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RURAL ENTERPRISE DEVELOPMENT PROJECT
ACTIVITIES REPORT
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I. INTRODUCTION: AN OVERVIEW OF THE PAST YEAR

This report is the third in a series of six month activities reports whose purpose is to measure the progress of the Rural Enterprise Development Project by chronicling and analyzing PFP's activities in the Eastern ORD. This report also marks the completion of one full year of field work following the late start of project activities brought about by administrative delays early in the program.

During the past year PFP granted a total of 110 loans to rural entrepreneurs in the Fada N'Gourma and Diapaga regions amounting to nearly 19,000,000 CFA. The amount of these loans equals the total originally in the loan and experimental funds, meaning that future financial assistance to rural enterprises will be based on repayments on outstanding loans. Fortunately, the on-time repayment rate has been very high--around 90%. Should repayments continue at this rate the loan fund could continue as a source of financial assistance to small businessmen, although on a reduced scale.

Technical assistance, mostly in the form of different kinds of machinery and designed to help various enterprises operate more efficiently, was financed out of the experimental fund. Included was the purchase and shipping of a small tractor, the "Self-Helper" which will be tested during the coming year in the Fada area for small garden projects.

Recognizing that the proper utilization of credit is as important as its availability, PFP continued its emphasis on management assistance to its clients. Elementary book-keeping, inventory control, pricing and other management systems were developed in accordance with the educational and business experience levels of PFP's clients.

PFP hired and is in the process of training a second Voltaique staff member as a business extension agent in Diapaga. These agents' primary responsibilities are to train local

businesspersons to use the management systems developed by PFP, and to monitor their day-to-day business activities.

Finally, PFP began assembling statistical data in an attempt to quantify its activities as well as to measure the progress of its business clients. Most of the data is still too sketchy for one to be able to draw firm conclusions, especially that related to business performance. But over the next six month period we expect to receive more statistical information from our clients and to spend more time analyzing it.

In summary, the PFP advisors believe that the objectives of the Rural Enterprise Development Project are being met. During the past year the entrepreneurial population of the Eastern ORD has responded in significant numbers to the various types of assistance offered by PFP, and have shown themselves capable of developing healthy, well-run businesses that have benefited them and their families as well as the communities in which they live.

II. PROJECT ACTIVITIES

Fada N'Gourma

Loan Fund: The number of loans made during the first six months of 1979 was 21, as compared with 39 for the last six months of 1978. This decline does not reflect a lack of investment opportunities, rather a lack of funds to lend. New loans during 1979 could be given only as repayments of outstanding loans were received. Of the 21 loans, one was made to a village group, and the remaining 20 to individuals, one of whom is a woman.

The village group in question consists of five farmers in the village of Kikideni who got a loan of 100.000 CFA to rent a bulldozer for clearing rice fields. With a normal yield they should be able to repay the loan after the first harvest.

A breakdown of the loans by economic sector is as follows:

Agriculture	11 loans
Artisans	4 loans
Commerce	<u>6 loans</u>
TOTAL	21 loans

In the agricultural sector, three loans went to farmers who used the funds to rent a bulldozer. The farmers in the area are gradually realizing what a natural resource they have in tracts of land known as bas-fonds in which the soil is rich, but because of swampy conditions during the rainy season, not suitable for millet and sorghum. It is excellent land for rice, though, and more and more farmers are beginning to grow rice. When land has been cleared for rice it is also suitable for vegetable production during the dry season when well water can be used for irrigation and fencing is provided to protect the gardens from animals.

Loans for land-clearing, well-digging and fencing thus enable farmers to transform what is now basically fallow land into productive land and increase their agricultural output and incomes. With the anticipated high returns it is estimated that such investments can be repaid in two or three years.

Agriculture sector loans also included aid to individual vegetable growers and for the establishment of orchards.

Loans in the artisan sector went to a welder, a tailor a blacksmith and a well digger.

In the commercial sector the largest loan totaling 500.000 CFA went for the establishment of a pharmacy in Fada. It is hoped that this pharmacy will complement the one already in business and will insure the residents of Fada a reliable supply of medicine.

During the first six months of 1979 seven PFP clients repaid their loans in full. Of the seven, three were recommended to the Banque Nationale de Developpement (BND) in Fada for bank loans. All three were judged credit-worthy by the BND and were granted credit. Encouraged by this initial success, PFP has decided to work more closely when appropriate with other credit programs. Under this system PFP would make the initial high risk loan to start or to further develop an enterprise. After having repaid the PFP loan and having shown entrepreneurial ability, the business owner could then be recommended to the BND or the Office de Promotion de l'Entreprise Voltaïque (OPEV) (which grants loans to artisans or small industry projects) for a second loan to further develop the business. With the management training PFP

provides during the initial loan period, the entrepreneur should be able to cope responsibly with the credit obligations laid down by these other organizations. This strategy will enable PfP to assist more enterprises and will attract additional capital for the development of enterprises in the Eastern ORD.

The number of loans outstanding on June 30, 1979 was 48. Of the 48, 26 were due for payment during June. Of these 26 one borrower is six months behind and five are three months behind in repayments. In the case of delinquent repayments there is almost always a specific reason related to the performance of the enterprise. In one case a building entrepreneur was the victim of a theft. Thieves stole all the cement at a building site. The theft resulted in the breaking of the contract for the construction project in question and the entrepreneur had to take the full loss.

In another case the owner of a mill obtained a loan to buy a rice decorticator. Before he had made the purchase the engine in his mill broke down and he spent the loan money trying to repair the engine. He did not succeed and finally sold his milling operation. He now has a job, but his monthly salary is not enough to support him and repay the loan to PFP.

This experience illustrates what often happens when business performance is substandard. Family obligations such as funeral expenses or school fees take precedence over loan obligations and the entrepreneur falls behind in repayments. While accidents like those related above will always occur, PFP believes that close follow-up in the form of management assistance will increase the profitability of an enterprise and in turn insure a high loan repayment rate.

A summary of loans granted in Fada during the first six months of 1979 is provided in Appendix A.

Experimental Fund: In the village of Tiparga six kilometers north of Fada, PFP in cooperation with the village group has started a demonstration farm. An area in a bas-fond was cleared with the help of a bulldozer and a small dam was built to retain water. Rice paddies were constructed and approximately five hectares of rice were planted.

A well has also been dug and the area around it has been prepared for dry season vegetable gardening. Also a forage trial is being carried out in cooperation with the ORD. About half a hectare has been planted with different leguminous species (Niebe, Dolichos, Stylo, Siratro) interplanted with sorghum.

An orchard is also being planted. One hundred mango, twenty citrus and ten guava trees were planted this past year.

Modern beehives (the East African Long Bar Hive) have been set up on the project site and one person is being trained to manage them. The demonstration of these hives has already resulted in an increased demand for hives among farmers who also are beekeepers. The presence of bees at the demonstration farm is important from the point of view of crop pollination and this aspect is being stressed to the farmers.

The idea behind the farm is to have several different activities concentrated in one area so that farmers can visit and learn. The activities planned for in Tiparga are rice production, vegetable gardening, fruit production, beekeeping and eventually fish farming.

Up until June 30, 1979 502.175 CFA has been spent in Tiparga. The bulk of this sum, 303.000 CFA was used for earth moving and plowing. The remainder was for the purchase of construction materials and the hiring of labor.

Another project that received funds from the experimental fund was the construction of a dam at Ninjala, 24 kilometers from Fada. Several villages in the area joined together in this self-help project. The villagers dug a trench about 20 meters long that was filled with rocks and cement. The women carried water from a nearby well to enable the mixing of the cement. The dam now holds water over a surface of about ten hectares. The construction of the dam will be followed up by encouraging the farmers in the region to engage in dry season farming using irrigation. Also herders in the area will benefit by having a place to water their cattle.

Another project financed from the experimental fund is the construction of a well where oxen will be used to draw

water. The work was stopped at the beginning of the rainy season, but will continue after the harvest.

With regard to the beekeeping project which began as an experimental fund activity, the search for funding to establish a honey and beeswax collection center continues. In February PFP had a visit from Dr. Lee Nehrt of the United Nations Capital Development Fund (UNCDF) which is willing to finance part of the project. Accordingly, a proposal was submitted to the Director of the ORD in late June with the understanding that he would initiate a formal request for funding to UNCDF.

All experimental fund expenditures are presented in Appendix B.

Diapaga

Loan Fund: PFP granted 32 loans in the Diapaga region during the first six months of 1979 in comparison with the 21 of the previous six month period. While faced with the same scarcity of funds to lend as in Fada, the number of loans nevertheless increased because of an effort to encourage projects that required a smaller initial capital investment. The total amount loaned was 4.018.765 CFA, the average loan being 125.586 CFA. This compares with 4.982.943 CFA that was lent during the last six months of 1978 in which the average loan was 237.283 CFA.

All of the loans but one went to individual entrepreneurs. The exception was a loan to an association of four blacksmiths who produce and market agricultural tools together. Their loan was for the purchase and transport of scrap metal which they share amongst themselves.

The loans were divided as follows among 5 economic sectors:

Agricultural production/livestock	11 loans
Agricultural transformation	4 loans
Artisans	5 loans
Commerce	11 loans
Transport	<u>1 loan</u>
TOTAL	32 loans

A breakdown of the loans within each economic sector can be found in Appendix C.

Within the agricultural production/livestock sector five loans were granted to farmers for the purchase of animal traction equipment, fertilizer and seed and to hire laborers to clear land for the cultivation of sorghum, millet, rice and peanuts. None of the five was a member of a village group and therefore ineligible for an ORD loan, the repayment terms of which are more favorable to the farmer than PFP's.

Other loans went for the preparation of land and the purchasing of trees for orchards, the establishment of a piggery to supply pork for local consumption and the addition of two farmers to the experiment to raise guinea fowl for marketing eggs in Niamey.

In the agricultural transformation sector a grain mill was established in Tambaga, a sizeable village which has never had a mill. Following the success of the first mill set up last year in Madaaga, PFP used the Madaaga miller to train his Tambaga counterpart in engine maintenance, milling, and bookkeeping and to supervise the installation of the machinery as well as the first few days of the new mill's operation. PFP hopes to encourage this training technique, in which the experiences of local entrepreneurs are used to help others, in the future.

The major effort in the commercial sector was directed at the establishment of general stores in villages with no regular commercial outlets, and by the end of June seven new enterprises had been started. In some of the smaller villages it was found that demand was insufficient to insure a high enough turnover of merchandise. Entrepreneurs in these cases augmented time spent in the stores with tours of regional markets to increase sales. It is expected, however, that demand for consumer goods will increase after the harvest and that more activity will be focused on the stores.

An additional experiment in the commercial sector was the establishment of a photo studio in the Diapaga market. The studio was set up in the hope of meeting the demand for passport photos for identity cards issued by the Sub-Prefecture.

The initial monthly receipts indicate that the population is responding to this new service.

Within the artisan sector in addition to the above-mentioned blacksmiths, loans were granted to a carpentry shop, a welder and two dyers. The carpentry shop is run by two brothers trained at the Artisans Training Center in Ouagadougou. Their loan was for the purchase of raw materials to help them meet the growing demand for well-constructed furniture in Diapaga. The dyers requested capital to increase their stocks of indigo and cloth in order to meet the demand for their products. The welder, who primarily repairs bicycles in the Kantchari market, has used his loan to buy better equipment and to increase his supplies of raw materials.

As was stated in the introduction, the repayment rate in Diapaga has remained consistently high. Of the 48 outstanding loans on June 30, 28 were due for payment. Of those 28, 25 payments were made on time, for an on-time repayment rate of 89.3%. Two of the unpaid loans were 1-2 months late and the other was 4 months behind schedule. Since the beginning of the project 118 of 130 payments (90.8%) have been made on time. These repayment statistics are summarized in table form in Appendix D.

PfP believes this high rate is due to three factors; the close follow-up and business management assistance provided by PfP to its clients, the cultural setting in the Eastern ORD in which timely repayment of debts is equated with the honor and good reputation of the borrower, and the desire not to be excluded from a credit program that represents the only source of investment capital in the region for individual entrepreneurs.

One problem has been encountered in making loan collections. It concerns the logistical difficulties involved in contacting 25-40 clients at the end of each month over an area that in some cases extends up to 50 kilometers from Diapaga. It now takes from five to ten days to make all the monthly collections. We would like to reduce this to three to five days, and believe it can be done with a three man motorized staff, each member of whom has a logically planned area to cover.

Management Assistance: As we have stated in previous activities reports, PFP believes good management to be at the core of the success of any business enterprise. In essence this involves organized thinking on the part of the entrepreneur with regard to what is occurring in his business. Such things as the movement and consumption of merchandise and raw materials and the efficient utilization of capital to insure an efficient, productive enterprise must constantly be examined by the entrepreneur.

To enable the entrepreneur to have this information, PFP has developed elementary systems tailored to the level of each entrepreneur that allow him to record sales, expenses, take inventory, maintain a revolving fund for the purchase of raw materials, calculate costs and profit margins and determine at the end of a given period whether or not the business has made a profit. Some of these systems involve writing and others do not. Often it is necessary to utilize a step-by-step approach in which new elements of a given system are only introduced as the previous step has been mastered. But the aim is always to insure that the entrepreneur understands the procedure of recording the data as well as the reason for which it is being recorded.

We have continued the practice of visiting the businesses using our systems at least once a month. Some entrepreneurs have mastered their accounts to the extent that PFP's role is simply to check arithmetic. Others need the help of a business consultant in getting through certain procedures. And a third group requires that the consultant perform the entire exercise. There is, nevertheless, a progression of clients moving from the groups that require assistance to more managerial independence.

Technical Assistance: In the area of technology PFP in Diapaga devoted time to testing different grain mills. An inexpensive handoperated mill made by the R. L. Hunt Company of England was tested as an alternative to a costly motorized mill in the village of Pampani, south of Diapaga. While the flour produced was of a very high quality, the productivity of

of the mill was low, and it was unable to meet the demand of the village's women for milled flour.

We are more encouraged by a second mill made by the same company which is powered by an 8 horsepower diesel engine. We have used an engine manufactured in India by the Anil Company and about 40% cheaper than the renowned Lister diesel engine. The Anil engine has proved durable and reliable and we intend to promote it in future grain mill projects.

PfP also tested a refrigerator which works on the principle of evaporation, developed by the appropriate technology section of the Societe Africaine pour les Etudes et Developpement (SAED). We thought it would be good for storing eggs awaiting transport to Niamey, but because of the humid air of May and June the cooling effect was not produced. We intend to experiment further with it during the dry season for the storage of fresh vegetables.

Voltaique Staff: During the first six months of 1979 the responsibilities of the first Voltaique staff member were increased to include a much more substantive role in doing feasibility studies for new projects. In addition he was given authority to make loans in the absence of the PfP technical advisor, and played a significant role in the training of the second agent. He continued his very valuable contribution to the training of PfP's clients in management skills.

A second extension agent was hired in May and immediately began training to learn PfP management systems, business documents, techniques of working with clients and details involving the loan fund. It is expected that he will be able to exercise the full responsibilities of his job by September.

With two fully functioning Voltaique extension agents in addition to the expatriate technical advisor, PfP in Diapaga anticipates having sufficient manpower to be able to efficiently administer the loan fund as well as satisfactorily train its clients in business management techniques.

Statistical Information: During the period covered by this report a system was established in Diapaga to more closely measure the loan repayments of each PfP client, and to

provide data on the overall repayment rate.

Much time was spent bringing individual clients' files up to date to include periodic balance sheets and monthly profit and loss statements. The information contained in these documents will allow us to measure the progress of the businesses we are assisting, and we intend to include this information in as much detail as possible in our next report.

III. OBSERVATIONS AND CONCLUSIONS

In looking back over the past year's activity, three issues stand out that require attention. These are the need for an outside evaluation of the progress made in achieving the project's objectives, the desirability of extending the experimental phase of the project, and the need to begin exploring ways of institutionalizing PFP's activities with a Voltaique organization.

Project Evaluation

The tone of this and the two previous six month activities reports has been optimistic in terms of assessing the receptivity to the services offered by the Rural Enterprise Development Project by the population and local officials of the Eastern ORD, and in describing the manner in which project activities have evolved over the past year. This optimism and feeling of accomplishment is shared by PFP's expatriate and Voltaique staff. In addition, visitors to the project have been almost unanimously complimentary with their comments. We now feel it is time to confirm these positive opinions through the use of an evaluation that will hopefully measure the achievements of the project in more objective terms than we have been able to do in these reports. We expect the evaluation to occur during the second half of 1979.

Extension of the Project's Experimental Phase

Given the sense of achievement shared by members of the PFP staff and in anticipation of a favorable evaluation, PFP would like to propose an extension of the experimental phase of the project by an additional year. The primary reason

for this is the fact that most of the first year (September 1977--September 1978) was wasted due to administrative delays (the project contract with USAID was not signed until six months after the arrival of the PFP staff in Upper Volta).

The project staff believes that an additional year is necessary in order to further test the hypotheses on which the loan fund is based and to be able to document over a longer period of time the initially high repayment rate. In addition, we see the need to further develop our business selection criteria by continuing to work with a great variety of enterprises to better know which ones respond best to our assistance, continue to refine our appropriate management systems, promote greater cooperation between PFP and the commercial banking system, continue to test various appropriate technology prototypes, and to further develop the technical skills of our Voltaique staff.

A budget of \$110,000 has been drawn up (\$25,000 of which would be destined to augment the loan fund) to cover an additional year's operating expenses. We now intend to open discussions with Voltaique officials and USAID to obtain permission to prolong our experimental activities.

Institutionalization of PFP's Activities

The operating independence that PFP has enjoyed to date has been conducive to the development of the project, and given the experimental nature of the project's activities has been necessary. Efforts have been made to coordinate our activities with those of other development organizations, but at times we have felt somewhat distant from the mainstream of development activity in the Eastern ORD.

To rectify this situation, PFP intends to begin discussions with Voltaique officials to better understand how its mission as a promoter of rural enterprises fits into the overall regional development plan, and to discuss ways in which PFP's activities can be organized within a Voltaique institution.

APPENDIX A

LOANS GIVEN IN FADA N'GOURMA
DURING THE FIRST SIX MONTHS OF 1979

<u>Type of Project</u>	<u>Loan</u>
Agriculture	
Purchase of material for vegetable production	42.650 CFA
Purchase of plow and animals	110.000
Lease of bulldozer	64.290
Lease of bulldozer	75.000
Vegetable production/well construction	110.000
Vegetable production/well construction	130.000
Vegetable production/well construction	120.000
Vegetable production/well construction	110.000
Purchase of donkey cart and tools	95.000
Lease of bulldozer	100.000
Purchase of tools for vegetable production	40.000
Artisans	
Material for welding shop	275.000
Tailor shop	250.000
Blacksmith shop	125.000
Welldigging material	100.000
Commerce	
General store	150.000
Pharmacy	500.000
Purchase of animals for butcher	200.000
General store	300.000
General merchandise	50.000
House construction	<u>130.000</u>
TOTAL	3.076.940 CFA

APPENDIX B

EXPERIMENTAL FUND EXPENDITURES
IN FADA N'GOURMA
DURING THE FIRST SIX MONTHS OF 1979

<u>Type of Project</u>	<u>Expenditure</u>
Beekeeping project	144.650 CFA
Purchase of used truck	570.000
Fencing, tools and seed for Tiparga	142.615
Irrigation pump and hose	175.061
Well construction	159.750
Dam construction in Ninjala	92.500
Loan to farmers groups for renting bulldozer	650.500
Demonstration farm in Tiparga	502.175
Purchase of looms for women's group	148.500
TOTAL	<u>2.585.251 CFA</u>

APPENDIX C

LOANS GIVEN IN DIAPAGA
DURING THE FIRST SIX MONTHS OF 1979

<u>Type of Project</u>	<u>Loan</u>
Agricultural production/livestock	
Orchard	40.000 CFA
Orchard	72.000
Orchard	18.000
Millet/sorghum cultivation	57.755
Millet/scrghum cultivation	57.755
Rice cultivation	58.255
Rice cultivation	54.000
Peanut cultivation	60.000
Piggery	78.500
Guinea fowl raising	58.000
Guinea fowl raising	54.500
Agricultural transformation	
Grain mill	225.000
Soumbala production	84.000
Soumbala production	60.000
Soumbala production	60.000
Artisans	
Carpentry shop	300.000
Dyeworks	50.000
Dyeworks	50.000
Welding shop	130.000
Blacksmith shop	185.000
Commerce	
General store	100.000
General store	100.000
General store	320.000
General store	230.000
General store	250.000
General store	295.000
Bicycle spare part shop	200.000

<u>Type of Project</u>	<u>Loan</u>
Commerce cont'd.	
Bookstore	336.000
Butcher shop	40.000
Photo studio	250.000
Yams trading	35.000
Transport	
Water/wood transport by donkey cart	<u>110.000</u>
TOTAL	4.018.765 CFA

APPENDIX D

STATISTICS ON LOANS GRANTED
BY PFP IN DIAPAGA
UP TO JUNE 30, 1979

Loans

Number of loans granted	53
Amount loaned	9.021.708 CFA
Size of average loan	170.221 CFA

Repayments

Number of loans outstanding June 30, 1979	48
Number of loans outstanding in which repayment had begun on June 30, 1979	28 (58.3%)

Number of loans outstanding in which a payment was due on June 30, 1979	28
Number of on-time payments on June 30, 1979	25 (89.3%)

Number of payments due from September 30, 1978 to June 30, 1979	130
Number of payments made on time from September 30, 1978 to June 30, 1979	118 (90.8%)

APPENDIX E

PfP FIELD OPERATING EXPENSES

Expatriate travel/per diem	1.031.765 CFA
Housing/utilities	2.004.439
Voltaire travel/per diem	20.725
Voltaire salaries	447.168
Voltaire transport	25.350
Fuel & oil	542.580
Vehicle maintenance/repair	332.385
Office administration	<u>321.058</u>
TOTAL	4.755.470 CFA

Note: Other expenditures such as expatriate salaries, PfP/Washington travel and consultants are accounted for in PfP/Washington headquarters. Complete financial reports are made by that office.