388-0021) and was designed to build on the achievements of that project. An assessment of the first project had indicated that it was having a very favorable socio-economic impact, and that opportunities for increasing agricultural production through irrigation were greater than expected. As a result, the RE II project was designed with a greater emphasis on providing electric power to rural areas for productive uses, especially for agricultural irrigation, but also for rural industries, including small scale agricultural processing and other village and cottage industries. A key assumption in the development of the project was that rural electrification is critical to the expansion of rural industry and, thus, to the creation and expansion of rural employment, a key objective of A.I.D. strategy in Bangladesh. Thus, under the RE II project, about 57% of total energy was targeted for productive purposes.

The implementing agency was the Rural Electrification Board (REB), an independent agency under the Ministry of Power, Water Resources and Flood Control. REB is charged with overseeing some 33 Pabit Bidyt Samities (PBS's), cooperatives that provide electric distribution services to rural areas in Bangladesh. (The PBS's do not generate any electricity themselves, but buy all of their power from the government-owned Bangladesh Power Development Board.) On the other hand, the project relied on private local consulting firms and private local construction contractors for design and construction of the rural electric distribution systems. (Under the previous project, a total of nine local consultant firms and 35 construction contractors had been awarded contracts totalling $4.5 million, and the majority had performed well.)

The principal project components included the following:

- Construction of electrical distribution systems in four new rural electric cooperative (PBS) areas, expansion of distribution systems in the original 13 PBS's supported by RE I, and connection of electricity to about 149,000 consumers;

- Expansion and development of the capacity of REB to provide overall rural electrification program management and direction;

- Establishment and development of four new PBS's to own, operate and maintain the four new electrical distribution systems;

- Development of local private sector capacity to engineer and construct electrical distribution systems and manufacture and/or supply construction commodities, electrical equipment, spare parts and services;

- Development of power use programs to facilitate the productive use of power for irrigation and rural industries; and

- Technical assistance and extensive training by non-local consultants in program planning and management, institutional development, construction, operation and use. This component was critical because the donors and the BDG agreed that, except for the BDG's contribution, A.I.D. would fully fund the technical assistance and most of the training for the entire rural electrification program then underway in Bangladesh.

B. Project Achievements

An evaluation of the project in 1986 concluded that the project was "extremely effective" and that the major administrative units had successfully carried out their basic objectives and major functions. The REB was found to have successfully developed the electric distribution cooperatives (PBS's) to the point where the local personnel could carry out their primary responsibilities. Moreover, the assessment found that the REB had the requisite engineering capabilities to carry out rural electrification in Bangladesh and that the engineering staff was highly competent.

With regards to the economic soundness of the PBS's, the evaluation team found that, although most PBS's were unlikely to be fully able to meet the current schedule of loan repayment, their ability to do so was improving. The strongest ones financially were those that supplied relatively large amounts of power to irrigation and

industrial customers. The team felt, however, that it was unreasonable to require all PBS's to begin full repayment only five years after their organization, and that an attempt should be made to tailor repayment requirements more specifically to the economic potential of the various PBS's.

The evaluation report also found that the technical assistance provided under the project had been successful in building the REB and PBS's into viable institutions. It also noted that the duration of technical assistance required would be about 12 to 15 years, but that the percentage of total project funds allocated to technical assistance would decline for subsequent phases of the project.

C. Principal Strengths and Weaknesses of Project Design

The evaluation report found considerable strengths in the management and organization of the REB. According to the team, the REB had done an excellent job in defining and carrying out its functions under the project. In addition, the REB was found to have an excellent reputation among government officials and the public in general, and REB directors and staff were found to be knowledgeable and very capable of working effectively and carrying out their assigned responsibilities. Moreover, the organization of the PBS's by the REB was described as "excellent".

The provision of technical assistance through private contractors was another significant strength. The evaluation report found that technical assistance was an essential element of the rural electrification program and would continue to be so for many years. Overall, provision of technical assistance under the project was found to be excellent and at adequate levels.

In the area of training, the evaluation report noted that while training of REB and PBS staff had been very good, some activities seemed to be done by rote, without much understanding of the underlying principles. The team felt that follow-up instruction was needed at all levels in order to enable personnel to deal more effectively with uncommon situations. In particular, the team felt there was a need for training in handling emergency situations, such as restoring service when there has been an equipment failure. Training was also recommended in the areas of operation and maintenance techniques for electric plant equipment, especially substation maintenance, work order accounting, materials management and control, and management planning and controls.

The evaluation report also found problems in retaining and recruiting personnel for key technical and managerial levels in the PBS's. Because the primary reasons seemed to be the relatively low salary levels and the living conditions in the rural areas, the

team recommended providing an extensive package of incentives, including better salaries, performance bonuses, and more vacation.

D. Concluding Observations

Infrastructure development support is crucial to the development of private enterprise in many LDCs. In this case, the project has provided an important impetus to employment creation and expansion in rural Bangladesh through support of electrical service needed for irrigation and for development of rural industry. The main lessons of the project are two: (1) Management and administration are critical aspects of project success. (2) Technical assistance and training are crucial components of infrastructure development projects.

CASE #15: INFRASTRUCTURE DEVELOPMENT

DOUKKALA-ZEMAMRA SPRINKLER IRRIGATION PROJECT - MOROCCO 608-0127

A. Project Description

The Doukkala-Zemamra Sprinkler Irrigation Project was authorized in 1976 as part of a larger project developed by the World Bank and the Government of Morocco. The contribution of USAID consisted of a $13 million loan. The World Bank contributed $32 million or 32% of the total estimated project costs of $94.5 million, while the Government of Morocco (GOM) provided $51.4 million or 54% of total costs.

The main objective of the project was to increase production of agricultural products in the Doukkala region, one of the most densely populated areas of Morocco. Because of the dry conditions of that region, crop yields are low, unemployment high, and per capita income low. The project was expected to create substantial new employment and income opportunities by supporting an increased water supply to the region through irrigation, which would make possible double cropping and a shift to higher value crops with higher labor requirements. Thus, the project was designed to support achievement of the larger sectoral goal of increasing agricultural production for import substitution and export. A key premise was that irrigation would permit a reduction in the amount of acreage planted to traditional wheat and bean crops as yields increased, and that it would facilitate increased production of commercial crops such as cotton and tomatoes, which could be exported to Europe.

The principal project purpose was to establish irrigated agriculture in the Zemamra region, a subdivision of Doukkala. By supporting the construction of a sprinkler irrigation system, the project sought to convert 15,400 hectares of dry farmland into irrigated farmland. The project aimed at providing all the equipment, materials and services required to irrigate the 4 sectors of the Zemamra subdivision, including 4 pumping stations driven by electric motors, underground conduits and pipes, hydrants and mobile irrigation equipment. The project also supported development of the socioeconomic infrastructure, and of communications and ancillary facilities, including land preparation and consolidation, farm access roads, windbreaks, buildings and equipment for extension services, operation and maintenance, artificial insemination, and services and milk collection centers. The project was also expected to provide 7 new village centers with electricity, domestic water supplies, village roads and schools.

The loan from USAID was to be used primarily to finance the purchase of selected operations and maintenance equipment, movable

sprinklers, hydrants and the major portion of the electromechanical equipment for the irrigation systems. In addition, it would fund the local costs of building the pumping stations for the irrigation system and stations, and of installing village water supplies. The rest of the equipment and components of the project would be financed by the World Bank and the GOM.

The main implementing agency was the Regional Office for Development of the Doukkala (ORMVAD). It was charged with installation of the irrigation facilities, land preparation, and improvement of farming practices. The work of other GOM agencies on different project components was to be coordinated by a GOM Project Coordination Committee.

B. Project Achievements

The mid-term evaluation of the project conducted in 1980 found that the project in general was proceeding as planned, but that there had been an initial delay of several months arising from default by the lowest bidder on the delivery contract for sprinkler heads. This required negotiation of a new contract with the second lowest bidder and consequent delays in project implementation.

Due to the stage of development of the project, the team could not evaluate the effectiveness of the planting, irrigation and cultivation practices, the suitability of cropping patterns, or the attainment of the project objectives. Thus, the main purpose of the evaluation was to measure progress in project implementation against pre-established target dates.

Overall, the evaluation report found that progress was closely in line with pre-established targets in spite of the initial delays described above. Nonetheless, the evaluation team did find long delays associated with the contracting of imported equipment from US manufacturers. These delays arose because of the need to adapt the original technical specifications, which were European, to US specifications in order to obtain bids from US manufacturers and to conform to A.I.D. requirements. The evaluation team, however, indicated that these delays in contracting were not the determining factor in the 10 month delay in the construction completion. The main reason was a delay in installation of the underground piping financed by the World Bank, and over which A.I.D. had little or no control. Even then, the team noted that missing the target date for completion of construction by 10 months for a project of this size and complexity was not very significant.

Other findings of the evaluation report focused primarily on achievements in Sector 1 of Zemamra, where implementation of project activities was most advanced. These findings included the following:

- Yields of wheat were well below expectation in the irrigated farmlands because farmers continued to cultivate the land as in the past during the first two years of irrigation;

- The amount of acreage planted with wheat had decreased in irrigated areas, but better yields were being obtained;

- Barley had disappeared from the cropping pattern since irrigation, and a wide range of new crops had been introduced;

- The use of agricultural machines and implements, as well as fertilizers, had increased with irrigation, and cultivating practices were improving; and

- Employment of outside (non-family) labor had increased significantly since irrigation, from 140 man/days before irrigation to approximately 500 man/days after irrigation.

C. Principal Strengths and Weaknesses of Project Design

In general, the evaluation team found no major problems with the quality, quantity or timeliness of commodity and local construction inputs financed by USAID. The main weakness in the project design was the assumption that the original French designs and specifications for the project engineering components could be readily utilized with only minor modification. This assumption proved incorrect, and major modifications were required to "Americanize" project materials and designs.

Because all project engineering components were designed and specified by a French engineering firm whose services were contracted by the implementing agency in conjunction with the larger World Bank loan, all designs and material specifications were modelled after European standards and had to be "Americanized" to allow for US contracting and equipment procurement. Since target dates for completion of construction had been established under the assumption that this would only require simple modifications, long delays in project implementation resulted, as noted above.

D. Concluding Observations

Support for irrigation infrastructure can have a profound impact on the transformation of dry, low-yield farmlands into productive regions that support commercialization of agriculture and afford greater opportunities for employment and income for the rural

population. The main lesson of this project is that when USAID funding and US equipment are involved, US engineering and contracting standards should be applied from the earliest possible moment.

CASE STUDY #16: TECHNOLOGY TRANSFER

TECHNOLOGY TRANSFER FOR ENERGY MANAGEMENT PROJECT - PHILIPPINES 492-0381

A. Project Description

The Technology Transfer for Energy Management (TTEM) Project was authorized in 1985 for a 5 year period. The $5 million grant from USAID was complemented by a $732,000 contribution from the Government of the Philippines (GOP) and $1.5 million from the private sector. The main objective of the project was to increase the efficiency of energy use among conventional energy users in the Philippines, thereby reducing dependence on imported oil, conserving foreign exchange, and improving the overall economic and financial position of the Philippines. A key premise underlying project development was that lack of information about alternative technologies among potential end users, and among the financial institutions that would have to provide the requisite financing, was a key constraint to the adoption of alternative sources of energy.

The project placed considerable emphasis on the private sector as both beneficiary and implementor. Most notably, it targeted private industrial and commercial energy users, financial institutions, and suppliers of conservation-related equipment and services. On the government side, the chief implementing agency was to be the Bureau of Energy Utilization, which was later reorganized into a new Office of Energy Affairs (OEA). The project was housed in the OEA Building in Fort Bonafacio, a military encampment, and OEA provided staff to assist in project implementation.

The stated purpose of the project was to promote and accelerate the adoption of energy-efficient technologies and operational practices by energy consumers who are heavily dependent on fossil fuels and electricity, especially in industry and commercial buildings. A corollary purpose was to establish a strong institutional capacity to undertake and manage conservation-related investments and programs, especially in the private sector.

Because project funding was clearly insufficient in and of itself to significantly reduce oil imports, the project aimed at stimulating additional Philippine investments by reducing barriers to these investments through demonstrations, training programs, and information dissemination efforts targeted at senior management, the financial community and energy professionals. The two key project components were the following:

1. Technical Assistance Program

The project was designed to support a program of technical assistance, training and information dissemination, studies, and policy analyses. Studies, seminars, and workshops would serve to develop data on energy use and approaches to energy conservation, provide information on new technologies to be used by energy consumers, upgrade the capabilities of equipment and service suppliers, aid in policy formulation and investment decision-making, and promote greater receptivity to conservation among commercial energy consumers by increasing their knowledge of the benefits of energy conservation.

The technical assistance component would support the demonstrations, studies, seminars, and training in two principal ways: (a) In response to requests, assistance would be provided to Philippine energy users, equipment vendors, and service firms interested in applying a particular energy conservation technology. (b) Technical, financial and administrative support would be provided through a long-term US consultant based in Manila and through short-term specialists.

2. Demonstration Financing Program

This project component was designed to demonstrate the technical, financial and economic feasibility of specific energy conservation measures and to facilitate their widespread adoption. Thus, a Demonstration Loan Fund (DLF) administered by local private banks was set up to finance feasibility studies, equipment purchases, and installation costs associated with technology demonstrations.

The purposes of this component were: (a) to introduce a wide variety of energy-efficient technologies that are proven and commercially viable elsewhere, but are not widely used in the Philippines; and (b) to introduce financing vehicles for energy conservation investments that are being used extensively in the industrialized countries but not in the Philippines.

B. Project Achievements

At the time of the mid-term evaluation, the project was just getting off the ground because of substantial delays in implementation arising from: changes within the Philippine government; reorganization of the Bureau of Energy; delays in meeting conditions precedent; administrative delays; delays in selecting senior project staff; and changes in personnel, including replacement of the Project Director. As a result, the project did

not really become operational for about 2.5 years after authorization and, by the time of the mid-term evaluation, its potential for promoting energy conservation had not been established. Nonetheless, an assessment of the key accomplishments, as well as the strengths and weaknesses of the project, led the evaluation team to make the following observations.

Overall, the evaluation team found that the project had not had any significant impact on the adoption and implementation of the technologies it was designed to promote, with the possible exception of power factor correction, for which two loan applications were being processed at the time. Instead, according to the evaluation team, the project "appears to be searching for energy conservation measures to support, rather than focusing on the pursuit of the technologies it has been mandated to pursue." In addition, the evaluation report noted that the project did not appear to have made a concerted effort to locate and develop the capabilities of equipment manufacturers and vendors, as well as consulting engineers.

The report also found that by the time the project was finally implemented, energy prices had dropped considerably, causing a definite shift in priorities which should have led to some re-focusing of project activities. While the long-term goal of energy conservation had not been lost and the project was still relevant to Philippine conditions, the focus of priorities had decidedly shifted towards the looming electrical power shortages in areas outside Manila. There was no indication, however, that the project was responding to these shifting priorities.

With regards specifically to the DLF program, the evaluation team indicated that it appeared to be providing adequate funds and an attractive incentive to companies interested in taking advantage of the project. Nonetheless, interviewees reportedly suggested that the project had not met its objectives because of shortcomings in the presentation and dissemination of TTEM information. As a result, many businesses which could benefit from the project were not aware of its existence, provisions and benefits. Other findings included the following:

- Applications for DLF loans had come from some of the largest companies in the Philippines which tended to benefit least from a DLF loan, both in terms of spread and total interest costs savings. Other companies that might otherwise apply for DLF faced three main obstacles: (1) the cost for a bank to process a loan for a first-time customer was too costly and time-consuming to appeal to an otherwise qualified applicant; (2) many of the energy conservation projects being undertaken by the larger companies involved investments greater than the maximum allowed under the DLF program, and so these

companies found alternative financing sources; and (3) many companies preferred to buy energy conservation equipment from Asian or European suppliers rather than American/Philippine equipment as required to qualify for a DLF loan.

- Marketing to commercial banks had not focused on selecting the institutions that could provide the most assistance to TTEM. Instead, the focus had been to accredit any institution that applied and qualified. As a result, banks which might have provided the most useful marketing support to the DLF program were not targeted for special attention.

- Results to date would have been better if there had been a more carefully planned and coordinated marketing effort to work with selected commercial banks to reach their customers with energy conservation needs, and if the marketing effort had emphasized the attractive return on investment aspects of the projects to company financial management.

With regards to the technical assistance program, the evaluation team found that even though many excellent short-term experts had been accessed, they had not been utilized adequately and their expertise had a high cost/benefit impact. In addition, the team noted that there was a large pool of indigenous experts who had not been utilized and that employment of other short-term expatriate specialists may not have been warranted.

With regards to the publications and workshop activities, the team found that the project had conducted, co-sponsored and participated in a number of high quality seminars, workshops and other meetings, and that it was producing solid publications on energy conservation techniques. There were, however, difficulties in targeting the audience adequately, especially when short-term experts were brought to conduct the workshops. The team suggested that there might be more cost/effective alternatives such as commercial films on energy conservation which would also be more appropriate. Overall, however, the information dissemination and promotion activities were found to be inadequate as many potential end-users and beneficiaries were not being reached.

C. Principal Strengths and Weaknesses of Project Design

The evaluation team found that the concept and design of the DLF program was appropriate to the goal of encouraging energy conservation in the Philippines and that it seemed to provide adequate funds and attractive incentives to companies. The main weaknesses were in the areas of marketing and promotion, key aspects of any new technology development program. As noted in the

evaluation report, marketing and promotion are crucial to the adoption of new energy conservation technologies because many businesses are reluctant to change their ways, especially since energy conservation projects had yet to establish themselves as viable sources of profitable assistance across the spectrum of Philippine industry. The location of the project in a military encampment with limited access was also not ideal for a project that sought to market to and encourage private sector participation.

Other weaknesses noted in the evaluation report include the following:

- Lack of planning and direction: The evaluation report found that the project lacked a clear sense of direction and consistent management since the beginning. Although the long-term consultant established goals for hiring staff and developed loan procedures, priorities were not clearly established, and no goals or benchmarks were set that could be used to measure the rate of accomplishment and to recommend changes as needed.

- Inappropriate organization and staffing: The evaluation report found that the choice of staff did not represent the correct mixture of talent required to carry out the project. In addition, it noted that the tiered salary structure was contributing to poor morale and did not reflect the priorities of the project. For example, it found that the key position of Information Officer was in the least rewarded salary group.

- Inadequate demonstration technology selection: The demonstration technologies were selected based on US practices, without sufficient study of their appropriateness to local conditions. According to the evaluation report, the demonstration technologies identified in the project paper were very sophisticated and of limited applicability to the Philippines. Apparently, no effort had been made either to determine the extent to which they had been successfully applied in the US and other industrialized countries.

- Lack of formal coordinating process: The evaluation team found that there were several other energy conservation projects under the direction of OEA with some elements of overlap. These included project financed by the World Bank, UNIDO/UNDP, US/ASEAN, and the German government. While each had a different focus and some different functions, all had certain common elements, in particular energy audit and dissemination of information through seminars and workshops. Yet, there was no formal mechanism for coordinating these activities.

D. Concluding Observations

This project has demonstrated that effective marketing and promotion are crucial to the success of technology transfer projects. Technological innovation requires more than support for development of technical expertise; a great deal has to do with convincing businesses to change their ways by demonstrating that investment in these technologies will provide them with an adequate return.

Information dissemination is a key element of marketing and promotion. Yet, as the evaluation report has indicated, dissemination of information has been a difficult area for this project, and one that has limited the achievement of the project goals. Moreover, according to the evaluation report, all the other Philippine energy conservation projects were facing problems in this area. Problems were apparent in three areas: determining the best means of presentation; determining the level of information to be presented for specific target audiences; and determining the appropriate vehicles for reaching these audiences. To the extent that TTEM project could address these problems successfully, it would set itself apart from other projects.

Thus, a key lesson of this project is that the marketing and promotional aspects of a technology transfer project are crucial to the success of the project and must receive high priority. Other lessons include the following: (1) Expatriate short-term experts should be used carefully and selectively, and the availability of less costly local expertise should be explored. (2) Development of formal coordinating mechanisms among different donors is fundamental to increasing the cost/effectiveness of projects. (3) Careful planning and clear direction from the very beginning of project implementation are crucial. As part of the planning process, targets should be established for achieving measurable results, and each professional member should be assigned responsibility for performance that supports the targets. In this manner, it will be easier to measure the progress being made, to determine where problem areas exist, and to insure that overall goals are met. (4) The applicability of selected technologies must be carefully assessed, and efforts should be made to determine the extent to which proposed technologies have been successfully applied in other countries. In general, technologies with wider applications should be supported over highly specialized technologies whose relation to conventional concepts of energy conservation is difficult to establish. Technology selection requires a flexible but, nevertheless, structured approach. (5) The location of a project can have a significant impact on its ability to reach out and market to the private sector. In this case, location of the project in a military encampment limited the potential for promoting the project among the private sector in the Philippines.