

PN-AAW-115
47596

INFORMATION REQUIREMENTS FOR MONITORING AND EVALUATING
MALI'S ECONOMIC POLICY REFORM PROGRAM

December 1985

Chris Hermann

Agency for International Development
Bureau for Policy and Program Coordination
Center for Development Information and Evaluation

EXECUTIVE SUMMARY

Adequate information will be particularly important for the successful implementation of Mali's Economic and Policy Reform Program (EPRP). Information plays a critical role in performance disbursement programs because of the need to demonstrate that conditionality controls the release of funds. Meeting the information requirements for monitoring and evaluating EPRP will involve four principal management activities: a) monitoring compliance with conditions for disbursement; b) monitoring short-term effects on the performance and operations of public sector agencies resulting from reform measures; c) evaluating the implementation process; d) evaluating the impact of EPRP via the response of the private sector to policy reforms.

Monitoring compliance with disbursement conditions will be the principal task of the Program Coordination Unit (section 1.1). The PCU should document the GRM's progress toward instituting reform measures. Quantitative and qualitative data that the PCU should collect are discussed in section 1.2. It is recommended that the PCU develop a work plan by disaggregating each condition into a set of constituent actions preceding compliance. In effect, these actions will provide a set of benchmarks for tracking implementation progress. Section 1.3.6 also discusses two small scale studies the PCU might conduct to obtain additional data on the performance of the Early Retirement Program and the new business registration system.

A second major responsibility of the PCU will be to document the effects of reform measures on the public sector. Though measurement of actual improvements in public sector performance will not be possible during the time frame of EPRP, indicators of pre-conditions which are necessary for such improvements can be monitored. Such indicators focus on changes in operations and procedures which, if maintained, should ultimately lead to performance improvements, such as increased budget allocations for non-wage expenditures and reduced levels of public sector hiring. Section 1.3 discusses a variety of quantitative and qualitative data which the PCU should collect.

Evaluating program implementation will be a major function of the GRM/USAID Joint Reviews. The monitoring data collected by the PCU will be essential for these reviews. Two principal issues for the Joint Reviews should be a) the management procedures currently guiding implementation, and b) the economic and political context in which the program is being implemented. The purpose of assessing the implementation process and context is to determine whether modifications to the program are necessary.

Because the policy reforms supported by EPRP could have a fairly direct and immediate impact on the private sector, two studies are suggested for evaluation purposes and to facilitate planning of a follow-on program to EPRP. First, a study for new enterprises established after the enactment of the new Commercial Code is suggested. The purpose of the study is to determine: a) whether the new registration system operates as it was planned (i.e., to streamline the registration system); and b) whether EPRP policy reforms were an incentive to establishing a new business, and if not, what types of reforms are needed to do so. The second study concerns the response by operators of previously existing businesses to the EPRP reforms. Specifically, the study would examine whether business operators understand the reforms, and if so, how they responded to the policy changes (e.g., expanded operations, increased capital investment). The study would also contribute to a better understanding of the private sector in Mali.

A third study is suggested to assess the adequacy of the Early Retirement Program based on the experience of former Civil Servants who participated in the program. The study would identify what changes or additions are needed to expand the program if it is successful.

An implementation plan for data related activities to monitor and evaluate EPRP is proposed (section 3). The timing of these activities are tied to key stages in program implementation, and specifically, to the conditions for disbursement.

1. Introduction: EPRP Information Requirements

Monitoring and evaluation will play an important part in the implementation of EPRP. Though adequate information is necessary for implementing any development activity, in policy reform programs, such as EPRP, various types of data must be collected on a timely basis to meet key information requirements. Data which demonstrate compliance with the criteria for funding disbursement are essential. Therefore, one component of EPRP monitoring will consist of keeping track of actions taken to satisfy the disbursement conditions stipulated in the Program Agreement.

Meeting the conditions for disbursement, however, is not an end itself. More important are the fundamental changes in modes of operation and the performance of government offices affected by the reforms. Therefore, data to assess these improvements are also needed for program monitoring. Much of this data will be qualitative and descriptive in nature. Recording significant changes which reflect increased efficiency and effectiveness within the public sector will be an important monitoring function. Quantitative data, such as total tax revenues, the composition of the tax base and non-wage expenditures, will also be useful for assessing the operational effects of policy reforms.

Whereas monitoring focuses internally on implementation and the operational changes it produces, evaluation offers a more comprehensive perspective on program accomplishments. In part, program evaluations draw from and build upon monitoring activities. An important function of EPRP evaluations will be identifying problems affecting implementation and recommending corrective actions. For example, determining whether implementation problems have resulted from unrealistic design assumptions concerning the GRM's ability to carry out reforms within the time frame of the program will be an important question for program evaluations issue. Similarly, monitoring operational changes will provide data for evaluations to determine whether policy reforms contributing to performance improvements (e.g., are the lower ceilings on new hiring adversely affecting operations, is the early retirement program draining off the most competent civil servants). Obviously, sound monitoring practices to generate the data needed for such assessments will be essential.

Evaluating program performance must also take into account the external economic and political factors affecting implementation. A fair assessment of progress and accomplishments is possible only in light of the economic and political context in which the program is being implemented. Significant changes in this environment might require modifying the content of the program to facilitate implementation.

For example, recent changes in the international cotton market could adversely affect the GRM's ability to make certain policy reforms.

Program impact will constitute the primary objective of the final evaluation. Many of the EPRP reforms are designed to stimulate private sector development. For example, additional information will be needed to assess the extent to which changes in the tax system and commercial code, have contributed to private sector growth. Data must be collected to determine whether reforms have achieved their objectives (e.g., streamlining the licensing process, encouraging compliance with the tax system). A study of program impact on the private sector should also contribute to identifying additional constraints which could be addressed by a follow-on program to EPRP. In short, EPRP evaluations should indicate a future direction for policy reform efforts.

The information requirements for EPRP monitoring and evaluation can be summarized as follows:

Monitoring-

- a) compliance with disbursement conditions, and
- b) performance improvement within the public sector.

Evaluation-

- a) assessment of the implementation process, and
- b) program impact and private sector response.

The purpose of this report is to develop an information strategy for EPRP which specifies the various types of data required for monitoring and evaluation and how to best obtain these data.

1. EPRP Monitoring

1.1 Primary Responsibility for Monitoring: the Program Coordination Unit

Monitoring the implementation of policy reforms supported by EPRP should provide a common information base for the GRM, USAID/Mali and the Program Coordinating Unit (PCU) during the course of the program. Monitoring data will be critical for the two Joint Reviews to assess program accomplishments. In short, the primary function of monitoring EPRP implementation is to assist all parties involved with the management of the program.

The Program Coordination Unit (PCU) has principal responsibility for carrying out monitoring activities during the course of EPRP. To perform this function adequately, the PCU must have complete access to records and other types of

operational data produced by the various GRM Directorates and Ministries participating in the program. This will require considerable cooperation between the PCU and GRM offices. Therefore, PCU staff must establish and maintain good working relationships with these various units to assure their access to necessary information. As described below, much of the data needed for monitoring functions will be generated from discussions with GRM officials concerning progress in instituting policy reforms and the effects of these changes on operations and performance. As unscientific as this might seem, interpersonal relations will be a very important factor in creating a successful monitoring system.

1.2 Monitoring Compliance with Conditions for Disbursement

The following tables summarize the major conditions which must be met for disbursement of EPRP funds and a tentative schedule for the implementation of reforms.

TABLE 1: EPRP PERFORMANCE DISBURSEMENT CRITERIA

CONDITIONS PRECEDENT:

- a) ProAg acknowledged by GRM as valid and binding.
- b) GRM representatives designated.
- c) PCU offices established in the Ministry of Finance.
- d) PCU staffed: two Malians and one technical advisor.
- e) Complementary ProAg signed by GRM.
- f) U.S. bank account opened for deposit of EPRP disbursement.
- g) Development of plan for privatization of parastatals.

COMPONENT 1: TAX REFORM (C1)

TRANCHE 1 (T1)

C1T1:

- A) Council of Ministers approve Commercial Code
- B) Develop 3 year action plan for tax and customs reform and Year 1 implementation plan

TRANCHE 2 (T2)

C1T3 3 (T3)

- A) Enactment of Commercial Code
- B) Liberalization of pricing and external trade controls
- C) Assess results of previous tax reform actions and develop Year 2 implementation plan.

TRANCHE 3 (T3)

C1T3:

- A) Assess results of previous tax reform actions and develop Year 3 implementation plan

COMPONENT 2: BUDGET & ADMINISTRATIVE REFORM (C2)

TRANCHE 1

C2T1:

- A) Meet all conditions of C1T1
- B) Computerize payroll and use system to pay employees.
- C) Implement new budget accounting system for receipts and expenditures
- D) Implement Privatization Program
- E) Develop plans and procedures for Early Retirement System, Feasibility Study Fund and Credit Guarantee Fund mutually acceptable to the GRM and AID
- F) Establish disbursement procedures for EPRP financing including local currency fund needed for Voluntary Retirement Program
- G) Set annual Civil Service hiring ceiling to reduce rate of growth (i.e., 1100 new hires only)
- H) Set level for non-wage expenditures acceptable to AID (e.g., \$1.5 million in the coming year raising non-wage to wage ratio)

TRANCHE 2 (T2)

C2T2:

- A) Assess implementation progress of C2T1 reforms.
- B) Provide data on expenditures incurred from Severance Pay, Pension Guarantee Fund, Credit Guarantee Fund and Feasibility Study Fund.
- C) Adhere to C2T1-G and set annual Civil Service hiring ceiling to reduce rate of growth (e.e., 800 new hires)
- D) Adhere to C2T1-H and set new target for non-wage expenditures (i.e., \$1.5 million)

TABLE 2: INDICATIVE IMPLEMENTATION SCHEDULE

Conditions to be met:	CP	C1T1	C2T1	C1T2	C2T2	C1T3	PACD
Timing	12/85	12/85	6/86	12/86	12/86	12/87	12/88
Funding (\$M)	0.8	2.56	2.7	3.55	4.785	2.02	
Joint review				12/86		12/87	

Monitoring compliance with the various conditions associated with EPRP disbursements should follow directly from the CPU's role as facilitator. An important part of this function is keeping EPRP on schedule as much as possible. Consequently, tracking progress toward achieving disbursement conditions should have high priority for the PCU.

On the surface, the criteria for disbursement appear to suggest that only one major action must be taken to satisfy a specific condition (e.g., Ministerial approval of the new Commercial Code, enactment of the Code, etc.). However, this appearance of simplicity is misleading. In reality, a number of discrete actions will actually precede compliance. For example, the GRM office involved with a specific reform must first fully understand the objective and importance of the proposed changes. An action plan might be required specifying new operating procedures, office policies, and staff assignments. This plan then has to be approved by senior managers responsible for that unit's operations. Next, implementing changes might require special staff training about the new modes of operation (e.g., how to use correctly the new budget accounting system). Moreover, certain conditions encompass a number of individual reforms - e.g., the enactment of tax reforms include changes in the payroll tax, business income tax, custom tariffs, deductions for capital investment and the establishment of a tax prepayment system. In other words, a sequence of events underlays full compliance with many of the EPRP conditions.

What should be recognized is that the series of actions leading to compliance provides a basis for monitoring implementation. That is, the key steps required to meet a given EPRP condition constitute benchmarks reflecting implementation progress. The PCU must document this process by first identifying these benchmarks for each program condition (as described in Table 1). Disaggregating conditions into their constituent actions will provide a series of short-term objectives for both PCU and GRM staff. The data for this type of monitoring will largely

come from periodic discussions PCU staff have with office directors concerning progress toward making the necessary changes. In short, an important part of the PCU's monitoring task will be to document this process - i.e., actions taken which constitute evaluation progress.

An EPRP Program Implementation File should be established by the PCU which contains periodic progress reports. The purpose of the file is to develop an information base for subsequent PCU functions - e.g., informing the GRM and AID of implementation progress. PCU monitoring reports could consist largely of summaries of material submitted to the file. Such reports will be necessary for the Joint Review meetings. The file should also be very useful for orienting evaluation team members about program implementation.

Establishing a documentation file of this sort is necessary because the individual actions/benchmarks, in and of themselves, appear as trivial accomplishments. However, as a set, they are the "stuff" of program implementation and policy reform. Moreover, such accomplishments are easily forgotten given the more immediate day-to-day demands of program management. Therefore, a system which tracks and records implementing EPRP reforms in terms of achieving a series of benchmarks is all the more important.

1.3 Performance Improvement

The budgetary and administrative reforms supported by EPRP are expected to improve the performance of the public sector. For example, increased non-wage expenditures, reduced hiring of new civil servants, and more efficient allocation of staff actual office requirements should have broad effects on government operations. Similarly, the Early Retirement Program should contribute to further efficiencies in the public sector over time.

A second major area of monitoring responsibility for the PCU is to track the intermediate effects of these reform measures. Intermediate effects refers to changes resulting from implementing reforms (e.g., reducing rates of Civil Service hiring) which do not directly measure actual improvements in the public sector performance (e.g., better service delivery, improved staff performance). Monitoring intermediate effects is consist with EPRP objectives. That is, the reforms should be viewed as initiating a process which is necessary but which might not be sufficient to produce major performance improvements. More important, it is not practical to try to actually measure improvements in public sector performance. The length of time required for such improvements

to become empirically verifiable is probably greater than the three year time frame of EPRP. Furthermore, rather expensive and somewhat elaborate data collection designs which exceed the resources available to the PCU would be required. Instead, the development or emergence of conditions which should ultimately lead to improvements in government operations (e.g., an expanded tax base, increased non-wage expenditures.) should be monitored.

Comparable to specifying actions and benchmarks which lead to meeting disbursement conditions, the PCU needs to develop intermediate indicators for major reform measures and new programs supported by EPRP. In some cases, quantitative data can be used, such as the annual number of taxpayers, the number of new hires into the Civil Service, and the number of applicants for the Early Retirement Program. Other data will be qualitative or descriptive in nature, such as assessing improvements in the Budget and Internal Revenue Directorates due to computerization of records and accounting systems. Establishing these indicators should be done collaboratively with the appropriate GRM office directors, though the PCU staff should first develop a very clear understanding of what they need to know to carry out their monitoring and evaluation responsibilities. The following discussion is intended to assist the PCU with their work in this area and is not intended as a complete listing of all possible indicators.

1.3.1 Tax Reforms

The various tax reform measures which lower the existing tax rates will decrease GRM revenues until the tax base expands. Changes in operations associated with tax reforms should be monitored. Two indicators of changes resulting from tax reforms are a) annual tax revenues, and b) the number of tax returns submitted. Both indicators should be readily available annually to the PCU.

As EPRP reforms are enacted, tax revenues will decrease due to lower tax rates. EPRP funding will offset this loss in revenues. However, revenues should not continue to fall after the initial reduction. At the very least, revenues should remain relatively constant, barring a severe economic downturn. As administrative reforms are implemented, revenues should begin to increase as the tax base expands. The number of tax returns should correspondingly increase over the course of EPRP, reflecting greater compliance with the tax system. It would be useful to determine the rate of expansion among the three principal categories of taxpayers - individuals, corporations, and economic interest groups. Moreover, an increasing number of tax returns might indicate a more equitable distribution of the tax burden.

Qualitative data should be obtained on the performance of the Internal Revenue Directorate including the Collections Service and the Investigations Unit. Primarily through discussions with senior managers in these offices, PCU staff should periodically assess the efficiency and effectiveness of these units. For example, as tax records are computerized, the performance of the Internal Revenue Directorate should improve. Possible indicators include more timely reporting of revenues, better access to tax data, and perhaps an ability to make better projections of next year's revenues. Similarly, changes in the performance of Collections and Investigations should be reflected by the number of cases investigated, audited and resolved; staffing and budget levels; and the development of more efficient procedures for processing cases.

1.3.2. Budgetary Reform

When the new budgetary accounting system to be implemented during EPRP becomes operational, financial analyses will be possible which cannot be done using the existing system. A key indicator to be tracked during the program is the ratio of non-wage to wage expenditures. However, some thought should be given to potential pitfalls involved with this measure.

At present, it has been proposed that for one year, both the old and new accounting systems will be used. In the following year, only the new system will be used. It is likely that the change over to the new system will introduce distortions in the data which, in turn, will affect the reliability of the expenditure ratio. First, differences between the accounting systems might result in certain expenditures being classified one way in the old system (e.g. classified as a non-wage expenditure) but in a contradictory fashion in the new system (e.g. classified as a wage expenditure). Consequentially, ratios calculated using the old system might vary from ratios based on the new system simply because of reporting differences. Second, ratios using the new system could also be affected by low reliability of the data. That is, it is reasonable to expect that errors will be made as the change-over to the new system occurs. It will probably take some time for people to learn how to use the new system correctly and this may not occur within the time frame of EPRP. Again, this raises the possibility that ratios will vary year to year because of discrepancies in reporting. In short, separating the "noise" from genuine change in budget allocations could be problematic.

One alternative is to continue both the old and new systems for two years and use the old system to calculate the expenditure ratio. Regardless of how the ratio is calculated, the same method should be used over the course of EPRP.

Though the non-wage to wage expenditure ratio would be a very useful monitoring tool, there might be some difficulty with obtaining data with adequate reliability. For example, continuing both systems for two years might be viewed as constituting an excessive workload or too costly. However, if real gains are to be made in non-wage expenditures, they should be verifiable. Alternatives to the ratio are equally prone to data limitations and unreliability (e.g., per capita measures of wage and non-wage expenditures). At this point in time, the best approach might be to simply wait and see how well the new system operates. Whatever the outcome, non-wage expenditures to improve the work efficiency of civil servants should be tracked. Precisely how that can be demonstrated will depend on the accuracy of available budgetary data. The PCU should work closely with the AID program economist on this problem.

Qualitative data should also be obtained on the operations of the Budget Directorate. Such data will serve as a cross check on quantitative indicators of budgetary reform. It should also provide some insight into the dynamics of implementing these changes. Computerizing the budget should lead to certain performance improvements and new capacities, such as better access to data, more timely reporting, etc. Obtaining this data will require some initiative and persistence on the part of PCU staff. In particular, they have to go about their work in a non-threatening fashion so that informants will be candid about the performance of the office.

1.3.3 Civil Service

Reducing the rate of new hiring in the Civil Service is a key condition for EPRP disbursement. However, this reduction also has important implications for other aspects of the program. First, non-wage expenditures per public sector employee (or the ratio of non-wage to wage expenditures) will depend in part in slowing new hiring. Second, if other reforms in the Civil Service are implemented, such as more efficient allocation of staff, then the reduced rates of hiring should have little if any adverse effect on public sector performance. In other words, the rate of Civil Service hiring will be an important indicator of establishing the pre-conditions necessary for improved public sector performance.

PCU staff should monitor improvements in the internal operations of the Civil Service. For example, the computerization of the payroll might lead to some improvement in the issuing of paychecks. Other changes that could lead to improved performance include establishing a better personnel system with more accurate tracking of employees' skills, job assignments, and promotions; and better monitoring of those

approaching retirement. Such improvements could be interpreted as more effective personnel management.

Other important improvements in the Civil Service should result from the completion of the job description and classification system. This should enable the Civil Service to better define the staffing requirements of each office. In turn, this should lead to more effective staff assignments - i.e., matching individuals' qualifications with the needs of the unit to which that person is assigned. This should also facilitate the geographic placement of staff and perhaps some insight into what is needed to induce individuals to accept less desirable assignments. Periodically, PCU staff will have to obtain information from the appropriate officials about these and other potential improvements in operations.

1.3.4 Parastatals

EPRP will support the GRM's efforts to privatize selected parastatals. The EPRP Program Agreement does not stipulate specific conditions concerning privatization for disbursement (other than that the GRM will plan and implement such a program as part of the Conditions Precedent). Nonetheless, PCU staff should follow the development of this program because, if successful, it will reduce the size of the public sector within the national economy. At the very least, privatizing parastatals currently subsidized by the government should reduce public sector expenditures.

It would be useful if the PCU documents the process and effects of privatization. Indicators of program progress would include whether any parastatals have been fully privatized, how the private firms fared, what the resulting cost savings were for the GRM, whether increased participation by the private sector in state enterprises has been encouraged, whether the drain on the banking system due to unprofitable parastatal operations has been reduced, and what constraints impede privatization in other areas.

1.3.5 Customs and Export Controls

EPRP will require the adjustment of customs tariffs to encourage private sector growth. The PCU should monitor closely the implementation of these changes. Particular attention should be paid to revenue levels to determine the magnitude of differences between the old and new systems. Equally important, revenues generated on imports might serve as an indirect indicator of private sector development. That is, increasing import revenues would suggest economic growth in the private sector (assuming a constant level of import tax evasion).

It would be very useful to have more accurate and timely data on actual imports and exports by commodity. Such data could identify subsectors with high rates of economic growth. However, the PCU should exercise considerable caution on this matter. Expecting the Customs Directorate to produce this information might be unrealistic given existing capabilities to collect and manage customs data. EPRP assistance should strengthen their data management capabilities. However, even if such data can be obtained, the reliability of the data should be thoroughly assessed before it is used. In short, the PCU should first assess (informally) the Customs Directorate's capacity to produce accurate and reliable import - export data, paying particular attention to collection procedures.

1.3.6 Operational Studies

Two small scale studies should be considered by the PCU concerning the operations of the Early Retirement Program and the new Commercial Code. If properly planned, the data for the studies could be easily obtained from operational records.

After one year of implementation, it would be useful to examine the performance of the Early Retirement Program. A standard application form is being developed for the program. It would be a simple matter to have the technical advisor for computerization set up a data base to enter each application (using DBase III, for example). A descriptive study of the data - e.g., the number of applicants, their distribution by grade classification, their plans after retirement for employment, the number accepted for the program, the procedures followed to select applicants, and a comparison between those accepted and those rejected - combined with expenditures for severance pay, the Feasibility Study Fund, and the Credit Guarantee Fund should provide useful information about the operation of the program. The purpose of the study would be to determine what changes might be needed to expand the program. This information would complement a subsequent study which examines the results of those who have used the program (see section 2.2.1).

A similar assessment could be conducted based on the business registration system to be established under the new Commercial Code. After a year or more of implementation of the new Code, it would be useful to analyze the registration data to understand more clearly which types of businesses are working within the system (i.e., registering with the government), the distribution of businesses registered (i.e., individual, corporations, and economic interest groups), and where they are geographically located. The information obtained from the study could be useful for determining whether the private

sector understands the new Code and trusts the GRM's administration of the new system. If not, it would be important to determine what actions targetted on which types of businesses should be taken to communicate the contents of the Code, or to reassure those doubtful of GRM commitment to the new Code. Equally important, registration data could be used over time to track the growth (proliferation) of businesses to assess the competitiveness of the market. This information could have utility for follow-on program. Lastly, use of registration data would complement a subsequent study to assess the response of private sector enterprises to EPRP (see sections 2.2.2 and 2.2.3)

Obtaining data from the registration system could be problematic until records are computerized. But assuming that happens by the end of the second year of EPRP, the technical advisor for computerization could be assigned the task of obtaining the necessary data from the system. If the registration system is not computerized before the last year of EPRP, this study might not be possible because of the added difficulty of working from the actual registration forms.

2. EPRP Evaluations

Evaluation in performance disbursement programs, such as EPRP, is central to implementation and a key management function. Evaluation in EPRP will be much more of an on-going, continuous activity than is typical of other types of development assistance. Specifically, meeting the conditions for each tranche will constitute a form of evaluation - i.e., are the reforms which have been enacted sufficient for disbursement. The two Joint Reviews scheduled for EPRP are also evaluative in purpose. Finally, an end-of-program evaluation will assess the accomplishments of EPRP and suggest future reform measures for a follow-on program.

Much of the data needed for these evaluations will be produced by the monitoring activities of the PCU. Documentation submitted to AID showing compliance with conditions for disbursement and information needed for the Joint Reviews will be based largely the PCU's monitoring activities. Additional data will be needed to evaluate the short-term effects of reforms and private sector response to the program. Some of this data could be obtained from the operational studies suggested earlier (section 1.3.6). To obtain additional data for evaluation and future design purposes, several highly focused studies will be needed.

EPRP evaluations should address two major concerns: the implementation process and program impact on the private

sector. The following sections suggest the types of issues the evaluations might consider and the corresponding data required to do so.

2.1 Evaluation of the Implementation Process

The design of EPRP specifies an evaluative function for the GRM/USAID Joint Reviews. The Reviews will assess implementation progress toward meeting the conditions for disbursement, factors which impede or facilitate program implementation, and action plans for upcoming reforms. In this regard, the Joint Reviews offer an opportunity to assess program management systems and the execution of responsibilities by all parties involved with implementation. The purpose of this assessment is to determine whether changes or modifications to management procedures are needed, and if so, what action is required and by whom. In short, the Joint Reviews will use evaluation as a management tool to expedite implementation.

The economic and political context in which the program is being implemented should be a key concern for the Joint Reviews (as well as the final summative evaluation). The program assumes that the GRM has the ability and resolve to make a number of policy reforms. These assumptions are based on conditions which existed during the design stage. Major changes in these conditions could affect program implementation either positively or negatively.

For example, recent changes on the international market for cotton could result in a substantial decline in export earnings for Mali, leading to a serious economic downturn. This could reduce GRM revenues or re-direct government priorities. As a result, EPRP targets might not be achieved. On the one hand, adverse economic conditions might result in a lack of counterpart funds for certain components of the EPRP reform package (e.g., the Severance Pay Fund and the Credit Guarantee Fund). On the other hand, further economic austerity might work as an added incentive for the GRM to push ahead with EPRP reforms to expedite the disbursement of funds.

Economic conditions can also interact with very real political concerns. For example, adverse economic conditions could make permanently lowering the rate of Civil Service hiring politically unacceptable on the grounds that it might lead to social unrest. Alternatively, in light of an insufficient revenue to meet current operating expenditures, the GRM might have to radically curtail hiring beyond the levels encouraged by EPRP out of sheer necessity. In short, the Joint Reviews need to assess program performance in the context of existing economic and political conditions. If implementation problems

have occurred, slowing the disbursement of funds, the Joint Reviews should determine to what extent the delays in meeting program conditions are due to contextual factors. If such factors are impeding implementation, the conditions for disbursement might need modification to bring them into line with changes that have occurred since the initial design of the program. Data which reflect current and projected economic conditions as well as GRM budgetary data will be necessary for this purpose.

A formal mid-term evaluation of EPRP has not been planned and does not seem necessary given the responsibilities of the PCU and the Joint Review Committee. However, the GRM and AID should consider bringing in one or two individuals prior to the second Joint Review to obtain an outside opinion about EPRP's progress to date. An economist with experience in private sector development in Mali or West Africa and an institutional analyst knowledgeable about Mali's preceding and new Commercial Code could provide some useful insight and recommendations about future reforms for the Joint Review to consider. Ideally, individuals who worked on the original design could be retained (e.g., Jerry Wolgin of AID/AFR/DP and Sheldon Gellar). The PCU's monitoring data should provide the core of the information needed for this activity. If implementation has been problematic, they could also help identify possible remedial action. In either case, a three to four week review of program progress and major problems would probably be sufficient.

2.2 Studies

Even though EPRP implementation is just beginning, it is not premature to give thought to studies which will be needed for a final program evaluation. Such studies will be particularly important if a follow-on program to EPRP is likely. At the very least, components of EPRP which might be expanded at a later date should be thoroughly evaluated. Planning at this stage consists primarily of identifying key areas for investigation. After EPRP has been under way for approximately a year, more detailed planning should be done leading to scopes of work for the studies. At this point, three studies starting around mid-1987 are likely to be required: a) a study of the experience of individuals who participated in the Early Retirement Program; b) a study of new enterprises established after the enactment of the Commercial Code; and c) a study of the response of private sector enterprises to EPRP reforms.

2.2.1 Early Retirement Program Study

The Early Retirement Program is one component of EPRP which potentially could be expanded in a follow-up project. If successful, the program could be of considerable utility to the

GRM for reducing the size of the Civil Service while minimizing the adverse effects of such reductions. It will be important, therefore, to thoroughly evaluate the performance of this program during EPRP to determine whether it should be expanded and if so, what modifications might be needed.

A study of the Early Retirement Program should examine the adequacy of the compensation and assistance provided to those using the program. In general, the study should determine what the common patterns of experience have been. For example, working from the application for admission to the program, the study would find out how successful retirees have been in achieving their employment plans, how the program assisted them, whether the severance pay scale is adequate, the utility of the Feasibility Study and Credit Guarantee Funds, the Weaknesses they report based on their personal experience. Obviously, the design of the study must be based on the final system which is established for selecting applicants and actual experience with the program. At this stage in EPRP, the program not yet been implemented. But for heuristic purposes, it has been suggested that approximately three hundred people annually will participate in the program, producing a total of six hundred early retirees during the course of EPRP. Those selected for the program will be distributed equally, more or less, among the three main Civil Service categories (i.e., A, B and C). Using these estimates, it is possible to suggest a study design.

The study should be conducted approximately one year after implementation of the program. Assuming that by mid-1987 approximately three hundred people have been retired through the program, a random sample of twenty percent stratified by former Civil Service grade ranking could be drawn, yielding a total sample of seventy-five participants. The individuals would then have to be located and interviewed.

Minimum staffing requirements for a study of this sort would consist of one full time investigator with two interviewers. The principal investigator would need one week to design the pre-test a questionnaire, and draw the sample. A day or two of training the interviewers in the use of the questionnaire and having them conduct at least one practice interview would be needed. The principal investigator would be responsible for supervising the interviewers and conducting interviews as well. Approximately one month would be required to locate and interview the sample. As interviews are completed, the PCU technical advisor for computerization would be responsible for supervising data entry and assisting the principal investigator with data management for analysis (if necessary). The data set should be fairly simple and straightforward, thus requiring no

more than two weeks to complete data entry and analysis. One week should be enough to interpret the results. Therefore, a principal investigator would be needed for a total of eight weeks; interviewers, for approximately four weeks. Data entry and analysis costs should be negligible; logistics costs would depend on the geographic location of those selected for the study. The principal investigator should have the appropriate methodological skills combined with fluency in French and previous work experience in Mali or West Africa. Local university students could serve as interviewers. Costs would range from approximately \$10,000 to \$22-25,000 depending on whether a local Malian or an expatriate is the principal investigator.

2.2.2 New Enterprise Study

The new Commercial Code is expected to simplify the registration of businesses by reducing costs and time requirements. Previous restrictions concerning the establishment of new businesses will be removed (e.g., former employees are no longer barred from establishing businesses identical to that of their previous employer). Lower tax rates might also encourage the formation of new businesses. In short, a study of new businesses could provide insight into the effectiveness of EPRP policy reforms to stimulate private sector development.

The study would examine the motivation of new business operator for establishing their enterprise to determine whether EPRP reform measures were a contributing factor. If not, this might suggest the need for a more concerted effort by the GRM to make known the policy reforms, or consider additional reform measures. The study would verify whether the registration system established under the new Commercial Code actually operates as envisioned - faster, cheaper, etc. Data could be collected on knowledge about EPRP reforms, business size, labor requirements, capital investment, credit availability and other pertinent factors/constraints affecting business success and potential for expansion. In addition to clarifying the effectiveness of policy reform to stimulate private sector development (assuming it does), the study should also contribute to identifying additional types of interventions to further encourage the establishment of new businesses.

If the business registration system is instituted as part of the new Commercial Code, a sample of new businesses established after the enactment of the Code could be used for the study. The size of the sample should be a function of the number of new establishments and variation in size of operations. A typology of business could be developed and used to stratify

the sample. In general, however, the design of the sample should be decided after some initial investigation of the registration records. One simplifying strategy would be to restrict the study to Bamako, with the assumption that business activity here is representative of the country overall.

The timing of the study will depend on the development of the new business registration system. Ideally, the new system will have been in operation long enough to contain a reasonable number of newly established businesses. Given enough remaining time in EPRP, the study should provide information for program evaluations (at least the final evaluation if not the second Joint Review) and future design activities. Costs are very hard to estimate at this point, but a small scale, fairly rapid study involving one principal investigator could be conducted for approximately \$25,000 to \$30,000 (less if a qualified Malian could be found). Either the Chamber of Commerce or the PCU might provide data management support. The principal investigator should have experience with conducting research on private sector enterprises in developing countries (probably an economist, but a sociologist or anthropologist might also be suitable). Adequate methodological skills to design the sample would be necessary, as would fluency in French.

2.2.3 EPRP Impact and Private Sector Response

Unlike many other development activities, the policy reform objectives of EPRP permit, to a limited degree, assessing impact on the private sector by the end of the program. The tax reforms and new Commercial Code might have a fairly direct and immediate effect on the decisions and actions of the private sector. On the other hand, the business community might not trust the GRM's commitment to maintaining the reforms. Consequently, they might be reluctant to act on the basis of the reforms, fearing a subsequent reversal of EPRP policy changes. To gain insight into the effectiveness of EPRP reforms, a study of private sector response and the expectations would be useful for program evaluation and future planning activities.

An important dimension of policy reform is the communication between the public and private sector. Changes in government policy alter the rules of the economic system. The purpose of the reforms is to encourage the private sector to take certain actions which previously were forbidden or impeded by the government. Clearly, it is important that the private sector understand what the changes, or new rules, are if they are to respond. Therefore, the public sector has to make a concerted effort to communicate the new policies to the private sector for the reforms to be effective.

In the case of EPRP, the GRM is to conduct a campaign to explain the tax reforms and the new Commercial Code. A study of private sector response, therefore, should examine whether business operators understand the reforms, and if so, what actions they have taken (or not taken) accordingly. Data would be collected on the level of understanding of the reforms, their relevance to operating business practices, changes in business operations (e.g., expansion of a operations entry into new types of business, additional employment, additional capital investment), and major constraints to further growth.

Given the dearth of reliable and accurate information about the private sector in Mali, a study of this sort could have considerable utility for the GRM, AID and other donors. Therefore, if funds are available, it might be worth making a considerable investment in the study. Assuming sufficient funding, the study should be based on a statistically representative sample covering the entire spectrum of businesses enterprises - from very small to very large. (Different questionnaires will be needed for large and medium businesses versus small and micro-enterprises.) The study should also be geographically representative, covering at least the major cities of Mali. Such data could help identify what further policy changes are needed to affect different types and sizes of enterprises. Moreover, the study could also identify additional interventions (other than policy reform) to stimulate private sector development.

Cost for a full scale survey could reach \$100,000, depending on the amount of expatriate technical assistance required. Of course, the scope of the study could be adjusted downward on the basis of available funds by a) limiting the study to just large and medium size enterprises (which are most likely to be directly affected by and able to respond to EPRP reforms), and b) limiting geographic coverage to Bamako. That could cut costs in half.

Staffing requirements would depend on the scale of the study. In the large scale version, the principal investigator should have considerable research expertise in private sector development in LDCs. A survey statistician would probably be needed for at least the design of the sample and training of interviewers. Funding would also be needed for data management. In the scaled down version, one principal investigator with private sector research experience would be sufficient. Timing of the study should be approximately six months after the enactment of the commercial Code and be completed before the second Joint Review if possible.

2.3 End of Program Evaluation

The final evaluation for EPRP will serve two main purposes; a) assess the effectiveness of the reforms to improve public sector performance and to eliminate regulatory barriers to private sector development; and b) identify additional needed reforms in these areas for a follow-on program.

If the monitoring data suggested in Section 1 are collected, the final evaluation team will have ample information to orient themselves to the history of the project and the course of implementation. Moreover, the PCU should have also produced documentation concerning factors which either impeded or facilitated implementation. Similarly, documentation of the actions resulting from the work of the Joint Reviews, particularly concerning any changes in the program, will be important for the final evaluation. Findings of the operational studies (see section 1.3.6) and the three studies suggested above should provide much useful information for the evaluation.

However, like any other evaluation, EPRP's final evaluation should be carefully planned to maximize its utility. Final evaluations can easily degenerate into a review of program (or project) history which adds little if anything to our understanding of this form of development assistance or lesson elsewhere. In short, whatever else the evaluation team does, its scope of work should make explicit that the assignment is primarily analytic in purpose. With the right team members, this might (with luck) produce a document that reaches generalizable conclusions and assists planning future policy reform programs.

One area that could be easily overlooked, but which deserves special attention in the final evaluation, is the coordination between EPRP and policy reform activities supported by other donors. EPRP builds a number of reform programs sponsored by the World Bank, IMF, the French and other donors. At the same time, EPRP should facilitate additional reform programs. For example, computerization of the national budget, customs records, and tax returns supported by EPRP will allow undertaking types of financial analysis which at present are very difficult, if not impossible, to do. Moreover, simply improving the access to and manipulability of basic expenditure and revenue data will be an advance over the present situation. In short, the final upon policy reform efforts of other donors and at the same time made possible new reform activities.

Team composition should reflect the key areas of EPRP - private sector development, public administration, institutional development and tax reform specialist. Three team members should be sufficient and all should be fluent in French with previous work experience in West Africa. Eight weeks (forty work days) should be sufficient; hence, funding for six person months will be needed.

3. Implementation Schedule for EPRP Data Related Activities

Data related activities for EPRP are scheduled to correspond to the implementation stages and key events of EPRP, and in particular to the meeting of disbursement conditions. Based on the current projected implementation schedule for page 19

the program (see Table 2), the following suggests a corresponding schedule for EPRP data related activities.

Activity:

A) Monitoring Compliance	X.....						
B) Monitoring Performance		X.....					
C) Evaluating Implementation	X		X				
D) Joint Review	X		X				
E) Evaluation & Planning Studies (*)		E.R.P N.E.	P.S.R.				
F) Final EPRP Evaluation							
	12/85	6/86	12/86	6/87	12/87	6/88	12/88

*Studies:

E.R.P. - Early Retirement Program
 N.E. - New Enterprises
 P.S.R. - Private Sector Response

Implementation rarely holds to a set schedule; for EPRP some slippage in instituting reforms is likely. This will cause delaying the start of a monitoring and evaluation activity. Therefore, using the abbreviations in Tables 1 and 2 (C1 - condition 1, T1 - tranche 1, etc.), the timing of activities should be as follows:

A) Monitoring compliance should begin with meeting the initial Conditions Precedent and continue until meeting ClT3.

B) Monitoring performance should be with meeting C2T1 and continue until the final evaluation, or at least until the second Joint Review.

C) Evaluating implementation should be a responsibility of the Joint Reviews.

D) The first Joint Review should be held after conditions for ClT2 are met but prior to disbursement. The second Joint Review should be held after conditions for ClT3 are met but prior to disbursement.

E) In general, the studies should start mid-way through EPRP - i.e., after eighteen months of implementation. In the mean time, the mission should find funding for the studies. One funding levels have been established, design of the studies can proceed.

The Early Retirement Program should be conducted after approximately one year of operation so that roughly half of the total number (six hundred) participants have been retired through the program and used its services. The new Enterprise study should be conducted approximately one year after the enactment of the new Commercial Code (i.e., meeting C2T1). Both of these studies should be completed prior to the second Joint Review if possible. The Private Sector Response study should be timed so that it is completed prior to the final evaluation, the study should be tied to the design of a follow-on program to EPRP.

F) The final evaluation should begin roughly six months before the PACD and/or after meeting ClT3. It should precede and inform follow-on design activities.