

PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol: U-447

1. PROJECT TITLE Oncho Freed Areas Village Development Fund			2. PROJECT NUMBER 686-0212	3. MISSION/AID/W OFFICE USAID/Upper Volta
5. KEY PROJECT IMPLEMENTATION DATES			4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) <u>686-82-01</u>	
A. First PRC-AG or Equivalent FY <u>78</u>	B. Final Obligation Expected FY <u>81</u>	C. Final Input Delivery FY <u>82</u>	<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
6. ESTIMATED PROJECT FUNDING			7. PERIOD COVERED BY EVALUATION	
A. Total \$ <u>3,182,000</u>			From (month/yr.) <u>1/78</u>	
B. U.S. \$ <u>2,173,000</u>			To (month/yr.) <u>12/81</u>	
			Date of Evaluation Review <u>12/24/81</u>	

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

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Extend PACD for one year, from December 31, 1981 through to December 31, 1982 (see, Section 13.B)	Al Smith	12/31/81
2. Reverse plans to have any external evaluation in CY 1982. (See Section 23.F)	Michael A. Rugh	1/15/82
3. Revise project documentation - at a minimum, the implementation plan, budget, and Project Agreement. (see Sections 16-18)	Al Smith	2/15/82
4. Study the need for (and implement as appropriate) a financial information system to monitor and evaluate the project's financial progress.	George Barwicke and Al Smith	3/15/82
5. Establish a joint plan with the AVV for the phased assumption of all project activities by the amended PACD. (see Section 13.B)	Al Smith/AVV	3/31/82
6. Clear outstanding financial advance problems. (see Section 23.E)	Individuals & organizations concerned	1/29/82
Drafted by: OPR:MARugh Clearances: OHR:DASmith (draft) OFM:GByllesby (not cleared - see attachments 2,3 and 4) A/D:EMelaven (draft)		

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT	
<input checked="" type="checkbox"/> Project Paper	<input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify)	A. <input type="checkbox"/> Continue Project Without Change	
<input checked="" type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T		B. <input checked="" type="checkbox"/> Change Project Design and/or	
<input checked="" type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify)	<input checked="" type="checkbox"/> Change Implementation Plan	
<input checked="" type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P		C. <input type="checkbox"/> Discontinue Project	

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)		12. Mission/AID/W Office Director Approval	
- Dwight A. Smith, Project Officer - Jean-Jacques Nikyema, Chef, Installation et Migration de l'AVV, Coordinateur Voltaic du Projet-VDF		Signature <i>Emerson J. Melaven</i> Emerson J. Melaven Typed Name Acting USAID Mission Director	
		Date 1/8/82	

13. Summary

A. Summary Description of Project: The project, authorized at \$2,173,000, consists of providing technical assistance, training, equipment, and local cost financing to assist in the creation of a Village Development Fund which will provide loans to farmers resettling in areas freed of onchocerciasis. The loans are to enable villagers (farmers and villagers are synonymous, since households whose primary economic activity is farming settle in villages) to establish income-generating enterprises which will contribute to an improvement in their social and economic well-being. The Project Agreement was signed January 24, 1978; the PACD is December 31, 1981.

B. Summary Findings: Implementation was slow in starting, although loan fund activity has increased markedly in the past fifteen months. Measured against design, the project is not only slow in starting, it has drifted -- in some cases appropriately -- from the Project Paper. Questionable assumptions in the design, an occasional laissez-faire approach to project management, and personnel turnover have led to the present situation of a good, small project, but not quite what was intended.

The above notwithstanding, this evaluator does strongly recommend a one-year extension of the PACD for the following reasons:

- a. The project's greatly accelerated momentum over the past fifteen months should not be dampened at this stage; a large number of loan requests is pending.
- b. The project has just received seven PCV's, and to date, they appear to be performing well, but they require continued AID support.
- c. It is not felt that the AVV is ready to assume responsibility for the management of the Village Development Fund.

The management and financial costs of extending are minimal. We recommend no further obligations and, possibly, a deobligation might be in order. The evaluator further recommends that priority attention be given to placing more responsibility for implementing the project with the AVV.

14. Evaluation Methodology

The basic purpose of this evaluation was to consider the merits of extending the project PACD, now December 31, 1981. The evaluation studied the design, project documentation, and visited project sites in an effort to briefly assess validity of the project at all levels - goal through input - and to measure progress to date. The evaluation was conducted by the USAID Evaluation Officer, with the close assistance of the USAID Project Officer.

This is the project's first formal evaluation, although the Project Paper calls for joint AID-AVV evaluations in December 1979 and December 1980, with an external terminal evaluation in December 1981. Further, the Project Agreement with the Government calls for the establishment of an evaluation program. There is no evidence that such a program was ever instituted.

This project, like all other USAID projects is reviewed at quarterly intervals, at least at the level of the Controller's Office, Program Office, and project officer. Such reviews help to resolve fiscal and programmatic issues of an immediate nature, but do not substitute for the evaluation process.

In approaching the evaluation, the evaluator was seized with the question of measuring progress against the Project Paper, Pro Ag, etc. - "the documents" - or assessing progress against people's good intentions and their own notion of what the project is about and what the project should be doing. The question arose because the project is seriously behind schedule and, in some important aspects, diverges from what was planned. The evaluator took a "middle of the road" approach but, when in doubt, referred to the documents to make the point. At the same time, however, this is not an audit, just as this is not an attempt to rewrite the Project Paper. It is an evaluation.

15. External Factors

The major factor which seems to have affected this project is the extremely slow growth rate of the AVV resettlement program as opposed to the plans laid out in the Project Paper. The PP, finalized in 1977, used AVV estimates to project a total of 133 villages established by January 1980. In fact, at the time of the evaluation, there were only 52 villages. Based on the 133 villages, 200 loans were to have been given. As of 11/30/81, 35 loans were approved. Failure of the AVV to grow as expected can be generally traced to lack of GOUV resources to independently support resettlement efforts (AID estimates the cost of resettling one family falls between \$10,000 and \$15,000), and lack of donor support for the AVV program as now constituted. While the AVV and the major interested donors have had regular consultations over the past several years on improving AVV operations, these discussions have yet to translate into a major resumption of the resettlement program.

Most other assumptions are valid, (in some cases it is premature to comment) although a few remarks are in order: The project documentation probably envisaged a greater role for women, both in the number of women-specific activities and in the number of "shared" projects, than is actually the case. This is an area that requires active involvement of the project staff and advisors, and cannot be assumed.

Secondly, the Project Paper assumed that AVV central staff capacity would be sufficient to carry out the project. If the project were being carried out as designed, this assumption would have been highly questionable. More explicitly, the PP projected that about one-sixth of the time of all AVV employees would be devoted to the project. This has hardly been the

case -- perhaps one-sixtieth would be closer to reality. However, actual project operations are so diminished in scope and size that no damage has been done by this most optimistic of assumptions.

One important factor was not a logical framework assumption, but is referred to in the PP. The designers assumed the project could move 200 loans at an average value of \$5,000 each, for a total loan fund of \$1,000,000. While we have seen that 200 loans is improbable, the \$5,000 average was never questioned. It should have been. Loans through December 1980 averaged only about \$1,300. Through November 1981, thanks to some very large individual loans for cereal banks, the average for 35 loans had jumped up to \$2,800, still far short of the \$5,000 assumption. The only loans to date that exceed \$5,000 are the bloc level cereal banks -- of which there can be no more than ten loans. It is not known why the design team did not question the \$5,000 figure. The PP gives examples of different types of loans, the highest of which is 725,000 FCFA (about \$3,200 at the PP's rate of \$1 = 240 FCFA -- even less today at \$1 = 280 FCFA) for a grain mill. The import of all this is that the feasibility of the project may have been questioned closer at the ECPR stage if it had been realized that the loan figure of a \$5,000 average was questionable. Even with a one-year extension, a more realistic figure for the village development fund would be in the \$250,000 - 300,000 range, a far cry from the \$1,000,000 originally projected. To be sure, part of this reduction is due to the much slower than anticipated rate of implementation, but part is also due to the incorrect assumption concerning the average size of loans.

16. Inputs

USAID Inputs: A glance at the major budget categories gives a good overview on where the project stands as it approaches the PACD (in \$000):

<u>Item</u>	<u>PP</u>	<u>ProAg</u>	<u>Committed to date</u>	<u>Accrued Exp. to 9/30/81</u>	<u>Pipeline 9/30/81</u>
Long-term TA	300	-	<u>1/ 2/</u>	-	-
Short-term TA	175	175	92	71	21
Training (third cty)	69	69	-	-	-
Training (local)	152	152	226	97	129
Commodities	72	72	113	39	74
Loan fund	1,000	1,000	450	132	318
Info systems (including research)	120	90	<u>-3/</u>	-	-
Local optg costs	130	460	154	40	114
Inflation	155	155	N/A	N/A	N/A
Unearmarked	<u>N/A</u>	<u>N/A</u>	<u>177</u>	<u>-</u>	<u>177</u>
	\$2,173	\$2,173	\$1,212	\$379	\$833

1/ USAID's MOB also contributed about \$48,000 for the services of a project advisor from March 1980 - May 1981.

2/ Seven PCV's were assigned to the project in July 1981. After 3 months training in VDF operations, they assumed their bloc level posts in October 1981. Based on a 2-year assignment the estimated value of this Peace Corps contribution is \$280,000.

3/ Some research was done; the costs of which are included in the short-term TA line item.

Given the slow growth of the resettlement program, USAID management was prudent in restraining the implementation of the Village Development Fund. Indeed, it was recognized over two years ago that the authorized LOP cost of \$2,173,000 was in excess of what the program could reasonably hope to achieve. The project is now considered fully obligated at \$1,212,000. If the project is extended for one year, even this figure should be carefully examined. A priority exercise in any extension period should be a careful rebudgeting. The evaluation also views with concern the extent to which the project is financing local operating costs of the village development fund. Another priority of the project management in any extension period should be to work closely with AVV budget staff in making certain that sufficient funds are allocated from AVV's own resources to support the Village Development Fund program.

With regard to long-term technical assistance, the decision was apparently made to fill the position with a direct-hire, rather than a contractor. Project designers, keeping in mind that an important purpose of the project was community development and strengthening village organizations, called for a full-time Ph.D. (or M.B.A.) micro-economist experienced in rural development work, with specialities in small farmer organizational development, small-scale income-generating activities, and rural development planning and evaluation. Apparently, a French-speaking individual with these qualifications could not be found, and a USDH was selected to fill the position. Unfortunately, this person did not fit the requisite qualifications either. Moreover, he was not able to devote his full time to the project because of other duties. Neither the present project officer nor short-term technical assistance (contract) have fully met the requirements. This has contributed to the perception of the project as a small credit fund, with less emphasis on the village community development aspects.

17. Outputs

The following table compares the PP projections against actual, current status.

<u>Project Paper</u>	<u>Status</u>
1. 200 self-sustaining income generating enterprises functioning in 133 AVV villages by the end of 1980, with 75% of enterprises fully returning initial investment with 29 months of start, and 75% of enterprises profitable for one year after full return on initial investment.	Through 12/80, 21 loans extended; through 11/81, 35 loans had been extended. An additional 12 are projected for December, 1981. Since the first loan was only given in May, 1979 (the only one that year), a realistic measurement of the 75% is not feasible until 1983 at the earliest. Attachment 1 is a list of loans, by date, bloc, type, and amount.

Project Paper

Status

2. Organization and Technical Training

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a) Technical training vehicle purchased and equipped and 3 technician trainers trained and begin operating 10/77. | a) This mobile training unit was never started. |
| b) 230 village enterprise managers (20 in 1977, 70 in each of last 3 years) trained 12/80. | b) Done on a demand basis, as appropriate. Perhaps 50-70 people have been trained in grain mill operation, weaving, accounting, etc. |
| c) 150 village leaders (50 in each of last 3 years) trained in organization techniques 12/80. | c, d, e): In April and May 1981, a USAID-financed short-term advisor trained 124 Chef de Bloc, Gestionnaire de bloc, encadreurs, and animatrices in an explanation of the VDF, feasibility studies, management, and simple accounting procedures. Ten AVV headquarters staff also participated. Further, over 50 encadreurs have been trained annually by a combination of in-house, INADES, and CESA0 facilities. |
| d) 160 extension workers (40 each year) trained in group organization techniques 12/80. | |
| e) 200 extension workers (50 each year) trained in enterprise management and basic accounting 12/80. | |
| f) 20 extension supervisors and AVV staff (5 each year) sent on study tours, in enterprise and small farmer organizational development 10/80. | f) None to date, none planned. |
| g) One AVV person trained in computer programming 12/77. | g) None to date, none planned. |
| h) One AVV person trained in planning and staffing 12/78. | h) None to date, none planned. |
| i) One AVV person trained in intermediate technology development and village application 12/79. | i) None to date, none planned. |
| j) Two AVV persons trained in cooperative development and management 9/80. | j) None to date, none planned. |
| 3. a) Trained AVV staff operated information system providing timely and accurate analysis for decision-making -- starting 10/77. | 3. a) There is no formal information system as envisaged in the PP or Project Agreement. |

Project Paper

Status

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| b) Computerized system using in-country software assesses impact of village enterprises and over-all AVV program starting 4/78. | b) Computerized system will be used only for loan accounting beginning in January 1982. Base information for assessing impact is not readily available. |
| 4. a) AVV allocates funds from VDF to villages in accordance with established criteria starting 4/77. | 4. a) and b): Not observed to date. The AVV still utilizes advice and guidance from USAID. |
| b) Village project implementation managed (re: TA, procurement, extension service) to effect start up of enterprises as per schedule. | |

Obviously, the level of outputs is far behind schedule, and in the instance of the information system, has been abandoned. As explained in Sections 15 and 16 above, however, the slowdown in inputs (and, as a consequence, outputs) was a conscious decision by project management to keep the level of village development fund activity apace with the level of resettlement activity in AVV zones. The abandonment of the information system component does not seem to have been the object of a conscious decision however. It is suspected that it got shunted aside by the change in type and level of technical assistance (refer section 16 above) and by a failure to see its importance at the time. This latter reason is a conceptual error. As will be shown below in the discussion on "purpose" and "goal", it was this very information system that was to measure the effects of this project on net income, agricultural production, health and nutrition, reinvestment of profit, and other benefits. Lest the evaluator seem too critical on the absence of the information system, it must be pointed out that the collection of so-called baseline information in the Upper Volta environment is, from experience, an extremely difficult and arduous task. Aside from problems of language and local suspicion, survey methodologies are poor, and the local institutional base to mount such efforts is weak. (The PP team's assumption that SAED could probably do the job was naive.) Finally, the concept of baseline surveys, and resurveys to measure change, is alien to most local personnel, and is not readily accepted. This project is not alone in this regard.

18. Purpose

The approved project purpose is two-fold:

1. To develop village level capacity to organize, manage and invest independently in village social and economic development projects in 133 AVV villages by January 1981.
2. To institutionalize credit to make such village undertaking possible.

This project is 2-3 years behind schedule; some elements have not been undertaken in any structured manner. Based on this, it is not appropriate or possible at this time to measure the project's progress toward meeting the "End of Project Status" indicators given the absence of the information system. Without the means to verify quickly it is also impossible to measure progress toward EOPS without investing a considerable amount of time and effort.

The linkage between the EOPS indicators and the purpose statement would still be considered valid were the original purpose adhered to. The EOPS emphasize the first purpose statement, and concern village organization, reinvestment of profits, incidence of social benefit activities, women's participation, and acquisition of managerial and technical skills. What was apparently a passive decision to de-emphasize the village-level social institution building aspects of the project and concentrate instead of developing; a loan fund has led to a "back seat" role for the training and information system elements of the project. Any extension and further evaluation should be based on what the project really is: a small credit fund working in an area of social experimentation. The social development concerns are still relevant and important -- the fund is operating in resettlement villages, with people of varying backgrounds, in new lands development with an incomplete infrastructure.

19. Goal

The approved project goal is "Improved economic and social well-being of people in resettlement villages of AVV." It is contemplated that this will be measured by assessing the project's effect on

- net income of resettlement families
- agricultural production of families
- health and nutrition of families
- village and individual problem-solving capability
- benefit incidence in resettlement villages

At this point in the project, and without an exhaustive study, it is inappropriate to comment further, except to say that the likelihood of this project having a significant direct impact on agricultural production and the health and nutrition status of AVV's population is slight. The vast majority of loans to date are income-generating or labor-saving activities, e.g., cereal banks, grain mills. This is ironic given the project's mandate (refer PP, authorization, Project Agreement, and AVV's own list of loan criteria) for loans relating to increased food production and/or improved nutrition. Loans not in this category were to be refused unless it was demonstrated that the majority of villagers would receive a measurable benefit from the undertaking. This strongly suggests the advisability of conforming the Project Paper and Project Agreement to reality.

20. Beneficiaries

The direct beneficiaries are the loan recipients, which when both group and individual loans are considered, probably number about 200 households. Also both villagers and AVV staff benefit from training. It is not pertinent at this time to further comment on the beneficiaries, as the data is simply not available, although it was observed that enthusiasm was high at both the bloc and villager level in the one bloc visited.

21. Unplanned Effects

The evaluation identified no unexpected results or impact beyond that originally planned.

22. Lessons Learned

The principal "lesson learned" is a confirmation that the project, as designed, was unrealistic in what it can achieve, and optimistic in terms of implementation realities.

23. Special Remarks

A. If the project is extended, steps should be taken to reduce the direct level of involvement of the USDH project manager. Other demands preclude his spending 50% of his time sitting at AVV.

✓ B. All of the project's official files are at the AVV office. At least copies should be kept at USAID.

C. A careful study of the GOUV's compliance with the satisfaction of the Pro Ag's conditions precedents, required certifications for declaring villages "oncho-free", special covenants and loan eligibility criteria should be undertaken. Further, a Pro Ag amendment is in order because of the recently amended authorization change re loan repayment periods. A Pro Ag amendment would also be a good occasion to revise the Amplified Project Description.

✓ D. The preceding comment should lead to a review of compliance on the part of all projects with their conditions precedent, covenants, special conditions, and standard provisions. In this regard, the evaluation office calls to the reader, section B.5(b) of the Standard Provisions annex:

"The Grantee will maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the grant." This USAID is now going through an exhaustive examination of GOUV accounting systems; the next step is to determine compliance with commodity control systems.

E. The project was subject to an IG audit in September-October 1981. Based on the first IG draft, some advances of local currency had been outstanding for an extended period of time. These should be cleared as soon as possible.

F. During the course of the audit, the Inspector General representatives and USAID discussed evaluation planning for this project. The Mission determined that this PES would recommend no more than a six-month extension (if any). Any further extension would be based on a progress review in May 1982, and an external evaluation in June/July 1982.

The findings and recommendations of this evaluation represent a change in position: A one-year extension is recommended, with no external evaluation. One year is felt to be necessary because of the time and effort required to prepare AVV for an orderly assumption of project activities. The evaluator does not now see anything material to be gained by an external evaluation in three months time.

G. The attachments to this PES are:

1. Loans given AVV.
2. Memo from Evaluation Officer to Acting Mission Director, dated 1/04/82.
3. Memo from George Barwicke, B&A Officer to the Controller, dated 12/28/81.
4. Memo from George Barwicke, B&A Officer to the Mission Director, dated 12/3 /81.

LOANS GIVEN AWV

DATE	BLOC	LOAN	(CFA) ^{1/} AMOUNT
5/18/79	Linoghin	Blacksmith	80,000
2/11/80	Bané	Boutique (cereal bank)	335,000
2/18/80	Kaibo N	Cereal banks	175,000
2/29/80	Bané	Cereal banks/boutique	300,000
4/1/80	Linoghin	Boutique	117,000
4/1/80	Mogtedo	Boutique	105,000
4/21/80	Bané	Cereal bank	365,000
5/11/80	Linoghin	Boutique	114,000
5/28/80	Linoghin	Mill (facilities)	75,000
6/26/80	Linoghin	Boutique	195,000
8/4/80	Kaibo S	Carpenter	15,000
8/28/80	Tiebolé	Boutique	200,000
9/12/80	Kaibo N	Mechanic	215,000
10/2/80	Linoghin	Cereal bank	600,000
11/14/80	Linoghin	Cereal bank	1,500,000
11/19/80	Kaibo S	Cereal bank	550,000
12/2/80	Djiopologo	Cereal bank	625,000
12/2/80	Kaibo S	Looms (8)(Cash & kind)	440,000
12/2/80	Kaibo N	Looms (8)(Cash & kind)	320,500
12/6/80	Bané	Cereal bank	100,000
12/9/80	Linoghin	Cereal bank	1,000,000
4/9/81	Mogtedo	Mill (facilities)	50,000
4/29/81	Mogtedo	Mill (facilities)	155,400
6/7/81	Mogtedo	Mill (facilities)	100,000
6/16/81	Linoghin	Mill (facilities)	50,000
6/16/81	Linoghin	Mill (in kind)	700,000
6/21/81	Mogtedo	Mill (in kind)	700,000
6/21/81	Linoghin	Millhead (in kind)	248,700
10/17/81	Mogtedo	Cereal bank	3,124,000
10/17/81	Bambae	Cereal bank	3,250,000
10/17/81	Rapadama	Cereal bank	4,500,000
10/20/81	Kaibo S	Cereal bank	2,000,000
11/16/81	Kaibo S	Cereal bank	500,000
11/19/81	Manga E	Cereal bank	2,500,000
11/27/81	Kaibo N	Cereal bank	1,500,000
			<u>26,804,600</u>

9,430,600 to 9/81

LOANS PENDING SIGNATURE OF DIRECTOR GENERAL (Guaranteed by 12/31/81)

12/81	Djiopalogo	Cereal bank	3,000,000
12/81	Linoghin	Cereal bank-supplement	2,000,000
12/81	Linoghin	Blacksmith	350,000
12/81	Linoghin	Animal vaccination/ pharmacy	1,200,000
12/81	Linoghin	Pork production	200,000
12/81	Linoghin	Pork production	200,000

1/ 280 CFA = \$1 as of 12/23/81

12/81	Bambaré	Peanuts and Niébo marketing	100,000
12/81	Mogtedo	Animal vaccination/ pharmacy	1,200,000
12/81	Kaibo N	Bakery	240,000
12/81	Kaibo N	Pork production	200,000
12/81	Kaibo S	Pork production	1,100,000
12/81	All Blocs	Looms (30)	<u>900,000</u>
			<u>10,690,000</u>
		GRAND TOTAL	<u><u>37,494,600</u></u>

ATTACHMENT 2

MEMORANDUM

TO : Acting USAID/Upper Volta Director, Mr. Emerson J. Melaven
FROM : Mission Evaluation Officer, Michael A. Rugh 
SUBJECT : Project Evaluation Summary, Oncho-Freed Area Village
Development Fund (686-0212)

I. At the meeting chaired by you on December 30, Messrs. Byllesby and Barwicke of the Controller's Office, Mr. D. Smith, project officer and my goodself discussed the subject evaluation, and the difficulties that the Controller's Office had in clearing the evaluation and its principal recommendation to extend the project for one year. It was determined that the Controller still would not clear the evaluation, and the issue of extending the project would be decided upon by the Mission Director, who would have the Controller's dissenting views in hand when making his decision.

II. The Controller's Office has issued two separate dissent memoranda on the Project Evaluation Summary: those of December 28 and December 31.

-- The December 28 memo essentially supports my evaluation findings but comes to a different conclusion regarding extension. I continue to feel that, for the reasons enumerated in Part 13.B of the PES - Summary Findings - a project extension is warranted.

-- The December 31 memorandum, written after our meeting, raises nine additional arguments. I will briefly respond to each.

1. OFM claims that the evaluation states that AVV lacks a professionally competent staff. This is untrue. My evaluation does not state, nor even imply such an assertion. I do say that the AVV is not ready to assume responsibility for the management of the loan fund. OFM also claims that the draft audit speaks to professional competency. The only reference I can find in the draft audit is a statement to the effect that the AVV lacks management experience and support.
2. OFM states that the Project Officer does not recommend recruitment of the information specialist. The remark is not understood. I do not recommend recruitment of the information specialist either. It is far too late to consider this.
3. N/A
4. The Controller's office questions the impact of our aid when measured against the volume of other donors. It is true that AID assistance to the AVV pales against that provided by France, the Netherlands, and the EEC. However, we are the sole contributors to the Village Development Fund, with the other donor money going to resettlement and credit agricole. The VDF complements

resettlement efforts. In fact, at a recent donors meeting, the GOUV singled out our program as one of AVV's major accomplishments.

5. The Controller's office discussion of the accounting system at the AVV is not a persuasive reason to close the project as scheduled. Their preoccupation is that the system is incapable of easily giving information. The statement that the French control the financial service and the training service is debatable.
6. The Controller's office correctly points out that the low interest rates prevalent in Upper Volta are prohibitive to the continuity of any small credit fund. (This is a problem common to almost every developing country, and is widely discussed in the literature.) If we were to follow the Controller's office logic, every project in which we extend credit would be terminated. I do not advocate such a course of action. The Project Paper for this project was naïve in assuming that the fund would be eroded only by inflation, but this is no reason not to extend. Indeed, to protect our investment, it is imperative that we maintain our presence at AVV over the next year.
7. The Controller's office memorandum questions the overhead cost of AID in managing the fund. I find the cost to be no more than in others of credit programs and in line with the Project Paper estimates. I further understand that the Project Officer is revising the proposed 1982 budget downward, so as to arrive at a more favorable ratio of operating costs to loans granted.
8. This comment relates to Project Officer involvement, and points out an apparent contradiction between the draft audit and the evaluation: Whereas the audit suggested increased effort by the Project Officer, the evaluation suggests less effort. The audit aside, the evaluation's intent was an overall reduction in the level of effort. Given the premise that the entire CY 1982 be devoted to phasing out in an orderly and responsible manner, the evaluator feels that an initial high level of attention must go into a) planning the phase-out of AID management of the fund and b) training AVV personnel in the program. I foresee a gradual reduction in the Project Officer's involvement so that by October or November 1982, the role is strictly monitoring.
9. The fact that there is a dual record-keeping system is hardly a reason not to extend the project.
10. The Controller's office states that there is no hard evidence that a condition precedent relating to the description of an accounting system has been met. Again, this is hardly a reason not to extend the project. The fact is, AVV submitted, under cover of a July 3, 1978 letter a description of accounting

procedures relative to the VDF. PIL No. 1 of August 30, 1978 accepted their submission. I do note that the PIL was drafted by the then project manager and signed by the Director, with no additional clearances. I am having a copy made for OFM of all these documents. I would be the first to remark that the satisfaction of CP's for this project could have undergone a more rigorous review than was apparently the case in 1978. Indeed, I observed this during the course of the evaluation, and this is the basis for my related comment and recommendation under the "Special Remarks" section of the PES.

III. In conclusion, I do not believe that the Controller's office remarks - either taken in isolation or as a whole - present a convincing counterargument to my recommendation to extend. OFM does raise several legitimate concerns of implementation, but these are not overwhelming, and are certainly not sufficient grounds for non-extension. I, therefore, again recommend that you sign the PES and pave the way for extending the project.

FYI, I have slightly redrafted the PES to show OFM's non-concurrence, and have indicated that this memorandum, as well as their "dissent" memoranda, be incorporated as attachments to the PES. Other drafting changes include a discussion of our prior decision to consider a six-month extension, and an additional action item that Mr. Barwicke suggested.

cc: DIR
OFM, Mr. Barwicke
OHR, Mr. Thomas
OHR, Mr. D. Smith

memorandum

James H. [unclear]

DATE: December 28, 1981

REPLY TO
ATTN OF: G. Barwicke, B&A Officer

SUBJECT: PES for Project #686-0212

TO: Mr. G. Byllesby, Controller

Having reviewed the Project Evaluation Summary Draft for the Oncho Freed Area Village Development Fund dated 12/24/81, I would not recommend that OFM give clearance on the "Action Decisions" suggested by the evaluator. The recommendations appear to be at conflict and out of correct sequence.

For example, the evaluator recommends a revision of the implementation plan, the budget, and Project Agreement which the evaluator estimates will be completed by 2/15/82. However, the evaluator assumes that all outstanding financial accountability problems can be resolved within 7 days (i.e., from 12/24/81, date of report to 12/31/81, date given by evaluator for completion).

I would think that the normal sequence of events, given the evaluators' recommendations, requires first an amended Pro-Ag specifying for example what will be the new inputs, outputs, and hopefully rough estimates of the costs involved to each party in supplying these inputs and attaining the revised goals. A detailed, more precise (a) implementation plan and (b) budget can then be prepared once the revised Pro-Ag answers the latter question.

Once it is known (a) where the project is going, (b) who is going to remain as the organization managing the project, and (c) what resources must be managed (i.e., a budget) to attain the revised goals; then a financial system can be finalized which will permit management to monitor success. You cannot establish a financial information system in a vacuum. AVV is its own example of this folly. Yet, this is what the evaluator wishes OFM to do (in 7 days, no less?!).

It is interesting to note some previous problems with the project that the evaluator mentions, such as:

- (1) No long-term (MBA) technical assistance to guide the credit fund and assist in establishing a viable information system.
- (2) No long-term professional training in the essential subjects of management, planning, computer programming, and staffing.
- (3) No information system as envisaged by the Pro-Ag exists.



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- (4) No established loan criteria of its own.
- (5) No data base to analyse at EOPS because of the small number of loans and absence of #3 above.
- (6) AVV is not ready to assume management of the loan fund (i.e., AVV cannot manage).

In short, the evaluator's comments indicate (a) a complete absence of an integrated infrastructure to attain project goals and (b) little attempt during the project to create the infrastructure at AVV capable of doing anything but floating small loans without the ability to assess and measure the success of this "loan experiment" at end of project. Thus, what the evaluator appears to really be asking AID to do is "Let's attempt to continue to float approximately \$40,000 more in loans while we merrily go about attempting to put this mess together so by 12/31/82 we can really see whether it works."

Given the lead time necessary to (a) adequately, professionally train a counterpart staff (i.e., 12 months; 3 months to nominate and enroll, 9 months to train) and (b) create an infrastructure (items 3-6 above); I doubt whether by 12/31/82, the inputs will be in place (with sufficient experience) to (a) assume full management of the project, (b) assess the projects' success, and (c) collect sufficient data to measure and analyse. Of course, in the absence of a logical framework one can only guess when such services will come on-line.

The evaluator refers to "the greatly accelerated momentum over the past 15 months" of the project. He does not elaborate on this statement. I assume the evaluator refers to the (a) DAI training of PCV's and cadres, (b) the computerization of the loan fund, and (c) the existence of outstanding loan requests to be funded. If this is true, it is evident that the evaluator is only talking about short-term concentrated action in one project area (i.e. making loans) because no mechanism (information system) exists to gauge (a) why these loan actions should be taken, (b) whether this loan concept can be institutionalized, (c) whether recipients really benefit from the loans in the long run and (d) whether the project lacking the long-term trained staff as envisaged by the project can be self-sustaining. The information and data collection structure which is the other major area of the "AVV experiment" appears to be shuffled to the side in favor of perpetuating just another small loan fund similar to SWID, TWIS and the Eastern ORD. Sufficient data already exists showing that the SWID and Eastern ORD loan funds are not commercially viable.

Thus, unless the "Action Decisions" section of the PES can be rewritten to provide a more logical prioritization of decisions to be made and time periods to accomplish these decisions, I would be opposed to any action

Mr. Gary Byllesby

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by OFM to support an extension of this project. Even with a logical decision matrix and time frame from which to begin the contemplated next year of AWV operations, I seriously question the wisdom in doing so given that no long-term technical assistance (or as much help from the project officer as has originally been given) appears to be on the horizon during the sunset of this project's life.

cc: M. Rugh
Director ✓
Assistant Director
D. Smith
C&R
OFM Project ;
Barwicke
OFM Chron
M. Horween

memorandum

DATE: 12/31/81

REPLY TO
ATTN OF: OFM: George E. Barwicke

SUBJECT: AVV Project (686-0212) PES

TO: Director, Richard C. Meyer

Ref.: My memo to Gary L. Byllesby concerning same
subject dated 12/28/81

In addition to the reasons given in my memo dated 12/28/81, I request that you consider the following additional reasons when determining whether this project should be extended to December 31, 1982 or terminated as of December 31, 1981:

- 1.- The Draft Inspector General Audit (DIG) of the Oncho Project supports the evaluators statements that AVV lacks a professionally competent staff.
- 2.- The project officer, in his 10/02/81 memo, does not recommend the recruitment of the Information specialist contemplated by the ProAg.
- 3.- N/A
- 4.- USAID's involvement in AVV thus far has been minuscule compared to the French effort. Are we really going to have an impact?
- 5.- French ex-compatriots' control "Service financier" and "Formation". The accounting system in force is incapable of easily giving relevant information concerning AVV activities upon which management (or the Government) can possibly make business decisions on subjects such as (a) costs to float loans vs revenue from loans, (b) the actual cost of subsidizing AVV activities as opposed to channelling resources in other directions. The DIG and project officers memo of 10/20/81 also addressed this issue and both are in concurrence. The system does conform to the needs of the Government in controlling cash and inventory.
- 6.- The present regulations in Upper Volta concerning interest rates are prohibitive to any small credit fund area unless these regulations are amended to encourage private enterprise in the area of capital formation.



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7.- As of 12/31/81 actual loans plus approved loans pending-financing amount to approximately 38,000,000 CFA. AID costs incurred (expenses plus accruals) as of 12/31/81 to float these loans amount to 51,000,000 CFA (includes Cenatrin costs, local operating costs, commodities, and short-term TA but not AID DH and overhead costs). The 51 million does not include AVV personnel salaries and capital investments. Non finalized rough forecasted budget estimates for CY 82 reveal \$180,000 in loans compared with \$263,500 in direct AID costs to float the loans.

8.- The DIG proposed increased monitoring by the AID project officer. The evaluator says there will be the less effort by the project officer.

9.- The present management at AVV is content in maintaining their present accounting system. They are amenable to keeping dual records for USAID needs. Thus we will (and must) require dual efforts in financial management. The DIG also refers to this issue.

10.- There is presently to my knowledge no hard evidence that AVV has actually complied with the ProAg condition precedent concerning the submission of a detailed explanation of accounting procedures used by AVV for USAID funds.

cc. DIR
ADIR
OPR
OHR
C&R
OFM (3)
G.Barwicke