AGENCY FOR
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UPPER VOLTA

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 82

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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COUNTRY DEVELOPMENT STRATEGY STATEMENT

UPPER VOLTA

Approved: Richard C. Meyer
Richard C. Meyer
Mission Director

Approved:
Thomas D. Boyatt
Ambassador

Prepared by USAID/Upper Volta
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Executive Summary

Upper Volta faces an enormous development challenge. Per capita income was $159 in 1979; the nearest seaport is over 750 kilometers away; and a rapidly growing population presses against a meager natural resource base. The trained human resource base is small, and the country's infrastructure is limited. Opportunities for economic growth in the short-run are limited to agriculture and light industry. Almost every development effort must confront a variety of interlocking constraints, making it unproductive to attack a single constraint at a time.

Two of the most serious constraints are the lack of trained personnel and the inability to meet recurrent costs of development projects. The low literacy level inhibits effective dissemination of new agricultural techniques. The lack of infrastructure makes transportation and communication expensive. Soils are generally mediocre, with fallow time for restoration growing shorter as the population doubles every 30 to 35 years. The growing demand for firewood threatens to denude the more densely populated areas of the country in only 20 years. Partial conversion to dung for fuel in some areas is already reducing the use of manure to restore soil fertility. Limited availability of water not only keeps rural water consumption down to 5 liters per person daily, but also discourages vegetable gardening--which could significantly improve nutritionally deficient diets. Present farming techniques give low per hectare yields and limited potential surpluses. Poor health and scarce health care facilities make rural life difficult and hazardous.

Although Upper Volta's development prospects may seem bleak, there is a positive side. Economic growth has remained slightly ahead of population increase despite the drought years and without the benefit of mineral exploitation. The country's policies favor small and medium-sized enterprises, and agricultural

development is directed toward the small farmer. Finally, the country has a functioning democracy which holds great promise for popular participation in the development process. Given the severe resource constraints, this government's approach to development is sound and compatible with AID's Congressional Mandate.

The USAID strategy in assisting Upper Volta in its development within the Club du Sahel/CILSS first generation of projects and AID's regional development strategy consists of interventions in four priority areas. First is increasing food production, moving from project interventions to an agriculture sector approach at the national level while retaining a regional concentration/integrated rural development approach at the ORD level.

Second priority is preservation and enhancement of the productive capacity of the natural resource base. Training of ecology-conscious agents, small activities in woodlots and better woodstoves and an Environmental Assessment will lead to larger projects in land management and conservation.

Third priority is population and health-related activities. The Mission will vigorously advocate the introduction of family planning and include a family planning component in the planned assistance to expand and upgrade rural health delivery systems. Involvement in the health sector already includes annual provision of vaccines to the MOH and improvement of the quality and availability of water in rural areas coupled with village health education. PL 480 food is used to combat the nutritional deficiencies of children and pregnant women and when necessary for emergency feeding, while the capacity of the country to produce agricultural surpluses is being improved.

Fourth priority is rural education ranging from innovative agricultural extension and rural health education to meeting the need for expanded primary education with a curriculum relevant to rural school-leavers as well as to

those who will continue to secondary schools.

If it occurs, the increase to a $75 million annual program by 1986 will permit a much broader program than currently feasible including greater emphasis on BHN in rural areas and higher levels of recurrent costs financing. Furthermore, with greater reliance on PVO's, larger projects and use of a Commodity Import Program to address the recurrent cost problem, USAID staffing levels will increase only marginally while the program size increases significantly.

I. ANALYSIS

A. Analytical Description of the Poor

Upper Volta is one of the poorest countries in the world,with a per capita income of $ 159 in 1979. It is an agrarian economy with 91% of the population living in rural areas. The five largest towns are classified as urban with a combined population of under 500,000. Performance in the agricultural sector is the primary determinant of performance in all other sectors. Although different areas of the country are faced with different development problems and varying degrees of poverty, in all areas the vast majority of the population is poor. The poverty of the ethnically heterogeneous West and Southwest is less acute than in the densely populated central and northern Mossi plateau or in the arid Sahel region of the Fulani herders. The Gourmantche people who inhabit the lightly populated Eastern region also seem slightly better off than the politically dominant Mossi, who make up nearly half of the national population.

The only national income accounts done thus far (1968, 1972, 1974) categorize income sources by traditional and modern sectors, but not by urban, semi-urban or rural location. Since a significant proportion of active workers in urban areas is primarily engaged in agriculture, not all income from agriculture can be attributed to the rural population. Also, approximately a third of the labor force in the other sectors is found in rural areas. Lacking data on productivity of the urban and rural labor forces, we cannot estimate value added in each sector by location. In any case, no matter what assumptions are made about income distribution, only about 10% of the population are above the ILO poverty line for Africa ($ 205 in 1972 prices).

While there are no studies on national income distribution disaggregated by region, movements of population and data on farm yields provide general indications of the geographic incidence of poverty. Yields per hectare for

food crops in the Bobo-Dioulasso and Dedougou regions are 50 to 100% higher than yields on the Mossi plateau with the lowest yields in the Ouahigouya area. The Eastern region does relatively better than the densely populated Mossi plateau with similar rainfall patterns in part because its lighter population density makes it possible to practice extensive agriculture without destroying soil fertility. The Sahel has low crop yields because of its very sparse rainfall and its greater specialization in animal herding. Finally, the Bobo and Dedougou areas produce nearly half of all cash crops with only 18% of the total population. The heavy migration from the Mossi plateau to rural areas around Bobo-Dioulasso and Dedougou reinforce the impressions derived from the agricultural data (see maps on pages following population section, p. 7).

An area of current and proposed continued regional concentration of USAID assistance is the Eastern region. 1/ Approximately 100,000 of the 436,000 inhabitants of the region are in the USAID primary target population. The E. ORD contains almost one-fifth of the national land area. The social structure is stable and the rate of emigration is the lowest in the country, contributing only 1.8% of all Voltaic migrants (5,931) to neighboring countries. Almost all migrants from neighboring regions prefer to move west and south rather than into the E. ORD. Population density is low (8.8 per square kilometer) and the population is concentrated along the western border, in the northwestern Bogande area, and the Diapaga-Namounou area bordering on Niger. The dominant ethnic group in the area is the Gourmantche, with a small proportion of Mossi and Fulani. The population is classified as 97% rural and 3% semi-urban, more rural than the nation as a whole.

1/ Analyses of the Michigan State University farm survey data will enrich this section of next year's CDSS.

Another area of AID concentration is the Seguenega sector of the Yatenga ORD in the north central part of the country. The population is heavily Mossi with over 70 inhabitants per square kilometer. Its 110,000 residents face all the problems of the Mossi plateau in acute fashion: poor soils, deforestation and high rates of emigration.

Scattered evidence indicates that the poorest of the poor are nomads with very small herds, farmers in the western and northern Mossi plateau who are land-poor, and some of the urban working poor. By contrast, some of the wealthiest are nomads with large herds 1/ and professionals in urban areas. The traditional land tenure systems discourage significantly large individual land holdings.

Problems of Youth

The average age of household heads is 52. Average age at first marriage is 27 for men, 18 for women. Individually and collectively, the young have a difficult time getting access to their own land in order to become economically independent. Instead they must either work for the family in collective fields and receive their share from the household head or try their luck in town or in the Ivory Coast. A large proportion of young men migrate, leaving a disproportionate share of the farm work to women, who constitute the majority of the agricultural labor force, and to the very young and the older men. Nationally, the proportions migrating are 20.5% of men 20-29 and 14.3% of men 30-39 and a smaller proportion of women: 6.8% of women 20-29 and 2.9% of women 30-39. Up to 50% of men 20-29 have emigrated from some districts of the Mossi plateau.

1/ Swift, Jeremy, West African Pastoral Production Systems, pp. 101-102

Land Tenure

Although contributing to the emigration of men in their prime working ages, the traditional land tenure systems seem to be sufficiently secure in their conferral of user rights to households and lineages that they do not discourage investment in land. More investment is occurringin densely populated areas (tree planting for example), whereas in sparsely populated areas such as the Eastern region the system of long-fallow shifting cultivation still appears more economical than fencing, fertilizing, improving drainage or making other improvements on fixed fields.

Education

Literacy is estimated at 5% of the adult population in 1975, the lowest reported figure in the world. Current levels of school attendance are lower than any country except Bhutan. Only one child in six attends primary school. 70% of urban children are in primary schools compared to 9% of rural children. While femaleenrollment in primary schools has grown relatively faster than male enrollment since 1960, boys still outnumber girls 5 to 3. Secondary schooling is received by only 2% of the relevant age group. There are fewer than 4,000 university-level students and less than half of them are educated at the University of Ouagadougou.

Health

A combination of endemic malnutrition, high prevalences of infectious diseases and an extremely weak health infrastructure mean poor health for the Voltaic population, even by African standards. Life expectancy is 38 years and the infant mortality rate is 182 per thousand. Infectious diseases such as measles, pertussis, poliomyelitis, tuberculosis, tetanus and meningitis kill or leave permanently disabled and dependent tens of thousands of Voltaic children annually.This needless morbidity and mortality could be prevented

if potent and available vaccines were administered to children under two years of age.

Gastroenteritis with its resulting diarrheas and dehydration is thought to be one of the leading causes of death among children under age five. The gastroenteritis, hepatitis, amoebiasis and intestinal worms which debilitate the children of Upper Volta are spread by fecal contamination of the food and water supply.

A particularly painful and debilitating disease caused by contamination of the water supply by the guinea worm larvae is highly endemic in certain locales in Upper Volta. This disease is caused by infected individuals wading in surface water supplies or large shallow step wells and can be easily controlled by the construction of modern hand-dug or drilled wells.

Onchocerciasis which formerly contributed to the depopulation of some of Upper Volta's most fertile river valleys is being brought under control by the USAID-supported Onchocerciasis Control Program. Other parasitic diseases such as schistosomiasis and trypanosomiasis remain endemic.

Upper Volta's health infrastructure is weak even by Sahelian standards. Furthermore, health professionals and facilities are concentrated in the towns. Rural dispensaries are understaffed, poorly equipped and provide very low quality health care to villagers.

Health Infrastructure

Criteria	Upper Volta Number	Upper Volta % WHO Norm	Mali Number	Mali % WHO Norm	Senegal Number	Senegal % WHO Norm	WHO
1. Population per physician	53,264	19	31,957	31	16,181	62	10,000
2. Pregnant women per mid-wife	2,821	9	1,383	18	719	35	250
3. Population per nurse	4,387	114	2,075	241	1,938	258	5,000
4. Population per health center	146,134	27	132,235	30	142,725	28	40,000

There is one trained mid-wife for nearly 3,000 pregnant women and most deliveries do not occur at health centers. MCH consultations reach about 18% of all infants. Prenatal care and advice are given to 42% of pregnant women, but fewer than a quarter of these women deliver with the assistance of a health professional. 70% of trained mid-wives work in the two major towns.

Nutrition

Nutritional deficiency contributes to the severity of diseases in Upper Volta, and is particularly serious for children 1-3 years and pregnant women. A 1973 survey found 61% of children under 80% of standard weight for age (compared to 3% in a healthy western population) and 13% suffering from severe protein-calorie malnutrition. In 100 MCH centers covering 100,000 preschool children and 60,000 mothers, over half the children are below the minimum weight for age standards. Poor weaning practices make the transition from breast feeding to the adult diet a particularly drastic and difficult step to take, contributing to the high rate of child mortality.

The typical diet consists largely of carbohydrates such as millet, sorghum, corn and rice, plus some roots and tubers. The daily caloric intake is estimated at 1859 calories per person 1/ including only 45 grams of protein of which 4 to 5 grams is animal protein. The recommended diet contains 2400 calories, including 84 grams of protein of which 40 grams should be animal protein.

Water

In 1975, only 100,000 people had running water in their courtyards, and an estimated 70,000 more bought water from the public fountains. At all but a few wells, water is pulled up in buckets by hand. In many villages the wells run dry and women may walk ten to fifteen kilometers to get water, commonly from polluted sources. The CILSS estimated that rural people consumed only

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1/ I.B.R.D., World Development Report, 1979

5 liters per person per day of water against 75 liters daily per capita consumption in town. The problem of rural water supply is a priority concern of the GOUV as an important aspect of improving the quality of life in rural areas and increasing the production of nutritious foods in village gardens for which water is the principal constraint.

Population

Rapid population growth threatens to undermine all the efforts to increase per capita income, protect the productive capacity of the natural resources, and extend the coverage of the educational and health care systems to a larger proportion of the population. The rate of population growth increased to 2.06% by 1975 thanks to a more than 20% reduction in mortality since 1960 while fertility remained unchanged. Although rates of migration increased from 1960 to 1975, the population residing in Upper Volta still grew by 1.72% per year. As mortality declines further, rates of growth will probably increase and the 1978 population of 6.3 million (residents plus migrants) could grow to more than 11 million by 2000 including an estimated 1.5 million migrants outside the country. (See p. 36 for projections.)

Rural-to-rural migration has been heavy from the densely populated Mossi plateau to the west and southwest. The Mossi plateau also furnishes the largest number of migrants to the Ivory Coast. These population movements are in response to declining availability of arable land on the plateau and perceptibly better opportunities in the west, southwest, and Ivory Coast.

The urban population has only limited access to contraceptives and the rural population has virtually none. Abortions are illegal, but a small number are nonetheless performed at considerable risk to the patient's health and the practitioner's career. Some doctors refuse to treat women who admit they contracept. The considerable male chauvinism of much of the medical profession and the GOUV makes it exceedingly difficult to promote family planning measures. Yet,

considerable efforts are required to reduce infant mortality to levels low enough to induce Voltaics to limit the size of their families resulting in dramatic reductions in fertility.

Energy and Reforestation

We may win the short-run battles of raising agricultural productivity and improving the quality of rural life and still lose the war to achieve long-term sustainable growth if we cannot prevent irreparable damage to the productive capacity of the Voltaic environment. The key to the energy problem and protection of the environment is wood, which provides 94% of current energy consumption. While consumption of petroleum will continue to grow with modernization, it is unlikely that it will replace wood for cooking or for use by traditional artisans in significant amounts. According to the CILSS ecology expert, the demand for wood in Upper Volta already exceeds the regenerative capacity of the natural forest. In certain areas where the population density exceeds 25 inhabitants per square kilometer, deforestation is visibly apparent. A combination of measures is required to meet the demand of a rapidly growing population. Wood must be brought from farther away, it must be used more efficiently, and reforestation must increase local production at the same time.

The CILSS/Club report on energy demonstrates the rapidity with which deforestation can take place in densely populated areas.1/ Once consumption (assumed equal to .6 m^3/person/year) surpasses local production, with population growth at 2% per year, 20% of the forest disappears in 12 years and the whole forest is gone 10 years later.

If only reforestation were relied upon, Upper Volta would have to plant 20,000 to 40,000 hectares annually at a cost of 24 to 48 million dollars per year (12.5% to 25% of this year's national budget and 2 to 4 times the annual USAID program). However, the problem is more than a financial or budgetary

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1/ CILSS/Club du Sahel, Energy in the Development Strategy of the Sahel, p.45

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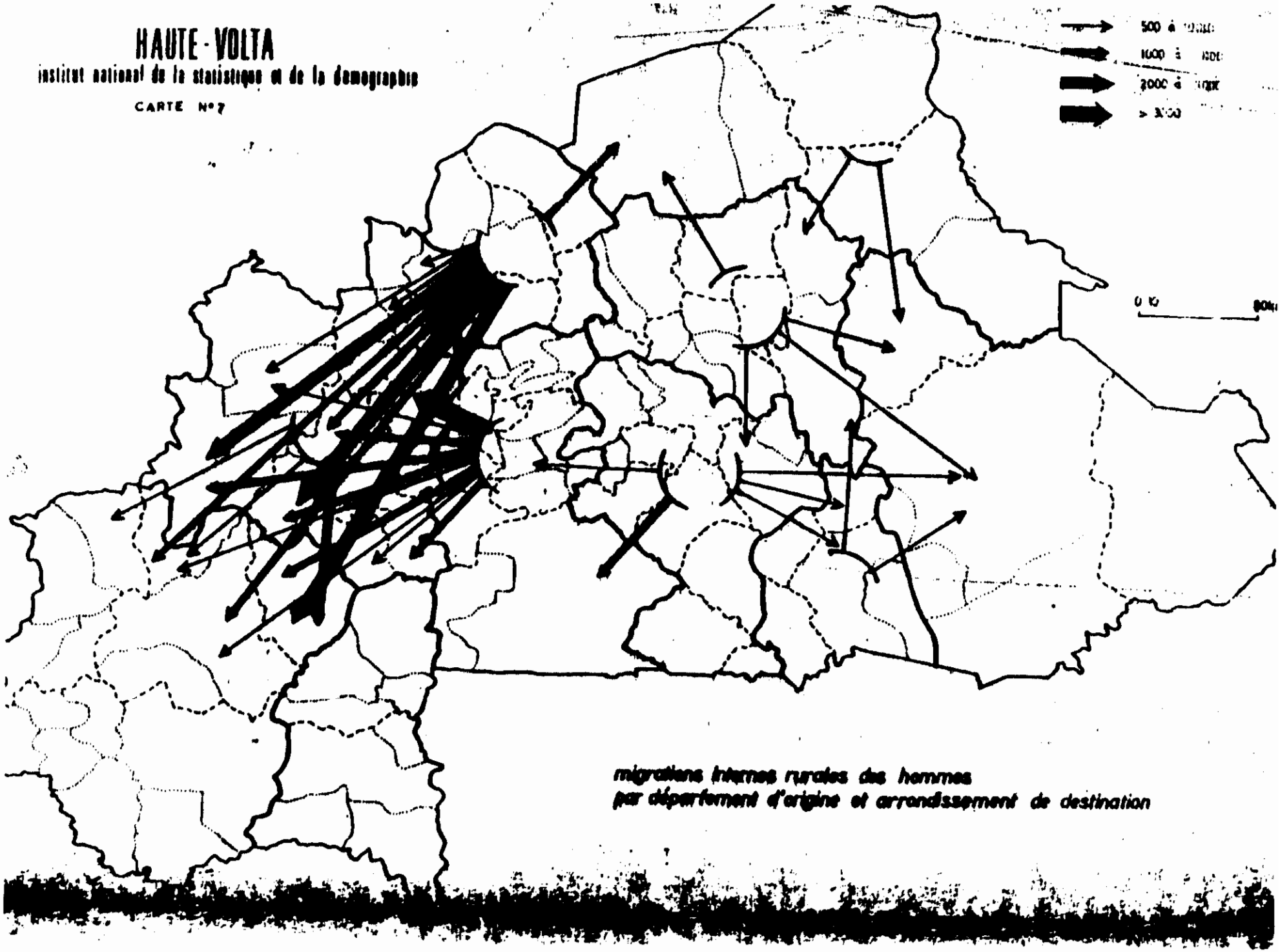
CARTE N°7

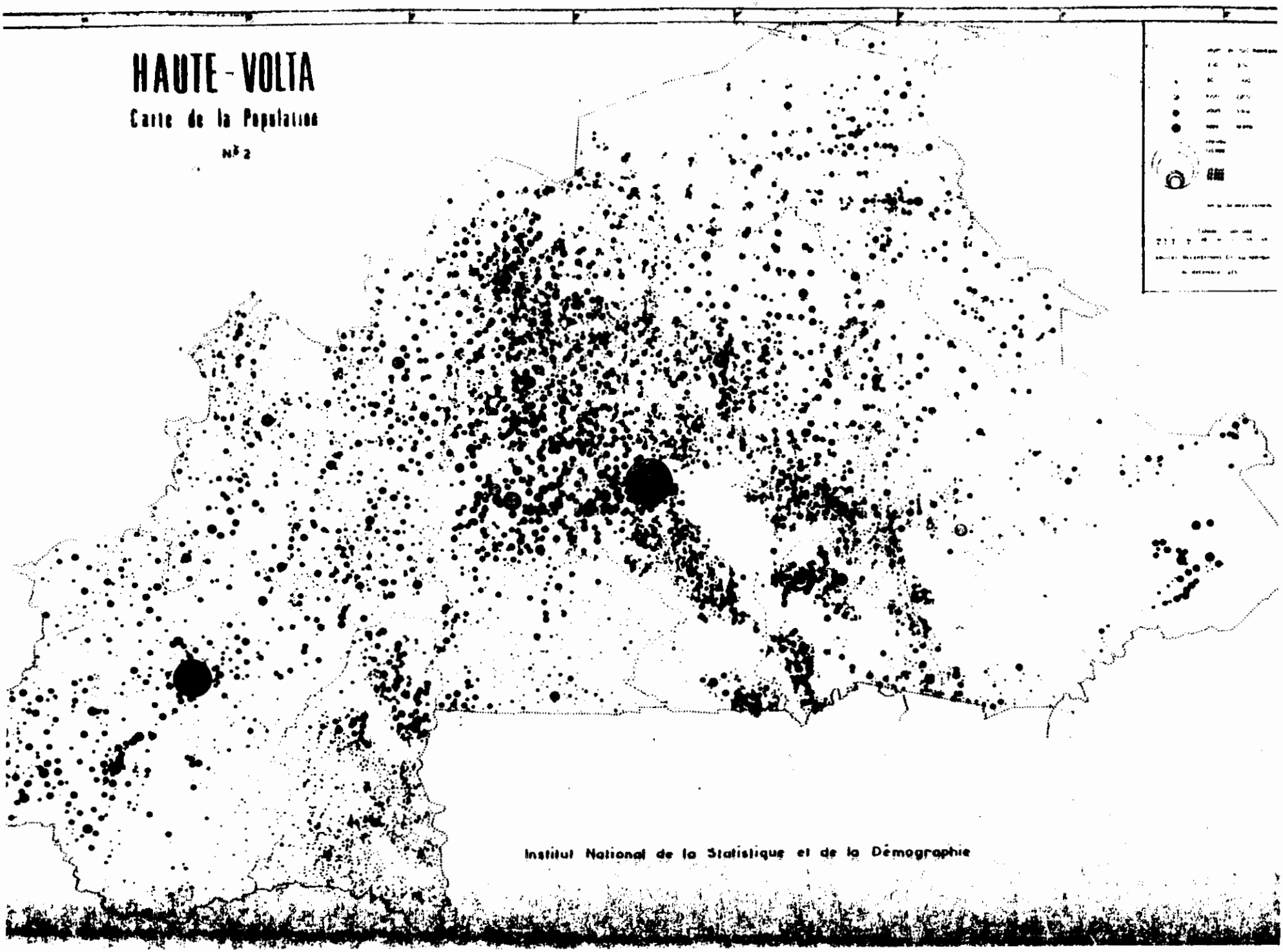


migrations internes rurales des hommes
par département d'origine et arrondissement de destination

HAUTE-VOLTA

Carte de la Population

N° 2



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problem. The same land which is needed to increase wood production is also needed to expand food crop production and provide grazing land for growing cattle herds. Most land will have to support multiple uses, but the ecological stability of the northern regions is already threatened by overuse. Serious application of land management and conservation principles is overdue.

Summary

Upper Volta is ranked ninth poorest in per capita income, ahead of Mali and slightly behind Chad in the Sahel. 1/ Conditions in all sectors of the economy and all aspects of life reflect the pervasive poverty of the country. Techniques of agricultural production are adapted to subsistence rather than reliance on the market. Attempts to extend new techniques are hindered by illiteracy. The badly maintained road network makes marketing of farm products costly and limits access to goods and services which would make increasing farm production worthwhile to the farmer. Health services and education are of low quality and reach only a small percentage of the rural population.

Rapid population growth and deforestation are inexorably reducing the capacity of the environment to sustain even this low standard of living. Within a generation in the northern regions, there may be no more forests and famine may recur frequently.

The degree and pervasiveness of poverty in all its dimensions generate a set of constraints to development which must be addressed. After examining the recent evolution of the economy, we will describe how the GOUV has addressed these development problems and how Mission strategy can contribute to and shape this effort.

B. 1. Economic Situation and Trends

GNP per capita has grown by only .6% per year since 1960. Per capita

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1/ I.B.R.D., World Development Report, 1979, Table 1

income equalled $122 in 1977 1/ and rose to $159 in 1979 (in current dollars), but in real terms the increase was only 1.2% per year. To reach a standard of living comparable to today's middle income countries by 2000 would require a real per capita growth rate of 3.9% or real growth of GNP at about 6.0% per annum. From 1974 to 1978 there was virtually no growth in real national product due to stagnation in the primary sector which in turn held growth to three per cent annually in the modern sector. However, improved performance in the rural sector in 1978 (especially cotton) and 1979 stimulated the economy and permitted the small increases in real income noted above.

Among the factors slowing development of the economy are generally poor soils, lack of water, high internal transport costs and great distance from seaports, and low levels of education and technical know-how. The basis of the economy is a subsistence-oriented agriculture with its highly variable marketed output due to irregular rainfall patterns. The alternating periods of growth and stagnation in the rural sector are transmitted to the entire economy. In addition, almost all exports are agricultural products, so the country's balance of trade also depends heavily upon this sector.

Agriculture accounts for 37% of GDP, industry 14% and commerce and services 49%. Remittances from migrant workers and aid in kind continue to be important sources of national income, equivalent to 8% of GDP in 1978.

In the decade of the 60's per capita production of millet and sorghum averaged about 189 kilograms. In the 1970's however, the average fell to approximately 160 kilograms with only one year, 1975, above 180 kilograms per capita. The post-drought harvests have been generally inferior to those of the 60's. To meet the deficits, food imports grew during the drought years and have since diminished, but continue to exceed pre-drought levels.

1/ We use the resident population of 5.8 million projected by the national census rather than the 5.5 million figure reported by the World Bank.

Upper Volta's export performance has been relatively good. While official marketing of groundnuts has fallen and remains low, and sheanuts are going through a normal cyclical drop in output, cotton production reached record levels in 1978/79.

Marketed Output (000's tons)	74/75	75/76	76/77	77/78	78/79
Groundnuts (shelled)	19.5	14.9	5.9	1.8	1.0
Sesame	4.6	1.7	3.3	1.7	4.3
Sheanuts	5.6	48.6	32.4	56.7	7.3
Cotton: seeds	10.9	17.9	18.0	13.5	24.8
ginned	11.3	18.2	20.2	13.9	22.3
Exports (000's tons)					
Groundnuts (shelled)	17.5	11.9	4.7	0.1	1.0
Sesame	4.6	1.7	3.3	1.7	4.3
Sheanuts	.8	41.1	32.4	40.6	4.9
Cotton: ginned	10.7	17.4	19.7	13.4	21.7

Source: Caisse de Stabilisation des Prix des Produits agricoles and CFDT.

In addition to exports of livestock, cotton and sheanuts, Upper Volta has potential as an exporter of cereals and other agricultural products to the coastal countries and to its Sahelian neighbors. The expansion of sugar cane production in the southwest has permitted Upper Volta to export small amounts of sugar.

Value of Recorded Exports
(millions of $)

	75	76	77	78	79
Livestock products	17.4	7.8	18.4	22.6	33.2
Cotton	7.1	24.1	26.1	19.9	30.4
Sheanut products	4.7	10.5	6.1	12.0	2.8
Groundnuts (est.)	6.9	3.1	1.4	-	.5
Sesame (est.)	1.4	.6	1.1	.8	2.2
TOTAL	73.2	82.7	96.7	107.1	126.6

Upper Volta's external public debt surpassed 200 million dollars in 1979, more than triple the outstanding debt in 1975. The debt service increased to 7.4% of the proposed 1980 national budget. Also, net foreign reserves fell to 23.6 million SDR's, declining in terms of import coverage

from 30 weeks in 1973 to only 10 weeks in 1978.

Upper Volta's deteriorated position vis-a-vis the rest of the world is an experience shared with all non-oil producing developing countries. Upper Volta's oil import bill grew from 5.8 million dollars in 1973 to 41.4 million dollars in 1979. At the same time costs for imported food and fertilizers increased. The effects on the environment from continued reliance on non-petroleum energy sources and from more limited use of fertilizers are clearly negative. Added to the problems caused by the petroleum price increases are the export-depressing effects of recession in the industrialized countries. A large part of the solution to Upper Volta's problems therefore depends upon the resilience of the world economy and the development of alternatives to petroleum-based products and energy sources.

Industrial development has continued primarily through import substitution. Tax holiday and preferential tariff protection have stimulated limited growth in the private sector to meet the demands of a small domestic market. The development of manganese mining in Tambao has been stalled by unfavorable prices and unwillingness of investors to undertake high cost railroad construction. Other mining, mostly gold and phosphates, contribute small amounts to the national economy.

In Africa, Upper Volta's principal trading partner is the Ivory Coast. France and the European Economic Community account for half of Upper Volta's export receipts. A small decline in the trade deficit between 1974 and 1976 has since been reversed with rapidly growing imports of machinery, transport equipment, fertilizers, petroleum products and intermediate goods. The trade deficit grew to $ 162 million in 1979 despite 13.9% annual growth in exports since 1975. The deficit is compensated to some extent by the remittance of about $ 78 million in 1979 from migrant labor, principally employed in the

Ivory Coast.

The future of the Voltaic economy is tied to the development of its coastal neighbors. Ghana's economic stagnation since 1960 has been offset by the development of trade and employment of migrant labor in the Ivory Coast. A return to favorable policies regarding migrant labor and improved economic performance in Ghana along with continued economic growth in the Ivory Coast would provide greater opportunities for Voltaics and favor development over the long-term in Upper Volta as part of a West African regional group.

Mali, Togo, Benin and Niger share similar cash and food crops, so the price policies adopted can influence the amount and direction of smuggling. The relatively unimpeded movement of labor, goods and capital across the borders of West African states thus should force each country to set policies consistent with its neighbors'.

Government Policies

In the area of fiscal policy, the GOUV has initiated a study with the goal of improving the collection performance of the tax system,in particular with respect of individual income, small business profits, and property taxes. This becomes critical to the GOUV revenue base as the excellent measures to free movement of people, goods and capital in the CEAO act to reduce earnings from customs receipts, the major revenue source. The continued strong support of Upper Volta for regional economic integration is a very positive policy stance which improves the development prospects of the country and the region.

The GOUV took a significant step in revising its official grain price policy . Producer prices were raised significantly to encourage food grain production and free movement of grain permitted throughout the country. While

the national cereals policy requires modifications to improve implementation and become self-sustaining, this policy reform shows the most promise of any Sahelian cereal policy.

The GOUV is also moving forcefully to improve the availability of agricultural credit. The Caisse Nationale de Credit Agricole has been created to standardize credit terms and replace a series of ad hoc and project-related credit sources.

The status of women has received more GOUV attention in recent years, but attitudes about women's roles are slow to change. There is one female minister and one elected deputy is a woman. The major women's group does not publicly criticize the Government, so the donor community appears to be the only group strongly supportive of changing women's roles in Voltaic society.

Other policies of the government act to hold back the development of certain sectors. For example, the virtual monopoly on air freight to Europe discourages the development of the potentially lucrative European export market in "out-of-season" fresh vegetables and tropical fruits. France is the major market for Kongoussi green beans, potatoes and other produce. With other airlines, the export market could be diversified within the European Community. It should be GOUV policy to attract other airlines to Ouagadougou, at least as a stopover on the return from Abidjan to Europe.

Another area wasteful of resources is the attempt to control prices of a wide range of commercial goods throughout the country. To the extent such controls work at all, the effects on commerce are negative and occasionally disruptive. Fortunately for the economy, the bureaucracy charged with enforcing official prices is inept. However, the prospect of occasional enforcement may discourage investment in production or trade of controlled goods.

As a member of the West African Monetary Union, Upper Volta shares the general problem of an overvalued currency with other member states. This

discourages the growth of export industries and encourages imports, contributing to the deteriorating balance of trade and a negative balance of payments. The importance of French assistance and the value of having a hard, relatively stable currency have thus far been sufficient inducement to remain in the Union but greater attention should be given to the growth-inhibiting aspects of current monetary policy.

B. 2. Causes of Poverty

Previous sections have exposed many of the causes of Upper Volta's poverty. The ultimate cause of poverty is the country's limited and underdeveloped resource base. This can be analyzed under four general categories: Natural Resources, Technology, Infrastructure and Human Resources.

a) Natural Resource Endowment and Environment

In a predominantly agricultural economy, the condition of the soils, pastureland and forests is critical to productive potential. Upper Volta can be divided into three ecological zones. The southwest has regular abundant rainfall and reasonably good soils. The Mossi plateau and the southeast receive less and more variable rainfall, making crop failures or low yields more likely. The soils are mediocre and yields are not high even in good years. The third zone, the Sahel, is a poor area for sedentary farming. Most of the area is devoted to herding. Except for the southwest and southeast, the agricultural potential of the country is limited by the increasing scarcity of agricultural land and the declining quality of soils.

An equally serious problem for long-term development is the gradual disappearance of forest. Overexploitation of the forests threatens the climate by altering rates of vaporization of moisture and reduces the amount of vegetation to hold the soils and prevent erosion by wind and rain. The possibility of turning to dung for fuel (as in India) is a serious threat to the fertility of already impoverished soils.

Water resources are also very scarce. The water needed to raise the yields and restore pasture and forest is available only at relatively high cost, yet the long-run cost of not developing water resources for these purposes may be very much higher, including desertification and permanent loss of productive potential.

Upper Volta has no known substantial mineral deposits to rely upon to generate resources for economic and social development. In short, Upper Volta is forced to rely upon an unusually meager resource base for its development in the foreseeable future.

b) The Level of Technology

Agricultural techniques are rudimentary and low in productivity. Nine out of every ten persons of working age are engaged in farming, but produce just enough food for themselves and a surplus to feed the one person in ten who is not farming. Yields for sorghum, one of the principal food crops, vary from only 290 kg/ha in the north to 885 kg/ha in the more fertile south.

Increasing farm output is also hindered by the lack of inputs to raise productivity (fertilizer, improved equipment, extension agents) and by the low level of effective demand for agricultural products. In responding to the lack of agricultural inputs, one can attempt to reduce their costs or increase their supply by stimulating the development of rural enterprises to provide such commodities and services.

Livestock accounts for 30% of exports, yet experts agree that much more meat could be produced by better herd management. The rate of off-take for cattle (slaughter and export) is less than 10% annually and the production of meat per animal is low.

c) Infrastructure

The existing road system cannot support the growth of agricultural markets

Too many areas are literally cut off from supplies of agricultural inputs during the rainy season when they are needed. Expensive stockpiles of inputs and consumer goods have to be established before the rains begin and that is not often economical. Rural populations are also cut off from access to health and other government services and from supplies of consumer goods in general at this time of year.

Farm products transport costs are high, limiting the extent of markets. Production other than for subsistence needs is thereby discouraged. Extension of the railroad and improvement of the international and national road network would promote trade and encourage economic specialization and enlargement of the money economy through integration of markets. In the rural areas, this would increase competition among merchants at the farm gate and benefit the farmer. Better transport would also reduce the costs of his inputs and make consumer goods and government services more readily available to him.

Other productive infrastructure is also inadequate. The use of water to reduce the effect of dry spells on crop yields is constrained by a lack of wells, reservoirs, and irrigation systems. Such systems are sufficiently large to require cooperation among groups of small farmers and the availability of credit to construct the system. Herders also lack certain kinds of collective capital such as vaccination centers and well-placed watering areas.

d) Human Resource Constraints

The high rate of illiteracy hampers the creation of more complex business organizations and the development of economic specialization. The impossibility of using written instructions reduces the productivity of labor, reduces the efficiency of management in industry and services and slows down the spread of new techniques through agricultural extension.

There are also specific constraints related to skills needed to eliminate production bottlenecks. The most critical skill shortage is the mid-level manager

or technician with operational responsibilities. Such people are critical to modern enterprises and government operations. At higher levels, there is a shortage of educated specialists for senior positions and to train the next generation of leaders and to advise the current generation. Some steps have been taken to remedy this shortage of skills, but progress is necessarily slow in starting from such a small base.

In agriculture, the work force is eroded by the pull of opportunities for young men in the coastal areas. On the Mossi plateau, a third of the men aged 20 to 40 are away from their villages during the agricultural season, reducing the work force considerably. Only by making agriculture and agriculture-related services more attractive economically will some of these men decide to remain in the villages.

Finally, the agricultural work force is effectively diminished by disease. Numerous families lose precious planting and weeding time to guinea worms and amoebic dysentery because their water sources are contaminated. Since mosquitoes are abundant in the rainy season, malaria is more frequent as well. It is not certain how much production is reduced through the high morbidity rate, but the prevalence of the numerous diseases flourishing in Upper Volta leads us to believe that the losses must be substantial.

C. Progress and Commitment

Under the above rubric, we will distinguish between progress and commitment and attempt to differentiate distinctly between whether it is the GOUV or the international donor community which is making the progress and recording the commitment. These distinctions are important because of the major changes which have occurredover the past two decades in the amount and composition of foreign assistance to Upper Volta.

First, with respect to progress, development performance has been very modest since independence. Growth has been most rapid in the industrial sector

for import substitution, while agriculture has tended until recently to stagnate. The GOUV perceived the seriousness of the decline in agricultural productivity in the mid-1960's and created a decentralized system of regional development organizations (ORD's) to meet the development needs of each region. The best performances were obtained in the West and Southwest where adequate rainfall permitted the expansion of cash crops, such as cotton and groundnuts, and where such favorable conditions attracted the greatest concentration of foreign aid. Through its decentralized management and the donors' interest in areas of greatest potential, the GOUV has pursued in practice a growth-oriented agricultural policy.

From independence in 1960 until the great Sahelian drought in 1972, external donor involvement in economic development was not of the magnitude it is today. In that era what progress was achieved depended more on GOUV policies and national resource use and secondarily on predominantly French assistance. Since the drought the international aid community has become seized with the Sahel and external assistance to Upper Volta has increased exponentially, rising from 6 to 8% of GDP in pre-drought years to 22% in 1977 and 27% of GDP in 1978. Today the annual amount of donor involvement in development is greater than the GOUV's annual national budget. As discussed below, in recent years, while the GOUV has budgeted for increased basic human needs expenditures, there have been disproportionately larger increases in non-developmental spending including the military and internal administration. Under these circumstances progress in development depends to a much greater extent upon donor-financed activities.

The GOUV's commitment to development is demonstrated by three significant steps taken over the past two decades: creation of a decentralized rural development administration, adoption of an agricultural strategy emphasizing the small farmer, and establishment of a functioning democracy in place of military

rule. In spite of its limited domestic resources, the GOUV has consistently allocated a significant portion of its budget to social and economic development. In very recent years, however, increasingly large shares of the budget going to the military and to a growing administrative apparatus give the appearance of a weakening commitment to development. However, this seems to be a political survival tactic in response to strong pressures from these essential GOUV constituencies in a democracy which is still fragile. The high cost of this vital experiment in democracy has limited the GOUV's budgetary commitments to development, but the extremely positive long-run development benefits of a firmly established functioning democracy are clearly worth some start-up costs. We will continue to monitor GOUV allocations of its own resources and GOUV policy decisions to determine whether recent shifts toward relatively greater non-developmental expenditures constitute a long-term trend or are simply a short-term aberration.

With respect to commitment, the GOUV emphasis on growth is a realistic, responsible approach to development of an extremely poor country with low productivity and limited economic opportunities, and incorporates strong elements of equity. These include the promotion of rural development by and for small farmers and a decentralized system of administration emphasizing local participation. Strategies for increasing productivity of cash and food crops are directed at small farmers and, with the exception of sugar cane, do not involve the creation of plantations or state farms. Moreover, a community development approach has been adopted. Thus the framework within which the GOUV has chosen to pursue development basically involves an equity orientation, i.e., local participation and assistance to the small farmer.

One aspect of the approach emphasizing small farmer production is the effort to increase food grain production through price incentives and reform of the public marketing and storage policies. Past failures in attempting

to monopolize the food grain market and the unforeseen expense of market intervention convinced the GOUV to adopt a more liberal stance. The national cereals office (OFNACER) was transferred from the urban-oriented Ministry of Commerce to Ministry of Rural Development in May 1978. Prices to farmers have been raised to encourage production and free movement of cereals in any amount is permitted throughout Upper Volta. Last year OFNACER bought and sold grain in competition with the private sector, purchasing about 10% of marketed food grain. The goals of cereals policy to be implemented by OFNACER include influencing (not controlling) movements of producer and consumer prices, and building a national security stock as insurance against future drought years.

An important corollary to the growth strategy is the importance the GOUV attaches to participation in the regional economy. The country has benefitted from trade with neighboring countries and it recognizes that its potential for economic growth is increased to the extent that it adopts a more specialized role within the West African region.

Other Aspects of GOUV policy

The Ministry of Health has proposed the establishment of a planning unit, expansion of its immunization program, and reinforcement of its rural health care system. The potential is good for reform of a system heretofore oriented towards a curative rather than a preventive approach to health care.

The GOUV continues preparatory work toward reform of its educational system, which will include revision of the primary school curriculum, extension of pre-school instruction, teaching major national languages in addition to French, and reduction of costs to permit greater coverage of the system. Experiments are underway in 30 primary schools in all major ethnic areas to include agriculture and teaching of a national language as part of the core curriculum. These experimental efforts are underway to make the educational

system more relevant to the needs of the vast majority of students who will not be able to continue beyond primary schooling.

Human Rights

Upper Volta's multi-party democracy is unique among Sahelian countries and demonstrates its commitment to popular participation. Freedom of speech, assembly, religion and the press and from arbitrary arrest and imprisonment are all observed with a rigor unusual for developing countries. In community development the traditional rights of small farmers are not questioned. While there is a tendency for extension services to assume a directive mode of management, there is no coercion of individuals to participate against their will. Trade and commerce function within markets which are generally free. Price regulations for a small range of goods are meant to protect the rural consumer and radio announcements on prices are made several times a week in French and local languages to inform the consumer. Minimum wage policy is intended to protect unskilled workers. While these social policies may not always fully accomplish their stated goals, their clear intent is to protect the interests of the individual. Through the political process and established economic policies all Voltaics participate in the country's development.

D. Plan and Budget

In 1975 and 1976, the GOUV undertook a major effort to produce a plan with a coherent, integrated strategy for development. Even so, the third development plan cannot always be strictly adhered to because it depends on donors for 80% of the required resources. While it has still not been officially reviewed by the parliament, it continues to serve as a guide to donors as they consult with the GOUV. Excluding the manganese mining complex, the plan calls for total investment of $1.05 billion to achieve an increase in production of $140 million by 1981 (1977 dollars). This represents a considerable increase over the first and second five-year plans which were for $176 million and

$268 million, respectively. 65% of planned investment was achieved during the first plan. From 1972 to 1974 more investments were made than had been planned as a result of much greater than expected availability of external funding for infrastructure projects. For projects in other sectors the GOUV was only slightly better at attracting external financing than it has been in previous years.

The GOUV maintains that the higher level of investment in the third plan is well within its capabilities and there are firm promises for much of approximately $830 million of expected foreign aid. Sixty percent of the $87 million national contribution to financing the plan is expected to come from the private sector.

The source of the remaining $133 million is to be determined. It is clear that the planned development of mining in the Sahel and extension of the railroad to the Tambao managanese deposits will not take place in the plan period and are therefore excluded from the figures reported above.

The development plan is critical of the current school system for its high cost and inefficiency due to the high dropout rate. To remedy these problems, the Ministry of Education is seeking ways to reduce the costs of school buildings in rural areas, has obtained World Bank financing to increase the young farmers' training program, and is preparing to reform the primary school curriculum. However, the expected results in terms of educated individuals are quite modest and it does not appear likely that the rate of school attendance will be increased to 50% by 1987 as is the stated intention of the Ministry.

In 1978 several Ministries participated in a planning exercise organized by WHO called the Country Health Programming Process, to develop a plan for the evolution of Upper Volta's health services during the 1980's. This plan was approved by the Council of Ministers in 1979. In general, the Country Health Program, is an overly ambitious, expensive undertaking that would

result in a health infrastructure running the gamut from village health teams to the creation of a University Center for the study of the Health Sciences. It includes, however, an important emphasis on rural health care. The system would require the training of a village health worker and the up-grading of a traditional mid-wife for each one of Upper Volta's 7,000 villages, with supervision by personnel from their area's Center for Health and Social Promotion (CSPS) which will include a small dispensary, a maternity and pharmacy. The MOH has stated that it would like to begin the program in the geographically least favored areas, the Sahel and Eastern ORDs, indicating that the GOUV will give priority to the establishment of rural links in the health system, rather than first improving the quality of the services being dispensed at central levels.

In addition to the establishment of a system of village health teams, the 10 year plan quite correctly emphasizes the critical importance of a well-managed immunization program to the success of a primary health care program. The MOH hopes to extend vaccine coverage against measles, polio, diptheria, whooping cough, tetanus and tuberculosis to all new born children by 1990, a world goal established by WHO during the 1977 World Health Assembly. Detailed plans have been prepared for donor consideration. Another high priority is the creation of a Health Planning Unit composed of a physician planner, a health economist and a statistician.

It is unlikely that the third plan will be fully executed. Concessional loans and grants to Upper Volta totalled $336 million in 1977 and 1978. To reach the planned $830 million for 1977-1981 requires a 6.7% increase in expected annual aid flows in 1977 dollars (or approximately 15-20% annual increase in current dollars). Attempts to achieve modest increases in real aid flows will encounter problems of skilled personnel shortages and problems of recurrent cost financing, so we expect actual economic growth to be lower than the 5.6%

target rate in the plan.

Budget

Growth of the public sector has been more rapid than growth in the general economy and this trend is likely to continue. The fastest growing expense items are scholarships, equipment, counterpart funds for foreign aid, and contributions to international and inter-african organizations. The proposed budget for 1980 is 40.1 billion CFA francs ($191 million), an increase of 12.4% over 1979. A large share of all ministries expenditures are for personnel, with over 55% of the budget going for wages and salaries.

The 1979 budget highlights both the importance attached to agriculture and the rural sector and the limited resources available to address the problems of this sector. Health and education take more than 25% of the budget. National defense (mostly personnel costs) claims almost 20% of the budget at about $32 million. General and civil administration require nearly 17% of the budget. Of the remaining resources, rural development receives the largest share at about 5.5% of the budget. A significant proportion of all ministry budgets, however, is directed toward the rural population. In addition, as the GOUV revises its systems of education and health care, the fraction of the budget actually devoted to rural development would be increased substantially. Continued heavy donor emphasis on rural development is likely to reinforce GOUV emphasis on that sector.

The budget does not include foreign assistance which reflects GOUV priorities in allocating a third of total aid to rural development. From 1977 to 1979 foreign assistance was slightly greater than the national budgets. If both the budget and foreign assistance are considered together, more than a fifth of public resources are allocated to rural development.

E. Absorptive Capacity

The principal obstacles to the expansion of effective development assistance

programs are the shortage of middle level managers and technicians and the limited amount of resources that can be generated for recurrent cost financing. The educational reform and rapid increase in scholarships are part of the GOUV effort to meet its trained personnel shortage. In addition, to meet its budgetary problems, the GOUV is reinforcing its tax collection system. However, the magnitude and composition of proposed donor interventions make the GOUV effort inadequate.

The problem is a type of vicious circle. Increasing project activities require more skilled personnel. The school system is too small to meet the growing demands. However, increasing the output of the schools requires substantial recurrent cost financing which the Voltaic economy cannot affort. In addition, expansion of the skilled workforce is a long-term proposition. Therefore, the return to investment in education is low in the short-term . The inescapable conclusion is that, given current investment levels, either much project activity must be foregone (or many projects will have very low returns) or the donor programs must finance recurrent costs associated with long-term investment in human resources. Similar recurrent costs problems exist with regard to financing health, transport infrastructure and even food production-related rural development activities in varying degree. In total, the recurrent costs problem is so severe as to require prompt attention of the donor community if overall development efforts are not to be endangered.

Several options are conceivable for response by the donor community to the recurrent cost financing problem: 1) Reduce the level of investment in the SDP; 2) Continue at current real levels of investment; 3) Reduce the level of investment and increase the amount of recurrent cost financing; and 4) Increase both the levels of investment and recurrent cost expenditures.

Under Option 1 the donor community will reduce the level of investment in the SDP to a point at which the GOUV could provide the personnel and finances (recurrent costs) to support on-going development. This, of course, would reduce

economic growth drastically and constitute shock treatment. To continue under Option 2 at current levels of investment without any investment in recurrent costs would ensure very low returns on many current projects since the GOUV cannot generate the money to pay recurrent costs nor put in place the people to keep the projects going after the expatriates go home. The reduction of investment expenditures under Option 3 in order to finance a portion of the recurrent costs could have a small positive impact on the growth rate in the short-term and lay the basis for more rapid growth later. Obviously as per Option 4 increased investment plus financing of the recurrent costs would have even more positive effects.

However the external donor community chooses as a whole to face this option, we in our bilateral program must face the same problems in our development strategy. Clearly, the overall level of bilateral US aid for Upper Volta is the key to our choice. If US aid levels approach those projected in the PAPL (frankly, a very unlikely prospect) then we can safely opt for the 4th option. If at the other extreme our bilateral aid level remains at current levels adjusted for inflation, then putting more into recurrent costs means putting less into economic development projects. Whatever the aid level our judgment is that the financing of some recurrent costs—even if this limits new projects and stretches out on-going projects—will greatly increase the chances for success in the wide range of USAID (and other donor) projects.

Gross recurrent costs 1/ for the bilateral AID program were estimated through 1986, calculated on the basis of the implementation plans in the Project Papers and then revised to take into account actual rates of implementation experienced thus far and expected.

1/ Defined by the Harvard study as all regular and necessary expenditures, during the functioning of a project, which permit the operation and maintenance of the socio-economic capital created by that project at its expected social rate of return.

RECURRENT COSTS OF USAID PROJECTS
(000's of 1979 dollars)

	Project Personnel & Training	Maintenance of Building & Equipment	Increased GOUV Personnel Cost	Total Recurrent Cost
1979	335	143	15	493
1980	492	402	63	957
1981	698	753	138	1,589
1982	929	1,122	301	2,352
1983	1,356	1,377	370	3,103
1984	2,083	1,918	1,224	5,225
1985	2,210	2,256	1,842	6,308
1986	2,537	2,754	2,440	7,731

Due to numerous assumptions employed to make the calculation there is a large range of error implicit in the figures, and they should be used very carefully. Furthermore, they are gross recurrent costs and should be compared with gross recurrent benefits to derive the net recurrent cost or benefit. However, in the absence of relatively hard estimates of benefit these estimates at least provide a crude measure of the fiscal burden which the GOUV can anticipate in the near future.

The United States provides about eight percent of all development assistance to Upper Volta. Other donors have not made comparable estimates of the recurrent cost implications of their programs, but it is reasonable to assume that their projects are similar to ours. Thus, the potential burden on the GOUV budget is perhaps 60 to 90 million 1979 dollars a year by 1986 or from 25 to 40% of the national budget. The GOUV simply cannot meet these costs.

The short-run response by donors to the lack of absorptive capacity should be to economize or substitute for the use of factors which are most likely to be in short supply: local project management skills, skilled personnel, local recurring-operating costs. The long run response is to assist in the production of the scarce factors. However, the long-run response necessarily implies incurring substantial recurrent costs in the short-run. The drama of development in the Sahel is to confront the short-run concern over substantial recurrent

cost financing without sacrificing the long-run development of the region. Concentration on production projects while neglecting human resource development might meet the recurrent costs problem, but would fail to meet the long-term development problem. On the other hand, ignoring production in the short-run in favor of developing the human resource base could make the Sahelian economies too heavily dependent on external resources.

Last year's CDSS proposed to cope with the recurrent costs problem by incorporating post-project funding of recurrent costs in initial project design. Thus, PPs would propose funding for the life of the project, plus an additional amount to cover recurrent costs generated by the project over an extended post-project period. While this remains worthy of consideration, our thinking on this issue has been considerably refined over the past year and we believe we have developed a better, more innovative approach for dealing with the recurrent costs constraint.

We will propose in somewhat more detail in sub-section B.5. of the strategy section a modest Commodity Import Program (CIP), the Trust Fund of which would be tied to the funding of post-project recurrent costs generated by all AID-supported projects. The magnitude of the program would be determined by our analysis of recurrent costs requirements. This would have several advantages over funding recurrent costs on a project-by-project basis:

— By wrapping all recurrent costs funding into one annual package of support, it will provide an excellent forum for USAID and the GOUV to consider and analyse the over-all problem on a regular basis.

— It will give a clearer profile to the USAID assistance package, avoiding the appearance (to the Congress and others) of projects that "never die" due to continued annual funding of their recurrent costs on a project-by-project basis.

— It would tie the use of the hard currency we provide to generate the local

currency for recurrent costs to U.S. imports rather than leaving it available for use in the traditional pattern of importation. This would increase price competition in imports, to the benefit of Upper Volta, and would provide ancillary benefits to the U.S. of enhanced commercial opportunities and employment generation.

— It would minimize USAID staffing requirements compared to use of the same magnitude of funding provided as project assistance.

F. Other Donors

Approximately 86% of assistance to Upper Volta in 1978 was provided in the form of grants, 11% in concessional loans, and nearly 3% of assistance in relatively hard loans from the French Caisse Centrale de Cooperation Economique and the West African Development Bank, for industrial and agricultural development projects. France remains the most important donor, but her share has fallen from 42% of all aid in 1972 to 15% in 1978. In that period total assistance has quadrupled from $51.4 million to $223.8 million. Food aid reached its highest levels in 1973 and 1974. Since then grain and other food aid shipments have averaged about 20,000 tons per year, but increased to 70,000 tons in 1978 and the total for 1979 will exceed 45,000 tons. Continued assistance at this level was judged to be unacceptably high by the Sahelian technicians attending the Nouakchott Club/CILSS colloquium on cereals policy in July 1979. However, planned food aid for 1980 already approaches 40,000 tons or about 4% of total food grain production. The tables on pages 33 and 34 show the sources of aid and the totals for the past four years.

Projected donor flows for 1977/81 are $52 million less than the planned target of $830 million (excluding the Tambao manganese mine and related infrastructure). The table presents the expected development assistance by source in constant 1977 dollars. Food aid shipments are excluded.

Source	Millions of Dollars	% AID/Total Aid
France	166	20.0
Germany	85	10.3
Canada	76	9.2
Netherlands	70	8.4
U.S.	55	6.6
Other Bilateral	50	6.0
European Development Fund	80	9.6
World Bank	76	9.2
Other Multilateral	60	7.2
U.N.	30	3.6
O.P.E.C.	30	3.6
Undetermined	52	6.3
TOTAL	830	100.0

From 1975 to 1978, 70% of commitments was for project assistance. The remaining 30% was for technical assistance, food aid and support to the budget and the balance of payments. In 1978, the French budget subsidy amounted to $3.5 million and balance of payments support from other sources was nearly $7.7 million together amounting to 5% of all assistance.

Development assistance from 1975 to 1978 was divided by sectors as follows. Infrastructure projects received 31% and rural development 21.5%. Human resource development received 7.5% of all assistance, natural resources got 5% and another 5% went to industry. The remaining 30% went to food aid and technical assistance (about 18%) and other non-project aid, including general support, emergency relief, fellowships, and cultural and research activities.

The objectives of the other donors are basically consistent with or complementary to those of AID, stressing inter alia integrated rural development and improvement in rural infrastructure. Loans and grants for industrial development favor the establishment of enterprises for the transformation of agricultural goods such as textiles, soap, and peanut products, which complements the AID goal of increasing agricultural production.

Coordination in project design and co-financing of projects is occurring more frequently at the ORD level. For example, the Germans and the World

Bank in the Bougouriba ORD and USAID, Caisse Centrale and IFAD in the Eastern ORD have collaborated in designing and implementing integrated rural development projects. National projects such as in rural water supply are coordinated at the Ministry level. The General Secretariat has the responsibility of ensuring that common policies are followed by the semi-autonomous ORD's and that projects at the national level are integrated into the ORD programs.

Coordination of all development assistance at the national level is the role of the Office of Cooperation located within the Ministry of Plan. Since the Office's small staff is not adequate to coordinate fully all donor activities, both informal consultation among donors and, to some extent, the implementation of national programs at the ORD level increasingly serve as mechanisms to avoid duplication. Similarly, project authorities, such as AVV and Tambao, are created by the GOUV to coordinate development assistance when projects are large enough to require multi-donor financing.

The CILSS plays an important role in facilitating donor coordination for the country components of projects conceived initially on a Sahelian regional basis. In addition to this coordinating function, the Club du Sahel/CILSS working group system permits remarkably frank and useful donor-recipient discussions on health, education, energy, environment, and policy questions.

However, the arrangements for donor coordination at the national level are less than satisfactory given the size and complexity of the foreign aid program. It is apparent that the Office of Cooperation should be strengthened. The donor community should explore means of significantly reinforcing the aid coordination capabilities of the GOUV with the CILSS and the donor community, and within the local donor community.

OFFICIAL DEVELOPMENT ASSISTANCE
(including food assistance) 1/

(in millions of dollars)

Bilateral Funding Source	1975	1976	1977	1978	Total 1975-78	% Aid/ Total Aid
France	27.2	25.7	32.0	33.0	117.9	19.3
Federal Republic of Germany	25.4	11.0	17.8	23.5	77.7	12.8
Canada	5.5	1.6	19.1	44.2	70.4	11.5
Netherlands	4.8	11.7	19.8	29.0	65.3	10.7
United States	9.7	5.6	13.7	21.4	50.4	8.3
(of which Peace Corps)	(.8)	(1.0)	(1.0)	(1.0)	(3.8)	(.6)
Other Donors	2.7	2.8	7.5	11.9	24.9	4.1
Sub-Total	75.3	58.4	109.9	163.0	406.6	66.7
Multilateral Funding Source						
World Bank Group	16.5	29.4	8.8	12.2	66.9	11.0
European Development Fund/E.E.C.	5.8	17.8	15.7	17.7	57.0	9.4
United Nations	7.8	4.5	6.5	5.7	24.5	4.0
Others	5.5	5.0	5.7	17.9	34.1	5.6
OPEC Countries	2.9	5.5	4.4	7.3	20.1	3.3
Sub-Total	38.5	62.2	41.1	60.8	202.6	33.3
Total Aid	113.8	120.6	151.0	223.8	609.2	100.0
(Food Aid)	(11.1)	(3.8)	(15.6)	(22.8)	(53.3)	(8.7)

1/ But excluding regional projects which would increase the US's absolute and percent of total contribution.
Source: CILSS/Club du Sahel, Official Development Assistance to CILSS Member Countries from 1975 to 1978, vol.I, Analysis and Synthesis, Preliminary Report, October 1979.

FOOD AID 1/

(thousands of metric tons)

	1972	1973	1974	1975	1976	1977	1978	Total 72-78	% of Food Aid
European Economic Community	16.8	21.7	19.4	2.8	6.6	3.1	11.3	81.7	23.6
France	3.5	10.0	10.0	-	3.0	4.0	4.0	34.5	10.0
U.S.	27.0	42.2	5.6	6.2	6.0	20.0	27.0	134.0	38.6
Canada	2.0	2.3	5.9	3.4	2.4	-	-	16.0	4.6
Germany	3.0	3.7	3.2	-	-	2.5	2.5	14.9	4.3
World Food Program	4.2	6.0	6.5	3.9	1.0	-	15.2	36.8	10.6
Others	.5	4.3	12.3	-	-	-	11.8	28.9	8.3
Total	57.0	90.2	62.9	16.3	19.0	29.6	71.8	346.8	100.0

1/ Other donor data appears to be based on deliveries. Source: European Development Fund, Apercu de 1'Aide Publique Exterieure accordee a la Haute-Volta, 1) de 1972 à 1976 and 2) en 1977, and 3) en 1978. USAID data is based on commitments. Source: USAID.

II. STRATEGY

A. Objectives

As our analytical description of the poor and elaboration of the causes of poverty make painfully clear, development problems and, therefore, development opportunities in Upper Volta are infinite. This is rather dramatically demonstrated in the GOUV's stated long-term objectives: food self-sufficiency, reduction of under-employment, and access for all Voltaics to such basic human needs as water, health, and education. What needs to be done, in short, is about everything in a total development portfolio.

To project these needs/opportunities graphically, we have developed from the GOUV's own statements of objectives the following quantifications of goals:

	1976	1986	1996	2006
Primary school attendance (% of age group)	16	45	90	100
Secondary school attendance (% of age group)	2	15	45	65
Access to potable water (% of population)	25	50	85	100
Coverage of rural health delivery services (% of population)	n.a.	35	70	100
Food Crop Production (thousands of metric tons)	982	1326	1790	2200
Kilograms per Capita	158	170	188	200
Meat production (thousands of metric tons)	52	100	194	377
Kilograms per capita	6	13	20	34
(% of recommended diet) 1/	(15)	(25)	(38)	(65)

Getting there from here—from today's dismal reality to the projected levels of 2006 AD—will involve an obvious interplay between economic growth and population growth. Whether you can, in fact, get there from here just as

1/ Exports reduce availability of meat for domestic consumption.

obviously depends on increasing the former and decreasing the latter. The next table demonstrates alternate scenarios based on World Bank hypotheses regarding economic growth for low income countries and our own assumptions about fertility and mortality as regards the population here.

		1976	1986	1996	2006	Annual Rate of Change
Gross Domestic Product (Millions of 1976 dollars)	High	671	1084	1752	2832	4.8%
	Low	671	962	1379	1976	3.6%
Population (millions)	High	5.7	7.4	10.1	14.3	3.1%
	Med.	5.7	7.1	9.3	12.5	2.6%
	Low	5.7	6.8	8.1	9.6	1.7%
GDP per capita (1976 dollars)	Best	118	159	216	295	3.1%
	Worst	118	130	137	138	.5%
Crude Birth Rate	High	49	49	49	49	0.0%
	Med.	49	48	45	42	-0.5%
	Low	49	44	39	34	-1.2%
Crude Death Rate (per thousand population)	High	26	21	16	14	-2.1%
	Med/Low	29	24	19	14	-2.4%
Life Expectancy (years) (approx.)	High	38	44	48	52	1.0%
	Med/Low	34	40	44	52	1.4%
Infant Mortality (est.) (per thousand)		182	140	120	100	-2.0%

These figures demonstrate several points. First, to achieve the status of a middle-income country by the early part of the next century, GDP must grow faster than it has since independence and population growth must be held below 2% per year. Second, if economic growth does not exceed 3.0 to 3.6% per year per capita income will increase hardly at all. Slower economic growth and/or more rapid population growth (and either or both are possible) will lead to declining real per capita incomes.

In many areas U.S. development objectives support those of the GOUV. We diverge, however, in one important respect. This government has not even recognized population as an economic development problem. Indisputably, progress

toward food self-sufficiency and improved access to basic human needs depend critically on the degree of population growth and this must be addressed.

Furthermore, given the magnitude of what needs to be done to meet even minimum growth objectives, the entire international donor community will have to be significantly involved in development here for decades. As regards U.S. development efforts even funds as projected in the PAPLs of Section III would require a development strategy based upon selectivity among priorities. On the basis of the historical record of funding below projected levels our judgment is that actual funding will—as in the past—be lower than the figures projected in the PAPLs. In these circumstances the key to our development strategy is the establishment of objectives in priority order which provide for a phased implementation of projects depending on the level of resources available. Our objectives in order of priority are:

— First priority is food production and related activities. Food self-sufficiency is the foremost priority of the GOUV, the Club du Sahel/CILSS, and the basis on which the Sahel program was supported in Congress. This is a field in which American expertise can very effectively be brought to bear. Here we include activities in the agriculture sector, integrated rural development and rural development support categories, described on P.54 in Section III,Assistance Planning Level.

— Second priority is national resources management and energy. As discussed above (P. 8), Upper Volta has a particularly acute problem in deforestation: given present trends all trees in densely populated areas could disappear within 20 years. To reverse this trend means increasing production and reducing consumption (through more efficient use) of firewood, as well as improving the management of range land and conservation of soil fertility. Obviously, if this situation is not turned around and deforestation and the southward march of the desert continue, our efforts in the areas of food production and basic

human needs will fail.

— Third priority will be given to population and health-related activities. Since independence in 1960 and the health, sanitation, etc. improvements which have occurred, the population has begun to increase by over 2 percent. The population problem is already here and causing serious pressure on food supplies, the forests, and what services are available. If the population continues to increase at present (not to mention increased) rates, our efforts for food self-sufficiency and the provision of basic human needs will be overwhelmed by too many people. The population problem must be faced and we intend to do this via activities in the health sector including population/family planning, potable water, nutrition and improvement of the rural health care delivery system. Additionally, in a country with health problems as serious as those of Upper Volta, health concerns should be an important element of a strategy implementing the basic human needs approach mandated in our legislation.

— Fourth priority is rural education. The analysis notes the constraining effect on all facets of development of pervasive illiteracy, and this is a problem which has not yet been adequately dealt with in Upper Volta's development efforts.

At all priority levels, a very important aspect of the activities will be the training of personnel to increase the capacity of the GOUV to carry out development projects. In addition, the roles of women will be given particular attention in all development interventions rather than creating separate projects for women as in the past.

The timing of different sectoral interventions will be discussed below. Reduced funding availabilities would result in the postponement or cancellation of the lowest priority activities and reduced funding for lower priorities so as not to reduce the planned level of assistance for high priority activities.

B. AID Assistance Strategy

The AID strategy follows the Club/CILSS sectoral strategies in accordance with AID's regional development strategy statement. The program will consist of projects drawn from the CILSS first and second generation proposals.

B. 1. Food Production-Related Activities

To date the Mission has focussed its food production-related activities in two different levels; that of the ORD or sub-ORD with an integrated rural development approach in discrete geographical areas of the country; and the national level, assisting activities such as agriculture technical education, seed research and multiplication, pest control, and grain marketing, which will contribute nation-wide to agricultural production and will support regional, ORD based integrated rural development efforts of all donors.

We intend to continue and expand assistance at both levels. The concentrations of effort in the Eastern ORD and, through Africare, in the Seguenega area of the Yatenga ORD, approved in last year's CDSS review, will continue. Primary focus in each case is on activities with the greatest potential productivity increases: food grain and livestock in the Eastern ORD and AVV, and diversified agriculture in Seguenega. We are presently collaborating with IFAD and the French on design of an integrated rural development program, for the Eastern ORD. It will build on the experience gained through the current project and will run through the planning period. Funding shares among the three donors will be roughly equal. Emphasis will be on increased food production through improvement of agricultural inputs and techniques employed in farming systems and support to a wide variety of production-related activities. The key objectives are to increase production of millet and sorghum by 10,000 tons, rice by 2,000 tons and cotton by 2,500 tons by 1986. Achievement of these goals will increase per capita availability of basic grains by 2 kilograms nationally.

Per guidance on project proliferation, support for upgrading and maintaining the farm-to-market road net in the region, a key constraint to increased production, will be included in this project, as will expansion of PfP*s rural enterprise activities. Additionally, we are actively exploring with FED the possibility of participating in the upgrading of the one national route which connects the ORD to markets in the rest of Upper Volta and Niger. This is appealing primarily on three counts:

— First, the road is the essential, sole link tying the secondary farm-to-market net of the Eastern ORD into national and regional markets. Thus, it complements all our food production-oriented activities in the E.ORD. It is severely degraded by increasing heavy truck traffic between the port of Lome and Niamey, which it was not designed for, and annually becomes less reparable or maintainable. It is the consensus of the GOUV, FED and USAID that nothing short of paving (two lane) will preserve this route as a vital national and regional link.

— Second, the project will be FED-managed, thus imposing very little additional USAID management burden. Our contribution would be financial. It therefore meets guidance requirements that we do more while seeking ways to minimize staffing requirements, as well as guidance encouraging increased collaboration with other donors.

— Third, this road would provide a visible positive reward ("the human rights highway") for Upper Volta's voluntary conversion from a military regime to a functioning, participatory democracy in which all the human rights are observed. The GOUV's progress in this regard is exemplary, rare and of demonstration value for Africa and the rest of the third world. This project would provide a way of highlighting the positive elements of President Carter's human rights policy, i.e., human rights progress is rewarded just as human rights violation is condemned and punished.

An additional area of regional concentration is that of the Volta River

Valleys freed from river blindness under the AID-supported regional program of onchocerciasis eradication. Currently envisioned AID support to the GOUV program to resettle this area and maximize its productive potential should increase food output by 2-3,000 tons annually.

Given the importance of food production and the experience we are gaining in regional program concentration in Upper Volta, we wish to continue this approach as an important element of our strategy. There are absorptive capacity and time-phasing constraints in the relatively limited areas in which we are now concentrated, however. We do not believe that the Eastern ORD and Seguenega areas can usefully absorb significant funding increases over and above those foreseen in the multi-donor project under design and a possible extension of Africare's activities. Thus, as funding levels increase, we are faced with the following policy options: 1) preserve the high priority of food production-related activities, but dramatically shift from a mix of regionally concentrated and national level activities to heavy emphasis on the latter; 2) expand the regionally concentrated approach into new areas while also expanding national level activities; or 3) preserve the current balance, limiting expansion of activities at both levels and thereby effectively down-grading the relative priority of food production within our over-all program. Option 2 seems clearly the most compatible with our perception of the contribution that the U.S. can and should make in this top priority area. PAPLs in the following section are based on that option.

While the regional concentration of activities is important, some constraints to food production can best be addressed at the national level. Examples of those currently being and to be further addressed during the planning period are given in the first paragraph of this section. Others, such as rationalization and expansion of agricultural credit, certain facets of livestock and diversified agriculture production and marketing, in-service training for and general

organization of ag extension, and the development of light rural industry for farm product processing and farm implement manufacture, inter alia, also require attention and assistance. In the past, with severe funding limitations, we have approached such problems on a piecemeal, project-by-project basis. In the future, given increased availability of funds,we propose to weave our national level assistance in food production-related fields into a more coherent whole through an agriculture sector assistance program, rather than to continue to attack individual constraints on a project-by-project basis. This would give us a more comprehensive perspective from which to analyze the spectrum of national level constraints and their relationships, and help insure that factors of one aspect of agriculture development important to the success of activities in another are not overlooked. Further this would meet guidance requirements to move to sector support where appropriate, to limit proliferation of projects and to minimize staffing requirements while expanding assistance. It would do so by wrapping together into one more comprehensive project discrete but related national level interventions in agriculture.

B.2. Natural Resource Management and Energy

The analysis highlights the potentially disastrous effects of continued environmental degradation, particularly deforestation, and notes that efforts must be undertaken to reverse this trend. This is clearly high priority and critically related to food production activities. The strategy now being implemented is to train the personnel needed for village reforestation and sylvo-pastoral management. As increasing numbers of these ecology agents become available, and as we gain in experience and understanding through participation in this program, USAID will explore further ways to assist the GOUV in reversing the trend toward land degradation and deforestation. Equally important to enhancing our capability to address problems in this vital field will be the major Environmental Assessment to be conducted by AID in Upper Volta in 1980.

From this should flow a more precise definition of the form our assistance will take through the planning period and beyond, which will be reflected in next year's CDSS. With these results in hand as we move into the planning period we should be able to focus a much larger portion of our program on this crucial problem than is now possible given data currently available.

In the immediate future, the Mission will collaborate on a small scale with Peace Corps in carrying out village woodlot projects and introducing measures to conserve on wood consumption. Drawing upon the results of our pilot livestock activities, we will explore the extension of managing grazing areas to achieve higher sustained yields from the herds while protecting areas of pasturage.

The Mission will continue to experiment with the use of solar energy and plans to conduct an experiment in small-scale bio-gas production to investigate its feasibility in Upper Volta.

B. 3. Population/Health-Related Activities

The current state of Voltaic thinking on population policy, with few exceptions, ranges from indifference to hostility. Nevertheless, if not reversed, current levels of population increase (not to mention higher levels) will swamp efforts to achieve food self-sufficiency, environmental protection, and to address other basic human needs such as access to water, health, and education. Presently there are no plans to deal with population growth in the GOUV other than efforts to achieve a better distribution of the population through internal migration. The only other GOUV population policy is the promotion of maternal and child care to protect infant health. In short, we are starting from ground zero in an unfriendly environment on a population problem which must be dealt with if the other elements in our aid strategy are to be successful.

USAID strategy in this area involves 3 options: a consciousness raising

campaign at the highest levels of government to convince the Voltaics that in fact they have a population problem; the proposal of U.S.-financed health interventions linked to the immediate initiation by the GOUV of population control measures; and intervention by U.S. AID in the health sector in the near future with a view to introducing family planning at a later stage. We are now in the process of debating how most effectively to proceed. One or a combination of the above options are under consideration. There is general agreement that any population program must be administered (delivered) on a decentralized basis in the countryside to be effective. Over 90 percent of the people live in villages and it is only in the villages that population control measures will be effective even assuming that sound policy decisions will be taken at the national level.

The establishment of a rural health delivery system is the sine qua non of a population program. The GOUV has a plan (see P 23) for developing such a system and is currently seeking donor support for it. PAPL's are based on the assumption that USG will participate in this effort at a future date. In any case, some USG assistance to more general efforts to improve rural health would provide a likely vehicle for getting at the population problem. In this way we could develop a relationship of trust and collaboration in health matters which the Voltaics already recognize as important in order to raise consciousness and influence decisions on population policy.

As noted in the analysis, the health situation in Upper Volta is among the worst in the world. The poor health of the rural population affects agricultural production and all other facets of rural development and acts as a disincentive to family planning. There are effective approaches which can be adopted to alter this situation. In health, there is an opportunity to apply experience in other Sahelian countries in helping to establish an effective

national rural health delivery system.

Assistance in improving rural health will be time-phased, based on our on-going evaluation of the Ministry of Health's (MOH) capacity to develop and manage an expanding program. Central AID funding already provides pharmaceuticals and medical supplies for the MOH innoculation campaigns, and USAID will continue to support this activity.

Essential to the success of the planned expanded rural health delivery system is improved public health administration and training capabilities. USAID is considering plans to offer technical assistance to the Health Ministry, and to provide selected training opportunities to key health professionals and management personnel. We foresee initiation of such activity in FY 1982. The next phase, logically, would be direct assistance in the expansion and upgrading of the rural health delivery system itself, and, depending on bilateral aid levels, we anticipate initiation of such assistance in FY 1984.

A major advance in rural health can be obtained simply through provision of adequate amounts of easily accessible potable water. With such provision, and related health and sanitation education, a major drop in the incidence of water-borne diseases, which are widespread in Upper Volta, can be anticipated. There is another important quality of life implication as well with easily accessible potable water, the substantial time that rural women must often devote now to obtaining inadequate amounts of polluted water will be freed for other economically or socially beneficial activities. The Mission plans assistance in this area through at least the time horizon of this document.

In response to nutritional deficiencies which are particularly important in pre-school and young school-age children, AID continues to provide PL 480 Title II food for the nutrition and feeding program of Catholic Relief Services (CRS) and for distribution in food deficit areas through CPS and the National Cereals Office (OFNACER). School feeding also provides some incentive to rural

families to release their children from work in the fields to attend school and thus is also supportive of rural education. Aggregate protein-caloric nutritional deficiencies may be particularly severe in certain localities due to spatial variation in rainfall patterns. Thus, in addition to a regular program to raise nutritional standards for young children, AID will support in appropriate years emergency programs through CRS and other voluntary organizations to respond to localized food deficit conditions. The Mission intends to continue support to the CRS regular program at levels which do not discourage local production as long as the monitoring of child growth indicates that nutrition standards remain inadequate and until improved marketing and increased food production render external food aid unnecessary.

Precise tonnage levels of support for the regular program in the future will flow from USAID analysis of the long awaited CRS multi-year plan. This has been somewhat delayed in preparation, perhaps in part due to personnel turnover in the CRS Mission. We now anticipate having it in hand by spring of 1980, and analysis of its proposals will be reflected in next year's CDSS.

B. 4. Rural Education

As pointed out in the analysis, pervasive rural illiteracy is a hindrance to development across a wide spectrum of activities, from ag extension to nutrition and health/sanitation education efforts. The problem, outlined in the analysis, is clear. A solution emerging from the GOUV in general form is reform of the rural primary school system and expansion of its coverage. The details are developing slowly, however, and questions of considerable political sensitivity are involved. Through a project managed by Catholic Relief Services, in collaboration with the Ministry of Education, AID will support an experiment with primary school curriculum reform in the Tenkodogo area, and the GOUV is conducting other experiments introducing agriculture and national languages in

30 rural primary schools nation-wide. However, the GOUV is still working on the content of its reform of primary education and will be for some time. It is our judgement that substantial commitment of AID funds for education should await further resolution of political and educational policy issues by the GOUV and assessment of the results of experimental efforts now in early stages. By 1983-84 some further support to the more successful experimental efforts may be warranted, with more substantial assistance in the latter part of the planning period, depending on further results. Other donor efforts, such as that of the World Bank with young farmer training centers, will be monitored and evaluated as well, and may provide useful insights on non-formal modes of addressing this problem. The adaptation of the national school system to the development needs of an agrarian society and its expansion to serve a large proportion of the rural population could dramatically expand the potential of our current strategy for providing practical training in agriculture, in health/nutrition/family planning, and to women's groups.

B. 5. AID Program Implementation Strategy

In implementing its programs, the Mission will continue to make full use of U.S. private voluntary agencies in Upper Volta. CRS is active in maternal and child health, nutrition and primary school curriculum reform. Africare is carying out a complex integrated rural development project in the Yatenga ORD. Both CRS and Africare participate in discussions of the Mission's general development strategy. Small but important AID-supported development projects are also being implemented by Partnership for Productivity and Save the Children Federation.

The number of U.S. PVOs currently active in Upper Volta is very small compared to many developing countries, and the number of those capable of designing and implementing large projects is smaller still. For this reason, as funding levels grow we intend to request that AID/W PVO liaison officers

actively explore the possibilities of attracting PVOs not now active here with the capability of implementing projects in the priority sectors indentified in this document.

Collaboration with the Peace Corps takes place at the strategy, project design, and implementation levels, and is intensifying. PC reps take part in our CDSS strategy deliberations. They are involved in project design from the PID stage forward. Firm plans to involve PC volunteers in rural potable water and village woodlot projects are already developed, and we expect this collaboration to continue to expand throughout the planning period.

Project size will increase as a backlog of small projects come to an end and resources are concentrated in bigger projects. USAID still intends to experiment in small energy, environmental and appropriate technology projects with the intention of eventually designing large interventions where justified. LOP funding will be used for small projects and a higher proportion of funds obligated at the beginning of larger projects. USAID Ouagadougou has found that incremental funding is a useful management tool to ensure that GOUV commitments are being carried out to our satisfaction and to review progress with the GOUV. When Project Agreement amendments are simple funding increments, they demand little management time and can serve a very useful function. However, we will increase initial funding levels to ensure that projects are not underfunded in their critical start-up phase.

The potential for sector assistance at the national level in agriculture opens up the possibility of utilizing Title XII institutions with a practical, field orientation to work in a government with a very weak analytical and data-gathering capability. A Title XII institution could help establish a basic national data-gathering capacity and train or recycle analysts to provide the GOUV with a solid basis on which to plan. From there, it could move on to increasing the sophistication of planning by the national agriculture services.

Another area where the AID program has already helped meet a growing need is that of strengthening of women's roles in development. Too often neglected by the predominantly male extension agents, rural women represent a traditionally vital agricultural resource which two USAID projects are strengthening. Training in small-scale, village level productive or labor-saving enterprises and teaching of functional literacy as a key to expansion of development opportunities form the essence of these specialized projects. It is currently our goal to work with the GOUV to integrate rural women into the general development process so that projects primarily focused on women will no longer be necessary. As previously noted, all future projects will be designed with this goal in mind.

Relationships with other donors continue to improve on an operational level. Recent project designs have involved extensive consultations and/or collaboration with the Germans, UNDP, the Caisse Centrale and IFAD. Initial contacts are being followed by bilateral exchanges of information and plans and the prospect of a meeting of all donors at the country level to discuss co-ordination of planning. A particularly serious deficiency in GOUV capability is the lack of co-ordination among donors through the Ministry of Plan, which is charged by the government with that responsibility. The mission will actively explore ways of increasing the Plan's capability to track and co-ordinate GOUV and donor programs.

The Mission continually faces a serious problem of local analytical and managerial capabilities which are inadequate to meet the demands placed on them by a donor program which approximates the size of the national budget. Training programs for management skills are actively sought and both project and SMDP funds will continue to be utilized to build up Voltaic capacity in this area. Given the severe shortages, it is not now foreseen that management responsibility can be transferred to Voltaic personnel in a major way which

would reduce the USAID management workload. However, the Mission will continue to take advantage of competent managers in the GOUV when possible.

The Mission strategy described above has significant recurrent costs implications, described in the analysis section. We do not yet have the full range of information needed to assess precisely the income generating potential of all AID projects to compare against the recurrent costs involved in these activities. However, it is clear that the GOUV faces an increasing burden of recurrent costs and that project benefits cannot be fully recovered through taxation. In addition, projects to protect the environment and improve educational levels and health for long-term growth will make the recurrent cost problem much more burdensome than at present. We therefore propose to fund substantial proportions of USAID project-related recurrent costs through the medium-term, until the long-term effects of improved health, education and infrastructure improvement come to full fruition.

As noted in the analysis section, we have developed a new approach to the problem of funding recurrent costs, a problem which must be addressed promptly and effectively if envisioned expansions of US and other donor programs are to achieve the desired results.

It is, in essence, a form of Program Support: a modest Commodity Import Program(CIP), the revenues of which would be deposited in a Trust Fund for use by the GOUV in meeting post-project recurrent costs generated by AID-funded projects. Purpose of the Trust Fund would be described in a general Program Support Agreement between the USG and GOUV, and specific use of the funds would be detailed in annual sub-agreements obligating funds for the CIP. Amounts and specific uses would be determined by on-going detailed USAID analysis of recurrent costs requirements, and conditions precedent to disbursement and covenants would require that the GOUV use the Trust Fund only for the purposes specified.

The mechanism would work roughly as follows: A line of credit would be

opened for the GOUV in a U.S. bank(s) tied to U.S.-origin exports, (or 941-origin exports if that were the judgement of AID/W) in the amount initially obligated in annual sub-agreements. The line of credit would be drawn upon to finance U.S. exports to Upper Volta, the local currency proceeds of which would be paid into the Trust Fund for use as described above.

On the one hand, private sector importers could apply to the Ministry of Finance, with a deposit in local currency to the Trust Fund, for an irrevocable letter of credit to be issued against the line of credit in favor of a U.S. exporter who was their supplier. Upon receipt of the goods, the importer would pay into the Trust Fund the balance of their value in local currency and sell them to satisfy local market demand as they would any other import. On the other hand, the GOUV could also use this mechanism to supply official import needs, importing via the line of credit heavy equipment, U.S. manufactured vehicles, office equipment and supplies, etc., for use in government operations, while depositing the local currency equivalent from their budget in the Trust Fund.

This mode of financing recurrent costs requirements has several advantages over all others heretofore proposed, to our knowledge, both for Upper Volta, the United States general interests and for AID's operations.

For Upper Volta, it would:

— Provide assured funding over the medium term for the recurrent costs of completed AID-supported projects, which currently is a troublesome imponderable.

— Provide the GOUV the full value of these imports as local currency to be devoted to key rural development concerns, as opposed to the marginal value in customs receipts on most imports currently.

— Provide increased price-competitiveness in the Voltaic import market, benefitting the local economy. To date the import market in Upper Volta is dominated by a limited number of traditional suppliers, who with minimal competition are

often able to set prices to the disadvantage of Upper Volta. This would be more difficult with more diversified sources. Traditional patterns of import financing and habit reinforce reliance on dominant suppliers. A new opening of opportunity and incentive for diversifying imports could well mitigate this situation, forcing all import sources to be more price-competitive to the benefit of the Voltaic consumer and economy.

For the United States general interests, it would:

— Provide advantages in commercial penetration which do not currently exist and which would not otherwise exist, at no disadvantage and indeed to the congruant benefit of Upper Volta. It is the judgement of this Embassy, particularly given changes in recent years in currency relationships, that the U.S. is price competitive in a wide range of products not currently imported in significant amount from the US by Upper Volta due to traditional finance and import patterns. Through this program those patterns could be altered to the economic advantage of both countries and through the Trust Fund with major positive development impact as well.

— Provide increased U.S. employment effect of the AID program. If dollars through project financing of post-project costs are provided, the same positive local currency effect will occur, but the dollars will flow into traditional import channels, increasing employment in other industrialized donor nations.

For AID operations, it would:

— Provide a positive means of effectively addressing the recurrent costs problem which, in the face of increasing program levels, threatens our entire effort.

— Provide a cleaner means of doing this than by stringing out projects through project-by-project post-project funding of recurrent costs. By clearly ending project assistance when projects end, but continuing a program support effort

to ensure that their effects reach full fruition, we can both assist long-term development efforts and insure that the full intended effects of earlier technical and capital assistance are achieved. It will also provide both USAID and the GOUV a regular forum for focussing on the overall recurrent cost problem. — Provide us a means for doing more for Upper Volta, which their strong commitment to development and human rights warrants, while minimizing USAID staffing requirements and project proliferation. The same amount of money, to be delimitated in the following section, if invested in project activities would require a substantial USAID staffing increase in implementation offices, the Program Office, and the Controller. This proposal has minimal staffing implications, primarily for the Controller's Office. The same amounts provided directly as dollars for recurrent costs would imply some increase in the Program Office and major increases in implementation offices, which is not the case with this proposal.

Implications of this strategy for USAID staffing levels will be discussed in the following section.

III. Assistance Planning Level

Proposed Assistance Planning Levels

	FISCAL YEARS (millions of dollars)					
	1982	1983	1984	1985	1986	TOTAL
Food Production - Related Activities						
Agriculture Sector - National Level	2.3	4.0	6.0	9.0	13.0	34.3
Regional Concentration	11.2	11.6	8.8	5.6	14.0	51.2
Total Food Production	13.5	15.6	14.8	14.6	27.0	85.5
Natural Resources Management & Energy	1.2	4.6	4.8	5.8	9.0	25.4
Population/Health	4.6	.5	6.1	6.6	9.6	27.4
Rural Education	-	-	1.5	3.0	5.0	9.5
Program Support CIP	8.4	11.2	15.0	20.0	26.0	80.6
TOTALS	27.7	31.9	42.2	50.0	76.6	228.4
PL 480 Food Requirements (in metric tons)						
CRS Regular Program	25,000	25,000	25,000	25,000	25,000	125,000
Emergency Program	(as required)					
Value (millions of dollars	10.7	10.7	10.7	10.7	10.7	53.5

Funding levels in the agriculture sector - national level category cover current activities in ag technical education in FY 82 and the growing general involvement in the ag sector described in the strategy from FY 83 onward. In the regional concentration line item is included continuation of activities in our present areas of concentration, and expansion to new areas in FY 1984 and FY 1986. In each area of concentration significant funding for farm-to-market road infrastructure is included . The modest funding bulge in FY 82 and 83 reflects a $ 5 million contribution in each year to the upgrading of the

national route in the E. ORD, as described in the strategy. We do not anticipate the necessity for such expenditure for main route upgrading in new areas of concentration. PAPLs for natural resource management and energy will continue current efforts in forestry education and provide for a substantial increase in environment/energy-focussed assistance beginning in FY 83, based on results of the upcoming major environmental assessment.

Funding in the population/health category will continue potable water assistance throughout the period and provide for the technical assistance to the Ministry of Health as noted in the strategy. In FY 84 it will begin assistance in expanding and upgrading the rural health delivery system and initiating family planning activities. The apparent drop in levels in FY 83 reflects the fact that funds obligated through FY 82 will be sufficient to continue potable water assistance to FY 84.

Assistance in rural education is expected to begin rather modestly in FY 84 and then grow fairly rapidly through the end of the planning period.

Program support - commodity import levels are based on our assessment of recurrent costs as described in the analysis and strategy sections. The variance between these levels for each year in the PAPLs and those given in the analysis section are due to two factors:

— These are in current dollars while those in the analysis section are in constant FY 79 dollars. For programming purposes the PAPLs must use current dollars for each year, allowing for inflation.

— These figures are lagged two years, i.e. the funds obligated in FY 82 are intended to cover recurrent costs estimated for FY 84, those in FY 83 for costs in FY 85, etc. The reason for this is the lead time we estimate between obligation of the funds and the actual import and sale of goods and the deposit of the resultant local currency in the Trust Fund.

PL 480 estimates reflect this year's program level. We will be in a

better position to evaluate this further after receipt of the CRS multi-year plan and the PL 480 Title II evaluation, both scheduled in the first half of CY 1980.

Discussions of staffing as far in the future as 1986 and at levels of bilateral aid as high as $76 million have a definite ethereal quality. In FY 79 with bilateral aid at an annual level of $ 8 million (excluding food aid) our bilateral mode ceiling is 22 DH in addition to 5 regional positions and 2 IDI slots. Even after discounting for the fact that the start up costs of the SDP here in terms of personnel were high, current staffing levels are not out of line. While we anticipate that increases in bilateral aid will not approach PAPL levels, it is clear that our activity will increase significantly and that requests for staffing increases are unavoidable unless there is a sea change in the way AID does business.

This CDSS proposes every option we can conceive of to minimize staffing requirements. The restructuring of our implementation offices to improve efficiency, described in this section of last year's CDSS, has taken place. The effort to change the mix of technical and general development officer skills, necessary to complete this reorientation, will take place as future recruitment and personnel turnover permit. This, combined with the other creative programming and implementation approaches we have proposed in this CDSS, will allow the large growth in program levels we project with staffing increases which will be disproportionately small. We hope to be able to hold DH staff growth at the FY 86 $76 million bilateral level to an increase of 6 positions. This level is realistic only if we are successful in finding a greater role for intermediary institutions in the execution of our country program.

This bilateral program staffing level also presumes that we will have a contingent of 5-6 regional positions (independent of bilateral staffing level) to deal with the heavy responsibilities of regionally-funded activities. The

dollar level of these regional activities has matched or exceeded our bilateral program levels over the past several years. This places a heavy additional management burden on the USAID staff as the full-time efforts of a significant proportion of the staff charged to our bilateral personnel ceiling are engaged in these regional projects, and heavy additional support demands are also made on the Program and Controller divisions. Bilateral and Regional positions must be broken out separately and staffed realistically.

The entire personnel question needs to be discussed at the policy level of the Agency in considerably more detail than CDSS space limitations allow, and both the Ambassador and Director intend to do so.