

EVALUATION SUMMARY PART

PD-AAU-434
49885

(BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS)

A. REPORTING A.I.D. UNIT (Mission or AID/W Office)
USAID/ISLAMABAD (ES #87-1)

B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN?
yes slipped ad hoc

C. EVALUATION TIMING
interim final ex post other

D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program (s) evaluated; if not applicable, list title and date of the evaluation report)

Project #	Project/Program Title (or title & date of evaluation report)	First PROG or equivalent (FY)	Most recent FAD Cost (no/yr)	Planned Cost ('000)	Amount Obligated to Date ('000)
391-0470	Project Design and Implementation Fund	March 29, 1982	Sept. 30, 1991	\$30,000 Rs. 29,700	\$15,000 29,700

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

Action(s) Required	Name of officer responsible for Action	Date Action to be Completed
1. Blanket waiver on Host Country Contracting be prepared for all activities funded under PDIF as per the ProAg.	RWNachtrieb PDM	May 1987
2. Periodic discussions with GOP to review the use of PDIF funds.	PDavis, PRO	On-going
3. GOP to be made more aware of PDIF as a resource for funding GOP generated policy studies and implementation activities.	PDavis, PRO	On-going
4. O/PRO should review and strengthen the approval system for better programing process and record keeping.	IAKhan, PRO	May 1987
5. USAID should not use PDIF to fund extra help indefinitely for USAID staff support.	PDavis, PRO	On-going

(Attachments, if necessary)

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION

mo 4 day 6 year 82

G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:

Signature: *Iftikhar A. Khan*
Typed Name: Iftikhar A. Khan
Date: *hex*

Project/Program Officer: Iftikhar A. Khan
Representative of Borrower/Grantor: N.A.
Project Officer

Evaluation Officer: *Tanvir Ahmad Khan*
Mission or AID/W Office Director: Eugene S. Staples
Tanvir A. Khan
Mission Evaluation Officer(A)

H. EVALUATION ABSTRACT (Do not exceed the space provided.)

The PDIF was designed to assist in the development of high priority AID-financed projects in Pakistan and the implementation of the Government's development program. Emphasis was placed on technical assistance from the beginning, both in terms of discrete project development and for producing a wide range of studies related to the Mission and Government's overall development strategy and goals. A number of major studies have already been carried out, including a comprehensive assessment of primary education and policy oriented studies in edible oils, fertilizer, and agricultural mechanization. The evaluation, based on a review of project documents and interviews with appropriate officers, concluded that USAID has made "effective and appropriate use of PDIF". However, it suggested that the overall activity approval process be tightened somewhat and documented better. Other recommendations included that USAID strive to reduce the use of PDIF for USAID implementation staff support, that more funds be used in support of Government's program implementation, and that USAID review the project periodically with the Government.

I. EVALUATION COSTS

1. Evaluation Team

Name	Affiliation	Contract number <u>OR</u> TDY Person Days	Contract Cost <u>OR</u> TDY Cost (US\$)	Source of Funds
Mr. James Roush	Development Associates Inc.	18 days	\$16,403	Project fun

**2. Mission/Office Professional
Staff Person Days (estimate)**

5

**3. Borrower/Grantee Professional
Staff Person-Days (estimate)**

N.A.

SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the three pages provided)

Address the following items:

- Purpose of activity or activities evaluated
- Purpose of/reason for this evaluation
- Key issues or questions addressed
- Types and quality of evidence used to assess short-term effects, trends and/or potential for impact
- Findings
- Conclusions
- Principal recommendations

Purpose of Project: To provide the foreign exchange and local currency costs of technical and related assistance needed to: (1) prepare and implement projects financed or to be financed as part of the renewed economic and development program between the U.S. and Pakistan; (2) prepare the Mission's development strategy; and (3) implement the recommendations of the Joint GOP-Donor Implementation Task Force.

Purpose of the Evaluation: (1) identify the project's successes or failures in achieving project objectives and advancing GOP and Mission policy, planning, and implementation concerns; and (2) recommend appropriate steps and mechanisms needed to improve the project's effectiveness during the post-1987 period.

Methodology Used: Through an IQC Contract, Mr. James L. Roush of Development Associates, Inc. was contracted to review the discrete activities funded under the project, review the quality of work on each, and the general effectiveness of PDIF activities in advancing policy dialogue concerns in agriculture, energy, and other areas. Mr. Roush reviewed the file of each activity, interviewed the relevant USAID office chiefs or their designees, and reviewed reports prepared with PDIF funding.

Findings and Conclusions

The Project Design and Implementation Fund (PDIF) was authorized March 29, 1982 as the Project Design Fund, a five-year project to fund the technical and related assistance needed to: (1) prepare projects to be financed as part of the renewed economic and development program between the U.S. and Pakistan; and (2) prepare the Mission's development strategy. The project authorization was amended May 14, 1985 to include implementation in the title and objectives of the project and to add a new purpose: implement the recommendations of the Joint GOP-Donor Implementation Task Force. On February 16, 1987 the project authorization was further amended to add \$15 million (to a total of \$30 million) and to extend the PACD to September 30, 1991. Obligations for the PDIF through February 28, 1987 total \$15 million and 29,700,000 U.S.-owned Pakistan Rupees.

The USAID Program Officer does both a general programming of the PDIF and the approval of specific requests. The GOP has not participated in the process of allocating PDIF resources or in the approval process for specific activities. The first written report to the GOP on the uses of PDIF was made March 8, 1987 in response to a request from the GOP.

SUMMARY

In accordance with Annex B of the Project Agreement, all technical assistance, commodity procurement, and related assistance is to be conducted through A.I.D. direct contracting. Because it is USAID/Pakistan policy to require a waiver to use A.I.D. direct contracting, waivers are being processed for each PDIF contracting action.

The principal uses of the fund by type of activity is set forth in the table below. The category "Other Uses" includes a variety of uses, some of an emergency nature, which might be considered outside the scope of the PDIF.

USE OF PDIF FUNDS BY MAJOR PURPOSE
(As of February 28, 1987)

	<u>%</u>	<u>US \$1,000</u>	<u>%</u>	<u>Rs. 1,000</u>
Project Design	46	5,972	43	12,644
Policy Studies & Program Dev.	27	3,481	34	10,040
Staff Support to USAID	15	1,961	17	5,178
Implementation	11	1,364	4	1,112
Other Uses	1	195	2	690
Total Earmarking of PDIF	100	12,973	100	29,664

SUMMARY (CONTI. -D)

The PDIF has financed the design or re-design of 23 projects, including 5 planned for later obligation. This permitted a relatively rapid start-up of an essentially new program and the maintenance of a high level of obligations. In only one case has the design work not led to a project. Some of the design work is expected to result in very large investments by non-AID sources, e.g., hundreds of millions of dollars by the private sector in the Lakhra Coal Mining and Power Generation Private Sector projects being developed.

Studies financed from PDIF have contributed to some major reforms in GOP policy. The edible oils studies were used by the GOP when it removed some of its restrictions on edible oils imports and carried out a major deregulation of the domestic edible oils industry. The fertilizer policy study was the underpinning for changes in GOP fertilizer pricing and subsidy policy which cut the cost of subsidies to the GOP by over \$50 million and resulted in a dramatic expansion of fertilizer distribution by the private sector.

The PDIF has been used on about 20 occasions to obtain staff help, both long and short-term, for the USAID. The bulk of the requests and funding have been to support project implementation.

Some implementation activities financed by PDIF include support to the Narcotics Awareness Program, the Commodity Import Program, and some GOP activities, e.g., exploitation of the Dhodak oil field, dealing with a technical problem at the Hub Chowki power plant, and providing computers

to the Ministry of Planning for monitoring the implementation of the GOP's development program. The PDIF has also funded some pre-implementation project support activities.

USAID has made effective and appropriate use of PDIF. A number of very large and complex projects were designed in a relatively short period of time. A number of the studies have been particularly effective in providing the GOP with the information and analysis needed to help it make major policy reforms. The benefits of some of the studies are yet to come, e.g., primary education, energy, and the agribusiness and other private sector studies and activities.

The use of the PDIF to augment USAID staff support was necessary to handle the large volume of paperwork involved in the design effort and to provide the contracting and procurement help needed to implement the program. Nevertheless, USAID should not use PDIF to fund extra help indefinitely. As stated by AID/W when it approved adding implementation to the scope of PDIF, the Mission should be "mindful of the need to limit and describe the services involved to those appropriately project (rather than Operating Expense) funded, related essentially to assistance to the GOP.

Given the recent tendencies to be generous in interpreting the scope of PDIF, and the lack of readily available information on how the Fund has been used, some tightening of the programming process and better record-keeping seems in order.

Recommendations

1. That USAID strive to reduce the use of PDIF for USAID staff support.
2. That USAID make a greater effort to program PDIF funds, particularly for policy studies and the support of GOP implementation.
3. That the activity approval process be tightened somewhat and documented better.
4. That the Program Office review the use of PDIF periodically with the GOP.
5. That a blanket waiver on host country contracting be prepared for activities financed by PDIF.

SUMMARY (CONTI. -D)

ATTACHMENTS

Evaluation Report

COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

MISSION COMMENTS ON FULL REPORT

A meeting comprised of the project and evaluation committees was held on March 22, 1987 to review the evaluation report. The participant of this meeting have appreciated the Roush finding and recommendations and felt that recommendations made in the report will be helpful in the smooth project implementation during the remaining period of FY 1987 and the post 1987 period. In view of the finding and recommendation of the evaluation report the following actions were assigned to the various Mission personnel:

<u>Actions Required</u>	<u>Name of Officer Responsible for Action</u>	<u>Date Action to be Completed</u>
1. Blanket waiver on Host Country Contracting be prepared for all activities funded under PDIF as per the ProAg.	RWNachtrieb, PDM	May, 1987
2. Periodic discussions with GOP to review the use of PDIF funds.	PDavis, PRO	On-going
3. GOP to be made more aware of PDIF as a resource for funding GOP generated policy studies and implementation activities.	PDavis, PRO	On-going
4. O/PRO should review and strengthen the approval system for better programming process and record keeping.	IAKhan, PRO	May, 1987
5. USAID should not use PDIF to fund extra help indefinitely for USAID staff support.	PDavis, PRO	On-going

PD-AAU-434-A
49526

EVALUATION

PROJECT DESIGN AND IMPLEMENTATION FUND

Project No. 391-0470

Performed by

James L. Roush
Development Associates, Inc.
2924 Columbia Pike
Arlington, VA 22204

IQC #PDC-0085-I-00-6098
Delivery Order No. 6

Mon June

*430
U2015*

March 22, 1987

BASIC PROJECT IDENTIFICATION DATA

1. Country: Pakistan
2. Project Title: Project Design and Implementation Fund
3. Project Number: 391-0470-Grant
4. Project Dates:
 - a. First Project Agreement: March 29, 1982
 - b. Final Obligation: N/A
 - c. Project Assistance Completion Date (PACD): September 30, 1991
5. Project Funding:
 - a. A.I.D. Bilateral Funding: \$30 million - Grant
 - b. Other Major Donors: None
 - c. Host Country Counterpart Funds: None

Total: \$30 million
6. Mode of Implementation: USAID contracts, purchase orders, invitational travel orders, etc.
7. Project Design: USAID
8. Responsible Mission Officials: (For the full life of the project.)
 - a. Mission Director(s): (1) Donor M. Lion, (2) Eugene S. Staples
 - b. Project Officer(s) : (1) Eugene Szepesy, (2) Iftikhar A. Khan
9. Previous Evaluation(s): None
10. Cost of Present Evaluation:

	<u>Person Days</u>	<u>Dollar Costs</u>
a. Direct Hire:		
(1) AID/W TDY:	-	-
(2) USAID Staff	-	-
b. Contract: Development Associates (through IQC)	18	16,291
c. Other	-	-

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EXECUTIVE SUMMARY

The Project Design and Implementation Fund (PDIF) was authorized March 29, 1982 as the Project Design Fund, a five-year project to fund the technical and related assistance needed to: (1) prepare projects to be financed as part of the renewed economic and development program between the U.S. and Pakistan; and (2) prepare the Mission's development strategy. The project authorization was amended May 14, 1985 to include implementation in the title and objectives of the project and to add a new purpose: implement the recommendations of the Joint GOP-Donor Implementation Task Force. On February 16, 1987 the project authorization was further amended to add \$15 million (to a total of \$30 million) and to extend the PACD to September 30, 1991. Obligations for the PDIF through February 28, 1987 total \$15 million and 29,700,000 U.S.-owned Pakistan Rupees.

The USAID Program Officer does both a general programming of the PDIF and the approval of specific requests. The GOP has not participated in the process of allocating PDIF resources or in the approval process for specific activities. The first written report to the GOP on the uses of PDIF was made March 8, 1987 in response to a request from the GOP.

In accordance with Annex B of the Project Agreement, all technical assistance, commodity procurement, and related assistance is to be conducted through A.I.D. direct contracting. Because it is USAID/Pakistan policy to require a waiver to use A.I.D. direct contracting, waivers are being processed for each PDIF contracting action.

The principal uses of the fund by type of activity is set forth in the table below. The category "Other Uses" includes a variety of uses, some of an emergency nature, which might be considered outside the scope of the PDIF.

USE OF PDIF FUNDS BY MAJOR PURPOSE
(As of February 28, 1987)

	<u>%</u>	<u>US \$1,000</u>	<u>%</u>	<u>Rs. 1,000</u>
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Total Earmarking of PDIF	100	12,973	100	29,664

The PDIF has financed the design or re-design of 23 projects, including 5 planned for later obligation. This permitted a relatively rapid start-up of an essentially new program and the maintenance of a high level of obligations. In only one case has the design work not led to a project. Some of the design work is expected to result in very large investments by non-AID sources, e.g., hundreds of millions of dollars by the private sector in the Lakhra Coal Mining and Power Generation and Private Sector Power projects being developed.

Studies financed from PDIF provided the analytical framework for some major GOP policy reforms. The edible oils studies were used by the GOP when it removed some of its restrictions on edible oils imports and carried out a major deregulation of the domestic edible oils industry. The fertilizer policy study was the underpinning for changes in GOP pricing and subsidy policy which cut the cost of subsidies to the GOP by over \$50 million and resulted in a dramatic expansion of fertilizer distribution by the private sector.

The PDIF has been used on about 20 occasions to obtain staff help, both long and short-term, for the USAID. The bulk of the requests and funding have been to support project implementation.

Some implementation activities financed by PDIF include support to the Narcotics Awareness Program, the Commodity Import Program, and some GOP activities, e.g., exploitation of the Dhodak oil field, dealing with a technical problem at the Hub Chowki power plant, and providing computers to the Ministry of Planning for monitoring the implementation of the GOP's development program. The PDIF has also funded some pre-implementation project support activities.

USAID has made effective and appropriate use of PDIF. A number of very large and complex projects were designed in a relatively short period of time. A number of the studies have been particularly effective in providing the GOP with the information and analysis needed to help it make major policy reforms. The benefits of some of the studies are yet to come, e.g., primary education, energy, and the agribusiness and other private sector studies and activities.

The use of the PDIF to augment USAID staff support was necessary to handle the large volume of paperwork involved in the design effort and to provide the contracting and procurement help needed to implement the program. Nevertheless, USAID should not use PDIF to fund extra help indefinitely. As stated by AID/W when it approved adding implementation to the scope of PDIF, the Mission should be "mindful of the need to limit and describe the services involved to those appropriately project (rather than Operating Expense) funded, related essentially to assistance to the GOP.

Given the recent tendencies to be generous in interpreting the scope of PDIF, and the lack of readily available detailed information on how the Fund has been used, some tightening of the programming process and better

record-keeping seems in order.

Recommendations

1. That USAID strive to reduce the use of PDIF for USAID staff support.
2. That USAID make a greater effort to program PDIF funds, particularly for policy studies and the support of GOP implementation.
3. That the activity approval process be tightened somewhat and documented better.
4. That the Program Office review the use of PDIF periodically with the GOP.
5. That a blanket waiver on host country contracting be prepared for activities financed by PDIF.

I. SUMMARY DESCRIPTION AND FUNDING OF PDIF

A project was authorized on March 29, 1982 to establish a Project Design Fund to finance for five years both the foreign exchange and local currency costs of technical and related assistance needed to:

(1) Prepare projects to be financed as part of the renewed economic and development program between the U.S. and Pakistan; and

(2) Prepare the Mission's development strategy.

The project authorization listed nine new projects, three project amendments, and a new PL 480, Title I program that needed to be designed in FY 1982. An additional four projects and one amendment as well as PL 480, Title I/III programs were anticipated in each of FYs 1984 and 1985. Fourteen discrete studies plus smaller studies related to AID mandates were also expected to be financed from the Project Design Fund.

The project authorization provided life-of-project funding of \$10 million and 29,700,000 U.S.-owned Pakistani Rupees. The project authorization was amended on February 25, 1985, to add funding of \$5 million and to extend the project completion date (PACD) to September 30, 1988. It was further amended on May 14, 1985 to change the title of the project to "Project Design and Implementation Fund" (PDIF) and to change the purpose to: "prepare and implement projects financed or to be financed as part of the renewed economic and development program between the United States

and Pakistan, to prepare the Mission's development strategy, and to implement the recommendations of the Joint GOP-Donor Implementation Task Force." (Additional purposes underscored.)

In requesting AID/W to authorize changing the Project Design Fund to the Project Design and Implementation Fund, USAID said the change would have two major objectives:

a) to help the Government of Pakistan (GOP) implement the recommendations of the GOP/Donor Implementation Task Force in the areas of program planning, budgeting, project approval, and project monitoring; and

b) to augment the Mission's capability to implement the Pakistan project portfolio.

Activities contemplated under b) included the hiring of consultants in such critical across-the-board areas as commodity procurement, contracting, engineering and the like to accelerate implementation of the portfolio and pipeline drawdown. Also eligible for financing would be clearly defined pre-project implementation activities (e.g. between AID Project Paper approval and GOP PC-1 approval).

In its concurrence message, AID/W cautioned the USAID that when it began obtaining services under the new component it should be "mindful of the need to limit and describe the services involved to those appropriately

project (rather than Operating Expense) funded, related essentially to assistance to the GOP."

Obligations for the PDIF have been as follows:

	<u>\$1,000</u>	<u>Rs. 1,000</u>
<u>FY 1982</u>		
29 March 1982	3,000	
20 June 1982		29,700
26 August 1982	4,500	
FY 1982	<u>7,500</u>	<u>29,700</u>
<u>FY 1983</u>		
15 May 1983	2,500	
<u>FY 1985</u>		
26 March 1985	5,000	
Total Obligations to date	<u>\$15,000</u>	<u>Rs. 29,700</u>

On February 16, 1987 the project authorization was further amended to add an additional \$15 million (to a total of \$30 million) and to extend the PACD to September 30, 1991.

II. THE PROCESS FOR ALLOCATING AND UTILIZING PDIF RESOURCES

The Program Officer does both a general programming of the PDIF and the approval of specific requests. Under the general programming, USAID offices are asked periodically to estimate their needs. Based on these requests, the Program Officer informally allocates a certain block of funds for each potential user. Subsequently, an office submits a memorandum request to use a certain amount of its allocation for a specific purpose. The Program Officer approves or disapproves the proposed use after conferring with the requesting office or other office as he may deem necessary.

Upon approval by the Program Officer, the requesting office prepares a PIO/T or other appropriate document to request contractual or other action. PIO/Ts, after appropriate clearance, are sent to the chief of the Project Development and Monitoring office for approval. He has been delegated authority to sign PIOs for the Director.

According to Islamabad 8473 of April 25, 1985 (which requested adding implementation to the Fund), the former Director and Deputy Director reviewed and approved all activities funded from PDIF. In contrast, the current Director and Deputy Director are not part of the approval process for the use of PDIF funds unless their intervention is requested by the Program Officer or an officer involved in the clearance and approval of the PIO/T or other implementing document.

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The Program Office has not been keeping a separate file for approval memoranda; rather copies are put in a general project file with copies of PIOs, contracts, etc. Files for FYs 1983 and 1982 had been retired. Copies of the approval (or disapproval) memoranda are sent only to the requesting office.

Mission Order No. PAK 1000.2 of February 18, 1986 established a Mission policy of host country contracting. The Order requires that waivers be approved by the Director for each exception. This is being applied to PDIF-funded activities, even though the Project Agreement specifically states (Annex B) that all technical assistance, commodity procurement, and related assistance will be conducted through A.I.D. direct contracting.

Some GOP entities have benefited directly from PDIF resources, e.g., WAPDA and the Ministry of Planning. However, the GOP has not participated in the process of allocating PDIF resources or in the approval process for specific activities. In response to a GOP request, the Program Office on March 8, 1987 provided the first written report to the GOP on the uses of PDIF. Reflecting the state of the files, the summary figures provided in the Program Office memo do not correspond with those in this paper; data were not available to permit a reconciliation.

III. USES OF THE FUND

A. General

To provide data on the uses of the PDIF, it was necessary to review over 400 separate files in the Controller's Office because there was no central file of approvals. The Controller's PO7A report provides some description of each of the transactions, but often not enough to categorize the use. Purchase Orders, invitational travel orders, and PIO/Cs usually do not provide adequate information to determine whether an activity is for design, program development, implementation, etc. Sometimes, even the PIO/Ts are vague on this point. Thus, even after reviewing over 400 files, some estimation was involved in the categorizing of uses - especially on small amounts. Nevertheless, the following data do give a reliable overview of how the PDIF has been used.

Table 1 below provides information on the use of PDIF by fiscal year up to February 28, 1987. The principal years of earmarking of the dollar funds were FYs 1983 and 1986. The U.S.-owned Pakistan rupees were largely earmarked in FY 1983.

Table 1
USE OF PDIF BY FISCAL YEAR

	US\$1,000			Rs. 1,000		
	<u>Earmarked</u>	<u>Committed</u>	<u>Disbursed</u>	<u>Earmarked</u>	<u>Committed</u>	<u>Disbursed</u>
FY 1982	1,988	900 ^E	621	2,000 ^E	1,180 ^E	909
1983	3,944	3,551	1,527	27,116	19,974	15,068
1984	1,871	2,326	2,501	327	2,724	3,218
1985	1,623	809	1,746	-595	-2,955	861
1986	3,629	2,511	1,615	510	674	775
1987	-82	797	814	306	1,862	685
(2/28/87) Cumulative	<u>12,973</u>	<u>10,894</u>	<u>8,824</u>	<u>29,664</u>	<u>23,459</u>	<u>21,516</u>

E - Estimate based on partial data.

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The principal uses of the fund by type of activity (design, implementation, etc) is set forth in Table 2 below. More detail is provided in the sections which follow and in Annex B. The category Other Uses includes a variety of uses, usually of emergency nature, which might be considered outside the scope of PDIF.

Table 2
USE OF PDIF FUNDS BY MAJOR PURPOSE
(As of February 28, 1987)

	<u>%</u>	<u>US\$1,000</u>	<u>%</u>	<u>Rs. \$1,000</u>
<u>Project Design</u>	<u>(46)</u>	<u>5,972</u>	<u>(43)</u>	<u>12,644</u>
Agriculture & Forestry		1,846		5,995
Area Development		1,096		2,279
Energy		2,194		1,865
Other		836		2,505
<u>Policy Studies & Program Dev.</u>	<u>(27)</u>	<u>3,481</u>	<u>(34)</u>	<u>10,040</u>
Agriculture		2,584		8,935
Education		411		242
Private Sector		376		604
Other		110		259
<u>Staff Support to USAID</u>	<u>(15)</u>	<u>1,961</u>	<u>(17)</u>	<u>5,178</u>
Long-term		1,776		4,772
Short-term		185		406
<u>Implementation</u>	<u>(11)</u>	<u>1,364</u>	<u>(4)</u>	<u>1,112</u>
Narcotics Awareness Campaign		464		-
Support of GOP activities		279		41
Commodity Import Program		200		491
Other		421		580
<u>Other Uses</u>	<u>(1)</u>	<u>195</u>	<u>(2)</u>	<u>690</u>
Total Earmarking of PDIF	<u>(100)</u>	<u>12,973</u>	<u>(100)</u>	<u>29,664</u>

B. Project Design

The PDIF has contributed to the design or re-design of 23 projects, including 5 planned for later obligation. The PDIF funds (\$ and rupees) earmarked for most of this design work by project is shown in Annex B.

This extensive outlay of PDIF funds permitted a relatively rapid start-up of an essentially new program by what had been a "phase out" mission, and the maintenance of a high level of obligations:

Project Program Expansion by Fiscal Years

		<u>New Projects Authorized or Add-on Authorization (LOP Funding in \$ Millions)</u>	<u>Project Obligations (\$ Millions)</u>
FY	1982	147	40
	1983	150	140
	1984	170	133
	1985	-	16
	1986	49	145
	1987	85 _{a/}	100 est.

a/ Includes one authorization in February, one in March and a third in process in March, 1987.

In only one case has the design work not led to a project. Some of the design work is expected to result in very large investments by non-AID sources, e.g. hundreds of millions of dollars by the private sector in the Lakhra Coal Mining and Power Generation and Private Sector Power projects being developed.

C. Policy Studies and Program Development

The principal studies which have been financed from PDIF have covered the following subjects:

- 1) An overview of Pakistan's edible oilseeds industry;
- 2) Edible oils stock and trade management;
- 3) Pakistan fertilizer policy;
- 4) A policy analysis framework for Pakistan's poultry industry;
- 5) A mechanization study;
- 6) A agribusiness workshop--a \$500,000 agribusiness study is being initiated; and
- 7) Primary education

The edible oils studies were used by the GOP when it removed some of its restrictions on edible oils imports and carried out a major deregulation of the domestic edible oils industry.

The fertilizer policy study was the underpinning for changes in GOP pricing and subsidy policy which cut the cost of subsidies to the GOP by



over \$50 million and resulted in a dramatic expansion of fertilizer distribution by the private sector.

The primary education assessment has been well received by the GOP Ministry of Education and is being used by the Minister to solicit support for primary education both within the GOP and from other donors.

There have also been some small studies to develop information needed for the USAID's Country Development Strategy Statements (CDSS) and for the GOP's narcotics awareness campaign. Included also in this category was the obtaining of services to promote the creation of a privately-owned and financed Commercial Funding and Investment Corporation which would provide financial and investment services for private sector development activities.

D. Augmenting USAID Support Staff

The PDIF has been used on about 20 occasions to obtain staff help. Most have been for a relatively short period of time, but some have been extended to a year or more. A few people have been contracted to facilitate the project design effort, but the bulk of the requests and funding have been to support project implementation after the PDIF scope was broadened. Over \$1 million was earmarked for long and short-term help in contracting and commodity procurement.

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E. Acceleration of Implementation

Table 2 above provided figures for the support given to the Narcotic Awareness Program, the Commodity Import Program, and for the support of GOP activities. The latter included activities to support exploitation of the Dhodak oil field, travel abroad to review systems for monitoring development activities, dealing with a technical problem at the Hub Chowki power plant, and providing computers to the Ministry of Planning so that it can monitor the implementation of the GOP's development program.

The PDIF has also funded some pre-implementation activities such as preparation of Requests for Proposals (RFPs), evaluating responses to RFPs, and advertising RFPs or solicitations for pre-qualification. Some studies have been financed related to implementation issues in on-going projects, and the implementation capability (e.g., in contracting) of selected GOP implementing agencies has been reviewed.

To date few activities have been funded that respond to recommendations of the joint GOP-Donor Implementation Task Force. This is due primarily to the lack of any GOP requests for assistance in responding to the recommendations put forth by USAID, the World Bank, and the Asian Development Bank.

A number of local Indefinite Quantity Contracts (IQCs) funded from the PDIF have been arranged so that GOP agencies can use them and thereby reduce their contracting time.

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IV. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

Following the approval in 1981 of a new multi-year program for Pakistan, A.I.D. was called upon to mount a large program, much of it in development projects, in a short time period. The first projects for Pakistan were developed by drawing short-term help from AID/Washington and other missions and using project design funds needed to support the rest of the Asia and Near East Bureau. Because the mission had been in a phase out mode, no funds had been programmed for design work and mission strength was declining. Thus, establishing the PDIF was a necessity for the Bureau. It has been a tremendously valuable resource for the USAID.

Particularly during the period before implementation was included, the USAID used PDIF well and with minimum deviation from the stated purpose for the Fund. Since implementation was included in the scope of the Fund, there has occasionally been some liberal interpretations of the scope of the Fund. Nevertheless, as shown in Table 2 above, 99 percent of the dollars and 98 percent of the U.S.-owned rupees were clearly used to achieve the project purpose:

(1) Accelerate the design and implementation of the A.I.D. program in Pakistan;

(2) Finance studies to facilitate GOP review of policies critical to the success of certain sector programs; and

(3) Obtain information needed by the USAID to defend its program with AID/Washington and the U.S. Congress.

Not only has PDIF generally been used as planned, it has been effective. As shown in Section III.A. above, a number of very large and complex projects were designed in a relatively short period of time. Although obligations lagged in FY 1985, this reflects problems in implementation. These problems were alleviated in part by adding implementation to the PDIF scope, in part through re-design efforts in some of the projects (also assisted by PDIF resources).

As indicated in Section III. C. above, a number of the studies have been particularly effective in providing the GOP the information and analysis needed to help it make major policy reforms. The benefits of some of the studies are yet to come, e.g., primary education, energy, and the agribusiness and other private sector studies.

The use of the PDIF to augment USAID staff support resources also was necessary to handle the volume of paperwork involved in the AID design process, particularly when some projects were required to prepare interim reports in addition to the normal Project Implementation Documents (PIDs) and Project Papers (PPs). Subsequently, as a large number of projects moved into the implementation stage, contracting and commodity

procurement became bottlenecks and extra support was essential. While it was appropriate to use PDIF to augment USAID staff support, it should not be the funding source for extra help indefinitely. As stated by AID/W when it approved including implementation in the PDIF scope, the mission should be "mindful of the need to limit and describe the services involved to those appropriately project (rather than Operating Expense) funded, related essentially to assistance to the GOP." The shifting of the funding of personnel from a specific project to PDIF does not appear appropriate, except as a stopgap measure until a more appropriate solution is found.

The project authorization amendment of May 1985 authorized using PDIF to help the GOP implement the recommendations of the Joint GOP-Donor Implementation Task Force. While there have been no recommendations of the Task Force per se, donors have included recommendations in their reports to the Task Force. USAID focused on the GOP approval process of donor assistance, and the release of GOP budgetary resources to complement donor resources for new activities. USAID probably could be more active in using PDIF resources to pinpoint other types of implementation problems. It could then use the Development Support Training project to meet training needs and the PDIF for certain technical and commodity needs in responding to those implementation problems.

The foregoing is not meant to recommend the funding of free standing



individual projects by the PDIF. USAID has recently wisely rejected the temptation to use PDIF for this purpose.

The GOP has not participated in decisions about the use of the PDIF, presumably because it was seen as a resource needed by USAID to permit it to design and support AID's program in Pakistan effectively.

Furthermore, GOP officials already have an over-burdened approval process without getting involved in some 400 largely small-scale activities of the PDIF. Since, theoretically at least, the PDIF funds could be used in other ways to aid Pakistan, it would seem appropriate to report periodically on the use of PDIF and to ensure that the appropriate officials are aware of the possibility of the Fund being used in direct support of Pakistan institutions to facilitate design and implementation of development projects other than those funded by AID.

The GOP also wisely consented in the Project Agreement for USAID to do all of the contracting and other procurement activities for the PDIF. Most of the items are clearly not appropriate for GOP action; in the few occasions when GOP action was appropriate, it has done the contracting. Because the Director has a policy of host country contracting, it has been necessary to prepare an individual waiver each time USAID contracting is done for PDIF. Given the Project Agreement provision, a blanket waiver to the host country contracting provision seems appropriate. The Director's objective might be better served in this case by using the PDIF to ascertain ways to improve host country contracting capability, if needed, and to require improved communications

with GOP officials about the uses of PDIF.

Given the recent tendencies to be generous in interpreting the scope of PDIF, and the lack of readily available information on how the Fund has been used, some tightening of the programming process and better record keeping seems in order.

B. Recommendations

1. That the USAID strive to reduce the use of PDIF for long-term staff support for USAID.

Personnel serving more than one project might be prorated between projects rather than being charged to PDIF. In one or two cases, the creation of an OE-funded position may be indicated.

2. That USAID make a greater effort to program PDIF funds, particularly for policy studies and the support of GOP implementation.

The Program Office largely has taken a passive role to programming the PDIF, waiting until requests are received. This is certainly appropriate as far as the use of funds for project design is concerned. However, some consultation with GOP officials about using the Fund for helping in financing policy studies and strengthening implementation might result in the Fund's resources being used more effectively for policy reform and program implementation. Since

implementation takes place in the field, more emphasis might be given to the implementing organizations, not just to Planning and other GOP Ministries.

3. That the activity approval process be tightened somewhat and documented better.

The Program Officer should ensure that proposed uses of PDIF are clearly consistent with the scope of the project. The Program Officer may wish to involve the Controller and Regional Legal Advisor, and possibly the Director, in the decision process when a proposal is borderline. If the Fund is being used to meet an emergency situation, the Program Officer should ensure that steps are being taken to remedy the situation so that PDIF resources are used for as short a time as possible.

The Program Office should keep a separate file just for the approvals of the use of PDIF, give each approval a number, and record each approval in a computerized log. Copies of each approval should be sent to the Controller's Office for reservation of funds. The PIO or other implementing document should reference the approval number given by the Program Office.

An approval form, or more specific guidance for request memoranda, should be prepared. This form should cite the implementing office and indicate

which category of the PDIF would be an appropriate classification for the use of funds.

PIOs, contracts, and other implementing documentation should not be sent to the Program Office for file unless the Program Office is the implementing office for a specific activity.

4. That the Program Office review the use of PDIF periodically with the GOP.

5. That a blanket waiver on host country contracting be prepared for PDIF-funded activities.

PDIF EVALUATION SCOPE OF WORKARTICLE I - TITLE

Project Design and Implementation Fund, Project No. 391-0470.

ARTICLE II - OBJECTIVE

The purpose of this evaluation is to review and evaluate the effectiveness of the PDIF, both as originally conceived and as subsequently expanded. In addition to providing in summary form an assessment of the major activities funded under the project during the FY 1982-1987 period, the evaluation will help Mission management to identify possible future areas of adjustment and change.

ARTICLE III - STATEMENT OF WORK1. Background:

The PDIF was designed to assist in the development and design of high priority development projects which would help promote economic stability and self sustaining growth. Emphasis was placed on technical assistance from the beginning, both in terms of discrete project development and for preparing wider ranging studies relating to the Mission's overall development strategy and policy dialogue goals in such areas as edible oils and fertilizer. As the Mission moved increasingly from a design to an implementation phase, the scope of the project was expanded to include implementation activities of not only the Mission's assisted portfolio of projects but also the general development program of the GOP. Project management has been entrusted to the Office of Program. In general, the project is viewed as a key mechanism in allowing the Mission to respond to projects and programs in a timely and flexible fashion.

2. Activity to be Evaluated:

The Mission requests an evaluation of the Project Design and Implementation Fund (PDIF) from project authorization on March 29, 1982, to the present date. Authorized life of project funding is \$30 million. The project assistance completion--now September 30, 1988-- is also likely to be extended.

3. Statement of Work:

The evaluation shall review activities undertaken under the PDIF with a view toward (A) identifying the project's successes or failures in achieving project objectives and advancing GOP and Mission policy, planning and implementation concerns; and (B) recommending appropriate steps and mechanism needed to improve the project's effectiveness during the post 1987 period.

The evaluation shall include but not be limited to:

- (A) Identification and assessment of discrete activities undertaken in support of project design during FY82-87 period.
- (B) Identification and assessment by sector and area of special studies and related activities undertaken under the broad area of "development strategy assistance" during the FY82-87 program. In particular, review the quality of work and general effectiveness of PDIF in advancing policy dialogue concerns in agriculture, energy, and other areas.

ARTICLE IV - REPORTS

Reporting Requirements: Format of report: The final report shall contain the following sections:

- (A) Basic project identification sheet.
- (B) Executive summary of not more than three single spaced pages.
- (C) Main report, which reviews and analyzes effectiveness of the PDIF in supporting project design and implementation as well as program development and policy dialogue during the FY82-87 period. The report should also contain a list of conclusions and recommendations for using and administering PDIF-type funds during the post 87 period.

Annexes which include at a minimum:

- A. The Evaluation Scope of Work.
- B. An annotated bibliography listing by sector and area major reports and documents completed during PDIF funds.
- C. A completed evaluation summary based on the prescribed AID/W evaluation summary format.
- D. A description of the methodology and a list of individuals consulted may be included as appropriate.

Other Requirements:

A draft report shall be submitted to USAID/ Islamabad no later than sixteen working days after arrival in Islamabad for preliminary Mission review. The report shall be submitted in final form to the Mission prior to departure from Pakistan.

PDIF USES FOR PROJECT DESIGN

Sector and Project	US \$1,000		Rs. 1,000	
	Earmarked	Disbursed	Earmarked	Disbursed
<u>Agriculture & Forestry</u>				
467 Irrigation Systems Mgt	267	252	1,121	1,121
481 Forestry Planning & Dev	146	146	1,509	850
488 TIPAN	990	915	1,922	1,904
491 Food Security Management	315	315	1,443	1,436
Low Yield Study	49	28		
Other/Unclassified	79	33		
Total Ag & Forestry	1,846	1,689	5,995	5,311
<u>Area Development</u>				
471 Tribal Areas Development	70	70	213	148
479 Baluchistan Area Dev	422	420	621	524
485 NWF Area Dev.	604	601	1,445	1,062
Total Area Development	1,096	1,091	2,279	1,734
Total Ag and Rural Dev	2,942	2,780	8,274	7,045
<u>Energy</u>				
473 Rural Electrification	12	12	105	105
478 Energy Planning & Dev.	287	287	1,082	822
486 Energy Commodities & Equipment	180	130		
487 Lakhra Coal Mining & Power Gen.	1,440	1,100	580	580
494 Private Sector Power	275	164	98	73
Total Energy	2,194	1,743	1,865	1,580
<u>Public Health and Population</u>				
469 Population Welfare Planning	13	11		
472 Malaria Control II	36	36	110	110
475 Primary Health Care	46	46	30	30
484 Social Marketing of Contraceptive	54	54	422	362
496 Healthy Child	67	12	313	31
Total Public Health & Pop.	216	159	875	533
<u>Human Resources Development</u>				
474 Development Support Training	27	27		
498 Institutional Excellence	77	-		
Total Human Resources Dev.	104	27		
<u>Other Design Activity</u>				
480 Road Resources Management	285	198		
500 Special Development Fund	32	-		
Design Assistance to GOP	72	72	238	238
Multiple & unclassified*	127	160	1,392	1,132
Total Other Design	516	430	1,630	1,370
TOTAL DESIGN	5,972	5,139	12,644	10,528

*Includes a small "errors and omissions" adjustment.

MAJOR POLICY-RELATED STUDIES FINANCED BY PDIF

1. Pakistan's Edible Oilseeds Industry. Office of International Cooperation and Development, U.S. Department of Agriculture, Washington, D.C., March 1984, 671 pages.

Provides basic data on the oilseeds sector in Pakistan's agricultural economy, institutions affecting oilseeds production and marketing, the oilseeds processing sector, oilseeds crop research and production, the livestock and poultry industry, and marketing and pricing policies. The study recommends actions to reduce the severe dependence on imported oil.

2. Pakistan Edible Oils Stock and Trade Management. How to Improve Stability, Lower Import Costs, and Save Foreign Exchange in the Edible Oils Trade. USAID/Pakistan, Islamabad, January 1985, 102 pages.

Prepared in response to the GOP and USAID agreeing to conduct a comprehensive analysis of Pakistan's edible oil stock and trade management system, which would complement the Oilseeds Report (No. 1 above) and specify the foundations of a new edible oils strategy. The policy analysis concluded that significant reductions in future edible oil import costs were possible only if the GOP implemented a comprehensive package of policy reforms (which are set forth in the report).

3. Report on Agricultural Mechanization in Pakistan--with Recommendations for Policy Initiatives and Further Study. U.S. Department of Agriculture, Washington, D.C., December 1983, 117 pages plus annexes.

Part I provides information on the current situation in Pakistan covering: (1) the agricultural milieu in Pakistan; (2) GOP mechanization policies and strategies; (3) the role of private enterprise in manufacturing; (4) the small tractor issue, supply, demand, and agronomic feasibility; (5) economic implications of mechanizations; and (6) a bibliographic analysis of prior studies.

Part II provides four draft scopes of work for studies of AID investment opportunities in agricultural mechanization in Pakistan.

Annexes included a Handbook of Agricultural Manufacturers in Pakistan.

4. Pakistan Fertilizer Policy: Review and Analysis. Chemonics International Consulting Division, Washington, D.C., January 1985, 240 pages.

Provides a general background on the fertilizer industry, followed by more detailed presentations on: (1) the fertilizer marketing and distribution system--the role of public and private distributors; (2) fertilizer prices; (3) the efficiency of fertilizer use; and (4) fertilizer policy and the policymaking process.

5. The Pakistan Poultry Industry: A Policy Analysis Framework. Special Reports Series No. 1, Economic Analysis Network Project, Chemonics International Consulting Division, Washington, D.C., January 1987, 113 pages.

A description of the development and current situation of Pakistan's poultry industry, followed by: (1) price, demand, and supply analysis; (2) a review of poultry feed efficiency and budgets for commercial poultry farms; (3) major constraints to poultry production, and (4) recommendations

for further industry development.

6. Primary Education in Pakistan. Development Associates, Inc., Arlington, Virginia, July 1986, 4 volumes.

The report is in four parts:

- I. Summary Conclusions and Recommendations (34 pages)
- II. The Analysis (232 pages)
- III. Case Studies of Schools in Pakistan
- IV. Annexes to the Analysis

The Analysis volume gives a descriptive background and treats in depth:
(1) educational policy and planning; (2) the financing of primary education;
(3) organization, management, and administration; (4) the formal primary
education system; (5) non-formal education in Pakistan; and (6) a suggested
illustrative action program.