

PD-AAH-952

15N-28139

3 yr start FY81

9380 151/49

~~932-0099~~

- CP
- ML
- FSAR

SEP 18 1981

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, FVA

FROM: FVA/PVC, Thomas H. Fox, Director

Problem: Authorization is requested for a three-year matching grant in the amount of \$1,342,000 to Heifer Project International (HPI) beginning in FY 1981 with a grant of \$371,550.

Background: HPI is a nonprofit organization established 35 years ago to assist small farmers to achieve a better living by providing them with high-quality livestock for breeding purposes. HPI shipped livestock to deserving poor farmers with the requirement that the first offspring be given to someone in the community who is equally deserving. The multiplier effect of such programs greatly increases their impact.

HPI was assisted to shift from a solely church-related support activity to a developmental emphasis under an A.I.D. development program grant (DPG) in FYs 78-81. The grant also permitted HPI to institute an improved system of program design, and an evaluation system for on-going country programs. This improved system has brought significant improvements in HPI's livestock programs. Specifically, HPI now has:

- an annual operational livestock inventory system in its national and regional offices,
- a set of clearly stated policies and priorities,
- a more accurate and accessible information system in the program department,
- tools for systematically screening program proposals, project proposals and requests,
- enhanced staff capability in conducting evaluations and utilizing evaluation findings,
- a growing awareness and sensitivity to the perspectives, findings, and needs of the persons with whom HPI is working, and
- an evaluation office as a permanent part of the Program Department structure.

In general, the HPI representatives and local counterparts have identified the strengths and weaknesses in the projects assessed (during the period of the DPG).

More projects have baseline data and routine scheduled self-evaluations for reporting, problem identification and replanning.

Proposed Program: The "Comprehensive Livestock Development Program" that HPI has proposed is designed to enable counterpart organizations and local indigenous groups to carry out small-scale livestock projects as a component of, or a catalyst to, rural, socio-economic development. Extensive field experience and HPI's intentional focus on evaluation have revealed that project groups often are unable to assemble the resources and management skills necessary for a successful livestock project. Lack of these resources and management skills is often reflected in nutrition and disease problems, low conception rates, inadequate pasture management programs, reduced productivity, and increased animal mortality. The proposed program is aimed at responding to these basic needs.

The program seeks also to incorporate a more complete range of inputs and support services than HPI and counterpart groups have traditionally been able to provide to livestock development efforts. This will include: livestock provision and distribution; veterinary services and supplies; forage development and feedstuff information; training of technicians, project-level workers and livestock recipients; extension, follow-up and technical services; planning and evaluation. In some project areas the comprehensive approach will call for the support (on a limited basis) of local breeding centers and foundation-herd development.

HPI proposes to work in 10 countries of Asia and Latin America/Caribbean regions. The countries include: the Philippines, Peru, Guatemala, Honduras, Ecuador, Costa Rica, Jamaica, Dominican Republic, and Barbados, including adjacent islands. The tenth country, Chile, is uncertain at this point. If Chile is not included, however, it will be replaced with another LAC, or Asian, country. Possible countries are Haiti, India, and Indonesia. HPI will work through counterpart agencies and local project groups in those countries, and will provide services and support for 68 projects over the three-year period. Project requests will come through the counterpart organizations. Priorities and criteria for project selection are well established by HPI.

Whenever possible, local resources, including trainers, facilities, feedstuffs and materials, will be utilized. Livestock inputs will be purchased locally, or imported from the United States when genetically improved animals are not available within the program country or region. In all cases, the project ownership will rest with the counterpart organization and/or local project group, and HPI will provide requested technical assistance.

Review by Matching Grant Committee: This review was held April 1981 to assess the conformance of HPI's proposal to A.I.D.'s matching grant criteria. We determined that the proposal meets

matching grant criteria in that:

(a) The program is discrete and field focused, is likely to directly benefit the poor, and will involve beneficiaries in the design and implementation of activities. It deals with a clearly identified development challenge, and proposes a viable approach to meeting that challenge.

(b) HPI has an established track record internationally, and for nearly four decades has assisted small farmers in achieving social and economic betterment through the provision of improved livestock and training in appropriate animal husbandry practices. Three agricultural and rural development technicians on the review committee related experiences with HPI in field projects that demonstrate the quality of work that this organization can do under the proposed grant. Moreover, A.I.D. Missions in nine countries were contacted after the April meeting and comments have been received from eight of those Missions (Philippines, Costa Rica, Guatemala, Ecuador, Dominican Republic, Peru, Honduras, Barbados). All responses are quite positive, and indicate a desire for the proposed program to be implemented in those countries. A follow-up request has been sent to the other Mission (Jamaica) that was previously contacted. We are still awaiting its comments.

(c) For inclusion in the program, HPI identified 10 appropriately targeted countries in which it has established contacts with counterpart organizations, and where HPI has supported livestock projects previously.

(d) HPI's income from private sources in 1980 exceeded \$3 million. Its 1981 income is expected to reach almost \$4 million. Therefore, HPI will not have any problem matching A.I.D.'s contribution.

(e) HPI's proposal includes an acceptable plan for evaluation of the program. The evaluation methods and approaches described by HPI will be assessed further at the first annual review under the grant.

Agency Review: This review meeting was held on July 16, 1981 with regional and technical bureau participation. The proposed program was presented and defended by HPI staff representatives. The issues and questions raised that were not satisfactorily resolved during the meeting have since been responded to by HPI.

HPI will not be authorized to implement an MG program in Jamaica until comments are received from that Mission.

The Asia Bureau feels that the HPI proposal does not come across strongly enough on cost benefit analysis. The Bureau is not satisfied with the written response that HPI submitted on this issue.

UNITED STATES GOVERNMENT

Memorandum

TO : FVA/PVC, Thomas Fox

DATE: September 10, 1981

FROM : ASIA/DP, Robert Halligan *RH.*

SUBJECT: Heifer Project International (H.P.I.) Matching Grant Proposal

In response to questions raised at the project review meeting on July 16, 1981 H. P. I. stated that it had not done any cost effectiveness study of its programs. The Asia Bureau requested that H. P. I. institutionalize some system of cost-benefit analysis into its proposed matching grant program to A.I.D. In its August 12, 1981 letter to Mr. Will Holcomb (FVA/PVC), H.P.I. states that it has not developed the tools to produce a cost-benefit analysis that is defensible in any scientific sense. H.P.I. stated that "Frankly, the conduct of a cost-benefit analysis, acceptable to an economist, is within neither the mission nor the function of H.P.I."

In the July 16 project review, the Asia Bureau did not request then, nor does it now, an elaborate cost-benefit system. We simply requested that H.P.I. begin to institutionalize the fundamentals of such a system to begin to measure in simple dollars and cents what they propose to accomplish. Since H.P.I. does not appear to want to provide elementary economic justification for the significant financial resources it is requesting from A.I.D., the Asia Bureau does not feel H.P.I. should be awarded a matching grant.

to ct: FVA/PVC:WHolcomb
~~FVA/PVC:DMoss~~



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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Centrally Funded

3. PROJECT NUMBER

938-0151

4. BUREAU/OFFICE

FVA/PVC

11

5. PROJECT TITLE (maximum 40 characters)

Heifer Project International

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 09 27 83

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 81 B. Quarter 4 C. Final FY 83

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 81			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	()	()	(372)	()	()	(1,342)
(Loan)	()	()	()	()	()	()
Other						
U.S.						
Host Country						
Other Donor(s)						
TOTALS						

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)	210			1,342				1,342	
(2)	920								
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODES

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To enable counterpart organizations and local indigenous groups to carry out small-scale livestock projects as a component of, or a catalyst to, rural socio-economic development.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

17. APPROVED BY

Signature

Title

Thomas H. Fox
 Director, FVA/PVC

Date Signed

MM DD YY
 09 11 83

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY



P.O. BOX 808
825 WEST THIRD STREET
LITTLE ROCK, ARKANSAS 72203
TELEPHONE: 501 376-6836
CABLE: HEIFER

HEIFER PROJECT INTERNATIONAL

August 12, 1981

Mr. Will Holcomb
Program Development Office
PDC/PVC
USAID - IDCA
Room 235, SA-8
Washington, D.C. 20523

Dear Will:

I express for Charles Burwell and Jerry Aaker our shared appreciation for the kind words and constructive dialogue that emerged from the review in Washington on July 16, 1981, of H.P.I.'s Matching Grant proposal. I have delayed preparing a written response to important issues raised during those discussions pending the return of Jerry Aaker and Dr. Gordon Hatcher from their recent visits to Matching Grant areas in the Caribbean and Latin America. Upon their return we have again reviewed the Matching Grant proposal and do herein reaffirm H.P.I.'s commitment to the Matching Grant request.

In this letter I shall address the following issues:

1. Countries to be included within the Matching Grant;
2. The difficulties in developing economic indicators for cost/benefit analysis that are fully defensible;
3. The relationship of H.P.I.'s expenditures within Matching Grant countries vis-a-vis other program expenditures and total H.P.I. expenditures by function;
4. H.P.I.'s continued concern about the audit of H.P.I.'s counterparts.

Also, please find attached a copy of the revised "Implementation Plan" (pages 22-23) as shared with you following the meeting of July 16, 1981.

As per the discussions of July 16th H.P.I. understands and accepts the desire of AID to delete the names of Grenada and Chile from the list of countries in which AID funds would be utilized under the Matching Grant. Therefore, the present list of countries stands as follows: The islands of the eastern Caribbean (excepting Grenada), the Dominican Republic, Jamaica, Guatemala, Honduras,

Mr. Will Holcomb
August 12, 1981
Page 2

Costa Rica, Ecuador, Peru, and the Philippines.

As per our discussions, it is H.P.I.'s interpretation that H.P.I. shall have the option to negotiate the addition of these (Grenada and Chile) and/or other countries to the list at a later date. Thus, H.P.I. assumes that flexibility exists on the issue of the addition of countries to the program covered by the Matching Grant following its initiation.

On the issue of cost/benefit analysis, H.P.I.'s aim is to work with the poorest sectors of the population that can feasibly benefit from animal agricultural enterprises. While projects supported by H.P.I. attempt to achieve economic benefits in measurable terms, our evaluation efforts focus on social and economic indicators relative to production, participation, achievement of goals and objectives, and "passing on the gift". The evaluation indicators are included within the Matching Grant on pages 28-29 under the section entitled "Evaluation and Reporting" (see attached).

While H.P.I. does not deny the importance of cost/benefit analysis, it admits that it has not developed the tools to produce an analysis that is defensible in any scientific sense. We recognize the difficulty of developing tools of accurate measurement and in obtaining baseline data for the rural communities within which H.P.I. works. Frankly, the conduct of a cost/benefit analysis, acceptable to an economist, is within neither the mission nor the function of H.P.I.

We have sought from AID, Winrock International, and others in the livestock field samples of the tools each has developed for cost/benefit analysis. Preliminary findings suggest that others share with us the difficulty in establishing appropriate tools capable of producing accurate information in this area.

Although H.P.I. has not developed the capacity of cost/benefit analysis, all projects are screened according to factors of production feasibility as measured against the particular circumstances in which each project will be carried out. At the minimum H.P.I. attempts to look at cost/benefit questions to assure that production costs will not be overly burdensome to the producer and that resources such as feed, facilities, pastures, and markets are in place, or are planned for, before a project is initiated.

Although H.P.I. intends to continue to work toward improvement of a capacity to make cost/benefit determinations, our primary focus shall be in the areas shown in the proposal.

To assist you in reviewing the Matching Grant request relative to H.P.I.'s budget commitments in other program areas, I have prepared two tables (see attached) of "H.P.I. Expenditures by Function: 1978-1981" and "H.P.I. Program Expenditures in Grant Targeted Countries: 1978-1981." Table I should be of particular interest

Contd 3

Mr. Will Holcomb
August 12, 1981
Page 3

as it lists on the top line H.P.I.'s annual expenditures (1978-1981) in Matching Grant targeted countries, with these figures compared to expenditures in other regions, other program expenditures, operating and promotion expenses. The footnotes to Table I lists the total income received from AID and Ocean Freight Reimbursement per year (calendar year) beginning with 1973.

As per conversations with staff in your office relative to developing an acceptable budget display, H.P.I. is aware of and shall conform to the reporting of budget expenditures for all activities that should meet AID's requirements. We shall develop a format that will list all costs under the Matching Grant by country and function including support expenditures, displayed as expenditures utilizing funds from H.P.I., AID, and where appropriate, host government. These budget reports will also display in the aggregate other H.P.I. program expenditures by region and function and expenditures for administration and promotion (fund raising).

Among all issues discussed during the meeting of July 16th, the question of audit remains as H.P.I.'s paramount concern. We are aware that this is a critical and sensitive issue to AID, H.P.I. and H.P.I.'s counterparts overseas. Our concern relative to the audit process was first uplifted in our letter of August 7, 1980, to Harold Datta and in the concept paper which that letter transmitted, and has been incorporated in all subsequent correspondence and discussions. While our concern on this issue is incorporated in the wording of the Matching Grant proposal (page 27), it is best expressed in my letter to you of May 20, 1981 (see attached).

In all negotiations on this point, H.P.I. has remained hopeful that an audit process can be established that assures appropriate accountability while maintaining the principle of mutuality on which our relations are based with our overseas counterparts.

Relative to this concern, H.P.I. supports the position of the Advisory Council on Voluntary Foreign Aid (June, 1980) which recommended that, ... "To the maximum extent possible AID look to its original grantee (the U.S. organization) and not the sub-grantee for full financial accountability for its grant. Financial audits should be limited to the initial (American) grantee. ..."

As we consider the Matching Grant request, nowhere is the issue of audit more clear than in H.P.I.'s emerging relationship with CADEC, Christian Action for Development in the Caribbean. CADEC's relationship to H.P.I. relative to the Matching Grant will be that of a sub-grantee.

H.P.I. needs a clear understanding of audit procedures relative to such a sub-grantee relationship. H.P.I. shall pursue the option of a waiver of the right normally reserved by AID to audit a sub-grantee in the case of CADEC.

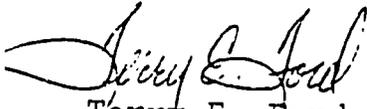
Mr. Will Holcomb
August 12, 1981
Page 4

In the event that such a waiver could not be negotiated, H.P.I. would not be in a position to implement the Matching Grant through CADEC for the Caribbean program.

I trust that H.P.I.'s response to the issues herein both clarify our position and will facilitate the approval process for the H.P.I. Matching Grant. Although we recognize additional negotiations may be required relative to the audit issue, H.P.I. is hopeful that all other areas of concern have been addressed and that a favorable agreement can be reached.

Please keep us advised as to the next steps in AID's approval procedures and any requirements for additional information.

Sincerely,



Terry E. Ford
Executive Director

encl. Implementation Plan
Evaluation and Reporting
2 Tables
Copy of letter of May 20

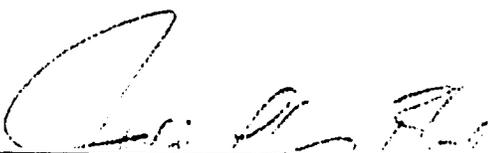
TF/as

PROJECT AUTHORIZATION

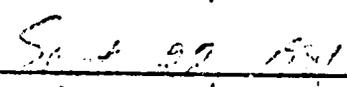
Name of Country/Entity: Centrally funded
Name of Project: Heifer Project International (HPI)
Matching Grant
Number of Project: 938-0151

Pursuant to Part I, Chapter I, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Matching Grant to Heifer Project International of not to exceed \$371,550 in FY 81.

I also authorize the total level of A.I.D.-appropriated funding for this purpose of not to exceed \$1,342,000 in grant funds over a three-year period (FY 1981 through FY 1983) from the date of authorization, including the amount authorized above and additional increments of grant funding during such period, subject to the availability of funds in accordance with A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.



AA/FVA, Julia Chang Bloch



Date