Introduction

In common with other donors, the European Union (EU) has given a large part of its aid as programme aid in recent years, with 47 such programmes under Lome III and 64 under Lomé IV in the years 1990-94. The EU is somewhat exceptional in the critical attention paid both to the design of adjustment policies and evaluation methodology for Balance of Payments (BOP) support. This paper, which reviews these issues, is divided in three sections. Section 1 considers the evaluations carried out by EU, including the actual findings and the methodological issues related to these works. Section 2 outlines some basic concerns on evaluation methodology, or lessons from the experience, arising from the works carried out and the debate in the European Commission. Section 3 concludes.

1 Evaluations Carried Out and Methodological Discussions

EU experience in BOP support programmes in ACP started in 1986-87, although only with Lomé IV Convention (in 1990) were specific guidelines and structures established to manage such programmes. Lomé IV Convention identified a two-fold approach to BOP support programmes: a) they are part of the global structural adjustment or reform programme at country level; and b) they aim at stressing specific concerns in the reform process: long-term sustainability, national commitment and social dimension.

Under Lomé III Convention (1986-90) EU financed 47 BOP support programmes worth 807 MECU. Under Lomé IV, up to the end of 1994, 64 programmes were financed, for an amount of 1,180 MECU. These programmes can be classified as either sectoral import programmes (SIPs) or general import programmes (GIPs). In addition were some 1,136 MECU of STABEX transfers, generally included by Lomé IV in the same negotiation framework as BOP support.

1 The author thanks the staff of the European Commission, particularly Mr Sam McPherson (consultant at the DGVIII Evaluation Unit), for their collaboration in data collection and analysis. The opinions expressed in the paper reflect the point of view of the author only.
The evaluation of the first BOP support programmes

In 1990 the first global evaluation was carried out by an external consultant on the programmes funded under Lomé III Convention. The evaluation focused on five countries (Benin, The Gambia, Guinea-Bissau and Kenya). In this evaluation a specific methodological discussion is not explicit, reflecting the early stage of EU experience in BOP support programmes and the related lack of specific methodological thinking. Particularly, there is an overlap between the evaluation of the impact of the structural adjustment programmes, whose success the EU support was intended to contribute to, and the effectiveness in the attainment of the specific import support objectives included in the EU action. There is also a wide discussion on project design and project management issues.

The major findings of the evaluation were:

a) the analysis of the impact of structural adjustment is very general, using a before/after approach. Different indicators are considered in different countries. The authors stress a generally positive impact, but the lack of methodological consistency makes these conclusions weak and poorly justified;

b) on the effectiveness of EU import support programmes, the relative soundness of GIP and/or SIP is discussed, showing that the latter played a significant role for import recovery only in countries with strong restrictions on imports. In some countries (e.g. Uganda) SIPs have helped specific sectors by allowing spare parts imports and agricultural input supply to multiply. In some other countries, SIPs have provided basic commodities, like petrol in Guinea Bissau, allowing wider access to imports by other economic sectors. The question whether GIPs would have played the same role or would have been even more effective in resource allocation is not raised. However, the ineffectiveness of SIP, in countries with a convertible currency, such as Benin, is noted.

c) there is no discussion on the possible alternative uses of counterpart funds (CPFs). Although, it is noted that they have played an important role, when directly tied to the implementation of key reforms included in the structural adjustment (e.g. the retrenchment programme in Benin's public administration).

d) this evaluation concentrates particularly on project design, negotiation, monitoring and review. It highlights the EU's need to create specialized units and staff and to establish adequate procedures, once it has been decided to undertake such programmes on a large scale.

Lomé IV: EU position on structural adjustment and policy reform

Following the Lomé IV decision to get the EU much more involved in structural adjustment and policy reform in ACP countries, work was started, not only to prepare and implement a new generation of reform-based BOP support programmes, but also to better define EU understanding of structural adjustment and the specific concerns to be stressed in the Lomé IV BOP support programmes. A study was carried out and published in 1994, on behalf and with the contribution of EU, which provides a general evaluation of structural adjustment impact in the ACP countries. The study makes a comparative evaluation of the economic performance between different groups of countries, both ACP and non-ACP, with and without adjustment. Adopting the Modified Control Group approach and econometric models, the basic conclusion is that the major factor determining the differences in economic performance between the ACP and non-ACP groups was the situation before the policy reform process and not the policy measures adopted during the process. The study also contains a number of qualitative observations based on the analysis of quantitative macroeconomic and sectoral indicators. Based on such analysis, the study suggests that structural adjustment programmes are characterized by a number of recurrent weaknesses, that should be looked into with the maximum attention by EU.

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This conclusion, together with an appreciation of the EU specific contribution after Lomé IV, have been included in a communication of the European Commission to the EU Council of October 1994. Structural Adjustment is considered an unavoidable process toward sustainable development, although many aspects must be reviewed. Therefore, a number of measures are recommended for future EU action: a) including structural adjustment support in the framework of long-term development agreements with the recipient governments; b) helping the governments in establishing new more transparent and effective budget management methods; c) stressing the social and regional dimension; d) enabling adequate levels of public and private investment; e) strengthening coordination with other donors; and f) increasing the coherence among the different EU financial instruments for policy support. An additional recommendation included in the mentioned communication regards the type of support provided by EU. This should shift toward direct targeted budget support in countries with a convertible currency.

The evaluations carried out after Lomé IV and the related methodological debate

In this framework, a number of country-level evaluations have been launched in 1994 in Ghana, Uganda and Côte d'Ivoire. In other countries the evaluations are presently under way (Tanzania, Cameroon and Zambia).

These evaluations have been preceded and accompanied by a lively debate in the Commission on methodology. Unfortunately in its first phase such debate was jeopardized by its concentration on the use of the Logical Framework (LF - or Project Cycle Management, PCM) approach and the possibility of its application to BOP support evaluation. The structure of the Logical Framework, discussed in more detail below, is summarized in Table 1. An extreme application of PCM - as was envisaged by some of the participants - would have generated a redundant analysis of the consistency between the different stages of the Logical Framework, with little concern for the impact and effectiveness of the programmes in the framework of the global country.

\[\text{Table 1}\]

Grid for the evaluation of short-medium term programmes for BOP support (the EU case)

<table>
<thead>
<tr>
<th>What to assess</th>
<th>What to evaluate</th>
<th>What data to use</th>
<th>What to include</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance</td>
<td>EU programme</td>
<td>General context, before intervention</td>
<td>Programme design</td>
<td>Systemic</td>
</tr>
<tr>
<td>Impact</td>
<td>Reform process in which EU programme fits</td>
<td>Changes in general context</td>
<td>Macroeconomic</td>
<td>Before/after</td>
</tr>
<tr>
<td>Impact</td>
<td>EU specific objectives/results</td>
<td>Changes in the status of the beneficiaries</td>
<td>Meso-economic</td>
<td></td>
</tr>
<tr>
<td>Effectiveness</td>
<td>EU management capability</td>
<td>Adequacy of the means to the strategy</td>
<td>Micro-economic</td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td>EU management capability</td>
<td>Adequacy of the means to the strategy</td>
<td>Social</td>
<td>Process</td>
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</table>

* The process from identification to final evaluation, including monitoring, policy dialogue, and reporting.

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3 See paragraph 2 of this section
In effect, some of the evaluation teams found that a pressure in this sense had been very energy consuming and detrimental for the evaluation results.

On the other hand however, PCM detractors risked denying that in EU programmes it was possible to identify specific goals, purposes and measures. In other terms, these programmes included different targets and action levels, that an appropriate application of the LF method could have helped to highlight. As an example, in Table 2, a very general break-down of the basic components of a typical EU programme is given. An application of the Logical Framework may help in better understanding such components and their connections, both in terms of internal coherence and relevance to the external context.

Additional problems reflected in the discussion were how to evaluate a programme, which (a) is part of a global reform process, which is multi-donor and multi-purpose, and whose main inputs are not under the EU control; and (b) focuses on some specific objectives, without being an independent project.

**The main findings of the evaluations on Lomé IV programmes**

The studies focused on some major areas, that may be summarized as follows: a) the impact of the global reform processes in which the EU has participated through its own contribution; b) the effectiveness of EU specific targeting in supporting particular groups and development areas; and c) the adequacy of EU capacity in managing such programmes. A very short synthesis of the main findings in these three areas is provided below, before the discussion of the methodological lessons that can be learned from the experience.

**Impact**

Both the macroeconomic and social impact of the comprehensive programmes were found to be broadly positive (with the partial exception of Côte d'Ivoire, which, until mid 1994, was in a position of stagnation of all macroeconomic indicators). However, in each case a number of specific reservations were expressed with respect to the sustainability and depth of these improvements, particularly in terms of the long term macroeconomic situation in all three countries.

For example, the economic impact of the comprehensive SAP programme in Ghana has been found to be 'patchy' and contradictory; thus, on the one hand the SAP has undoubtedly had a positive impact on stabilization and growth - mainly due to the massive external support, the liberalization of trade and exchange rate policies and the rigorous budget policies carried out in the mid 1980s. However, on the other hand, there has been a disappointing impact of the SAP; in terms of public sector spending (which has increased, due to the delay in SOEs' privatization), private sector investment (which has stagnated at very low levels) and, recently, the poor performance in terms of a number of other macro indicators (e.g. a return to high rates of inflation and a burgeoning public domestic debt).
Until very recently the situation in Côte d'Ivoire was found to be even worse - with the authors concluding that the SAP support had little impact on nearly all aspects of the macroeconomy prior to the devaluation of the real exchange rate at the beginning of 1994. Importantly, however, since the devaluation there have been very encouraging indications of a dramatic (though, by no means, complete) improvement in its performance (particularly with respect to increases in the private and public investments). Although encouraging, great caution is required with respect to these developments due to the fact that they are so recent and may yet prove unsustainable. This latter point is also made in the case of Uganda which in many respects constitutes the most encouraging performance of the countries considered.

In terms of the (long term) social impact of the global SAPs, the evaluations highlighted somewhat contradictory results. The social impact of the comprehensive SAP has been generally positive - most so in Ghana but less so in Uganda and Côte d'Ivoire - due to the fact that the limited economic growth that has been achieved, has generated employment and served to increase (or at least partially preserve) the budget resources reserved to the social sectors. However, in all three countries several problems were exposed in terms of the depth and sustainability of these results. For example, in Ghana the recorded increase in employment of approximately four per cent per year was largely due to an increase in informal employment (characterized by temporality, instability and extreme uncertainty) rather than any increase in 'structured' stable private employment - the failure of the latter being due to the low medium-long term investment in the private sector mentioned above.

Effectiveness
The EU's promotion of its main concerns (support to health and education, and, in some cases, to decentralization and private sector) was found to have achieved a varied level of success. For example in Ghana and Uganda the disappointing level of success - both in terms of improving the emphasis of the recipient governments on these areas and of significantly improving the programmes' effectiveness on these issues. Somewhat in contrast, however, the evaluation carried out in Côte d'Ivoire found that a significant proportion of the EU sponsored operations in these areas (the health sector especially) had been very effective.

It was generally found that the provision of GIPs to provide direct support to private investment in Ghana and Uganda has not proven effective. Also when (as in the EU case) GIPs are reserved for private sector imports, the mechanism in itself is not able to avoid the fact that the government profits better than the private sector from the additional availability of foreign currency created by a GIP.

Also in Ghana and Uganda, it was found that the tying of CPF to specific budget lines to support the social sectors proved to have a limited effectiveness: for example, it did not necessarily prevent the recipient governments from cutting the untied part of the relevant budgets and then operating budget reviews and/or creative budget management. On the positive side, however, in Côte d'Ivoire a number (but not all) of the EU operations in this area did seem to have a significant success; particularly with reference to the EU supported programmes designed to reform the supply and distribution of essential drugs; those designed to improve the working conditions of the health professions; and some of the measures designed to protect the most vulnerable groups from the negative impacts of the deteriorating macroeconomic situation. The different level of effectiveness was probably due to the high concentration and relative importance of EU funds in the health sector (80 per cent of non-staff expenditure), in Côte d'Ivoire, combined with the existence of a detailed plan of action to use the funds and a strong political commitment by the government.

With respect to the STABEX instrument, most criticism in the three countries regard the system itself, which is characterized by an erratic nature and cumbersome disbursement procedures that create enormous delays. Both these aspects make the instrument very inflexible and not easy to manage for policy reform objectives.

Programme management
All three evaluations concluded that the instruments utilized by European Commission represent a considerable effort to translate into practice, in a relatively short time, the rather complex EU position established in Lomé IV Convention on
structural adjustment. However, the need to increase design and monitor capacity, improve mechanisms and procedures, and speed up disbursement was widely stressed.

Inclusion of BOP support in a long term development perspective - as suggested by EU documents - requires the participation of EU in policy dialogue and the related support to governments for budget management, including technical assistance for the design and monitoring of the plans of action related to the areas of major EU concern. In both Uganda and Ghana, it was found that EU had not adequately participated in the policy dialogue process so as to help and encourage the governments, for example, to provide clearer positive signals of their commitment to improve private sector initiatives and participation. This point is supported by the Côte d'Ivoire evaluation which found that in health and decentralization programmes in which the EU was effectively a 'leader' in policy dialogue and implementation, the effects were far more substantial than in those in which the EU adopted a 'follower's' role.

Concerning this latter point, in all the successful operations in Côte d'Ivoire, the EU played an extremely active role in defining areas of operation and ensuring that targeting of recipients was well focused through specific improvement of the budgetary process and execution (which was often not the case in Uganda and Ghana). In addition, the Ivorian government was particularly well disposed to ensuring that these priority operations were successful.

The evaluations also highlighted a number of problems stemming from the specific context characterizing each country (the macroeconomic situation, the orientation of state bodies, the institutional capacity at various levels, etc.). The still limited resources of the EU do not allow adequate consideration of these factors in the phases of programme design and review. In several cases it was concluded that the potential positive impact of the programmes was severely undermined due to conflicting actions by state bodies. For example, the failure of some governments to develop and impose a suitable pricing policy for some of the products which were supported through the STABEX: indeed the evaluations highlighted a number of actions on the part of some governments which directly contradicted the aims of the STABEX; the attempt to raise export taxes on cocoa exports by the government of Ghana provides a good example.

Another major problem regarding implementation relates to the lack of transparency of the financial controls and procedures in the budgetary accounting systems in each country, creating substantial problems in terms of fungibility, 'creative accounting', and the actual endpoint expenditure delivery. The issue of expenditure delivery was deemed particularly important and came up at various points in the evaluations of all three countries. In addition, basic mismanagement within organizations (such as the District Municipalities in Côte d'Ivoire, for example) was highlighted as a significant problem which could potentially undermine some of the reform measures that were promoted through the implementation of STABEX.

The major recommendations issued by the evaluations
Despite the differences among the three countries, some common conclusions can be highlighted:

a) the need for greater participation, and leadership, of the EU in the policy dialogue, programme preparation and monitoring - especially with reference to the promotion of the EU's priority concerns.

b) the need to improve administrative and accountability procedures in state and parastatal bodies so that transparency and effectiveness is increased. This implies that greater assistance should be given to the process whereby the administrative capacity of implementing agencies can be built up and suggests that the EU funded technical assistants should take more responsibilities and be more involved in this process;

c) the application of the recommendations (a) and (b) would encourage more effective targeting mechanisms, by shifting toward direct budget support (or through CPFs, in the countries without convertible currency) toward a set of activities, to be agreed upon during budget preparation, designed and assisted for
implementation. This, it is suggested, may include greater tying of EU support to performance improvements in the priority sectors so that actual expenditures in these areas are ensured - as opposed to relying on stated allocations, for example, which sometimes do not translate in to expenditures;

d) improve complementarity with project based support such that the coherence of the EU approach is better ensured;

e) improve complementarity with the EU member states, at least in the field of BOP support programmes.

2 Lessons for Evaluation
Methodology for BOP support programmes

During the evaluation exercise, the debate on methodology in the European Commission identified a number of convergent points which have been confirmed by practice. In both the work at country level and the evaluation guidelines under preparation by the Commission, the possible application and usefulness of the Logical Framework (LF) approach have been reviewed. The LF is no longer considered a methodology, but rather a useful tool making explicit all the components of a programme: development goals, specific objectives and target beneficiaries, detailed activities and the accompanying measures. The LF helps the evaluator understand the programme's structure and consistency: i.e. how it was prepared and the coherence between objectives and means. It offers little help, however, with respect to the evaluation methodology, which has to respond to a number of specific issues: relevance, impact, effectiveness and efficiency of any particular BOP support programme.

The evaluation of relevance
The assessment of relevance constitutes a preliminary exercise in the evaluation of a BOP support programme (Table 1). The basic question is: 'Is it realistic to expect any significant outcome from the programme?', leading the evaluator to consider the following issues:

a) the relative size of the programme (including connected funds), compared to the total funds allocated to the global reform process (macro-relevance) and to the specific amount of funds allocated in target sectors and/or to target groups (micro and sectoral relevance);

b) the political and economic environment: whether the country is shackled by heavy political instability, or its capacity to undertake a global reform process is limited by external factors (e.g. the fixed exchange rate in Côte d'Ivoire until December 1993);

c) the specific constraints of a country, as they are perceived by its social leaders and the government: are the programme's specific objectives and actions easy to internalize by the government and/or by significant social groups in the country?

The assessment of relevance determines all the following steps. According to its results different hypotheses may follow for the evaluation exercise. The assessment of relevance basically regards the evaluation of the programme preparation phase and of programme reviews. The use of the LF to analyse the programme preparation process appears very useful.

The evaluation of the impact
A first question is: the impact of which programme? The impact of the structural adjustment programme to which the EU contributes at macro and sectoral level, as well as on the conditions of different target groups? Or the impact of the EU programme in itself? The question is not easy to answer, but both the practice and the methodological discussions have shown that it is not possible to isolate the impact of the EU programmes. Any global or specific impact expected should be seen as a consequence of the global reform process. In the methodological discussion on evaluation, 'impact' is intended as the change produced by a concentration of actions, which are not all necessarily directed toward the attainment of that change. One may look at the 'effects' of one action or another in a programme ensemble, but it would be difficult to speak about the 'impact' of such a single component (see the 'effectiveness' evaluation, below).

If the EU contribution has extended over a sufficiently long period (e.g. not less than five years),
then the impact evaluation of the reform process includes the impact evaluation of the EU contribution. If not, as is the case in most countries, the impact evaluation just highlights the global framework in which the EU intervention is going to fit.

Impact evaluation should consider all the main objectives of the global reform programme, i.e. macroeconomic balances, liberalization and stabilization of prices and exchange rate, regulatory framework reform, public and private investment, social dimension and trade. Even when a specific programme intends only to provide direct support to BOP (which is not the case of the EU programmes), it should be evaluated in the same way, if it is conceived as part of the global reform process that justifies BOP support.

A second very important question is: what kind of evaluation should be adopted to assess the impact of the programmes? Would a 'before/after' approach be acceptable, despite the fact that it overlooks the importance of both starting conditions and external factors? Would not a 'with/without' approach be better, despite the complexity of the exercise when it is applied to the assessment of a global economic process? All three evaluations of the EU programmes have adopted a 'before/after' approach to assess the impact of the country reform processes. No innovations have been adopted with respect to the well established practice of, for instance, the World Bank reports on country evaluation of structural adjustment. No mathematical models have been used, since it has been deemed that the costs of such modelling were not justified by its possible advantages. The usual analysis of the historical statistical data of the major indicators has been carried out.

Wide use has been made of existing surveys, and sectoral and microeconomic studies, whose importance should not be overlooked in countries with a long experience of structural adjustment. Direct observation, especially through the organization of Rapid Appraisal groups, e.g. among economic operators, has been found very useful. Comparative references with other countries, e.g. in the same sub-region, have been used to better evaluate the national performances in different fields.

This work has provided a sound basis for the identification of the strong and weak points of the reform processes and to better focus the EU programmes. On the other hand, however, this type of evaluation needs much more work on standardization by the Commission. The three reports present several significant differences: for example, in some cases, the impact evaluation is carried out without a specific emphasis on the main EU concerns; and in other cases the impact evaluation is somewhat overlooked and there is a concentration on the specific actions promoted by EU.

**The evaluation of the effectiveness**

The effectiveness of a programme is shown by the production of positive results. Therefore, it is possible to assess the effectiveness of a programme only when the programme states purposes and expected results that are well identified, relatively isolable and verifiable. Such purposes and results may be well highlighted (or even made explicit, if they are not) by the application of the Logical Framework. For example: the three programmes mentioned included the purpose of increasing the access of the poorest to the basic health services; in some cases, dismantling of parastatals and support to retrenched workers was envisaged; in other cases, direct support to the private sector was considered.

Since the assessment of effectiveness regards relatively short-term horizons and relatively isolable phenomena, it is possible and necessary to apply a 'with/without' analysis. Although not on a systematic basis, the three evaluations have applied this method to assess effectiveness. For example: in Ghana, it was argued that the support provided by the EU to the health budget did not prevent the government from cutting the relevant allocation and that the budget-tied CPFs in the sector did not produce any direct visible progress compared to the existing standards; in Côte d'Ivoire, it was found that some EU promoted actions in the health sector
were, on the other hand, very effective, since the funds had allowed an unexpected jump in the budget allocation and ensured the implementation of key operations, like the supply of low-cost drugs on the market.

It should be noted, however, that the 'with/without' analysis always presents some subjective margins, since the 'without' situation must be supposed and the temptation to assume that it would have been very similar to the 'before' scenario is strong. This is why an analysis of EU role in the negotiation process is very important. For example: did the EU just provide financial support to actions already foreseen in the global reform process (see, workers retrenchment in Ghanaian COCOBOD); or did it take the lead in the reform process in a specific sub-sector (see recovery of state intervention in the health sector, in Côte d'Ivoire)? In the case of Ghana, the 'without' scenario would probably have been a slowing down of the retrenchment plans; in the case of Côte d'Ivoire, it would have been the collapse of state intervention in health. In both the cases, EU action was considered effective. The effectiveness in Ghana, however, was limited to the positive EU contribution to the implementation of the existing COCOBOD restructuring programme: the effectiveness of such a programme on the target beneficiaries was considered weak.

The evaluation of management capability (or efficiency)
This part of the evaluation does not regard simply efficiency in running the project activities. It seems better to extend the concept of efficiency, as it has been used in some recent documents of the DG VIII evaluation unit in the European Commission, to cover the whole programme cycle, including negotiation and design, implementation, monitoring and evaluation. In this larger sense, it is probably better to use the word 'capability', or 'management capability'.

In the evaluations this section is dealt with in a scattered fashion. A specific assessment of the efficiency is carried out only with reference to the programme activities in a strict sense, i.e. the relationship between activities and results. Such a formulation appears too strict and risky.

Assessing management capabilities in the different steps of the 'project cycle management' should include the various actors of the programmes: Commission, government and inter-agency coordination. Although the bulk of the attention has to be reserved for the Commission, the management capability (including commitment) of the other actors may be very important in explaining some specific features of the programmes. For example, the mechanisms of consultation among the parties, the modalities employed in adequate policy dialogue and continuous concentration should be assessed under this section. This analysis should focus on both functional problems, that may be resolved through a review of procedures and changes in the attitude of participants, and on structural problems, that should be faced through the establishment of new capacities and operational means (including staff). Among the latter, most evaluations have stressed a better coordination of the Commission's instruments (NIP, food aid, etc.), the strengthening of the Commission's capacities in policy analysis and management and the increase in Commission's staff at country level.

3 Conclusion
The EU began BOP support aid under Lomé III, though the evaluation of that aid focused mainly on issues of effectiveness. With Lomé IV the EU became more involved in structural adjustment and undertook a critical review of such programmes, and also initiated an internal debate on the evaluation methodology for such aid, focusing on the possible use of the Logical Framework. This paper has presented results of subsequent evaluations of BOP support in Benin, Côte d'Ivoire, The Gambia, Ghana, Guinea-Bissau, Kenya and Uganda, based around the LF. The LF has proved a useful framework for analysis, but does not solve all the problems facing the evaluator, such as the appropriate methodology for analysing impact.

According to the Logical Framework scheme, it is often said that this part of the evaluation should regard