

**A.I.D. BUREAU FOR LATIN AMERICA
AND THE CARIBBEAN**

**A REVIEW OF SELECTED FIELD-APPROVED
PROJECT DESIGNS**

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Submitted to:

Diane Blane
LAC/DR
US Agency for International Development
Washington, D.C.

MANAGEMENT SYSTEMS INTERNATIONAL

600 Water Street S.W., NBLI 7-7
Washington, D.C. 20024

telephone: (202) 484-7170
telex: 4990821MANSY fax: (202) 488-0754

ABBREVIATIONS AND ACRONYMS

A.I.D.	-	Agency for International Development
CATCO	-	Caribbean Agricultural Trading Company
CDIE	-	Center for Development Information & Evaluation
CDSS	-	Country Development Strategy Statement
CEA	-	cost efficiency analysis
CPR	-	contraceptive prevalence rates
DAEC	-	Development Assistance Executive Committee
EIRR	-	internal rate of return
FEDEPRICAP	-	Federacion de Entidades Privados de Centro America y Panama
FORESTA	-	Forest Resources for a Stable Environment
GOG	-	Government of Guatemala
HG	-	Host Government
IEE	-	initial environmental examination
LAC	-	Latin America and the Caribbean
LAC/W	-	Latin America and the Caribbean/Washington
MOE	-	Ministry of Energy
NPV	-	net present value
PACD	-	project agreement completion date
PID	-	project identification document
PIR	-	project implementation report
PP	-	project paper
PPC	-	Bureau for Policy Planning & Coordination
PVO	-	private voluntary organization
ROCAP	-	Regional Office for Central America and Panama
ROI	-	return on investment
SI	-	social infrastructure
TROPRO	-	West Indies Tropical Produce Support
USAID	-	United States Agency for International Development

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EXECUTIVE SUMMARY

A. background; Scope of Work

This Report constitutes the second review of the present operating system whereby the A.I.D. Bureau for Latin America and the Caribbean (AID/LAC) delegates authority for review and approval of most PIDs and PPs to the field missions. A similar review was undertaken in 1987.

The team was asked to examine ten PIDs and ten PPs authorized and approved by field missions, and three PIDs and three PPs authorized and approved by LAC, during 1988 and 1989; to analyze the field-approved documents for shared features, strong points, recurring issues and deficiencies with reference to both compliance and non-compliance with A.I.D. Handbooks and LAC Bureau guidance, and the principles of sound technical, social, economic, financial and administrative analysis; and to compare the overall quality of the documents with that of the LAC-approved projects. On the basis of their analysis, the team was asked to recommend actions which should be taken to (a) assure a high standard of Agency (field and LAC) project design and review, and (b) strengthen the Bureau's quality control measures for field-approved projects.

B. Findings

1. General Responsiveness to LAC Guidance

Missions are responsive to LAC guidance in the sense of addressing issues raised. There are, however, cases of missions addressing guidance issues but not taking precisely the action directed. The degree of responsiveness is difficult to determine in a few PPs which do not provide either a copy of a guidance cable (in an annex) with annotated notes on action taken, or a separate section dealing solely with guidance. Of the six PIDs and nine PPs in which guidance was available to the team, we consider two PIDs and five PPs as providing ambiguous responses (on one issue each). All in all, responsiveness to guidance does not seem to be a serious problem.

2. Quality of Field-Approved PIDs

The field-approved PIDs reviewed by the team tend to be relatively strong in the area of program factors (project rationale, relationship to mission and HG strategy, goal and purpose statement); less so in the area of project description; and still less so in the area of supporting analysis. Five of the ten PIDs were rated unsatisfactory in the latter area. Overall, the team rated two of the field-approved PIDs as good, five satisfactory, and three unsatisfactory. Finally, the team considers five of the field-approved PIDs to be at least on a par with the LAC-approved PIDs.

3. Quality of Field-Approved PPs

The team provided ratings by project in each of four broad PP categories: Completeness, Logic and Clarity of the Documents; Conformance With Handbook; Adherence to Guidance; and Quality of Supporting Analysis, as well as overall ratings. Supporting analysis is much the weakest area of performance. Overall,

one PP was rated excellent, three good, two satisfactory, and four unsatisfactory. The four rated unsatisfactory are judged to be below, and the other six equal to or better than the LAC-approved PPs reviewed by the team. Response to LAC guidance was discussed above. Following are comments with regard to the other broad categories of performance.

a. Completeness, Logic and Clarity

With two exceptions, the field-approved PPs are strong in the areas of project rationale and relation to mission and HG strategies. Goal and purpose statements are generally good, again with two exceptions. In the two cases of confused goal and purpose statements, the problem is reflected in the related log frames. Log frames are deficient in other areas as well, such as inappropriate Objectively Verifiable Indicators and, in most PPs, assumptions that are within the purview of the project itself and/or subject to mission influence through policy dialogue. PPs are generally well-written, though a few are repetitious and/or confusing in the area of project description.

b. Conformance With A.I.D. Handbooks

This category ranges from relatively complex matters such as the Financial Plan to more mundane matters such as the Gray Amendment provision. In general, the purely routine areas are well-covered. Following are comments on a few items of more complexity:

- (1) Implementation Plan: Most of the PPs have a sufficiently detailed plan for at least the first six months of implementation, though some fail to indicate individual responsibility for actions to be taken. Five of the PPs have inadequate plans for oversight or monitoring, and two have no plan for the collection of baseline data to support project evaluation.
- (2) Financial Plan: Virtually all financial plans are deficient in one or more areas. All contain the basic breakdown of costs by source of funding, and all but two contain cash flow projections with sources of funding for life of project. However, only one PP contains separate recurrent and capital cost budgets, as required; recurrent cost analyses are mostly incomplete; and most PPs do not contain separate and justified sets of contingency and inflation assumptions.
- (3) Sustainability: Although project sustainability is not an explicit Handbook 3 item, six of the ten field-approved PPs contain analyses of the financial sustainability of the principal implementing agency. These are generally well done. However, missions have generally neglected other, non-financial, aspects of sustainability, involving the willingness of participants to continue the project after the PACD.

c. Supporting Analysis

The supporting analyses, comprising the Administrative, Technical, Social Soundness, and Economic/Financial Analysis sections, are the weakest areas of the field-approved PPs. The latter three, especially, tend to be deficient in content and poorly integrated with the rest of the PP.

(1) Technical Analysis

Only two of the PPs are considered as having met all requirements, i.e.: complete as to content, well integrated with the text and other supporting materials, and establishing the technical feasibility of the project. Seven are deemed to be deficient in content, and four to be not supportive of the main text in the sense that they contain information contradicted elsewhere in the PP, or raise problems not elsewhere addressed.

(2) Social Soundness Analysis

The field-approved PPs include a few that are well done and appear to have favorably influenced PP design. In most cases, however, the analyses are deficient in required areas, such as: analysis of the socio-cultural context and the project's compatibility with it; analysis of local institutional circumstances and their potential impact; and evidence of involvement of beneficiaries and (sometimes) participants. A few of the analyses contain information that contradicts aspects of project design.

(3) Economic/Financial Analysis

Only two of the PPs contain financial analysis in the classic, Handbook, sense of the term. In most, the "Financial Analysis" is actually an analysis of the financial sustainability of the principal implementing agency. Economic analyses are frequently of a type inappropriate to the project, and are of generally disappointing quality. Common deficiencies are failure to support assumptions, the omission of relevant tables, and poor (evidently hasty) writing.

C. Conclusions and Recommendations

Following are some of the actions recommended to assure a higher standard of project design and review:

1. Supporting Analysis; General

- (a) The Bureau and missions should see that the supporting analyses are undertaken in the early stages of project design, and completed in time for the findings to be reflected in PID and PP design.
- (b) The Bureau (and A.I.D.) should consider development of a manual, perhaps to be issued as a supplement to Handbook 3, that would contain examples of good analysis from different types of projects.

2. Economic/Financial Analysis

- (a) Financial analysis which is really sustainability analysis should be labelled as such and encouraged.
- (b) Standard rate of return or cost:benefit analysis should not be required for projects where the quantification of benefits cannot be undertaken without exceeding the ordinary bounds of credibility. In such cases, the analyst should be permitted instead to provide his best evaluative judgement of project economic impact.

3. PID development

The present requirement for consideration of alternative approaches, presently limited by Handbook 3 to the economic/financial section, should be broadened to include administrative, technical and social aspects as well.

4. Missions should consider undertaking regular field reviews of PIDs and PPs, with resulting action memoranda to the mission director.

5. LAC monitoring

The Bureau might consider one or more alternatives to the present system of periodic reviews by external consultants:

- Periodic critiques of PPs of projects having especially good or especially bad evaluations;
- Undertaking correlations of well-prepared documents with successful projects and vice-versa;
- Conducting after-the-fact DAEC reviews of selected PIDs and PPs;
- Conducting consultant and/or AID/W reviews of problem projects.

I. INTRODUCTION

A. Background

In 1986 the A.I.D. Bureau for Latin America and the Caribbean (LAC) delegated authority for approval of most project papers (PPs) and project identification documents (PIDs) to the field missions. With the delegation, LAC/W's only formal points of design involvement are in the review of New Project Descriptions usually contained in the missions' annual Action Plans, and its reporting cables to the missions on the results of Action Plan reviews. An initial review of the new system was completed by a Checchi/Louis Berger International consulting team in June 1987. Management Systems International was contracted by A.I.D./LAC to undertake this second review of the process.

B. Summary of Scope of Work

The purpose of this study was to review selected field-approved PPs and PIDs in order to evaluate design quality and field compliance with Agency design standards. The team was asked to review ten PPs and ten PIDs authorized and approved by field missions in the LAC region in 1988 and 1989. The documents were to include representative samples from agriculture/rural development, health/sanitation, family planning, environment/energy, education/training, and the private sector. In addition, the team was to review three PPs and three PIDs, drawn from the same sectors, which were authorized and approved by LAC/W during the same period.

The team was asked to analyze the field-approved documents for shared features, strong points, recurring issues and deficiencies with reference both to compliance and non-compliance with A.I.D. Handbooks, LAC Bureau guidance, and the principles of sound technical, social, economic, financial and administrative analysis. Criteria to be used in structuring the analysis were also to include the completeness, logic and clarity of the documents. Finally, the overall quality of the documents was to be compared with that of the LAC/W-approved projects.

On the basis of their analysis, the team was asked to recommend actions which should be taken to (a) ensure a high standard of Agency (field and LAC) project design and review, and (b) strengthen the LAC Bureau's quality control measures for field- approved projects.

C. Evaluation Methodology

The list of field-approved and LAC/W-approved PPs and PIDs selected by the team appears as Annex A. Virtually all countries in the region (excepting Peru and Belize which alone do not have approval authority) are represented, as are each of the sectors identified in the scope of work. In order to systematize its reading and analysis of the documents, the team began by drafting PP and PID checklists, based primarily on Handbook 3 but including items to cover Bureau guidance and overall quality of the documents. As the reading progressed, the need for revision of the checklists - additions, deletions, combining of items, etc. - became apparent. Checklist revisions and rechecking of documents to accommodate the revised checklists proceeded apace. The process surfaced problems with the Handbook itself, in particular a number of archaic provisions seldom

or no longer honored in PP preparation. Some of these findings form the basis for recommendations appearing in Section V. The final checklists, which missions and the Bureau might want to use, or adapt, for purposes of PP and PID preparation and review, appear as Annexes B and C.

After completing their initial readings, the team members exchanged views in order to reach agreed positions on the individual documents, and to arrive at conclusions and recommendations. The individual PP and PID commentaries appearing in Annexes D through G convey the gist of the team's overall assessment of individual documents, in addition to which we have provided two matrices (Tables 1 and 3) which summarize our overall judgments. It is hoped that the critiques will be viewed as constructive, as they are meant to be.

II. GENERAL RESPONSIVENESS TO LAC GUIDANCE

A. PIDS

Where specific guidance was provided at the pre-PID stage, missions were responsive, with the following exceptions.

1. The LAC/W Action Plan cable raised the question for the Guatemala Fiscal Administration Project as to whether in seeking to strengthen tax administration the mission was sufficiently addressing the specific problems of low tax collections and low effective tax rates paid by high income groups. The PID does not specifically address the latter point, but simply stresses the objective of achieving equity in tax collections. As to low tax collections, the section on tax administration improvement in the project outline identifies "strengthening of the functions of tracking delinquent accounts and nonfiling of returns" as a possible candidate for attention. The PID also makes the point that the purpose of the project is not to raise taxes.

2. The Haiti Action Plan cable asked the Mission to encourage co-financing by other donors for the National Program for Agroforestry project. While mention is made of related activities being financed by other donors, there is no mention in the PID of what actions the Mission has taken or is contemplating to encourage co-financing of the project.

3. In the case of the Haiti Coffee Cooperative Development project, the Action Plan cable query on whether the Federation of Coffee Cooperatives was strong enough to take on the production and extension roles envisioned, in addition to its marketing function, is bound over for resolution in PP design.

4. In two cases no guidance or questions were raised at the pre-PID stage, in another two we did not receive an Action Plan cable, and in the other three missions responded adequately to guidance given or questions raised.

B. PPs

Missions attempted to respond to LAC/W guidance in most instances. There were two cases where, in our judgement, guidance was not followed. In developing its Private Sector Initiatives Project, ROCAP was asked to consider how to make FEDEPRICAP, the entity being supported, sustainable without continued AID

support, beyond the project period. In addressing this guidance ROCAP concluded, on the basis of a rationale we could not understand, that self-sufficiency was not required. In the case of the Guatemala Basic Education Strengthening Project, the Mission was asked to evaluate the project's impact on the Education Ministry's recurrent cost budget and to design the project so that the Ministry could sustain recurrent costs after project completion. The Mission stated that recurrent costs had been analyzed in the PP financial analysis and found to be within projected GOG resources. However in the financial analysis section we could find no mention of the requirement for an evaluation of project costs and projection of the MOE budget. Rather, the financial analysis provides a review of areas of recurrent costs and reiterates MOE assurances that they will be able to provide funds after the PACD.

There were, in addition, three other instances in which missions followed the guidance but could be viewed as not having been fully responsive to it.

1. In the Haiti Expanded Urban Health Services Project the Mission was asked to explore the long-term sustainability of the PVO efforts being supported by the Project. It did so for the principal entity being supported, but not for two smaller PVOs also included in the project and scheduled to receive smaller amounts of support.

2. In the Bolivia Micro and Small Enterprise Development Project, the Mission was asked to explain how the Credit Union Federation, with experience mainly in cooperatives, would be able to undertake small enterprise lending. The PP response recited the Federation's financial management capabilities and reiterated their capability for the new task.

3. The Ecuador Agriculture Research, Extension and Education Project was the subject of the most lengthy and detailed guidance cable of the ten PPs we reviewed. The Mission seems to have made an effort to respond to the issues raised, but it is difficult to establish how complete the response is because there is no one place in the PP where the guidance issues or the responses are summarized. As far as we could determine, there is no clear instance of guidance not being followed.

III. FINDINGS ON FIELD-APPROVED PIDS

The quality of field-approved PIDs is much the same, overall, as the quality of field-approved PPs (see Section IV and Annex E). We rated two of the PIDs as good (on a scale of good-satisfactory-unsatisfactory) and three unsatisfactory, with the remainder in between. In the good category were the Haiti Expanded Urban Health Services and Guatemala Fiscal Administration PIDs.

As is the case with the field-approved PPs, the PIDs tend to be relatively well done in the area of program factors; less so in the area of project description, defined to include goal and purpose statement; and still less so in the area of supporting analysis, which is confined at the PID stage to some fairly basic social and economic/financial considerations. We rated three (30 percent) of the field-approved PIDs as unsatisfactory in the project description area and five (50 percent) as unsatisfactory with respect to supporting analysis. Note though that of the three LAC-approved PIDs reviewed by the team, none were rated better than satisfactory as to project description, and one was rated unsatisfactory in supporting analysis. Thus, these are bureau-wide, not merely field problem areas.

Notwithstanding the relatively strong performance with respect to program factors, a few PIDs (including one LAC-approved PID) come up short in explaining project rationale. However, the fault appears to lie more with the guidance than with PID designers. We feel there should be a Handbook requirement for consideration of project alternatives at the PID level (see also Section V.B.6 below). We also feel that goal and purpose statements could be strengthened by amending the Handbook to require not merely that the PID contain a preliminary log frame, but that it contain a well-considered, if brief, log frame (see also Section V.B.4).

PIDs tend to adhere more closely than PPs in terms of format to Handbook 3 guidance, reflecting the fact that Handbook guidance is more clearly and concisely written in the PID area.

Adherence to LAC guidance was generally good (see Section II). The team considers five of the ten field-approved PIDs to be at least on a par with the LAC-approved PIDs reviewed by the team (none of which was rated higher than satisfactory overall). Comments on individual PIDs appear as Annexes D and E. Table 1 contains summary assessments of individual PIDs.

TABLE 1
ASSESSMENT OF PIDs

	Program Factors	Project Description	Supporting Analysis	Handbook Guidance	LAC Guidance	Overall Assessment
A. Field-Approved:						
Sugar Diversification (Dominican Republic)	Good	Unsatisfactory	Unsatisfactory	Unsatisfactory	N.A.	Unsatisfactory
West Indies Trop. Prod. Support (Caribbean Regional)	Satisfactory	Unsatisfactory	Unsatisfactory	Satisfactory	N.A.	Unsatisfactory
Private Sector Initiatives (ROCAP)	Satisfactory	Satisfactory	Unsatisfactory	Satisfactory	N.A.	Satisfactory
Fiscal Administration (Guatemala)	Good	Good	Satisfactory	Good	Satisfactory	Good
Ag. Export Services Drug Abuse Prevention (Jamaica)	Unsatisfactory Unsatisfactory	Unsatisfactory Good	Unsatisfactory Good	Unsatisfactory Good	Good N.A.	Unsatisfactory Satisfactory
Expanded Urban Health Service	Good	Good	Good	Good	Good	Good
Coffee Cooperatives Agroforestry (Haiti)	Satisfactory Satisfactory	Satisfactory Satisfactory	Satisfactory Good	Unsatisfactory Satisfactory	Satisfactory Unsatisfactory	Satisfactory Satisfactory
Private Sector Pop. II (Honduras)	Good	Good	Unsatisfactory	Satisfactory	Satisfactory	Satisfactory
B. LAC-Approved:						
Micro & Small Ent. Dev. (Bolivia)	Satisfactory	Satisfactory	Unsatisfactory	Good	N.A.	Satisfactory
Free Zone Dev. (El Salvador)	Satisfactory	Satisfactory	Good	Good	N.A.	Satisfactory
Health Sector II (Honduras)	Good	Satisfactory	Satisfactory	Unsatisfactory	N.A.	Satisfactory

IV. FINDINGS ON MAJOR COMPONENTS OF FIELD-APPROVED PPS

This chapter conveys summaries of the team's findings on the ten field-approved PPs by area of PP design. Table 3, at the end of the chapter, summarizes the team's views of individual PPs by major category (each category containing two or more areas) on the basis of an excellent-good-satisfactory-unsatisfactory rating scheme.

A. Summary, Rationale, and Project Description

We have lumped these three categories together because they tended to hold consistent across projects and our findings in each case are essentially the same. In most of the Project Papers these sections are quite complete and in conformance with Handbook guidance. Three PPs have gaps in one or more of the sections and one PP was judged deficient in all three sections. However, in general it appears this is not an area the missions have a problem with.

B. Implementation Plans

This is another area where, for the most part, the majority of missions did well. Most provide detailed schedules for the first six months or the first year, but some do not indicate who is responsible for carrying out the actions. Some note that more detailed implementation plans will be developed jointly with host government entities and technical assistance contractors at the onset of the implementation process. One mission Project Paper provides for a joint management conference with host country entities at the outset of the implementation process. We think this is a very good idea and commend it to others. However, we note in the case in point that a major external institutional contract technical assistance team provided for in the PP is not scheduled to arrive on scene until some nine months after the conference is to be held. This suggests a second conference might be desirable at that time.

Some of the implementation schedules seems overly optimistic as to how rapidly actions can be implemented.

The Caribbean Regional Office, Ecuador, Haiti, Jamaica and ROCAP did a less than satisfactory job of planning for oversight and monitoring. Baseline data to support evaluation were not planned for the Jamaica and Honduras projects.

C. Technical Analysis

The team considers only one of the field-approved PPs (El Salvador) as having a technical analysis that meets all requirements, i.e.: complete as to content, well integrated with the text and other supporting documents, and establishing the technical feasibility of the project. The Costa Rica PP may be in that category as well, based on the Summary Analysis appearing in the main text (the supporting Technical Analysis Annex being unavailable to the team).

Problems found with regard to the other eight PPs: (1) Seven (70 percent) of the PPs are incomplete as to content; that is, missing material that we felt should have been included. This failing ranges from the obvious (an ag project that failed to discuss key constraint areas mentioned in the text) to omissions of a borderline nature. (2) Four of the technical analyses were felt to be not

supportive of the text and/or other supporting analyses in the sense either that they contain information that contradicts information appearing elsewhere, or that they raise problems not fully addressed in the project description. Examples would include the discussion of the displacement effect in the Bolivia project, discussion of the impracticality of obtaining a meaningful increase in the number of daily surgical procedures in the case of the Honduras project, or a crop assessment that differs from that of the Economic Analysis in the Jamaica project. (3) Two of the analyses contain extraneous material, involving discussion of constraints or problem areas that do not relate to proposed project activities or purpose, one of them at considerable length.

Finally, it may be noted that one PP accounts for unsatisfactory performance with respect to all three of the criteria listed, and four of the PPs account for two such areas. Not all of these Analyses would be rated unsatisfactory overall, but there are enough problem areas to give grounds for concern. In particular, more attention should be paid to the basic requirement of integrating the Technical Analysis with the rest of the PP document.

D. Financial Plan

Handbook 3 defines the Financial Plan as part of the Financial Analysis, its purpose being "to determine the adequacy of funds to be provided for funding of all project inputs." However, the nature of the Financial Plan is sufficiently different from that of Financial Analysis per se as to be dealt with in a separate appendix (Appendix 3B). Financial Analysis, the purpose of which is "to ascertain whether monetary benefits to be derived from the project are larger or smaller than the project's costs" is (except for the definitional point mentioned above) the sole subject of Appendix 3D, "Guidelines for Financial Analysis." Accordingly, we have separated the two for checklist and Report purposes. Except perhaps for one PP, in which the Financial Plan is labelled, "Financial Analysis and Plan" (and in which there appears no financial analysis as such), missions appear to have no trouble with the distinction.

The Financial Plan as a whole should show a breakdown of costs among A.I.D., HG and others; a cash flow budget showing costs annually against sources of funds for each year; capital and recurrent cost budgets; a recurrent cost budget with a justification of recurrent cost financing, if any; and a statement and justification of contingency and inflation assumptions.

Findings:

- (1) All PPs contain an adequate breakdown of project costs by source of funding.
- (2) Cash flow budgets are shown in all but two PPs. The two in question show costs, but not funding, by year.
- (3) Only one PP (Costa Rica) shows separate capital and recurrent cost budgets as such. One other (Ecuador) contains a budget in sufficient detail that the capital cost portion can easily be broken out. Others contain detail sufficient to enable an estimate of capital costs. Overall, this is a Handbook requirement that is generally not being met.

- (4) Most of the PPs contain a discussion of recurrent costs and most provide at least a degree of detail. We include in this category PPs containing a sustainability analysis for the main implementing agency, on the ground that this is the main area of recurrent costs for the project in question. We did, however, identify three PPs containing neither a justification of nor detail on recurrent cost financing. (See also comments in Section IV.K.3).
- (5) The presentation of assumptions with regard to contingency and inflation is generally unsatisfactory. About half of the PPs combines inflation and contingencies into a single line item without further explanation. LAC might want to consider the implications for exchange rate policy of inflation assumptions (those applying to local currency costs to be financed by A.I.D.) that exceed the expected rate of inflation in the U.S. (notably the Honduras PP). Since local currency costs to A.I.D. depend on the exchange rate, as well as domestic inflation, adoption of an inflation rate above what might be anticipated for the U.S. implies a further assumption that the local currency will be allowed to appreciate against the dollar.

E. Administrative Analysis

The Administrative Analyses vary from good to poor. Rarely did the writers do an adequate job of covering all the subjects called for in the Handbook guidance. Usually the requirement to examine alternative administrative arrangements was ignored, as was adequacy and turnover rate of staff, and the implementing agency's legal and financial status and authority to act. If pattern of organization is mentioned it is usually to point out that management and decision making authority is too centralized, but often no recommendations are given as to what ameliorative actions should be taken, or when present they were not carried over into the project design. Frequently description is substituted for analysis.

The Administrative Analysis tends to be better where the PP deals with a follow-on project and an organization with which the Mission has already been working. These analyses are more likely to have organizational weaknesses pointed out and recommendations for dealing with them identified and built into the project.

Sometimes provision of technical assistance is proposed in either the analysis or the Project Paper as a means for dealing with identified administrative inadequacies. However, in these cases it is not always clear that the TA furnished will include advisors qualified in administration as well as the technical sector with which the project is concerned.

F. Social Soundness Analysis

In the sample of PPs we looked at there are a few good analyses, which favorably influenced project design. In the Honduras Private Sector Population II Project, for example, the analyst identified a number of factors distinguishing rural dwellers from urban counterparts in regard to their receptivity to family planning overtures. The analyst makes suggestions on how

the project could cope with the more difficult task of reaching the rural populations targeted in the project. He also verifies the suitability, in social institutional terms, of the planned implementing entity, and examines a number of other assumptions underlying the project strategy in terms of their validity in the Honduran social context.

Although we had only the Social Soundness Summary to go on, it appears that the analysis for the Costa Rican FORESTA Project brought up a number of concerns and pitfalls which were taken into account in project design.

The Social Soundness Analysis for the Guatemala Basic Education Strengthening Project is also quite detailed and complete. But the PP strategy and implementation plan shows little evidence of the findings having been incorporated into the project design.

Unfortunately the above were the exceptions rather than the rule. In other cases the social soundness analyses were almost entirely descriptive and incomplete. Items required by Handbook 3 which were frequently not found include: the socio-cultural context and an analysis of the project's compatibility with it, and analyses of the effect of local institutional circumstances and incentive structures on project implementation, impact, and sustainability. There is also frequently no evidence of contact with or involvement of project beneficiaries (and sometimes not even participants) in the preparation of social soundness analyses, or in other aspects of project design. Lack of involvement of project participants and beneficiaries has been found in recent project evaluations to have had a strong negative influence on sustainability of project undertakings.

Quantitative data was seldom included and even less often used for analytical purposes. Gender analysis is also frequently missing.

Social soundness analysis seems to be an area which missions either don't know how to deal with or don't feel is important. It could be that the time and expense involved in doing a good social soundness analysis is greater than missions feel is warranted or that they can afford within the constraints of the time frames in which they must operate. Social soundness analyses, as is frequently true for the other required forms of analysis, seems to be undertaken concurrent with project preparation and comes together with it at the last minute. Thus sometimes, as in the Guatemala case described above, and even more notably, in the case of the West Indies Tropical Produce Support (TROPRO) Project, even when the analysis has something useful to say it doesn't seem to have influenced the project. Sometimes the analyses contain information which contradicts the project design or calls it into question. For example, the TROPRO Social Soundness Analysis identifies farmers' associations and cooperatives as the best intermediaries for undertaking farmer training and strongly urges that the project work through such groups. However, the PP provides for all farmer training to take place through CATCO, evidently (following previous CATCO practice) on a one-on-one basis.

G. Economic/Financial Analyses

The economic/financial analyses appearing in the field-approved PPs suffer from widely uneven treatment and are of generally unsatisfactory quality.

1. Background: Handbook Guidance

Handbook 3 guidance divides PPs into "commercially-operated" and "non commercially-operated" projects, generally archaic terms to which analysts may not relate. Commercially-operated projects are those involving commercial-type operations for which benefits can be measured, and which are expected to be self-sustaining. Non commercially-operated projects are those involving social infrastructure such as education, health and family planning projects which have a primarily social purpose and for which benefits are not readily quantifiable. The Handbook recognizes that non-social infrastructure projects, such as agriculture projects involving research and extension, may pose equally formidable problems in the quantification of benefits. We would add that this reasoning could well be extended to include private enterprise promotion and even industrial development projects where the outputs take the form of institutional strengthening, seminars and studies. For these purposes, though, we will use the term "social infrastructure" (SI) project to encompass the human resource type of project (education, health, family planning), but not agriculture or private enterprise projects where measurement of benefits may be just as difficult. Handbook 3 specifies the following types of Economic/financial analysis for projects: net present value (NPV), internal rate of return (EIRR), return on investment (ROI), or Benefit:cost (B:C) analysis for commercially-operated projects; least cost or cost efficiency (CEA) analysis for SI projects. The Handbook does not distinguish in this respect between financial and economic analysis, since the latter is presumed to proceed from the former. That is, one proceeds from financial analysis to economic analysis by applying economic cost criteria (shadow pricing, elimination of import taxes, subsidies, etc.) to the findings of the financial analysis.

2. Findings

The findings with regard to the ten field-approved PPs:

- (1) Financial Analysis: With the exception of the Costa Rica FORESTA and Caribbean Regional TROPRO PPs, none of the analysts of the field-approved PPs undertook financial analysis in the classic (Handbook) sense of the term. In most cases, the Financial Analysis, if present, involves an examination of the financial viability of an implementing agency. Though generally well done, they are sustainability analyses, not project financial analyses (see also Section IV.K.3).
- (2) Economic Analysis:
 - (a) The type of economic analysis employed either differs from the type (for that project) specified in the Handbook, or is inappropriate for the type of project involved, or simply was not done in any meaningful sense. Of the three SI projects, the analysts of two undertook NPV or EIRR analyses notwithstanding the valuation difficulties involved. The analysis of the ROCAP Private Sector Initiatives project is a CEA analysis where an NPV or EIRR analysis was, strictly speaking, called for. The analysis of the Bolivia project is an ROI analysis, but deals inappropriately

with the impact of the project at the firm level, not with economic impact (in a PP already weak on the subject of economic impact). The Ecuador PP finesses the question of an economic analysis by citing favorable EIRRs from allegedly comparable agriculture projects in other countries. Only four PPs contains economic analyses that meet Handbook requirements, are appropriate to the project, and are related directly to the project at hand.

- (b) Apart from the question of relevance, the quality of the analyses is disappointing. We rated one analysis (Costa Rica) excellent, one (Guatemala) would probably have been rated very good to excellent if the referenced tables had been included, and one is rated good. Three analyses are rated poor, one very poor, and the others no better than fair. The most common problems are the failure to support assumptions, the non-inclusion of referenced tables, and poor (evidently hasty) writing. Recognizing that most bureau and mission personnel (even mission directors) are not trained to comprehend sophisticated economic analyses, the analyses should still be comprehensible to the economists. Some of these are not, raising the fundamental question as to why they are there. Table 2 contains a summary of the findings with respect to the PP economic analyses. Suggestions/recommendations with respect to the findings appear in Section V.B.2.

H. Environmental Reviews

We found no instances in the project papers reviewed in which the required environmental examination, and assessment, when required, had not been done. In two cases we could not tell whether the IEE had been approved by the bureau environmental officer. A copy of the determination approved by the LAC environmental officer should be annexed to each PID and PP.

I. Logical Framework

Comments in this area include the related area of project goal and purpose statements. Following are the types of problem found in these areas:

- (1) Project goal and purpose: In most of the field-approved PPs goal and purpose statements are sound. Exceptions include one PP in which one part of the purpose statement duplicates part of the goal statement, and another in which the goal of "structural reform" has been put ahead of the "complementary objective" of increased agricultural productivity.
- (2) Logical Framework:
 - (a) Objectively Verifiable Indicators for achievement of project goal either are not quantifiable indicators (in two cases), or relate to purpose level rather than goal level achievements.

TABLE 2: ECONOMIC ANALYSIS SUMMARY

Key for project type:

Comm. Commercial
SI Social
Infrastructure

Key for type of analysis:

ROI Return on Investment
NPV Net Present Value
EIRR Economic Internal
Rate of Return
B:C Benefit:Cost
CEA Cost Efficiency Analysis

Project	Project Type	Type of Analysis	Comment on Relevance	Analysis Quality
A. <u>Field-Approved</u>				
1. Bolivia	Comm.	ROI	Weak	Poor
2. Carib. Reg.	Comm.	EIRR	Strong	Good
3. Costa Rica	Comm.	ROI/NPV	Strong	Excellent
4. Ecuador	Comm.	Rev. of EIRRs on comp. projs.	Weak	Poor
5. El Salvador (Pub. Serv. Imp.)	Comm.	B:C/EIRR	Strong	Fair
6. Guatemala	SI	NPV/B:C	Strong	Good (a)
7. Haiti	SI	CEA	Strong	Fair
8. Honduras (Pr. Sec. Pop II)	SI	EIRR/B:C	Fairly strong	Fair
9. Jamaica	Comm.	EIRR/B:C	Strong	Very poor
10. ROCAP	Comm.	CEA	Weak	Poor
B. <u>LAC-Approved (b)</u>				
1. El Salvador (Free Zone Dev.)	Comm.	EIRR	Strong	Fair
2. Honduras (Health Sector II)	SI	EIRR/B:C	Fairly strong	Fair to good

Notes:

- (a) Rating assumes missing tables support the analysis.
- (b) Only two projects shown, since no economic analysis attempted for the Regional Admin of Justice Project.

- (b) In two cases, Objectively Verifiable Indicators do not seem to be meaningful. In the PP for an ag project, an 8 percent increase in non-traditional exports has been set as a goal when the historical record is considerably better than this. In the Honduras PP, an Objectively Verifiable Indicator appears to say that the project will account for 50 percent of the increase in contraceptive prevalence when elsewhere in the PP it has been established that the implementing agency accounts for 60 percent of the existing CPR.
- (c) In virtually every PP (Haiti being the nearest to an exception) assumptions have been stated which are subject to influence either by the project itself or through the mission's policy dialogue process. A distinction should be made between exogenous assumptions, such as external demand for exports or acts of God, and internal design assumptions, especially those dealing with HG policies, that the mission can hope to influence.

Other types of log frame error, occurring less frequently, are mentioned in Annex D.

J. Other Annexes

The Technical, Economic/Financial, Social Soundness and Administrative annexes, and the Log Frame, all discussed above, provide the essential supporting analysis for the project. PPs were, for the most part, complete with respect to the other annexes that according to Handbook 3 are to be included, i.e.: the Statutory Check List, Request for Assistance, 611 (e) Certification (if applicable), Environmental Analysis, and Energy Assessment.

Several PPs were sent to AID/W without supporting technical and other analyses. The PP indexes in three PPs referred to these annexes as being "on file at the mission." Another unfortunate tendency among missions is to include annex material not essential to an understanding of the project. Recommendations with respect to these matters appear in Section V.B.

K. General Comments

1. Length of documents

The Handbook limitations on length are rarely adhered to. However, insisting on adherence would probably not be wise since it would further encourage failure to include or adequately cover items frequently left out.

Unnecessary length could be avoided if missions would follow the practice of including only summaries of analyses in the main part of the project paper, and by avoiding the inclusion of extraneous material.

2. General Presentation

Many of the documents we looked at seem to start out well but become less satisfactory as they go along. We believe there are several explanations for this. One is that the documents, particularly PPs, are prepared in too short a time frame and the writers become more harried and pressed for time and hence

use less care the further into the process they get. Another possible reason is that missions have a better grasp of what goes into the first part of the project paper, i.e. the rationale and setting for the project and its place in mission and host country strategy, than they do of the "nuts and bolts" of the project itself. Also, it seems that on some occasions the preparation of the PP and of the various analyses which are intended both to verify the project's logic and feasibility and to provide guidance on factors which need to be taken into account in its planning, are done as virtually two separate exercises, which are never brought together. As a result, inconsistencies, and sometimes contradictions, emerge between the project paper and its "supporting" annexes. For example, in one instance the narrative in the analytical summary part of the PP cites factors which need to be taken into account in the project design. Turning back to the project narrative we could find no evidence that these factors had been taken into account. Possibly what was really meant was that they would be taken into account in project implementation.

Finally, we note that there are so many elements included in a PP presentation that it is virtually impossible for something not to be overlooked or for an inconsistency to emerge somewhere, particularly if the PP is not subjected to a final review in the mission by persons who were not involved closely in its preparation.

3. Sustainability

Sustainability, meaning the ability and willingness of an implementing agency to continue to carry out a project after the PACD, is not explicitly addressed in Handbook 3. Since, however, it is a frequent subject of LAC guidance, and since missions are increasingly addressing at least its financial aspects in PP preparation, we have included it on our checklists and as a section of this report.

Six of the ten field-approved PPs reviewed by the team contain analyses of the financial sustainability of an implementing agency. In three of these, the sustainability analysis is part of the overall Financial Analysis; in the other three it essentially is the Financial Analysis, there being no other Financial Analysis provided. Most PPs appear to treat their sustainability analysis as the recurrent cost analysis for the PP (whereas, of course, the sustainability of the implementing agency is only one aspect of recurrent costs). The Costa Rica FORESTA PP is the only one of the ten to contain comprehensive sustainability, recurrent cost, and (separate) financial analyses. The financial sustainability analyses are generally well done.

While financial sustainability is certainly a key consideration, there are other factors which also influence whether activities stimulated or supported by AID project assistance are sustained after the termination of that assistance. Most of these factors revolve around whether those carrying out the activities or those benefiting from them accord sufficient value to them or have a sufficient sense of ownership of the undertaking to want to expend the effort and incur the cost involved in its continuation. Usually the principal determinants are economic but sometimes they are also social or psychological or a combination of the three.

We believe better guidance is needed with regard to sustainability, perhaps in the context of the current PPC rewrite of Handbook 3. See also Section V.B.2 as far as financial sustainability is concerned.

TABLE 3
ASSESSMENT OF FIELD APPROVED PPs

	Completeness, Logic & Clarity	Conformance with Handbooks	Adherence to Guidance	Quality of Supporting Analysis	Overall Rating
1. Micro & Small Enterprise (Bolivia)	Unsatisfactory	Satisfactory	Satisfactory	Unsatisfactory	Unsatisfactory
2. Ag. Research, Extension & Ed. (Ecuador)	Satisfactory	Satisfactory	Satisfactory	Unsatisfactory	Satisfactory
3. TROPRO (Caribbean Regional)	Satisfactory	Satisfactory	N.A.	Unsatisfactory	Satisfactory
4. Expanded Urban Health Services (Haiti)	Excellent	Excellent	Good	Unsatisfactory	Good
5. Ag. Export Services (Jamaica)	Unsatisfactory	Unsatisfactory	Satisfactory	Unsatisfactory	Unsatisfactory
6. FORESTA (Costa Rica)	Excellent	Excellent	Good	Excellent	Excellent
7. Public Services Improvement (El Salvador)	Satisfactory	Satisfactory	Satisfactory	Unsatisfactory	Satisfactory
8. Basic Ed. Strengthening (Guatemala)	Satisfactory	Excellent	Unsatisfactory	Good	Good
9. Private Sector Pop. II (Honduras)	Satisfactory	Excellent	Satisfactory	Satisfactory	Good
10. Private Sector Initiatives (ROCAP)	Unsatisfactory	Satisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Following are the team's conclusions and recommendations based on its review of field-approved PPs and PIDs and the Findings summarized in Sections II, III and IV.

A. Delegations to the Field

The team was asked to compare the overall quality of field- approved PPs and PIDs with those for LAC/W-approved projects, but was not asked to provide its judgment as to whether the field- approval system should be continued. We have decided against doing so, gratuitously, for these reasons:

- (1) The number of LAC-approved documents reviewed is insufficient for a meaningful judgment. One of the three LAC-approved PPs -- LAC/CA Regional's Regional Administration of Justice -- is really a PP Supplement, the standards for which are quite different from the standards for full PPs. Furthermore, the LAC/CA Regional document involves a sector not covered in any of the field-approved PPs. Thus, there are really only two LAC-approved PPs and three LAC-approved PIDs on which to base a comparison.
- (2) The standard of the LAC-approved PPs and PIDs is itself open to question.
- (3) The team's lack of knowledge as to the standard of acceptability within LAC. We can provide our own judgments as to document quality, but cannot know how these compare with those of LAC or how many "unsatisfactorious" it might take to warrant a change in the system.
- (4) Related to (3), we are aware that our judgments as to the completeness, or clarity, of a field-approved document will sometimes seem overly harsh and/or unrealistic to the missions involved if only because they are on the scene and we are not. Certain documents, such as the Bolivia Micro and Small Enterprise Project, seem to us to be lacking in supporting material, but may seem quite adequate in that regard to those living and working in La Paz. Indeed, their familiarity with the local scene is presumably a part of the rationale for the delegation of field-approval authority in the first place. The team, as outsiders, is looking for self-contained documents; LAC may feel somewhat differently.

For these reasons, the team feels it can be most helpful by providing its assessment of the documents, both as they compare with the LAC-approved documents and as we would grade them on their own merits, and by providing its Conclusions and Recommendations for addressing perceived deficiencies. As shown in Tables 1 and 3, the team considers four of the field-approved PPs and three of the field-approved PIDs to be less than satisfactory, but we do not feel that that alone constitutes reason for changing the review system. It does suggest, however, the need for better guidance and improved monitoring of the system, both of which are discussed below.

B. Clarifications/Modifications of Guidance

Section C.5 of the Scope of Work directed the team to recommend actions to assure a high standard of Agency project design and review. This sub-section is designed to respond to that task. The team has concluded that the main recommendation is to improve design and review guidance; however, some other types of recommendations have been incorporated below.

1. Supporting Analyses

The term "supporting analyses" refers here to the areas of analysis that provide essential analytical support for the project, namely: the Technical, Economic/Financial, Social Soundness and Administrative (or Institutional) analyses. Handbook 3 requires that these analyses be contained in an annex with related summary material in the main body of the project paper. Besides stressing the importance of complete, well-considered analyses, the Handbook urges that care be taken to see that each supporting analysis annex is integrated with the rest of the PP, including the other annexes, and that the annexes be supportive of the project concept. As discussed in Section IV, these strictures are often not observed, at least in the Technical, Economic/Financial and Social Soundness analyses. Indeed, these were by far the weakest portions of the field- approved PPs.

Recommendations with respect to the Economic/Financial and Social Soundness Analyses appear in Sections V.B.2 and 3. Other recommendations, applicable to all of the supporting analyses, are:

- (1) The analyses should be done in the early stages of project design. The current tendency, which is to bring annexes and the final draft of the PP together at about the same time, is a certain recipe for a poorly integrated paper.
- (2) If consultants, especially local consultants likely to be unfamiliar with A.I.D. practices, are employed to undertake the supporting analyses, they must be very closely counseled on A.I.D. requirements, and the work must be closely supervised.
- (3) Supporting analyses should be confined to material of relevance to the project, with extraneous material excluded.
- (4) Supporting analyses must be sent to A.I.D./W along with the main body of the paper. This requirement might be met by sending one copy with the PP (copies to be filed in LAC/DR and CDIE), with remaining copies to be kept on file at the mission.
- (5) The bureau should consider the development of a manual, to be issued as a supplement to Handbook 3, containing examples of good analyses for different types of projects. This should be especially valuable for economic/financial analysis where there is evident confusion regarding the appropriate types of analysis to be employed. Examples of social soundness analysis would demonstrate, e.g. the meaning and importance of a project's socio-cultural context; ways of involving participants and

beneficiaries; and the use of quantitative data in analyzing social implications of a project. The manual should be prepared by a team charged with finding ways to integrate the various supporting analyses so that they become useful tools in the process of project design. Such an undertaking might require an Agency-wide effort, but it is one for which LAC should be well-positioned to take the lead.

2. Economic and Financial Analysis

As discussed in Section IV G, Handbook guidance with respect to economic/financial analysis is outdated, and in part for that reason is often not followed. Development of the Manual for Project Economic Analysis, published in October 1987, remedied the situation only in part. While the Manual provides an excellent elaboration of the methodology for undertaking standard financial/economic analysis and should be considered as standard reference material for that purpose, it does not go beyond standard analysis to address the problems facing analysts having to cope with the spread of projects in which quantitative measurement of benefits can be extremely difficult. This applies not only to the social infrastructure type of project, but to agriculture, industry and private sector projects where project achievements may take the form of institutional strengthening, research achievements, seminars held, etc. Whether Handbook guidance is followed or not, the quality of the analyses is poor. The apparent disinterest of bureau and senior mission personnel helps to perpetuate the situation. As far as we can ascertain from conversations with Bureau personnel, the analyses are not seriously regarded. A general "let-it-ride" attitude appears to prevail, and the bad analysis is accepted along with the occasional good.

Several recommendations pertinent to financial/economic analysis were included in Section V.B.1 above. The following suggestions are relevant only to economic/financial analysis. They are keyed to the findings summarized in Section IV G. The Handbook should be rewritten accordingly, but changes need not await that development. A serious of guidance message to the field should suffice to get the process started.

- (1) So-called "financial analysis" which is really sustainability analysis should be labelled as such, and should be encouraged. This would accord with reality, and would serve to promote the area of recurrent cost/sustainability analysis which is sometimes inadequately treated.
- (2) The Handbook stricture against using NPV or EIRR analysis in SI projects need not be followed (as it sometimes is not), since quantification of benefits in such projects is no more difficult than in, e.g. private sector promotion projects. Analysts of SI projects should, however, have the option of not using such analysis.
- (3) Analyses in which the analyst cites the findings of allegedly similar projects in allegedly similar countries should be considered acceptable only as part of a larger effort to assess the impact, at least in evaluative terms, on the host country economy. They should not constitute the entire analysis.

- (4) A CEA analysis, when an assessment of impact is clearly called for, should be considered unacceptable.
- (5) If an analyst cannot think of a way to quantify benefits, or cannot do so without violating ordinary standards of credibility, he should be allowed to say so, and proceed to give his best evaluative judgment of project impact. This proposal may be resisted by traditionalists but would, we submit, lead to more useful analyses than are presently being produced.
- (6) Analysts should be expected to produce readable analysis, not merely for the Summary Analysis in the main text, but in the technical Annex as well. Not everyone should have to understand it, but it should be complete and understandable to the mission and bureau economists.
- (7) Referenced tables should be included.

3. Social Soundness Analysis

The guidance should be refined and reissued, to include the supplementary manual including examples of good analyses recommended above. The social soundness requirements should be reviewed to establish that the data required is that which will be most useful for preparation of a sound project.

It may be possible to divide the data requirements into two categories in order to limit individual project requirements. The first category would be non-project specific data of a national, sectoral or regional nature. Where possible such data should be stockpiled, as in the sector social soundness profiles encouraged by PPC some years ago. Data of this sort could be extracted as needed or perhaps simply cited, rather than having to be redeveloped for each project. The second category would be project specific data. In this case, instead of following a standardized format, missions should be encouraged to think about what particular data is needed and how it should be analyzed to determine the most effective means of carrying out the project from a social perspective. The results should then be interrelated with the results of the other technical analyses and fed back into project design.

Mission personnel should be encouraged to involve people with deep local knowledge, including intended project participants and beneficiaries, in the process of establishing what the data and analysis requirements are, or to require contractors to do this if they are contracting out the entire social soundness analysis task.

Where the social soundness task is being contracted out, missions should also be helped to prepare scopes of work which clearly specify the specific data collection and analysis requirements, and to insist that contractors adhere to them. Vague scopes of work usually produce vague social soundness analyses.

4. Logical Framework

Section III mentioned inadequate or confusing goal and purpose statements in a number of PIDs. The problem may stem, in part at least, from the lack of a requirement for a rigorous log frame at the PID stage. More attention to PID log frames might also lead to better log frames and goal and purpose statements in PPs (see Section IV.I), since the same inadequacies tend to be carried over from PID to PP.

At present, the PID portion of Handbook 3 requires only that the PID "contain a log frame." We recommend that the Handbook be revised to require a well-considered, if brief, log frame.

5. Other Annexes

The complete list of annexes specified for inclusion in PPs appears in Section IV.K. Occasionally, other annex material may appropriately be included, an example being the ROCAP project where the mission had been asked for a summary of the accomplishments of the implementing agency. For the most part, however, missions should strongly resist the tendency to include extraneous material such as bibliographies or legal documents. In addition, the Economic/Financial analyses should not be burdened with undecipherable computer printout material supportive of the analyses. This is tricky ground because Economic/Financial analyses also show the opposite tendency of not including referenced tables. One LAC-approved PP got it both ways, omitting two key tables but including 39 pages of unreadable back-up tables. It should, however, be possible to distinguish between tables essential to comprehension of the analysis and those that are merely back-up material with no chance of being read or understood.

6. Alternatives Considered - PID

Missions seldom do a serious job of analyzing alternative approaches at the PID preparation stage. As Handbook 3 is now written this requirement for examination of alternatives is limited to the economic aspects only. We believe it should be broadened to apply to administrative, social and technical aspects of the proposed project as well, and that it should stand alone as a separate section in the PID outline. The consideration of alternative approaches should be related to the consideration of experience with other projects. In some instances in the project papers we reviewed we had the impression that experiences and lessons learned from other projects were not being adequately taken account of as the new project was being developed.

7. Presentation of Responses to Guidance

Missions should be required to indicate, at an early point in the PP, how they have responded to LAC/W guidance. The guidance should be quoted verbatim and not paraphrased, in order to avoid confusion or misunderstanding. Having this information consolidated in one place early in the PP, will both help mission management establish that guidance has been complied with before approving the document and will facilitate an after the fact check by LAC/W.

8. Implementation Plans

We believe missions should be required to prepare detailed implementation plans for at least the first six months of project implementation. These plans should indicate clearly each action to be taken, who is responsible for the action, the date at which it is to be initiated, and the date it is to be completed. Whenever feasible project entities outside the mission who will be responsible for implementing the project should participate in implementation plan preparation as part of their involvement in project design. The process for the first six months should be repeated at the end of that period and continued throughout the life of project.

9. Field Review Process

Some missions now follow a process similar to that carried out in LAC/W for review of completed PIDs and PPs. It seems to result in a better quality document. All missions should be encouraged to do this with the results incorporated into an action memo to the mission director when the document is forwarded for his approval. The action memo should be included with the PID or PP when it is forwarded to LAC/W.

LAC/W may also want to transmit to field missions and LAC/DR offices the revised check lists used by the team and suggest that the lists be used in both the drafting and review of PIDs and PPs.

C. LAC Monitoring of Field Approval of PIDs and PPs

It is the team's understanding that the use of consultants to carry out a document review similar to that which the team has undertaken is the primary mechanism for monitoring the quality of field approved documents. The principal other monitoring mechanism is the participation of LAC/DR staff in PID and PP design teams and in the review of scopes of work for consultants to participate in such teams.

Presented below is a critique of the ex-post document review process prescribed for this team with some suggestions for improving and supplementing it. Also offered are some ideas for systems improvement for monitoring project development and the tracking of project documentation (PIDs and PPs).

The current review was designed to obtain as objective as possible a review of the quality of field-authorized, LAC/W-approved documentation. The principal shortcoming in this process is the small size of the sample from which to be drawing conclusions, particularly for making comparisons with LAC-approved documents. It can be helpful, however, as a reminder to all concerned of items to look for in preparing or reviewing PIDs and PPs.

Of more value to LAC (field and Washington) and to the Agency, particularly if it is going to revise Handbook 3, would be a critique of project papers of a number of projects that have had very good and very poor evaluations -- some mid-course and some final evaluations. In addition, the review could look at projects that got off to a fast start and those that were severely delayed in initial implementation.

The correlations, or lack thereof, between well-prepared documents and project success could be instructive. It might or might not say much about the relative value of some of the PP components. It should, however, give some useful insights about the design and implementation processes and A.I.D.'s practices related thereto. The team recommends that the review described above be undertaken in the future in lieu of the type the team has just carried out.

If the foregoing recommendation is not accepted and LAC/W wishes simply to monitor the quality of field documentation, the team suggests the following approaches -- either as a substitute for the current bi-annual document reviews by outside parties or to complement them:

- (1) Have after-the-fact DAEC reviews of selected PIDs and/or PPs. These could be randomly chosen by region and field of activity as was done (roughly) by the team. All or a portion of the PPs selected could be for projects that have had serious delays in implementation as revealed in the semi-annual Project Implementation Report (PIRs).
- (2) Select problem projects as described above and use either consultants or qualified personnel on the AID/W complement to perform the type of review suggested above. This could be done semi-annually after PIR reviews or on an annual basis.

Whether future reviews are of the type suggested herein or of the type carried out by the consultants, consideration might be given to additional criteria for selection of projects, drawing on the above ideas.

The current review got off to a slow start because of the difficulty of identifying which PIDs and PPs had been approved in the field and which ones in LAC/W, then in locating the documents and any guidance messages that had been sent to the field. Often it was not clear from the document whether it had actually been approved and by whom and when. This suggests the need for a better system for tracking the preparation of documents that will be approved in the field and for an initial screening of documents that come in from the field to ensure that they are complete.

PROJECT DOCUMENTS REVIEWED

Following is the list of documents reviewed by the team pursuant to the criteria stated in Section I.B.

A. Project Papers

1. Field-Approved:

Bolivia	Micro and Small Enterprise Development (511-0596)
Ecuador	Agricultural Research, Extension and Education (518-0068)
Caribbean Regional	West Indies Tropical Produce Support (538-0163)
Haiti	Expanded Urban Health Services (521-0218)
Jamaica	Agricultural Export Services (532-0165)
Costa Rica	Forest Resources for a Stable Environment (515-0243)
El Salvador	Public Services Improvement (519-0320)
Guatemala	Basic Education Strengthening (520-0374)
Honduras	Private Sector Population II (522-0369)
ROCAP	Private Sector Initiatives (596-0149)

2. AID/W-Approved:

El Salvador	Free Zone Development (519-0323)
Honduras	Health Sector II (521-0218)
L.A. Regional	Regional Administration of Justice (598-0642)

B. PIDS

1. Field-Approved:

Caribbean Regional	West Indies Tropical Produce Support (538-0163)
Dominican Republic	Sugar Diversification (517-0236)
Haiti	Coffee Cooperatives for Development (521-0216)
Haiti	Expanded Urban Health Services (521-0218)
Haiti	National Program for Agroforestry (521-01217)
Jamaica	Agricultural Export Services (532-0165)
Jamaica	Drug Abuse Prevention (532-0161)
Guatemala	Fiscal Administration (520-0371)
Honduras	Private Sector Population II ((522-0369)
ROCAP	Private Sector Initiatives (596-0149)

2. AID/W-Approved:

Bolivia	Micro and Small Enterprise Development (511-0596)
El Salvador	Free Zone Development (519-0323)
Honduras	Health Sector II (522-0216)

PID CHECKLIST

(Note: * on items usually missing or inadequately covered)

Rating

I. PROGRAM FACTORS

- A. Is there an adequate discussion of the recipient country's program or objectives that the project would assist?
- B. Does PID indicate the relationship of the proposed project to:
 - 1. Mission's CDSS?
 - 2. Bureau and A.I.D. policy?

II. PROJECT DESCRIPTION

- A. Perceived problem: Is there an adequate statement of the problem the project intends to address?
- B. Goal and purpose:
 - 1. Clear statement and discussion of project goal?
 - 2. Clear statement and discussion of project purpose?
 - 3. Preliminary log frame included?
- C. Project achievements:
Is there an adequate statement of what the project intends to achieve and potential impact?
- D. Project outline:
Is there an adequate outline of the proposed project and how it will work?
- E. Action Plan Guidance:
Is the PID fully responsive to Bureau Action Plan guidance?

III. FACTORS AFFECTING PROJECT SELECTION AND FURTHER DEVELOPMENT

- A. Social Considerations. Is there adequate consideration of:
 - 1. The socio-cultural context; *
 - 2. Project beneficiaries;
 - 3. Participation of beneficiaries during project design, implementation and evaluation; *

Rating

**III. FACTORS AFFECTING PROJECT SELECTION AND
FURTHER DEVELOPMENT (cont'd)**

4. Socio-cultural feasibility; *
5. Project impact, especially differential impact on various groups or socio-economic strata; *
6. Institutional and social sustainability of the project? *

B. Financial and Economic Considerations

1. Is there adequate consideration of:
 - a. the appropriateness of the investment in the problem area or activity defined; *
 - b. major categories of costs and benefits; *
 - c. merits of the proposed approach in comparison with alternative approaches; *
 - d. possibilities for achieving internal efficiencies through different designs, implementation methodologies, etc.; *
 - e. financial sustainability of the project
2. Has the type of financial/economic analysis been indicated?

- C. Experience With Similar Projects:**
Has adequate consideration been given to relevant experience with similar projects, especially in the recipient country and region?

D. Implementing Agency:

1. Has PID identified the agency expected to participate in project design and implementation?
2. Does the PID state the extent to which the likely implementing agencies agree to the need for the project? *

E. A.I.D. Support Requirements:

1. Have Mission and A.I.D./W project management responsibilities been outlined and long-term staff implications been discussed? *
2. Has the ability of Mission staff to provide support services been discussed? *

Rating

**III. FACTORS AFFECTING PROJECT SELECTION AND
FURTHER DEVELOPMENT (cont'd)**

- F. **Estimated Project Costs and Funding:**
Does PID contain a budget outlining major project elements, their estimated costs, and contributions of A.I.D., HG and others (if any)?
- G. **Design Strategy:**
1. Does the PID indicate:
 - a. how the detailed analyses of the PP will be undertaken? *
 - b. the time and cost required to complete design work?
 - c. the A.I.D. staff committee responsible for developing the project? *
 2. Is there a request for approval authority (or a request that A.I.D./W review and approve the PP)?
- H. **Environmental Considerations: Does PID contain?**
1. An Initial Environmental Examination
 2. An approved Environmental Threshold Decision

CHECKLIST FOR PP ANALYSIS

(Note: * on items usually missing or inadequately treated)

Country: _____

Project: _____

Rating

I. Overall Questions

1. Is the rationale (statement of the problem) for undertaking the project adequately presented?
2. Is the relationship to A.I.D., HG and other donor strategy clearly stated?
 - a. A.I.D.
 - b. Host government
 - c. Other donor
3. Are the essential elements of the project adequately identified?
4. Are the project goal and purpose precisely defined?
5. Does the PP adequately address issues raised during:
 - a. Action Plan Review?
 - b. By the PID?
 - c. In the PID review?
 - d. Elsewhere (e.g. in course of PP design)?
6. Have constraints to project achievement been:
 - a. fully identified?
 - b. adequately addressed?
7. Similar development undertakings by AID and/or other donors:
 - a. Have they been considered?
 - b. Have lessons learned been taken into account?
8. Are project inputs and their origins adequately identified?
9. Logical framework:
 - a. Are project inputs likely to lead, through project uses, to project outputs?
 - b. Will achievement of project outputs lead to achievement of project purpose?

Rating

I. Overall Questions (cont'd)

- c. External assumptions:
 - (1) Are they beyond control of the project itself? *
 - (2) Does PP indicate action being taken (perhaps through the policy dialogue process) to ensure the validity of the assumptions? *
- 10. End of Project Status (EOPS):
 - a. Have quantitative, objectively verifiable indicators been identified which will indicate achievement of project purpose?
 - b. Do they seem reasonable?
- 11. Project sustainability:
 - a. Has the question of project sustainability been addressed?
 - b. Is it reasonable?
- 12. Implementation plan for HG agencies:
 - a. Is there an adequate implementation plan?
 - b. Does it seem realistic?
- 14. Oversight and monitoring:
 - a. Is there a plan for oversight and monitoring?
 - b. Is A.I.D.'s plan adequate, and does it relate to the overall plan?
 - c. Is there an appropriate planning/scheduling/decision-making/implementation management process?
- 15. Evaluation plan:
 - a. Is there a plan for assessing results during and after implementation (evaluation plan)?
 - b. Does it include the use of performance indicators for tracking project impact?
 - c. Has baseline data been collected or, if not, is there a realistic plan for collecting it early in project life?
- 16. Does the proposed length of the project seem reasonable?
- 17. Covenants and CPs:
 - a. Do they seem reasonable?
 - b. Does their number and timing call into question the validity or feasibility of the project?

Rating

I. Overall Questions (cont'd)

18. Have Section 611 (e) requirements (engineering specifications) been met ? (NA if not applicable)
19. Have statutory, country, project and standard item checklists been completed and attached as annexes?
20. Has an analysis of energy use and production been done? (NA if project involves human energy use only)
21. Environmental impact:
 - a. Was an Initial Environmental Examination prepared and approved by the Bureau Environmental Officer?
 - b. Environmental assessment included? (NA if not required)
22. Is the main body of the PP confined to summary material with supporting detail confined to Annexes?
 - a. financial plan
 - b. technical analysis
 - c. social soundness analysis
 - d. economic analysis
 - e. administrative analysis
23. Have page number limitations been adhered to?
 - a. Main body of PP (50 pages) *
 - b. Annexes (70 pages). *
24. Does the project conform to Agency and Bureau policy with respect to:
 - a. private sector utilization
(project maximizes the use of private sector in project implementation and/or encourages the development of private enterprise)
 - b. interest rates
(credit programs provide for market rates; full justification for any exception)
 - c. recurrent cost financing
(PP outlines measures taken, or to be taken, to ensure a progressive reduction, hopefully elimination, of recurrent cost financing)
 - d. contract vs. grant instruments
(form of agreement - grant, cooperative agreement, or contract - specified and justification provided)
 - e. Gray Amendment provisions

Rating

25. Changes in Project since PID presentation.
 - a. Note where applicable:
 - (1) change in Project concept;
 - (2) major Project elements added or substantially changed;
 - (3) increase in the LOP budget by 10 percent or \$1 million;
 - (4) change in the mode of Project obligation.
 - b. If any changes were made per (1) through (4), were the revisions approved by A.I.D./W?
26. Is the PP well organized, well-written and coherent?

II. Financial Plan

A. Budget Analysis:

1. Are costs properly apportioned among A.I.D., HG and others (if any)?
2. Are there both capital and recurrent cost budgets? *
3. Is there a cash flow budget to show expenditures by year against all sources of funds?
4. Is A.I.D. recurrent cost financing detailed and justified? *
5. Have contingency and inflation assumptions been explained and justified? *

B. Methods of Implementation and Financing:

1. Is there a complete schedule showing method of implementation and financing?

III. Technical Analysis

1. Is the technical analysis complete as to content?
2. Does the technical analysis provide the information required to establish the feasibility and likely technical impact of the project?

Rating

3. Is the technical analysis adequately integrated with the main text and other analyses? *

IV. Administrative Analysis

1. Have alternatives for the assignment of implementation functions to HG agencies, A.I.D., and other participants been adequately explored? *
2. Ability of HG agencies, A.I.D., and other participants to meet their assigned responsibilities:
 - a. Has the ability of the implementation organizations to carry out the project been analyzed?
 - b. Does the analysis seem reasonable?
3. Is there evidence of consultation with the implementing agency(ies) during project development? *
4. If implementing agency(ies) will need technical advisory assistance, has it been specified and built into the project design?
5. Does the administrative analysis include the following components?
 - a. discussion of the implementing agency's legal status and authority to act.
 - b. its financial status and authority to commit and disburse funds.
 - c. its pattern of organization - does it permit effective action, and are there capable managers with authority and experience?
 - d. the adequacy and turnover rate of staff. *
6. Has the mode of contracting been determined?
Is it appropriate?
7. Has a realistic procurement plan been established and related to other aspects of project implementation?

Rating

V. Social Soundness Analysis

A. Context

1. Has the social-cultural context of the project been adequately described? *
2. Project compatibility with the social-cultural environment:
 - a. Are the actions expected of participants clear and realistic within the prevailing social context? *
 - b. Is there an incentive system structured so as to promote and facilitate the actions of participants? *
 - c. Have the obligations and likely responses of influential groupings within the society been adequately considered? *
3. Local institutional circumstances:
 - a. Has their potential effect on project implementation, impact and sustainability been analyzed? *
 - b. Does the analysis seem reasonable? *
4. Communication with prospective project participants and beneficiaries:
 - a. Is there evidence of their involvement in project design? *
 - b. Is there a strategy for continuing communication? *
5. Was quantitative data and precision adequately applied in analyzing social implications of project? *
6. Has the project's impact been analyzed from a social standpoint?

B. Beneficiaries:

1. Have direct and indirect beneficiaries been identified?
2. Have gender aspects been analyzed?
3. Have factors that could interfere with equitable distribution of benefits been identified? *
4. Has diffusion of project impact on beneficiaries been explicitly treated? *

Rating

VI. Economic/Financial Analysis

A. General

1. If a commercially operated project, does the PP contain separate financial and economic analysis sections? *
2. Are the types of analysis employed appropriate to the project:
 - a. Commercially operated projects: Return on investment or net present value
 - b. Non-commercially operated projects: least cost or cost efficiency analysis *

B. Check List for Financial Analysis

(Items not relevant to most field-reviewed PPs, since most Financial Analyses were, in fact, sustainability analyses)

1. Inflation factors applied and justified
2. Input assumptions for the basic analysis fully and explained
3. Tables included, relevant to text and error-free
4. Sensitivity test applied
5. "With" and "without project" scenarios included where appropriate
6. Analysis logical and coherent

C. Check List for Economic Analysis

1. Economic costs and benefits properly accounted:
 - Shadow pricing used where appropriate
 - Finance charges, depreciation, subsidies and taxes netted out
 - Indirect costs accounted for
 - Immeasurable benefits accounted for
 - Discount rate stated and rationale explained
2. Input assumptions for the basic analysis fully and logically explained *
3. Tables included, relevant to text and error-free *
4. Balance of payments impact analyzed where appropriate *
5. Overall presentation logical and coherent? *

COMMENTARY ON FIELD-APPROVED PIDs

JAMAICA

DRUG ABUSE PREVENTION (532-0161)

The problem faced in writing this PID was pretty clearly, how to make a case for a drug abuse prevention project in the absence of much supporting data. The only hard data produced show a seemingly high rate of use of alcohol and ganja (although no evidence to suggest that use levels are higher than elsewhere in the Caribbean), but very little use of cocaine and crack cocaine. Perhaps to compensate for the lack of hard evidence in this area, the PID stresses that the project will be directed at all forms of drug abuse, and produces anecdotal evidence of increasing exposure to and use of cocaine and crack on the part of young Jamaicans. However, one suspects that the project would not have been considered on the basis of alcohol and ganja use alone, especially given the widespread social tolerance for both, and anecdotal evidence is not normally a good enough basis for a project. Further, the case for high level Jamaican concern with the problem is somewhat eroded by the reported fact that the annual budget of the National Drug Abuse Council is only USD 300,000, or 13 U.S. cents per Jamaican. It is a judgement call, and perhaps if one lives in Jamaica the anecdotal evidence is good enough, but the team does not feel the case for the project has been made.

The project goal and purpose statements and the project outline are clear. The discussion of social considerations is good, considering the apparent shortage of data. We note, however, in the project design strategy, that the first order of business is to be "a review of additional documents identifying the need for and availability of - - - programs," which raises an obvious question. Is there more information and, if so, why wasn't it produced for the PID? We note also that the PID makes no provision in PP design for further survey work to better define the problem.

The PP development schedule will be tight, to say the least. Development was scheduled for August 1989; the PID was signed on August 23, 1989.

This project was not mentioned in the FY 1990-91 Action Plan cable.

Overall judgement of this PID depends on one's criteria. The PID is well-written and complete as to Handbook requirements; the author did a good job with the available material. The problem lies in what we see to be an inadequate basis for the project itself. That problem aside, this is one of the better field-approved PIDs.

DOMINICAN REPUBLIC
SUGAR DIVERSIFICATION (517-0236)

This is much the briefest of the field-approved PIDs. It is broadly deficient in content.

The relationship of the proposed project to the country situation has been adequately described, except that the figures cited on p.1, showing relative shares of sugar production, do not make sense (percentage shares cited do not jibe with related output data). The basic problem that the project intends to address is clear, as are the goal and purpose statements and the relationship of the project to the mission's CDSS. In short, the rationale for the project is generally well-covered. The trouble is that these sections account for 7 1/2 of the PID's 13 pages of main text. Little has been left for project description and other Handbook requirements.

The project description is unclear, in part because it is too brief. The relationship of implementing agencies to project components is not clear, and the summary cost estimates do not relate clearly to one or the other. Finally, the PID contains no discussion of social or economic/financial considerations, and nothing on A.I.D. support requirements or PP design strategy.

Action Plan guidance for this PID was not available to the team.

In short, this PID is lacking in overall clarity, and falls far short of meeting A.I.D. Handbook requirements as to inclusion of items. The team considers it to be unsatisfactory and well below the standard of LAC-approved PIDs.

ROCAP

PRIVATE SECTOR INITIATIVES (596-0149)

This PID was reviewed by a joint Mission-AID/W team. Nine issues raised by the team are briefly discussed in a special attachment to the PID. Five were put off for resolution during PP design; three were resolved pursuant to the team's suggestions; and one seems to have been misunderstood (the team asked for a discussion of FEDEPRICAP's accomplishments to date; the response was stated in terms of relevant experience with other organizations). Some rewriting appears to have taken place as a result of the team meeting, one result being that page numbering of the text does not track with the Table of Contents.

The PID review team did not question the project rationale itself. That is, the linkage between project activities, stated in terms of institutional strengthening, planning and seminars, and solutions to the problems acting to constrain development of the region. The reasoning seems thin in the PID; presumably, it will be fleshed out in the PP.

The relationship to Mission and HG strategy, and the project outline, are clear. The section on social considerations is inadequate, there being no discussion of socio-cultural feasibility, and no mention of possible institutional or attitudinal constraints to purpose and goal achievements. The discussion of economic considerations is confusing. Although the matter of the type of economic/financial analysis to be used in the PP has been addressed, it is not clear from the discussion just what is intended.

Project design strategy is adequate, except that it does not mention any role for the mission (which could, of course, mean no role).

LAC Guidance: The Action Plan cable, State 266453, contained no guidance on this project. Thus, the team review discussed above constituted all of the LAC guidance that we are aware of.

The team considers this PID to be barely satisfactory, and below the standard of the LAC-approved PIDs.

CARIBBEAN REGIONAL
WEST INDIES TROPICAL PRODUCE SUPPORT (538-0163)

The statement of the problem that the project is to address is barely adequate. It might have helped to have shown enough data in the "Perceived Problems" section to place non-traditional exports within the context of overall OECS exports (one suitable table would have sufficed). As it is, the only export data appear in an Annex, and are inadequate at that.

The relationship to Mission and OECS strategy, and statement of goal and purpose, are more than adequate.

The project outline is confusing, there being just too many elements and modules for ready comprehension; and it is disquieting to see, for a project of this complexity, that project management responsibility has not been identified. Whatever the organization selected to provide management services, the proposed staffing pattern seems inadequate for the tasks in prospect. Finally, six project implementors are named (p.22), but their respective roles are not explained.

The discussion of social considerations is not adequate. We are told almost nothing other than that farmers and regional exporters will be the primary beneficiaries. The section on Financial and Economic Considerations is also inadequate. Major categories of costs and benefits are not considered; possibilities for achieving internal design efficiencies are not touched upon; and the type of financial/economic analysis to be employed in the PP is not explained.

LAC Guidance: The action plan cable contained no specific guidance with respect to this project.

The PID contains a brief discussion of PP design requirements, but no indication as to who will do the work, per Handbook requirements.

The team feels that this PID is not up to the standard of the LAC-approved PIDs.

GUATEMALA

FISCAL ADMINISTRATION (520-0371)

This PID contains an excellent discussion of the problem that the project intends to address, is well related to Mission and HG programs and objectives, and the statement of goal and purpose are clear.

The project description is clear and complete, and the project design strategy is well-stated. The proposal to have the design team undertake project implementation seems highly sensible. The discussion of A.I.D. support requirements is brief but adequate.

The discussion of social considerations seems adequate for a project of this type, in which beneficiaries comprise most of society. As to economic considerations, we can appreciate the point that the purpose of the project is to address the most basic macroeconomic issues. However, it is not clear what is meant by the statement (as we understand it) that for this reason, "the PP's principal substantive thrust will be an economic analysis of the project's viability," and that there will be "no separate section entitled economic analysis."

LAC Guidance: The LAC Action Plan cable (State 166927) raised the question as to whether in seeking to strengthen tax administration the mission was sufficiently addressing the specific problems of low tax collections, and low effective tax rates paid by high income groups. The PID stresses rationalization of the tax structure, broadening of the tax base, and improving equity, and states that the overall purpose is not to raise taxes. It does not address the specific point as to low effective tax rates paid by high income groups. However, it does propose to strengthen the functions of tracking delinquent accounts and non-filing of returns.

The same guidance cable raised the question of inadequate development finance. The PID indirectly responds to this by linking the need for private sector investment to increased public sector investment in human and physical capital.

Viewed in terms of clarity and adherence to Handbook guidance, the team considers this one of the better field-approved PIDs and above the standard of the LAC-approved PIDs.

HONDURAS

PRIVATE SECTOR POPULATION PROGRAM II (522-0369)

The PID is of high overall quality, well written, and responsive to LAC/W guidance. We have only a few problems with its format and completeness relative to Handbook 3 guidance. There is no section on social considerations. The section on financial and economic considerations is incomplete, e.g., costs are shown but not benefits, no discussion of alternative approaches (the mission may have felt this would be superfluous since this is a follow-on project) or possibilities of achieving internal efficiencies. The design strategy section includes the cost but not the time required to complete the design work, and does not indicate the A.I.D. staff responsible for developing the project. We feel these omissions are minor relative to the overall substantive quality of the document.

We rate this PID as being above the standard of the LAC/W-approved PIDs.

HAITI

EXPANDED URBAN HEALTH SERVICES (521-0218)

This is an exceptionally well done PID, as is the covering action memo to the USAID Director which summarizes the PID, outlines results of the Mission review, and clearly indicates how and where LAC/W guidance has been incorporated.

The section on costs and methods of financing, which fully details the AID side, would have benefitted from inclusion of information on non-AID financing of the PVO intermediaries, since one of the objectives cited is to reduce their dependency on AID funding.

The above point notwithstanding, this PID conforms so well to Handbook 3 guidance in form, substance, and clarity, that it could well be used as a model. It is above the standard of the LAC/W approved PIDs.

COFFEE COOPERATIVE DEVELOPMENT (521-0216)

This PID has some shortcomings. The project's relation to the overall Mission strategy is not covered. The log frame has two unjustified assumptions at the goal level given the current Haitian context. Expected achievements and accomplishments are listed but no indication of overall impact. The discussion of socio-cultural context could have been stronger. Given the character of the project, more reflection of beneficiary participation in project design would have been appropriate.

There is no discussion of the merits of the proposed approach versus possible alternatives or possible efficiencies through different designs (perhaps ignored because this is a follow-on project).

Finally, it is noted that the type of financial/economic analysis to be done is not indicated, and the section on design strategy contains almost none of the required information.

The Action Plan guidance cable asked whether the Federation of Coffee Cooperatives was strong enough to take on the production and extension roles envisioned, in addition to their marketing function. The question is left to be resolved at the PP stage though there is a financial projection which appears to take the added functions into account.

It is noted that this PID took some time to develop and went through two mission reviews. A number of issues remain to be resolved during PP preparation. We do not see this as a weakness given the highly volatile circumstances of both the activity and the country. These issues will probably not be fully resolved even at the PP stage, and careful monitoring and course correction will be required during implementation. The point is that by beginning to bring these issues out even at the PID stage, the Mission can better deal with them.

We rate this PID as being about on a par with the LAC/W approved PIDs.

NATIONAL PROGRAM FOR AGROFORESTRY (521-0217)

The overall quality of this PID is good though it seemed to us more wordy and lengthy than necessary. We note also that this is a follow-on to an earlier, highly successful project. Sustainability is one of several issues identified by the Mission in its review to be addressed during PP design.

It is our sense that the goal and purpose statements could have been better defined and a better statement of goal achievement provided. Two of the assumptions at the goal level seem unreasonable for Haiti and one of the assumptions at the output level (Care and PADF to continue to implement the program) is actually what the project is intended to provide for.

There is little said about the implementing agencies, but we presume this is because they are well known to the USAID from the predecessor project.

The budget shows AID costs only and is organized by grantee rather than by project component, which is the more conventional mode.

The Action Plan guidance cable asked the Mission to encourage co-financing by other donors. While mention is made of concurrent related activities financed by other donors, including a grant by a Belgian organization to one of the project's proposed grantees for the same type of activity, there is no mention in the PID of actions the Mission may have taken or is contemplating to encourage co-financing.

This PID is of roughly equal quality to the AID/W approved PIDs.

JAMAICA

AGRICULTURAL EXPORT SERVICES (532-0165)

This PID is of lower quality than most others examined. There is no evidence of a Mission review prior to approval. In fact the copy furnished us does not indicate it was approved, unless the Acting USAID Director's signature in block 14 of the facesheet constitutes approval. There is no signature in block 18.

The statement of the perceived problem is rather lengthy and unfocused. The goal and purpose statements are very general and associated indicators in the log frame do not help to clarify them.

There is no statement of actions envisioned to evaluate and measure project results against stated objectives.

The statement of how the project will work is also somewhat vague.

The coverage of social considerations is brief and essentially says what will be done during project design.

The question of sustainability, which should be an important consideration in a project of the type envisioned, is not addressed.

There is a rather lengthy section on experience from other projects, but the lessons learned are not clear. The section on proposed grantees is also vague.

AID support requirements are identified only as a USDH agriculture officer and FSN program assistant. Their duties in relation to the project are not discussed.

The six week design time frame proposed seems unrealistic considering the still rather undeveloped state of the project and the analyses and other work identified to be done. Mission staff responsibilities for developing the project are not identified.

The LAC/W guidance on the NPD had asked for additional information on the plan for matching grants to profit making firms and individuals. The requested information is provided.

ROCAP

PRIVATE SECTOR INITIATIVES PROJECT (596-0149)

A. Completeness, Logic and Clarity

The rationale for this project has not, in our view, been sufficiently established. The need for more enlightened public policies toward private enterprise is easy to understand, as is the notion of private organizations combining to work for policy changes. However, the linkages from that point to more rapid economic growth have not been made. The problems, some of which are mirrored in the log frame, exist at all levels:

- (1) The initial argument for greater private sector cooperation is followed immediately (p.9) by a set of conditions, one of which is that "the private sector will increase its disposition toward greater regional cooperation." One wonders what the seminars and information sharing that comprise a large portion of project activity will accomplish if not to inculcate this very attitude.
- (2) Although the project, if successful, should lead to some greater degree of regional integration, it is not clear just what degree of integration is hoped for (presumably something short of a revived CACM). The same comment applies to the proclaimed need for "economies of scale." Furthermore, the meaning of that term in the Central American context is itself unclear.
- (3) The relationship of integration (however much achieved) and economies of scale to higher rates of economic growth are not explained. They are not self-evident.
- (4) The PP has not rigorously addressed the evident lack of support for the project concept among member governments. Instead, it is stated as a "critical assumption" that individual national public policies will be generally supportive of a 'free market' export-oriented strategy" (p.9). Either they will not be supportive, in which case the project should not be considered; or the question of their support can be affected by project initiatives and ongoing policy dialogue, in which case the question is something other than a "critical assumption."

B. Conformance With A.I.D. Handbooks

The main body of the PP is generally in conformity with Handbook requirements. Exceptions are: the absence of a management information tool to assist in oversight and monitoring; the absence of a plan for collecting baseline data to assist in project monitoring and evaluation; and the absence of annex material to support a rather thin Social Soundness Analysis Summary.

C. Conformity With Guidance

The LAC Bureau 1989-90 Action Plan cable, State 266453, advised that in project design ROCAP "should consider how to develop FEDEPRICAP so that it has sufficient financial and institutional capability to function effectively beyond the project period, without project support, if necessary." In addressing this point, the PP states (p. 13) that this issue was examined during PID preparation and that "it was subsequently determined by the Mission that A.I.D. resources would be expended on discrete activities leading to change in the region and that - - - the issue of self-sufficiency was not considered a requirement for this project." If the Mission received guidance subsequent to the Action Plan cable that justified such a determination, the team is not aware of it. Absent any such subsequent message, the lack of a plan for self-sufficiency appears to run counter to Bureau guidance. Even if the mission had been excused from demonstrating a plan for self-sufficiency, the failure to address the issue and to show a plan at least for progress toward sustainability would appear to conflict with A.I.D. policy on the subject.

D. Quality of the Analyses

The supporting analyses evidence a number of problems.

1. Technical Analysis: The Technical Annex, though lengthy, adds little to the Summary material in the main body of the PP. For the most part, it is either duplicative or lists activities to be undertaken within the substantive areas: transportation, capital mobilization and trade. The trade analysis raises a number of very serious problems, such as weak balance of payments and low reserve levels, lack of a regional payments mechanism, and "the regional trade debt problem" (presumably to be distinguished from the regional external debt problem), that it says FEDEPRICAP should address, but which seem quite outside the reach of the project. Similarly, the capital mobilization analysis speaks of the need for external support from the U.S. and ECM. The gap between project activities such as policy analysis and information sharing, on the one hand, and problem solution on the other, mirrors the deficiencies in statement of project rationale discussed above.

2. Institutional Analysis: The institutional (administrative) analysis which outlines FEDEPRICAP's strengths and weaknesses provides no information on its member associations or their businesses. Without knowing the size and character of FEDEPRICAP's clientele, it is not possible to judge the extent of their interest in the problems FEDEPRICAP will address or the influence it will be able to bring to bear on them.

3. Social Soundness Analysis: The Summary Social Soundness Analysis, not supported by Annex material, provides a general assessment of prospective project beneficiaries, but with no attempt at quantitative assessment, and without relevance to the overall social-cultural context. There is a frank discussion of certain FEDEPRICAP member associations (partly compensating for material not included in the Institutional Analysis), many of which reportedly do not share the project adherence to principles of free, as opposed to merely private, enterprise.

4. Economic/Financial Analysis: The Economic Analysis purports to be a cost efficiency analysis (CEA) that compares start-up costs of a new organization (said to be the only alternative to FEDEPRICAP) with costs of FEDEPRICAP itself. Not surprisingly, FEDEPRICAP is shown to be much cheaper than the alternative. This is one of the three weakest economic analyses reviewed by the team, and one of two for which the attempt cannot be described as meaningful.

E. Conclusion

The team found this PP to be weaker than two of the three LAC-approved PPs, more or less on a par with the third.

COSTA RICA
FOREST RESOURCES FOR A STABLE ENVIRONMENT (515-0243)

General

Assessment of this PP must be made without benefit of several supporting Annexes which were not available at AID/W. Based on the available material, including summary analyses of the missing Annexes, this is an excellent, well-written and complete PP.

A. Completeness, Logic and Clarity

The project rationale and project description are excellent. Particular strong points include evidence of considerable discussions with both the implementing agencies and prospective participants/beneficiaries in connection with both analysis and design activities; and the design of incentives to induce changes in behavior with respect to the environment. Recognizing that the transition to effective forest management would be difficult, the project designers have arranged for a staged set of implementation activities, together with early and careful monitoring and evaluation in which USAID, the GOCR and implementing agencies will all participate.

The project goal, "Support Costa Rica's economic stabilization by conserving and developing its natural resources," seems appropriate, but the PP designers were unable to produce Objectively Verifiable Indicators to measure the extent of achievement, usually a sign that they should have settled on something more precise, and perhaps less globally worded. The log frame is otherwise alright, except that a few of the assumptions appear to be matters within the province of the project itself and/or the policy dialogue process.

B. Conformance With A.I.D. Handbooks

The PP is generally in conformity with A.I.D. Handbook requirements. Recurrent cost analysis is unusually complete. The amount of recurrent costs has been measured, and an Endowment Fund provided both to cover these costs (from Fund interest earnings) and to provide for sustained operation of the project after the PACD. An analysis of Endowment Fund finances is included as an Annex. The main body of the PP is fairly long (66 pages) but does not seem excessively wordy, nor does it contain extraneous material.

C. LAC Guidance

Based on a review of the PID Guidance cable and a LAC cable containing instructions with respect to the Endowment Fund, LAC guidance seems to have been followed. However, a few of the required responses to LAC instructions are said to be contained in the missing Annexes.

D. Supporting Analyses

Of the basic supporting analyses, only the Economic/Financial Analysis was available in AID/W. Based on the summary material in the main body of the PP, the issues of relevance appear to have been covered in the other supporting analyses. The Social Soundness and Administrative summaries brought out concerns and possible pitfalls which could be seen to have influenced the direction of PP design.

Economic/Financial Analysis: The PP contains a sustainability analysis of the Endowment Fund and both financial and economic analyses of the project itself. The project analyses determined project worth on the basis of net present value (NPV), based on four classes of measurable output. Viewed in terms of clarity of the analysis, completeness of the assumptions, relevance and completeness of tables (which all too often are missing from the PPs), and professional attention to detail, this is the best economic/financial analysis of the PPs reviewed by the team.

E. Conclusion

This PP is well above the standard of the LAC-approved PPs, and the best of the field-approved PPs reviewed by the team.

BOLIVIA

MICRO AND SMALL ENTERPRISE DEVELOPMENT (511-0596)

This PP is generally well-structured but suffers from problems with respect to Project Rationale and the quality of the supporting analyses.

A. Project Rationale

The rationale for the project is based upon the proposition that: (1) small-scale enterprises (SSE) have a high potential for job creation; (2) that potential beneficiaries are below the median income level, thus pointing to a strong "equity" effect; and (3) that potential demand for credit among SSEs far exceeds potential supply. Regarding these points: (1) While the job-creation potential of an SSE project seems intuitively correct, the PP has not managed to prove the point. Granted that little may be available in the way of relevant data, the available information on SSE employment is presented in a way that confuses more than enlightens, and it should have been possible to estimate the share of the SSE population that will benefit from the project. Related to that point, the displacement effect - the extent to which an increase in output as a result of the project will result in a decrease in output elsewhere - is not discussed here (and is dealt with ineffectively in the Technical Analysis; see below). (2) Considering that 25 percent of the population are said to be unemployed, and another 25 percent underemployed, the statement that "individuals engaged in small enterprises are suspected to be below the median income for the country" cannot be correct. They may be below the median income for employed persons, but even there it would be useful to have a breakdown of employment by sector (including agricultural workers) if not a showing of per capita incomes by sector. (3) Potential credit demand may well exceed the supply of credit, but the confusing analysis on pp. 16-17 does not help to make the point.

B. Completeness, Logic and Clarity

The goal and purpose statements, and related log frame, are seriously flawed. The project goal is stated as "to promote rapid and sustainable economic growth in Bolivia (especially among small-scale enterprises), and to bring about a more equitable distribution of income." The purpose is "to stimulate the growth and development of Bolivia's small-scale enterprise sector." In so far as the goal is sustainable growth in all Bolivia (not merely SSE), the Objectively Verifiable Indicators do not speak to it. They are all stated in terms of participating businesses. In so far as the goal is growth among small-scale enterprises, the goal is no different from the purpose. Finally, in so far as the goal is "more equitable distribution of income," again, none of the Indicators speak to it. Log frame assumptions are equally strange. The first one states, "GOB continue to support the growth and strengthening of the private sector," is surely amenable to influence through the policy dialogue process. Others seem to have more the character of unexamined constraints than assumptions; e.g. "employers pass increased earnings on to workers in form of increased wages or bonuses" (but aren't they supposed to put at least some of their increased earnings into expansion of their businesses)? Still another,

"banking system will return to lending to small enterprises," contradicts the assumption, stated elsewhere, that bank lending to SSEs cannot be expected within the medium term. In short, imprecision in the goal and purpose statement, and related log frame, create doubt as to just what the project is trying to do and what kind of impact it can have.

C. LAC Guidance

LAC PID guidance has been followed, with one possible exception. The mission was asked to explain how FENACRE, with experience predominantly in dealing with cooperatives, would be able to undertake small enterprise lending. The PP responded by reciting FENACRE's capabilities and reiterating their capability for the new task.

D. Conformance With A.I.D. Handbooks

The PP is generally in conformity with Handbook requirements. The principal exception is the failure to confine the main body of the paper to summary material with supporting analyses in annexes. In this PP, all of the technical material is in the main body, save only the log frame, the PID reporting cable, and the statutory checklist, making for an unduly long (114 pages) PP. As far as the project description is concerned, the training plan seems to have been especially well thought through and presented.

E. Supporting Analyses

1. Technical Analysis: As mentioned in Section A, the discussion of displacement effect is unpersuasive, raising more questions than it answers. If the project will not lead to increased sales for micro-commerciantes (no displacement there!), what does this say for the project goal of "increased sales of participating businesses?" SSEs, it is said, will expand only "within - - - a particular niche," (thus, little displacement), the entire analysis occupying five lines. Micro-producers not reached by the project may be subject to some displacement. Thus, we have a mixture of conflicting effects, with no overall assessment. The displacement analysis concludes with a call for research into the matter - but apparently only into the micro-producer aspect. The project description did not provide for any research into displacement effect. The "graduation" problem is also a difficult one for the project, and while the Technical Analysis provides a good discussion of the issue, it leaves open the question of its resolution and the possible impact on project sustainability. Finally, we were surprised to find nowhere in the Technical Analysis (or anywhere else) a discussion of loan default experience.

2. Institutional and Administrative Analysis: A problem with this analysis is its failure to discuss relations between the organizations involved and their clientele. This could be a critical factor for success of the project.

3. Social Soundness Analysis: The Social Soundness Analysis provides some interesting material on the characteristics of micro and small-scale entrepreneurs. Overall, it is among the better social soundness analyses reviewed by the team.

4. Economic/Financial Analysis:

(a) The Financial Analysis is actually a sustainability analysis designed to show the prospects for PRODEM and FENACRE reaching sustainability by the PACD (the fact that PRODEM doesn't quite make it under the two-year graduation scenario suggests that the project length may not be adequate). The projections appear to be well done, and to have incorporated the right assumptions. However, there is no sensitivity analysis, and both sets of projections appear to be highly sensitive to assumptions with respect to inflation and loan losses.

(b) Economic Analysis: The Economic Analysis looks at samples of firms to show the impact of loans on their operations, in terms of return to loans and increase in net profit. As a technical matter, one has to question the basis of firm selection - not explained in the case of PRODEM; four selected firms, interviewed for the purpose, in the case of FENACRE - and some of the data employed. In the case of PRODEM, annual data were based on two quarters' operating results; in the case of FENACRE, projections were a matter of respondents' own conjectures. More importantly, this is simply not a meaningful economic analysis. Improved results for firms receiving low-cost loans are what would be expected. They tell nothing about impact - on employment, wages, incomes, small-enterprise investment - in short, everything the project is supposed to be about.

F. Conclusion

Although this PP has some good points, notably a good project description, the team found it, overall, to be weaker than the LAC-approved PPs.

CARIBBEAN REGIONAL

WEST INDIES TROPICAL PRODUCE SUPPORT (538-0163)

A. General

The TROPRO project is highly complex, with four components (termed "modules"), 14 project activities (by our count), and three implementing agencies. The PP designers have done a reasonably good job of pulling it all together. However, issues raised in the Social Soundness Analysis, including recommendations not adopted, raise serious questions concerning the project approach.

B. Completeness, Logic and Clarity

The PP contains more complete than usual opening sections on "Regional Setting," country and agricultural characteristics which are well done and a useful introduction for those not thoroughly familiar with the characteristics of the OECS member states. The Problem Statement and Constraints section, which follows, is somewhat confusing, but does set the problem. The project purpose and goal are logical, and the log frame tracks well except for one or two of the assumptions (e.g. "adequate supply of non-traditional exports") which would seem to be a function of the project itself. The project description is not an easy read, but this seems mainly a matter of project complexity. The principal difficulty in the area of Completeness, Logic and Clarity is the failure to take into account and/or integrate the findings of the Social Soundness Analysis (Section E).

C. Conformity With A.I.D. Handbooks

The PP is generally in conformity with Handbook guidance, at least as far as the main body of the paper is concerned. Problem areas that can be noted:

- a failure to link the project with overall RDO strategy;
- failure to identify or analyze recurrent costs. (The sustainability of CATCO is covered in one of the unattached Annexes);
- a rather lengthy list of CPs and covenants, including one -- the requirement that OECS get member governments to streamline customs procedures -- that could prove difficult, and a real problem for the project;
- a rather weak position with respect to private sector utilization, with no section addressed specifically to it;
- lack of an information system, or other management tool, for monitoring project progress.

D. Adherence With LAC guidance

The portion of the FY 1989-90 Action Plan cable included with the project documents did not contain instructions on the TROPRO project.

E. Quality of Supporting Analyses

The Social Soundness, Economic/Financial and Institutional Analyses are listed in the Table of Contents as Unattached and available at the mission. Nor did LAC have copies. We did, with some difficulty, obtain copies for our purposes. The experience has much to do with our recommendation on the subject of unattached annexes (see Section V.B.1).

(1) Technical Analysis: The Technical Analysis is mainly a rehash of project activities. Constraints to project achievement, of the sort described in the Social Soundness analysis, are not discussed. There is no discussion of production technologies that might be introduced at the farm level. All in all, this analysis must be rated inadequate.

(2) Social Soundness Analysis: The Social Soundness Analysis is based on consultant interviews with farmers, exporters, and government and CATCO officials. It is a professional piece of work. Although it does not meet all Handbook 3 requirements, it is thorough in the areas of socio-cultural context and constraints to project achievement. The problem is that it is not integrated with the Project itself, perhaps because it was completed too late to be reflected in project design (the report is not dated, but there was only a month and a half between the end of the field interviews -- August 14 -- and the PP signing -- September 29).

The Analysis urges in the strongest terms the essentiality of farmer training if agricultural diversification is to be brought about. It argues further that farmers' groups or associations are the most appropriate intermediaries for providing the training, and that to the extent CATCO is involved in farmer training, it would do well to operate through farmer organizations. The project provides some \$713,000 of funding (our calculation), or less than 10 percent of all A.I.D. project funding, for activities that might fall within the category of farmer training, all of it to be administered through CATCO, described more precisely as "a continuation of CATCO's activities" in the area. The main body of the PP is silent on what those activities might be, but from the Social Soundness Analysis it appears that they involve one-on-one training only, that is, no assistance through farmer groups. A.I.D. funding for CATCO itself is aimed mainly at strengthening its financial and accounting functions, with only \$425,000 allotted for marketing and production. On another point, the analysis stresses the importance of hucksters, who are said to account for more of the ex-banana export trade than the rest of the private sector and CATCO combined, and who are overwhelmingly dominated by women, adding that, "By neglecting the Hucksters' Association in their project design, TROPRO ignores women's traditional role in agricultural trade and export." The PP contains no other mention of the hucksters.

In short, the PP departs from the recommendations of the Social Soundness Analysis in degree of emphasis on farmer training, appropriate vehicle(s) for undertaking the training, CATCO's approach to farmer training, and the importance of hucksters. If the Analysis is correct, the entire thrust of the project is in question. Correct or not, the Analysis certainly hasn't been integrated with the rest of the PP.

(3) Institutional Analysis: The Institutional Analysis is adequate. It provides a useful discussion of CATCO's background and the origin and nature of its financial difficulties. In placing most of the blame for CATCO's early difficulties on its failure to focus on development activities, notably including farmer training, it tends to reinforce the arguments made in the Social Soundness Analysis.

(4) Economic/Financial Analysis: The Financial Analysis is a farm budget, return to costs of production analysis of eleven crops on which the project will focus. The Economic Analysis proceeds from the findings of the Financial Analysis to estimate a project EIRR, based on a set of assumptions concerning the impact of project interventions on crop yields. The type of analysis is appropriate to the project and it appears to be well done. However, time constraints precluded our being able to verify the correctness of the many tables involved, nor are we in a position to assess the validity of the assumptions with respect to project impact. The analysis is rated as good.

F. Conclusion

Given the questions raised by the Social Soundness Analysis and the failure of the PP designers to integrate the findings of that analysis with the rest of the paper, this PP is rated below the standard of the LAC-approved PPs.

GUATEMALA

BASIC EDUCATION STRENGTHENING (520-0374)

This is an extremely complex project, featuring four components, thirteen separate activities, and four implementing agencies. The PP design team has done a generally excellent job of sorting it all out, and is to be commended especially on its Background and Rationale and Project Description sections. Perhaps inevitably, however, with a project of this complexity, not everything hangs together. There are questionable areas when it comes to overall logic and clarity.

A. Completeness, Logic and Clarity

1. Logical framework: The project goal and purpose are well stated, but several of the assumptions (p.26) are matters subject to project influence and/or policy dialogue, notably the assumptions pertaining to increasing the allocation of GOG resources to education (in fact, this has been made the subject of a covenant), and increasing the share of the education budget going to primary education. (We note that this mistake was not repeated in the log frame itself).

2. Will it work? The discussion of project components, beginning on p. 30, does not appear to take sufficient account of the constraints to Project achievement raised elsewhere in the analyses, particularly the Social Soundness Analysis. The performance expected of the teacher supervisors, the MOE planning office, and the Chamber of Industry do not seem realistic. In the first two instances, too much is expected of too few people, and the incentives indicated to induce shifts from past patterns of behavior to new ones are either inadequate or nonexistent. As for the Chamber, which like all Chambers of Commerce or Industry is presumably urban-oriented, the PP produces no reason to believe that they will willingly expand their program of supplying school materials into rural areas.

B. Conformance With A.I.D. Handbooks

The PP exhibits an unusually high degree of conformity with Handbook requirements. The evaluation and implementation plans are especially well done. The idea of holding a management seminar at the outset of implementation is a good one.

C. Responsiveness to LAC Guidance

The format used in dealing with Bureau Guidance - a separate, up-front section dealing individually with the issues raised - could almost be a model for LAC missions (see also Section V.B.6). The problem with this approach, however, is that it may be tempting to state the issue in the PP differently from the way it was raised in the guidance cable. What would seem to be compliance on the basis of a PP reading may then turn out to be a different matter when reference is had to the cable.

An example of this sort of situation arises in connection with the issue of recurrent costs. The PID Review Cable asked that the PP "evaluate the project's impact on the MOE's recurrent costs, project the expected growth in the MOE's budget over the LOP, and indicate that the project has been designed so that the MOE can sustain recurrent costs after project completion." The Recurrent Costs paragraph in the Issues and Guidance section (p.8) comments, "Recurrent costs are analyzed in the PP Financial Analysis and were found to be within projected GOG resources." Turning to the Financial Analysis section we find no mention of the requirement for an evaluation of project costs and no projection of the MOE budget. Rather, the Financial Analysis provides a review of areas of recurrent costs and reiterates MOE assurances that they will be able to provide funds after the PACD. We conclude that, contrary to the impression conveyed in the Issues and Guidance section, the guidance on this issue was not followed.

Two other guidance issues deserve mention:

1. On the question of the MOE raising the share of education expenditures to 3 percent, the Mission may be barely on safe ground with the covenant stating that the proportion of budgetary resources devoted to education will "approach" three percent by 1995. However, the PP is being somewhat disingenuous in saying that the matter is discussed "in more detail in the Administrative annex (E-4)." Turning to that Annex one finds budget data expressed in nominal terms, with no indication of real spending trends. It is, in short, a non-analysis.

2. The PID guidance directed that the Mission use this, as well as other, projects to secure increases in the share of the GOG budget going to social purposes generally, not merely education. The PP confined itself to reiterating its efforts to secure more spending on education. In this case, the team's sympathies are entirely with the Mission.

D. Quality of Annexes

1. The Technical Analysis is complete as to content and generally well done. However, the analysis seems deficient in not relating the educational technology to the Guatemalan setting. There is talk of its appropriateness in comparable settings, but those countries identified are considerably more advanced than Guatemala. The plan to introduce alternative methodologies on a test basis may take care of the problem.

2. The Social Soundness Analysis is detailed and complete. Unfortunately, it appears to have been written after the project design was set, leaving no opportunity to adjust for identified design problems.

3. Economic/Financial Analysis: There is no financial analysis as such. The Economic Analysis contains a useful review of the economic value of an education. It then undertakes a net present value (NPV) analysis based on the present value of incremental lifetime earnings for children affected by the project. As far as one can tell from the text, this is a first rate piece of work, well written and assumptions clearly stated. Unfortunately, since none of

the seven referenced tables are to be found, the validity of the analysis cannot be fully checked.

E. Conclusion

The team considers this PP to be at least as good as the three LAC-approved PPs.

ECUADOR

AGRICULTURAL RESEARCH, EXTENSION AND EDUCATION (518-00680)

This Project represents an innovative attempt to find a solution to the constraints to agricultural development in Ecuador. The strategy is to use an endowed private foundation both to engage the private sector more effectively and to catalyze the various research, extension and education institutions in the public sector whose performance is presently inadequate. If successful it could serve as a useful model in other developing countries where conventional approaches are not succeeding. The unusual character of the project undoubtedly added to the difficulty of project paper preparation. Despite the deficiencies noted below, we believe that overall a good job was done and that USAID Ecuador should be congratulated on its innovativeness.

A. Conformance With A.I.D. Handbooks

The document generally conforms with Handbook guidance except with regard to length and arrangement of the analyses (see D. below), and the following omissions:

While there is evidence of involvement of HG officials and other participants, there is no evidence of involvement of beneficiaries (small farmers) in the project design.

There are no performance indicators for tracking project impact, nor any indication of a plan for their collection.

A.I.D. recurrent cost financing is not detailed and justified. It is not clear whether A.I.D. funding of GOE personnel associated with project activities is contemplated.

B. Responsiveness to LAC/W Guidance

Issues raised by LAC/W in the PID guidance cable are addressed, but we cannot tell whether they were fully resolved as there is no annex or single point in the PP where the issues are listed and the response to them summarized.

C. Completeness, Logic and Clarity

The quality of the writing is uneven. Some sections are good, others are repetitious and contain grammatical errors. Gaps in logic and completeness are illustrated by the following:

1. The Project Goal and Purpose are not logically defined. The Project Goal of structural reform is put ahead of the objective of increased agricultural productivity. We suggest it should be the other way around.

2. Several of the assumptions listed in the log frame either should be addressed by the project or are appropriate subjects for policy dialogue.

D. Quality of the Analyses

The PP departs somewhat from the format norm in that with the exception of the Social Soundness Analysis, analyses are not summarized in the main text with full analyses in annexes. This may be because the Social Soundness Analysis is in Spanish. The Social Soundness Analysis is rather general and unquantitative (a problem with many we reviewed). It does not deal with incentives or constraints, nor does it deal well with sustainability. There is no gender analysis.

The Financial Analysis is an analysis of the endowment for the Agricultural Development Foundation (FUNDAGRO), the principal implementing entity, designed to show FUNDAGRO can be financially sustainable by the PACD. The analysis is well done, with a number of different scenarios designed to show other than best case possibilities. A possible difficulty lies with the basic assumption concerning future voluntary contributions. They seem optimistic for a country which may not have a strong tradition of charitable giving. It is not clear whether Ecuadorian tax laws offer incentives for such contributions. Also, the assumption that FUNDAGRO endowment investments will yield 3.5 percent above the inflation rate should have been subjected to sensitivity analysis.

The Technical Analysis deals more with the institutional than the technical aspects of the project. In fact, its major weakness is that it does not deal with the technical aspects of the priority commodity programs which are to be the centerpiece of the FUNDAGRO program. There is a presumption that new technologies will result from the activities, but no indication of their character or likely effectiveness.

The PP finessed the economic analysis requirement by commenting on favorable EIRR ratings for comparable agricultural projects in other countries. No project-related analysis was done.

E. Comparison with LAC/W-Approved Projects

Despite the aforementioned deficiencies, we believe this PP compares favorably with the LAC/W-approved PPs reviewed.

HAITI

EXPANDED URBAN HEALTH SERVICES (521-0218)

The PP is very well written, clear and easy to understand. Its quality benefits from the fact that it involves follow-on assistance to an established health services activity with a proven health care model matured over 14 years of implementation.

A. Conformance with A.I.D. Handbooks

The PP conforms well to Handbook and basic policy guidance, with the exceptions of Handbook 3 guidance on length, and Gray Amendment provisions. There is even evidence of involvement of beneficiaries in PP design, something almost uniformly lacking in other PPs reviewed.

B. Responsiveness to LAC/W Guidance

The PP is responsive to guidance furnished in the Action Plan review cable, but there is a shortcoming in one aspect. The guidance asked that the Mission explore the long-term sustainability of the PVO efforts being supported in the PP. The mission did so for the principal PVO being supported, but did not do so for PVOs involved in the other components. The Mission may not have felt such consideration was necessary for the latter since their role in the project is minor.

C. Completeness, Logic and Clarity

The only shortcomings are in the supporting analyses, as discussed below.

D. Quality of the Analyses

1. Technical Analysis

The Technical Analysis is essentially a description of the technical aspects of the various components of the project. It recommends an additional water and sanitation component which has not been incorporated into the project. It has a section on project sites for the primary health care component of the project but only one of the new sites is described in detail as a result of a field visit. The others are only listed. Site descriptions are provided for the family planning component. The quality of this analysis is rated satisfactory.

2. Administrative Analysis

The Administrative Analysis describes the roles of various personnel involved in carrying out the primary health care program. Using the experience of the extant program as a base, it analyzes and projects personnel requirements at the new centers to be funded under the project, as well as the administrative, structural and managerial changes required for the implementing entity to be able to handle the expanded program. The quality of this analysis is very good.

3. Social Soundness Analysis

The Social Soundness Analysis is the thinnest of the set. It analyzes some of the factors which could have adverse social impacts (increased rural-urban and intra-urban migration) and concludes the danger of the project triggering these is minimal. (It notes there are far stronger impelling forces involved, particularly in rural-urban migration). The Analysis does not deal with local institutional circumstances which could impact on project implementation. There is no indication of visits having been made to project sites or of communication with prospective project participants or beneficiaries. Reference is made to local health committees cited in the other analyses and in the main body of the PP, but no effort is made to assess their structure or functioning. Quantitative data were not employed and no gender analysis was done. The quality of the analysis is rated as low and of little value to the project's design.

4. Economic/Financial Analysis

There is no Economic Analysis as such. The Financial Analysis, which has the character of an Economic Analysis and serves the purpose here, has three components: (1) a sustainability analysis of CDS; (2) a cost efficiency analysis (CEA) based on costs of deaths averted up to 1987/99 (i.e. last year before project inception); and (3) a CEA based on projected costs for Year 1 of the project. Taking the three components in order:

1. The sustainability analysis is well done and serves its purpose, which is to demonstrate progress in reducing (though not eliminating) the gap between project costs and user fees;
2. This part of the analysis employs sweeping, and not very well supported assumptions (not always in the author's favor), to establish a per capita cost of deaths averted in 1987-88. Although the findings show cost either very near or slightly above the high end of the range for comparable (selected) programs in other countries, the author concludes, perversely it would seem, that the Haiti program has been cost effective;
3. A big increase in project costs from 1987-88 to project Year 1 is attributed generally to special circumstances, and to costs, such as hospital care, not present in other primary health care programs. With allowance for these factors, the author concludes, EUHS costs are not out of line with costs of similar projects elsewhere. The point with regard to unusual project costs is well taken, but since their share in project costs is not identified, the author's conclusion must be regarded as not supported.

Other problems with regard to the second and third parts of the analysis:

1. Primary health care costs, the areas selected for analysis, account for only 59.4 percent of the project budget (our estimate based on the Financial Plan, and a proration of part of the costs

of the Institutional Strengthening Component to primary health care);

2. Annex tables for the analysis do not jibe with corresponding tables shown in the project Financial Plan;
3. A sensitivity test shows sizable increases in costs if salaries rise by more than 2 percent p.a. In the budget analysis, the prospects for holding salary increases to this level were viewed as poor;
4. In making inter-country cost comparisons, no mention is made of the exchange rate employed in converting from gourdes to dollars. Presumably local costs were converted at the official rate of exchange. Use of a shadow (realistic) rate could have brought Haiti's costs into line with those of other countries (assuming, of course, that realistic rates were used in arriving at other country dollar costs).

E. Comparison of Overall Quality with LAC/W-Approved Projects

This PP is considered to be of better quality overall than the LAC/W approved PPs.

HONDURAS

PRIVATE SECTOR POPULATION II (522-0369)

This is a very well prepared PP. In addition, there is evidence of a Mission review process which is equivalent to that which would have occurred had the PID (in this case PID equivalent) and PP been approved in LAC/W.

A. Conformance with A.I.D. Handbooks

The PP conforms in most respects except length (63 as opposed to 40 pages).

There is insufficient evidence of involvement of intended participants and beneficiaries as called for in Handbook 3.

The evaluation plan does not provide for collection of baseline data.

B. Responsiveness to LAC/W Guidance

A guidance cable was not provided for this project. The PP makes mention of the issue of growing overall mortgage on Mission funding having been raised during the Action Plan review, accompanied by a proposal that the project be stretched out to six years and that, after FY 88-91, obligations of \$6.2 million future obligations be straightlined at \$2.7 million per year. The Mission Project Design Committee suggested a modified stretch out in order to avoid the need for significant project redesign and to minimize the negative impact on the cost:benefit ratio of the project of lower annual budget levels.

C. Completeness, Logic and Clarity

The PP is well prepared. benefits from having had a number of issues identified at the PID stage and analyzed during the intensive review process. The constraints to increasing contraceptive prevalence in Honduras were examined and the results factored into the PP design. The capabilities of the entities to be employed in implementing the project and the characteristics of target population groups were also examined and factored into the design.

It is apparent that the project benefits from being part of a long term program with experienced and well established intermediaries available for its implementation.

There is some confusion in the log frame presentation. As stated in both the text and the log frame, the project purpose is to account for at least 50% of the increase in contraceptive year prevalence by the PACD. However, the related Objectively Verifiable Indicator talks of achieving a 50% rate of prevalence, which is not the same thing. Also it is not clear why the project would shoot for 50% of the increase (if that is what it means) when ASHONPLAFA accounts for 60% of the present means of delivery.

The indicators for the information component of the project have to do with distribution of the information, not with its increase, which is what they should be concerned with.

D. Quality of Analyses:

The quality of the analyses varies from adequate to very good.

1. Financial Analysis

There is no financial analysis as such, though there is said to be a sustainability analysis of ASHONPLAFA on file at the Mission.

2. Economic Analysis

The Economic Analysis undertakes a computation of rate of return (ROI) and benefit:cost ratio based on a simple comparison of benefits of births averted with project costs. The value of births averted is measured as the sum of health and education costs, and consumption expenditures. Problems with the analysis:

- a. Assumptions are not fully explained. Health costs are projected at 2 percent p.a., but the basis for the projection is not stated. Education costs are projected variously at 5 to 6.3 percent p.a., but again the basis for the projections is not stated. Consumption costs are merely shown; it is not known whether these were projected from a base year, let alone on what basis;
- b. The analysis is presented in a cryptic, very hard to follow, style.

The Economic Analysis includes separately an analysis of the price elasticity of contraceptive products. No use is made of the findings elsewhere in the document.

3. Social Soundness Analysis

The Social Analysis is one of the better ones encountered in this review. Most importantly it contains analysis which is specifically related to the project and helps determine its feasibility and potential impact. There is, however, no evidence of communication with project beneficiaries as called for in the Handbook guidance. This could have strengthened the analysis.

4. Administrative Analysis

There is an Administrative Analysis for both ASHONPLAFA, which is the primary implementing entity, and Plan en Honduras. The first points out expansion and reorganization actions required for ASHONPLAFA to be capable of fulfilling its intended role. Plan en Honduras is evaluated as capable of playing the role envisaged for it. Both analyses are satisfactory and cover the areas called for in the Handbook guidance.

All the analyses make recommendations which are useful and help improve the quality of the project design and the prospects for successful implementation of the project.

E. Comparison of Overall Quality With LAC/W-approved projects

This PP compares very favorably with the LAC/W-approved projects reviewed.

JAMAICA

AGRICULTURAL EXPORT SERVICES PROJECT (532-0165)

This PP is well written but it is very difficult to get a sense of its feasibility and impact. The accompanying analyses are not directly related to it and do not appear to have played a role in project design. A key element in the project is the small and medium size farmer. The PP states that a previous project has taught the Mission a number of lessons about the process of involving small farmers in the project design and implementation process, yet the PP does not give a sense of their involvement in its development. Finally, it appears that the various activities under the three components will be undertaken independently and without any direct relation to each other, which suggests that they may not be mutually reinforcing and that their individual impacts may be limited.

A. Conformance with A.I.D. Handbooks

The PP is the only one of the field-approved PPs to conform to handbook guidance in format and length of the main text, but there are some omissions of material in the main text (see C. below), and the annexes are exceptionally lengthy and of poor quality.

There is a question in our mind as to whether the PP is in compliance with recurrent cost policy. The Mission states in the PP that it has reviewed the design against Agency guidance and concluded that it is in compliance. The question revolves around whether simply having the budget reflect a phased shift of the burden to recipient government and private organizations constitutes the "carefully phased plan" called for in the policy guidance. Our view is that more specifics than this should have been provided in the PP and perhaps a covenant in the project agreement, particularly since there is no indication in the PP that a plan for phaseover has been discussed with the GOJ or private sector participants.

B. Responsiveness to LAC/W guidance

The Mission responded well to the only specific guidance furnished, which was to design one component (the provision of matching grants for export project design and management services) so that it could be initially undertaken on a trial basis, with continuation and expansion dependent on evaluation of the results obtained. In our view, it might have been wise to have undertaken the other components the same way.

C. Completeness, Logic and Clarity

The log frame is not well developed. The EQPS target of 8% export growth is rather modest given that the recent historical record is considerably better. ESF policy dialogue should be shown as supporting the assumption of continued favorable GOJ agricultural export policies at the project purpose level.

Sustainability has not been addressed in the PP. All components of the project are dependent on external TA and, as noted above, the project is covering some recurrent costs, so that sustainability of the activities initiated could be a problem after project assistance ends.

The PP states that GOJ and private sector agencies who will participate in the project contributed to the design, but the extent and impact of their involvement is not identified. There does not appear to have been any direct involvement of farmer participant/beneficiaries.

There is no indication of a plan for A.I.D. oversight and monitoring.

Evaluation arrangements are discussed but there is no specific reference to use of performance indicators or for collecting baseline data as required in Handbook 3.

D. Quality of the Analyses

1. Technical and Institutional Analysis

The Technical Analysis and Institutional Analysis are combined in a rambling 86-page document that relates poorly to the main text and other analyses. Prospects for all of the prospective crop areas are reviewed. They are said to be most favorable for coffee, cocoa and bananas; the Economic/Financial Analysis appears to agree on coffee and bananas, but sees best prospects of all for yams, and shows cocoa as having negative prospects for investment (see Economic/Financial Analysis below). The areas of quality control and marketing, named as key constraint areas in the main project paper, are not addressed (other than to name the agencies responsible for dealing with them), but other problems not within the purview of the project -- e.g. praedial larceny -- are addressed at length. This analysis is rated as unsatisfactory.

2. Social Soundness Analysis

The Social Soundness Analysis does a good job of identifying the characteristics of small and medium farmers. Their roles in production of the various crops are roughly outlined. However, the situation of small and medium farmers as a whole is not assessed in the overall social-cultural context, nor is there any indication of the prospective impact of the project on these groups. A number of other subject areas specified in the Handbook 3 guidelines are not addressed.

3. Economic/Financial Analysis

The Economic Analysis appears as pages 3-20 of a document titled, "Agricultural Export Services Project Economic and Financial Feasibility." This portion of the document is essentially a broad review of Jamaican exports, altogether lacking in analytical content. It makes no real attempt to support the project rationale, but indirectly subverts it in at least one key area, i.e. Jamaica's allegedly low crop yields. In Table 2 comparing Jamaican crop yields with those for a "developing country average," only two of the crops to be promoted under the project are covered, and both of them -- coffee and cocoa -

- show crop yields well above that average. The "Financial Analysis," comprising the remaining 16 pages of the same document, is, despite its title, the project economic analysis, in so far as this exists, and will be considered the economic analysis for these purposes.

The analysis attempts to compare project costs with the incremental income arising from improvement in crop yields as a result of project interventions. For this purpose, project costs have been allocated to the seven commodity and two functional areas, with no indication of the basis for the allocation, and notwithstanding that according to project strategy allocations to commodity areas will depend on -- among other things -- investor interest as the project develops. (Notional allocations such as this are not improper, but the basis for the allocation should be indicated; more so since one or two of the commodity areas -- depending on which measure of profitability one looks at -- are determined to be unprofitable). Return on investment (ROI) and Benefit:Cost (B:C) ratios are shown, by commodity and total for all crops.

The problems with this analysis are too numerous to be counted, but some of the more striking may be noted:

1. Assumptions for incremental yield are shown only for bananas, coffee and tropical fruits, but the data in the yield tables for those crops cannot be related to the data in the tables showing incremental income by crop;
2. "Total incremental income" for each commodity is determined as "Export Earnings" plus "Wages" and, in a few cases, "Domestic Income." The implication that for most crops all of the incremental production will be exported is not explored. However, the true mystery involves the item "Wages", for which no explanation exists. The reader can only guess at the meaning of this concept of "Incremental Income."
3. For certain of the commodities -- coffee, yams, and aquaculture -- return on investment is measured as (incremental income minus project costs) divided by (project costs). In other cases, this doesn't work, and one cannot tell where the "return to investment" came from. In any case, returns and costs have not been discounted. For purposes of the B:C calculation, however, benefits and costs evidently have been discounted (reasoning that some use must have been made of the discount rate). As might be expected from the foregoing, there is not a close correlation between ROIs and B:C ratios. Following are the ROIs, both as stated and as calculated by ourselves using the supporting data, and the B:C ratios (the calculations of which cannot be checked):

ANNEX TABLE E-1
RETURN ON INVESTMENT BY COMMODITY

Commodities	Return on Investment		B:C Ratios
	As Stated	As Calculated	
All commodities	48%	67.6%	1.65
Bananas	50%	100%	2.12
Coffee	267%	267%	2.07
Cocoa	88%	(16)	1.24
Yams	547%	547%	5.30
Aquaculture	17%	17%	.77
Ornamental horticulture	Insufficient data for calculation		
Tropical fruits	Insufficient data for calculation		

There is no explanation as to how the "all commodity" calculations could be made without the underlying data for horticulture and fruits. Nor is it explained why 8.8 percent of project funds would be allocated to two crops -- cocoa and aquaculture -- for which indicated returns are negative, or very nearly so.

In short, this altogether bewildering document could not possibly have played a role in project design, even apart from the fact that its submission by the consultant seems to have been coterminous with the signing of the PP itself (September 1989 for submission of the Analysis, September 14, 1989 for PP signing).

E. Comparison of Overall Quality with LAC/W-Approved Projects

The team considers this PP to be of lesser quality than the LAC-approved PPs.

EL SALVADOR

PUBLIC SERVICES IMPROVEMENT (519-0320)

This PP is well prepared. There are some organizational rearrangements, identified below, which could have enhanced the presentation. The supporting analyses are long on narrative and statistics, but short on analysis, which limits their utility for project design.

A. Conformance With A.I.D. Handbooks

The PP is in conformance with format guidance of Handbook 3, except for the ubiquitous problem of excessive length. A number of substance requirements were not met, as noted below.

There is a question as to whether recurrent cost policy guidance is complied with. While the problem is analyzed and made a subject of the Mission's policy dialogue agenda, there is no plan for shifting the burden to the host government. We note one could reasonably question whether a feasible plan could be developed in the current country circumstances. The bulk of the discussion on this subject, as well as other sustainability issues, is contained in annexes. We feel it should have more properly been included in the main text.

There is little evidence of involvement of host country officials or beneficiaries in project design.

Handbook 3 requires the budget analysis to include both capital and recurrent cost budgets. These were not provided. A.I.D. recurrent cost financing should be both detailed and justified. In this case it was justified but not detailed.

There is a Handbook 3 requirement for an analysis of energy use and production, which appears to be applicable to a project of this sort, and which is not included.

There is no mention of Gray Amendment provisions.

B. Responsiveness to LAC/W Guidance

The PP is responsive to the LAC/W PID review guidance. There may have been some misunderstanding on the issue of cost recovery in the water and sanitation component. The guidance cable asked for a description in the PP of cost recovery systems referred to in the PID. The coverage of this in the PP is on community responsibility for maintenance and repair of installed systems, not cost recovery, if that term is defined to include installation as well as operating and maintenance costs.

C. Completeness, Logic and Clarity

There is some lack of clarity in the log frame. We could not understand indicator #1 for goal achievement. Most of the "Objectively Verifiable Indicators" are not actually verifiable.

It would have been helpful and more responsive to Handbook 3 guidance if a fuller discussion of experience from the previous assistance in this area were included.

Other than the above omissions the main body of the PP is complete and well written.

D. Quality of the Analyses

1. Economic/Financial Analysis

Cost:benefit analyses have been undertaken separately for Components I and II (restoration of utilities, and road repair and maintenance), and for the water supply & sanitation (WS&S) part of Component III.

The analysis of Components I and II rests on the key assumption that restoration of a damaged utility brings the full economic value of that utility to the benefit side of the benefit:cost ledger (on the theory that if it were allowed to deteriorate its value to the economy would soon be zero). Values of the restored utilities are based on a table (Table D) showing the contribution of each utility to the corresponding sectors of GDP (e.g. CEL accounts for 20 percent of the electric/water sector). Table D, said to be from a "1986 utilities study," must be taken on faith. The combination of the generous basic assumption and the Table D ratios produces sector B:C ratios averaging a fantastic 73:1. Although the economic validity of the project is not in question, this analysis is really not credible. Other problems include a hard-to-follow analysis, missing table headings, and a missing table -- Table J -- which is said to summarize B:C findings by sector.

The water use benefit analysis is based on the benefits of clean water. Both the value of the water itself, based on users' willingness to pay for it (from a 1984 IDB study), and the time value of having clean water on hand, are considered. Again, the analysis is not as clear as it might be. Assumptions are not all clearly stated, and the one table can be related only in part to the text. The analysis is useful in demonstrating the ability of users to meet O&M costs of the water systems.

2. Social Soundness Analysis

The Social Soundness Analysis contains considerable statistical data but it is not applied to an analysis of assumptions, constraints, or project impact.

The war is listed as a constraint to all development activity but its direct relationship to the project is not discussed. Data on population, refugees outside the country, rural/urban inequities, labor, housing, land tenure, education and health are all set forth as if the writer wanted to give

the reader some interesting facts on El Salvador. Their relevance to the project's social soundness is not mentioned.

There is no discussion or analysis of the social-cultural context of the project, or its compatibility with local institutional circumstances, nor is there evidence of any communication with prospective project beneficiaries, all of which are required by Handbook 3.

3. Technical Analysis

In contrast to the Social Soundness Analysis, the Technical Analysis is to the point and concludes that the technical capability to implement the project exists. It raises some serious questions about institutional capability which the project will seek to ameliorate with technical assistance.

4. Administrative Analysis

The Institutional (Administrative) Analysis discusses each of the GOE entities which will be involved in the project's implementation and USAID's experience with them in prior projects. A number of requirements for technical assistance and administrative policy reform are identified to enhance the project's feasibility.

E. Comparison of overall quality with LAC/W-approved projects

The team considers this PP as of equal or better quality as compared with the LAC/W-approved projects reviewed.

COMMENTARY ON LAC-APPROVED PIDs

EL SALVADOR

FREE ZONE DEVELOPMENT (519-0323)

The statement of the problem the project intends to address is adequate, but could have been strengthened by a brief discussion of El Salvador's export trade, including the relative importance of free zone exports. It is to be hoped that the PP, where the requirements for statement of project rationale are explicit, will explain why the mission is opting for a free zone instead of an export development project.

Goal and purpose statements do not quite jibe. Given that the San Bartolo Free Zone (SBFZ) is operating at full capacity, it is not clear what improvements in the administrative capacity of SBFZ (though no doubt a worthy objective for other reasons) will contribute to the project goal of increasing employment and foreign exchange opportunities in the export sector.

The project outline is mostly clear, except perhaps for the rationale for the promotion/marketing component. The PID seems to say (pp. 11-12) that private sector developers will receive TA for conducting demand analyses and promotion efforts even though they will have done these things on their own anyway.

There is very little discussion of social considerations, though we note that more is promised for the PP. The methodology for the PP economic analysis is explained and is appropriate to the project.

The PID does include a signed Initial Environmental Examination. However, the related discussion is decidedly strange, concluding with a fascinating non-sequitur, as follows, "The net environmental result will be an increase of industrial and commercial floorspace which will provide El Salvador with more employment opportunities and foreign exchange to help with the economic stabilization and growth efforts. Therefore, a negative determination is recommended."

BOLIVIA

MICRO AND SMALL ENTERPRISE DEVELOPMENT

The statement of the problem the project intends to address is clear. However, for a well established project rationale, the PP will have to do more than the PID to put the small-scale enterprise (SSE) sector in the perspective of the overall economy. The figures presented on p.11 are not adequate for the purpose, and it should be possible to produce some data to support the claim that individuals engaged in micro and small enterprise are below the median income for the country. Also, while there is probably no question as to the sufficiency of credit demand, the analysis of the subject is confusing. There are errors in the calculations of prospective demand, and a referenced annex (Annex 5) is missing.

Project goal and purpose do not appear to have been thought through. Granted that a well-developed log frame is not a requirement at the PID stage, we note that while the project goal speaks of "rapid and sustained economic growth in Bolivia," the Objectively Verifiable Indicators for the goal are stated in terms of participating enterprises. For that matter, the PID contains no mention of a possible displacement effect. Thus, there is no indication of the extent to which benefits to participating businesses may be at the expense of other, non- participating businesses, leaving open the question of impact on the overall economy.

The project outline is complete and generally well done, and the PP design strategy appears complete.

There is no discussion of social considerations as such, but a "social analysis" is promised for the PP.

The Economic Analysis section is a problem, both in the PID and potentially for the PP. Part of the section is missing (the team's copy of the PID is missing p. 32), but from what is available of the section it appears that the PP analysis will deal with the impact of the project only at the firm level. This is unfortunate, since it is impact on the economy that needs to be addressed.

HONDURAS

HEALTH SECTOR II (522-0216)

This PID departs somewhat from the standard format. The early sections do an excellent job of defining the problem, relating the proposed project to host government and USAID objectives and strategy, and identifying the constraints to project achievement. The project description is also well done.

The social, financial and economic considerations affecting project selection and further development are placed in an annex rather than in the main body of the PID, as called for in Handbook 3. Many of the factors required by the Handbook are either not mentioned, inadequately covered or identified as items to be dealt with in PP preparation.

The USAID staff committee responsible for developing the project is not identified.

The implementation arrangements described are confusing. The Ministry of Health and USAID staff roles described are duplicative. A number of operating deficiencies within the concerned ministries are identified, but there is no indication of how they will be resolved. There is no assurance the implementing agencies agree the project is needed. The PID does note that implementing options will be analyzed as part of the PP preparation.

Neither the PID facesheet nor the attached IEE is signed.

COMMENTARY ON AID/W APPROVED PPS

HONDURAS

HEALTH SECTOR II (522-0216)

This project is a follow-on to an earlier project and represents the second phase of a three phase mission health strategy scheduled to run to the year 2000. The financial assistance level was significantly increased from the PID stage (\$33 million) to the PP stage (\$57.3 million), in part as a result of LAC/W intensive review guidance, which indicated that a number of project activities were seriously underfinanced.

Except for excessive detail and length, and gaps in coverage in some places, the project paper is well done. The project description does a good job of telling what the project is intended to do and sets out specific end-of-project indicators for each of the health activities contemplated. It does less well at identifying how these activities will be accomplished and the roles of various participants. There is an apparent contradiction in the design in that most of the assistance seems to be going to the central level whereas the area of greatest need is at the local level.

A. Conformance with A.I.D. Handbooks

The main body of the PP is unnecessarily long due to repetitiveness and inclusion of detail in the main text which could have been confined to the annexes.

The log frame assumptions with regard to Ministry of Health budget allocations should have been identified as matters to be addressed through policy dialogue.

As noted above, the project description does not do a good job of identifying how the activities contemplated will actually be accomplished on the health (as opposed to the water systems development) side of the project.

The implementation plan section does not really present a plan as such. There is no listing of actions required and responsibilities for them, even for the early months of the project.

B. Responsiveness to LAC/W Guidance

The possibilities for private sector involvement were not really explored within the meaning of the PID guidance cable. There is no section indicating how the project has incorporated LAC Bureau experience in private sector activities similar to those identified in the proposed project, as called for in the PID guidance cable.

The PID guidance cable asked the mission to demonstrate financial sustainability of project activities by the PACD. This aspect was addressed and the PP is clear that sustainability will not be achieved. While it may not be reasonable to expect it, this is another argument for a more thorough examination of private sector alternatives.

C. Completeness, Clarity and Logic

As noted above in the overall comment, and below in the section on analyses, we had some problem with the logic of the design.

The components of the project were not well defined. At one point mention is made of a total of 13 components, with no further explanation. Our count was 16 on the health side plus the water and sanitation side, which seemed to have at least 3.

D. Quality of the Analyses

Only an Economic Analysis is attached as an annex. The quality of the other analyses is judged on the basis of the summaries contained in the PP. The status or existence of the broader analyses from which these summaries were presumably made is unclear.

1. Economic/Financial Analysis

There is no financial analysis. The Economic Analysis comprises a Return on Investment (ROI) analysis for each of the principal project components: control of water systems and child survival.

Water systems: Benefits were measured as the amount users were willing to pay for water, based on a previous IDB study of water costs done for another IDB study. Problems: (1) the relevance of the underlying studies is at least open to question. Nor is it clear why project costs, rather than a previous IDB study, shouldn't have been the basis for the costs in this analysis. (2) While the text discussion is clear, the Annex discussion is largely incomprehensible, in part because many referenced tables are missing.

Child survival: Benefits are measured as the projected lifetime earnings of two types of rural Hondurans (survivors as a result of the project): one with no education, and one with a 6th grade education. Costs are the costs to society of keeping the Hondurans alive, measured as the sum of education costs, health costs and consumer expenditures.

Problems with the child survival analysis:

- a. Certain assumptions, having to deal with the secular increases in costs and benefits over time, are simply stated with no attempt at justification;

- b. Whereas the project deals with rural Hondurans, the consumption expenditures are those of an average Honduran (to be sure, since this overstates costs, it may be said to impart a "conservative" bias to the analysis);
- c. Several referenced Annex tables are missing.

2. Technical Analysis

The Technical Analysis is brief and limited to making the essential points that there are sound and proven child survival technologies available from world-wide experience to be employed in the project, and that the rural water and sanitation technologies to be employed are appropriate. An engineering annex is supplied to support the latter point. The quality of both the summary and the engineering annex is good, as judged from a non-technical perspective.

3. Administrative Analysis

The Administrative Analysis is inadequate. It purports to show that the administrative structure and functioning of the Ministry of Health (MOH) and the National Sewer and Water Agency (SANAA) are adequate for implementation of the project, but does not make a convincing case, particularly for the MOH. The analysis does not deal with the question of capacity at the local level, which seems critical given the character of the project. There is no discussion of the lack of support for the clearly overburdened auxiliary nurses (ANs), whose multitudinous functions are described elsewhere in the text. The ANs are identified elsewhere as the keystones to the implementation strategy, yet there is not a word about them in this annex, except to identify how many there are.

The analysis of both the MOH and SANAA, which is described as being overcentralized and burdened by a cumbersome procurement process, is lacking in many of the items required to be covered by the Handbook guidance.

4. Social Soundness Analysis

The Social Soundness Summary also has some weaknesses. It fills in for the Administrative Analysis by examining the interrelationship between MOH/SANAA personnel working at the community level and community people working with the MOH/SANAA programs. While it describes the rather substantial role of each agency's community level personnel, it does not discuss the matter of their support from either the regional or central levels of the agencies, or support from them to the communities. This seems to be a rather significant omission since in discussing cultural feasibility of the improved health services to be provided, the analysis identifies cultural distance between health workers and health system clients; lack of information, both among health workers and among potential clients; and unreliability of services offered, as the principal factors preventing utilization of services by the target group.

The remaining sections of the Social Analysis Summary, which deal with the cultural acceptability of various project components and the role of women and technical advisors seem adequate.

F. Comparison of Overall Quality with Field Approved PPs

This PP is on a par with the bulk of the field approved projects we examined, of lesser quality than some but better than others.

**L.A. REGIONAL
REGIONAL ADMINISTRATION OF JUSTICE (598-0642)
PROJECT PAPER SUPPLEMENT**

This document is a Project Paper Supplement prepared for the purpose of extending the Regional Administration of Justice Project and to provide the additional funding necessary to support a continuation of the activities of the original project. These activities are essentially training, advisory and consulting services performed by an international non-governmental organization and a U.S. university. The supplement is satisfactory for the purposes indicated, but it is for the most part non-equatable to the other documents reviewed under this contract.

A. Conformance With A.I.D. Handbooks

The requirements for a project paper supplement are quite general. The Regional Administration of Justice PP Supplement meets these requirements with one possible exception. While the Handbook 3 guidance states that an amended project data sheet is only required "if appropriate", we feel that one was appropriate in this case and should have been included.

B. Responsiveness to LAC/W Guidance

There is no indication of any guidance having been furnished.

C. Completeness, Logic and Clarity

The document is reasonably clear and logical. It would have been helpful for clarity's sake if a listing of acronyms had been included. A number were used without their meaning ever being made clear. The acronym for the principal funding recipient, Instituto Latinoamericano do Naciones Unidas para la Prevencion del Delito y el Tratamiento del Delincuente, (ILANUD), was used several times before its full name was finally spelled out on page 3 of the document.

D. Quality of the Analyses

There were no analyses as such. What was identified as a financial analysis was actually an introduction to an annexed series of tables detailing the financial inputs for each component of the project.

E. Comparison of Overall Quality With Field Approved PPs

It is not really possible to make a comparison, since in many respects we are dealing with "apples and oranges". In those sections of the Supplement which are analogous to sections of the PPs we reviewed, the quality of this supplement compares favorably. However the presentation is of a much simpler character in the Supplement, owing to the different nature of the undertaking in relation to that involved in a mission-designed developing country project.

EL SALVADOR

FREE ZONE DEVELOPMENT (519-0323)

This is a well-written PP with a very good project description and close adherence to Handbook guidance. However, we found it weak in the area of project rationale, and in part of the supporting analysis. The team rated the document satisfactory overall.

A. Completeness, Logic and Clarity

The PP contains a good Background and Rationale section as justification for the project, except for one critical omission. It does not contain an adequate explanation for the choice of a free zone development project to address the problems of unemployment and inadequate foreign exchange earnings.

Although there is a breakdown of exports by major category, the share accounted for by free zones is not shown to put the current situation in context. The only alternative to free zone development, very briefly touched on, is "the establishment of a factory operating under bonded warehouse." (p.8). This possibility is dismissed on the ground of lack of bonded warehouse space and lack of demand owing to damage sustained in the 1986 earthquake. There is no explanation as to why fear of earthquakes (if this is what is meant) should affect bonded warehouse development more than free zone development, nor why development of new warehouse space would not be just as rational as development of new free zone space. There are, after all, solid arguments against free zone development in any environment. The decision to take this course rather than, say, a general export development program, whether or not based on bonded warehouses, calls for far more explanation than is offered here.

The goal and purpose statement are not entirely logical. Since the San Bartolo Free Zone (SBFZ) is already operating at full capacity, it is not clear how improvement in its administration (part of the project purpose) will contribute to the project goal of increased employment and foreign exchange earnings, as worthy an objective as this might be on other grounds. The log frame contains other problems, i.e.:

- Whereas the project goal is stated in terms of overall exports and employment, the Objectively Verifiable Indicators speak of the growth of exports from, or employment in, the non-traditional sectors;
- Two of the assumptions are matters to be addressed in the project itself. At least one would seem to be within the area of PP influence and/or the policy dialogue process.

The project is very well related to A.I.D. and other donor activities in the free zone and industrial development areas, and to GOES strategy.

B. Adherence to Handbook Guidance

The PP is well related to Handbook guidance. Notable strong points are the recurrent cost analysis, and well detailed implementation and evaluation plans. Weak points are the lack of any indication as to HG involvement in the PP design process, and a generally weak financial plan. The Financial Plan projects expenditures, but not fund sources, by year, and does not show separate contingency and inflation line items or assumptions. There is one line for Contingencies (15 percent of costs), which may or may not include an allowance for inflation.

C. Adherence to LAC Guidance

Adherence to LAC guidance, contained in a lengthy PID Review Cable, is good except for one key item. The Mission was asked to examine the macroeconomic policy framework which will impact on the project. In response, the PP makes reference to "the fixed exchange rate and overvalued colon," but does not provide an assessment of their impact on the project. It being hard to imagine any factor more important to the success of an export project than a realistic exchange rate, we consider this to be a non-response to guidance.

D. Supporting Analyses

Supporting analyses are good or better, with the exception of a wholly inadequate Social Soundness Analysis.

1. Technical Analysis: The Technical Analysis, if defined to include the Demand Analysis, appears complete and well integrated with the rest of the PP.
2. Institutional Analysis: The Institutional Analysis is excellent. It contains an especially good discussion of alternative possibilities for project implementation functions.
3. The Social Soundness Analysis, which occupies less than a page of text with no Annex material, covers virtually nothing other than project beneficiaries. There is no discussion of socio-cultural context, nothing on local institutional circumstances that might impact on the project, nothing on factors that could interfere with equitable distribution of benefits, to name a few of the Handbook items called for but missing from the analysis.
4. Economic/Financial analysis: The Economic/Financial Analysis is generally good, but not without problems:

- (a) Financial Analysis: The Financial Analysis uses standard Return on Investment (ROI) analysis to examine the profitability of a free zone investment. The analysis is well done, though we note that while four sets of sensitivity analysis were applied, a decline in demand for free zone space below expectations was not one of them. We would add that nothing would have been lost if the 39 pages of computer-generated backup tables had been left on file at the Mission.

- (b) Economic Analysis: The Economic Analysis also uses ROI analysis to examine the overall economic impact of the project. The projected increase in exports constitutes the benefit side of the basic analysis. Included as well are estimates of the impact of the project on GDP and employment. The basic analysis is well done. The analysis of impact on GDP and employment is largely incomprehensible, in part because two key tables (I-11 and I-12) were missing from the copy of the PP available to the mission. For purpose of comparison with Table 2, the team rates the Economic Analysis as fair.

E. Comparison of Overall Quality with Field-Approved PPs

This PP is on a par with the field-approved PPs reviewed by the team.

**RECOMMENDED CHANGES TO HANDBOOK GUIDANCE
ON PID AND PP DESIGN EMANATING FROM A REVIEW
OF SELECTED LAC FIELD-APPROVED PIDS AND PPS**

In our opinion, Handbook 3 should be revised and updated. Virtually all sections date from 1982 or earlier, and some key elements, e.g. the annex on preparation of the technical analysis, are still uncompleted. The Handbook guidance does not reflect current A.I.D. practice of delegating responsibility for most PID and PP preparation to the field. Nor does it adequately reflect the current emphasis on private sector development or sustainability. It is also clear from our review that some parts of the guidance are either not understood by mission staffs, or are not considered important and are being ignored. In either case, these segments of the guidance are presently not serving their purpose and should either be clarified and reemphasized or eliminated. It is beyond the purview of our scope of work to provide a detailed review of handbook revisions needed. The following are those which emerged from our review of LAC PIDs and PPs. Readers are referred to the basic report for further background on the basis for these recommendations.

A. Consideration of Alternatives at the PID Stage

From our review it appears that missions seldom do a serious job of analyzing alternatives at the PID preparation stage. As handbook 3 is now written this requirement for consideration of alternatives is limited to the economic aspects of the proposed project only. We believe it should be broadened to reflect a full consideration of other ways of achieving the objective of the proposed project, and should stand alone as a separate section in the PID outline.

B. Logical Framework

We found inadequate or confusing goal and purpose statements in a number of the PIDs reviewed. We believe the problem may stem, in part at least, from the lack of a requirement for a rigorous log frame at the PID stage. We believe more attention to log frames at this point might also lead to better log frames and goal and purpose statements in PPs, since the same inadequacies tend to be carried over from PID to PP. At present, the PID portion of Handbook 3 requires only that the PID contain a log frame. We recommend that the Handbook be revised to require a well considered, if brief, log frame.

C. Supporting Analyses

The term "supporting analyses" refers to the areas of analysis that provide essential analytical support for the project, namely: the Technical, Economic/Financial, Social Soundness and Administrative (frequently mislabelled "Institutional") analyses. These were by far the weakest portions of the field-approved PPs we reviewed. Handbook 3 requires that these analyses be contained in an annex with related summary material in the

main body of the project paper. Besides stressing the importance of complete, well considered analyses, the Handbook urges that care be taken to see that each supporting analysis is integrated with the rest of the PP, and that the analyses be supportive of the project concept. We found in our review that these strictures are very often not observed. Accordingly, we suggest the following Handbook 3 revisions with regard to the supporting analyses:

1. Emphasize in the Handbook that supporting analyses are to be accomplished in the early stage of project design, that their purpose is to establish the feasibility of the project and, where appropriate, the sustainability of the activities it will support; and that the final project design, as set forth in the approved PP, should be consistent with the supporting analyses.
2. The Handbook should emphasize the need for missions to make non-A.I.D. personnel, who are to be involved in performing the analyses, aware of the analytical requirements set forth in the Handbook, and for these requirements to be spelled out in the scopes of work for the personnel involved. A listing of these requirements and/or a sample scope of work for each supporting analysis should be incorporated into chapter 3 of Handbook 3.
3. The guidance should instruct missions to confine the supporting analyses to material of relevance to the project, with extraneous material excluded.
4. Manuals similar to the one now in existence for economic analysis should be developed for the other supporting analyses, as supplements to Handbook 3. These manuals should contain examples from existing particularly well done PPs to illustrate for mission staff and contract personnel what a good analysis looks like and its role in shaping PP design.
5. The Handbook guidance should stress the importance of involving intended project participants and beneficiaries in the analytical process and for using their inputs in project design.

D. Economic and Financial Analysis

In addition to the above general recommendations concerning supporting analyses, we have several suggestions specific to the guidance on economic and financial analysis:

1. The financial analysis, which is really a sustainability analysis, should be labelled as such and given greater emphasis, in order to promote the area of recurrent cost sustainability, which is frequently inadequately treated.

2. The Handbook stricture against using NPV or EIRR analysis in social infrastructure projects should be eliminated, since quantification of benefits in such projects is no more difficult than in e.g. private sector promotion projects. Use of these forms of analysis should be at the discretion of the analyst.
3. Whether a commercially-operated or social infrastructure project, if the analyst cannot think of a way to quantify benefits he should be given the discretion to proceed to give his best evaluative judgement of the project's impact. We believe this change would lead to more useful analysis than is presently being produced.
4. The guidance should make clear that analysts are expected to produce readable analysis, not merely for the main text, but in the annex as well. The analysis should be complete and understandable to the mission and bureau economists, and all referenced tables should be included.

D. Social Soundness Analyses

Section 5 of Chapter 3 of Handbook 3, and Appendix 3F on social soundness analysis, should, like the other supporting analysis guidelines, be revised to place greater emphasis on the role of the analysis in determining project feasibility and design. While this objective is clearly stated in the opening paragraph of Section 5, it does not appear to be adequately carried over into the following discussion of what should be included in the social soundness analysis. At least, those performing the analyses in most of the projects we reviewed seemed to have lost sight of it.

In addition, the data requirements should be reviewed to insure that the data required are more clearly specified, and are relevant and useful to the preparation of a sound project. The possibility of dividing social soundness data requirements into two categories should be examined, in order to limit individual project data requirements. The first category would be non-project specific social data of a national, sectoral or regional nature, which is compiled in advance, as in the form of the country social profiles encouraged and supported by PPC and S&T. This data would be used as needed or referenced in the social soundness annex to the PP, but would not have to be compiled anew in each case. The second category would be project specific data. In this case, instead of using a standardized format, missions should be encouraged in the guidance to think about what particular data are needed and how the data should be gathered and analyzed to determine both the most effective form and type of project, and the most feasible means of carrying it out from a social perspective. The results of the analysis should then be integrated with the results of the other supporting analyses and fed back into project design. (Note: It may be that some of these data may not be available in advance or obtainable in the time available for PP development, in which case, missions might be encouraged to include these requirements in the collection of baseline data for evaluation purposes during the early stages of project implementation, and to reflect this plan

in the PP.) The guidance should enjoin missions to involve people with deep local knowledge, including particularly project participants and beneficiaries, in the process of establishing the data and analysis requirements, or to require contractors to do this if they are contracting out the social soundness analysis task.

E. Technical Analysis

The appendix for this supporting analysis needs to be added to Handbook 3. The material in the main body of chapter 3 does not give sufficient guidance by itself.

F. Other Annexes to the PP

While it is recognized that occasionally other annexes in addition to those called for in Handbook 3 may be appropriate, missions should be strongly encouraged in the guidance to resist the tendency to include extraneous material, particularly undecipherable computer printouts, bibliographies or legal documents.