

*(Africa)
Decision made
12/20/76*

*Obj. cont. like VITA
SAED - Societe d'Etudes
de Developpement*

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PD-AAC-487-B

Upper Ouagadougou

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR FOR AFRICA

FROM : AFR/DR, John L. Withers *JW4* 12/20/76
SUBJECT : Partnership for Productivity Operating Program Grant
in Upper Volta (Project number 686-0219)

Problem: Your approval is required to authorize an operating program grant of \$507,000 to Partnership for Productivity for a pilot rural enterprise development project in Upper Volta and to approve a procurement waiver for motor vehicles.

Discussion: Partnership for Productivity (PFP), a private, voluntary organization, has submitted a proposal for an operating program grant (OPG) designed to develop and test a program for increasing small scale rural enterprises in Upper Volta. The purposes of this grant will be threefold: (1) to develop a method for increasing the ability of individual Voltaic entrepreneurs to manage and expand existing businesses, (2) encourage the development of new enterprises, (3) increase the ability of local financial institutions to meet the needs of the business community.

Partnership for Productivity personnel understand their roles will be catalysts in helping local businesses in overcoming institutional or structural problems to meet needs already identified, creating greater mutual understanding between institutional creditors and small business, and establishing more efficient communications and action channels between the small entrepreneurs and the credit organizations. Local capital and institutions will be the primary resources and channels used to implement this project. Only in cases where local financing cannot reasonably be expected to meet immediate needs will outside resources be used to test new or high risk ventures or demonstrate the feasibility of expanding small businesses.

The proposed grant is for a two-year period. A decision to continue this effort in an expanded form will be made during FY 79 depending upon the results of this first, two year design and testing phase. The project will be implemented in the same ORD in which AID is supporting a major integrated rural development project (Eastern ORD Integrated Rural Development, project number 686-016) and directly support the goals of this project. The proposed grant has the concurrence and support of the CDO Ouagadougou and the Government of Upper Volta.

The grant will provide four man-years of technical assistance with related support costs and create small credit and business development

fuels

*M. Ramon
VITA - head of management*

funds. The AID financed budget for this grant is as follows:

Technical assistance and related costs	\$ 425,000
Credit and development funds	<u>82,000</u>
<u>TOTAL</u>	\$ 507,000

Other support for the project (local, other organizations, and Partnership for Productivity) is projected at \$168,000.

AID funding by fiscal year is requested in two tranches as follows:

<u>FY 77</u>	<u>FY 78</u>
\$353,000	\$154,000

The Project Committee worked closely with the Executive Director of Partnership for Productivity in the development of the final proposal. During its meeting of April 20, the Committee recommended approval of the project. After completing this review, the Project Committee, due to the absence of unresolved substantive issues, recommended that further review by the Executive Committee for Project Review was not necessary.

An initial environmental examination (IEE) has been made for this proposal. As a result of this examination, the Project Committee concurred that a negative environmental threshold decision was justified. The initial environmental examination is attached as Annex B for your review and approval.

Partnership for Productivity has requested a waiver be granted allowing them to purchase two four-wheel drive vehicles from non-U.S. sources (Code 935). Non-U.S. procurement is considered justified and necessary because at this time there are no support facilities for U.S. vehicles operating in Upper Volta. The waiver request and justification are attached as Annex A to this memorandum.

A Congressional Notice, outlining the scope and cost of this project, was forwarded to Congress on May 16, 1977. By May 31, 1977, the end of the mandatory fifteen day waiting period, no inquiries concerning this project had been received from the Congress.

Recommendations: The Project Committee recommends the following:

- 1) That by your signature on the attached PAF, Part II, you approve the proposed operating program grant to Partnership for Productivity

of \$507,000 for the development and testing of a program to encourage small rural enterprises in the Eastern ORD of Upper Volta

APPROVED C. E. Swartz

DISAPPROVED _____

DATE 5/31/77

2) That you approve a waiver for Code 935 procurement of two vehicles for the reasons described in Annex A of this memorandum.

APPROVED C. E. Swartz

DISAPPROVED _____

DATE 5/31/77

3) That you approve a "negative determination" as a result of the initial environmental examination performed for this proposal and attached as Annex B to this memorandum.

APPROVED C. E. Swartz

DISAPPROVED _____

DATE 5/31/77

Clearances:

- AFR/DR:SKlein [Signature]
- AFR/DR:JKelly [Signature]
- AFR/DP:CWard [Signature]
- AFR/SFWA:DShear [Signature]
- AFR/GC:STisa [Signature]
- AFR/DR:DDibble [Signature]
- SER/FM:JMcColl [Signature]

AFR/DR/SFWAP:CHusick:5/6/77

PARTNERSHIP for PRODUCTIVITY

David H. Scull, President
(703) 941-4339

P.O. Box 170, Annandale, Virginia 22003



OPERATIONAL PROGRAM GRANT (OPG) PROPOSAL

Total OPG Request: \$507,000.

Project: Rural Enterprise Development -- Eastern ORD (Upper Volta)
Location: Fada N'Gourma and Diapaga, Upper Volta
PVO Name: Partnership for Productivity
Central Headquarters: 2311 18th St., NW, Washington, DC 20009
Contact Person ("): Andrew H. Oerke
Executive Director
Tele: 202/234-0340

Date of Submission to A.I.D.: December 20, 1976

A. Project Purpose Description

The purpose of this project is to determine by experimental implementation on a pilot basis, the best program design to foster the development of rural enterprises which have a beneficial impact on the incomes and living standards of rural farmers and other residents in the area served by the Eastern ORD; and provide in the village market a means of increasing farmer self-determination and commercial independence.

The inputs to this project will include two technical advisers for two years each, a \$32,000 revolving credit fund to finance development capital requirements of rural entrepreneurs currently in business, new entrepreneurs and entrepreneurial associations proposing loan-worthy projects and a \$50,000 fund to support opportunities perceived by the adviser to introduce new enterprises, technologies, techniques, facilities, equipment, etc. (See Part E for total financial plan).

The technical advisory effort will be divided between two operational locations, Diapaga and Fada N'Gourma. The pilot program would best work where there are centers accessible to the Eastern ORD headquarters and to each other and where the experiment would not be rendered invalid by inability to travel, communicate, and otherwise administer project inputs. Fada is the

Partnership for Productivity Foundation/USA, Inc.** Chairman, Board of Directors: Stanley C. Marshall, Pittsburgh, Pa.

In association with: Partnership for Productivity Service Foundation (Kenya), Kakamega, Kenya

Partnership for Productivity Foundation/Liberia, Yekepa, Liberia

Programs in other countries in process of development or exploration

** Contributions deductible for Federal income tax purposes. Checks may be made payable to PFP Foundation.

Eastern ORD headquarters and a GOUV prefecture headquarters. The Fada market is less important as a traditional market, but more important as an intermediate storage and distribution center for goods and services en route to retailers in larger traditional rural markets. The presence of government employees in Fada creates some purchasing power and demand for goods and services not found in traditional markets. The level of indigenous entrepreneurs and business literacy is such that reasonable receptivity to new concepts and experimental business risks can be expected. There is already a loosely organized merchants association operational. Project personnel in Fada can reach other commercial centers in all directions including such markets as Diabo, Tibga, CominYanga and as far as Matiakoali. Communication and travel to and from Ouagadougou for equipment, supplies, liaison with importers, banks, GOUV agencies, and USAID is possible year around. Diapaga was selected because of its proximity to the important traditional Namounou market and because it has the potential to become a major secondary storage and distribution center. An adviser in Diapaga can supervise program activities in several nearby important traditional markets and in the market centers of the region's southwestern sector which is scheduled to be provided with improved road access. The combination of Fada and Diapaga is particularly attractive given the characteristics not only of the two locations but the characteristics of the types of market centers surrounding the two cities. The possibility of including Bogande or Pama in lieu of Diapaga, or some centers representative of the northern and southern parts of the region were discounted because of the improbability of being able to retain project control and coordination, which was considered more important than geographic coverage during the pilot stage.

The two advisers financed by this project will perform the following functions:

- 1) Design and test a credit vehicle by which entrepreneurs already in business, new entrepreneurs and entrepreneurial associations proposing loanworthy projects can acquire operating capital. This will include examining existing and proposed credit systems; determining the social/economic acceptability of alternate credit structures including limitations on the size of loans, the optimum ratio of loan to investment, the level of cash versus "in-kind" loan payments and repayments, appropriate time frame and terms for repaying, and the probability of repayment; and, determining an acceptable and viable institutionalization means.
- 2) Design and test an appropriate technical assistance package to upgrade business practices. This will include selecting groups or individuals as test subjects; determining a viable and effective means for motivating entrepreneurs; expanding such entrepreneurial activities as market analysis and market development; introducing an appropriate level of record keeping, inventory control, accounts; increasing the profit potential; and procurement of stocks/equipment.
- 3) Determine whether new entrepreneurial activities are needed in the ORD and selectively support such development as opportunities arise within the framework of experimental introduction of new enterprises.
- 4) Provide support to the ORD, and GOUV agencies and/or private groups by conducting seminars, giving lectures or working with selected groups of individuals who have designated responsibilities for rural enterprise development.

- 5) Determine the extent to which services to entrepreneurs (BND, GOUV, Agencies, etc.) are available, their current use in the ORD, and if not used, facilitate such use.
- 6) Install and test at least one market infrastructure improvement to determine its impact on increased market utilization and aggregate turnover, and to determine its replicability on a commercial basis (i.e., improvement cost to be covered by increased rental fees).
- 7) Recommend upon the basis of experience and experimentation in consideration of ORD/US and other donor country projects (planned or implemented), appropriate follow-on programs, strategies, or activities that would be most effective in fostering the development of rural enterprises utilizing to the maximum extent the existing resources and institutions of the ORD. (PfP will also identify and establish an indigenous management group to work with. If PfP determines that its work in Upper Volta is to be extended, this group could form the basis of a Governing Council for a PfP Foundation in Upper Volta.)

To summarize these efforts in priority order, PfP will experiment to;

- 1) devise ways to tie into existing and available credit facilities,
- 2) devise training strategies and intermediate structures so that successful entrepreneurs can graduate from them into the use of established credit institutions, and
- 3) to test new and/or high risk economic ventures and find ways of making them successful to increase and broaden the economic potential of the area.

- 1) The credit fund provided by this project will not be used to create another credit system, but to allow PfP to experiment with new businesses and with business expansions in rural areas at small levels where our experience shows the initial default rate is likely to be high; and 2) provide funds for developing Rural Market Loan Committees or other cultural-based strategies that will constitute an acceptable training ground to allow small, rural pre- and sub-commercial entrepreneurs to transit to the commercial sector, enabling them to make use of existing credit and development facilities. The technical adviser project leader in consultation with USAID and ORD officials, but with final determination of the appropriateness of the loan resting with the project leader, will determine the appropriate application form, evaluate the loan application and provide assistance to the loanee in obtaining the loan once approval has been granted.* All loans in excess of \$2000 will be subject to the approval of the CDO. The money will be withdrawn from that fund in accordance with existing AID fiscal procedures and repayment being made to the fund subject to reuse during the life of project. During the two years of the project, every effort will be made to develop a structure and methodology for an effective pay-back system on loans committed. The following criteria will be used: 1) Maximize use of structures and facilities already established, i.e., individual, tribal, governmental, economic structures, and market, fiscal and business facilities already functioning; 2) Maximize self-sufficiency of loanee through existing structures or institutions, or by adapting them, to enable the individual, either as individual or member of a group (market or business community), to become credit-worthy; 3) Provide for the possibility of continuity through one of the following alternatives: a) establish the loan fund within an existing credit facility, b) recommend, with enough lead time to implement, a mechanism such as the Rural Market Loan Scheme in Kenya, that could train small, rural

* The loan fund will be maintained in a local bank and accounted for separately from program and other funds.

entrepreneurs in credit so that they will be able to feed into existing credit facilities, c) carry forward loans remaining unexpended to a similar revolving loan fund designed into a second-stage program if needed, or, d) as a fall-back position, if no other alternative is possible, the fund will revert to the USAID agriculture credit revolving fund to be used as additional capital for that fund, and any repayment of loans generated by this project would be made to the agriculture revolving fund and become part of their capital.

In order to develop the methodology for the establishment of a successful, rural credit training vehicle, PFP has found that in the early stages it is necessary to try out a number of fiscal and cultural strategies. This makes essential the existence of a small fund, part of which can be written off if necessary as lessons are learned. The loan fund will be set up with conditions and rate structures comparable to the existing 11% to 13% rate in Upper Volta so as to provide a realistic training base and to avoid undercutting existing facilities.

The 32,000 will be expended as follows:

- 1) 20,000 for small loans ranging from \$100 to \$300: 100 loans over a two year period averaging \$200 each, and
- 2) 12,000 for medium-size loans ranging from \$1000 to \$3000: 8 loans over a two year period averaging \$1500 each.

Established credit facilities, governmental, commercial and developmental are generally not set up in such a way that the rural and very small business person can take advantage of them. There are often no mechanisms to identify the business, determine its feasibility, monitor the projects or just to get the money out to the rural and needy areas. More importantly, cultural factors inhibit the use of many credit facilities. The rural and small business person may well be put off by the documentation involved in securing a loan; they may be put off by the unfamiliarity of any but their own market or village facilities.

To combat these problems, PFP designed a Rural Market Loan Scheme model in Kenya. After initial difficulties with defaults, PFP decided to go back to existing structures and resources: the village chief, the council, the existing market, all familiar facilities that have functioned well for hundreds of years. Together with chief, Council and existing business persons, a Market Loan Committee was formed and a revolving loan fund established under the jurisdiction of the Market Loan Committee. Authority was given to the Market Loan Committee to grant loans of small amounts. Under the scheme, only enough money is available so that there is always a queue line waiting for loans. Those in the queue line are not granted loans until repayments on original loans are made. Thus local, market- and community-oriented peer pressure was established to empower the scheme. At first the scheme functioned in a number of markets well. But we still had lessons to learn and adjustments to make. We were not aware that the scheme also contained a temptation threshold. Several of the Committee Chairmen and influential members loaned themselves larger amounts than they could manage. Modifications had to be made. The scheme is now functioning well with the following changes: a) There is

now a ceiling on the amount and/or number of loans that can go to any one person including Committee members, b) The Market Committees have been re-constituted to make them more representative of all the businesses in an area to avoid special interests, c) We have combined our Rural Enterprise Extension Service and our Rural Market Loan Scheme so that only our clients, who are being regularly trained and serviced by our Kenyan Extension Agents, are eligible for loans, d) Our Extension Agents sign off on all loans so that we have a tracking mechanism. (The Market Loan Committee retains the authority to grant loans), e) A heavy training component is being built in so that the loanee can a) properly document the process of becoming credit-worthy; b) can understand when, why, and under what circumstances loans are or are not useful in business; and c) can graduate from a development, subsidized position to an independent stance in which he or she can successfully use commercial and/or governmental credit vehicles.

This, of course, is not the only credit scheme using indigenous resources that has been developed. Another model PFP will investigate in Upper Volta makes use of the money lender tradition and was developed by the Pan American Development Foundation (PADF) in Nicaragua. PADF studied the clothing and the cultural habits of traditional money lenders who were charging daily rates of about 25% interest or about 9,000% per annum. Using the same clothing, habits and rates of interest, PADF trained their own people in the traditional methodology. But there was a difference. At the end of the day when the Mamas brought five dollars back for the four they had been loaned, a bank book was waiting and the extra dollar went into a savings account.

The two schemes mentioned may have utility for Upper Volta, or PFP may have to attempt yet other strategies. Our experience has indicated that one cannot predict reliably which strategies will work until they have to bear the full weight of economic reality in a real market situation.

PFP will also set up a Executive Committee of host country nationals so that potential problems relating to conflicts of interest or charges of favoritism can be referred to a Board of host country nationals of high reputation and not themselves involved in the loan scheme. The PFP consultants will also act to arbitrate and neutralize any possible problems in this area. We have found in Kenya the advantage of going through a local structure such as a Market Loan Committee so that such problems are minimized and contained within the local authority structure.

It should also be mentioned that PFP is familiar with, and has used many devices such as radio, newspapers, handbills, meetings and other forms of advertising to publicize the existence of the loan fund and will be using these strategies as they may be needed in Upper Volta.

The experimental fund included in this project will be used at the discretion of the project leader to selectively test market infra-structure improvements and to finance such things as would lead to the introduction of new enterprise within the markets and the ORD in general (i.e., a treadle rich thrasher, rain water collection cisterns, wheel-barrows and carts, introduction of upgraded tools or equipment). The money will be deposited in an account (USAID or local bank) in such a manner as to be immediately accessible to make purchases locally or by importation. Any equipment, tools etc. used in this project for experimental introduction of new enterprise shall be procured in such a manner as would happen should a local business make such procurement. The project leader shall be responsible for maintenance of sufficient

Whereas the Loan Fund will be used for more customary projects, the purpose of the experimental fund will be to allow PFP to try projects that may involve equipment and technology that are high risk or are perceived as high risk; equipment or projects which need to be proven to be acceptable, or for which persuasion, demonstration, training, testing or modification is necessary; and items or projects which may be new to an area or which involve novel technologies or developments. (As an example from the field, George Butler, PFP's General Manager in Liberia, has purchased a roto tiller for testing. This roto tiller is being used very successfully in the Phillipines, but requires modification for use and/or production in Liberia: "Based on the performance of the one being tested, we ourselves have designed a small modification concerning the method of securing the tines to the rotating discs of the tiller. The thread on the stud which protrudes beyond the nut gets damaged in normal tilling, therefore it is too difficult for an unskilled mechanic to replace tines in the field. The disc should either have a shorter stud welded in place - short enough so the nut covers all threads - or be designed with a reinforced hold for a bolt of the correct length to be inserted through disc and tine, both being secured by nut and lock washer.")

PFP has also agreed to work closely with VITA out of the new Appropriate Technology Center VITA is presently establishing in Upper Volta. As in Botswana, where PFP will be working with Schumacher's Intermediate Technology Development Group, PFP will provide the management appropriate to the level of technology being experimented with and introduced. This effort, too, will require experimentation with equipment, field-testing and modification. Africare is also interested in keeping abreast of PFP's efforts and programs in Upper Volta for possible future collaboration.

For both the Loan Fund and the Experimental Fund it is anticipated that PFP will also be working closely with, and utilizing ORD credit and development personnel, as well as Peace Corps.

The following considerations will be used as guidelines for the use of the experimental fund. It is quite likely that considerations will be revised as the project unfolds, and a firm set of prioritized criteria will be developed during the course of the project. A preliminary set will be submitted to AID for review at the end of the first year and a final set at the end of the second year.

- * Economically viable ventures for which more or less reliable feasibility studies are possible in & areas of; a) new enterprises, b) expansions or improvements of existing enterprises.
- * Ventures or methodologies utilizing existing structures and potential, such as the traditional market or money lender; existing private and governmental institutions and credit facilities.
- * Enterprises such as repair, storage or transportation that remove obstacles to agricultural or other business development.
- * Enterprises that create wealth or add value through the production or manufacture of new goods or services.
- * Enterprises that require an appropriate management element to complement an appropriate technology.

Basic on-going businesses, retail, wholesale and other, which would benefit from training or extension assistance.

Enterprises or schemes which create the conditions for further investment from other sources, i.e., agribus that could create the market for certain kinds of appropriate manufacture; or businesses and services that could help to persuade investors to develop local resources such as tourism or mineral deposits.

About \$10,000 of the \$50,000 experimental fund will be invested in market improvement tests so that traditional markets could be compared with markets in which intervention has occurred. The \$10,000 would be invested not in cosmetics but in assisting businesses that need improvement or need to be started in order to add to the services offered in a particular market. It could also include modest infra-structural changes such as provision of safe, dry storage, better protection against wind, rain and sun, which will increase market utilization and aggregate turnover.

The remaining \$40,000 of the experimental fund will go toward the purchase of equipment including the following: (after the first year of the project a full report will be made to AID of the expenditures from the fund during this period and the criteria that will be used for expenditures during the second year if the PFP team feels that the fund has been useful and should be continued during the second year. Any changes in this list or items in excess of \$2500 will be cleared by the CDO.)

Experimental fund:

market improvement (2 tests)
grain mill - rice huller, cassava grater
lister diesel engine
bakery equipment
tree crop seedlings
wagons, carts & other hauling vehicles, man & animal
(in collaboration with intermediate technology and/or VITA)
small mechanical repair shop with equipment - drill press
hack saw - baud saw - lathe dyes for threading, etc.
hand pump
water well equipment, chain hoists, buckets, handles
cinvaram block machines
kilns for charcoal making or brick firing
weaving equipment for rice and grain bags (i.e., like gunny-sack)
plastic bags for repackaging fertilizers & pesticides into smaller
quantities - possibly a device for filling these bags with specific
number of kilos
scales
craft training equipment
duplicating equipment - small printing letter press
unusual sewing machines like for canvas stitching - button-holing,
embroidering
training materials
bookkeeping materials & supplies

poultry feeders, brooder house equipment, laying hen boxes .
bee keeping hives/waxes
stall or coral for stall feeding, equipment & devices
roto tiller (for rice production)

As noted elsewhere in this paper, an AID PRP team assessed the working environment of technical advisers financed by this project and believes there will be sufficient resources programmed under this project to develop an acceptable and viable plan for a second stage program. Further, as stated elsewhere, it is believed that the follow-on project has the potential of making a significant contribution towards expansion of the economy should in fact other USAID/ORD/ other donor country projects designed to increase the incomes of farmers/herders succeed. There are no critical assumptions to the implementation of the pilot project, since by its nature it will be testing various means to improve the market economy with, as yet, unknown effects.

As further elaborated in Part C, the direct beneficiaries of this trial project will be a limited number of entrepreneurs and artisans with whom the experimental assistance will be conducted. Indirect beneficiaries would be the rural farm families in the region who are customers of these enterprises. A phase two project which may result from this pilot phase would be expected to benefit a substantial percentage of the Eastern ORD population, as customers, as entrepreneurs, or as farmers receiving ORD services. At the end of the pilot project, an appropriate technical assistance approach and credit system will have been formulated, tested and finally designed, including a plan for a possible second stage program, or recommendations describing strategies to be pursued or discontinued.

B. Project Background

Upper Volta's development plan for rural areas is based on administrative divisions called ORDs (Organisme Regional de Developpement). The GOUV primary goal for the Eastern ORD is to raise the level of agriculture (livestock and crops) production as a means of increasing farmer/herder income levels and thus expand the economy of the ORD. In support of this GOUV goal, the U.S., UNDP and other donors have begun or plan to undertake programs addressed to the perceived obstacles to increased agriculture production. The U.S. programs include the Integrated Rural Development Project (IRDP), the Eastern ORD Rural Roads Project (PP stage), and the Village Livestock Project (one component of which focuses on the Eastern ORD as a complementary activity to the IRDP. There is one additional project conceived as add-on to the IRDP (Non-formal Education) in the process of AID review.

There is a dearth of basic data about the Eastern ORD, which has been a relatively neglected region of Upper Volta. Therefore, assistance programs which have been designed so far include a substantial initial element of data collection/data analysis/planning. Interventions to stimulate production are expected to take some time to be developed and refined to become effective. Once this has been achieved, it is expected that the current level of agri-services would be inadequate for the needs of an expanding agricultural production, and agri-business in the region will require development assistance. The pilot project anticipates that need, and seeks to develop an enterprise assistance program appropriate to the requirements at that stage.

An AID PRP design team visited the Eastern ORD in October, 1976 to review a proposal for a major intervention in farm market center development in the region. The Team determined that such a program is premature because of the lack as yet of specific production - increasing programs and an adequate road system. However, the team found that an early pilot project in rural enterprise development would be appropriate since the results would be timely for a possible stage two intervention when agricultural production begins to rise. The trip report of the design team is attached.

The Partnership for Productivity, because of its experience in rural enterprise development programs in Africa, was invited by AID to participate in the above PRP exercise.

PfP has specialized in encouraging that essential segment of enterprise between farmers and consumers including supporting artisans and service enterprises such as transport, mechanical repair, storage, packaging, equipment leasing, and all levels of trading including retail, half-wholesale, and wholesale which appears to be the focus of the PID.

PfP has developed unique strategies for fostering small-scale enterprise and has tested these in Kenya and Liberia with proven results. These include categories of credit to village groups as well as individual entrepreneurs; extension services rendered by specially trained local cadres; and appropriate-level management and consulting services at a cost bearing reasonable relationship to expected benefits.

PfP strategy not only stimulates existing endeavors but fosters the start-up of new projects through the injection of funds, equipment and feasibility-replicability studies for experimental projects.

PfP has been careful to involve the local population and authorities in their programs through the use of such mechanism as a local governing council, regional and local advisory committees and staff africanization.

PfP works toward cooperative ventures with other involved agencies and definite lines toward institutionalization.

The pilot project approach is a standard PfP strategy. In all of PfP's programs a pilot approach has been used. PfP also believes the pilot approach is the only way to insure local participation from the inception of the project.

While PfP ~~cannot guarantee that it can attract other donors and Volags during the pilot phase, initial contacts with PACT, ICCO, ORT, PAID, NORAD, Brot Fur die Welt, Peach Corps, VITA and IVS indicates a strong interest in multi-agency participation.~~

and SAE/D
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Mr. George Butler, currently General Manager of PfP/Liberia, was retained by AID to participate on the project review team mentioned above. Mr. Butler has had experience with PfP and the Ford Foundation in such programs in Nigeria and Kenya, including these:

1. AID/Eastern Nigeria, Small-Scale Enterprise Development Program 1962-1967.

USAID/Nigeria managed a small scale enterprise development program in what was then the Eastern Region. The program had a center in Owerri and was managed by Mr. Virgil Piling. Also participating was the Eastern Nigeria Ministry of Commerce and Industry, the Ford Foundation, the Peace Corps, UNIDO, and the Dutch Government. Under USAID over-all direction, a technical package including credit was developed, was well received by entrepreneurs throughout the region, and was successful in measurable results achieved. This program dealt mostly with entrepreneurs already more advanced than those observed in the Eastern ORD area of Upper Volta. However, many entrepreneurs assisted by the Owerri center's extension services were at the same level as those in Upper Volta (ie., individual blacksmiths, carpenters, grain millers, motor mechanics, village tanners, leather workers, building contractors, Cinvaram block makers, potters, bicycle repair shops etc.). It was found after two years of experimentation that development of appropriate technical assistance and credit for entrepreneurs at this lowest level of advancement had to be specialized and organized differently from that for the next higher level. The so called "individual artisan/trader" technical assistance and credit package conceived largely by Messrs. Virgil Poling, George Butler, and Frank Moore incorporated the following:

- (a) some free-of-charge experimental tool inputs (an artisan cannot be asked to purchase a tool he has never seen before and doesn't know how to use);
- (b) technical training administered on a one-to-one basis at his place of business (artisans and individual entrepreneurs cannot easily leave their enterprises to attend training courses at a center);
- (c) credit offered via an extremely fast and simple procedure.

2. Ford Foundation: Northern Nigeria Small-Scale Enterprise Development Program 1964-1968.

The technical assistance/credit package developed in the Eastern Nigeria program described previously was applied successfully in what was then the Northern Region of Nigeria.

3. Partnership for Productivity Rural Enterprise Development Program in Kakamega, Western Kenya, 1970-ongoing.

The technical assistance/credit package developed in Nigeria was modified to fit the situation in Western Kenya where almost all enterprise is agri-business or agri-dependent. USAID/Kenya makes an annual contribution to this program which was supplemented in 1976 by an OPG. Modifications were as follows:

- (a) Kenyan high-school graduates were trained as a Rural Enterprise Extension Service to provide direct bookkeeping and inventory control assistance inputs to all entrepreneurs being assisted;
- (b) trader associations in small village markets were encouraged and assisted. Loans to these associations which accept individual and group responsibility to repay, are being tested with promising initial results; and
- (c) loan repayments are timed to coincide with income from harvest. This program is generally regarded as a successful African enterprise development endeavor. It is believed that an evaluation of this project has been done by the Government of Kenya in collaboration with PACT.

C. Project Analysis

1) The economic effects of the pilot project will be felt at the time of phase two, when the results of the experimentation are applied to a second stage intervention. The pilot project, in itself, cannot be expected to significantly stimulate agricultural production during the experimentation period. As mentioned earlier, direct beneficiaries of the pilot project will be a limited number of entrepreneurs and artisans and their family members. In total, this might be eighty heads of families and four hundred family members. Indirect beneficiaries will include customers of entrepreneurs and artisans assisted. These will be rural farm families in the Fada and Diapaga area and might include fifty thousand persons. Ultimate beneficiaries of the Phase Two project will include entrepreneurs assisted directly and indirectly as well as a major portion of the Eastern ORD area population of 300,000 to 400,000 assisted indirectly.

The criteria for selection of direct beneficiaries will be the extent to which they represent a valid sample of Eastern ORD entrepreneurial development potential. Since there are many female entrepreneurs, the sample must include a representative number of women. Entrepreneurs assisted will receive training, possibly funds to increase the volume or scope of their business, and resulting increased earnings. Benefits will accrue when the technical advisers begin program implementation, administering a technical assistance package coupled with an appropriate credit availability.

2) The technology to be used for this experimentation phase is detailed in Part A. The appropriateness of the technology has been verified elsewhere in Africa under similar circumstances (see Part B), and would seem to be equally applicable to the situation in the Eastern ORD. By its nature, however, the objective of this pilot project will be to experiment with and test a variety of interventions and to design an assistance package which will most suitably affect the particular needs in this region. Thus, the verification of the technology is an integral part of this project.

3) The experimentation will also provide answers as to the impact of phase two interventions on socio-cultural traditions and values*. Discussions of the PRP team with Eastern ORD entrepreneurs, individually and in groups and with local functionaries, revealed that there will be a general acceptance of the assistance measures proposal. There was no doubt that a strong desire for entrepreneurial technical assistance and credit existed among many interviewed. There was even less doubt that both were needed. The number of women waiting in line in front of grain mills to get small quantities milled and thereby avoid arduous mortar and pestle hand pulverizing attested the local desire and feasibility for millet and sorghum and peanut and rice decorticators. Entrepreneurs and civil servants complained that frequent breakdowns in the supply of petrol, parts for bicycle and motor bikes and other essential goods are a serious constraint to agriculture and general economic development. They hoped that a program of enterprise assistance would address these problems.

4) It is probable that a second stage program will require continuing and perhaps greater donor inputs than those required for this test phase. There will be close collaboration with Voltaic agencies and development officials during the pilot phase. However, it is not a part of the pilot project to develop and train a GOUV capacity and cadre to administer the second phase. Such institutionalization appropriately would be an element of a later stage, after the technology has been refined and implemented and when the economy of the Eastern ORD begins to feel the effects of production-increasing programs. During the pilot project, PFP, CDO Ouagadougou, and concerned GOUV agencies operating within the ORD jurisdiction will develop the optimum liaison and coordination mechanisms for the second stage project.

* See Attachment B for Sociological Profile of Eastern ORD.

D. Project Design and Implementation

1) Implementation Plan

(a) The project will be carried out directly by the Partnership for Productivity (PfP) utilizing small and short-term contracts for consultants or support services as necessary.

(b) PfP will provide the technical assistance through the use of paid PfP staff personnel, possibly supplemented by consultancy services as necessary. Commodities will be provided as per Part A, including items for experimentation and for staff support.

(c) Assumptions about availability and PfP management or resource PfP has trained and experienced senior staff available to be assigned within the time proposed for start of implementation.

(d) Proposed disbursement and procurement procedures and controls PfP project manager will be responsible for disbursements, procurement, accounting and control. Accounts will be subject to annual review by a competent independent auditor. Advance approval of the CDO will be obtained for loans and experimental disbursements exceeding \$2500. In order to reach valid projections from the pilot phase experiments, the same local purchase procedures available to Voltaics will be used as far as possible as long as they don't conflict with existing AID procedures

(e) Schedule of actions required:

OPG written.....	October 1976
CDO consultation GOUV.....	November 1976
AID/W review of OPG.....	December 1976
PIO/T.....	January 1977
AID/W negotiation with PfP.....	February 1977
OPG signed.....	March 1977
Technicians arrive.....	June 1977
Project implementation begins.....	July 1977

(f) PfP monitoring plan: During the pilot stage the project manager will be making quarterly progress reports to the PfP director and Board, with copies to the CDO. The project will be visited regularly by PfP international management. In addition it is expected that close personal contact will be maintained between the project manager and the CDO or his appointed representative.

(g) Waivers required: (1) local procurement of two Toyota Landcruisers for use by project advisors;

(2) waiver of OPG cost sharing by host government (AIDTO Circ. A-530);

(3) The CDO will undertake to assist PfP in obtaining tariff waivers on procurement of commodities, and visas and permits for PfP staff.

2) Measurement and Evaluation of Project Accomplishment

The plan for a follow-on stage, including its rationale and assumptions will verify and measure the accomplishment of this pilot project. This will be completed by PFP and submitted to the CDO during the final quarter of the project. During the course of the pilot project; PFP will prepare progress reports to the CDO in a format to be agreed during the initial quarter. It is understood that AID is not committed to a second stage program, though in the final report recommendations for possible follow-on will be submitted to AID.

a) Evaluation Plan

A joint PFP/host country review of the project will be held during the fourth and eighth quarters of project implementation period. The evaluation to be held during the fourth quarter will focus upon the degree of success encountered in establishing better communications between local entrepreneurs and the formal credit structures, use of the project credit and experimental funds and recommend what, if any, changes are required in project methodology to assure successful completion of the pilot effort.

The evaluation to be held during the eighth quarter will serve as the final project evaluation and be the basis for recommending the development of an expanded project or the curtailment of this activity at the end of the pilot phase.

These evaluations will be primarily joint PFP/host country efforts, however, AID participation in the evaluations is desirable and will be requested.

E. Financial Plan

	AID		* OTHER CONTRIBUTIONS		TOTAL
	Fiscal Yr. 77	Fiscal Yr. 78	June 77 - July 78	July 78 - July 79	
1)					
** 48 man-months, tech. assistance	100,000	100,000	8,000	14,000	222,000
2 vehicles plus fuel, maintenance, parts	26,000	4,000			30,000
credit fund	32,000				32,000
experimental fund	50,000				50,000
consultants and travel	20,000	20,000			40,000
pre-implementation costs (recruiting, staff orientation and language)	7,000				7,000
*** Local equity for loan & experimental Fund &			60,000	106,000	166,000
**** office space, materials, equipment, storage and labor					
Housing (2 staff, rent advance), Household furnishings & necessities, Shipment of goods	50,000				50,000
	285,000	124,000	68,000	120,000	597,000
Overhead at 24%	68,000	30,000			98,000
	353,000	154,000	68,000	120,000	695,000

-15-

Total AID \$507,000
 Total Other 188,000
 % Other - 25%

- * Other - is defined as contributions whose source and origin is not U.S. Government.
- ** Technical assistance contributed by PFP, and VITA through VITA's Appropriate Technology Center in Upper Volta.
- *** Equity is defined as capital contributed by local business persons
- **** Machinery, equipment, labor, office space contributed by the local business persons

15.1

Utilization of Finances

One-time initial costs

Vehicles	\$26,000
.2 years rent advance (2 staff)	40,000
Pre-implementation costs	7,000
Shipping goods & travel	5,000
Loan fund	32,000
.Equipment fund	50,000
House furnishings (necessities)	5,000

 \$165,000

Overhead at 24% 40,000

 Initial Costs Total 205,000

Total AID 507,000

Subtract Initial Costs 205,000

 \$302,000

 Recurring costs, first 4
 month period, June 1, 77-
 September 30, 77 50,300

Initial Costs 205,000

 First 4 months (June 77 -
 Sept 30, 77) 50,300

 Total needed (June 77 -
 September 30, 77) 255,300

Payments thereafter by quarter or AID fiscal year at per quarter rate of \$37,750, except for last 2 months of grant for \$25,200

- 1) Utilization FY 77 - June 1, 77 - September 30, 77 = \$255,300
- 2) Utilization FY 78 - October 1, 77 - September 30, 78 = 151,000
- 3) Utilization FY 79 - October 1, 78 - May 31, 79 = 100,700.

2) PfP and Other

In addition to preparation expenses such as the visit to Upper Volta by Mr. Oerke and subsequent visits planned by Mr. Oerke and Mr. Thoren, the present proposed Project Manager, PfP believes it can attract additional funding from other non-governmental donor agencies as the project materializes. Discussions have been held with ICCO, Brot Fur die Welt, Africare, VITA, Peace Corps, World Bank, PACT and Others. Although responses were favorable, it is too early to guarantee funds from these sources.

F.

The Government of Upper Volta has expressed its approval of the intent of the project in conversations with various ORD and local officials and the Permanent Secretary at the Coordinating Committee for Rural Development at the Ministry of Rural Development.

Attachments

- A. Trip Report of PRP design team
- B. Sociological Profile of Eastern ORD
- C. Logical Framework

ID 1020-28(1-72)

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

Life of Project:
From FY 77 to FY 79
Total U.S. Funding: \$400,000
Date Prepared: October 1976

Project Title & Number: RURAL ENTERPRISE DEVELOPMENT -- Eastern O.R.D.

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	VERIFICATION MEANS	ASSUMPTIONS
-------------------	-----------------------	--------------------	-------------

Goals: Improved quality of life of herdsmen and small farmers in the Eastern ORD.

Purpose: To determine through experimentation and data collection an appropriate technical package and credit system for rural enterprise development as a second "production" phase of this project.

Outputs:

1. Upgraded business practices of selected entrepreneurs.
2. Credit provided to finance operation, capital requirements.
3. Tests of the introduction of new enterprises conducted and their social soundness.
4. Available credit systems maximally used in the ORD.
5. Probably agribusiness and services growth assessed in the form of a formal report submitted to AID.

Inputs: (OPG)
Technical advisors and support inputs
Credit Fund

(see Logical Framework for the Integrated Rural Development Project for Eastern ORD)

A viable credit program that could be implemented.
A defined viable technical assistance package.

80 enterprises involved.
40 loans made.
10 new enterprises tried.

2 advisers, Consultants
32,000 US dollars
50,000 US dollars
Total OPG for 2 years
\$507,000

Plan for a second stage project exists.

1. Compare techniques used with those introduced/the number of entrepreneurs seeking help or adopting practices without assistance.
2. Repayment of loans/number of loan applications.
3. Number of tests conducted and types of new enterprises tried.
4. Degree to which existing credit programs and assistance are being used.
5. Written report recommending specific programs, methodologies, strategies or actions to improve the economic sector in the Eastern ORD.

None

Project for Eastern ORD

That within two years sufficient data becomes available on which to base the second stage project plan.

1. Purchasing power is sufficient to support and expand existing business.
2. That a sufficient domestic market exists for credit.
3. That opportunities for new enterprise introduction can be found.
4. That sufficient marketable surplus exists to support and expand agribusiness.
5. That sufficient demand exists to support agriculture services and other enterprises in the ORD that properly qualified technical advisors can be obtained.

Ouagadougou

686-0219

App 9A, Ch 9, HB 3

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS PART I		1. TRANSACTION CODE <input type="checkbox"/> A A = ADD C = CHANGE D = DELETE	PAF 2. DOCUMENT CODE 5
3. COUNTRY/ENTITY Upper Volta		4. DOCUMENT REVISION NUMBER <input type="checkbox"/>	
5. PROJECT NUMBER (7 digits) [686-0219]	6. BUREAU/OFFICE A. SYMBOL AFR B. CODE <input type="checkbox"/>	7. PROJECT TITLE (Maximum 40 characters) [Rural Enterprise Development-E. ORD]	
8. PROJECT APPROVAL DECISION <input type="checkbox"/> A A = APPROVED D = DISAPPROVED DE = DEAUTHORIZED		9. EST. PERIOD OF IMPLEMENTATION YRS. [0] [2] QTRS. [8]	

10. APPROVED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>77</u>		H. 2ND FY <u>78</u>		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) F&N	272	110		353		154			
(2)									
(3)									
(4)									
TOTALS				353		154			

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		11. PROJECT FUNDING AUTHORIZED ENTER APPROPRIATE CODE(S) 1 = LIFE OF PROJECT 2 = INCREMENTAL LIFE OF PROJECT	A. GRANT	B. LOAN
	P. GRANT	Q. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN			
(1)					507				
(2)									
(3)									
(4)									
TOTALS					507				

C. PROJECT FUNDING AUTHORIZED THRU FY [7] [8]

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED (\$000)

A. APPROPRIATION	B. ALLOTMENT REQUEST NO.	
	C. GRANT	D. LOAN
(1) F&N	353	
(2)		
(3)		
(4)		
TOTALS		353

13. FUNDS RESERVED FOR ALLOTMENT

TYPED NAME (CHIEF, SERVICEMEN) _____

SIGNATURE *[Signature]*

DATE 5/27/77

14. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 341 LOCAL OTHER _____

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED _____

FOR PPC/PIAS USE ONLY	16. AUTHORIZING OFFICE SYMBOL	17. ACTION DATE MM DD YY	18. ACTION REFERENCE (Optional)	ACTION REFERENCE DATE MM DD YY

Project Authorization and Request for Allotment of Funds

Part II

Country : Upper Volta
Project : Operational Program Grant to Partnership for Productivity
Project Number : 686-0219

Pursuant to Part I, Chapter 1, Section 103 of the Foreign Assistance Act of 1961, as amended (the "Act"), I hereby authorize an operational program grant (the "Grant") to Partnership for Productivity (the "Grantee") in an amount not in excess of Three Hundred and Fifty Three Thousand United States Dollars (\$353,000) to assist in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The project consists of providing technical assistance, goods and services to assist in obtaining information about, and determining the manner in which rural enterprises, having a beneficial impact on the incomes and standard of living of rural farmers and other residents of the area, may be developed by testing appropriate technical service packages to upgrade practices of small rural businesses, by operation of a small experimental credit fund which will be used to develop credit techniques viable in the project area, including primarily an effort to introduce rural enterprises to the already existing commercial and concessional credit facilities, and by operation of a small investment fund that will be used to finance experimentation in the development of rural enterprises (hereinafter referred to as the "Project").

I approve the total level of A.I.D. appropriated funding planned for the Project of not to exceed Five Hundred and Seven Thousand United States Dollars (\$507,000), Grant, during the period FY 1977 through FY 1978, including the amount authorized above and an additional increment of grant funding, during the period, of \$82,000 in FY 1978 subject to the availability of funds and in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Grant Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to the following terms, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Goods and Services

Except for ocean shipping, goods and services financed by A.I.D. shall have their source and origin in Upper Volta or the United States, except as A.I.D. may otherwise agree in writing. Ocean shipping may be procured in any eligible source country except Upper Volta.

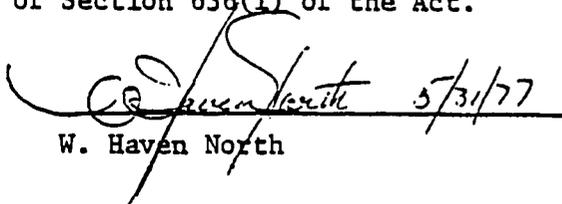
b. Waiver

Notwithstanding paragraph a. above and based upon the justification set forth in Annex A to the Action Memorandum, I hereby

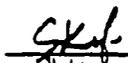
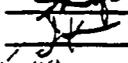
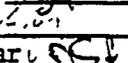
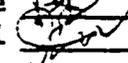
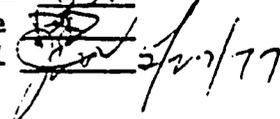
1. approve a procurement source waiver from A.I.D. Geographic Code 000 (U.S. only) to Code 935 (Special Free World) for the procurement of motor vehicles; provided that the amount of such procurement shall not exceed \$25,000;

2. certify that exclusion of the above-mentioned motor vehicles from the requested source countries would seriously impede attainment of U.S. foreign policy objectives and the objectives of the foreign assistance program; and

3. find that special circumstances exist to waive, and do hereby waive, the requirements of Section 636(i) of the Act.

 5/31/77
W. Haven North

Clearances:

AFR/DR:SKlein 
AFR/DR:JKelly 
AFR/DP:CWard 
AFR/SFWA:DShear 
AFR/DR:DDibble 
SER/FM:JMcColl  5/27/77


AFR/GC:STisa : 5/10/77

Waivers

In order to purchase two four-wheel drive vehicles suitable for use in Upper Volta, a source/origin waiver from Geographic Code 000 (U.S. only) to Geographic Code 935 (Free World) is needed.

Section 636(i) of the Foreign Assistance Act of 1961, as amended, prohibits A.I.D. from the purchase or long-term lease of motor vehicles unless such vehicles are manufactured in the United States. Section 636(i) does, however, provide that "where special circumstances exist the President is authorized to waive the provision of this section in order to carry out the purposes of this Act."

Partnership for Productivity has requested a waiver be issued authorizing the purchase of Code 935 source/origin vehicles and believes that special circumstances exist to justify the requirements for a waiver of Section 636(i) and the source requirements generally set forth in Chapter 2 of AID Handbook 15. The CDO Ouagadougou and the Project Committee, for the reasons stated below, concur in this request.

This project will be located in the Eastern Regional Development Zone (ORD) of Upper Volta. The technicians responsible for the implementation of the project will live in the ORD. Performance of their duties will require frequent movement between their headquarters and the major and smaller markets in their area. The ORD is one of the larger development zones in Upper Volta and due to seasonal flooding the existing road structure disintegrates to such an extent that four-wheel drive vehicles are required to assure that the technicians have at least minimum mobility required to fulfill their assignments. Several of the villages in the project area are accessible only by tertiary roads, which in Upper Volta are generally no more than goat or bicycle paths and thus also necessitate four-wheel drive vehicles.

The only four-wheel drive vehicles which can be maintained locally are of non-U.S. manufacture. Manufacturers of U.S. vehicles are not represented in Upper Volta and there are no spare parts or maintenance capability for U.S. vehicles in the country. Until a maintenance capability for U.S. vehicles is established, there is no reasonable alternative to meet the project's needs for transportation than to purchase non-U.S. manufactured vehicles.

For the reasons stated above, it is recommended that it be concluded that special circumstances exist that necessitate the procurement of non-U.S. manufactured vehicles and that it is certified that exclusion of procurement from non-U.S. sources would seriously impede attainment of U.S. foreign policy objectives and the objectives of the Foreign Assistance Program.

PARTNERSHIP for PRODUCTIVITY

David H. Scull, President
International Office
P.O. Box 170, Annandale, Va. 22003
(703) 941-6108

Andrew H. Oerke, Executive Director
Operations Office
2311 18th St. N.W., Washington, D.C. 20009
(202) 234-0340

Cable Address: PARTPROD WASHINGTON



EXAMINATION OF NATURE, SCOPE AND MAGNITUDE OF ENVIRONMENTAL IMPACTS

DESCRIPTION OF PROJECT

The purpose of this project is to determine by experimental implementation on a pilot basis, the best program design to foster the development of rural enterprises which have a beneficial impact on the incomes and living standards of rural farmers and other residents in the areas served by the Eastern ORD; and provide in the village market a means of increasing farmer self-determination and commercial independence.

The inputs to this project will include two technical advisers for two years each, a \$32,000 revolving credit fund to finance development capital requirements of rural entrepreneurs currently in business, new entrepreneurs and entrepreneurial associations proposing loan-worthy projects and a \$50,000 fund to support opportunities perceived by the adviser to introduce new enterprises, technologies, techniques, facilities, equipment, etc.

The technical advisory effort will be divided between two operational locations, Diapaga and Fada N'Gourma. The pilot program would best work where there are centers accessible to the Eastern ORD headquarters and to each other and where the experiment would not be rendered invalid by inability to travel, communicate, and otherwise administer project inputs.

The two advisers financed by this project will perform the following functions:

- 1) Design and test a credit vehicle by which entrepreneurs already in business, new entrepreneurs and entrepreneurial associations proposing loanworthy projects can acquire operating capital. This will include examining existing and proposed credit systems; determining the social/economic acceptability of alternate credit structures including limitations on the size of loans, the optimum ratio of loan to investment, the level of cash versus "in-kind" loan payments and repayments, appropriate time frame and terms for repaying, and the probability of repayment; and, determining

Partnership for Productivity Foundation/USA, Inc.** Chairman, Board of Directors: Stanley C. Marshall, Pittsburgh, Pa.

In association with: Partnership for Productivity Service Foundation [Kenya], Kakamega, Kenya
Partnership for Productivity Foundation/Liberia, Yekepa, Liberia
Programs in other countries in process of development or exploration

**Contributions deductible for Federal income tax purposes. Checks may be made payable to PPF Foundation.

an acceptable and viable institutionalization means.

- 2) Design and test an appropriate technical assistance package to upgrade business practices. This will include selecting groups or individuals as test subjects; determining a viable and effective means for motivating entrepreneurs; expanding such entrepreneurial activities as market analysis and market development; introducing an appropriate level of record keeping, inventory control, accounts; increasing the profit potential; and procurement of stocks/equipment.
- 3) Determine whether new entrepreneurial activities are needed in the ORD and selectively support such development as opportunities arise within the framework of experimental introduction of new enterprises.
- 4) Provide support to the ORD, and GOUV agencies and/or private groups by conducting seminars, giving lectures or working with selected groups of individuals who have designated responsibilities for rural enterprise development.
- 5) Determine the extent to which services to entrepreneurs (BND, GOUV Agencies, etc.) are available, their current use in the ORD, and if not used, facilitate such use.
- 6) Install and test at least one market infrastructure improvement to determine its impact on increased market utilization and aggregate turnover, and to determine its replicability on a commercial basis (i.e., improvement cost to be covered by increased rental fees).
- 7) Recommend upon the basis of experience and experimentation in consideration of ORD/US and other donor country projects (planned or implemented), appropriate follow-on programs, strategies, or activities that would be most effective in fostering the development of rural enterprises utilizing to the maximum extent the existing resources and institutions of the ORD. (PfP will also identify and establish an indigenous management group to work with. If PfP determines that its work in Upper Volta is to be extended, this group could form the basis of a Governing Council for a PfP Foundation in Upper Volta.)

PROJECT BACKGROUND

Upper Volta's development plan for rural areas is based on administrative divisions called ORD's (Organisme Regional de Developpement).. The GOUV primary goal for the Eastern ORD is to raise the level of agriculture (livestock and crops) production as a means of increasing farmer/herder income levels and thus expand the economy of the ORD. In support of this GOUV goal, the U.S., UNDP and other donors have begun or plan to undertake programs addressed to the perceived obstacles to increased agriculture production. The U.S. programs include the Integrated Rural Development Project (IRDP), the Eastern ORD Rural Roads Project (PP stage), and the Village Livestock Project (one component of which focuses on the Eastern ORD as a complementary activity to the IRDP. There is one additional project conceived as add-on to the IRDP (Non-formal Education) in the process of AID review.

II. Identification and Evaluation of Environmental Impact

The Project Review Committee, including the Officer in AFR/DR responsible for the implementation of AID's environmental procedures, have reviewed this project to assure its compliance with AID Regulation 16. Section 216.2 of this regulation recognizes that "... not every AID activity however will be a major action significantly affecting the environment for the purposes of these procedures..." and therefore "will not normally require the filing of an Environmental Impact Statement or the preparation of an Environmental Assessment." The Project Committee decided this project will not have a significant detrimental effect on the human environment and qualifies under examples B^{1/} and F^{2/} of Section 216.2 as not requiring further environmental evaluation. The Project Committee recommends that you approve a Negative Determination for this project.

^{1/} Example B states "controlled experimentation exclusively for the purpose of research which is confined to small areas and carefully monitored.

^{2/} Example F states "contributions to international, regional or national organizations by the U.S. which are not for the purpose of carrying out a specifically identifiable project or projects.

There is a dearth of basic data about the Eastern ORD, which has been a relatively neglected region of Upper Volta. Therefore, assistance programs which have been designed so far include a substantial initial element of data collection/data analysis/planning. Interventions to stimulate production are expected to take some time to be developed and refined to become effective. Once this has been achieved, it is expected that the current level of agri-services would be inadequate for the needs of an expanding agricultural production, and agri-business in the region will require development assistance. The pilot project anticipates that need, and seeks to develop an enterprise assistance program appropriate to the requirements at that stage. Included in this program will be a contribution to an intermediate credit training institution that will facilitate the use of existing credit institutions.

6C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by exclusion (as where certain uses of funds are permitted, but other uses not).

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? N/A. The project provides an operating program grant to a specific American voluntary agency.
2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him? Yes.
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed? N/A.
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? N/A.
5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? N/A.
6. IMMA Sec. 901(b). (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. N/A.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, Yes.

A7

are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

Yes.

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest?
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million?

N/A.

N/A.

N/A.

C. Other Restrictions

1. FAA Sec. 201(d). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?
3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-Bloc countries, contrary to the best interests of the U.S.?
4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S. or guaranty of such transaction?

N/A.

N/A.

Yes.

Yes.

5. Will arrangements preclude use of financing:
- a. FAA Sec. 114. to pay for performance of abortions or to motivate or coerce persons to practice abortions? Yes.
 - b. FAA Sec. 620(g). to compensate owners for expropriated nationalized property? Yes.
 - c. FAA Sec. 660. to finance police training or other law enforcement assistance, except for narcotics programs? Yes.
 - d. FAA Sec. 662. for CIA activities? Yes.
 - e. App. Sec. 103. to pay pensions, etc., for military personnel? Yes.
 - f. App. Sec. 106. to pay U.N. assessments? Yes.
 - g. App. Sec. 107. to carry out provisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending). Yes.
 - h. App. Sec. 501. to be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes.

6C(2) - PROJECT CHECKLIST

Listed below are, first, statutory criteria applicable generally to projects with FAA funds, and then project criteria applicable to individual fund sources: Development Assistance (with a sub-category for criteria applicable only to loans); and Security Supporting Assistance funds.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT.

1. App. Unnumbered; FAA Sec. 653(b)
 - (a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project; a) Congressional Notification.
 - (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure plus 10%)? b) Yes.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? a) Yes.
b) Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? N/A

4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per Memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol 38, No. 174, Part III, Sept. 10, 1973)? N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project? N/A

A.

6. FAA Sec. 207, 215. Is project susceptible of execution as part of regional or multi-lateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multi-lateral organizations or plans to the maximum extent appropriate?

No.

7. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project is designed to encourage private business activities in rural Upper Volta. As such it should have almost immediate beneficial effects in all these areas.

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

In the long term, this project by broadening and strengthening economic activity in Upper Volta will help create a market for U.S. produced goods and services.

9. FAA Sec. 612(b); Sec. 635(n). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

Citizens of the host country, by funding almost all the business activity foreseen under this project, will be the primary source of local currency needed during project implementation.

0. FAA Sec. 612(d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

The U.S. has no excess local currency.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(c); Sec. 111; Sec. 201a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

The project is designed to encourage rural business activity. This will serve to spread investment to rural areas, open the cash economy to greater participation by the poor and given the level and size of local markets, increase the use of labor-intensive technologies.

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b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [Include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.]

(1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;

The project, by increasing rural economic activity, will create a greater demand for the goods provided by the rural poor, thus increasing their access to the cash economy and provide greater services for these people.

(2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor;

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(a) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

a) The project was proposed by and will be implemented by a private voluntary agency-Partnership for Productivity.

(b) to help alleviate energy problem;

(c) research into, and evaluation of, economic development processes and techniques;

(d) reconstruction after natural or manmade disaster;

(e) for special development problem, and to ensure proper utilization of earlier U.S. infrastructure, etc., assistance;

(f) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

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(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

N/A

c. FAA Sec. 110(a); Sec. 202(e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

Yes, it is conservatively estimated that local investments in coordination with and support of project goals will exceed 25% of the total project cost.

d. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing?

No.

e. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on: (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

The project places greatest emphasis upon item (1) and will also have a beneficial but more limited impact upon items (3) through (5). The women in the project area already perform important business functions. This project will help reinforce this role.

f. FAA Sec. 201(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The project was developed with full cooperation of host country officials and businessmen. It reflects their needs and desires. By increasing rural economic strength, the project will also encourage political participation by rural citizens.

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g. FAA Sec. 201(b)(2)-(4) and -(6); Sec. 201(c); Sec. 211(1)(1)-(3) and -(5). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?

Yes.

h. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

No negative effect upon the U.S. economy is anticipated as a result of this project.

2. Development Assistance Project Criteria (Loans only)

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S.

N/A

b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.

N/A

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

N/A

d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development?

N/A

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e. FAA Sec. 242(d). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurement from private sources? N/A

f. FAA Sec. 420(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A

3. Project Criteria Solely for Security Supporting Assistance

FAA Sec. 531. How will this assistance support promote economic or political stability? N/A

4. Additional Criteria for Alliance for Progress

[Note: Alliance for Progress projects should add the following two items to a project checklist.] N/A

a. FAA Sec. 251(b)(1), -(2). Does assistance take into account principles of the Act of Bogota and the Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America? N/A

b. FAA Sec. 251(b)(3); 251(h). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIES," the Permanent Executive Committee of the OAS) in its annual review of national development activities? N/A