

UNITED STATES GOVERNMENT

Memorandum

11/1/79

TO : USAID Director, Mr. Richard C. Meyer DATE: December 31, 1979
THRU : Program Officer Mr. R. Carey Coulter
FROM : Asst. Program Officer, A. A. Vollbrecht

SUBJECT: Attached PES for PFP OPG: Rural Enterprises Development Project (686-0219)

The attached PES represents the joint inputs of Mr. Galen Hull and myself. In conducting this evaluation the only major question left unresolved was the position of the Eastern ORD Chief vis-a-vis this project. Four attempts were made to contact him. He was unavailable, though he was present in his office on two of those occasions. This may be significant given the fact that little effort has been made by PFP to fully coordinate their activities with him. It could impact on continued and follow-on project activity approval.

Subsequent to the PES visit to Fada, at your suggestion, Samir Zoghby discussed the project with the Eastern ORD Chief. He stated that he would like to see continued PFP project activities, but have them more closely linked to the ORD. He suggested some tie-in with the Gourmantche Association, but beyond that, was not more specific. PFP is aware of his views, and plans to explore the possibility.

All other factors point to a successful implementation of the project. No negative feedback was encountered during the interviews of clients and observers.

Major conclusions can be summarized as follows:

1. The Logical Framework appended to the OPG document was not useful as an evaluation tool. Project purpose and outputs must be redefined to provide the basis of another evaluation at the end of the proposed 3rd year of the pilot phase.
2. Priority must be given to securing an institutional framework for the PFP project in the next 12 months. A letter of understanding by the Eastern ORD Director giving approval of such an arrangement should be signed by the end of the pilot phase.



3. The objective of making credit available to small enterprises ineligible for assistance under existing bank standards is being met. The loan repayment rate is unexpectedly high. Greater attention must be given to the various types of technical assistance provided to project clients, e.g. accounting systems, staff visitation, appropriate technology.

4. Initial efforts to recruit host country staff assistants have been very positive. By Jan. 1, 1980, both the Fada and Diapaga offices will have full-time local nationals on board. The evaluation team proposes an eventual exchange of these assistants between the 2 offices to strengthen the training component. Hiring of additional national staff should be accompanied by extensive on-the-job training.

5. USAID/UV should take prompt action in securing a one year extension for the project and request the obligation of an additional \$110,000 to support project activities as outlined in PFP's request.

cc: B. Thoren
AID/W AFR/SFWA
MO/PAV, AID/W

PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE RURAL ENTERPRISES DEVELOPMENT (Partnership for Productivity - OPG) 5120/110 #90			2. PROJECT NUMBER 686-0219	3. MISSION/AID/W OFFICE USAID/UPPER VOLTA
5. KEY PROJECT IMPLEMENTATION DATES			4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 686-80-01	
A. First PRO-AG or Equivalent FY 77	B. Final Obligation Expected FY 80	C. Final Input Delivery FY 80	<input type="checkbox"/> REGULAR EVALUATION <input checked="" type="checkbox"/> SPECIAL EVALUATION	
6. ESTIMATED PROJECT FUNDING			7. PERIOD COVERED BY EVALUATION	
A. Total \$ 532,000			From (month/yr.) 12/77	
B. U.S. \$ 532,000			To (month/yr.) 11/79	
			Date of Evaluation Review 11/79	

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

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Revise Logical Framework to expand and clarify project purpose and outputs sections.	PfP Field Staff and PFP Wash.	1/25/80
2. Extend PACD to 12/31/80 and obligate an additional \$110,000 PIO/T and Advice of Program Change to be prepared by USAID/UV/RDD and submitted by Dec. 21, 1979	AID/W, AFR/DR/SFWA	12/31/79
3. Formulate a basic institutional framework, which has GOUV approval, for continued PFP activities in the Eastern ORD	PfP Field Staff	11/01/80

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan, e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Financial Plan	<input checked="" type="checkbox"/> PIO/T	_____
<input checked="" type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A.	<input checked="" type="checkbox"/> Continue Project Without Change
B.	<input type="checkbox"/> Change Project Design and/or Change Implementation Plan
C.	<input type="checkbox"/> Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Mr. Samir Zoghby, Project Officer, USAID/UV
 Mr. Galen Hull, Evaluation Consultant, PFP/Wash.
 Mr. A.A. Vollbrecht, Asst. Program Off., USAID/UV

12. Mission/AID/W Office Director Approval

Signature: R.C. Meyer
 Typed Name: R.C. Meyer, Director
 Date: 1-13-80

Evaluation Summary

It is the overall conclusion of this evaluation that the PFP team operating in the Eastern ORD of Upper Volta has made a very favorable beginning in the pilot project to promote rural enterprises. Although the project was delayed by several months, substantial progress has been made toward attaining pilot phase objectives. On the basis of findings included in this evaluation, we are proposing that PFP's request for funds for an additional third year of the pilot phase be granted.

Utilization of project inputs has, generally, led to realization of project outputs. Project implementation has resulted in progress towards achievement of project purpose. PFP field advisors have stimulated local interest in project participation and have been generally well-received. Response for credit assistance offered under the pilot phase of the project indicates a significantly greater demand for loan services than what the project can provide. Experience to date indicates that additional inputs in the form of increased credit funds availability and funding of advisors for an additional period of up to one year will increase the probability of developing an institutionalized credit program during a second phase of the project. Differing approaches by the advisors in providing technical assistance to clients will need to be evaluated at a later date to ascertain what differences, if any, in impact each has had in upgrading business practices of entrepreneurs. This will have a probable bearing on any "assistance package" in a follow-on project.

The project was designed for implementation basically outside of existing GOUV structures. As such, it has faced few, if any, bureaucratic constraints. This approach, however, also causes concern for future institutionalization and may present a problem in obtaining GOUV approval for continuation of the project. It should be noted that the evaluation team was unable in four separate concerted attempts to meet with the Director of the Eastern ORD. This fact, in addition to the reported difficulties PFP staff have had in communicating with the Director, are cause for concern as to the project's future operations.

However, in a subsequent meeting between the Eastern ORD Director and Mr. Samir Zoghby of the USAID/UV staff, the Director voiced his approval of PFP's activities. It was his belief that PFP activities should be more closely linked to other on-going developmental activities in the Eastern ORD. He expressed the opinion that PFP should explore the possibility of working with an established Gourmantche organization in the future.

Evaluation Methodology:

This evaluation was carried out jointly by a consultant to PFP/Washington and a member of the USAID/UV staff. The OPG provides for an evaluation of the pilot phase of the project as a prerequisite to a follow-on stage. It comes at the end of second year of project existence. Since actual operations were delayed by some six months, an extension of one year has been requested. If this is granted, it is proposed that a second evaluation take place mid-way through the third year - based on suggested revisions in the Logical Framework. This will provide a clearer focus for measuring project achievements.

PFP reports, client files, records and 27 individual interviews with clients were utilized in obtaining data and information. The research center of S.A.E.D. and members of the M.S.U. staff of the Eastern ORD Region IRD project were also contacted. The sous-prefet and the ORD sub-sector Chief in Diapaga were contacted for their views. Implementation progress was assessed against the design as outlined in the project logframe. Interviews were conducted with the participation of the PFP field staff, i.e., Mr. Bengt Thoren, Mr. John Schiller, Mr. Boama Beogo and Riegobert Tyombiano.

External Factors

Factors external to project management that could be crucial to project success were not clearly defined in the OPG. In fact, it is stated that "there are no critical assumptions to the implementation of the pilot project..." (p.8). Frequent reference is made to consultation with ORD officials and maximum use of existing "resources and institutions of the ORD". While it is made clear that there should be cooperation with relevant GOUV agencies, the PFP project was not to operate within the ORD framework.

With this as a given, the ORD is the most significant factor external to project operations. Because PFP has managed to maintain its autonomy from the ORD, it has incurred at best an aloof attitude on the part of the Director, and perhaps even resentment at lack of control over a project seen by nearly everyone as being successful.

To assure the attainment of its ultimate objectives, PFP must secure an organizational home such as a private business and cultural organization. One of the more likely possibilities to date appears to be a loosely formed Gourmantche association

headed by Minister of Information Tani, a native of the Eastern ORD Region and highly regarded by everyone the evaluation team consulted.

To be effective, however, PFP affiliation with any such group would have to meet with the approval of the ORD Director.

Inputs

The inputs to achieve expected outputs consisted of two types of assistance - technical and financial - totalling \$532,000 in funds, 100 percent AID-contributed:

- 1) 2 technical advisors for 2 years each;
- 2) financial aid, consisting of:
 - a) \$32,000 revolving credit fund to finance both new and experienced rural entrepreneurs; and
 - b) \$50,000 fund for introduction of new technologies, facilities, and equipment.

The OPG specifically states that it is "not part of the pilot project to develop and train GOUV capacity and cadres to administer the second phase". However, during the first half of 1979, the first Voltaic staff member was trained on-the-job and given a substantive role, including authority to make loans in the absence of the PFP technical advisor. Training is now anticipated as an on-going input to project activities.

Specifically excluded from project inputs was any contribution of cadres or technical advice from the ORD administration, in order to maintain PFP control.

After an initial six months delay by AID in project approval and funds availability, PFP field staff have effectively utilized project funds. The PFP expatriate staff in Faça M'Gourma and Diapaga are technically competent, culturally aware and personally motivated to effectively implement the proposed project activities. Their administration of the credit and experimental funds inputs has resulted in a wide range of credit activity and significant progress towards realization of output objectives during actual field implementation.

Outputs

The OPG Log-Frame suggests that a total of 60 rural enterprises would be "involved" in the pilot phase of the project. Of these, 20 were to be new businesses ; a total of 40 loans was anticipated

No measurable indicators were provided for other expected outputs, such as upgraded business practices, tests of social soundness, or even loan repayment rates. This was due to the experimental nature of the project and the uncertainty of predicting results. Progress towards up-grading local entrepreneurial business practices through improved managerial techniques is discernable, especially in the Diapaga area. A comprehensive effort to provide business management training to entrepreneurs receiving loans has been developed and implemented, utilizing a modified system developed in other PfP programs. Interviews with entrepreneurs and perusal of their books indicates an understanding of the process. It is too early, however, to assess the actual impact of these improved managerial practices on the overall management of the business.

Loans have been provided to entrepreneurs to start new businesses in the project area. With few exceptions these new enterprises appear to be establishing themselves in meeting a market demand.

In fact, outputs already have far exceeded expectations. The third Activities Report (Jan-June 1979) indicated a total of 110 loans had been granted (enterprises were hence "involved"). Another 10 had been granted by the time of the evaluation (Nov. 1979). Of these, half (55) were entirely new enterprises. Enterprises financed to date are broadly grouped within five categories by PfP: agricultural production/livestock, agricultural transformation, artisans, commerce, and transport. Individual loans have been made to entrepreneurs for garden/orchard improvement, rice, millet, peanut and sorghum cultivation, a piggery, rabbit raising; tailor shops, welding, carpentry and blacksmith shops; general stores, pharmacies, bicycle/mobylette spare parts shops, bookstore, photo studio, etc. Loans average about 125,000 CFA (\$625) each.

Funds from the \$50,000 experimental fund have been used to provide loans to several entrepreneurs not previously in business, as well as to finance purchases for materials, tools, seeds, etc. for demonstration purposes. Most notable of these is a demonstration farm in Tiparga. A remarkably high loan repayment rate of over 90% was reported. This contrasts sharply with the poor repayment rate on loans granted by the IRD project. The total amount of the loans granted exceeds that initially provided in the loan and experimental funds, as early loans have been repaid and the funds have been re-loaned.

Other measurable outputs include a variety of technical and managerial assistance as well as 2 trained Voltaic extension agents and another about to be hired on a full time basis. Redesign of the Log-Frame should take into account these achievements and provide measures for future expectations.

Purpose:

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

The 90 percent on-time loan repayment rate provides positive indication that progress is being made towards the development of a "viable" credit program. Loan applicant selection criteria and procedures have resulted in sound loans. Both expatriate technicians are training local nationals to assume expanding roles in overall project implementation. Since the project has been designed for implementation outside of existing GOUV organizations, a need which must be given increasing attention is that of institutionalizing whatever credit program is finally developed.

PfP field technicians have addressed the issue of business management/technical assistance in differing degrees of emphasis. PfP field technicians have developed technical management assistance systems geared to the level of the individual entrepreneur to help him calculate the profitability of his business. Where the entrepreneur is literate a more formalized and detailed accounting system is encouraged. All of the loan recipients interviewed in the Diapaga area were maintaining accounting systems of varying degrees of sophistication. The purpose of such a system, in all cases, appeared to be being met, i.e., a recording of sales, expenses, maintenance of revolving funds for purchases of materials, and calculation of costs and profit margins to determine if the business has made a profit. In Fada, technical guidance is provided without the heavy emphasis on detailed accounting. Additional time will be needed to assess the impact of each approach.

The OFG states that the project will, through use of the project credit fund and technical assistance, help tie individuals securing loans into existing established credit sources. None of the entrepreneurs who have received PfP assistance to date had secured a loan from existing credit sources previously. Some progress can be noted. In Fada, three PfP-assisted entrepreneurs have now been judged credit-worthy by established credit institutions. This is a small number, but a positive first step.

Given progress to date, project purpose as outlined in the present logframe can be achieved by the end of the proposed project.

However, one recommendation of the evaluation team is that project purpose be expanded to include institutionalization of PFP activities. The evaluation team concluded that project purpose must explicitly state the aim of finding an institutional framework, particularly since it is operating outside the regional governmental structure. A second phase purpose would then be to solidify the linkages with the organization or association, aiming at institutional autonomy.

The PFP staff has successfully developed a method of identifying clients and extending credit. Its technical package for assisting project clients has been appropriate in most instances. It should, however, be uniformly applied in both areas of project operations.

Goal

The OPG Log-Frame refers the reader to the goal of the Eastern ORD IRD project, stating that it is: "Improved quality of life of herdmen and small farmers". However, in the original Log-Frame of the IRD the goal is stated thusly: "To assist in the overall development of the rural sector in U.V. by supporting the government's ORD program." A revised Log-Frame which emerged from the March 1978 evaluation of the IRD project presents the goal in these terms: "Increased production, income and quality of life for rural population in Fada ORD".

In so far as the IRD project is an integral part of the ORD administration, it can be said to be supporting its program. The PFP project, however, is seen by its staff as complementing the ORD program, but not an integral part of it. The revised goal of the IRD, which makes no mention of governmental structure, is more in line with PFP objectives. Measures of goal achievement such as increased agricultural production, improved health and education services, and increased rural incomes, are appropriate to PFP objectives.

It is essential that the PFP goal, whether it be linked to that of the IRD project or not, be interpreted alike by all. Loans to small entrepreneurs, merchants and artisans as well as farmers, have stimulated a verifiable increase in their individual net worth. Additional income is available to secure improvements

in the quality of their lives i.e. medicines, more nutritious foods, etc. In that inputs for increasing production were not available from other sources, a direct link may be assumed.

Beneficiaries

The PFP project can not yet be expected to have substantially stimulated agricultural production during the pilot phases. Its direct beneficiaries thus far are the recipients of the 120 loans granted, as well as members of their family. Also, Voltaic staff are becoming direct beneficiaries, with salaries considerably better than they were receiving before. The most significant aspect of the benefit derived from PFP loans is that they are virtually always accorded to those who do not qualify for credit under the existing system. Therefore, PFP is creating an alternative credit system whose aim is to bring clients into the mainstream.

Types of PFP client/beneficiaries include: farmers and farmer groups (about half of total), small merchants, and artisans - all of them in a rural milieu. PFP has not established a firm policy of aiding only individual entrepreneurs, but the overwhelming majority of clients are individuals. The ORD loan program is restricted to village groups; PFP complements this by granting loans to credit-worthy individuals who don't belong to a groupe-ment villageois.

Indirect beneficiaries are primarily customers of loan recipients as well as village areas where demonstration fields will have a spread effect.

Unplanned Effects

Ironically, the initial success enjoyed by the PFP project may carry with it the seeds of difficulties to come. The project is the envy of everyone else involved in rural development of the Eastern ORD. It has brought opportunity to those who are not likely to be reached by any government-controlled projects.

In contrast, the other project co-ordinated by the ORD (since 1974) have been slow to produce direct effects on the population despite sizeable resources invested in them (see evaluation report of AID IRD project of March 1978. PFP staff have resisted suggestions by ORD authorities that the project be brought under the aegis of the ORD. As a result, the PFP staff has come to feel that the project is somewhat "outside the mainstream" of development programming within the region.

Lessons Learned

This pilot project, during two years of implementation, has noticeably progressed towards achievement of its stated purpose. PFP's strategy of operating outside the framework of the Voltaic government organization has undoubtedly been a basic factor in successful implementation to date. This project is impacting on a specific and defined group of individuals: the rural individual who is unable to obtain assistance from other sources. It represents a basic "grassroots" assistance effort which, locally, has an immediate, direct, verifiable effect on the beneficiaries.

AID should encourage and support endeavors of this nature. It is however, important to solicit approval and support from the host government, which in turn must espouse a basic philosophy supportive of individual entrepreneurism. These elements, combined with a PFP approach, would, in the opinion of the evaluation team, stimulate more enthusiastic and direct beneficiary participation in their own development.

Special Comments

AID supports the general philosophy that to foster the potential for on-going and lasting project benefits, "institutionalization" of activities is essential. This usually implies some sort of host country counterpart from a project's inception/design through implementation. This project is not being implemented with any host country counterpart participation.

The development model that PFP espouses emphasizes the promotion of entrepreneurial skills and the growth of the private sector of the economy at the grass roots. Its ultimate objective is the creation of private associations (corporations) throughout the developing world which are capable of becoming self-sufficient and financially autonomous. At a minimum, this approach depends on a benign - if not entirely enthusiastic- attitude on the part of host country government authorities who are accustomed to viewing the public sector as the primary motor of development. The distinct advantage of the PFP approach is that it attempts to avoid involvement in bureaucracies that can be a handicap to real development.

It is acknowledged by all who are familiar with the project that in its implementation to date has been successful in progressing towards its objectives. Potential participants exceed the project's capacity to include them. Benefits to those who have participated are verifiable. They are positive about the project.

PfP is now seeking additional funds for an extension of this pilot phase, and will be submitting a proposal for a follow-on project in the future. All indicators to date, based on project performance, call for continued AID support for PfP activities in Upper Volta. The one primary area of concern is that of institutionalization.