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AGENCY FOR INTERNATIONAL DEVELOPMENT

MALI

DEVELOPMENT OF HAUTE VALLEE PROJECT

AMENDMENT NUMBER ONE

UNCLASSIFIED

DATE: AUGUST 16, 1993

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number
1

DOCUMENT CODE
3

COUNTRY/ENTITY

MALI

3. PROJECT NUMBER

688-0233

4. BUREAU/OFFICE

USAID MALI

5. PROJECT TITLE (maximum 40 characters)

DEVELOPMENT OF THE HAUTE VALLEE

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 11 23 1977

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

A. Initial FY 1973

B. Quarter 4

C. Final FY 1976

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

A. FUNDING SOURCE	FIRST FY 88			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Appropriated Total	3,600		3,600	29,500		29,500
(Grant)	(3,600)	()	()	(29,500)	()	(29,500)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	3,600		3,600	29,500		29,500

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) DFA				17,500		12,000		29,500	
(2)									
(3)									
(4)									
TOTALS				17,500		12,000		29,500	

10. SECONDARY TECHNICAL CODES (maximum 8 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

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

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To increase Farmer income, production and productivity in the Haute Vallee region by strengthening public and private sector support of agricultural marketing, credit and extension services.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
 04 92 09 92 09 97

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)

To increase Life-of-project Funding in order to: initiate an agri-business and marketing program; continue management and business training; introduce a Family planning and AIDS awareness message into the Functional literacy training program; extend the credit guarantee scheme; construct farm access roads; and strengthen the capacity of the agricultural extension service.

17. APPROVED BY

Signature: *Charles W. Johnson*
 Title: Director USAID Mali

Date Signed MM DD YY
 08 16 93

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

MM DD YY

DEVELOPMENT OF HAUTE VALLEE PROJECT

AMENDMENT NUMBER 1

TABLE OF CONTENTS

	<u>Page</u>
Project Data Sheet	Facesheet
Project Paper Outline and Table of Contents	i
Action Memorandum to Approve Amendment	iii
Project Authorization Amendment	vii
List of Acronyms	ix
Maps of Project Zone	x
I. SUMMARY AND RECOMMENDATIONS	1
II. PROJECT AMENDMENT RATIONALE AND DESCRIPTION	2
A. Background	2
1. History of the Project	2
2. Accomplishments to Date	3
a. Village Association Development	3
b. Privatization	4
c. Refocusing of OHVN	5
d. Farm Access Road Construction and Maintenance	5
e. Studies and Evaluation	6
B. Rationale for Amendment	7
C. Amended Project Description	8
1. Goal and Purpose	8
2. Outputs	8
3. Specific Targets	9
4. Amended Project Activities	10
a. Agribusiness and Marketing	11
b. Family Planning and AIDS Prevention	11
c. Continued Village Association Development	12
d. Private Credit Expansion	13
e. OHVN Activities	13
f. Farm Access Road Construction and Maintenance	14
III. IMPLEMENTATION PLAN	15
A. Implementation Responsibility by Activity	15
B. Implementation Schedule	17
C. Procurement Plan	18

IV.	REVISED COST ESTIMATE AND FINANCIAL PLAN	20
A.	Financial History	20
B.	Host Country Contribution	20
C.	Financial Plan	21
V.	SUMMARY OF ANALYSES	26
A.	Technical Analyses	26
1.	Agribusiness and Marketing Component	26
2.	Introduction of Family Planning	31
3.	Farm Access Road Construction and Maintenance	33
B.	Amended Organizational Analysis	35
C.	Social Soundness Analysis	38
D.	Financial Analysis of OHVN	40
E.	Economic Analysis	43
F.	Environmental Analysis	52
G.	Women In Development Analysis	53
VI.	EVALUATION, MONITORING AND AUDIT PLAN	56
A.	Impact Monitoring	56
B.	Evaluation Plan	58
C.	Audit Plan	59
VII.	SPECIAL COVENANTS	60
VIII.	ANNEXES	
A.	Grantee Request for Assistance	
B.	Amended Project Logical Framework	
C.	Project Statutory Checklist	
D.	Section 611(e) Certification	
E.	Amended Initial Environmental Examination	
F.	Justification for Non-Competitive Award	
G.	Project Evaluation and Institutional Analysis by Michigan State University (on file at USAID Mali)	

ACTION MEMORANDUM FOR THE USAID MALI MISSION DIRECTOR

August 16, 1993

From: Catherine McIntyre, Acting Supervisory ADO *C. McIntyre*

Action Requested: You are requested to authorize Amendment Number One to the Development of the Haute Vallée Project (688-0233) to increase the life-of-project by \$12 million and to extend the Project Agreement Completion Date (PACD) by four and a quarter years, to December 31, 1997.

Background: The Development of the Haute Vallée Project was authorized on August 10, 1988 in the amount of \$17.5 million with a Project Assistance Completion date of September 30, 1993. The original Grant Agreement was signed on August 15, 1988 in the amount of \$3.6 million. There were incremental obligations on February 9, 1989, January 31, 1990, June 30, 1990, September 30, 1991 and December 31, 1991. Total obligations to date equal \$17,499,767.

The purpose of the amendment is to increase the life-of-project funding by \$12 million in order to: initiate an agribusiness and marketing program for horticultural crops; continue the management and business training provided to village associations by the National Cooperative Business Association; continue the functional literacy and numeracy training conducted by the Direction Nationale de l'Alphabétisation Fonctionnelle et de la Linguistique Appliquée; introduce a family planning and AIDS awareness message into the functional literacy training program; extend the credit guarantee scheme to cover bank credit to individual farmers; construct another 100 kilometers of farm access roads while working to establish a sustainable maintenance program for the rural roads in the project zone; and, strengthen the capacity of the Office de la Haute Vallée du Niger (OHVN) to provide agricultural extension services.

Discussion: On May 5, 1993, the USAID Mali Project Design Committee met to discuss the Project Paper Amendment. Based upon its discussions and recommendations, the Committee presented the Project Paper Amendment to the Mission Director on July 20, 1993. The eight major decisions are presented next.

1. To ensure the viability of the project results, the Project Agreement Amendment includes a Special Covenant that the Government of the Republic of Mali (GRM) will provide increasing support for the OHVN's recurring agricultural extension service costs. To reflect this increasing GRM responsibility, the Budget table (Table 5) concurrently shows USAID support for the OHVN being provided on a declining scale from years one through four

of the amended project while the Government simultaneously continues to increase its budget allocation to cover the costs. However, the long-term viability of project results do not hinge so much on what the GRM does, but on project beneficiaries paying for essential services like maintenance for project-constructed roads. USAID Mali will provide some funding for further road construction and maintenance initially, and request the GRM to develop a sustainable plan for providing subsequent road maintenance. If the GRM develops a viable plan, the Mission will endeavor to support the road maintenance program. Thus, the Amendment will work to identify workable long-term solutions for shifting the OHVN's financial responsibilities directly onto its beneficiaries.

2. Regarding the introduction of family planning in the project, the Health Office is the most logical one to provide overall technical assistance and will prepare a scope of work and coordinate a knowledge, aptitude and practices study in coordination with the Agricultural Development and Program Offices. Its results will be used to develop workable mechanisms for the actual introduction of family planning in the project. This must begin immediately to start showing results in the near future.

3. The Project has funded an OHVN Financial Advisor to provide the project with technical assistance in financial management for five years. As this project reaches its closure, the OHVN financial management staff must be technically competent and able to carry on this project's accomplishments after its completion. Therefore, USAID will continue to fund the position of Financial Advisor for two of the four remaining years of the project. It will also write specific benchmarks to help ensure that the individual in this position actually trains his or her successor.

4. The Mission has requested the OHVN to re-verify technical and economic data that it provided on the various road segments, which was used to generate internal rates of return for each segment and influence the decision on which roads to construct. If the data are correct, the Mission will ask the government if there were any compelling social or political reasons for its having chosen a road segment with a lower but still adequate rate of return; or reconsider the segments slated for construction, taking the internal rates of return into consideration.

5. The project will set-aside procurement services for Gray Amendment subcontractors under the technical assistance contract.

6. To maintain independence for the National Cooperative Business Association funding instruments, while consolidating all obligations under one bilateral grant, the Project Agreement Amendment contains language to the effect that once the Amendment

is signed by both parties, no further GRM approval of PIO/Ts will be required.

7. U.S. participant training has been completed. The Project will focus on more cost-effective, readily-applicable, in-country and regional training-of-trainer programs. This will have the added benefit of including more women, who have generally been under-represented in participant training due to its higher educational requirements, which fewer women can meet. The Amendment includes benchmarks for women as both trainees and trainers. The Education Development Office will recommend which Malian institutions are the most appropriate to conduct the training, and how to include the private sector in training efforts.

8. In response to a request by the Cabinet of the Ministry of Rural Development, USAID Mali decided that it would request that the OHVN justify its case for the purchase of one or more cotton transport trucks as part of the commodities budget, though it was unlikely that USAID would approve such a request since it would suggest a regression from the privatization of the transport of agricultural commodities, which so far has been relatively successful. Also, USAID decided that no waivers for non-U.S. origin vehicles would be approved under the project amendment.

Justification: In accordance with Delegation of Authority 551 of March 1989, as amended, you have the authority to approve project amendments, provided that the amendment does not increase the life-of-project funding beyond \$30 million, nor extend the PACD beyond 10 years. This amendment will increase the life-of-project funding to \$29.5 million and will extend the PACD until December 31, 1997 (i.e. to nine and one-quarter-years).

Budget allowances totalling \$1.73 million were received in STATE 207437 (\$90,000), STATE 207439 (\$1.44 million) and STATE 207445 (\$200,000), all dated July 9, 1993.

USAID Mali was informed in STATE 201843, dated July 2, 1993 that the Congressional Notification to incur an additional \$1,730,000 in obligations for the Project Amendment, increasing the life-of-project funding to \$29.5 million, expired on June 22, 1993.

The Bureau Environmental Officer concurred with the amended Initial Environmental Examination August 4, 1993, and the Africa Bureau General Counsel cleared it August 11, 1993.

✓

Recommendation: That you sign the attached Amendment Number One to the Development of the Haute Vallée Project (688-0233), thus increasing the life-of-project by \$12 million and extending the PACD until December 31, 1997.

Approved: [Signature]

Disapproved: _____

Date: 8/10/93

- Attachments:
1. Project Paper Amendment Number One
 2. Project Authorization Amendment Number One
 3. Grant Agreement

drafted: PDO:CJennings:6/28/93

Clearance:

ADO: DBilodeau	<u>[Signature]</u>	date: <u>8/3/93</u>
GDO: GThompson	<u>[Signature]</u>	date: <u>8/3/93</u>
GDO: FWhiteHenry	<u>[Signature]</u>	date: <u>8/3/93</u>
GDO: LGorton	<u>[Signature]</u>	date: <u>8/3/93</u>
PROG: DAtteberry	<u>[Signature]</u>	date: <u>3-2-93</u>
ECON: VDuarte	<u>[Signature]</u>	date: _____
CONT: JDuvall	<u>[Signature]</u>	date: <u>8/9/93</u>
EXO: YKainth	<u>[Signature]</u>	date: <u>8/10/93</u>

[Handwritten initials]

PROJECT AUTHORIZATION AMENDMENT
NUMBER ONE

Name of Project: Development of the Haute Vallée
Number of Project: 688-0233
Country: Mali

1. Pursuant to Section 496 of the Foreign Assistance Act of 1961, as amended, the Development of the Haute Vallée Project for Mali was authorized on August 10, 1988. That Authorization is hereby amended as follows:

a. Paragraph A of the Authorization is amended by deleting it in its entirety and substituting the following in lieu thereof:

"A. Pursuant to Section 496 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Development of the Haute Vallée Project ("Project") for the Republic of Mali ("Cooperating Country") involving planned obligations of not to exceed Twenty Nine Million Five Hundred Thousand United States Dollars (US \$29,500,000) in grant funds ("Grant") over a ten year period from the date of authorization, subject to the availability of funds in accordance with the AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is nine years and three months from the date of initial obligation."

b. Section C. of the Authorization is amended by adding the following new Section C.3.:

"3. Source/Origin of Commodities, Nationality of Services:

(1) Commodities financed by A.I.D. under the Project shall have their source and origin in countries included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing.

(2) The suppliers of commodities and services financed by A.I.D. under the Project shall have as their place of nationality countries included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing.

(3) Ocean shipping under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States or of countries in A.I.D. Geographic Code 935."

2. Except as expressly amended hereby, the Authorization remains in full force and effect.

Charles W. Johnson

Charles W. Johnson
Director, USAID Mali

Date: 16 August 1993

Drafted:

RLA: DAAdams *DAAdams* date: May 26, 1993

Clearances:

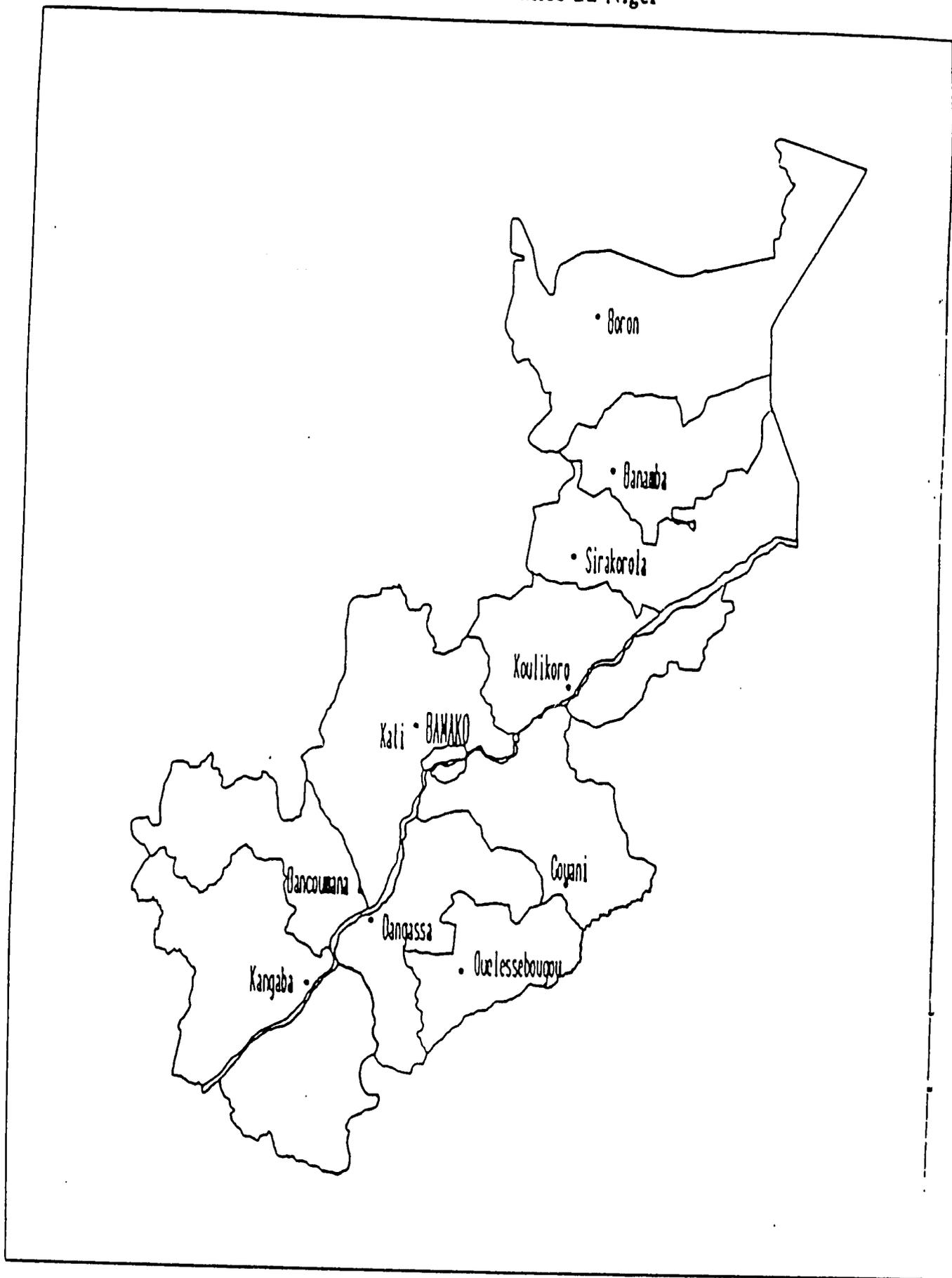
ADO: DBilodeau *DB* date: 2 June 93
ADO: LHarms ^{for} *WJ* date: 2 June 93
PRM: DAtteberry *WJ* date: 2 June 93
PDO: CJennings *CJ* date: 2 June 93
CONT: SCrabtree *SC* date: 4 June 93
DD: AGetson *AG* date: 6 June 93

LIST OF ACRONYMS

AID	-	Agency for International Development
AMPPF	-	Association Malienne Pour la Planification de la Famille
CFA	-	Communauté Financiere Africaine
CLUSA	-	Cooperative League of the United States of America (overseas name of the National Cooperative Business Association)
CMDT	-	Compagnie Malienne des Textiles
DFA	-	Development Fund for Africa
DHV	-	Development of the Haute Vallée
DNAFLA	-	Direction Nationale de l'Alphabetisation Fonctionnelle et de la Linqistique Appliquée
DRSPR	-	Division de Recherche sur les Systemes de Production Rurale et Vulgarisation
DSF	-	Division de Santé Familiale
NCBA	-	National Cooperative Business Association (known as CLUSA outside of the U.S.)
NGO	-	Non-Governmental Organization
OHVN	-	Office de la Haute Vallée du Niger
OHV	-	Opération Haute Vallée
PIL	-	Project Implementation Letter
REDSO/WCA-		Regional Economic Development and Support Office for West and Central Africa
REDSO/OP	-	REDSO/WCA Office of Procurement
SRR	-	Service De Renforcement Dcs Routes
USAID	-	United States Agency for International Development

MAP 1.
Location of the Office de la Haute Vallée du Niger





I. SUMMARY AND RECOMMENDATIONS

The Project Committee has reviewed the design status of the Amendment to the Haute Vallée Project and recommends that the project be approved for a 51 month extension and an additional \$12,000,000 of funding. These additions will bring the life-of-project to \$29,500,000 and extend the Project Assistance Completion Date until December 31, 1997. The project has been found to be technically, financially, economically, administratively and socially sound.

The Development of the Haute Vallée Project began in 1988 and was designed to increase farmer income by strengthening village associations to take advantage of private sector services, divesting the supply and marketing of agricultural products from the public sector to the private sector, improving rural access to markets, and strengthening the agricultural extension service. During the last four years, the project has realized the achievement of the following successes: establishing 228 village associations; providing functional literacy and numeracy training for 44,000 men and 15,600 women; shifting 74 percent of the agricultural loan portfolio from the public sector to private banks; contracting the transportation of cash crops to the private sector, reducing costs by 51 percent; introducing 16 natural resource management packages into the on-farm agricultural extension system; making redundant 100 employees of Office of the Haute Vallée (OHVN); constructing 285 kilometers of farm access roads; and increasing cash crop production by 21 percent.

In 1991, Mali began a transition to a democratic government that resulted in a sense of empowerment, especially for rural populations, that has had a favorable impact in the implementation of this project, as demonstrated by the accomplishments noted above. The most significant change has been a growing realization by villagers that they have a new and powerful voice in political governance. During the transition phase, there was a nationwide conference in which rural economy participants were invited to express their common concerns and propose a plan for transferring local authority from the control of government control to that of independent village councils. The commitment to decentralized authority, planning, funding and responsibility is genuine but will take a while.

The DHV project has contributed to this transition greatly by assisting the public and private sectors in identifying and assuming their new roles. A successful foundation has been laid for additional changes that need to occur. Under the amendment, the village management training and functional literacy components as well as the privatization of credit and input supply will be extended. Additional farm access roads will be constructed and the OHVN will continue to shift its focus to agricultural extension services. More importantly, now that an environment conducive to private sector growth exists and there are rural organizations capable of participating in profitable economic activity, the project has the opportunity to facilitate an economic diversification effort that includes export marketing of diversified agricultural products.

II. PROJECT AMENDMENT RATIONALE AND DESCRIPTION

A. Background

1. History of the Project

USAID support for farmers and village associations in the zone of the Upper Valley of the Niger River began in 1978 with the *Opération Haute Vallée* project (688-0210). This project spanned ten years and was implemented by the Government parastatal agency called *Opération Haute Vallée*. It took an integrated rural development approach that provided various services for its target population, which consisted of small-scale farmers and village associations in the project zone. The Haute Vallée region is an area of approximately 31,500 square kilometers that lies on both sides of the Niger River from the Guinea border in the south to roughly 100 kilometers north of Bamako (see map). Approximately 430,000 people live in the region, 85 percent in some 900 villages and small hamlets, and 15 percent in small towns. The zone's population is primarily involved in producing agricultural and livestock, with cotton and tobacco as the main cash crops. Although the district of Bamako is included geographically in the Haute Vallée zone, it is not officially part of the implementing agency's mandate or development responsibility.

In 1988, USAID approved a follow-on project named Development of the Haute Vallée (688-0233), henceforth referred to as DHV, that called for privatizing some of the functions formerly undertaken by the public sector implementation agency, the *Office de la Haute Vallée du Niger (OHVN)*. These included privatizing the transport of agricultural produce, supplying agricultural inputs, and agricultural marketing. The DHV project also included a credit guarantee program to promote the transfer of production lending from the OHVN to commercial banks. The Project included a cooperative management training program to provide village associations with the requisite skills to work with the private sector and to manage loans. At the same time, the project sought to strengthen the OHV's ability to provide agricultural extension services. In addition, the DHV continued many of the successful integrated rural development activities begun under the previous project, e.g. literacy training and feeder road construction.

Fifteen years of project evolution has built a solid base of integrated rural development activities that can be used as a springboard for increasing the independence and business competence of village organizations and for diversifying economic activities in the zone. The projects' successes are noteworthy: establishing access to commercial credit; developing functioning village cooperatives and strengthening their management skills through literacy and management training; introducing natural resource management and crop protection technologies that have increased agricultural production while protecting the zone's fragile environment; providing improved farm-to-market access through a rural road network; privatizing agricultural input supply and marketing; building a highly qualified cadre of technical and managerial staff within the OHVN; and restructuring the OHVN into a more efficient rural development organization. Taken together, these

developments provide an ideal environment conducive to diversifying crops and introducing agribusiness activities. One measure of the combined impact of these successes can be seen in Graph 1 (following page), which illustrates the growth in farmer revenues in the OHVN Zone between 1980 and 1992.

This amendment seeks to carry the evolution of this program further by building upon the gains made in privatization and village empowerment while taking advantage of the potential for agricultural development that the OHVN zone has compared to other regions of Mali by creating an agricultural marketing and information capacity within the project zone.

2. Accomplishments to Date

Since its inception in 1988, the DHV Project has made significant progress toward meeting its targeted objectives. The most significant has been the successful introduction of the concept of independent village associations that are capable of planning, negotiating for loans and implementing small business activities. As the political climate continues to encourage decentralization and the self-management of rural-based populations, the impetus of this fundamental change in the way village groups operate will drive the creation of an even more business-oriented environment, with village associations taking on increasing responsibilities to provide for their own welfare and services.

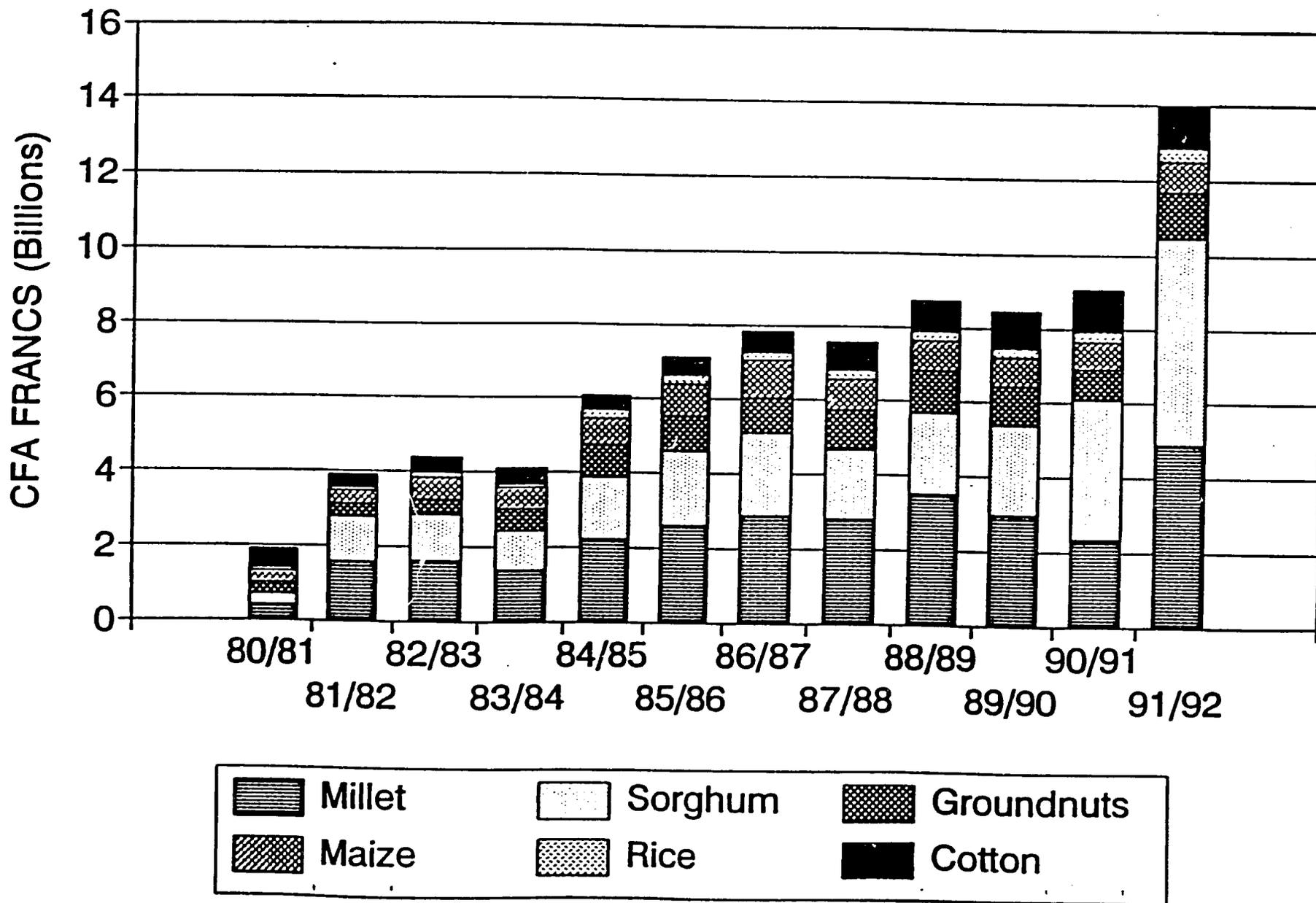
A wide range of project-sponsored activities led to the achievement of this "critical mass" of rural self-determination. The most noteworthy of these are training in small business management for village association leaders and members, functional literacy and numeracy training programs specially geared to the realities of village activities, access to commercial lines of credit including a guarantee fund to encourage banks to branch out to the rural sector, an agricultural extension program that responds to farmers' needs and that puts special emphasis on reducing soil erosion and natural resource degradation, and a farm-access road network that has opened up new production areas and broadened the market potential for cash crops grown in the project zone. The following describes progress made under each of these components:

a. Village Association Development

Management Training: The Village Associations Management Training component has been the key to gradually transferring responsibility from governmental organizations to self-managed village groups. The Cooperative League of the United States of America (CLUSA) has successfully provided context-specific, hands-on training on such practical topics as how to prepare a project feasibility study, how to apply for a loan, how to manage that loan, basic bookkeeping and accounting, cooperative management techniques, and so on. To date, CLUSA has facilitated the creation some 228 functional village groups (170 village associations and 58 "groupements économique" or sub-

GRAPH 1

FARMER REVENUES IN THE OHVN ZONE (Cash & Cereal Crops)



groups), and provided specialized management training to 7,540 village association leaders and members.

Functional Literacy Training: As an adjunct to the management training provided by CLUSA, the Functional Literacy Training component gives village association members the skills they need to put the management and accounting techniques they are learning into practice. The agency implementing the literacy component, *Direction Nationale de l'Alphabétisation Fonctionnelle et de Linguistique* (DNAFLA), has produced specially-adapted materials that are well-suited for adult literacy training. Pursuant to a detailed evaluation of the literacy program in 1991, the training materials were refined further to more closely respond to the village associations' managerial needs. The revised program focused on including school-aged children in order to mitigate against urban migration and to prepare the generation of future village groups leaders. The program was also made more flexible to allow more women to participate by adapting classes to fit into the women's schedule. In addition, special "intensive" programs were developed for village association leaders who wanted a more accelerated learning process. To date, 44,400 men and 15,600 women have received functional literacy and numeracy training in 600 literacy centers.

b. Privatization

Access to Commercial Credit: Traditionally, the banking sector in Mali had categorized farmers and rural populations as high risk and largely limited its client base to urban merchants and businesspeople (except for the national agricultural bank, which was created specifically for agricultural input supply and is not a commercial bank). Following lengthy negotiations in 1988 and 1989, four local commercial banks announced that they would branch out to village associations upon two conditions: that a guarantee fund was provided to act as a partial buffer in case of defaults; and that a rural development organization endorse a village group's ability to manage a loan. Thus, in 1989 protocol agreements were negotiated with these four local commercial banks to make loans to village cooperatives under a declining-scale guarantee program. Under this program, 45 percent of the unpaid balance would be guaranteed for the first loan, 30 percent for the second loan, 15 percent for the third loan, and none for any subsequent loans. Specific accomplishments to date: 308 loans were made to 170 village associations, totalling 2.44 billion CFA. An additional 207 loan requests are currently in preparation. Repayment rates for commercial loans have averaged 94.75 percent. Commercial banks, which had no share of the rural credit market in 1988, are now supplying 74 percent of credit resources.

Privatization of Agricultural Transport and Input Supply: A major change contemplated under the project was to privatize agricultural transport and input supply functions previously handled directly by the OHVN. Since 1990, transportation of cotton and tobacco produced in the project zone has been totally transferred to the private sector, which resulted in a 51 percent reduction in transport costs (compared to the period prior to this privatization). It should be noted, however, that this privatization effort was complicated by cumbersome contracting and administrative procedures that often resulted in delays in getting contracts awarded, and consequently delays in farmers getting paid for their

cotton. These problems still have not been resolved, and will be addressed during this project extension. As for the privatization of agricultural input supply, last year 52 village associations contracted directly with private sector input suppliers for their inputs, and this number is expected to increase significantly as more and more suppliers cover the zone and contact village groups directly.

c. Refocusing of OHVN

Agricultural Extension and Natural Resource Management:

A streamlined agricultural extension service was created in 1988 to ensure farm productivity increases while protecting this Sahelian zone's fragile ecology. Prior to 1988, "extension" agents also managed credit collection, which took a large proportion of their time. The DHV project completely overhauled the extension service by removing credit and other non-technical responsibilities from the agents, enabling them to spend 100 percent of their time on agricultural extension. The top-heavy three-tiered system used in the past was simplified, with field agents reporting directly to sector chiefs. An in-house staff of specialists was developed within the *Office de la Haute Vallée du Niger*, with Subject Matter Specialists providing technical assistance in fields like agronomy, soil science, natural resource management, crop protection and livestock. An on-farm natural resource management program was developed in 1990 to introduce 16 selected technologies throughout the zone. Agricultural field days that were modeled on county fairs in the U.S. were held each year in seven sectors to promote interaction between farmers and to demonstrate on-farm techniques. The field days bring together farmers from surrounding areas to visit exposition booths and visit model farms; and simultaneously provide a forum for farmers to meet with private sector agricultural input suppliers. Acting upon reports that many farmers were misusing pesticides, an integrated crop protection program was developed in 1992 to advise farmers on alternatives to pesticides, and on the safe handling of pesticides where their use is required. To ensure that farmers keep abreast of the latest agricultural extension technologies and natural resource management techniques, an audio-visual production center was built and a staff was trained. The center will become operative during the period of this project amendment.

Agent Redeployment: A program was developed to provide access to credit for OHVN personnel who were laid off as a result of the project's restructuring and privatization efforts. This credit program was negotiated with a local commercial bank, and a credit guarantee fund was established. Unfortunately, of the nine loans that were initially made, none was repaid and the bank decided to cancel the program. The funds provided by USAID for the credit guarantee have been returned for reprogramming.

d. Farm Access Road Construction and Maintenance

To open up expanded areas of the project zone for agricultural production — especially cash crops — the road construction and maintenance that was begun

under the OHV project was continued. From 1984 to 1988, 398 kilometers of roads were built; an additional 285 kilometers were planned for the period of 1989-1993, of which approximately 161 kilometers had been completed by April 1993. A technical analysis conducted in April 1993 concluded that the 559 kilometers of roads and 155 drainage structures (bridges and culverts) built thus far serve over 35 percent of the people living in the project zone. In addition to increasing crop production, the new roads also increased access to health facilities, schools and local markets, and have resulted in a significant increase in small trade activities, mostly involving women. The same study estimated that in order to be cost effective, the road network would have to have a carrying load of 335 tons per kilometer per year; last year, this carrying load was calculated at over 1253 tons per kilometer per year, thus demonstrating that the roads definitely have a positive Internal Rate of Return. Road maintenance on these farm access roads has been carried out at minimal cost under an OHVN arrangement with the organization that is constructing the roads, however, the preparation of a long-term plan for rural road maintenance will be an objective of this amendment.

e. Studies and Evaluation

The Studies component was designed to fill gaps in the OHVN's information base and to address specific issues as they arose. To date, studies were conducted to identify export crop potential, to restructure the OHVN garage, to establish baseline data for impact monitoring, to identify economic activities for women, and to analyze women's roles in village associations. As a direct result of these studies, the OHVN garage was restructured in 1990, a credit specialist was hired to work with women's groups, and an internal monitoring and evaluation system was implemented.

While the DHV project did not call for classic mid-term or end-of-project evaluations, several individual components were evaluated. In 1991, a detailed evaluation of the project's functional literacy component was undertaken by a team of nine locally-hired professionals in the field of literacy and adult education. A four-month evaluation of the quality and quantity of services being provided to farmers by the various institutions operating in the project zone was conducted. In April 1992, a comprehensive financial analysis was conducted that evaluated various growth scenarios for the OHVN from an economic and cash flow perspective. In March 1993, an evaluation of the project's credit component was done. In April 1993, a detailed evaluation of the project's road construction and maintenance component, examining both the technical and socioeconomic aspects of the program, was conducted. In addition to these detailed evaluations, several "in-house" evaluations were conducted on extension and natural resource management technology adoption rates, village association economic activities, the role and contribution of *animateurs* as pilot farmers, the blacksmith training program, and on associated cropping techniques.

B. Rationale for Amendment

Since USAID support for farmers and village associations in the zone of the Haute Vallée began in 1978, the political and institutional environments in Mali have been evolving. The predecessor project, as well as this one, were authorized while the former military government, in place since 1968, was in power. In 1991, this regime was overthrown by popular pressure, and was replaced with a nascent democratic regime. The process of holding elections and the transition to the Third Republic have resulted in a sense of empowerment, especially for rural populations, that have had a favorable impact in the implementation of this project, as demonstrated by the accomplishments noted above.

The most significant change has been a growing realization by villagers that they have a new and powerful voice in political governance. During the transition phase, there was a nation-wide conference of farmers, herders, fishermen, weavers and others involved in the rural economy who were invited to express their common concerns and propose a plan for the transfer of local authority from governmental control to independent village councils. This shift in orientation affected fiscal and tax policies, programming of public funds, management of government-owned lands and forests, and political affiliation. Never before in Mali's post-independence history had the rural population been given such hope and empowerment. At the same time, the transition and newly-elected governments began a process of transferring public authority and assets to the emerging private sector, encouraging greater competition, and shifting towards an increasingly liberal and more market-driven economy. The commitment to decentralized authority, planning, funding and responsibility is real but will take a while to implement as the various participants adjust to their roles.

The DHV project has made a major contribution to this transition by providing the public and private sector with assistance in identifying and assuming their new roles. However, the transition process is only two years old. The gains made under the project to date have laid a successful foundation for additional changes that need to occur before the transition can be deemed a sustainable success. The village management training and functional literacy components as well as the privatization of the credit and input supply components should be extended until they achieve 100 percent coverage. More importantly, now that there is an environment conducive to private sector growth and there are rural organizations capable of participating in profitable economic activity, the DHV project has the opportunity to facilitate an economic diversification effort.

The upper Niger River valley is one of Mali's best-suited areas for a major effort to enhance rural incomes through diversification of economic activities. The zone has excellent horticultural potential and farmers and village association members now have many of the necessary elements to create small to medium enterprises, notably in the areas related to the production, processing and marketing of agricultural products. The large urban market of Bamako and environs is geographically located in the zone. This market has doubled in size in the past 6 years and is demanding a greater range of food products that are

more convenient for urban consumers to use. There is also access to international air freight services for a resurgence in export agriculture. Under the amended project, credit, technical assistance and training will focus on providing individual farmers and village associations with specialized skills in agribusiness management (both technical and administrative) to capitalize on new opportunities that have resulted from a new political and economic environment.

C. Amended Project Description

1. Goal and Purpose

The project's goal and purpose remain identical to those described in the 1988 Project Paper. The goal is to increase rural household production, productivity and income. The purpose is to increase farmer income, production and productivity in the Haute Vallée region by strengthening public and private sector support of agricultural marketing, credit and extension services. Indicators of the successful achievement of the project purpose are shown in Annex B, the Logical Framework for the Project Amendment.

2. Outputs

- **Agribusiness and Marketing Component**
 - OHVN Agribusiness and Marketing Unit has completed production and marketing chain studies for 4 pre-selected commodities;
 - OHVN Agribusiness and Marketing Unit has identified 3 opportunities for processing or other value-added activities for domestic markets;
 - OHVN Agribusiness and Marketing Unit has provided technical and managerial training to 200 agribusinesses, rural enterprises and village associations.

- **Credit Component**
 - Guarantee fund protocols with commercial banks modified to provide coverage to individual agribusiness operators;
 - Village associations having established credit lines with commercial banks will increase from 170 to 300;
 - A study assessing viability of establishing village banks is conducted.

- **Development and Management of Village Associations**
 - 10,650 village association members receive training in business management and accounting;
 - Number of functional village associations increases from 228 to 350 by the end of project.

- **Functional Literacy and Numeracy Training Component**
 - 110,000 people are functionally literate;
 - Number of literacy training centers increases from 600 to 900;
 - Ratio of women attending literacy training classes increases from 26% to 40%, and ratio of school-aged children increases from 53% to 60%

- **Road Construction and Maintenance Component**
 - 100 km of roads are constructed, and 575 km are maintained.

- **Land Use and Natural Resource Management Component**
 - 50 village woodlots are established and managed by village associations;
 - 15 test village associations are managing 3960 km² of natural forest land in their zone of influence;
 - 2000 farmers adopt soil and water conservation technologies;
 - 2000 farmers trained in integrated pest management techniques.

- **Family Planning Component**
 - A study of existing knowledge, access and perceptions ("KAP") is completed;
 - Training materials are developed on family planning and AIDS prevention topics;
 - 200 *animateurs* and *animatrices* are trained in family planning techniques;
 - 100 literacy centers are furnished with contraceptives.

3. Specific Targets

- Export of at least one higher value commodity to European markets will be established, and export quantities will be increasing;

- 20 village associations will be producing horticultural products for export. The number of exporters who are purchasing horticultural produce from village associations will increase from four to ten;

- Five percent of farmers (not association members) in the project zone will be selling horticultural produce to meet newly identified market opportunities in the export market;
- The number of village associations with access to commercial lines of credit will be increased from 228 to 450 (350 village associations plus 100 "groupements économique"). The amount of credit per year will increase from 606.5 million CFA to one billion CFA per year (or from about \$2.29 million to \$3.77 million at the rate of exchange of May 1993);
- Volume of commercial credit to individual agribusiness operators will go from 0 to \$250,000 by the end of the Project;
- The number of village association members receiving functional literacy and numeracy training will have increased from 44,400 men and 15,600 women to 70,000 men, 40,000 women and 50,000 children;
- Aggregate crop production will increase from 162 metric tons to 186 metric tons or four percent per year;
- 20,000 additional farm units will adopt one or more of the natural resource management technologies;
- An additional 100 kilometers of farm access roads will be constructed, and 575 kilometers maintained.

4. Amended Project Activities

The amended project will continue operations in the Upper Niger River Valley and will build upon the successes of the OHV and DHV projects by supporting private sector-oriented agribusiness development and by strengthening sustainable agricultural production and crop diversification. The potential for increased fruit and vegetable exports that was identified by a marketing study done in 1990 will be exploited, with programs to identify and address the technical, institutional and managerial constraints. Agribusiness and small enterprise development will be promoted by building upon the successful village association, rural commercial credit and functional literacy and numeracy programs that were developed in the DHV Project. Further involvement of the private sector operators who have played an increasingly important role in the supply of agricultural inputs, marketing and transportation, will be encouraged through training programs, greater access to credit and extension packages. The natural resource management initiatives introduced under the project that have shown positive results will be spread to more farmers through the enhanced extension services using audio-visual training materials. On-farm training programs will be

developed, and improved linkages with research and training institutions using an action-research approach will be expanded. Agricultural production will be increased by diversifying cash and food crops and by strengthening extension services, employing neo-literate farmers in the extension structure to the extent possible. Additional farm access roads will be built and the maintenance program will be expanded in order to continue improving access to the region. These various activities are described in more detail below:

a. Agribusiness and Marketing

This component provides a new thrust to the continued success of the DHV project to assure that the project zone is positioned to take advantage of expanding produce markets. The component will have two elements: 1) an exploration of market opportunities (local, regional and international) for crops grown in the project zone, and 2) preparing producers, suppliers and exporters to exploit those opportunities. Technical analysis undertaken over the last two years has indicated a potential for export marketing within the region and to Europe as well as an increased market potential within urban areas in Mali. Under the leadership of a technical assistance team, detailed commodity studies will be undertaken on specific crops that offer the greatest potential for succeeding in export markets. At the same time, the project will participate in the regional export marketing study being spearheaded by REDSO/WCA. To the extent possible, "windows of opportunity" that would give selected Malian products a unique niche in the export market will be identified (e.g. Amelie and Kent mangoes, ginger, gum arabic, shea nuts, neem leaves, and tamarind pods). Upon identifying market opportunities, the technical assistance team will work through the OHVN and CLUSA to provide producers, input suppliers and exporters with the knowledge needed to take advantage of the export opportunities (e.g. handling, packaging and grading). Specialized business-oriented technical assistance and training for operators in the marketing chain (village cooperatives, *groupements économiques* and individuals) will be provided. Section V.A.1., Technical Analysis, discusses the rationale and implementation scenario for this project component.

b. Family Planning and AIDS Prevention

Under the village-based functional literacy component, *animateurs* and *animatrices* provide ongoing literacy and managerial training for the village associations. These training sessions provide a unique opportunity for the introduction of family planning and AIDS prevention topics, as well as a distribution channel for contraceptives. The Ministry of Health *Division de Santé Familiale* and the Mali Family Planning Association (AMPPF) will develop specialized training materials to be used in these literacy classes and will provide training for the *animateurs* and *animatrices* in family planning topics. Moreover, with proper training, village *animateurs* and *animatrices*, even those with minimal education, can dispense contraceptives such as condoms, spermicides and a resupply of birth control pills. The first phase of this new activity will consist of a detailed study of available knowledge and prevailing attitudes and practices in family planning

techniques. This study will also develop an implementation plan identifying which organizations are responsible for the various sub-components of this activity and address the issues of training and contraceptive supply.

c. Continued Village Association Development

(1) Functional Literacy and Numeracy Training

Functional literacy training, particularly in numeracy, basic bookkeeping and management skills, is one of the key elements to enable village associations to successfully capitalize on marketplace opportunities by providing their managers and members with the requisite skills to manage loan portfolios and conduct routine bookkeeping tasks. The amended project will continue this program, putting greater emphasis on adolescents and women as the 1991 evaluation of this component recommended. In addition, more dedicated technical training materials will be developed in local languages, thereby linking functional literacy training to the project's agribusiness, extension and management training packages. The training curricula will be revised, adopting more modern and participatory adult education techniques. Since CLUSA training programs build upon literacy levels, CLUSA will participate in designing the revised curricula implementation.

Under the amended project, the functional literacy training program will develop topical materials addressing some of Mali's more significant development problems, including family planning and AIDS prevention. Linkages will be built into the program with family planning services, thereby providing village association members with access to these services through their village *animateurs* and *animatrices*. Section V.A.2, Technical Analysis, discusses the rationale and implementation scenario for this target of opportunity.

(2) Development and Management of Village Associations

Much of the success of the village association component of the DHV Project can be attributed to the specialized management training being provided by CLUSA. This project component will become more important as the agricultural marketing component identifies business training requirements for producers. It will also play an enhanced role if villagers decide to expand into other kinds of small enterprise development. Therefore, CLUSA will continue its activities in the geographic areas where it has been successful, building upon the skills base that has been established. The CLUSA agents will also work with new villages and under-involved segments of villages (e.g. women's groups). Two of the additions to its present effort will be training both individuals and groups to form village banks. It will also expand its activities into new geographic areas, particularly into the northern part of the OHVN zone. The goal will be to provide

management training for a total of 450 (350 village associations plus 100 *groupements d'intérêt économique*) groups throughout the life of the amendment.

d. Private Credit Expansion

Under the DHV Project, USAID funded a credit guarantee program that provided an incentive for commercial banks to make rural loans for agricultural and non-agricultural activities. The initial program was only available to village associations, but has demonstrated a high degree of success. Therefore, under the amended project, the program will be expanded to a wider target group, allowing agribusiness operators, *groupements d'intérêt économiques* and individual entrepreneurs to participate as well. In addition, studies will be conducted to identify a wider variety of economic activities that could be undertaken by village associations using their newly-acquired access to credit. Greater emphasis will be placed on ensuring that women have equal access to credit funds by providing technical assistance for women's groups involved in village-level economic activities. Efforts in this area will be focused on activities that have traditionally and culturally been operated and managed by women, such as vegetable gardening, which have a greater potential for success.

Although it could be more risky to make loans to individuals than to groups, the rewards could be great. Individuals could be more flexible and require less of a total return than a group. A separate protocol with banks to cover individuals under a guarantee fund will be explored. The protocol will seek to establish loan terms in a way that minimizes the banks' exposure to risk by transferring it to the borrower. At minimum, the borrower will be required to cover at least 25 percent of the total investment.

One potential way to overcome the loan size problem for individual borrowers is to create village banks that combine savings and credit functions at the village level. Once established, a village bank could negotiate with a bank to form its own loan guarantee fund on behalf of its individual clients. This has been done successfully in Mali (by World Education, among others) and will be studied for replication within the project zone. Establishing rural banks will require local and possibly outside assistance that is a likely extension of the CLUSA effort. The project will include mechanisms to tap into sources of specialized training from such organizations as the World Council of Credit Unions, World Education, or other non-governmental organizations with rural banking expertise.

e. OHVN Activities

OHVN is a key participant in the amended project. Its extension staff will be primarily responsible for collecting data in support of identifying export opportunities. They will then play a key role in disseminating agricultural production and management information to producers who want to take advantage of expanded market

opportunities. For this reason, the project will continue to cover some operating costs for the OHVN, while at the same time beginning to study long-term funding options for agricultural extension services. Section V.D., Financial Analysis of the OHVN, discusses this difficult situation.

Promoting natural resources management extension messages is one key area of the OHVN's agricultural extension focus that will continue throughout the amendment period. The OHVN extension staff will build upon the natural resource management component that was started in 1990 by conducting on-farm demonstrations to disseminate the extension packages further, and by extending the proposed technologies into the northern reaches of the project zone. The primary focus of this activity will be to promote sound on-farm soil and water conservation practices. In addition, the amended project will enhance the Integrated Pest Management Program that was introduced in the OHVN's Extension Division in early 1992 to include more farmer demonstrations and greater use of non-toxic pesticide alternatives. It is anticipated that Mali's land use and forestry codes will undergo major revisions during the project extension period, and this will give farmers greater flexibility in managing on-farm forestry resources. It will also place greater responsibilities on farmers to use resources rationally, especially forest resources on government-controlled and common lands. The amended project's land use and natural resource management programs will provide farmers with the technical skills that will enable them to make sound and well-balanced land use decisions. The number of agricultural field days and farmer-to-farmer visits will be increased, since they have proven very effective in promoting the adoption of natural resource management techniques. Greater emphasis will be placed on monitoring the changes in soil, forest, and range productivity, especially in those areas where production is intensified.

f. Farm Access Road Construction and Maintenance

Continuing this project component is essential to providing inputs to farmers and produce to the export market within reasonable timeframes and reasonable costs. Under the amended project, an additional three segments, totalling 100 kilometers, will be constructed. A long-term maintenance program for all roads constructed under the project will be designed and implemented. The amended project will place greater emphasis on involving villagers in the routine maintenance of the segments that pass through their land as part of the host population's contribution to the project. Section V.A.3, Technical Analysis, details the road work to be carried out under this amendment.

III. IMPLEMENTATION PLAN

A. Implementation Responsibility by Activity

Five implementing institutions will continue to be involved under the amendment to this project: USAID Mali will continue to house a project manager; the OHVN will add the management of the Agribusiness and Marketing Unit to its agricultural extension and credit guarantee activities; the DNAFLA will continue to provide literacy training; CLUSA will continue to provide management training; and the Service De Renforcement Des Routes (SRR) will continue the road construction component. The timing of significant implementation actions is indicated in Section III.B., the Implementation Schedule.

The Agribusiness and Marketing Unit will be established within the OHVN and is expected, over time, to become a permanent source of agricultural marketing information for producers and exporters in the project zone. Initially, the Unit will be staffed with one U.S. technical expert and several Malian counterparts. As discussed in Section V.A.1, the Technical Analysis, this team will carry out commodity studies and then provide information about market opportunities and production and processing technologies required for taking advantage of them. The terms of reference for an AID Direct procurement of the Agribusiness technical assistance will be prepared by the USAID Mali project officer and contracted by REDSO/WCA/OP. All commodities required in support of this effort will be procured through the technical assistance contract.

The technical assistance contract will also include a Financial Advisor to be located within the OHVN's Finance and Administration Unit, for a period of two years. This advisor will work with his or her Malian counterpart to modernize the finance system by computerizing it and by changing it to a performance based budgeting system. In addition, this person will be tasked with providing recommendations for the long-term financial restructuring of the OHVN. The scope of work for the Financial Advisor will be prepared by the USAID Mali project officer with the assistance of the Controller's Office and will include benchmarks to ensure that skills are transferred to appropriate OHVN staff members. In addition, all commodities required in support of OHVN will be procured through the institutional contract.

A Project Implementation Letter will be issued to continue project funding for the implementation of the Functional Literacy and Numeracy Training Component. DNAFLA will collaborate with CLUSA to tailor some of the literacy training modules toward business oriented topics that are relevant to the next set of skills that participants will be expected to acquire under the CLUSA program. DNAFLA will also collaborate with the Mali Family Planning Association (AMPPF) in the development of training modules with a family planning theme and with the Ministry of Health for AIDS awareness programs. The project officer will depend on USAID Mali's health office for design assistance of this component of the amendment.

USAID Mali will prepare an amendment to the CLUSA cooperative agreement for execution by REDSO/WCA/OP. The cooperative agreement will continue current activities and will include funding to subgrant studies on village banking schemes and rural credit programs.

A Project Implementation Letter will be issued to continue the road construction component under an interagency agreement between OHVN and SRR (formerly Travaux Neuf). The road construction will be funded by USAID Mali through 90 day advance and liquidation vouchers. USAID will directly contract for locally conducted studies like the one on a long-term maintenance program for the farm access roads. Some new construction equipment will be procured for the Service De Renforcement Des Routes by the project's institutional contractor.

B. Implementation Schedule

**TABLE 1
IMPLEMENTATION SCHEDULE**

MONTH-YEAR	ACTION
July 1993	<ul style="list-style-type: none"> ● Sign Amended Grant Agreement Amendment
August 1993	<ul style="list-style-type: none"> ● Finalize PIO/T for PSC Project Manager ● Finalize commodities specifications list
September 1993	<ul style="list-style-type: none"> ● Finalize PIO/T for Technical Assistance Procurement ● Advertise Procurement Opportunity ● Finalize PIO/T for Amendment to CLUSA Cooperative Agreement
October 1993	<ul style="list-style-type: none"> ● Publish RFP for Technical Assistance Contract ● Grant Officer signs CLUSA Cooperative Agreement Amendment ● Sign PIL for amendment to functional literacy program ● Sign PIL for amendment to road construction program
November 1993	<ul style="list-style-type: none"> ● Government of Mali satisfies Conditions Precedent ● OHVN creates new Agribusiness and Marketing Unit ● PIO/T for Family Planning Study finalized
December 1993	<ul style="list-style-type: none"> ● Protocol with commercial banks amended to provide agribusiness operators and individuals with access to credit ● PIL signed approving revised Land Use and Natural Resource Management component
January 1994	<ul style="list-style-type: none"> ● Evaluate Technical Assistance contract bids
March 1994	<ul style="list-style-type: none"> ● Award Technical Assistance contract
May 1994	<ul style="list-style-type: none"> ● Advise Technical Assistance contractor to proceed with procurement of commodities ● Technical Assistance team members (Agribusiness Advisor and Financial Advisor) arrive
June 1996	<ul style="list-style-type: none"> ● Finalize PIO/T for Final Evaluation contract
November 1996	<ul style="list-style-type: none"> ● Final Evaluation of Project begins
December 1997	<ul style="list-style-type: none"> ● Project Assistance Completion Date

C. Procurement Plan

The DFA Procurement Guidelines contained in Section III.C.2.b of State 44619 dated February 12, 1993 require that each new project paper contain an activity procurement plan listing each procurement activity, its value and its source with a justification for non-U.S. procurement. For this project paper amendment, the Table 7, Implementation and Financing Methods, contains all of the required information. There are only two procurement sources, the United States and Mali. All long-term technical assistance and all commodities will be procured from U.S. sources. The only items to be purchased locally are services for which host country expertise is more appropriate.

There will be an incrementally-funded amendment to the Cooperative Agreement with the National Cooperative Business Association (NCBA), known outside of the U.S. as CLUSA. Language will be included in the amendment to the Project Agreement that once that document is signed by both parties, no further Government approval of PIO/Ts will be required. AID Handbook 13 Chapter 2.B.3. provides several justifications for an exception to competition for a Cooperative Agreement, which apply to the proposed amendment with CLUSA and are described in Annex F, Justification for Non-Competitive Procurement.

For the bilateral portion, the Grantee will be the Government of the Republic of Mali, acting through the Ministry of Rural Development. The bilateral agreement will cover a life-of-project amount of \$9.7 million. Under this agreement, the Mission will contract with a firm, or a consortium of firms, to provide technical assistance (the agribusiness advisor and the financial advisor), training and procurement services, under a direct-AID contract. The procurement services portion of the contract will be reserved for Gray Amendment entities.

A USAID Mali Project Manager and an FSN Project Assistant will be retained under personal services contracts directly by the Mission. The Project Manager will report to the supervisory Agricultural Development Officer, or his or her designee, and the FSN Project Assistant will report to the Project Manager. USAID will determine other costs related to managing the DHV project and fund them from the project, under the Project Support line item of the budget. These will include but not be limited to office space and utilities, travel and transportation, transit-holding fees, translations, photocopy services, computer equipment and software, office supplies.

As in the previous phase, the OHVN will subcontract (under an inter-agency Protocol Agreement) with *Service de Renforcement des Routes* for roads construction and maintenance based upon the findings of the Roads Analysis summarized in the Technical Analysis, Section V.A.3. Formal USAID approval by Project Implementation Letter (PIL) of all host country contracts, inter-agency protocol agreements and memoranda of understanding that involve AID financing above \$100,000 will be required.

The OHVN will continue to subcontract with DNAFLA to execute functional literacy activities. Based upon lessons learned from the previous contracts, the new OHVN/DNAFLA host country contract will cover the whole duration of the current phase, thus avoiding implementation delays caused by annual amendments.

IV. REVISED COST ESTIMATE AND FINANCIAL PLAN

A. Financial History

Table 2 summarizes the project's financial history to date. The \$17.5 million that was authorized in 1988 was obligated on an annual basis over a five year period. Expenditures have averaged approximately \$3.3 million per year and the funds remaining in the project are just sufficient to complete on-going activities.

TABLE 2
PROJECT FINANCIAL HISTORY BY FISCAL YEAR
(\$ 000)

FISCAL YEAR	1988	1989	1990	1991	1992	3/31/93
Authorization	17,500	0	0	0	0	0
Obligation	3,600	3,455	5,855	605	3,985	0
Expenditures	0	2,383	4,506	3,155	3,165	1,315
Cumulative Pipeline	3,600	4,672	6,021	3,471	4,291	2,976

B. Host Country Contribution

Section 3.2 of the Project Agreement dated August 15, 1988 required that the Government of Mali provide not less than the equivalent of \$6,850,000 (Note: 33 percent of authorized amount equals \$5.8 million) including costs borne on an in-kind basis. An analysis of the Government's performance against this target was carried out in early 1993. According to that analysis, the host country contribution has been equivalent to \$5,742,000, as noted in Table 3 below.

Amendment Number One is being authorized under FAA Section 496 and is no longer subject to the exemption. The amended grant agreement will require that by the end of the project, the Government will have provided the equivalent of \$9,735,000 in host country resources to this project (33 percent of the \$29,500,000).

Table 3 below provides a revised calculation of the host country contribution based upon the experience to date. If these trends continue, the host country contribution will actually be \$10,629,000 by the end of the project. The USAID Controller's Office, in cooperation with the Project Officer, has responsibility for tracking the Government's contribution according to the line items presented in Table 3.

**TABLE 3
HOST COUNTRY CONTRIBUTION
(\$ 000)**

EXPENDITURE	TO DATE	AMENDMENT ONE	TOTAL
Salaries & other OE	2,689	2,163	4,852
Office Space	212	204	416
Equipment	267	47	314
Animateurs	2,574	2,473	5,047
TOTAL	5,742	4,887	10,629

Source: OHVN Administrative and Finance Division records

C. Financial Plan

Table 4 provides the project's financial plan in accordance with the line items of the amendment. Table 5 analyzes the estimated funding required during each fiscal year of the amendment. Table 6 breaks down foreign exchange and local currency costs. Table 7 describes the Implementation and Financing Methods for items to be procured.

TABLE 4
LIFE OF PROJECT FINANCIAL PLAN
(\$ 000)

LINE ITEM	CURRENT	AMENDMENT	TOTAL
CLUSA	3,492	2,300	5,792
Technical Assistance	3,179	2,300	5,479
Construction	3,996	1,720	5,716
Commodities	1,590	1,500	3,090
Operating Costs	835	1,000	1,835
Credit	725	600	1,325
Functional Literacy	570	800	1,370
Studies	893	250	1,143
Training	939	350	1,289
Evaluation	143	200	343
Audit	0	160	160
Agent Redeployment	200	0	200
Project Support	938	820	1,758
TOTALS	17,500	12,000	29,500

TABLE 5
ESTIMATED ANNUAL EXPENDITURES
(\$ 000)

LINE ITEM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
CLUSA	575	575	575	575	2,300
Technical Assistance	575	575	575	575	2,300
Construction	430	430	430	430	1,720
Commodities	1,300	100	50	50	1,500
Operating Costs	350	300	200	150	1,000
Credit	150	150	150	150	600
Functional Literacy	200	200	200	200	800
Studies	100	50	50	50	250
Training	100	100	75	75	350
Evaluation	50	50	50	50	200
Audit	40	40	40	40	160
Project Support	200	210	210	200	820
TOTALS	4,070	2,780	2,605	2,545	12,000

TABLE 6
FOREIGN EXCHANGE AND LOCAL COST FINANCING
(\$ 000)

LINE ITEM	U.S. DOLLARS	LOCAL CURRENCY	TOTAL
CLUSA	2,300	0	2,300
Technical Assistance	2,300	0	2,300
Construction	0	1,720	1,720
Commodities	1,400	100	1,500
Operating Costs	0	1,000	1,000
Credit	0	600	600
Functional Literacy	0	800	800
Studies	100	150	250
Training	50	300	350
Evaluation	150	50	200
Audit	0	160	160
Project Support	600	220	820
TOTALS	6,900	5,100	12,000

TABLE 7
IMPLEMENTATION AND FINANCING METHODS

GOODS AND SERVICES	AMOUNT (\$000)	SOURCE ORIGIN	CONTRACTING MODE	FINANCING METHOD	PROCUREMENT RESPONSIBILITY
Training of village associations by National Cooperative Business Ass.	2,300	U.S.	Cooperative Agreement Amendment	Direct Letter of Credit	REDSO/WCA/OP
Technical Assistance • long-term technical assistance • commodities procurement • studies	2,300 800 250	U.S. U.S. U.S.	Institutional Contract (procurement services portion reserved for Gray Amendment firm)	Direct Payment	REDSO/WCA/OP
Road construction/maintenance	1,720	Mali	Mali Government Inter-Agency Agreement	Advance/justification	OHVN
Commodities (Jeeps)	600	U.S.	Existing IQC Contract with Jeep dealership in Mali	Direct Payment	REDSO/WCA/OP
Functional Literacy Training	800	Mali	Mali Government Inter-Agency Agreement	Advance/justification	OHVN
Operating Costs • OHVN Operating costs • Office supplies and furnishings	1,000 100	Mali	Malian Government	Advance/justification	OHVN
Training: • local training programs • regional and international training	300 50	Mali US/Africa	PILs PIO/Ps	Advance/justification Direct Payment	OHVN USAID Mali
Credit	600	Mali	Malian Government	Advance/justification	OHVN
Evaluations • internal • external	25 175	Mali U.S.	Purchase Order IQC Contract	Direct Payment Direct Payment	USAID Mali AID/W (FA/OP)
Audits	160	Mali	AID Direct Contracts or Purchase Orders	Direct Payment	USAID Mali
AID Project Support: • Project Manager • Project Assistant	600 220	U.S. Mali	AID Direct Contract AID Direct Contract	Direct Payment Direct Payment	REDSO/WCA/OP USAID Mali

V. SUMMARY OF ANALYSES

A. Technical Analyses

1. Agribusiness and Marketing Component

The Agribusiness and Marketing component will capitalize on the achievements of the last fourteen years of the Development of the Haute Vallée Project and its predecessor project, Opération Haute Vallée, by increasing agricultural productivity. It will increase the value of farm production and surpluses through a market-driven strategy that will enable greater farmer involvement in the farm-to-market chain.

The following definitions apply: (1) Marketing includes importing and distributing agricultural inputs to farmers; and collecting and selling semi-processed and processed goods for the local market or export; and (2) Agribusiness includes storing and conserving agricultural produce and transforming it into value-added products. It is often considered as an integral part of marketing.

In other words, marketing and agribusiness involve the up-stream commercial activities before the start of the agricultural production cycle as well as all the post-harvest down-stream activities through sales to consumers. Agriculture, and therefore agricultural production, implies crop and animal production and the gathering of natural products. The major commodity subsectors, or *filière produit*, in the OHVN zone (which includes Bamako) are cereals, cotton, meat, tobacco, peanuts, sesame, and gathered products.

The proposed agribusiness and marketing initiatives are justified by the tremendous population expansion in Western Africa's 19 countries: it increased from 40 million in 1930 to 195 million in 1990, and is expected to more than double over the next two decades, then reach 432 million between 2015 and 2030. Mali's population, is expected to reach 16 million in that period, up from 8.33 million in 1990. During the last thirty years the annual urbanization growth rate has been 5.5 percent in the region, excluding Nigeria. Urban residents now represent 32 percent of the total population. The urban population is expected to exceed the rural population within 30 years.

The demand for food in West African urban areas is expected to grow at an average annual rate of four percent during the forthcoming decades. This fast growth will offer local farmers greater prospects than international export markets. Intra-regional trading is on a small scale, but still larger than official statistics reflect. Supplying food for such a large urban population will require the emergence of both more productive rural agricultural strategies and also more sophisticated urban marketing systems. The experience of more urbanized countries like Nigeria and Ivory Coast shows that farmers take advantage of market opportunities when presented with favorable physical and institutional environments.

There is also an identified opportunity for international export marketing to niche markets in Western Europe for mangoes, french green beans, bobby beans and similar commodities produced in the Haute Vallée. Prior to taking advantage of this opportunity, there must be an improvement in the skills and a strengthening of the links between the various participants in the marketing chain. It is time to focus primarily on increasing value-added market-oriented activities to develop the potential for longer-term productivity increases.

a. Strategy

The three major components proposed under this market-oriented strategy to achieve the value-added production objectives are market intelligence, training, and coordination among the parties involved. This strategy aims primarily at fulfilling the domestic market demand in addition to farmers' household needs.

Export initiatives will focus on crops that are grown for export, or portions of crops that are best suited to the requirements of the targeted export market. These initiatives will be investigated carefully since high-risk ventures of this nature are not ideally suited to the present development and income levels of the targeted farmers.

The Project will make every effort to absorb non-exportable surpluses by the domestic market and, when and where possible, the local processing industry. The Project will try to influence the processing industry's strategy to be:

- as polyvalent as possible for overcoming the seasonality and uncertainties of most agricultural crops;
- based upon the consumption of the domestic market and competitive with imported products; and,
- never be set up exclusively for exports.

b. Market Analysis

Market intelligence is the fundamental element of any marketing activity. Hence, market surveys for each agricultural commodity subsector in the OHVN zone will be a major activity during the first eighteen months of the amended Project. Under the guidance of project technical assistance, most of the required data will be collected by OHVN and CLUSA field workers, and possibly Peace Corps volunteers in the zone's geographic areas not covered by OHVN and CLUSA. REDSO/WCA is planning to study European markets for fruits and vegetables, the results of which are anticipated to be available by the beginning of the amended Project.

The analytical perspective is another facet of market intelligence. It provides conclusions, highlights issues and objectives, proposes actions and partners, and provides baseline indicators and targets. A brief feasibility analysis (including expected revenue, cost and budget, chances of success) and an action plan for each commodity subsector surveyed will be prepared. These proposed subsector action plans will undergo special review by USAID Mali and potential identified collaborators or partners. A commodity subsector plan will become a commodity subproject upon receiving USAID and OHVN approval.

c. Marketing and Agribusiness Training

Training will be provided in a wide range of technical areas for village associations and individuals who are interested in pursuing marketing and agribusiness activities. CLUSA will provide training in the management of a small to medium village-managed business activity, including preparation of feasibility studies, preparation of loan requests, basic accounting and bookkeeping practices, etc. The Agribusiness and Marketing Unit will provide more specialized training in areas like quality and size control, packaging, processing (artisanal and semi-industrial), advertising and pricing. This list of training topics is illustrative, and customized training programs will be developed as specific needs are identified.

d. The Agribusiness and Marketing Unit

To achieve the objectives of this project component, an Agribusiness and Marketing Unit (henceforth called the Unit) will be created within the OHVN. The specific Unit functions fall into two distinct categories: 1) coordinating the development of all agricultural marketing activities in the OHVN zone; and 2) providing training and technical advice to village associations, commercial farmers, and enterprises who want to start or expand agricultural production marketing or small-to-medium-scale agribusiness activities.

In practice, the former will involve mobilizing, energizing and coordinating the activities of the actors in the agricultural commodity subsectors represented in the OHVN area to help farmers improve their marketing capabilities and, hence, increase the value of their production. It will require contacts and coordination almost completely beyond OHVN's and CLUSA's current activities and expertise. The latter will fall entirely within the OHVN's and CLUSA's scope of work.

The Unit's technical staff will tap into various available resources to achieve its objectives. It will focus on coordinating and advising its clients rather than implementing projects *per se*, and it will serve as a catalyst for launching new ideas. Its two main implementing agencies will be OHVN and CLUSA.

(a) Market Research

During the first year and a half of the Unit's existence the commodity marketing subprojects will be prepared and thereafter will constitute the Agribusiness and Marketing Unit's Work Plan for the Implementation Phase (last two years) of the amended Project. Its success will be a function of the choice of subprojects selected for implementation. Strategically, it would be better to win the confidence of farmers by undertaking a few subprojects very successfully rather than attempting many subprojects superficially.

During the preliminary analytical phase, the Unit will undertake three key, specific studies: 1) a report of all non-governmental organizations operating in the OHVN zone that describes what they do, where they operate, and explores how they could be useful for the OHVN farmers' new market-oriented objectives; 2) the involvement of donors in agricultural marketing; and 3) a study to enable the local processing industry to determine how to standardize packaging in Mali to enhance economies of scale.

To start, the Unit and its partners will analyze existing domestic markets for agricultural produce in the OHVN zone, including animal production and gathered items. It will include:

- evaluating the actual and potential production in the OHVN area, and, as necessary, the entire country;
- surveying the strengths and weaknesses of the various commodity subsectors represented in the OHVN area, including agricultural, technological, economic and commercial factors;
- conducting an economic survey of each crop, animal product and gathered product in the OHVN area;
- undertaking specific studies of international markets, to be either contracted out or undertaken in cooperation with other producing countries of the region through the REDSO/WCA Agribusiness and Marketing Officer;
- preparing feasibility studies and development plans for the outlets that appear to offer the most realistic potentials;
- identifying potential village-based technologies for value-added activities (e.g. solar drying and processing); and,
- preparing a thorough study of the lessons learned from previous positive and negative Malian agribusiness ventures.

The objective of this market analysis will be to identify all the components of each commodity subsector, including research, agriculture and

extension services (public, donor and non-governmental organization-supported, private); and **marketing systems** whether formal or informal (funded by donors or supported by non-governmental organizations). The marketing systems analysis will include distribution channels, **sales promotion** and advertising, market hierarchies (wholesale, semi-wholesale, retail), as well as the control of stock inventory and processing facilities— operational or idle; public, joint-venture or private; industrial, artisanal or traditional. It will also describe professional and trade associations, particularly those related to crops grown in the OHVN zone. Another important aspect of these subsector studies will be to improve understanding of the formal and informal credit systems in operation and to determine whether they face constraints to functioning efficiently.

(b) **Agribusiness Training**

Specialized marketing and agribusiness training must be adaptable to the needs of very different categories of operators that encompass illiterate farmers, small-scale traders, small and medium-sized businesses owners, and international exporters.

The Agribusiness and Marketing Unit specialists will train the appropriate OHVN staff in market survey techniques since OHVN field staff will collect most of the agricultural production information in the OHVN zone. The Unit will also train CLUSA staff and, if appropriate, Peace Corps volunteers assigned to the project. These staff members will in turn train their field force as enumerators, called *enquêteurs*.

Training village associations that want to expand into more complex marketing activities will be an important component of the Unit's work plan for the Project's last two years. The Advisor will train OHVN Marketing Unit staff for this purpose who, in turn, will train village associations and small-scale traders. Thereafter, OHVN staff will assist village associations in achieving their marketing objectives. The Unit will train the OHVN trainers through both formal teaching methods and, mainly, field applications.

Small-scale traders who want training in marketing management and techniques will acquire it through joining village associations. This merging of village association leaders with private sector operators will both improve their mutual understanding and help to minimize their oft-mutual animosity. Women are closely involved in most stages of the production and marketing systems for several commodity subsectors (mainly food crops and *karité*), and therefore will represent an important proportion of trainees, particularly at the small-scale trader level and for most traditional processing activities. Larger-scale interests like commercial farmers, agribusiness operators and exporters will require customized training from the Unit. However, the Unit will identify local, regional or international resources that can provide relevant technical or advisory assistance when technological aspects are involved.

2. Introduction of Family Planning

a. The Strategy

Under the village-based functional literacy component, *animateurs* and *animatrices* provide ongoing literacy and managerial training for the village associations. The training sessions are designed to address specific issues that the association members will have to deal with, such as simple feasibility studies, basic bookkeeping, stock control, and planning for future loan requirements. For women's sessions, the topics cover issues like basic child care and nutrition. The amended project will expand this approach to include family planning concepts—for both men and women—as part of the village association training curriculum.

The Direction Nationale de l'Alphabetisation Fonctionnelle et de la Linguistique Appliquée (DNAFLA) is the agency implementing the Project's functional literacy component. DNAFLA is also actively involved in producing audio-visual materials on family planning in local languages, including programs for radio and television. Thus, it is logical and straightforward to incorporate family planning training sessions into the amended DNAFLA program. The fact that village *animateurs* and *animatrices* are already in place and are teaching literacy sessions, and the fact that villagers meet daily for these classes, create an ideal forum for disseminating family planning information. DNAFLA, with the assistance of the Ministry of Health's *Division de Santé Familiale* and the Malian Family Planning Association (AMPPF), will develop specialized training materials to be used in these literacy classes and will provide training for the *animateurs* and *animatrices* in family planning topics. Moreover, with proper training, village *animateurs* and *animatrices*, even those with minimal education, can dispense contraceptives such as condoms, spermicides and a resupply of birth control pills.

b. The Issue

Many of the *animateurs* feel that they are being exploited as unpaid OHVN employees and the OHVN is not the only development actor that relies on the *animateurs*. Given the small number of literate and numerate villagers, most of the NGOs and other governmental projects also look to the *animateurs* as their village representatives or counterparts. For example, the Agrométéo program relies on the *animateurs* to collect data on rainfall and production and to transport these figures into the sector offices every ten days. The Food and Agriculture Organization's (FAO) seed multiplication program also looks to the *animateurs* to organize meetings, manage the financial accounts and market seed. New programs to strengthen community-based natural resource management threaten to add to the load of the already over-burdened *animateurs*. Another on-going program, which is planned for expansion throughout the zone as well as a new World Bank-financed program

are oriented towards the village-level and will also undoubtedly seek to employ the *animateurs*.

This issue is most acute in the self-sufficient (*auto-encadré*) villages where *animateurs* are responsible for managing the extension meetings and activities. *Animateurs* from these villages are required to attend monthly meetings with representatives from other *auto-encadré* villages in their sector, in addition to attending regular training meetings at the sector offices. They also play central roles in the operation of their village associations, which often require them to collect orders for input supplies, make several trips to Bamako to secure loan agreements, place purchase orders, and supervise the distribution of goods and collect loan repayments. Where collective agreements are made between several village associations, the *animateurs* must attend additional meetings to organize these collective orders, and negotiate the frequent discrepancies that emerge between amounts ordered and received.

It is clear that the introduction of family planning responsibilities will be an additional burden for the *animateurs*, however the design of this component of the program will seek to find methods for monetary remuneration for their services.

c. Implementation Plan

The following steps will be undertaken to design and implement a family planning component in the amended Development of the Haute Vallée project:

- i. The first step will be to conduct a needs assessment of the population living in the project zone, in association with an inventory of training and distribution resources available in the project zone. This study will be conducted by the Population Council and the Ministry of Health's *Division de Santé Familiale*.
- ii. The second step will be to design the family planning component to link DNAFLA and *Division de Santé Familiale* inputs with USAID contraceptive supply schedules and regulations in such a way that the *animateurs* and *animatrices* are willing to participate in the program.
- iii. The implementation phase would likely consist of the following actions:
 - train *animateurs* and *animatrices* in family planning practices;
 - develop specialized training materials to be used in literacy classes (or adapt existing materials if available for use in literacy classes);
 - determine which *animateurs* and *animatrices* would most appropriately distribute contraceptives (initially at no cost, and eventually at low cost); this

may be done in collaboration with local private voluntary organizations already involved in the activity or an expanded community based distribution program which will provide training in and supervision of contraceptive distribution.

3. Farm Access Road Construction and Maintenance

a. Analysis of Cost Overruns

Under the Opération Haute Vallée project (1978-1988), a total of 398 kilometers of roads were built, at a total cost of \$6,652,000 (average of \$16,715 per kilometer). The program continued under the DHV project, under which an additional 285 kilometers of roads were to be built, budgeted at \$3,555,000 (average of \$12,475 per kilometer). As of May 1993, a total of 162 kilometers have been constructed, at a total cost of \$3,106,461 (average cost to date: \$19,175 per kilometer). This represents a cost overrun of 54 percent over the amount estimated during the DHV project design (though only about 15 percent more than the cost of roads built from 1978-88, which is even less than the inflation rate over that same period). The difference between the amounts budgeted and the actual cost is largely attributable to an underestimation of the number of drainage structures required.

b. Roads to be Constructed under Amendment

As part of the design of the amendment of the DHV project, six additional segments (totalling 201 kilometers) have been identified as having a significant potential impact on the development of the project zone. Each of these segments has been analyzed in terms of economic potential and social benefit, and they have been prioritized.

This amendment includes funding for the first three segments (totalling 100 kilometers) at an estimated cost of \$1.322 million, as well as \$208,000 for road maintenance and \$681,000 for replacement of construction equipment. (An analysis conducted by the USAID Engineering Office demonstrated that the cost of constructing roads using the existing equipment—which is over 14 years old—is approximately 22% higher than that using new equipment.) The three segments to be built are shown in Table 8 below:

TABLE 8

ROAD SEGMENTS TO BE CONSTRUCTED UNDER PROJECT AMENDMENT

SEGMENT	LENGTH (KM)	COST (CFA)	COST (\$) ¹
Balla-Mambila	38.0	124,777,616	499,110
Karan-Nougani	27.0	87,780,512	351,122
Fallan-Banambani	35.0	118,018,342	472,073
SUB-TOTALS FOR CONSTRUCTION	100.0	330,576,470	1,322,306
MAINTENANCE		52,000,000	208,000
REPLACEMENT OF EQUIPMENT		170,210,000	680,840
GRAND TOTAL		552,786,470	2,211,146

¹ At \$1 = 250 CFA

c. Road Maintenance Plan

While this amendment provides \$208,000 for road maintenance, USAID will assist the Government to study and develop a viable plan for the long-term maintenance of the farm access roads built under the various phases of the project. Two possible scenarios for financing such a sustainable maintenance program are as follows: (a) village associations could contribute in the form of a surcharge added to the per kilometer per ton cost of transporting agricultural goods; or (b) the Government could begin budgeting for the maintenance of the farm access roads as part of its national maintenance program. Given the realities of the national budget and the general condition of roads in Mali, the first scenario is much more likely. In addition, it places the burden of maintaining the roads on their principal beneficiaries.

As an added incentive to the development of a long-term maintenance program, USAID may consider providing additional funding, through the Title III program, which is jointly programmed with the Government, for financing the maintenance program during the first few years of the project and until such time as the long-term plan can be implemented. Negotiations for such additional support will be undertaken once a plan is developed and presented to USAID for consideration.

B. Amended Organizational Analysis

1. Political Context

Encouraged by the success of the revolution in mid-1991 and the political openness of the transition government, at the National Conference in September 1991 Malian farmers demanded a special *Etats Généraux du Monde Rural* to be convened as the only effective way to address their demands and concerns. Over 300 participants, including regional delegates for farmers, herders, fishermen and woodcutters convened for the five-day conference in December 1991. The fifty-plus recommendations of the *Etats Généraux* reflected three types of demands. First, delegates called for a real transfer of power to give rural communities legislative and adjudicatory responsibilities for land tenure and natural resource management issues. Second, the *Etats Généraux* issued several recommendations that set a quasi-revolutionary agenda for the post-Traoré era. These included calls for legislation to: give women land ownership and inheritance rights, and access to bank loans; transfer full responsibility for the Rural Development Tax (TDRL) to local administrative units; and authorize the creation of rural unions. Finally, the delegates raised a series of more standard concerns dealing with price policy, marketing, storage, agricultural credit, input supply, and rural infrastructure. Underlying many of these questions, the *Etats Généraux* tried to focus the new government's attention on the real problem of rural exodus, namely the need for more productive rural employment opportunities.

Published in March 1992, the *Schéma Directeur* represents the results of six months of collaboration and interministerial discussions led by the Ministry of Agriculture, Livestock and Environment. The three volume document identifies new guidelines for policies and programs designed to achieve the country's broad development objectives: to improve the standard of living and reduce income disparities; to achieve food self-sufficiency in the long-term and food security in the short-term; and to preserve the country's natural resources and promote sustainable development. Two fundamental issues influence the discussion of the major development goals and strategies throughout the *Schéma*. First, the weakness of the rural sector as the country's engine of development is tied to the absence of strong links between agriculture and industry. Second, the *Schéma* goes well beyond a simple approach to government "désengagement" and seeks instead to define several criteria for dividing responsibilities between the government, the private sector and the rural population. In part, this involves adapting government roles and responsibilities to the needs of the private sector. In addition, it involves the re-establishment of a dialogue with the rural population.

2. Office of the Haute Vallée (OHVN)

In 1988, the OHVN began to restructure in conformance with the government's policy to transfer more responsibility for development activities to the rural

population and to develop the role of the private sector in rural development. As a public agency with **primary** responsibility for rural development, the OHVN was required to restructure **instead** of fully privatize its activities. This restructuring involved measures to: reorganize the management system and structure; reduce the number of personnel; and transfer commercial activities, such as input supply and marketing, to "collectivités organisées." To facilitate this process, the government converted the OHVN from a line government agency, or "opération," to a more financially and administratively independent office.

The government policy to restructure the OHVN cannot be reduced to a simple policy of "disengagement." Instead, the policy reflects the government's effort to respond to demands from the *Etats Généraux* for less, but more effective state involvement. The key was to find the most appropriate mix between productive investments for the private sector and activities that continue to fall under the government's responsibility.

Within this broad policy context, the OHVN seven-point mission statement sets the goals for its activities throughout its zone of intervention. This mission is to: promote a better standard of living; increase incomes through improved and diversified agricultural production; improve health, education and living conditions; provide better natural resource management; remove transportation barriers; develop economic activities; and transfer responsibility for development activities to villagers.

Villagers served by the OHVN and OHVN field staff throughout the zone recognize and accept the OHVN broad rural development agenda. Villagers, in particular, see the Office as their most important source for a broad range of financial and technical assistance. Most of the OHVN field staff who are responsible for agricultural extension, on the other hand, tend to focus on how the extension program contributes to the achievement of the overall OHVN mission.

A 1991 DHV Project evaluation report and the 1992 Financial Analysis of the OHVN confirm the significant progress made by the OHVN in meeting its major restructuring goals. By 1992, the OHVN significantly reduced its personnel largely through the reorganization of the extension program and the transfer of credit and marketing responsibilities to village associations, banks and private suppliers. Through reorganization, the OHVN garage costs declined by ten percent.

The success of the OHVN at reorganizing itself to provide better agriculture extension services and to divest itself of activities that can be more efficiently performed by the private sector has created the need for an examination of its financial relationship with the central government. In most Francophone West African countries, a contract plan is an agreement between an independent government agency and the government that identifies mutual rights and obligations for a fixed period of time. Most contract plans stipulate performance criteria and identify government commitments, especially government economic policies, that would affect the achievement of the contract

objectives. The OHVN sees its contract plan, which has been under discussion throughout most of 1992, as a means to achieve a more secure and clearly identified level of financial autonomy and flexibility with the government. A late 1992 draft of the contract plan focuses on the issue of the OHVN statute and OHVN protocols and relations with the government, including government "sociétés." The draft identifies OHVN performance goals and criteria by which the government could assess OHVN performance.

3. Village Associations

The establishment of over 250 *Associations Villageoises* and village *Groupements*, through the collaborative efforts of the OHVN, CLUSA and DNAFLA, represents one of the most significant contributions in the last ten years to village-level development throughout the OHVN zone. The Village Associations and, more recently, the *Groupements* have emerged as the principal actors in promoting greater private sector involvement in development. The Associations, for example, have been largely responsible for the flow of over 300 million CFA in credit to OHVN villages. As noted earlier, more than one-half of these Associations are responsible for mobilizing almost 90 percent of the loan capital from banks during the last three years. Moreover, villages with Associations commonly attract development projects and opportunities from various public and private agencies that are not affiliated with the OHVN program.

Each Association is governed by its members through the *Assemblée Générale*, and administered by a board that is elected by the *Assemblée Générale*. Members of each village's founding families usually retain all the board positions in most Associations. In addition, five to six volunteer *animateurs* in each Association are responsible of managing and implementing most Association activities. *Animateurs* are usually related to members of the Association board, and most are married. Only about 25 percent of them are school leavers and almost 60 percent of them have become eligible for their position, in part, through their participation in the village's functional literacy program. Approximately one-half of the *animateurs* have from four to five years of experience as *animateurs*, and almost 60 percent of them have been engaged at least once in some type of off-farm employment.

Membership in an Association is open to all village inhabitants who accept the Association's operating rules and regulations. In some cases, special requirements may be stipulated to encourage participation in Association activities. For example, several villages specify that all members must: participate in Association collective work or pay a penalty; help to achieve the objectives of the Association; attend the general meetings; and show evidence of good standing. Very few villages exclude women from Association membership. Several Associations require payment of an entry fee and annual dues, but apparently few, if any, Associations enforce this requirement.

In addition to overseeing the village functional literacy center, village associations engage in various collective economic activities. The earnings from one or more collective fields are a principal source of Association revenues. The OHVN rebate to an

Association for its management of the village's cotton marketing is also an important revenue source. In some cases villagers report that this rebate was a principal incentive for establishing a village association. In many Associations, as well, small groups of women are involved in several types of income-earning artisanal activities like tie-dying, soap making, karité butter processing, and in some cases, grain processing with small diesel-powered mills.

Given Mali's orientation toward rural development since independence in 1960, villagers throughout the OHVN zone have considerable experience with village-level organizations. Villagers generally agree, however, that the Associations represent a new and significantly different opportunity from the government's previous cooperative policies and programs. Most important, villagers note that the Associations are not imposed; each village freely exercises the option to establish an Association. It is widely recognized that some Associations have been able to accept responsibility for certain technical and economic activities that were previously controlled by the government through the OHVN. Villagers also point out the opportunities that an Association has offered in terms of acquiring certain management skills and obtaining credit. Finally, for some villages, the Association has been an opportunity to make collective investments, such as schools, maternities and dispensaries, bridges, dams and grain storage facilities, which villagers might otherwise not have undertaken.

C. Social Soundness Analysis

A Michigan State University (MSU) analysis of service delivery systems to farmers and village associations in the project zone has presented USAID with observations that will impact its efforts under this amendment. Presented below is a discussion of the quality of the performance of the various agencies working in the OHVN zone and an observation on the need for a series of new development partnerships between the government, the OHVN, farmers and village associations, the private sector and donor agencies.

1. A Cafeteria of Development Services

The OHVN, other government agencies and the non-governmental organizations (NGO)s present villagers in the zone with a veritable cafeteria of development services. In addition to the various OHVN services (extension, literacy, women's activities, credit and equipment and marketing) and affiliated programs, some villages also receive a literal smorgasbord of development projects from other government agencies and from non-governmental organizations. This panoply of development offerings is not new. In some areas, villagers are virtually "old hands" at choosing among the array of offers to improve the quality of their lives.

Villagers sincerely appreciate the various development opportunities offered to them from the "outside." In many cases, villagers will readily and easily identify the benefits from these projects, such as village wells, sheet metal roofs on their houses, new motorbikes, village "scrap yards" of plows, and grain mills.

To assure a greater measure of sustainable development and responsiveness to local interests and needs, most village-level development projects or services in the OHVN zone commonly base their activities on some type of reconnaissance or needs assessment survey. The farming systems research done by the *Division de Recherche sur les Systèmes de Production Rurale et Vulgarisation* (DRSPR) for the OHVN agricultural extension program illustrates the most formal and elaborate mechanism for identifying and responding to village-level conditions. More often, projects rely on brief, semi-structured interviews with available villagers.

It is not clear, however, to what extent the findings of these needs assessments and surveys actually substitute for predetermined programs of activities. Frequent reports of low adoption rates and the persistence of illiteracy, to cite just two examples, suggest the need to reexamine the fit between many development services and village needs. The persistent economic and educational marginalization of women, despite their widely recognized enthusiasm for, and significant contribution to village development projects, epitomizes the egregious discontinuities between the rhetoric and the realities of many development services.

The findings of the analysis confirm that development projects and services are not imposed on the villages. A more pluralist rural development policy long ago replaced the well-known command development programs of the 1960s. The findings of the analysis, however, do suggest that most development programs and projects still "deliver" or bring their services to the villages. That is, most projects do not work with villagers as co-participants in program design and implementation.

To illustrate, there is little evidence that findings from the DRSPR farming systems research help make the OHVN training and visit approach more responsive to farmer experience and innovation. The functional literacy program successfully exceeds its objectives for new village literacy centers, but remains singularly unresponsive to long-standing popular demands for advanced literacy materials. NGOs emphasize the importance of their assessment surveys, yet their activities appear remarkably uniform from village to village.

In response, villagers do not object to, nor do they overtly refuse many development services. Instead, they usually accept, yet essentially ignore, what is offered. This helps explain, in part, the rolling and low membership in most *groupements de vulgarisation*.

There are no uniform or global solutions to this issue. Each program and project fashions its own, more responsive approach to its village activities. The findings of the analysis suggest, however, that the success of each program and project, and the possibilities for sustainable development could be enormously enhanced with more attention to the central principles of reciprocity, negotiation, exchange and co-responsibility with villagers.

2. New Partnerships

Sustainable development in the OHVN zone requires new partnerships for rural development. USAID, the OHVN, the government, the private sector, the NGOs and villagers need to be looking for new frameworks of institutional collaboration to respond successfully to the development challenges in the zone. This requires design networks of combined public and private services that simultaneously draw upon the separate strengths, while enhancing the separate capabilities.

The institutional framework for development in the OHVN zone remains tenuous, at best. The village associations represent significant opportunities for village development, yet even the most successful are unexpectedly fragile. The private sector is "thin" and uncertain. Villagers cannot rely on services from private suppliers or transport, but at the same time find banks that are willing to negotiate competitive credit rates. The government's rhetoric still surpasses the reality of its hesitant and tentative steps toward decentralization. NGOs offer a range of welcome services throughout the zone, but the nature of their activities raise serious questions about their effectiveness in promoting local institutional development.

The creation of a new and stronger institutional framework of service networks must begin with the bottom-up identification of issues and problems in the delivery of services to villagers. In addition, the OHVN and other government services must assume the responsibility to nurture these networks, yet have the capability to step back and defer to self-adjusting processes within these networks. Contrary to much of the popular rhetoric of privatization, the state needs to be reintroduced into rural development.

Each project or actor brings its own expertise and specialization into the development arena. At the same time, there should be a shared recognition that deliberately designed complementary activities can enhance these separate specializations. In sum, a principal challenge for this project involves finding ways to reframe its approach to development in the OHVN zone. As the principal donor agency, USAID needs to help all the development actors move away from thinking about their separate responsibilities to thinking about the coprovision and joint delivery of development services.

D. Financial Analysis of OHVN

The Financial Plan contained in the 1988 Project Paper estimated that by the third year of project implementation, the OHVN would no longer be incurring operating losses. This projection was based upon the following assumptions: (1) the staff would be reduced from 400 to 200; (2) the vehicle fleet would be reduced and modernized; (3) there would be increased trading profits from agricultural commodity transactions; and (4) the floor price of these commodities would increase. Despite the fact that not all of these assumptions proved valid, Table 9 shows that for the last two operating years, the OHVN has made an operating profit (excluding the USAID grant). The operating surplus has been used to replace capital investments not financed by USAID.

Projections of OHVN income and expenditures for the period covered by the project amendment are bleak. The Table 9 forecast is optimistically based upon the assumption that agricultural trading will continue at its current pace when, in fact, USAID is encouraging a shift of commodity sales and purchases to the private sector. While there will be a marginal increase in personnel and administration costs, the majority of the deficit will come from investments in fixed assets (e.g. vehicles for field extension staff). Without an infusion of funds from either the central government or donor organizations, OHVN will not be able to replenish its vehicle fleet and will eventually cease to provide certain agricultural extension services.

The amendment will continue subsidizing OHVN operating expenses for field transportation and certain commodities, on a declining-scale basis. The amendment will also fund a financial advisor to assist the OHVN to rationalize its budgeting process and eliminate those activities that are an unsupportable drain on scarce resources. However, it is clear that, if the OHVN is to be the agricultural extension service of the Government of Mali within the project zone, a long-term solution to the operating cost issue is required. That solution will undoubtedly involve a combination of increased revenue from the central government, a means for charging users for the services they receive, and reduced non-remunerative services by the OHVN. To encourage the Government to find the appropriate, affordable, combination prior to the Project Assistance Completion Date, USAID will provide its support on a declining basis. The Grant Amendment will also contain a covenant that the Government shall prepare a plan for the gradual transfer of financial responsibility from the DHV Project to the Government and/or the OHVN's beneficiaries.

TABLE 9

STATEMENT OF REVENUES AND EXPENSES FOR OHVN (1990 - 1998)

(MILLIONS OF CFA FRANCS)

	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98
REVENUES								
Sale of Agricultural Product	2088.1	2084.8	2129.8	2155.3	2241.8	2315.2	2390.2	2468.4
GRM Contribution	87.0	97.2	105.5	111.5	117.5	123.3	129.4	135.5
USAID Contribution	73.0	95.0	66.5	0.0	0.0	0.0	0.0	0.0
Other Subsidies	102.1	99.9	58.3	38.3	31.9	22.3	19.4	19.0
TOTAL REVENUES	2350.2	2376.9	2360.1	2305.1	2391.2	2460.8	2539.0	2622.9
EXPENSES								
Purchase of Agricultural Pro	1101.5	1108.0	1136.8	1156.3	1205.7	1247.9	1290.7	1335.2
Marketing of Agricultural Pr	638.6	630.6	653.0	682.3	712.0	737.3	762.8	789.1
Personnel Costs	179.8	199.8	216.5	228.5	240.6	252.0	264.3	276.6
Administrative Costs	154.2	153.4	162.8	164.4	168.5	172.0	175.5	179.2
Transportation Costs	82.8	80.0	80.0	80.0	80.0	80.0	80.0	80.0
Fixed Asset Investments	0.0	0.0	176.1	198.0	147.0	151.7	34.0	27.0
TOTAL EXPENSES	2156.9	2171.8	2425.2	2509.4	2553.8	2640.9	2607.3	2687.1
NET BALANCE	193.3	205.1	(65.1)	(204.3)	(162.6)	(180.1)	(68.3)	(64.2)

Assumptions: (1) No USAID funding after FY 93
 (2) No decrease in commodity trading

Source: Waddell/Audette, April 1992

E. Economic Analysis

[NOTE: Supporting tables and data used in this Economic Analysis are available in the USAID Mali Agricultural Development Office.]

1. Overview

The DHV project supports the development of an essentially rural area with a population of over half million occupying an area of 3,410,000 hectares. On the basis of rainfall the area includes three distinct sub-zones, the Northern zone with average rainfall below 700 mm, the Middle zone with average rainfall between 700 mm and 1000 mm and the Southern zone with average rainfall above 1000 mm. Millet and sorghum are cultivated in the entire zone of the *Office de la Haute Vallée du Niger* (OHVN) with the diversity of crops increasing with rainfall. Sesame is being introduced in the Northern OHVN sub-zone while maize, cotton, tobacco and groundnut are found in the Middle zone. In the Southern sub-zone the cropping pattern also includes rice, vegetables and fruits, especially mangoes. The OHVN has recognized the distinction of these sub-zones by concentrating its activities in the more fertile and populated middle and southern zones. These differences are taken into consideration by the analysis that uses the different production processes of the sub-zones to generate the project level benefits¹.

The proposed project amendment will continue successful activities undertaken under the DHV project and add a new component on marketing and agribusiness. The new component will build upon the success of the DHV project by paying closer attention to marketing aspects and by helping develop processing activities that show promise. These processing activities will be selected through marketing studies that will be designed to help identify the more viable potential undertakings. The amended project will include the following components:

- Agribusiness and Marketing Unit;
- Credit for Village Associations and Agribusiness Operators;
- Functional Literacy and Numeracy Training;
- Village Association Development and Management;
- Land Use and Natural Resource Management Initiatives; and
- Rural Roads Construction and Maintenance.

¹ The analysis uses input output matrices for the different crops to generate unit farm budgets for each of the regions and then aggregates these budgets to generate the cost and benefits associated with alternative with and without project situations.

These are complementary activities in an integrated rural development project with an established record of success. The economic analysis and experience with the implementation of the DHV project established the viability and priority of the existing project components. That analysis estimated an internal rate of return of somewhat over 25 percent. Although expected savings linked to staff reductions from the elimination of unprofitable OHVN activities did not fully materialize, the actual development of the zone continues to establish the worth of the project.

The principal economic benefits are expected to come from both increased sales from existing production and from increased production and sales of more valuable crops. These benefits are made possible by enhanced access to the national and international market as a direct result of the introduction or upkeep of roads, and the availability of credit that allows higher yielding technologies. In the basic scenario, the project as a whole has an Internal Rate of Return (IRR) of 28.7 percent². With a discount rate of 20 percent, the Net Present Value (NPV) in this base scenario is 5.5 billion F. CFA. This relatively high discount rate is selected to account for the fact that the farmers are risk averse. These benefits stem essentially from the increase in yields arising from the improved technology made possible by the project.

In alternative scenario one, which assumes that the marketing and processing component results in two percent increase in producer prices, the Internal Rate of Return increases to 29.9 percent, and the Net Present Value goes to 6.3 billion F. CFA³. Alternative scenario two allows for an increase of two percent in the area under cultivation over the basic scenario. The Internal Rate of Return rises to 31 percent and the Net Present Value goes to 8 billion F. CFA. This increase in the area under cultivation captures the opening of the area provided by the 100 kilometers of road construction and gives a sense of the importance to that component. Scenario three allows for the simultaneous increase of producer prices and area, and results in an Internal Rate of Return of 32 percent and a Net Present Value of 9 billion F. CFA.

Given the relatively high share of resources going to the road construction component and its more targeted beneficiary group, we have undertaken a separate analysis of the roads, shown below. As in past investments in the OHVN zone the

² Increased use of animal traction technology captures the increased effective yield arising from improved technology as well as accompanying reduction in marketing losses.

³ A recent study by Michigan State University shows that marketing and processing activities in Mali have resulted in a 20 percent decrease in markup between prices paid to producers and those paid by consumers. The assumed increase in producer prices is based on a conservative assumption of the market share benefit going to the producers. Even if the producer prices were not to change, one could reasonably assume a similar improvement in farmer revenues from an increase in the volume sold.

proposed project investments are sufficiently productive under alternative plausible assumptions to justify the proposed investments.

The analysis has shown potential aggregate economic returns of the project. Because the private sector does not bear the project or OHVN's costs, the financial returns going to the private sector are higher. Direct benefits accrue to over 500 thousand individuals distributed among forty-one thousand essentially rural families in 829 villages. The discounted Net Present Value of the benefits in scenario three, shows a per capita net benefit of 17.8 thousand F. CFA (\$65 per capita at F.CFA 275 per dollar). The principal employment implications of the project are expected to be more in the way of decreasing underemployment and increasing productivity and income of the farmers. Additionally the service sector is certain to benefit as the demand for inputs and the marketing and processing of outputs will create local opportunities. These benefits will also extend to the urban communities that will provide some services and while benefiting from decreased migration or even reverse migration.

Some of the project components benefit the entire project zone and beyond while others, for example the roads, have a more geographically focused impact. It is also more difficult to separate and quantify the benefits of the components with more generalized impact. Given the uncertainty of this quantification it is fortunate that they have self evident "non-economic" value. For example, the importance of the literacy component in a country with adult literacy rate below 20 percent, the social value of opening large areas to education, family planning and health services, and the fundamental need for land use and natural resource management in the Sahel, are well established. What is needed is a concerted effort to insure that resources allocated to these activities are used effectively.

The presence of the project allows affected farmers to undertake a higher percentage of their productive activities using improved technologies, and increases the potential market for existing and potential crops by opening access to areas currently closed due to inadequate or non-existing transportation. For example, the availability of credit enables farmers to take advantage of ox-traction and related animal fertilizer as well as to afford the higher costs of inputs needed in the production process. The literacy component contributes to this access to credit through the introduction of bookkeeping and increased awareness of repayment responsibilities as well as better understanding of non-traditional practices.

The introduction of family planning topics in the literacy curriculum has the potential of making a fundamental contribution to the well being the OHVN population. It could result in increased productivity and per capita income as a result of decreases in the amount of time lost to illness and resources used and medicine, and lower population growth. The roads allow for a bigger selection of agricultural activities by decreasing the costs and time of transporting both inputs and outputs. The proposed marketing and processing component increases the alternatives and improves the probability

of profits by enabling the zone to better target its activities to market opportunities as well as increasing value-added activities.

The significant benefits of the road construction component could, however, be significantly decreased by their potential contribution to the deforestation of the zone. Although their contribution to the economy and social well being of the affected zone can not be denied, they also give much easier access to the forests and potentially higher financial profits in the business of providing fuel wood to the urban areas. Under current policy, the social costs of eliminating the forest cover in some of the land that is not suitable for agriculture is certainly higher than the financial costs of removing it and selling it as fuel wood. Sustainable and environmentally sound development would call for some sort of tax or regulations to bring balance between the financial incentives and social costs of utilizing these areas. This could well be an important focus of the project's Land Use and Natural Resource Management Initiatives component.

Although as shown above, the benefits of the marketing and processing component are potentially important, it is difficult to pin them down at this point. Although it appears at present that fruits and vegetables are the most promising, we can not really anticipate the winning activities of the future. Moreover, if processing is understood to include activities in the textile industry, the potential is far greater. What is certain is that timely knowledge of the relevant markets and the institutional capacity to respond to new opportunities is the key to realizing greater benefits in the project. It is essential however that the implementation of the marketing and processing component be results oriented with the bottom line as the driving force. Proposed expenditures on this component are modest and given the almost total absence of processing and marketing activities, have a potentially high return.

The success of the DHV project has undermined the OHVN's revenue base. The transfer of the transportation of agricultural products to private sector operators has already occurred and the expected transfer of the transportation of agricultural inputs to the private sector will further erode OHVN's sources of income. USAID believes that the success of the DHV project will make it unlikely that USAID will continue to provide support after the proposed amended PACD removes another important source of financing for these important activities. This analysis is therefore broadened to address this erosion of OHVN's revenue-generating activities that jeopardizes the complementary activities that are essential to the sustainability of the activities that have been privatized and more generally to the continued development of the project area. The "public good" nature of these complementary activities suggests that they continue to be provided as a public service.

2. Analysis of the Road Component

In the absence of roads the rural population limit their agricultural activity to subsistence crops or add some cash crops in very limited quantities because of the difficulty of reaching markets and obtaining necessary inputs. This is a generally accepted principle that finds ample support in the impact evaluation studies undertaken in the OHVN zone. The population of the zone are unanimous in their belief that the roads are the single most important factor in the development of the zone. This amendment will add 100 kilometers of class B roads to bring some 13 thousand hectares of fertile but isolated arable land into the market economy, enable some 12 thousand inhabitants of the area to make more economic use of their resources and get better access to social services.

The roads have been selected to maximize the amount of potential fertile arable land to be exploited given construction and maintenance costs⁴. The difficulty of access to these areas has excluded them from the markets for both perishable commodities that do not survive the trips or all other crops that cannot be profitably transported in the vehicles that access them. Moreover, currently high transport costs make a significant share of the output of these areas uneconomic. Two of the selected roads, Balla—Nambila and Karan—Nougani are in the Kangaba region, and the third, Fallan—Bananbani is in the Ouélessébougou region. They are 38 Km, 27 Km and 35 Km respectively.

The currently cultivated areas are 6,664 hectares, 3,412 hectares and 3,226 hectares respectively. Together the roads have the potential of bringing 63 thousand hectares of currently uncultivated land into cultivation. A population of 12 thousand will be directly affected by these roads. Some of the simulations in the previous section showed the potential impact of the roads in what is called the producer surplus method of measuring the impact of agricultural roads. Following the method used in the previous analyses of the DHV project, the consumer surplus method, the Internal Rate of Return of the 100 Km of roads being built is 26 percent⁵. The benefits under this method are essentially the savings from the significantly lower costs of transportation arising from better roads given traffic

⁴ The three proposed roads were selected from seven originally proposed. The initial selection was made through opinion surveys undertaken with the population on regional market days. The OHVN staff then short-listed the three after estimating the construction costs and the populations to be served and the agricultural potential of the zones of influence of the individual roads. This analysis uses the consumer surplus method used in the Louis Berger International 1987 OHV Rural Roads Evaluation to estimate the Internal Rates of Return of the three proposed roads.

⁵ The consumer surplus method of benefits to roads estimates savings in vehicle operating costs to current traffic and traffic generated by road improvements. Much of the analysis in this section builds on the evaluation and feasibility work undertaken by Louis Berger International, Inc. for the previous phases of the DHV project.

projections related to the development of the zone of influence. The Internal Rates of Return for the individual roads are 32 percent for the Balla—Nambila segment, 29 percent for the Karan—Nougani segment, and 17 percent for the Fallan—Bananbani road (see Table 10, page 51). By way of comparison, the 1988 rural road feasibility study by Louis Berger International found Internal Rates of Return ranging from 15 percent to 32 percent, with an overall rate of 22 percent, for the roads found to be feasible. With a discount rate of 12 percent, the Net Present Value of the overall road component is 644 million F. CFA. Individually, the Balla—Nambila road has a Net Present Value of 367 million F. CFA, the Karan—Nougani road has a Net Present Value of 204 million F. CFA, and the Fallan—Bananbani road has a Net Present Value of 73 million F. CFA.

Using this consumer surplus method and assuming that the seven roads originally selected have the same cost per kilometer as the three roads above, the selection of the 100 kilometers of roads that can be financed through this amendment would be somewhat different. Since the Internal Rate of Return for the 20 kilometers of road from Fanadie to Kalifabougou is 96 percent, it would appear to be more viable than any of the other proposed road segments. Similarly, with an Internal Rate of Return of 32 percent, the 34.7 kilometers connecting Kodian to Farako would be preferred over the Falan N'piela road which has an Internal Rate of Return of 17 percent.

3. Budget Analysis for the *Office de la Haute Vallée du Niger*

The importance of the OHVN for the development of the zone and the success of the DHV project in privatizing some of the activities that generated an important portion of OHVN's income raises important questions about the sustainability of the OHVN contribution. The fact that USAID does not envision to continue to support the rural development organization after the proposed PACD makes this question more pressing. These successes of the project have therefore led USAID to investigate the sustainability of the activities supported by the project after the PACD.

There are additional signs of trouble coming from OHVN's principal source of revenue in the past. In the recent past OHVN generated some 65 percent of its revenues from the commercialization of cotton and tobacco. The decrease in the quantity of tobacco sold by OHVN, from 517 tons in 1989/90 to 343 tons in 1991/92 (while tobacco deliveries from other Malian producers to the national cigarette manufacturer SONATAM went from one percent in 1987 to 30 percent in 1991), and the recent decrease in cotton prices, raise important questions about the future of this source of OHVN's revenue base. Moreover, with transportation of agricultural products in the zone essentially privatized, competition for marketing these products could further erode OHVN's revenues arising from the difference between the markup (between what OHVN pays the producer and what it

receives from the parastatals) and what it pays to private transporters. Additionally, the private sector has not yet shown much interest in marketing the agricultural inputs needed to sustain the development of the OHVN zone, leaving this essential service to be provided by an OHVN-like public entity.

The analysis in this section draws heavily on a comprehensive financial analysis of the OHVN undertaken under the DHV project by Development Alternatives, Inc.⁶ The commercial activities of the OHVN, essentially related to the production and commercialization of cotton, tobacco and sesame, showed a slight profit averaging 50 million F. CFA in 1990 and 1991. Losses from the development activities lead to an average deficit of 11 million F. CFA. However, the dramatic deterioration of OHVN's tobacco's operations from 1990 to the 1991, which is not expected to be a short term development, makes for a considerably bleaker financial picture. The recent fall of the world price of cotton and the resulting difficulties of the cotton parastatal do not improve the situation.

The DAI report estimates that if the government continues to pay the 100 million F. CFA for the salaries of the functionaries assigned to the OHVN, each of three potential scenarios, would result in cumulative losses of 657.1, 421.7 or 406.1 million F. CFA in the 1993/94 to 1997/98 period. Annual OHVN losses would then average between 80 and 130 million F. CFA. Adding the salaries currently paid by the central government, annual losses are between 180 and 230 million F. CFA. Additionally OHVN estimates its total investment needs for the same period at 717 million F. CFA, an average of 143 million per year. In short, to cover the losses and to service the capital needs say, at 18 percent interest, requires that the OHVN obtain additional annual revenues between 200 and 250 million F. CFA. This essentially equals the 221 million F. CFA in annual losses the DAI report calculates to be the operational cost of OHVN's development activities in 1990/91.

The economic analysis of the previous sections show that the probable benefits of social investments in the zone cover project costs, the costs of the *Office de la Haute Vallée du Niger*, and the private costs needed to generate the ultimate benefits with an internal rate of return of 28.7 percent in the base scenario. This in itself shows that project benefits that accrue to the producers are sufficient to cover all the costs with a sufficiently high IRR that the payment of all the costs by the beneficiaries would be justified on financial criteria.

A look at some of the details behind these summary values show that the net benefits of the project are more than enough to generate fiscal resources to support the essential operations of the OHVN. The annual costs of current OHVN operations is about 350 million F. CFA⁷. This shows that a five percent tax on the net benefits of the

⁶ Analyse Financière: Projet de Développement de la Haute Vallée, Mali, Avril 1992.

⁷Estimated to be 140 percent of the annual personnel cost.

project in the base scenario is more than enough to finance OHVN operations. Expected improvements in the efficiency of the OHVN would lower that amount further. Actual sustainability will require the political will and capacity to develop the necessary administrative, managerial and organizational capacity to concretize this potential during the life of the project.

Policy dialogue and institutional development during the life of the project should then insure that the project activities will be sustained beyond the life of the project. The institutional development aspects of translating this potential into operational reality is discussed in Section V.B of the project paper. The minimally required services, their delivery mode and costs will be determined during the life of this project amendment. The essential nature of the development activities for the continued development of the OHVN and their "public-good" nature combine with what seems to be the imminent loss of OHVN's existing funding modalities to make it imperative that a viable way to maintain the services be found.

TABLE 10 - SUMMARY OF COST BENEFIT ANALYSIS FOR THE AMENDED ROAD CONSTRUCTION COMPONENT

	All Selected Roads	Balla -- Mambila	Karan -- Nougani	Fallan -- Bananbani	Fanafie -- Wassorola	Diaguinabougou -- Koni	Kodian -- Farako	Sirakorola -- Niamina
Selected for Construction		Yes	Yes	Yes	No	No	No	No
Kilometers	100	38	27	35	20	46	34.7	75
Present Discounted Value of Costs	671,265	258,486	174,838	237,940	133,840	308,379	232,213	501,901
Present Discounted Value of Benefits	1,316,711	626,689	379,100	310,922	1,211,842	353,490	562,058	551,782
Net Present Value	645,446	368,202	204,262	72,982	1,078,002	45,111	329,845	49,881
Discounted Benefit/Cost Ratio	1.96	2.42	2.17	1.31	9.05	1.15	2.42	1.10
Internal Rate of Return	26.0%	31.8%	28.7%	16.9%	95.9%	14.5%	31.8%	13.7%
Discount rate	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12

F. Environmental Analysis

An Amended Initial Environmental Examination is located in Annex E and was approved by the Bureau's Environmental Officer prior to signing this amendment. Under the initial project, the credit, technical assistance and training, and OHVN restructuring components received categorical exclusions pursuant to 22 CFR 216.2(c)(1)(ii) and 216.2(c)(2)(x); 22 CFR 216.2(c)(2)(i); and 22 CFR 216.2(c)(2)(ii), (v) and (xiv), respectively. These categorical exclusions are still recommended under the amended project phase, as they contain no departures from the current phase except for the OHVN restructuring component, which has already been completed.

The Initial Environmental Examination (as amended) recommended the Road component for a negative determination pursuant to 22 CFR 216.3(a)(3)(ii) and (iii) because no significant adverse environmental effect is expected to result from its implementation via limited road construction, as recommended in 1988 by detailed surveys conducted on all six feeder road construction segments. Evidence collected from subsequent field reconnaissance work has borne out that this was a good decision, except that opening the six new feeder roads has resulted in an increase of unauthorized cutting of fuel wood from village forest lands. However, this is expected to be mitigated somewhat following the successful negotiations between the National Forestry Service and village associations that will be authorized to exploit and control their forest resources in exchange for their agreeing to establish a small tree nursery and to replant the areas that have been exploited. Of the 285 kilometers of roads planned for construction under the initial project, 161 were completed by June 1991 and the remaining 124 scheduled for completion by the September 1993 Project Agreement Completion date. An additional 100 kilometers are planned under the amendment.

The land use management and natural resources management components were recommended for a negative determination pursuant to 22 CFR 216.3 (a)(3)(iii) because no significant adverse environmental effects were expected to result from their implementation. Likewise, the integrated pest management training component was recommended for a negative determination pursuant to 22 CFR 216.3(a)(3)(iii) because the proposed training and technical assistance of the project was related to pesticide use. For the Pest Management Training Interventions in the OHVN Zone activity, an amendment to the Initial Environmental Examination was issued in July 1992 to allow for training in the use of alternatives to pesticides and safer toxic pesticide handling. This component consists of encouraging the use of alternatives to pesticides where possible, and the reduced and safer use of pesticides through training and demonstrations. The project has followed up on the recommendations made in that amended Initial Environmental Examination by completing an integrated pest management training manual (in conjunction with Africare), gotten the OHVN to establish monitoring and reporting systems on the use of pesticides, and initiated a public information campaign (including technical training packages and protective equipment) as part of its extension service. It is still initiating dialogue with appropriate Malian

Government authorities concerning the larger problem of insufficient rules, regulations, training and enforcement regarding pesticide distribution and use in Mali.

The Agricultural Business and Marketing component proposed under the amended project would consist entirely of technical assistance and thus is recommended for a categorical exclusion pursuant to 22 CFR 216.2(c)(2)(i), which excludes technical assistance activities.

G. Women In Development Analysis

1. Performance To Date

The DHV Project Paper referred frequently to involving women in all project activities, and placed particular emphasis on their participating in village association economic activities, having access to credit and attending functional literacy training classes. While the project was relatively successful in achieving the latter goal — 26 percent of the literacy attendees were women — its accomplishments in the first two targets were much more marginal. Paradoxically, this meager performance was due largely to the success of the project's village association component.

The success of the village association program is attributable mainly to the fact that these village groups function as independent cooperative businesses. Indeed, the CLUSA methodology rests squarely on a policy of non-interference, in which village association members make all the decisions and are fully responsible for their loans. The loan requirements are identified and processed through the village associations' management committees, which are dominated by men because men make the decisions and manage the local economy in most traditional Malian village structures. Since these committees usually exclude women, women's needs are given low priority. Moreover, since these loans are not subsidized and market interest rates are not applied, neither CLUSA nor other organizations involved in the project interfere with village associations' choices of an economic activities or means for implementing them. While project staff have been encouraging women to play a more active role in their village associations, they do not intend to compromise the independence of cooperatives by imposing any external influence on the decision-making process of these organizations.

It is hoped that, if offered a wider choice of options, women will deliberately and voluntarily seek greater involvement in the village associations' management hierarchy and business activities. The functional literacy program was revised recently to put more emphasis on training women through using intensive training methods. Also, CLUSA has recently hired four more women to work directly with women's sub-groups. It is hoped that these CLUSA agents, while not influencing a village's choice of projects directly, will send a message to cooperative leaders indirectly to involve women in the villages business activities. Village-to-village observational tours to visit cooperatives where women have

undertaken business activities successfully have been instrumental in changing the traditional attitudes of cooperative leaders. These tours will continue under the amendment and include more village women. Given women's domestic responsibilities, special arrangements will be made to enable them to participate in this activity.

The likelihood of women gaining more real power in managing cooperatives and having more say in the use of their loan portfolios rises as women represent ever-increasing percentages of village literate bases, and show growing determination to participate in their village associations actively. The changes are evolutionary rather than revolutionary, but they are occurring.

2. Amendment Initiatives

The amended project will address specific project activities that target women and women's roles specifically and integrally. To address these concerns, three strategic foci have been identified: (1) increasing women's functional literacy skills to raise their confidence and competence to participate in village association credit programs; (2) increasing women's access to credit through village associations; and 3) increasing women's access to information about successful approaches to agribusiness participation. To accomplish these strategic foci, the amended project will:

- Enhance women's participation in functional literacy and numeracy training, taught in Bambara or other local languages, using subject matter derived from women's spheres of responsibility that can be developed into profitable agribusiness practices.
- Train more women in agricultural extension, community development and credit;
- Develop systematic means for increasing women's access to credit. Channelling loan requests through village associations appears to be the most viable, long-term approach, as opposed to establishing an external system that channels money directly to traditional village-based women's associations. However, the cultural bias discussed in above must be overcome through awareness enhancement programs;
- Target credit to women for specific agroprocessing activities like grain mills and poultry production that interest women in the Haute Vallée zone and that are compatible with their traditional responsibilities;
- Inform women about successful agribusiness ventures and approaches through a national and international information exchange program;
- Continue to use approaches that have proven successful, for example, methods that increase women's participation in functional literacy training and agricultural field days as has already occurred during the project (e.g. paying attention to seasonal

fluxes in labor demands to get maximum participation by women), and non-pay incentives to train *animatrices*;

- Include gender-disaggregation in all data collection and analysis;
- Put special emphasis on training in community development, credit, functional literacy, and agricultural extension. Four OHVN agents have already received training of trainers courses in these fields.

To achieve these goals, it is expected that each year:

a. in community development

- 11 OHVN *animatrices* will receive training in nutrition, tie-dyeing, soap and pomade making;
- of village *animatrices*, 60 will be trained in nutrition; 60 in food technology (with millet and maize); 60 in family planning, malaria prophylaxis, and oral rehydration; 100 in poultry raising, and; 20 will participate in two exchange visits between the northern and southern zones.

b. in credit

11 OHVN *animatrices* will be trained in the areas of feasibility study preparation, credit policy to the informal sectors and monitoring of credit repayment.

c. in functional literacy

- 170 *animatrices* will receive refresher training and 90 new *animatrices* initial training

d. in agricultural extension

- ten OHVN *animatrices* and 90 rural women in gardening and composting techniques;
- ten OHVN *animatrices* and 80 rural women in parcelling of collective fields;
- ten OHVN *animatrices* and 50 rural women in soybean and sesame food technology;
- ten OHVN *animatrices* in using and maintaining solar dryers, extension group building and leadership, and using and maintaining animal traction equipment; and
- 20 women's groups participating in technical demonstrations on soybean production and another 20 groups in sesame production.

VI. EVALUATION, MONITORING AND AUDIT PLAN

A. Impact Monitoring

As with any development project, the Development of the Haute Vallée Project required a system for monitoring the impact of project activities on the target group. Such a monitoring system needed to do more than simply measure outputs: in addition to knowing how much of a selected crop was grown during any reporting period, one needed to assess what effect that production had on the farmers who grew the crop. Similarly, it was insufficient to merely report on the number of individuals who have benefitted from functional literacy training; the implications of those newly-acquired skills were far more meaningful. The monitoring system needed to collect both quantitative and qualitative data in order to track inputs and outputs, but also needed to provide information on the impacts of project activities.

A system was developed whereby the Development of the Haute Vallée Project makes use of a broad network of field extension agents, literacy trainers, village *animateurs* and *animatrices*, and CLUSA assistants to collect quantitative data. The OHVN's Rural Development and Coordination Division, which maintains the project's official computerized statistical database, processes the information and produces analytical reports. A series of questionnaires have been developed and are the primary tool used to collect data. These data collection instruments were designed by a communications specialist to minimize bias and to allow the disaggregation of data by gender, age group, literacy level, and other socio-demographic criteria. Analysis of the data is conducted by agronomists, economists, sociologists, community development specialists and engineers, depending on the type of data and the information being sought. In 1990, the baseline data was updated by a local econometric consulting firm. In addition to the agricultural data that the OHVN had been tracking since 1978, the new database includes marketing, demographic, educational and health statistics that permit a broader assessment of the general welfare of the project's target population.

The planned Geographic Information System (GIS) will make presentation of the data more meaningful by graphically displaying trends, lacuna in coverage, and other impact information in a manner that will instantly alert project managers to problem areas and highlight achievements. Last year, all villages and hamlets were geo-referenced and assigned a unique code number. The reporting questionnaires and forms now require this code number, which will link data to its geographic coordinates and allow for the production of overlay maps displaying a wide variety of information from micro to macro scales. The following table describes the Development of the Haute Vallée project's monitoring system, and identifies the method for collecting data:

**TABLE 9
MONITORING AND IMPACT ANALYSIS PLAN**

TYPE OF DATA	PURPOSE	DATA COLLECTION AND ANALYSIS METHOD
Physical data (quantitative)	To measure outputs in terms of farmer productivity, literacy rates, training sessions held, extension technologies adopted, kilometers of roads built and maintained, etc.	Data collection forms and other data collection instruments administered by OHVN field and extension agents
Financial data (quantitative)	To measure outputs against expenditures, and provide early warning against cost overruns	Reports and analyses conducted by the OHVN Financial Division and USAID Technical and Controller's offices
Beneficiaries' responses to the services and inputs being provided by the project (qualitative)	To provide information on beneficiaries' knowledge of, reaction to, and future use of project inputs and services.	OHVN Statistical Division and Monitoring Unit using structured questionnaires
Implementation problems (qualitative and quantitative)	Designed to identify problem areas with a view to diagnosing their cause and suggesting practical solutions	Diagnostic studies conducted in a short timeframe (weeks rather than months) so that timely, relevant information and recommendations are available
Projection and predictive data	To assess or predict the effects of project activities on production, and to determine whether any increases can be attributed to project interventions	Analysis of trends, using statistical procedures, to disaggregate production data from non-project effects such as rainfall, soil types, etc. This will be done by the OHVN Statistical Division
Socioeconomic impact	To assess impact on income, living standards, peoples' participation in project activities, the environment, etc.	In-depth interviews with individual respondents, group interviews, direct observation of selected activities. This will be done by the OHVN Monitoring Unit, with data analyzed by the Statistical Division.

57

B. Evaluation Plan

In addition to the external evaluations, the project will maintain a system of on-going studies and impact assessment to measure the effect of its various actions on the target populations. These internal studies and assessments are issue-oriented in the sense that a given assessment will seek to assemble information needed for a better understanding of a specific problem area. For instance, the successful implementation of most field activities depends on the degree of participation of *animateurs* (young literate farmers). The fact that the *animateurs* are needed in different sectors at the same time make it difficult for them to meet all expectations. A study on their activities can yield useful information on all the activities they undertake under the project. Based upon this information, project managers can design strategies for a well-balanced use of the time of the *animateurs*.

Another advantage of internal evaluations is the constant flow of information that constitute baseline data for large-scale studies and evaluations. For example, the findings of a study conducted on the work schedule of extension agents (e.g. percentage of time devoted to each of the main crops grown in the project area) were extensively used for the financial analysis of the project in April, 1992. Furthermore, internal evaluations have the merit of producing real-time information that can be used to make corrections or completely re-orient some activities in due time to avoid loss of project resources. In late 1992, the distribution of the road network was changed as a result of an internal assessment of the road construction program. The redistribution of the network helped alleviate financial and technical constraints.

OHVN officials have a clear idea of their needs in internal evaluations but these needs may change as new situations develop. All the technical divisions will conduct assessments in their respective areas but some of the assessments will cut across several divisions. The *Cellule de Suivi* (Monitoring Unit) will coordinate the evaluations with the technical divisions. While most of the assessments will be done with internal resources, some staff will need the contribution of external expertise. Hopefully, the participation of consultants will bring more neutrality to the findings of the evaluations and studies. In light of the emphasis on agribusiness, the core of the evaluations will aim at a better understanding of production and marketing of fruits and vegetables in the OHVN region. Many other assessments and studies will be done on topics like the activities of Sector Chiefs, *animateurs* and female farmers; soils and village land management; on the impact of roads on village associations in improving rural life, and the development of the informal sector and the northern reaches of the project.

Since this will be the last phase of USAID's support to the OHVN, a final, external evaluation will be conducted in Fiscal Year 1997 to assess lessons learned and to propose actions for the Government takeover of project activities.

C. Audit Plan

The amended project includes funding for annual audits of all host-country contracts and Malian inter-agency agreement having a value of over \$25,000 per year. It is anticipated that the audits will be conducted by a local auditing firm, and that audits of all host-country contracts and inter-agency agreements under this project will be conducted simultaneously to reduce costs.

Audits of direct-AID institutional contracts are routinely conducted by the Defense Contract Auditing Agency (DCAA), and no special provisions for these audits are included under this amendment.

VII. SPECIAL COVENANTS

The following Special Covenants are included in the amendment to the Project. Under these covenants, the Government shall provide:

1. Evidence that a plan has been prepared for the gradual takeover of OHVN recurring costs by either the Government under its annual budget approval process, or by the beneficiaries of the services being provided by the OHVN, or a combination of the two. In years 2, 3 and 4 of the project, USAID and representatives of appropriate Government ministries shall meet to discuss the progress made toward achieving this increased financial responsibility, and to plan the following year's budget. To reflect this increasing financial responsibility on the part of the Government, USAID support for OHVN recurring costs will be provided on a declining scale from years one through four of the amended project.
2. Proof of a change in procedure that eliminates other Government departments from participating in the review of the Requests For Bids for the provision of transportation for agricultural commodities from the Haute Vallée and that establishes an evaluation committee consisting of representatives of the OHVN and at least two private producers.
3. Evidence that the *Direction Nationale des Douanes* has instructed its staff that all importation of project-funded commodities under this project amendment are exempt of taxes.

Ministère des Affaires Etrangères
des Maliens de l'Exterieur
et de l'Intégration Africaine

REPUBLIQUE DU MALI ANNEX A
Un Peuple — Un But — Une Foi

(H)

DIRECTION NATIONALE
DE LA
COOPERATION INTERNATIONALE

Bamako, le

JUL 1993
29 JUL



Le Ministre des Affaires Etrangères
des Maliens de l'Exterieur
Et de l'Intégration Africaine

N° 2514 / MAE MEIA
DNCI/DCB/S3-2'

A MONSIEUR LE DIRECTEUR DE L'US-AID.

JUL 30 1993

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Monsieur le Directeur,

J'ai l'honneur de vous demander de bien vouloir me faire parvenir pour signature, l'Amendement au Projet de Développement de la Haute Vallée du Niger.

Ledit Amendement qui a été finalisé par une Mission d'Etude de l'US-AID et les Services Techniques du Ministère du Développement Rural devrait permettre au projet actuel de bénéficier de l'Assistance Technique de l'US-AID jusqu'en Décembre 1997

Par ailleurs, le nouveau projet devrait avoir pour objectifs l'augmentation du revenu agricole, de la production et de la productivité des paysans dans la Zone Haute Vallée en renforçant l'appui aux Secteurs Public et Privé pour les Services de Commercialisation, de crédit et de vulgarisation agricoles.

En vous remerciant des dispositions diligentes que vous voudriez bien faire prendre pour que l'on puisse procéder à la signature dudit Amendement, veuillez agréer, Monsieur le Directeur, l'assurance de ma haute considération./.-

P/ LE MINISTRE P/O
LE DIRECTEUR NATIONAL DE LA
COOPERATION INTERNATIONALE

Signature:
MAMADOU NAMORY TRAORE.-

DEVELOPMENT OF THE HAUTE VALLEE PROJECT

LOGICAL FRAMEWORK MATRIX

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>GOAL:</u></p> <p>To increase rural household production, productivity and incomes.</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> 1. A further 15 percent increase in agricultural production over the next four years in the Haute Vallée zone (21 percent achieved from 1988 to 1992). 2. A concomitant increase in net incomes of rural inhabitants of the Haute Vallée. 	<p>Aggregate production increases from 181.7 thousand tons to 185.9 thousand tons as measured by the OHVN's Statistical Section.</p> <p>Value of that production increases from 14.0 billion CFA to 16.1 billion CFA calculated using production information from the OHVN Statistical Section and crop price information from the cotton, tobacco and cereals marketing boards</p>	<ol style="list-style-type: none"> 1. The Malien government will continue to give a priority to the support of agricultural and rural development; especially to agricultural credit, road maintenance, restructuring Rural Development Organizations, promoting the private sector, and training and retraining public sector personnel and farmers. 2. Prices offered to producers will provide sufficient production incentives.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>OUTPUTS:</u></p> <p>A. Agribusiness and Marketing Component</p> <ul style="list-style-type: none"> • Agribusiness Unit in OHVN is operational • Ongoing analyses and support for export potentials • Ongoing analyses and support for value added activities for domestic market • OHVN provides technical and managerial support for agribusinesses, individuals, and small rural enterprises <p>B. Credit Component</p> <ul style="list-style-type: none"> • A guarantee fund provides support for commercial lending for agribusiness activities • Commercial lending to village associations is increasing • Commercial lending to rural individuals and small enterprises is increasing • Study on village banks <p>C. Development and Management of Village Associations</p> <ul style="list-style-type: none"> • Capability of village associations to manage business activities is enhanced <p>D. Literacy/numeracy training component</p> <ul style="list-style-type: none"> • Basic literacy and numeracy skills enhanced • Equitable training opportunities exist for women and school-aged children <p>E. Road Construction and Maintenance Component</p> <ul style="list-style-type: none"> • Improved access to markets and social infrastructure for isolated zones of high productivity 	<p>A. Agribusiness and Marketing Component</p> <ol style="list-style-type: none"> 1. OHVN Agribusiness and Marketing Unit has completed production and marketing chain studies for four pre-selected commodities 2. OHVN Agribusiness and Marketing Unit has identified three opportunities for processing or other value-added activities for domestic markets 3. OHVN Agribusiness and Marketing Unit has provided technical and managerial training to 200 agribusinesses, rural enterprises and village associations <p>B. Credit Component</p> <ol style="list-style-type: none"> 1. Guarantee fund protocols with commercial banks modified to provide coverage to individual agribusiness operators 2. Village associations having established credit lines with commercial banks will increase from 170 to 300 3. A study assessing viability of establishing village banks is conducted <p>C. Development and Management of Village Associations</p> <ol style="list-style-type: none"> 1. 10,650 village association members receive training in business management and accounting 2. Number of functional village associations increases from 228 to 350 by the end of project <p>D. Functional Literacy and Numeracy Training Component</p> <ol style="list-style-type: none"> 1. 110,000 people are functionally literate 2. Number of literacy training centers increases from 600 to 900 3. Ratio of women attending literacy training classes increases from 26 percent to 40 percent, and ratio of school-aged children increases from 53 percent to 60 percent <p>E. Road Construction and Maintenance Component</p> <ol style="list-style-type: none"> 1. 100 kilometers of roads are constructed, and 575 kilometers are maintained 	<p>OHVN records (Agribusiness and Marketing Unit)</p> <p>Commercial bank statements and OHVN records (Credit Section)</p> <p>NCBA records</p> <p>OHVN records (Rural Development Division) and DNAFLA quarterly reports</p> <p>OHVN records (Infrastructure and Logistics Division), monthly reports from the USAID Engineering Office, and contractor reports</p>	<p>Value-added technologies and capability are feasible at the village level</p> <p>Banks agree to extend protocols to include individuals</p> <p>A plan for sustainable road maintenance is developed</p>

**5C(2) - ASSISTANCE CHECKLIST
FOR THE DEVELOPMENT OF THE HAUTE VALLEE PROJECT**

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)):
Information and conclusions on whether assistance 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.

a. Yes, through increased exports; b. yes, through private sector involvement in export promotion programs; c. yes, through CLUSA cooperative agreement; d. yes, by encouraging growth in the number of exporters; e. yes for agriculture; and, f. no.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)):
Information and conclusions on how assistance 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).

There will be a technical assistance contract with a U.S. firm.

3. Congressional Notification

a. General requirement (FY 1993 Appropriations Act Sec. 522; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

Yes, a Congressional Notification was submitted in 1993 and expired without objection on June 22, 1993 (STATE 201843).

b. Notice of new account obligation (FY 1993 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

Not Applicable

- c. Cash transfers and nonproject sector assistance** (FY 1993 Appropriations Act Sec. 571(b)(3)): If funds are to be made available in the form of cash transfer or non project sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted? Not Applicable
- 4. Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? Yes
- 5. Legislative Action** FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? Not Applicable
- 6. Water Resources** (FAA Sec. 611(b); FY 1993 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) Not Applicable
- 7. Cash Transfer and Sector Assistance** (FY 1993 Appropriations Act Sec. 571(b)): Will cash transfer or non project sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for non project sector assistance)? Not Applicable
- 8. Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? Yes, see Annex D to this amendment

9. Multiple Country Objectives (FAA Sec. 601(a)): Information and conclusions on whether projects 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.

This is a bilateral agreement and the responses are the same as those given in A.1.

10. U.S. Private Trade (FAA Sec. 601(b)): Information and conclusions 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).

There will be a U.S. technical assistance contract.

11. Local Currencies

a. Recipient Contributions (FAA Secs. 612(b), 636(h)): 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 in lieu of dollars.

The Government of Mali is providing host country salaries and office space. There are no U.S.-owned excess local currencies.

b. U.S.-Owned Currency (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

c. Separate Account (FY 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

There are no local currency generations.

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

12. Trade Restrictions

a. **Surplus Commodities (FY 1993 Appropriations Act Sec. 520(a)):** If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No

b. **Textiles (Lautenberg Amendment) (FY 1993 Appropriations Act Sec. 520(c)):** Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, oftentimes, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No

- 13. Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas? No
- 14. PVO Assistance**
- a. Auditing and registration** (FY 1993 Appropriations Act Sec. 536): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? Yes
- b. Funding sources** (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? NCBA/CLUSA is a cooperative development organization. However, it does not receive more than 20% of its funding from sources outside the U.S.
- 15. Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). Cable will be transmitted immediately after project agreement is signed.

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes

17. **Women in Development** (FY 1993 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No

19. **Abortions** (FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 524):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of coercive abortion or involuntary sterilization?

No

b. Will any funds be used to lobby for abortion?

No

20. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

Yes

21. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1993 Appropriations Act Secs. 507, 509): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services .

Not Applicable

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

Not Applicable

22. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes

b. U.S. procurement (FAA Sec. 604(a) as amended by section 597 of the FY 1993 Appropriations Act): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section?

Procurement will be in accordance with DFA procurement guidelines.

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

Not Applicable

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

Not Applicable

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

No

-12-

- f. **Cargo preference shipping (FAA Sec. 603):** Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent 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 such vessels are available at fair and reasonable rates? No
- g. **Technical assistance (FAA Sec. 621(a)):** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes

No Federal procurements are anticipated.
- h. **U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974):** If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes
- i. **Termination for convenience of U.S. Government (FY 1993 Appropriations Act Sec. 504):** If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes
- j. **Consulting services (FY 1993 Appropriations Act Sec. 523):** If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? Yes

k. Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes

Yes

Yes

l. Competitive Selection Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

23. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

No

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

The construction will be force account (local government contracted)

c. Large projects, Congressional approval (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 (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

Not Applicable

24. U.S. Audit Rights (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?

Not Applicable

25. **Communist Assistance** (FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Not Applicable
26. **Narcotics**
- a. **Cash reimbursement** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes
- b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes
27. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes
28. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes
29. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes
30. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes
31. **Military Personnel** (FY 1993 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes

32. **Payment of U.N. Assessments** (FY 1993 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes
33. **Multilateral Organization Lending** (FY 1993 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
34. **Export of Nuclear Resources** (FY 1993 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes
35. **Repression of Population** (FY 1993 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
36. **Publicity or Propaganda** (FY 1993 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? No
37. **Marine Insurance** (FY 1993 Appropriations Act Sec. 560): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? Yes
38. **Exchange of Prohibited Act** (FY 1993 Appropriations Act Sec. 565): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? No
39. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? No

40. Impact on U.S. Jobs (FY 1993 Appropriations Act, Sec. 599):

(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? No

(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? No

(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country? No

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. Agricultural Exports (Bumpers Amendment) (FY 1993 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers? No

2. Tied Aid Credits (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits? No

3. **Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Yes
4. **Indigenous Needs and Resources (FAA Sec. 281(b)):** Describe extent to which the activity 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. Training is to give village associations the capacity to self-initiate and self-manage credit resources and business transactions. The grant builds up the capacity of the agriculture extension service to manage rural development programs.
5. **Economic Development (FAA Sec. 101(a)):** 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? Yes
6. **Special Development Emphases (FAA Secs. 102(b), 113, 281(a)):** Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries. (a) Target groups are all village-level poor populations;

(b) village associations are self-managed private institutions;

(c) support is for rural extension agency;

(d) there are special economic activities for women; and, e. n/a.
7. **Recipient Country Contribution (FAA Secs. 110, 124(d)):** Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? Yes
8. **Benefit to Poor Majority (FAA Sec. 128(b)):** If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? Yes

9. Abortions (FAA Sec. 104(f); FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 534):

- a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? No

- b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No

- c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No

- d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? Yes

- e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? No

- f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

- g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No

- 10. **Contract Awards (FAA Sec. 601(e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes

11. **Disadvantaged Enterprises** (FY 1993 Appropriations Act Sec. 563): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

Gray Amendment firms will be encouraged to bid on proposal for prime technical assistance contract.

12. **Biological Diversity** (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

2. Yes, through the Natural Resources Management Component;

b. no;

c. yes, through the Geological Information Service;

d. n/a

13. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):

a. **AID Regulation 16:** Does the assistance comply with the environmental procedures set forth in AID Regulation 16?

Yes

b. Conservation Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

Not Applicable

c. Forest degradation Will assistance be used for: Not Applicable
(1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively under graded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively under graded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. Sustainable forestry If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? Not Applicable

e. Environmental impact statements Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment? Not Applicable

14. Energy (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases? Not Applicable

- 15. Debt-for-Nature Exchange (FAA Sec. 463):** If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management. Not Applicable
- 16. Deobligation/Reobligation (FY 1993 Appropriations Act Sec. 515):** If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? Not Applicable
- 17. Loans**
- a. Repayment capacity (FAA Sec. 122(b)):** Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. Not Applicable
- b. Long-range plans (FAA Sec. 122(b)):** Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? Not Applicable
- c. Interest rate (FAA Sec. 122(b)):** If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? Not Applicable
- d. Exports to United States (FAA Sec. 620(d)):** If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? Not Applicable

18. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)):
Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) 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; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

Responses are the same as those in B.6.

19. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

Assistance will increase farmer productivity

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

Sesame and soy beans are being introduced throughout the project zone.

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

Increasing food production increases the amount of income available to buy food in the event of years of shortages.

20. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

Project will introduce a family planning and AIDS awareness component through the training of village trainers activity.

21. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

600 literacy centers provide training in literacy, numeracy, agriculture and community development to adults and school-age children.

22. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

Not Applicable

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

NCBA/CLUSA will continue to provide training for village associations.

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

Not Applicable

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

Not Applicable

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

Not Applicable

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

Not Applicable

23. **Capital Projects** (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

Not Applicable

CERTIFICATE PURSUANT TO SECTION 611 (e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Charles W. Johnson, as Director of USAID, Mali having taken into account, among other things, the maintenance and utilization of projects in Mali previously financed or assisted by the United States, do hereby certify that in my judgment the Government of the Republic of Mali has both the financial capacity and the human resources capability to effectively utilize and maintain goods and services procured under the proposed Grant project entitled the Development of the Haute Vallée Project.

This judgment is based upon the implementing record of externally financed projects, including AID-financed projects in Mali, the commitments made by the Government of the Republic of Mali and the quality of the planning that has gone into this Project Amendment.



Charles W. Johnson
Mission Director

Date: 16 August 1993

INITIAL ENVIRONMENTAL EXAMINATION: AMENDMENT

PROJECT COUNTRY: Mali

PROJECT TITLE: Development of the Haute Vallée

PROJECT NUMBER: 688-0233

FUNDING: US\$ 12 Million FYs 1993-97

PREPARED BY: Cheryl Jennings
USAID Mali Program Office

ENVIRONMENTAL ACTIONS RECOMMENDED:

Positive Determination	_____
Negative Determination	<u> X </u>
Categorical Exclusion	<u> X </u>
Deferral	_____

Three existing project components are recommended for categorical exclusion: credit, technical assistance, and training. Except for pesticide acquisition and use (for which USAID funds are prohibited), all credit provision is recommended for categorical exclusion pursuant to 22 CFR 216.2(c)(1)(ii) and 216.2(c)(2)(x). Technical assistance and training activities, which include the proposed Agribusiness and Marketing component, are recommended for categorical exclusion pursuant to 22 CFR 216.2(c)(2)(i). Categorical exclusion is recommended for the Agribusiness and Marketing component because it consists of technical assistance. The OHVN restructuring component was recommended for categorical exclusion pursuant to 22 CFR 216.2(c)(2)(ii), (v) and (xiv).

The Initial Environmental Examination (as amended) recommended the Road component for a negative determination pursuant to 22 CFR 216.3(a)(3)(ii) and (iii) because no significant adverse environmental effect is expected to result from its implementation via limited road construction, as recommended in 1988 by detailed surveys conducted on all six feeder road construction segments.

The land use management and natural resources management components are recommended for a negative determination pursuant to 22 CFR 216.3(a)(3)(iii) because no significant adverse environmental effects are expected to result from their implementation. Likewise, the integrated pest management training component is recommended for a negative determination pursuant to 22 CFR 216.3(a)(3)(iii) because the proposed training and technical assistance of the project is related to pesticide use. It is designed to raise the OHVN agents' awareness about non-toxic crop protection alternatives as part of the program that seeks to

promote rational natural resource management, consistent with principles of low-input sustainable agriculture. Pesticide acquisition and use are proscribed explicitly under the parent project, which was authorized in Fiscal Year 1988. This proscription continues to apply under the proposed component. Moreover, since USAID funds will not be involved in procuring or using pesticides or related equipment for the technical assistance and training activities, the provisions of 22 CFR 216.3(b)(1) regarding project assistance for such procurement or use do not apply. This subproject under the parent project received a negative determination in July 1992.

CONCURRENCE: *[Signature]*, Africa Bureau Environmental Officer

APPROVED:
DISAPPROVED:
DATE:

[Signature]
~~8/4/93~~
[Signature]

CLEARANCE:

AID/GC/AFR:

DATE: *[Signature]*

INITIAL ENVIRONMENTAL EXAMINATION: AMENDMENT

I. On-Going Elements

A. Categorical Exclusions

The Development of the Haute Vallée Project (688-0233) is a US \$ 17.5 million, four-year activity with a Project Agreement Completion Date of September 30, 1993. It is being amended to extend the Life of Project funding to \$29.5 million and extend the Project Agreement Completion Date to December 31, 1997. It is designed to assist farmers through interventions in three main areas: (A) rural enterprise and institutional development, working with village associations, private companies and rural financial institutions; (B) restructuring the Office of the Haute Vallée du Niger (OHVN) to make agricultural extension, development and planning become its primary purpose by phasing out its input supply and credit services; and (C) rural infrastructure development. The goal of the overall project is to bring about a sustainable increase in agricultural production and increase the net incomes of inhabitants of the Haute Vallée.

The project purpose is to increase farmers' access to production technologies, equipment, other production inputs, financial resources for investments, and markets for inputs and produce. This project amendment will enhance existing activities with an Agricultural Business and Marketing component, which will consist of providing technical assistance to enhance knowledge of opportunities and conditions necessary for marketing agricultural produce locally and abroad.

Under the initial project, the credit, technical assistance and training, and OHVN restructuring components received categorical exclusions pursuant to 22 CFR 216.2(c)(1)(ii) and 216.2(c)(2)(x); 22 CFR 216.2(c)(2)(i), and; 22 CFR 216.2(c)(2)(ii), (v) and (xiv), respectively. These categorical exclusions are still recommended under the amended project phase, as they contain no departures from the current phase except for the OHVN restructuring component, which has already been completed.

B. Status of Negative Determinations

Two components were recommended for negative determinations, which are also recommended for continuation during the amended project: the Roads component (1988), and the Land Use and Natural Resources Management and Integrated Pest Management components (1992).

For the road construction activity, the Initial Environmental Examination (as amended) recommended a negative determination in 1988. Of the 285 kilometers of roads planned for construction under the initial project, 161 were completed by June

1991 and the remaining 124 scheduled for completion by the September 1993 Project Agreement Completion date. Additional segments may be constructed as the budget allows.

For the Pest Management Training Interventions in the OHVN Zone, an amendment to the Initial Environmental Examination was issued in July 1992 to allow for training in the use of alternatives to pesticides and safer toxic pesticide handling. This component consists of encouraging the use of alternatives to pesticides where possible, and the reduced and safer use of pesticides through training and demonstrations.

C. Mitigation

For the road construction activity, the Initial Environmental Examination (as amended) recommended a negative determination in 1988. Evidence collected from subsequent field reconnaissance work confirm that this was a good decision, except that opening the six new feeder roads has resulted in an increase of unauthorized cutting of fuel wood from village forest lands. However, this is shortly expected to be mitigated following successful negotiations between the National Forestry Service and village associations, which will now be authorized to exploit and control local forest resources in exchange for their agreeing to establish a small tree nursery and to replant the exploited areas.

For the Pest Management Training Interventions in the OHVN Zone activity, the recommendations made in that amended Initial Environmental Examination have been implemented by completing an integrated pest management training manual (in conjunction with Africare), getting the OHVN to establish monitoring and reporting systems on the use of pesticides, and initiating a public information campaign (including technical training packages and protective equipment) as part of its extension service. It is still initiating dialogue with appropriate Malian Government authorities concerning the larger problem of insufficient rules, regulations, training and enforcement regarding pesticide distribution and use in Mali.

II. Proposed New Agricultural Business and Marketing Component

The Agricultural Business and Marketing component proposed under the amended project would consist entirely of technical assistance and thus is recommended for a categorical exclusion pursuant to 22 CFR 216.2(c)(2)(i), which excludes technical assistance activities.

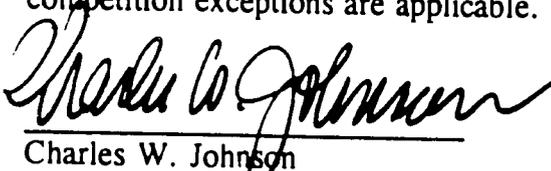
**JUSTIFICATION FOR NONCOMPETITIVE AWARD
OF COOPERATIVE AGREEMENT AMENDMENT
WITH COOPERATIVE LEAGUE OF THE U.S.A.**

Handbook 13 Chapter 2.B.3 allows for the noncompetitive award of a Cooperative Agreement in cases where "assistance awards for which one recipient is considered to have exclusive or predominant capability, based upon experience, specialized facilities or technical competence, or based upon an existing relationship with the cooperating country or beneficiaries." It further allows for noncompetitive awards for "amendments to existing awards" and "follow on assistance awards intended to continue or further develop an existing assistance relationship." In such cases of noncompetitive award, HB 13 requires justification in writing by the technical office on the basis of one of the exceptions mentioned above, and requires that the justification show sufficient evidence to clearly show that the exception is proper. Following is the justification statement:

In 1988, when USAID Mali was exploring options for institutions capable of providing this specialized cooperative training, the National Cooperative Business Association (NCBA, known overseas as the Cooperative League of the USA or CLUSA) was identified as being the most competent in this field. CLUSA has a long and successful track record in the creation, management and training of farmer cooperatives and has developed training methods and materials for such a purpose. For these reasons, CLUSA was selected and Cooperative Agreement award number 688-0233-A-00-8035-00 was signed by the Regional Grants Officer on August 19, 1988 for a total amount of \$3,492,908.

Under the amendment to the Development of the Haute Vallée project, the development and management training of village associations is expected to continue, with a new goal of 350 functioning village associations. CLUSA has trained a staff of 45 agents in cooperative development, the management of small business enterprises, communications methods, rural and community development and rural banking. CLUSA utilizes a method of intensive and ongoing training of its agents to continually shore up their training capabilities, and is now nationally recognized as being one of the pre-eminent sources of expertise in cooperative management in Mali. It will continue to use this highly trained staff, and use the same village-level training methodology.

Since the work with village associations to be undertaken in the DHV Project Amendment is a continuation of the ongoing work with these village groups, and since this work will be done under an amendment to the existing Cooperative Agreement award, HB 13 Chapter 2 competition exceptions are applicable.



Charles W. Johnson
Mission Director

Date: 16 August 1993