

AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT DATA SHEET</b>	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	DOCUMENT CODE 3
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2. COUNTRY/ENTITY Centrally Funded	3. PROJECT NUMBER 938-0203
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4. BUREAU/OFFICE FVA/PVC <input type="checkbox"/> 1 <input type="checkbox"/>	5. PROJECT TITLE (maximum 40 characters) Partnership for Productivity (Pfp) <input type="checkbox"/>
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 08 30 83	7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 812    B. Quarter <input type="checkbox"/> C. Final FY 814
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8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total			375			1,250
(Grant)			( 375 )			( ; 250 )
(Loan)						
Other U.S. 1.						
2.						
Host Country						
Other Donor(s)						
<b>TOTALS</b>			<b>375</b>			<b>1,250</b>

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FN	270	110		-		1,250		1,250	
(2)									
(3)									
(4)									
<b>TOTALS</b>				-		1,250		1,250	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 290	11. SECONDARY PURPOSE CODE
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)	A. Code PVO	B. Amount 1,250				
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13. PROJECT PURPOSE (maximum 480 characters)

To expand and strengthen the Partnership for Productivity International program to develop rural small-scale enterprises and foster the development of indigenous organizations involved in income generation and small scale enterprise development projects

14. SCHEDULED EVALUATIONS Interim MM YY 0 6 8 4    Final MM YY 0 8 8 5	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)

17. APPROVED BY	Signature Title I. Austin Heyman FVA/PVC	Date Signed MM DD YY 08 18 82	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
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August 18, 1982

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, FVA

FROM: FVA/PVC, I. Austin  Heyman

Problem: Your approval is requested to provide funding to Partnership for Productivity International (PfP) for a three-year matching grant with a total AID life-of-project cost of \$1,250,000.

Background: PfP is a small PVO specializing in the field of rural small enterprise development. In the 12 years since its establishment, PfP's program has grown significantly, from a single project in Kenya to a series of projects in 8 countries in 3 regions (Africa, Central America and the Caribbean), and an ongoing analysis and technical services unit which has lent assistance to USAIDs and indigenous agencies in Asia, the Middle East, Central America and the Caribbean. In approaching each project opportunity, PfP begins with a feasibility study (survey of the economic sector, market analysis, and a needs assessment), and once a plan is developed, either establishes or rejuvenates an indigenous agency to serve as the source of managerial, technical and/or financial assistance for entrepreneurs. At first the local agency is managed by a PfP-hired expatriate, who over the course of the project trains his "apprentice" (someone selected from the community) to assume responsibility when the expatriate departs. PfP's first project, in Kenya, has now been turned over to the complete control of Kenyans.

PfP has the distinction of being one of the few PVOs to be engaging the for-profit business community in development projects. PfP's collaboration with the Liberian-American Mining Company to diversify the economy of the prosperous mining town of Yekepa into a viable, sustaining city independent of the mining operation is serving as a model for discussion of the potential for PVO/corporate collaboration.

PfP received their first AID grant from USAID/Kenya in 1977. Since then PfP has received AID support (both grants and contracts) totalling close to \$8.7 million. Of this total, PVC has provided \$673,000 under a three-year matching grant which concludes August 30. The five years of working with AID is generally well-regarded, and PfP's reputation continues to bring new inquires from USAID's, particularly with the Administrator's expressed interest in seeing private sector activities in most, if not all countries by FY 1984.

As part of the sectoral evaluation of PVOs in the small enterprise field, and to supplement the many OPG evaluations, FVA and S&T jointly contracted an evaluation team in April 1982 to assess the impact of PfP's highly-regarded project in Upper

Volta (OPG-funded). Although the project has been operational for only 3 years, it is being used as a model for the design of other private sector projects. As a result of the project's brief history and its experimental nature (PfP was to develop and test a method for small enterprise development), the evaluation is, in fact, more accurately described as an assessment of the project's design, PfP's implementation record, and the potential for impact. The report's findings are mixed. On the positive side, PfP is credited with many accomplishments in a particularly difficult environment, notably:

- the introduction of a credit system where none had existed before,
- the disbursement of 140 loans in each year of the project, for a total of 416 loans compared to the target of 40 set forth in the grant agreement;
- a 77% loan repayment rate, despite the fact that most of the 300 clients had never received credit before; and
- measurable improvements/benefits in one-half to nearly three quarters of the firms assisted.

At the same time, the report is critical of PfP for the lack of a management information system to accurately document and monitor progress, particularly since the first three years were to be an experimental period to develop and test a model for small enterprise development. The evaluation team also concludes that the employment impact of the project is negligible; although 416 loans were made, only 75 new jobs were created. In explanation, the report indicates that a considerable proportion of all loans were used to meet working capital needs, and while this is important for enterprise survival, it is less likely to generate employment compared to loans for fixed capital investment. The evaluators are also concerned about the sustainability of the project. The interest rate charged would have to be doubled (i.e., to 40%); although not unreasonable, it would exceed the ceiling rate established by the Government of Upper Volta.

Despite the criticisms of PfP in the Upper Volta evaluation, we continue to view PfP as a highly-competent PVO. As noted earlier, evaluations of PfP's several other OPG projects are positive and reflect a record of accomplishment. In addition, while mindful of the problems noted above, the AID Mission in Upper Volta continues to view the project favorably and has awarded a second OPG. The insights into PfP's operations gained through the in-depth evaluation, however, have been useful in discussions with PfP on their capacity for expansion and areas in their program management which need improvement. This information was also considered in deliberations of PVC and PPE as to an appropriate funding level for the matching grant program.

Discussion: PFP's proposal to FVA requests support for a program to promote small-scale enterprise development. The focus of the program will be pilot rural enterprise development projects in five countries (Zimbabwe, Togo, Philippines, Haiti and Costa Rica), and possibly expansion to several other Caribbean nations. The second major program thrust in the proposal, referred to as "project support services", encompasses a variety of activities (training, materials development, and consulting/evaluation) which support and improve the quality of private sector development projects of PFP and other organizations, such as the Malawi Traders Trust and PFP/Kenya. Finally, the proposal includes a third category of activities, "project development services", to enable PFP to respond to requests for feasibility studies, private sector surveys, and project design. These activities will serve as the basis for larger projects involving multinational corporations and the U.S. private sector.

A review committee of PVC and PPE personnel met on July 18 to discuss the proposal and consider the comments raised by the relevant USAIDs. In arriving at the recommendation in support of a second matching grant to PFP, the following issues were discussed.

1. Level of Support and Matching Requirement: PFP's original proposal to PVC requested \$1,400,000, and an exception to the dollar-for-dollar matching requirement, such that PFPs "match" would be reduced to \$1,340,000 (\$60,000 less than the AID support). Although sympathetic to the case PFP made for an exception (i.e., that the project development services were frequently in support of AID mission needs), the committee felt we should preserve the integrity of the matching grant program. Furthermore, the Committee was concerned that PFP was proposing too rapid an expansion, particularly in view of the evaluation's findings and PFP's fundraising capability.

Subsequent to the meeting, PVC met with PFP and asked that they prepare an addendum addressing this issue. This addendum, attachment (B), provided further details on the source of matching funds and reassurances as to PFP's capacity to manage the program. One notable fact in this regard is the growth of PFP Washington staff from four to fourteen, in addition to the establishment of a "Consulting Associates" roster which ensures PFP access to short-term consultants. Nonetheless, based on our review of the financial projections and clarification as to what can be "counted" toward the match, we have concluded a reduction in the proposed budget is wise. The budget for the first year has been reduced by \$75,000 to \$375,000, with the second and third years reduced to \$410,000 and \$450,000 respectively. This will allow growth in PFP's program, but at a slower and incremental pace. PFP will match FVA's support dollar-for-dollar, thus ensuring the program growth does not surpass PFP's private fundraising capability.

2. Countries of Operation: To facilitate our review process cables were sent to USAIDs in the nine countries where activities would be funded under the matching grant. With the exception of AID's Regional Development Office in Barbados (RDO/C), all the responses were supportive of the program (Tab C). A few replies are quoted, in part, here:

Costa Rica: The proposed activity "appears to be responsive to the operational needs of the Ministry, as well as consistent with the Mission's ongoing efforts in agricultural development."

Philippines: "We find it (the proposal) most interesting. It is consistent with the general thrust of our CDSS and Philippine development priorities. We support the proposal to have Philippines as one of the pilot countries. We feel it would be complementary to private sector initiatives we are developing under our bilateral program . . . We recommend support for the proposed activity."

The RDO/C, while citing the strength of the PFP proposal in attracting U.S. firms willing to support a Caribbean Basin program, is concerned about coordination with Mission-financed activity and has withheld its support for any project activity in the Eastern Caribbean pending receipt of a more clearly defined implementation plan. PFP has proposed using matching grant funds to initiate pilot projects in the Caribbean which are being identified now through a privately-funded study of the needs of the rural entrepreneurs in several Caribbean nations. PFP's plan to initiate a Caribbean program has already attracted the financial support of the Miami business community and holds much potential for future funding. As such, it is important to PFP's matching grant program.

In view of the RDO/C's concerns, however, we have concluded that it is premature to approve A.I.D. support for any project activities arising from the study of the Caribbean. As soon as PFP is able to provide a description of the specific activities proposed, we will again consult with the RDO/C (or the appropriate USAID if a country in Central America) and amend the grant if appropriate. In view of PFP's emphasis on the private sector and their willingness to collaborate with AID field staff, both FVA and the RDO/C believe any proposed activity will be consistent with AID interests. Since the basic thrust of PFP's Caribbean initiative is in accord with AID interests, however, we recommend that the private funds PFP raises and expends for the completion of the Caribbean strategy (estimated at \$40,000) be included as part of PFP's match.

3. Evaluation Plan/System: The Committee noted the paucity of information contained in the proposal as to evaluation indicators and staff resources devoted to evaluation. In response to this concern, PFP has prepared an addendum describing PFP

staff capabilities in evaluation and a list of the indicators which would be drawn from according to the nature of project activities. The evaluation of the matching grant will be based on progress in meeting the targets set for each project in terms of new businesses created and the establishment of indigenous agencies. Since the evaluation of the PfP/Upper Volta project cited deficiencies in PfP's management information system, we will be closely monitoring PfP's evaluation systems during the first year.

Recommendation: That you approve the funding of a matching grant to Partnership for Productivity International for three years at a cost of \$1,250 million.

Approved: *Julia C. [Signature]*

Disapproved: \_\_\_\_\_

Date: 5/24/82

**Attachments:**

- A. PfP Proposal
- B. PfP Addendum
- C. Mission Comments

**Clearances:**

AFR/DP : H.Smith (draft) Date: 8/11/82  
 LAC/DP : P.Maguire (draft) Date: 8/12/82  
 ASIA/DP: A.Silver (draft) Date: 8/16/82  
 FVA/PPE: L.Stamberg (subs) Date: 8/12/82  
 FVA/PPE: B.Sidman BS Date: 8/15

Draft: FVA/PVC, DMace: <sup>BNL</sup>yf: 235-1684: 8/6/82

1982-1985 PARTNERSHIP FOR PRODUCTIVITY INTERNATIONAL

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MATCHING GRANT BUDGET

	YEAR ONE			YEAR TWO			YEAR THREE			TOTAL		
	USAID	PFP	TOTAL	USAID	PFP	TOTAL	USAID	PFP	TOTAL	USAID	PFP	TOTAL
<b>ED ACTIVITIES</b>												
<b>Country Specific Projects:</b>												
1. Zimbabwe	40,000	40,000	80,000	42,000	55,000	97,000	45,000	40,000	105,000	127,000	155,000	282,000
2. Togo	40,000	40,000	80,000	35,000	45,000	80,000	30,000	40,000	70,000	105,000	125,000	230,000
3. Philippines	40,000	40,000	80,000	43,000	55,000	98,000	50,000	60,000	110,000	133,000	155,000	288,000
4. Haiti	34,500	36,000	70,500	35,000	45,000	80,000	40,000	45,000	85,000	109,500	126,000	235,500
Costa Rica	35,000	35,000	70,000	35,000	45,000	80,000	40,000	45,000	85,000	110,000	125,000	235,000
Kenya and Malawi	35,000	35,000	70,000	14,000	18,000	32,000	14,000	20,000	34,000	63,000	73,000	136,000
7. Caribbean Response	-	50,000	50,000	40,000	45,000	85,000	40,000	50,000	90,000	80,000	145,000	225,000
<b>SUBTOTAL</b>	<b>224,500</b>	<b>276,000</b>	<b>500,500</b>	<b>244,000</b>	<b>308,000</b>	<b>552,000</b>	<b>259,000</b>	<b>320,000</b>	<b>579,000</b>	<b>727,500</b>	<b>904,000</b>	<b>1,631,500</b>
<b>Support Project Services</b>												
1. Training	24,000	28,000	52,000	25,000	32,000	57,000	31,000	40,000	71,000	80,000	100,000	180,000
2. Evaluation	14,000	18,000	32,000	15,000	21,000	36,000	23,000	30,000	53,000	52,000	69,000	121,000
3. Applied R & D	8,000	10,000	18,000	9,000	10,000	19,000	10,000	15,000	25,000	27,000	35,000	62,000
4. Info Systems	7,000	10,000	17,000	9,000	10,000	19,000	10,000	15,000	25,000	26,000	35,000	61,000
<b>SUBTOTAL</b>	<b>53,000</b>	<b>66,000</b>	<b>119,000</b>	<b>58,000</b>	<b>73,000</b>	<b>131,000</b>	<b>74,000</b>	<b>100,000</b>	<b>174,000</b>	<b>185,000</b>	<b>239,000</b>	<b>424,000</b>
<b>TOTAL (1)</b>	<b>277,500</b>	<b>342,000</b>	<b>619,500</b>	<b>302,000</b>	<b>381,000</b>	<b>683,000</b>	<b>333,000</b>	<b>420,000</b>	<b>753,000</b>	<b>912,500</b>	<b>1,143,000</b>	<b>2,055,000</b>
<b>PROGRAM DEVELOPMENT SERVICES</b>												
1. Feasibility Studies	10,000	13,500	23,500	12,000	12,000	24,000	12,000	12,000	24,000	34,000	37,500	71,500
2. Project Design	10,000	13,500	23,500	12,000	12,000	24,000	12,000	12,000	24,000	34,000	37,500	71,500
3. Project Advisory/Misc.	5,000	6,000	11,000	4,500	5,000	9,500	6,000	6,000	12,000	15,500	17,000	32,500
<b>SUBTOTAL</b>	<b>25,000</b>	<b>33,000</b>	<b>58,000</b>	<b>28,500</b>	<b>29,000</b>	<b>57,500</b>	<b>30,000</b>	<b>30,000</b>	<b>60,000</b>	<b>83,500</b>	<b>92,000</b>	<b>175,500</b>
<b>TOTAL DIRECT COST</b>	<b>302,500</b>	<b>375,000</b>	<b>677,500</b>	<b>330,500</b>	<b>410,000</b>	<b>740,500</b>	<b>363,000</b>	<b>450,000</b>	<b>813,000</b>	<b>996,000</b>	<b>1,235,000</b>	<b>2,231,000</b>
<b>OVERHEAD @ 24%</b>	<b>72,500</b>	<b>-</b>	<b>72,500</b>	<b>79,500</b>	<b>-</b>	<b>79,500</b>	<b>87,000</b>	<b>-</b>	<b>87,000</b>	<b>239,000</b>	<b>-</b>	<b>239,000</b>
<b>GRAND TOTAL</b>	<b>375,000</b>	<b>375,000</b>	<b>750,000</b>	<b>410,000</b>	<b>410,000</b>	<b>820,000</b>	<b>450,000</b>	<b>450,000</b>	<b>900,000</b>	<b>1,235,000</b>	<b>1,235,000</b>	<b>2,470,000</b>

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