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UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

UPPER VOLTA

Small Economic Activity Development

686-0249

PROJECT PAPER

PARTNERSHIP FOR PRODUCTIVITY

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY
UPPER VOLTA

3. PROJECT NUMBER

686-0249

4. BUREAU/OFFICE

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5. PROJECT TITLE (maximum 40 characters)

Small Economic Activity Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 09 30 86

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

A. Initial FY 81

B. Quarter 4

C. Final FY 85

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

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	839	243	1,082	1,725	575	2,300
(Grant)	(839)	(243)	(1,082)	(1,725)	(575)	(2,300)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country		119	119		1,036	1,036
Other Donor(s)						
TOTALS	839	362	1,201	1,725	1,611	3,336

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) SH	272	110				1,082		2,300	
(2)									
(3)									
(4)									
TOTALS						1,082		2,300	

10. SECONDARY TECHNICAL CODES (maximum 6 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 promote the expansion of small-scale economic activities in the Eastern Department of Upper Volta. This includes credit for small rural entrepreneurs and farmer groups, training and provision for establishing an indigenous development organization to carry on the work within the Eastern Department.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
 09 84 09 86

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify) 935

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

17. APPROVED BY

Signature

A. A. M... (acting)

Title

Director, AFR/SWA

Date Signed

MM DD YY
 07 24 81

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

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 07 24 81

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PROJECT LOCATION: Eastern Department, Upper Volta

PVO NAME, LOCATION: Partnership for Productivity/
Upper Volta
B.P. 72, Fada N'Gourma & B.P.8,
Diapaga

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A. PROJECT DESCRIPTION

A.1 Project Purpose

Since 1977 Partnership for Productivity has worked to develop effective field methods to promote small scale economic activities in the Eastern Department of Upper Volta. The proposed Phase II of the PFP project (1981--1986) is to expand the scope and the complexity of current activities to promote more local economic development in the Eastern Department. The specific objectives of the proposed Phase II PFP/UV program are:

1. To expand the provision of appropriate management, technical assistance and business loans throughout the Eastern Department by approximately six times the current level of PFP activities.
2. To improve PFP program design and strengthen area impact by expanding the production of and linkages among small farmers, rural processors, and consumers.
3. To expand the PFP offices and staff to cover all the major population settlements of the Eastern Department.
4. To create a non-profit private development organization in the Eastern Department which is indigenously owned and managed and has legal status in Upper Volta.
5. To design and implement effective systems for training, evaluation, administrative and financial management appropriate for the expanded program.
6. To increase cooperation with the Eastern ORD PVOs working in Upper Volta, and other public institutions such as OPEV, BND, CNPAR and AVV.*

* Eastern ORD, Organisme Regional de Development of the Eastern Department

OPEV - Office pour la Promotion de l'Entreprise Voltaique

BND - Banque Nationale de Development

AVV - Amangement des Vallees des Voltas

CNPAR- Centre Nationale Pour la Promotion des Artisans Ruraux

Beneficiaries

The primary beneficiaries of this program will be individuals engaged in small enterprises and other small scale, informal economic activities in agriculture, rural processing, transport, artisan activities, etc. PFP's aim is to reach those who are not served by other programs of institutionalized credit, and agricultural assistance. At least 1,000 small entrepreneurs will receive PFP assistance during Phase II in planning, managing and financing productive activities. The businesses they organize with family members and other partners will provide direct economic and educational benefits to 10,000 people.

Because many of these small scale economic activities provide badly needed goods and services on a more regularized basis, the PFP project will also result in significant secondary economic benefits to the consumers of the Eastern Department. The places where these benefits will be felt the most include:

- 1) the major population centers of the Eastern Department (Fada N'Gourma, Diapaga, Piela/Bogande, Diabo, Matiacoal, Kantchari);
- 2) the large villages of 1,000+ people surrounding each of these major centers -- about 25-30 villages in total; and 3) the smaller villages and settlements where good land or other economic opportunities exist, and where people will be moving to take advantage of it.

Secondary economic benefits may take a number of forms depending on particular local circumstances and available talent. Some of them may be in the form of small village general stores where none previously existed; village pharmacies stocking simple medicines for colds, flu, diarrhea, anemia, malaria and bilharzia; village grain mills to reduce household work by grinding millet and decorticating rice; or more regularized transport services to move goods and people between the village and larger centers. The majority of the 450,000 people living in the Eastern Department are expected to be touched in some form or another by the businesses and small scale productive activity that PFP assists.

A.2 Project Description

Upper Volta has a per capita income of only US\$179, and the Eastern Department is representative of the underdevelopment that figure implies. In working there, PFP has identified four major constraints to the development of small scale economic activities, including: lack of credit; lack of management and marketing know-how; lack of water and basic infrastructure such as roads; and a scarcity of programs that add value to the local economy and serve as a catalyst to motivate people to do more things for themselves.

The components of the PFP/UV Phase II program address all of these constraints. They are:

- A package of management and technical assistance to help people plan and develop small scale productive activities.
- A credit fund of \$350,000 which will be matched by client investments to develop small scale economic activities.
- Equipment and construction materials to develop the farming and agricultural processing activities of people left out of other programs.
- Health education and environment assistance to acquaint PFP beneficiaries with the prevention of water bred and water borne disease.
- Formation of an indigenous private development organization that will be staffed by Voltaics trained in program design and implementation and that will have a significant capability for self financing.
- Cooperation with other Upper Volta development programs, public and private, for PFP/UV to be a valuable proto-type for training and the demonstration of field methods which they can incorporate into their own projects.

To describe these components briefly, the core of Phase II is the successful methods for management and technical assistance which PFP/UV has developed from 1977 to 1980. These methods adjust assistance in small enterprise development to the educational levels of the clients, including those who are illiterate in numbers and words. Also, the field methods and the workstyle of the PFP/UV staff are designed to elicit the maximum amount of initiative, creativity and responsibility from the clients. PFP doesn't give people free ideas or create businesses for them: it will dialogue with anyone but it will assist only low-income clients who have good ideas about how to add value to the local economy and demonstrate that they are willing to work hard to develop them.

The second program component is a \$350,000 credit fund which will increase PFP/UV's present lending level sixfold. Two factors will make this possible. One is a tripling of staff. The other is the fact that successful proto-types of the many small activities that people will be starting have already come into smooth production (eg. grain mills; carpentry shops, rabbit and

guinea fowl raisers; vegetable growers; peanut and shea nut processors; small village boutiques or pharmacies). When PFP first helped in the development of these prototype enterprises, it required a high level of assistance to work out all the management, technical and logistical problems. But now that the prototypes are functioning smoothly, they will serve as demonstration enterprises to train new apprentice-clients and can be expected to diminish considerably the work PFP performed in Phase I in business planning and start-up. A feasibility study of the proposed Phase II credit fund is given in section D.1 on page 17.

Inputs for the agricultural development component include heavy equipment (a bulldozer, dumptruck and two tractors) and construction materials (cement and steel rods). These will be employed to clear lowland areas rich with alluvial soils and to construct small adjoining water reservoirs that catch and hold rainwater for later use with animals and on fields. There are a variety of income-generating opportunities that can result from these improved lands and small reservoirs, including commercial production of vegetables, rice, sugar cane and fruit; and animal husbandry (which is a major source of employment in the region). Developing small scale agricultural production is one of the primary ways to increase wealth in the Eastern Department; and it is also a major way to stimulate other types of commerce such as agricultural processing, transport and retail trade. On a smaller scale, PFP/UV has already used such equipment successfully; and it has a prototype demonstration farm enterprise in production right now in the village of Tiparga of exactly what it is proposing for Phase II. Thus the activities of Phase II do not represent a radical departure from what PFP/UV is already doing, only an increase in the scope of operations. Details follow on page 23.

Inputs for the health education and environment component include one expatriate health worker for 18 months, one Voltaic health worker, health education materials, transport, and technical assistance in assessing the environmental consequences of the project. The reason for this component is to avoid any negative consequences from the small water reservoirs or other aspects of the PFP/UV agricultural enterprise activities. This component is described in the Initial Environmental Examination on page 50.

The fifth component, formation of an indigenous private development agency, will occur as PFP/UV hires a 12 member Voltaic staff and trains and promotes them over the 1981-1986 period to manage program operations. We plan to use the same methods in developing Voltaic staff as in developing small entrepreneurs: i.e., increasing the scope and complexity of their responsibilities in a gradual fashion and in a style that elicits high amounts of initiative, creativity and self-reliant decision-making. Additional aspects of the formation of this indigenous PVO include: 1) obtaining legal status for it in Upper Volta; 2) forming a governing board of citizens of the region; 3) designing a mechanism whereby the small entrepreneurs and low-income consumers of

the Eastern Department have an input into the policy of the agency; and 4) building the agency's capacity to be self-financing for a significant part of its program resources. Details for the formation of this indigenous PVO are contained in section D.1c on page 35.

The fifth component of Phase II is cooperation with other development programs, public and private, for whom PFP/UV may serve as a model for program design, training, or field methods they can incorporate into their own activities. PFP/UV has infrequent contact with many agencies in Upper Volta, but the institution that will be most affected by this component during Phase II will be the Eastern ORD. Those familiar with the Eastern Department may note the presence of the ORD and wonder how the project design PFP is proposing here relates to it. PFP's design will cooperate with and complement the Eastern ORD's activities. The two institutions have different clienteles, different functions and different scopes of operation. The ORD works with larger groups of farmers. Its goal is to improve agricultural production, with a major emphasis on animal traction. PFP serves a much broader range of income generating clients, including producer/retailers, skilled craftsmen, processors, herdsmen, and rural artisans. The Eastern ORD is a large government organization that aims to reach most of the farmer population of the region. PFP feels it can best respond to the small enterprise population by remaining small, low-key and part of the private sector. This will allow for a rapid, flexible response to business investment proposals and avoid the growth of a cumbersome bureaucracy whose costs are hard to pay for from project revenues. Although PFP and the ORD are different, experience during 1977-1980 has demonstrated that the two organizations do not overlap or interfere with one another. Indeed, the ORD now considers PFP/UV as a positive complement to its program.

A.3 Conditions Expected at the End of Project

At the end of the project we expect that the PFP/UV program will be able to deliver services to all major population regions of the Eastern Department. The clients will be primarily those who are left out of other public and private sector development programs. Services to them will be focused on doing such things as building up the economic infrastructure and linkages between the producer/retailer client and other types of small enterprises both in the village and at higher levels of the economy. Clients can then combine the credit/management/technical assistance of the program with these linkages to result in development for the individual enterprise and the local economy.

A second condition expected at the end of the project would be the smooth functioning of an indigenous, non-profit development organization. The PVO would consist of an operations staff

and a policy making board. It would have recognized legal status in Upper Volta. The Voltaic staff will be trained in project planning, implementation, evaluation and financial management.

A third condition expected at the end of the project is a well-functioning revolving loan fund that meets the needs of the poorest borrowers who cannot qualify for institutionalized credit elsewhere. At the end of the project the loan fund should be making approximately 250--300 production loans per year and have adequate mechanisms to recover the loan capital.

A fourth condition expected at the end of the project is that the heavy equipment of the project will be fully utilized in the service of small farmers and villages in the Eastern Department, especially those untouched by other programs. The equipment is further expected to be paying its own operational costs and providing income to the indigenous PVC.

E. PROJECT BACKGROUND

This OPG proposal is based on the 1977--1980 phase of the PFP/UV program where all major components proposed here have either been tried in pilot form or are now small, successful demonstrations of ideas that will be expanded in scope and complexity during 1981--1986. What follows is a brief analysis of the key ideas and methods originating in Phase I.

B.1 PFP/Upper Volta in Phase I: A Multi-Focus Program for Business Start-Up and Area Economic Development

The PFP/UV program interweaves three components: investment credit to start or develop businesses; technical assistance to overcome production constraints; and management training so that the business does not fail due to poor economic decision-making. Also, the project does not seek to assist individual entrepreneurs alone; it consciously strives to have an area impact. Clients are aware even before they contact PFP that the proposals they make must be practical not only in terms of themselves as individuals, but must add socio-economic value to the community and/or regional economy as well.

Clients encompass a wide variety of entrepreneurs, both in terms of business size and type of economic activity. One may have an \$80 business cutting and hauling firewood; another may have a \$30,000 trucking company. Some clients (20%) are small general traders. Others retail goods of different sorts -- produce, spare parts, medicines, shoes, etc. Some process agricultural commodities such as rice, peanuts or okra. Some raise poultry, vegetables or fruit to sell. Others are skilled artisans -- carpenters, weavers, welders, mechanics, millers or blacksmiths. An increasing number are simply very small farmer entrepreneurs who invest in land improvements and wells so they can increase yields and extend their growing season.

Integration is a major emphasis of the PFP/UV project in terms of assisting enterprises engaged in many different activities; working with both monetized and non-monetized clients; and tying together more effectively the levels of the economic chain. (See diagram on next page.)

A second major theme is a participatory method of working with beneficiaries in a way that empowers them. The content and pace of management training and technical assistance are carefully controlled so that it is the client himself who makes the decisions about his/her enterprise.

A third important aspect of PFP/UV's style of working with

INTEGRATION

ECONOMIC

1. SUBSISTENCE
2. PART-SUBSISTENCE
& PART-MONETIZED
3. MONETIZED
JOBS OR CASH EARNINGS
OR INVESTMENTS = SUSTENANCE

VERTICA

EXPORT
(EUROPE - USA)

↓
NEIGHBORING COU

↓
CAPITOL CITY

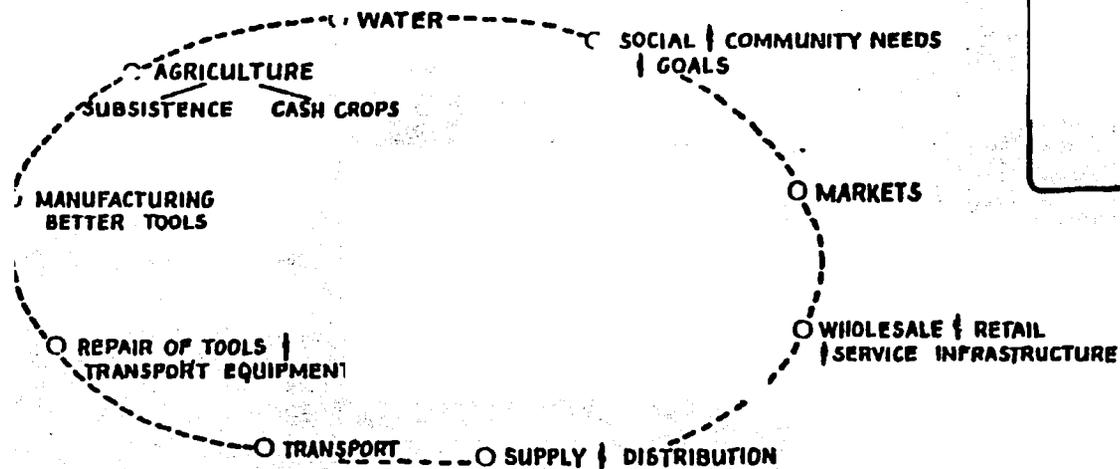
↓
REGIONAL

↓
DISTRICT HC

↓
VILLAGE

↓
RURAL

HORIZONTAL



clients is flexibility. By "flexibility" we mean that field methods are not rigidly predetermined in advance. Rather, goals are set and project staff try a number of ways of reaching them, eventually choosing and enlarging upon the methods that local people find most acceptable.

The program has operated thus far in two sectors of the Eastern Department. One is centered around Fada N' Gourma (pop. approx. 18,000), the administrative capital and regional market center of the Eastern Department. The other is centered around Diapaga (pop. approx. 5,000), an agricultural district on the border of Niger and Benin where the population is more evenly distributed among several major villages.

PfP/UV's Step-Wise Method of Enterprise Development

A key to PfP/UV's success has been to skillfully adapt business management principles to the educational and cultural characteristics of every entrepreneur and to the size and type of each business. Several types of accounting systems have been devised for literate and illiterate clients. A prospective PfP/UV loanee is also asked to analyze who he/she is going to sell to and how; tell what transportation problems the business may encounter and how they might be resolved, etc. Participating in a structured way in the feasibility study to start or develop an enterprise is the best method for the client to gain intellectual control over his economic activity.

Another important part of this adaptation process is to develop businesses in a step-wise pattern rather than allowing entrepreneurs levels of loan capital that exceed their money management capabilities or to engage in complex kinds of businesses for which they are not prepared. As a rule of thumb, each entrepreneur is requested to supply 20 percent of the value of the business development proposal he or she makes to PfP/UV. This, coupled with PfP's careful investigation of a client's background, serves as a natural limit to people proposing projects which are far beyond their skills and means. At the same time, local people understand that no enterprise is too small to be assisted, and that PfP/UV is willing to make a series of small loans such that having one loan doesn't preclude obtaining others, until the point where the client is able to deal with commercial banks.

Area Economic Integration

The fact that its credit fund during Phase I was never large motivated the PfP/UV staff to think strategically about how to spread resources. This increased consciousness also grew from perceiving the beneficial effects that businesses were receiving from enterprises that provided crucial missing services or products

to others. For example, a dependable transport service could increase the economic performance of 20 other businesses once they had a reliable source of supply.

Aware that Gourmantche people found it difficult to cooperate with one another outside of their natural family associations, PfP decided that there was a practical need for cooperation, and where people could clearly perceive their own control over it, joint enterprise would be encouraged. In Diapaga this initially took the form of joint purchasing among small village stores and joint marketing among small producers of guinea fowl. In Fada PfP began assisting a collective of traditional village weavers, and a group of several women artisans who made beautiful tie & dye objects. Other forms of cooperation included experienced local entrepreneurs training apprentices.

In the coming phase of the project PfP will promote more complex forms of economic infrastructure. An artisan center will be started in Fada where existing artisan groups can upgrade their techniques, and new artisans can come for training. Womens' group gathering and processing activities will also be promoted. Distant villages have peanuts, shia nuts, tamarind seeds, and other herbs, barks and spices of commercial value which women can gather and sell. PfP plans to supply investment capital, processing technology and management/marketing assistance to such groups, and is working through successful women entrepreneurs who are contacting and organizing other village women. In Fada, PfP is setting up a market loan committee to provide investment capital to market women who process rice, spices, vegetables, biscuits, nuts, etc. Local people prefer to buy many of these locally processed foods, but because the women have no capital to buy primary materials, they cannot process very much. The presence of this fund would enable the women to buy directly from primary producers.

As the Eastern Department develops agriculturally, a challenge will be to build up the economic infrastructure that will market cash crops at reasonable and stable prices. PfP/UV is working toward this goal by promoting village grain banks, small rice decorticators, credit to market women to purchase paddy rice, credit to merchants who buy local grains and sell them outside the region, as well as loans and technical assistance to small farm enterprises to produce cash crops. All of these local efforts will be valuable complements to the national policies of the GOUV.

B.2 Host Country Activities in Project/Program Areas

The Eastern CRD is the only other GOUV program operating on any significant basis in the Eastern Department. The ORD and PfP do different types of activity with different beneficiary groups;

but the ORP already regards PFP/UV as a useful complement to enhancing the impact of its program.

The Centre National pour la Promotion des Artisans Ruraux (CNPAR) gives vocational training and credit for business start-up to rural artisans. CNPAR has little or no extension capability to follow up on the artisans and assist them with both their technical and management problems once they have received initial training in Ouagadougou. In the Eastern Department, PFP/UV has assisted any CNPAR artisan who approached it and could qualify as a serious, responsible entrepreneur. PFP/UV has also recommended to several of its clients that they go for further vocational training with CNPAR. This linkage is expected to be strengthened during Phase II.

The Banque Nationale de Development has an office in Fada N'Gourma and grants loans of up to US\$2500 to commercial enterprises whose owners have a bank account and can put up collateral. PFP plans to prepare as many of its clients as possible to become users of BND services, and to discuss with the BND ways in which some of its policies can be modified to better serve small entrepreneurs.

Two other GOUV programs are the Office pour la Promotion de l'Entreprise Voltaïque (OPEV) and Amagements des Valles des Voltas (AVV). OPEV functions in urban centers giving orthodox business assistance. It lacks the resources and field methods appropriate to working with rural small entrepreneurs. AVV is a resettlement scheme operating in Voltaic river valleys outside the Eastern Department. It has already studied PFP's appropriate bookkeeping systems for possible application in AVV sponsored enterprises.

Already in Phase I, PFP/UV has attracted attention as a program whose field methods are appropriate to the levels of low income people and successful in developing economic activities. Several other government programs have approached PFP/UV, and project staff and clients have cooperated wherever possible in giving training or discussing techniques. We plan to strengthen this cooperative exchange in Phase II.

C. PROJECT ANALYSIS

C.1 Economic Effects

PfP aims to work with at least 1000 entrepreneurs during this OPG period extending credit and management training. Most of these businesses tend to employ 1-5 people, often family members. It is therefore plausible to assume that the project will directly create 1,000 new jobs and upgrade another 2,500--3,500.

PfP will continue to stress enterprises that complement subsistence agriculture by providing productive employment during the long dry season, including peanut and shea nut processing, artisan crafts and intensive vegetable gardening.

Project results to date show that PfP clients have been successful in forming assets with their micro and small enterprises. In a sample of twelve new businesses started with PfP assistance and monitored over an 11 month period, ten increased their assets by an average of 83 percent. In another sample, 10 already existing enterprises aided by PfP showed average asset increases of 65 percent.

An analysis of the loan portfolio to date indicates that businesses realize US\$2--8.00 of annual sales for each dollar they borrowed. Using a conservative average of \$3.00 increase in annual sales per dollar borrowed, it is possible to project cumulative sales increases of US\$4,600,000 with a loan fund of this size.

Through its integrated approach to enterprise development, the PfP project will also produce secondary economic and social benefits in the region. Examples of this drawn from our Phase I experience include a PfP-assisted transport service which has enabled business people in a number of villages to have a regular source of supply. For people in these villages such a service has meant access to medicines, grease and oil for village millers, and a more regular supply of consumer commodities such as sugar, soap, beverages and salt. Other loans to producers and retailers of fresh fruits and vegetables have improved the nutritional quality and variety of local diets. As yet we cannot quantify these kinds of benefits, but during the next phase baseline and evaluative studies will analyze the magnitude and significance of these secondary benefits.

Finally, additional indirect economic benefits can be expected from PfP sharing its field methods, model enterprises and training with other public and PVO agencies in Upper Volta.

C.2 Technology

Phase II will utilize and build upon the lessons learned in Phase I with regard to finding the "right" technology for PFP's clients, both in terms of its suitability for the user and its appropriateness for the level of demand. Equal attention will be given to technological "hardware" which involves tools, machinery and equipment, and "software" which deals with appropriate management techniques.

Hardware: Where possible PFP will recommend that its clients employ traditional or simple modern technologies that do not require mechanical knowledge or special training. Examples of these simpler technologies include handcrafted tools; bellows and charcoal used by village blacksmiths; the Kenya top bar hive which can be constructed locally and allows farmers to increase honey production; and hand made looms and cotton thread.

Other activities, however, require more sophisticated technology. For example, an experiment to introduce hand mills to grind and/or hull grains was judged a failure because of the inability of those mills to meet demand. Diesel-powered mills, which local people had some knowledge how to repair and maintain, were the more appropriate solution.

Much the same thing can be said about agricultural equipment. Certain kinds of earth-moving and land-clearing equipment are much in demand because the season is short to prepare new lands and the temperatures are extreme (40°C). Under these conditions machine power can be a valuable asset in opening new lands, although once prepared, animal traction such as advocated by the ORD is more than sufficient to keep them under cultivation.

Software: There are two principles behind PFP's approach to business management assistance: 1) that each management system be appropriate to the educational level of the client and the complexity of the enterprise; and 2) that the system provide practical information a client can use in making business decisions. Systems range from colored boxes for illiterate artisans, which enable them to separate their revolving capital from gross profits, to simple written bookkeeping systems.

Management is taught by a step-by-step approach beginning with a business feasibility study for each client. Only when an entrepreneur has mastered the mechanics of a particular step and understands how to use the information produced does the PFP advisor take him to the next step. The appropriateness of management systems combined with appropriate amounts of credit has been at the heart of PFP/IV's approach to small enterprise development and will remain an integral part of its Phase II activities.

C.3 Socio-Cultural Factors

PfP recognizes that sensitivity to socio-cultural factors is paramount in achieving success with its clients. It has chosen an approach consistent with the local culture and in specific areas as follows:

Credit: Credit is hard to come by and is much sought after by local entrepreneurs. A traditional attitude of reluctance to put one's self into debt is changing as individuals see how sums of capital can be made to grow. The PfP loan fund is playing an important role in this change as is evidenced by the number of entrepreneurs who return for a second loan once the first has been successfully repaid. The traditional concept of honor requires debts to be paid. That this concept is still strong is evidenced by the high on-time payback rate which has averaged around 90% per month for the past year. This figure gains impressiveness when one considers that no collateral is demanded by PfP; that many of the borrowers have no tradition of basic business skills; and that there is high risk involved in launching new businesses based on market judgements which are at best limited.

Entrepreneurship: Entrepreneurship is not a traditional Gourmanche trait. It is much stronger among the Mossi who comprise about a quarter of the population of the Eastern Department. However, PfP has discovered that latent entrepreneurial ability exists among the Gourmantche that can be drawn out and developed when appropriate amounts and levels of credit and management are made available. A recent study of the Diapaga market showed 30 Gourmantche and 11 Mossi traders out of a total of 81 persons. No statistics exist giving an ethnic breakdown of traders five years ago, but local residents claim it was "just a handful" with most trade previously controlled by foreigners from Nigeria, Niger and Benin.

Socio-economic Organization: The concept of individualism within the context of the extended family is strong. The general local perception is that people working together outside the family structure do not succeed. In accord with this, PfP will promote family businesses which have the advantage of putting under-employed family members to work, utilizing pooled family resources, and building a solid investment for the family which can be passed on to the next generation.

However, the value of cooperation is recognized. There are individuals who can transcend tradition and work in groups or cooperative economic ventures. The role of PfP will be to recognize these situations and promote them where possible:

Self-help and participation: The Voltaic culture encompasses the

belief that hard work and self-help are necessary to get ahead in life. Accordingly, PFP will make self-help participation on the part of clients a major feature of its approach to promoting rural enterprises. This kind of client participation consists of two forms: a material contribution in cash or in kind towards the total investment needed to realize the project and intellectual involvement in the planning and preparation of the economic feasibility study. In addition to getting the entrepreneur to think systematically about his business, the latter involvement also requires mental effort on his part and a sign of seriousness and interest in the project.

The nature of businesses assisted: PFP will assist enterprises along the entire spectrum in the evolution from a subsistence to monetized economy, including:

1. Agricultural activities that produce crops for consumption and/or cash; family livestock raising; tree crops; other small agricultural activities such as beekeeping.
2. Dry season activities including artisanal activity such as weaving and dyeing, carpentry, masonry, and blacksmithing; animal-powered transport; and processing of oil, soap and soubala.
3. Off-farm activities such as general stores, pharmacies, motorized transport, skilled artisans, grain mills and service.

Role of Women: Given their limited traditional role in the entrepreneurial life of the Eastern Department, women have played a significant part in PFP's activities to date, both as primary clients and consumers. PFP has made loans to women for the retail sale of fruits and vegetables, peanut oil processing, tie dye cloth manufacture, bakeries, village stores and small restaurants. Based on the increasing number of women who now approach PFP for credit, it is expected that the percentage of women clients during Phase II will exceed the present 10 percent of PFP's rural entrepreneurs. Also during Phase II, PFP plans to recruit experienced businesswomen to operate revolving loan funds among market women who require tiny amounts of credit for small food-processing or retail enterprises.

C.4 Guidelines Governing Funding For PVO's

- a. Impact upon the poorest majority: The primary emphasis of this Small Economic Activity Development Project will be on subsistence farmers who show entrepreneurial pro-

mise. This population exhibits all the characteristics of poverty in the developing world: a thin margin of existence between self-sufficiency and hunger; negligible cash income; lack of access to credit; illiteracy; little organization; poor sanitation and health; and resistance to new ideas, among others. Pfp has shown that it can overcome these disadvantages by using other positive cultural characteristics in combination with appropriate levels of credit, management assistance and technical advice.

For those rural poor who do not become Pfp clients, the project can promise a greater and more regularized supply of goods and services and improved infrastructure.

- b. Tie-ins with other projects: In addition to the programs of the five organizations mentioned in Section B, Pfp envisions cooperation with the following projects:

Save the Children Fund (SCF): SCF has an integrated rural development project in the Sahel ORD. Pfp provides training for SCF Voltaique personnel in business management skills and feasibility study methodology for village enterprises.

AFRICARE: AFRICARE is conducting an integrated rural development project in the Yatenga ORD. Pfp is assisting AFRICARE in methods for loan funds.

AID's Women In Development Project (WID): WID seeks to train female community development agents to develop with women's village group enterprises. The Eastern ORD is a member of this project; and Pfp participates in training ORD personnel.

- c. Applicability of the project to other areas in Upper Volta: Pfp believes that this project could be applied to each of the 10 other departments in Upper Volta. No other organization is presently taking the same approach as Pfp to small enterprise development: working with both individuals and entrepreneurial groups; combining appropriate levels of credit, management assistance and technical advice; taking an integrated approach to regional enterprise development; and working to build a self-supporting indigenous institution. All regions of Upper Volta share the disadvantages that hinder small scale economic activities. In fact, there may be other regions even more receptive to this kind of methodology.

C.5 Institutionalization with Domestic Resources

A major purpose of Phase II will be the creation of an indigenous private sector development organization that has the skilled Voltaic manpower and a capacity for self-financing. The organization will be supported by revenues from the credit fund, equipment rental, and other PfP investments which are analyzed in the feasibility studies presented in part D.

PfP has already succeeded in training and hiring a local operations staff of five Voltaics who will form the nucleus of the second phase staff of twelve. We plan to use the same methods in developing Voltaic staff as in developing small entrepreneurs: i.e., increasing the scope and complexity of their responsibilities in a gradual fashion and in a style that elicits high amounts of initiative, creativity and self-reliant decision-making.

According to our projections, in the final year of the Phase II OPG the indigenous Voltaic institution will have an income-earning capacity of approximately \$207,000 per year. It will also possess program planning and management skills, extensive contacts within the GOUV and the donor community and various assets. At that time the organization will decide which aspects of its program it wishes to continue based on a careful analysis of its economic and skilled manpower situation.

D. PROJECT DESIGN AND IMPLEMENTATION PLAN

D.1a Credit Fund Implementation

Credit Absorptive Capacity of the Eastern Department

Experience from 1977--1980 has shown that there is a large demand for production credit within the Eastern Department. The two existing sources of commercial credit (BND and BIV) and the ORD touch only small segments of the population. The overwhelming number of commercial loans go to salaried depositors who must put up collateral usually in the form of their salaries, pensions or Western-style houses. Application forms are long and complicated to the illiterate rural population. The ORD makes loans to individual members of recognized village groups, or to ORD village groups, a condition which also restricts the realization of diverse kinds of economic activities.

Large numbers of low income people have applied for credit from PFP/UV because they have found PFP's loan policies to be more flexible and more willing to take risks with clients; and because of the follow-up management and technical assistance given to clients after they receive a loan. PFP investigated the eligibility of these clients for conventional loans and found that because of their low economic standing or the nature of activities they propose, 90 percent of them do not qualify for credit from other sources.

During Phase I, PFP developed a coherent lending philosophy, established procedures for timely repayments, and experimented with the effects of credit on different kinds of rural enterprises to see which ones responded best. We believe that a sufficiently sound philosophical and procedural base has been laid to allow for the expansion of credit activities and are therefore asking for the loan fund to be increased by \$350,000.

Evidence of the PFP project's capacity to absorb this proposed level of funding includes the fact that PFP presently has to reject 75 percent of the loan applications it receives in the Fada and Diapaga sectors. At least one third of these rejections are directly due to a lack of funds. Another two thirds of these rejections result from inappropriate project proposals or clients who for one reason or another do not follow up after their initial contact with PFP. When the loan fund and project staff are increased as PFP requests, we expect a doubling of loan volume in the Diapaga and Fada N'Gourma sectors. As the staff expands in Phase II, additional major population centers of the Eastern Department will also receive PFP services, including credit. PFP will open a new major sector of operations in the Piela-Bogande area and sub-regional centers in Kantchari, Matiacoali and Diabo. The number of field staff who are trained to perform feasibility studies, make loan collections, and do business

management follow-up will increase from the five who are presently working to twelve by the third year of the new OPG.

One important factor in the ability of both PFP and Eastern Department citizens to absorb the proposed level of funding of credit is that successful small enterprise prototypes which PFP worked hard during the first phase to assist are now coming into full productivity. These include model village stores, grain mills, poultry and livestock raising operations, commercial vegetable gardens, etc. The presence of these prototypes will be a valuable training tool which will enable the PFP staff to spend proportionally less time per client in the preparation of feasibility studies and business follow-up.

PFP anticipates making a series of progressively larger loans to clients who have received, managed and repaid a series of progressively larger loans, and whose businesses require larger levels of capital because of their growth. We also expect to make more and larger loans for group enterprises and economic infrastructure such as market loan committees, village cereal banks and collective artisan industries. We believe that this increase in average loan size in combination with expanded geographical coverage, more staff, and well-functioning enterprise prototypes will enable PFP/UV to absorb and manage the proposed credit fund successfully.

Projected Use of the Loan Fund

The table on the following page is submitted as a projection of the level of capitalization of the credit fund. In this projection the average loan size was estimated at US\$1000 with a three-month grace period and 12 month repayment period for all except agricultural clients. A repayment period of 2-3 years was assumed for agricultural clients. The projection mirrors the nature of borrowing patterns in the Eastern Department where demand for loans is strongest during the dry season and weakest during the rainy season, especially for agricultural clients. In this project we believe that the busiest period of loan activity for the five year OPG will be during years 2 and 3. That is the time when project staffing will be at its highest point (after year 3, two of the three expatriate technical advisors will leave). Therefore, the balances shown during this period should be regarded as an indicator of the levels at which the loan fund needs to be capitalized. It can also be reasonably expected that inflation will also increase the average loan size. Thus although the number of loans in years 4 and 5 might be somewhat lower due to the reductions in staff size, the total amount of funds required will not fall much if at all below the \$400,000 in the loan fund (\$50,000 in the existing fund plus the \$350,000 addition).

Table D. 1d PROJECTION OF CREDIT FUND SIZE

	1	2	3	4	5	6	7	8	9	10	11	12
FY 1	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Loans Outstanding	50	76	100	124	148	169	178	186	193	199	210	224
New Loans	30	28	28	30	27	16	16	16	16	22	26	35
Repayments	4	4	4	6	6	7	8	9	10	11	12	15
Balance	76	100	124	148	169	178	186	193	199	210	224	244
FY 2												
Loans Outstanding	244	268	286	303	319	328	332	334	335	332	327	330
New Loans	44	33	33	33	27	23	22	22	22	22	33	40
Repayments	20	15	16	17	18	19	20	21	25	27	30	35
Balance	268	286	303	319	328	332	334	335	332	327	330	335
FY 3												
Loans Outstanding	335	344	349	357	366	370	371	372	374	371	364	364
New Loans	44	33	33	33	27	23	22	22	22	22	33	40
Repayments	35	28	25	24	23	22	21	20	25	29	33	37
Balance	344	349	357	366	370	371	372	374	371	364	364	367

All figures expressed in thousands of dollars

Assumes no inflation and zero default rate

PfP estimates that it will make 290 loans during the first full year of project activities following the commencement of Phase II. They will break down approximately into the following types of economic activities:

Commerce	85 loans	29
Artisan industries	40 "	14
Transport	40 "	14
Agricultural production/livestock	85 "	29
Agricultural processing	<u>40 "</u>	<u>14</u>
	290 loans	100

PfP/UV Methods to Administer Credit

From Phase I experience PfP has learned two principles which it will employ in administering credit to small entrepreneurs during the new OPG. First, it is essential that credit be accompanied by some sort of managerial assistance which entails some or all of the following: defining the objectives of the enterprise; listing the entrepreneur's assets; determining the level of investment required; projecting the performance of the enterprise; designing an accounting system appropriate for the business; and following up the loan with business extension advice.

PfP has evolved a methodology for showing clients how to manage their enterprise and capital resources effectively. It participates with the loan applicant in doing a feasibility study of the proposal activities for which credit is being solicited. The client himself is shown how to investigate sources of production/supply, transport, and marketing/demand. PfP/UV makes its own additional analyses of the level of investment, types of technology, marketing prospects, etc. that will be necessary for this business to reach its proposed level of activity. Only when PfP and the client come to a clear agreement over the strategy and tactics which they believe will be most effective in developing the enterprise is a loan made. If a client then needs further assistance in setting up management systems, PfP helps him/her to learn the most appropriate procedures. Follow-up visits are made to loanees to discuss their problems and experiences. The clients also know that they are welcome at any time to discuss their enterprise with PfP/UV staff, even if they do not happen to be current loan customers.

. The second basic loan fund principle is that lending procedures must be flexible. Repayment terms must be based on the projected economic performance of the business. PfP's objective is not to recover loan fund capital as soon as possible, but to allow the business to use its money productively so that the capital multiplies and can be used both to increase the assets of the business to originally envisioned levels and to repay the loan. Some enterprises, particularly those in agricultural production, involve much more risk than others. If PfP finds it has been wrong in estimating the performance of the enterprise, as occasionally happens due to circumstances beyond anyone's control, the contract is rewritten to extend the payment time, with the client paying additional interest on the principle. These policies are discussed fully with the clients so that they too are educated about the revolving loan fund.

Lending Criteria

The purpose of the loan fund is to aid in the creation and expansion of rural enterprises by providing credit unobtainable from other sources. To be eligible, loan applicants must propose projects that satisfy the following conditions:

- . Are economically viable when proper business management techniques are employed.
- . Are located in the area where they are proposed. It is preferred that the entrepreneur be directly involved in the day-to-day management of the business. If this is not possible he must at least live in the village or administrative center where the business is to be organized in order to ensure close surveillance over daily operations.
- . Involve activities that will benefit the locality where the business exists through the provision of a greater quality and quantity of essential goods and services, or have a positive effect on local revenues through increases in the level of productivity.
- . Are not exploitative in nature (i.e., they do not benefit the entrepreneur at the expense of the general population of the locality).
- . Involve activities that can be monitored by

the PFP staff. This provision excludes projects that have their main focus on areas outside of Upper Volta.

Do not involve activities that could be reasonably financed from other public or private sources.

Documentation required for a loan:

With the assistance of PFP staff members, documents will be prepared detailing the entrepreneur's assets and liabilities; the projected profitability of the business; technical constraints; investment needs, and a feasibility study considering production/supply and marketing/demand. This information will all be analyzed prior to granting the loan.

Collateral

Since most small rural entrepreneurs do not possess sufficient assets to serve as collateral, none will be required. In the case of those who have accumulated assets such as livestock or merchandise, a condition for receiving the loan will be that they invest a portion of their assets in the proposed project.

PFP believes that the best guarantee that a loan will be repaid is the thoroughness with which the entrepreneur has done the feasibility study and the follow-up which comes after the granting of the loan.

Ratio of Loan Size to Client Investment

PFP's general policy will be that entrepreneurs are required to furnish at least 20 percent of the investment in cash or kind. Initially a client may not possess enough assets to accomplish what he aspires to do in a single step. PFP is willing and, in fact, prefers to make several loans to a client so that in a gradual, step-wise process, he acquires the management skills and assets necessary to attain larger goals. This policy of step-wise development makes it possible for even the smallest of clients to qualify for a loan. The 20 percent requirement will be waived only under exceptional circumstances.

Repayment Terms, Interest and Other Charges

The majority of commercial and artisan sector loans will be

repayable over a period up to twelve months and are projected to carry a 15 percent interest rate. (Interest rates will vary according to changing economic conditions and will be set according to GOUV regulations concerning interest ceilings.)

Agricultural loans for land clearing, pig or poultry raising, etc., will usually be repayable over a period longer than 12 months and will carry an interest rate of 10 percent. Agricultural borrowers must be given more concessional terms because their enterprise is riskier due to weather conditions, animals who break into the fields and consume crops, etc.

There will also be a token service charge on each loan to pay for Pfp's analysis of the feasibility of the loan, processing of loan papers, technical assistance, and follow-up management consultancy. For small loans of 100,000 CFA or less, (US \$500), the service charge will be a flat rate of 5000 CFA (US \$25) payable at the time the loan is disbursed. For larger loans, a service charge of 2 percent of the total loan + 5000 CFA will be levied. As for how economically feasible these interest rates and charges are, two years of field experience in the area leads Pfp to believe that small entrepreneurs will not have difficulty paying 15 percent interest or the service charges.

Administration of Funds

The loan fund will be deposited in the Banque National de Developpement (BND) in Fada N'Gourma and Ouagadougou which has handled Pfp's credit funds so far. Because there are no banks in Diapaga and Piela, Pfp managers will necessarily have to keep limited amounts of money in their homes for operations in these sectors. However, Pfp staff will come to Fada to deposit any excessive amounts that do not quickly revolve into new loans. For larger clients, they will be given checks drawn on a Pfp account and can go to the bank themselves to obtain their credit.

D.1b Implementation Details for Agricultural Development/
Equipment Component

Water is the chief constraint in terms of the ecology of the Eastern Department. For a four month period, surface and ground water become very scarce, which makes the creation of water resources that are permanent and will not wash away or collapse a key activity for local economic development. PFP/UV plans to promote the creation of water resources in Phase II by making loans to dig wells and by using heavy equipment to improve natural catchment areas that occur frequently in the Eastern Department.

Farm families are the primary beneficiaries of steps to better the water supply because it can extend their growing season and make improved agricultural practices such as seed beds or intensive gardens possible for them to adopt. Wells and water reservoirs are the most important form of economic assistance to those who raise herds of cattle, goats and sheep. Small animal enterprises such as piggeries and raisers of guinea fowl or rabbits need water for the animals and to grow forrage. Water is also the key for other labor intensive income earning activities such as commercial orchards and vegetable raising. Creation of wealth among small farmer families is a key factor in the formation and growth of all the other types of entrepreneurs who do business with them: retailers, blacksmiths, welders, food processors, tailors, carpenters, etc.

There are many natural reservoirs in the Eastern Department that can be improved with a small investment. This would consist of raising the earth embankments around these low areas and building a small diversion dam at one end. What PFP has done to date is to wait until the catchment area becomes dry and, with the labor of local villagers, construct a small trench of stone and cement across the mouth of the reservoir. In the rainy season when the reservoir fills up, the water flows through the low-lying part onto the surrounding fields and the little dam does not wash away. PFP/UV has staff who have built small diversion dams. PFP/UV is also intending to solicit engineering advice from an associate expert who is to be added to the FAO/Eastern ORD team and who will possess agricultural engineering and topographical skills. The AVV also has considerable expertise in this area, and its engineers are another source of potential help. Local labor for the projects is not a problem. What is needed is heavy equipment to move and haul larger

masses of earth and stone and to rip out the heavy vegetation in the reservoir and on surrounding fields.

In this OPG proposal, PFP is requesting a D-4 Caterpillar bulldozer, an eight ton dump truck, and two 80 hp. tractors for this purpose. In general, the uses of the bulldozer would be to scrape out reservoirs; to build up embankments; to pack down earth over small dams; and to level/clear lands of tree stumps and deep-rooted vegetation tufts. Once the land is cleared, it will receive its first deep plowing by tractor and then by animal traction for the rest of the agricultural season. The dumptruck will be used for a variety of purposes such as hauling rocks and laterite; hauling topsoil; and hauling grains or other heavy cargo.

These activities do not represent any radical departure from what PFP/UV has already gained experience doing in the Eastern Department. What is proposed here is exactly what PFP has done with the farmers in the village of Tiparga where the PFP/UV demonstration farm is located, and elsewhere. PFP is NOT proposing to clear any and all natural catchment areas in the Eastern Department, but only to develop small parcels of approximately two hectares each with beneficiaries who do not qualify for assistance with other programs. Also, the use of this equipment will not be to mechanize agriculture, but to create more and better opportunities for peasant farm families to utilize their labor.

Bas Fond Development

The Eastern Department has many low-lying areas called bas fonds that flood during the rainy season and are rich in topsoil sediments. The agricultural potential of the bas fonds has long been recognized, and exploited to a certain extent by French colonials who used it to grow rice. A 1979 study by a Dutch volunteer identified 2,500 hectares of easily exploitable bas fonds suitable for the production of paddy rice and other cash crops in the Eastern Department.*

Traditionally this land has not been cultivated because it is too wet and swampy for millet and sorghum, the primary food crops of the area. However the bas fonds are excellent for growing rice, a cash crop that is rapidly catching on among the Gourmanche. Other direct agricultural uses include the cultivation of sugar cane, commercial orchards and intensive vegetable growing. The adjoining well and/or reservoir would provide income opportunities in terms of water for larger livestock, raising small animals or fowl, bee-keeping, etc.

* John Weldring, Synthese sur les Amenagements Hydro-Agricoles dans l'ORD de l'Est, Ouagadougou: Fonds de Development Rural, 1979.

It is this potential to extend the agricultural season, thus producing more income and employment in the Eastern Department, that interests PFP the most. Since most of the bas fonds are not being used, there is virgin land available to whoever wants to cultivate it.

A GOUV agency, the Aménagement des Vallées des Voltas exists to develop bas fonds using techniques being discussed here. However, the AVV works primarily around the major Voltaic rivers, and does not operate in the Eastern Department.

The Eastern ORD has also proposed to work in bas fonds during its Phase II project (1982-1987). PFP operations would complement the ORD. The ORD works with much larger bas fonds and village groups, whereas PFP is proposing to make land improvements for individual farmers and farm families who are not included in ORD groups. Regardless of the institution that promotes it, development of the bas fonds will require a lot of experimenting to find what will work among the Gourmantche, plus many farmers willing to try dry season farming. PFP is proposing to assist approximately 60-75 clients a year with loans for land improvement. The aim is not to serve everyone; but to find out how farming can be made more productive using serious, entrepreneurial farmers willing to invest their own resources. The learning from these clients is bound to contribute to the ORD program.

PFP plans to move carefully to insure ownership rights for the small farmers who improve lands so that these assets are not removed from them once they are developed. This will be done by assisting the farms to obtain land titles so that ownership is recognized according to the formal legal system, and by planting trees around the property which is the customary sign of ownership in Gourmantche culture. Feasibility studies done prior to any land improvement will verify that the farmers have both the legal and customary right to do so.

The cost of what we propose to do would be financed through individual investment and PFP loans. PFP has made 40 such agricultural loans in the past 18 months, so it has experience in appraising the feasibility of such loans. It is important that the equipment fund and the credit fund be operated together.

Marketing

PFP has considered the market for rice in Upper Volta. Current rice imports are three times larger than domestic production. The implication of this is that if domestic rice can be produced more cheaply than imported rice, there is an ample market for it. Experience from the first phase of the PFP/UV project suggests that this is quite possible. To do it requires an integrated approach intervening at several levels simultaneously. First, as

outlined above, PFP plans to make loans to individual farmers and village groups so they can rent the heavy equipment so they can clear land in the bas fonds so they can construct rice paddies and reservoirs. Loans will also be made for processing equipment such as rice threshers. Additional loans will go to local millers so they can invest in rice decorticators. (We have already established a model enterprise of this in the village of Madaaga to train others.) At harvest time grain dealers will receive loans to facilitate the marketing of rice.

Some previous reports have suggested that local consumers may prefer imported rice to that which is domestically produced. Our many conversations with people revealed that there is no distinct preference between imported/domestic rice, although consumers and farmers are selective about different varieties of rice. Two kinds of rice are widely considered as inferior: an indigenous variety called "red rice" and IR-8 from the Philippines. PFP/UV has been working with two other varieties, C-74 and Gambiaka. Both C-74 and Gambiaka are sought after by consumers who prefer these varieties more than imported rice. Some consumers told us they liked imported rice because it is cleaner and does not contain pebbles and other impurities. The presence of this small garbage in domestic rice is due to primitive methods of threshing and can easily be overcome with the use of rice threshers.

With the experience of two harvests from the demonstration farm in Tiparga* PFP feels confident that the small farmer clients we work with can produce and market rice that will compete successfully with imported rice. Grain dealers in Ouagadougou that we interviewed have stated without hesitation that they would prefer buying locally produced C-74 and Gambiaka over imported rice because it is competitive. Imported rice currently sells at these large Ouaga dealerships for 120,000 CFA/ton. PFP experience has shown that farmers can produce and sell the desired varieties at 100,000 CFA/ton and still make a profit.

Management and Evaluation of Agriculture/Equipment Component

The management of the equipment will be done on the basis of a yearly plan for the particular geographic sector of the Eastern Department in which the equipment (primarily the bulldozer) will operate. For example, in the first year, the bulldozer will be in the Fada N'Gourma sector. In the second year it is tentatively scheduled to operate in the Diapaga sector. In the third year it

* In 1979 and 1980 the Tiparga demonstration farm produced 7 1/2 tons of rice which was marketed without problem through local grain dealers and/or consumed by the farm families themselves.

will conceivably shift to the Piela-Bogande sector, etc. In the year preceeding the placement of the equipment in a particular sector, the PFP operations manager will be responsible for preparing a plan of use in consultation with prospective clients and the PFP General Manager and Chief Mechanic. This plan will outline the work to be done and the logistics of moving the equipment to the sector and transporting it locally. It will also present an anticipated timetable of operations.

The strategy to have the bulldozer and the other complementary equipment focus on one geographic sector per year is our method of reducing the management burden of the equipment to a manageable load. This, coupled with the fact that our general manager has three years of experience with equipment management from the PFP/Liberia project, leads us to believe that we can do this competently.

PFP plans to evaluate this agricultural equipment component closely in recognition of its complexity and also its importance to beneficiaries and to the self-capitalizing of the projects. A review of the earning capacity and implementation experience will be done each year in order to apply lessons learned to next year's operations. A comprehensive evaluation of this component and the other economic components of the project will be made in year three. The USAID Mission in Upper Volta will receive monitoring information and will share in the decision-making of the comprehensive evaluation that will set policies for the agricultural/equipment component for the remaining two years of the OPG.

Maintenance of Heavy Equipment

The project will contract for two years a full time, extratriate professional mechanic who has experience in heavy construction equipment. A Voltaic counterpart mechanic will be hired also. A major responsibility of the chief mechanic will be to localize requisite skills in the Voltaic counterpart during this period.

At all times the equipment will be operated by drivers with training and/or work experience in the professional use of these machines.

Projected Income, Usage and Operating Costs of Equipment

The following analysis presents information on estimated usage, maintenance costs, price policies and revenues for a Caterpillar D-4 bulldozer, a 10-ton Mack dumptruck, and two 80 hp. Massey Ferguson tractors with implements. In figuring costs and

pricing policies a decision was made to charge only for fuel, parts, and depreciation and operator costs. It is estimated that the costs for managing operations will be more than covered by excess revenues generated from equipment rentals. Usage and maintenance cost information was obtained from U.S. manufacturer representatives, dealers in Ouagadougou and Public Works Officials in the Eastern Department.

Caterpillar Bulldozer (D-4 Model)

Maintenance: The life of a D-4 in West Africa is estimated at 8,000 - 10,000 hours. An approximate rule of thumb is that one spends as much on repairing and maintaining it as the original purchase price.

The D-4 consumes 11 liters of diesel fuel per hour (cost estimated at 175 CFA or U.S.\$.86 per liter). The engine oil must be changed every 125 hours (15,000 CFA or US\$75). The transmission oil must be changed every 100 hours (35,000 CFA or US\$175). The oil in the hydraulic system must be changed every 1,000 hours (35,000 CFA or US\$175). From these procedures the following maintenance cost per hour was calculated:

	<u>CFA</u>	<u>US\$</u>
Fuel	1925	9.63
Oil Change	120	.60
Transmission	70	.35
Hydraulic	35	.18
Operator	424	2.12
Repairs	107.5	.54
	<u>2681.5</u>	<u>13.42</u> operating and maintenance cost per hour.

Figuring 7 hours of work per day, the daily operating costs are 18,788 CFA or US \$93.94.

Usage

It is estimated that the D-4 Caterpillar bulldozer would be used 180 days per year. Fifty-four percent (54%) of the usage would be for agricultural work such as land clearing, clearing of bas fonds, constructing small reservoirs or cattle ponds, etc. Thirty-five percent (35%) of the usage would be for community self-help projects such as fish ponds, small reservoirs, access paths, etc. Eleven percent (11%) of the usage would be allowed for the bulldozer to walk to its various jobs in the region where it is

being employed.

To discuss further the logistics of moving the D-4 bulldozer around, Pfp's intention is to employ a machine in one geographical sector of the Eastern Department per agricultural season. For example, one season it may be in the Fada region, another season in Piela, etc. To transport it over these larger distances, a low-boy trailer will be rented from GOUV Ministry of Public Works. Within a sector, however, the bulldozer will walk from one contracted job to another with agricultural clients absorbing transportation fees as part of the total cost of land clearing.

In terms of the number of days annually allocated to these different activities, Pfp estimates the following:

96 days	agricultural work
64 days	community self-help
20 days	walking

Experience indicates the bulldozer clear .75 hectares of land per day. With an estimated 96 days of agricultural work, this would equal 72 hectares of choice land in a year. The average size of an individual rice paddy is .50 hectares in the Eastern Department, implying that approximately 140 farmers per year will receive direct benefits from the bulldozer's land clearing. The number of agricultural loans Pfp administers will be significantly less, since many of the loans will go to farmers groups.

D-4 Bulldozer Fee Policies

For agricultural tasks, bulldozer services will be priced at 56,000 CFA (US\$280) per day. With maintenance costs estimated at US \$93.94 per day, this yields a daily gross margin of US \$186.06 and a yearly gross margin of US \$17,851 based on 96 days of work.

For community self-help and walking activities fees will be charged only to cover operating costs, but without a profit for the project. The fee is 21,000 CFA (US \$105) per day. This lower charge was decided on because the community self-help and walking activities are tasks which have a much less immediate possibility to generate revenue for the beneficiaries.

With the self-help village projects, Pfp will attempt wherever possible to recover fully the operating costs of the bulldozer. It will assist villagers by accepting payments in kind on accomodating terms. Even with this, however, Pfp anticipates that it may not be possible for all communities to pay at the

requested rate. PFP therefore has structured the fee so that the operating costs of the bulldozer can be recovered with only 65% repayment rate.

Breakeven Analysis -- Mack Truck (10 Ton Dumptruck)

Maintenance: We assume a usage of 30,000 miles per year and, for purposes of amortization, a life of five years. Maintenance (5 filters and 32 liters of oil at a cost of US\$130); a transmission oil change every six months (US\$17); and a rear axle oil change every six months (US\$28). Gasoline consumption is 5-6 miles per gallon.

PFP plans to charge depreciation costs for this vehicle (US \$10,000 per year for 5 years) to its customers. This, when added to other maintenance costs, determines the following operations costs:

fuel	42¢/mile
depreciation	30¢/mile
mechanic	2.7¢/mile
maintenance	4¢/mile
operator	<u>5¢/mile</u>
Total	83.7¢/mile

Usage and Fee Structure

Of the 30,000 miles 66% of the truck's use will be contracted to customers who would pay a rent of 35,000 CFA per day (US \$175). (This is the current rate charged in the Eastern Department for such a vehicle). We estimate the truck would be rented four days per week to paying customers. Earnings would be as follows:

Rental Income per year	4,620,000 CFA
Rental Operations cost	<u>3,379,200 CFA</u>
Rental Profits	1,240,800 CFA (US\$6204)

The other 10,060 miles of the Mack dumptruck would be to haul earth and construction materials in relation to PFP agricultural development and community self-help activities. PFP's

assumption here is that it will recover at least 50% of the operating cost of the dumptruck, mostly from agricultural clients.

The overall estimate for the Mack truck for a year would be as follows:

Gross Revenues	6,360,800 CFA
Operations Costs	<u>5,120,000 CFA</u>
Total Net Revenues	1,240,800 CFA per year (US\$6204)

Renting the dump truck two thirds of the time makes it possible for two important things: 1) accumulate the depreciation of the truck so that at the end of its lifespan, the project will have accumulated the capital to replace it; and 2) give subsidized rates to PFP's preferred beneficiaries such as small farmers and community development groups. The availability of this transport capacity will boost economic development in the Eastern Department, especially in relation to the marketing of basic grains.

Massey Ferguson 80Hp Tractor with Implements

This machine has a life expectancy of six (6) years. PFP would like to purchase two of these tractors for the new OPG activities and plans to amortize both tractors at an annual rate of US\$4,580 per machine.

Operating Costs

We estimate a tractor will perform 1250 hours of work per year with the following operations costs per hour:

	<u>CFA</u>
diesel fuel	800
motor oil	65
transmission oil	25
grease	45
repairs	800
tractor depreciation	458
equipment depreciation	<u>300</u>
Total operational costs	2,493 CFA per hour

Fee Structure

PfP estimates that 750 hours of work per tractor will be contracted to customers at a rate of 5000 CFA per hour. The other 500 hours will be sold at cost either to self-help projects or to defray the tractor's travelling expenses for those who cannot afford it.

Earnings from the tractors would be as follows:

Revenues	750 x 5000 =	3,750,000
	500 x 2493 =	<u>1,246,500</u>

Total Gross Revenue 4,996,500

Operational Cost -3,116,250

1,880,250

x 2

Projected Net
Revenue

3,760,500 CFA per year
US \$18,800

It is estimated that these projected net revenues will cover management costs and replacement costs of the Mack truck and the two tractors and any excess can be used to cover other costs of the program such as those of the management assistance.

Cement and Steel Rods

We are requesting US\$60,000 to purchase cement and steel reinforcement rods. They will be used to assist villages and the Voltaic PVO implementing this project. Their immediate purpose is in the construction of small dams and irrigation channels for agricultural and water development. We plan to assist one village per year and to develop three to five farm sites as income earners for the Voltaic PVO over the life of the project.*

* Management of the PfP (Voltaic PVO) farms will be done either by leasing to individual share-croppers or hiring a farm manager and paying him with a percentage of production. Thusfar we have used the share-cropping arrangement successfully at the PfP demonstration farm in Tiparga. Thusfar demand has been strong among local cultivators to sharecrop at Tiparga because farmers believe it

In relation to fees and charges to community self-help projects, PFP regards these as investments in the productive infrastructure of a village to get its economy moving. Therefore work with community projects will be heavily subsidized by PFP. We say this with the caveat that we do not plan to make an investment in community self-help projects unless we see that: 1) limited PFP investments can be cost effective; 2) the village is willing to match project donations with its own in-kind (eg. labor) resources; and 3) individuals in the village are able and willing to make personal investments that will complement the infrastructure.

Summary Remarks -- Agricultural/Equipment Component

For bas fond/small agricultural development, the most critical element of this proposed equipment pool is the bulldozer. In our opinion it is the key piece of machinery necessary to improve land and develop water resources -- processes which will lay the most important foundation for rural enterprises and income generation in the Eastern Department.

The second element of the equipment pool -- the dumptruck and tractors -- are necessary to complement the work of the bulldozer and are also strategic to endowing the Voltaic PVO with a self-financing capacity. One of the basic goals of this design proposal is to build an indigenous PVO agency capable of earning a substantial portion of its own program resources. The dumptruck and tractors are equipment for which there is strong demand in the local economy. Thus they have the double advantage of being able to earn revenues for the indigenous PVO while at the same time promoting productive activities in the Eastern Department.

The cement and steel rods will also contribute to the self-financing of the indigenous PVO in that part of them will be used to develop farms from which the PVO derives income. They will also be employed in community self-help projects where a limited PFP investment in infrastructure can trigger significant income earning opportunities for the local population.

We believe this equipment is integral in two respects to the entire program design being proposed by PFP. It enables PFP to

presents them with an opportunity to learn better agricultural methods and to gain access to improved land. The Tiparga Farm was started because of an invitation from the local villagers to do this with them. This would be the number one criterion in any future selection of a PFP farmsite.

promote the creation of new wealth among subsistence agricultural producers, a process which is vitally important for the formation and growth of rural enterprises. The equipment is also a productive way to endow the indigenous PVO with the capacity to earn income and be able to sustain its activities over time. Thus we see strategic linkage between having this equipment and the long-run viability of the implementing agency.

1.1c Creation of a Voltaic PVO to Institutionalize PFP

To date, PFP has been working under an agreement signed with the GOUV Ministry of Foreign Affairs which permits it to operate in Upper Volta. During the new grant period as PFP's work begins to change to include the institutionalization of its activities, this agreement will be supplemented by the formation of a legally registered non-profit Voltaic foundation to be called "Association pour la Productivite." The foundation will have a Voltaic board of directors and a Voltaic operations staff will be trained to plan and manage its programming activities. By the end of the grant period PFP intends that the foundation be under full Voltaic control.

We hope to establish a Voltaic foundation capable of playing an active role as a developmental catalyst using funds that it generates from its own activities. Our aim is to set up a development agency with a highly participatory decision-making style; indigenous management that is self-sufficient in terms of project planning and implementation; and a capacity to be self-financing for a significant portion of its expenses.

Program plans call for there to be 12 Voltaic staff positions at the end of the grant period: a general manager; three field supervisors in Fada N'Gourma, Diapaga and Piela; one accountant; one technical advisor; and six extension agents. Six extension agents will be hired in the first year of operation and promotion to supervisory responsibilities is expected to be made based on their field performance. Other extension agents will be hired to replace those that are promoted. In addition, staffing plans call for one full time Voltaic mechanic to oversee the utilization, maintenance and repair of the project's vehicles and heavy equipment, and an appropriate number of heavy equipment operators who will be paid from revenues generated by the equipment fund.

At the beginning of the OPG there will be five expatriate personnel, a general manager, 3 project supervisors, and a mechanic trainer, whose responsibilities will include the selection and training of their Voltaic replacements. Four of the expatriates will leave the project during year three and one expatriate advisor will remain to continue training and working with the Voltaic management.

As a policy, PFP wholeheartedly supports the development of indigenous project management. Experience has shown, however, that the development of qualified, committed indigenous management is not a process that is accomplished abruptly. When transition problems arise, they frequently do so because there has been too little time for indigenous staff to be properly trained and introduced to their positions, or because indigenous staff has not been given real responsibility in a graduated fashion so they can handle independence. PFP plans to allow enough time for this process to be accomplished well, and to train Voltaic managers in the same step-wise fashion that it trains Voltaic entrepreneurs. The key to this is exposing Voltaic staff to real decision-making responsibilities in a graduated fashion according to project needs and individual capabilities. Because the Voltaics will be promoted up through the organization, they will be familiar with the

field methodologies of PFP in working with clients. After that they will be taught administrative and financial management of the project. When they feel prepared for it, they will assume increasing responsibility for the most complex aspects of the project such as long-range planning; creative management of the assets and investments of the project; and the preparation of technical documents and negotiations with the government and foreign donors.

For the past year PFP has been involved in discussing the formation of this Voltaic foundation with the leaders of the "Association pour le Developpement Economique, Social et Culturel du Departement de L'Est (ADESCDE), a group comprised of the top government functionaries of the Eastern Department, such as the Prefect and the ORD Director, and other leading citizens interested in the region's development. Because the ADESCDE lacks the resources to implement development, they have encouraged PFP to pursue the idea of setting up the Voltaic non-profit foundation as an institution to complement government development projects already underway.

PFP also expects to employ the international law firm of Duncan, Allen and Mitchell to research all the legal aspects of establishing this foundation and writing its charter.

Setting up the Association pour la Productivite will also involve decisions about the composition of the board of directors and mechanisms for decision-making participation within the organization. PFP favors a wide range of representation on the new board. For example, it might consist of the project general manager; the director of the Eastern ORD; the Eastern Department prefect; several appointed members of the ADESCDE, and several members of the same organization elected at large.

Still to be decided is whether it is preferable to set aside a quote of positions for small entrepreneur clients to be represented on the board of the new Voltaic foundation, or whether to leave this selection to the elections within the ADESCDE. These options and others will be analyzed and discussed. PFP's policy is to let the form of institutionalization evolve gradually over time according to what the Voltaics think is appropriate, rather than being overly prescriptive.

Once the foundation is formed the next objective will be to make it financially self-supporting. The GOUV has few resources for economic and social development and the best way to continue the activities of PFP/Upper Volta is through local self-reliance. Local people will contribute to the program in the form of service fees and possibly membership fees. PFP/UV will protect needed program resources by passing on real costs to the extent that clients can afford them. PFP/UV will also invest in income-

earning activities, especially where it can complement the efforts of its individual or group clients. For example, small groups of farmers have offered to lease PFP part of their land if PFP will enter into a joint relationship to improve the land and develop the farmers agriculturally. Other sources of income will be earnings from the credit fund and equipment rental, investment of depreciation funds, etc. Additional possibilities to support the organization include taking an equity share in some of the economic activities started with PFP/UV assistance; fee-based training of cadre in other programs; and performing feasibility studies.

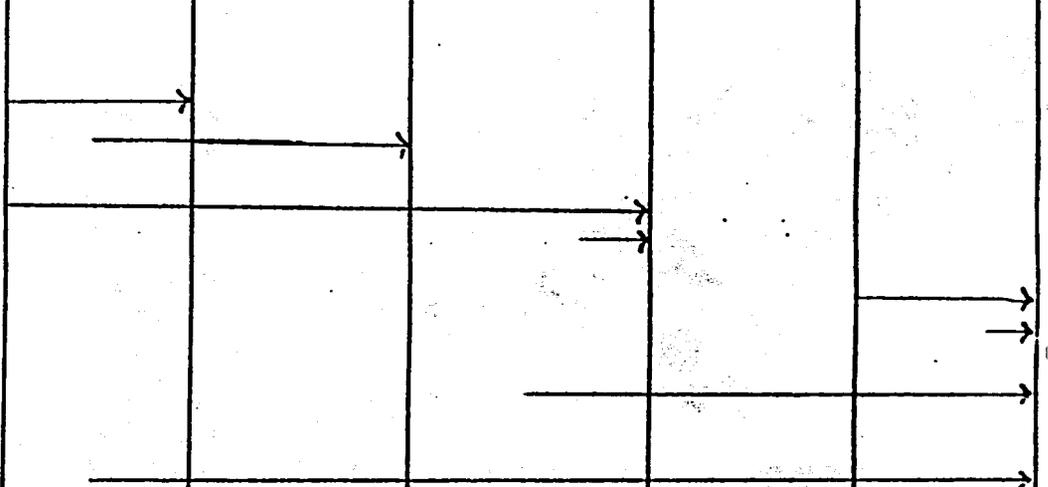
Throughout this OPG, PFP plans to adhere strictly to its policy of being a non-profit organization. The money earned by the project will be used only to cover expenses of its development activities and never to enrich project personnel or individual clients at the expense of the local population.

PFP plans to take an experimental approach to the setting up of income-earning activities. Regular six month project reports will be submitted to AID containing information about project financial management and investments. In the third year of the project, PFP plans a thorough evaluation of the foundation's income earning capacity that will recommend a strategy for the second half of the OPG. Findings will assess the impact on the local population and will be shared with the board and staff of "Association pour la Productivite," USAID/Ouagadougou and the appropriate Voltaic government officials.

Another evaluation will be made in the last year of the OPG to determine the feasibility of turning over the assets of PFP to the indigenous management of "Association pour la Productivite. PFP's goal is to be able to do this by the end of the OPG. Rather than specifying a rigid timetable, however, PFP will periodically assess the capability of Voltaic managers, the soundness of the decision-making structure of the "Association" (including board-staff-client relationships), and the ramifications that the transfer of assets would have on surrounding institutions in Upper Volta.

One possibility is to make a complete transfer of assets in one transaction. Other options are to gradually transfer only certain assets to the foundation, or to transfer the assets to other institutions such as AID or the ORD. An additional possibility is for PFP to maintain ownership of the assets and to continue acting as a management advisor to the Voltaic foundation until such time as the foundation is ready to receive them. All of these options will be analyzed in the final evaluation, and a decision regarding the transfer of assets will not be made without the approval of the USAID/Ouagadougou Mission Director.

Project Component	Year I	Year II	Year III	Year IV	Year V
<p>1. Management + technical assistance</p> <ul style="list-style-type: none"> - business feasibility studies, management consulting, follow-up visits to clients, business start-up and expansion - employment of consultant to work developing artisan group enterprises - employment of technical consultants for topographical surveys for land development 					
<p>2. Credit fund</p> <ul style="list-style-type: none"> - loans for business start-up and business expansion in Fada & Diapaga - loans made by regional office in Piela - loans made by 1 new sub-regional office - loans made by 2 new sub-regional offices 					
<p>3. Equipment & materials for agricultural development</p> <ul style="list-style-type: none"> - purchase of equipment & materials - hiring of equipment operators & mechanic - training equipment operators & mechanic - utilization of heavy equipment for agriculture/water resources development in Fada - utilization of heavy equipment for agriculture/water resources development in Diapaga - utilization of heavy equipment for agriculture/water resources development in Piela 					

Project Component	Year I	Year II	Year III	Year IV	Year V
4. Institutionalization <ul style="list-style-type: none"> - reserach legal aspects of forming non-profit foundation - recruitment of board members - hiring and training of field & clerical staff (12 staff) - departure of 2 expatriate field supervisors - hiring & training of Voltaic general manager - departure of expatriate general manager - development of income-producing agricultural enterprises for the Voltaic PVO - investment and participation in enterprises which generate income for the Voltaic PVO 					
5. Cooperation with other development programs <ul style="list-style-type: none"> - coordinating activities, sharing technical information, training of development personnel 					
6. Reporting & evaluation <ul style="list-style-type: none"> - design evaluation methodology - test evaluation methodology - revise evaluation methodology - biannual progress reports - comprehensive evaluations 					
7. Project administration <ul style="list-style-type: none"> - review existing accounting/reporting system - design new system - convert to new system - train personnel in new system 					

D.1e Other Implementation Details

This section is a supplement to the plan discussed in Sections D.1a-d, and therefore only answers briefly the questions posed in the "OPG Proposal outline".

- . PFP will be responsible for the implementation of this project.
- . Once the Association pour la Productivite is legally formed, a subgrant from Partnership for Productivity/USA will be made to it.
- . The availability of manpower is favorable to the project. Several prospective staff members have already been contacted and agreed to work for PFP/UV. The present staff has already satisfactorily demonstrated its ability to manage funds.
- . Disbursement and procurement procedures will be handled through the PFP/USA office (Washington, D.C.) as they have been during phase one of this project.
- . Waivers are requested to purchase a special type of motorbike for the project. This special type of motorcycle is appropriate to cross the desert terrain between main roads and distant villages. Such a motorbike is not manufactured by an American company.
- . Waivers are also requested to purchase AMC Jeep Vehicles. These vehicles are specially suited to the terrain of the Eastern Department, and they are the only American model with spare parts and maintenance facilities available locally in Upper Volta.

D.2 Monitoring and Evaluation of Project Activities and Impact

The monitoring and evaluation of the PfP project in Upper Volta has been fairly effective to date; so much so that Partnership for Productivity has used the Upper Volta reports as models for projects elsewhere. The main monitoring device for donors will continue to be a biannual statement of project activities.

Several indicators of the volume of activity will be routinely collected, such as:

- . Number of older businesses expanded with the help of PfP
- . Number of new businesses started with the help of PfP
- . Number and aggregated amount of loans made by PfP
- . Number and average loan size by business type

PfP has chosen five ways to measure performance, which it will use in combination with each other. First, each PfP client receives a baseline study of the size and performance of his business and his personal asset position before he receives a loan. This information will be used to help measure performance over time.

Another sensitive indicator of project performance is the rate of loan repayment. The current on-time repayment rate (90%) is too high to be used as a performance criterion; but statistics will be calculated on repayment, the profitability of the fund, and the extent to which it revolves.

A third indicator of project performance is to measure the changes in assets in PfP assisted businesses. In a number of cases PfP helps clients prepare balance sheets, and their increase in assets can be calculated from this.

A fourth method to assess performance is to do intensive case studies to judge the impact that PfP has had on the entrepreneur and his family, the business, and the surrounding community. These interviews allow the client himself to express problems or points of view that are not reflected with quantitative indicators. PfP has already begun tracking 20 clients of all sizes and types with

these in-depth sociological studies and intends to repeat the process yearly.

In terms of the implementation of this evaluation plan, a baseline study will be done in the first few months of the new OPG. This baseline study will record prevailing socio-economic conditions as the new project begins and determine a cost-effective strategy for monitoring the primary and secondary forms of impact of the small scale economic development activities occurring in the area.

Six-month reports will discuss the extent to which FfP is on target in terms of meeting its goals and any significant learnings or events affecting project design, field methods, or administration.

Comprehensive evaluations will take place in years 3 and 5 of the OPG which analyze among other topics the project's self-capitalizing investments and their effect on the local population.

E. Estimated Project Costs

a. Total Project Costs	3,336,207.
Foreign Exchange Costs	1,714,330.
Local Currency Costs	1,621,877.
b. Proposed Financing	
AID	2,300,000.
Credit Income	203,000.
Equipment Income	353,000.
Project investments, training & consulting income	136,000.
Local equity	343,750.

DOES NOT INCLUDE RECLAIMED LAND WHICH WILL BE CLAIMED BY THE GOVT. FARMER FRONTIER GOVT.

Income from credit, equipment and other project investments was calculated according to the usage patterns projected in the implementation plans in Section D of this proposal.

Local equity is defined as capital, machinery, equipment, office space and labor contributed by local business-persons to those projects PfP/UV assists through loans from its credit fund. Over the five years of the OPG, PfP estimates that a minimum of \$1,718,750 will be invested in local business activities of which at least 20% (\$343,750) will be furnished by local entrepreneurs.

c. Funding Contributions by Fiscal Year (\$000)

	FY1	FY2	FY3	FY4	FY5	TOTAL
AID	1,082	523	352	184	159	2,300
Credit Fund	20	38	40	52	53	203
Equipment Rental	44	57	78	84	90	353
Project Investments						
Training & Consulting	5	10	20	37	64	136
Local Equity	50	65	66	80	83	344
TOTAL	1,201	693	556	437	449	3,336

The "fiscal year" referred to here is not the fiscal year of AID (Oct. 1 - Sept. 30) but rather of the project (July 1 - June 30).

d. Total Project Costs by Expenditure Category

<u>Item</u>	<u>Fx</u>	<u>Lc</u>
Personnel	488	373
Vehicles	55	12
Machinery & Equipment	230	113
Operation & Maintenance		647
Consultants & Evaluation	82	3
General Administration & Other	64	100
Construction		30
Credit Fund	350	
Local Equity		344
	<u>1,269</u>	<u>1,622</u>
Overhead @ 24%	445	
	<u>1,714</u>	<u>1,622</u>

e. AID Funded Costs by FY (\$000)

	<u>Item</u>	<u>FY1</u>	<u>FY2</u>	<u>FY3</u>	<u>FY4</u>	<u>FY5</u>	<u>TOTAL</u>
1.	Personnel (100% FX Costs)	146	147	106	43	46	488
2.	Personnel (43% LC Costs)	43	35	35	30	32	175
3.	Vehicles (100% Costs)	47		5	15		67
4.	Machinery & Equipment (100% Costs)	290	13	14	14	13	344
5.	Operations & Maintenance (23% LC Costs)	75	41	21	14	1	152
6.	Consultants & Evaluation (100% Costs)	19	20	22	10	14	85
7.	General Administration & Other	48	41	31	22	22	164
8.	Construction	30					30
9.	Credit Fund	<u>175</u>	<u>125</u>	<u>50</u>			<u>350</u>
	Overhead	<u>873</u>	<u>422</u>	<u>284</u>	<u>148</u>	<u>128</u>	<u>1,855</u>
		<u>209</u>	<u>101</u>	<u>68</u>	<u>36</u>	<u>31</u>	<u>445</u>
	TOTAL	1,082	523	352	184	159	2,300

e. AID Funded Costs by FY (continued)

General Administration & Other (7) includes the construction or renovation of an office building in Fada, office expenses (furniture, supplies, electricity & phone), in-country travel, inter-Africa travel to other PfP programs and a 5% contingency fund.

Construction includes funds for the construction, renovation or purchase of housing for project personnel in Fada, Piela and the eventual sub-regional centers. Apart from the house in Fada which will be appropriate for a general manager, all housing will be of a simple nature in which local designs and building materials will be utilized to the greatest extent possible.

f. Other Income -- Breakdown by FY (\$000)

Item	<u>FY1</u>	<u>FY2</u>	<u>FY3</u>	<u>FY4</u>	<u>FY5</u>	<u>TOTAL</u>
1. Credit Fund	20	38	40	52	53	203
2. Equipment						
Bulldozer	16	16	28	29	30	119
Dumptruck	15	21	30	35	40	141
Tractors (2)	13	20	20	20	20	93
3. Project Investments	5	10	20	32	58	125
4. Training Fees, Consulting	—	—	—	5	6	11
TOTAL	69	105	138	173	207	692

Income from project investments was calculated as follows:

Year I - Income from rice production and dry season vegetable and tobacco production at the Tiparga experimental farm and Tapoa irrigated perimeter in Diapaga.

Year II - Increased agricultural production from Tiparga & Tapoa plus income from PFP participation in a cinema and a gas station.

Year III - Increased agricultural production from new land development plus better use of existing land.

Years IV & V - Increased agricultural production plus PFP participation in 3-5 new enterprises.

Pursuant to discussions held with local bank officials, capital for the above investments will come from local commercial banks.

g. " Person Years by FY

	<u>FY1</u>	<u>FY2</u>	<u>FY3</u>	<u>FY4</u>	<u>FY5</u>	<u>TOTAL</u>
Person Years -Fx Costs-	4	4	3	1	1	13
Person Years -LC Costs-	16	16	15	17	17	82
	20	20	19	18	18	95

All "Fiscal Years" in this budget refer to accounting cycles of the project (July 1 - June 30) and not of AID.

F. WAIVERS

A. To allow a procurement source waiver from AID Geographic Code 941 to Geographic Code 935 (Free World) source countries as follows:

- . Description of Commodity: small, light-weight trailbikes of 175 CCs or less
- . Approximate Value: \$10,500
- . Probable Source: Upper Volta

Discussion: Pfp/Upper Volta is requesting a source waiver to permit procurement of approximately 8 small, lightweight trailbikes from Code 935 countries as per the guideline #4C2(d) in Handbook #1, Supplement B, pages 4-8. The motorcycles are to enable the enterprise extension aids and their supervisors to reach out into the outlying rural areas. The distances, terrain and climate involved necessitate the use of motorcycles as the cheapest and most efficient means of transport and preclude the use of other forms of transport, e.g., bicycles. The type of motorcycles to be used will be light trailbikes. No motorcycles of the size and type required are manufactured in the U.S.

Another Pfp project in Liberia already has a number of motorcycles from 935 source countries which have proved to be well-suited to their purposes. Servicing and spare parts are available for these machines whereas they are not available for U.S. motorcycles.

B. To allow for a Proprietary Procurement Waiver as follows:

Description of Commodity: Caterpillar D4 Bulldozer

Approximate Value: \$75,000 including shipment

Discussion: Pfp/Upper Volta is requesting a Proprietary Procurement Waiver for the purchase of one Caterpillar D-4 Bulldozer as justified according to Guideline #3C4C(3) and (5) in Handbook #1, Supplement B, pages 3-8 as follows:

The GOUV uses Caterpillar equipment and Caterpillar has opened the only fully stocked sales and service center in Ouagadougou. Also, due to their experience gained while working for the Government, a pool of machinery operators and mechanics skilled in the use of Caterpillar equipment exists within the project area.

To take advantage of these existing skills and facilities the project needs Caterpillar equipment. To use a non-Caterpillar Bulldozer, the project would have to develop new channels for the supply of spare parts and retrain the local operators and mechanics. If the supplier of the Bulldozer does not have a service facility in Ouagadougou, the use of this equipment would depend upon a supply channel stretching back to the U.S.

Because of the limited nature of this procurement, it is not reasonable to expect a supplier to create or improve its ability to service a single Bulldozer operating in the project area. This places the full burden for maintaining and operating the equipment upon the project staff.

To avoid the problems and down time inherent in the re-training of operators and mechanics on unfamiliar equipment, and the need to create new support channels a proprietary procurement waiver has been requested.

D. To allow for a Proprietary Procurement Waiver as justified according to Guideline #324C(3) & (5) in Handbook #1, Supplement B, pages 3-8 as follows:

- . Description of Commodity: 1 Mack (10 ton) Dump Truck
- . Approximate value including shipment: \$55,000
- . Probable Source: Mack Corporation or agent thereof

Discussion: Mack Trucks are in extensive use throughout Upper Volta and Mack Trucks Inc. has a fully stocked sales and service center in Ouagadougou. Also operators and mechanics trained in the use and repair of Mack equipment exist within the project area. There are no other local service facilities for any other U.S. manufactured trucks. The truck is to be used to transport earth, construction materials, and agricultural commodities. (See Section C.5 for further discussion).

E. To allow for a Proprietary Procurement Waiver as justified according to Guideline #3C4C(3) & (5) in Handbook #1, Supplement F, pages 3-8 as follows:

Description of Commodity: 2 80 hp Massey
Ferguson Tractors & attachments

Approximate value including shipment: \$75,000

Probably Source: Massey Ferguson or agents
thereof

Discussion: Massey Ferguson tractors are widely used in Upper Volta and in the project area. A fully stocked sales and service center is located in Ouagadougou, the capital city. There are operators and mechanics familiar with this equipment. There are no other local dealerships or service facilities for other U.S. made tractors. The demand for tractors is in the Eastern Department, and the service provided by the Eastern ORD is not sufficient to meet it. Every year hundreds of farmers are disappointed because they have asked for an ORD tractor to plow their fields, but it wasn't available. This results in large losses in production. PFP anticipates no trouble contracting the tractors since demand for such services is virtually unlimited. The critical factor in providing tractor service is maintaining the tractor so that it will be available to all potential customers. PFP plans to have a full-time professional mechanic for the first three years of the OPG plus one local mechanic apprentice who will be trained to replace him.

F. To allow a Procurement Source waiver from Aid Geographic Code 941 to Geographic Code 935 (Free World) source countries as follows:

- Description of Commodity: 2 80 hp Massey Ferguson Tractors and attachments
- Approximate value including shipment: \$75,000
- Probable source: France or Switzerland

Discussion: The Massey Ferguson sales and service center in Ouagadougou only stocks spare parts for the tractors it receives from its suppliers in France and Switzerland. In order to insure the efficient, profitable operation of its tractors, PFP considers it essential that it be able to make use of these local service and spare parts facilities. Purchase of the U. S. made version of the tractor would place a heavier administrative burden on the PFP staff and would result in longer periods of tractor down-time.

G. To allow for a Proprietary Procurement Waiver as justified according to Guidelines #324C(3) & (5) in Handbook #1, supplement B, pages 3-8 as follows:

- . Description of Commodity: 4 American Motors Corporation Model J-20 Jeep Trucks
- . Approximate Value including shipment: \$45,000

. Discussion: USAID/Ouagadougou is standardizing purchasing and maintenance with the Jeep dealership in Ouagadougou. The Jeep dealership has the local garage, mechanics and spare parts to maintain the vehicles. And among American vehicles this is the one most appropriate for the very rugged driving conditions of the Eastern Department.

INITIAL ENVIRONMENTAL EXAMINATION

Project Country : Upper Volta
Project Title : Small Economic Activity Development (686-0249)
Funding : FY(s) 1981-86 \$2,300,000
IEE Prepared by : David B. Dawson, AFR/DR/SWAP
Action Recommended by : ^{Wyn} A. Gordon MacArthur, Dir. AFR/SWA (Acting)
Environmental Action Recommended;

Positive Determination _____
Negative Determination X

Bureau Environmental Officer

APPROVED

James S. Hester

DISAPPROVED _____

DATE

24 July 1981

Clearance: LDeSoto:GC/AFR

LD (Chuff)

Date

July 24 1981

G. INITIAL ENVIRONMENTAL ASSESSMENT

I. Project Description

The major objective of this project is to promote small scale rural enterprises in the Eastern Department. The target is to reach at least 1,000 rural entrepreneurs over a five year period. The business they organize with family members and other partners will provide direct economic and educational benefits to 10,000 people.

The major project activities which will lead to the attainment of these objectives are as follows:

- a package of management and technical assistance to help people plan and develop small scale productive activities
- a credit fund of \$350,000 which will be matched by investments to develop small scale economic activities
- equipment and construction materials to develop the farming and agricultural processing activities of people left out of other programs
- formation of an indigenous private development organization that will be staffed by Voltaics trained in program design and implementation and that will have a significant capability for self financing
- cooperation with other Upper Volta development programs, public and private, for PFP/UV to be a valuable prototype for training and the demonstration of field methods which they can incorporate into their own projects
- a health education and environment component to acquaint PFP beneficiaries with the prevention of water-borne and water-related diseases

A detailed description of all activities cited above minus the health is included in Section A. The health component is described in the following component section of the Initial Environmental Assessment.

The Eastern ORD is the least densely populated area of Upper Volta. It comprises 18% of the national territory, yet it is inhabited by only 7% of Upper Volta's resident population. Population density is less than 10 people per square kilometer. The potential for agricultural development is much greater in this

area than in other parts of Upper Volta where much higher population densities have resulted in land shortages and relatively exhausted soils. The climate in the region varies from the "southern Sudan" type with annual rainfall of 100 mm in the very southern part of the Eastern ORD to "Sahelian" in the very northern part of the ORD where annual rainfall is 600 mm. Vegetation is in the form of trees, shrubs, and grass is evidence throughout the project area but gradually decreases in density from south to north.

The major ethnic groups on the project area are Gourmanche, Mossi and Peuhl and are basically comprised of subsistence farmers and herders. There is virtually no industry in the project area other than tourism, which is relatively active during the dry season in the southeastern part of the ORD where two of Upper Volta's major game reserves are located. Per capita annual income in the project area is significantly lower than the national estimate of \$179.

HEALTH EDUCATION AND ENVIRONMENT COMPONENT--Description

The purpose of this health education and environment component is to provide the rural people of the Eastern Department in Upper Volta with 1) a knowledge of water-borne and water-related diseases that may occur in wells or water reservoirs; 2) to acquaint them with the potential health benefits of improved water sources; 3) to assist them in the development of low-cost, non-chemical methods which they can use to control water-related diseases; and 4) to continually monitor the effects of the PFP/UV project on the natural environment.

The World Health Organization estimates that up to 80% of the world's diseases are traceable to impure water, and children are especially vulnerable. In rural Upper Volta, water supplies are both low in quantity and quality. The quantity of water used increases during the rainy season, but it is collected from the nearest water hole generally irrespective of water quality. Surface water may be contaminated by debris and human and animal fecal matter. Surface water also provides breeding grounds for major diseases such as malaria, oncocerciasis, shigellosis, schistosomiasis, guinea worm, amoebiasis, trypanosomiasis and hook worm.

Because PFP is proposing to assist farmer-entrepreneurs in the development of approximately 80 bas fond water reservoirs and wells per year, it is necessary to include this health component to control for water-related diseases. There is a severe shortage of health personnel in rural Upper Volta to provide health care services for such diseases or to identify their sources. There is also virtually no health education at the village-level, and what little health care there is curative rather than preventative. This health education component is necessary so that the positive effects of improving small farmers' land and showing them how to grow cash crops will not be offset by any diseases related to standing water.

The health and environment component involves the development and implementation of a local level education campaign designed to emphasize preventative health measures among the families and neighbors of PFP-assisted beneficiaries who construct water reservoirs or wells. A health and environment work will 1) inspect water quality in project reservoirs and wells; 2) conduct a health education program to increase beneficiary knowledge of what water-related diseases are; how they travel; and what are health benefits or controlling them; 3) cooperate with individuals, farmer groups or village committees in the design and implementation of effective natural (non-chemical) methods to control water-related diseases; 4) assist in the development of village pharmacies that stock simple medicines which control such diseases; 5) collaborate with GOUV sanitarians and other health education specialists to advance villagers' knowledge of preventative health care in the Eastern Department; 6) identify any environmental effects produced by the project and be responsible for reporting this project management along with recommendations for any special consulting services or commodities; 7) integrate the health and environment component with the rest of the project.

Project funding will provide for a worker in community health education and the environment; transportation; water testing equipment; health education teaching aids; operating costs; and a small experimental fund to assist villagers in developing natural means of water disease control (such as the use of Talapia, a fish that eats mosquito larvae).

The project health and environment worker will develop a program in conjunction with the GOUV National Center for Health Education (CNES). Experience to date of the USAID Rural Water Supply Project No.# 6860228 in Southwest Upper Volta will also be incorporated, as well as other relevant health education programs in the country.

II. Identification and Evaluation of Environmental Impacts

1. Changing the character of the land through:
 - a. Increasing the population of people in the project area: Any increase in the human population of the area will be an indirect result of the project, through increased food production and employment opportunities. It is anticipated that this impact will be very minor.
 - b. Extracting natural resources: none
 - c. Land clearing: the project will increase the land area under cultivation. Virgin land in the "bas fonds" that presently is not being used will be developed for rice cultivation. This is something enterprising farmers have done over the last twenty years around Fada N' Gourma. Whenever a bulldozer has been available at

Public Works and a farmer had enough money to rent it, he used it to level land and build small-embankments for water retention. These embankments are low enough to let excess water pass after heavy rains, but high enough to hold a water level of 20-30 centimeters, which is sufficient for rice production. The oldest existing rice fields around Fada N'Gourma are about twenty years old and show no negative environmental impact. Bas fonds development has resulted in the replacement of indigenous grasses and reeds, which have little economic value, by rice, which provides economic benefits for the local population without harming the environment.

- d. Changing soil character: the project will stimulate changing soil character through the introduction of plowing, crop rotation, and fallow periods. By promoting a system of crop rotation, including legumes and fallow periods the project will encourage the long-term maintenance of soil fertility.
2. Altering natural defenses: There will be no use of pesticides or other chemicals in the project.
3. Foreclosing important uses: Land in the "bas fonds" that will be developed for rice is currently used for grazing. All the varieties of grass growing in the "bas fonds" are not palatable for the cows. The small reduction of the grass used for grazing will be offset by the production of the stubble of the rice, which is an acceptable substitute.
4. Impact on man or his works: The primary impact on man and his works resulting from this project will be increased food production. Increased food production is expected to be achieved primarily through putting virgin land under cultivation and by improving the other land use through water retention.

III. Water Quality

1. Physical state of water: Sedimentation in streams and rivers will be reduced through water retention in the bas fonds and through anti-erosion measures to be taken by the project in connection with land development schemes.
2. Water quality will be improved by regular testing of wells and reservoirs; and by measures to control water-borne diseases such as fencing; natural means to destroy parasites and larvae; and health education for persons with access to the water source.

IV. Cultural

1. Altering physical symbols: No components of the project pose a threat to cultural symbols.

2. Dilution of cultural tradition: Introduction of technical innovations will marginally dilute cultural traditions. However, the techniques being introduced represent incremental changes which build upon existing practices. Furthermore, PFP/Upper Volta is fortunate to have indigenous personnel who are highly sensitive to these problems.
3. Other factors, increased self-esteem for rural producers: To the extent that entrepreneurs and farmers are enabled to increase their productivity and their income their self-esteem will be correspondingly increased. They will enjoy a sense of being able to master more efficiently their environment and they will be able to live a little bit less close to the margin of subsistence. In Phase I of the current program, PFP has seen many examples of how the introduction of "cash-crop" like rice has changed the lives of rural farmers and enabled them to buy more basic consumer goods (e.g., medicine and bicycles). Also, in addition to increased earnings from cash-crops, village cereal banks and other credit schemes will enable the PFP clients to meet his/her food need during the hungry season without succumbing to the economic disadvantage and humiliation of borrowing money from private merchants who charge very high interest rates, will go a long way toward increasing the self-esteem of the target population.

V. Socioeconomic

1. Changes in economic/employment patterns: The creation of new rural enterprises will create new jobs in the rural areas. To the extent that farming becomes more profitable and perceived as such, it is foreseeable that there will be some "return to the farm" of rural youth who currently migrate to urban areas in search of work.
2. Changes in population: Increased food production may marginally increase population through improved nutrition and in immigration. The impact is not expected to be significant.
3. Changes in cultural patterns: Innovations to be introduced by the project build on the existing system rather than supplanting it.
4. Other factors, increased purchasing power for entrepreneurs and rural farmers: Increased food production and cash crops will increase the purchasing power of farmers. New enterprises will increase income of entrepreneurs and employees.

1. **Changing a natural environment:**
The natural environment of the project zone will not be changed by the project.
2. **Eliminating an eco-system element:**
No components of the project will pose a threat to an eco-system element, including endangered animal species.
3. **Other factors, improved nutrition:**
It is anticipated that one of the first (and probably most important) uses by PFP clients of increased income will be increased amounts of food consumed by rural families. This will have a decidedly positive nutritional impact on the population of the Eastern Department.
4. **Village preventative health care can be expected to increase as a result of :** 1) knowledge of water-related diseases; 2) water-testing; 3) means to control water-related diseases; and 4) improved supply of simple medicines to prevent such diseases.

VII. General

1. **International impacts:**
By increasing food production beyond the self-sufficiency needs of farmers in the Eastern Region, the project zone may become a food-surplus area which can export food grains, meat and honey to neighboring countries.
2. **Controversial impacts:**
The project will not have any controversial impacts.
3. **Larger program impacts:**
The creation of a Voltaic non-profit foundation that will generate enough funds to sustain its activities, will have a decisive positive impact on development projects in other parts of Upper Volta.
4. **All the environmental impacts of activities to be financed under Phase II of the current project cannot be identified at the present time. However, the project will have a full-time staff member monitoring environmental effects and reporting them to project management, the GOUV and AID. The health and environment component of the project will also be subject to outside evaluation during the third and fifth years of Phase II.**

Recommendation

In light of the above discussion, it is concluded that the environmental impacts which may result from the project will not be highly significant, and those impacts which do result will be for the most part positive. Therefore, in view of the fact that (1) there are no significant reasonably foreseeable impacts on the environment, (2) the few moderate impacts which have been identified are primarily positive in nature, and (3) adequate measures are being taken to mitigate the potential negative impacts, a negative determination is recommended.

TABLE I

IMPACT IDENTIFICATION AND EVALUATION FORM 1/

Impact Areas and Sub-Areas

Impact Identification and Evaluation 2/

A. LAND USE

- 1. Changing the character of the land through:
 - a. Increasing the population L-
 - b. Extracting natural resources N
 - c. Land clearing L
 - d. Changing soil character L+
- 2. Altering natural defenses L-
- 3. Foreclosing important uses N
- 4. Impact on man or his works. M+
- 5. Other factors _____

B. WATER QUALITY

- 1. Physical state of water N
- 2. Chemical and biological states -N
- 3. Ecological balance N
- 4. Other factors _____

1/ See following section for discussion of impacts identified in this Form.

2/ Key to symbols: N - No environmental impact
 L - Little (low) environmental impact
 M - Moderate environmental impact
 H - High, significant environmental impact
 U - Unknown environmental impact
 + - Indicates impact is positive
 - - Indicates impact is negative

IMPACT IDENTIFICATION AND EVALUATION FORM

C. ATMOSPHERIC

- 1. Air additives N
- 2. Air pollution N
- 3. Noise pollution N
- 4. Other factors

D. NATURAL RESOURCES

- 1. Diversion, altered use of water M+
- 2. Irreversible, inefficient commitments N
- 3. Other factors

E. CULTURAL

- 1. Altering physical symbols N
- 2. Dilution of cultural tradition. N
- 3. Other factors
 - Increased self-esteem for rural producers M+

F. SOCIOECONOMIC

- 1. Changes in economic/employment patterns L+
- 2. Changes in population N
- 3. Changes in cultural patterns. N
- 4. Other factors
 - Increased purchasing power for rural farmers. M+

G. HEALTH

- 1. Changing a natural environment N
- 2. Eliminating an ecosystem element N
- 3. Other factors
 - Improved nutrition M+

IMPACT IDENTIFICATION AND EVALUATION FORM

H. GENERAL

- 1. International impacts N
- 2. Controversial impacts N
- 3. Larger program impacts N
- 4. Other factors

I. OTHER POSSIBLE IMPACTS (not listed above)

LOGICAL FRAMEWORK		VERIFICATION MEANS	ASSUMPTIONS
NARRATIVE SUMMARY	INDICATORS		
<p>GOALS To improve the quality of life and further economic development in the Eastern Department by assisting the start-up and development of enterprises through credit, management training, technical assistance, organization and economic planning.</p>	<p>Creation of 450 new enterprises by year 3. Improvement and expansion of 350 already-existing enterprises by year 3. New employment for 1,000 people and more productive employment for 2,500 others. Increased economic and/or educational benefits to 10,000 family members of entrepreneurs. Improved economic infrastructure resulting in greater quantity and better quality of goods and services for local consumers.</p>	<p>Business surveys QRB farm surveys PPP impact analysis</p>	<p>Continued GOV and QRB support of small enterprise development activities. Improved area infrastructure, especially roads.</p>
<p>INTERMEDIATE Increase scope of project activities—more clients, loans, areas served. Improve field methods and area impact via greater integration with agricultural activities. Create a Voltaic institution to carry on program activities. Train indigenous management. Build PPP/UV income-earning capacity.</p>	<ol style="list-style-type: none"> Increase number of clients to 1,500, make 275 loans per year, bring services to most major Eastern Department population centers by year 3. Make 500 loans for agricultural production/processing or livestock by year 3. Establishment of organization by-law, Voltaic board of directors. Voltaic staff that can manage field activities. PPP income-producing activities earning 75% of projected income by year 3. 	<p>Bi-annual project reports Periodic evaluations USAID visits to project</p>	<p>Exogenous factors such as weather or political instability do not disrupt project progress.</p>
<p>THIS Increased amount of loans, management and credit training, technical assistance, project sites. Increased economic/organizational infrastructure, trained Voltaic staff to provide effective administration and financial administration of program. Founding and legal registration of Voltaic PVO that has mechanisms for beneficiary participation in decision-making. Ability of program to earn a substantial portion of its project costs.</p>	<ol style="list-style-type: none"> 40 loans per year per PPP field worker (including support staff). At least 250 loans per year. Expansion to Peki-Boganda. 5% increase in number of clients per year at existing sites. At least 20 group ventures, community projects or local organizations receiving loans or assistance per year. 516 Voltaic field staff hired year 1; three Voltaic managers hired and receiving training by beginning year 3. PPP income activities earn at least \$519,000 during OPE. 	<p>Bi-annual reports Financial statements Year 3 finance evaluation Year 5 impact analysis PPP newsletters</p>	<p>GOV and Eastern QRB price policies for credit, ag commodities and services are rational. Increased agricultural output can be marketed profitably.</p>
<p>ONIE Staff Credit/Equity fund Heavy equipment, construction materials, other commodities. PPP offices</p>	<ol style="list-style-type: none"> 3 non-yearly expatriate staff. Six Voltaic field agents; three Voltaic managers; four equipment operators; one mechanic. Credit/equity fund of \$350,000 bulldozer, 10 ton dumptruck, 2 80 hp tractors. 	<p>Bi-annual reports</p>	<p>There are no problems with equipment arriving at or being serviced in Upper Volta. That Voltaiques can be located who have the qualifications necessary to their staff positions.</p>

BEST AVAILABLE DOCUMENT