

PD-AAH-717

ISN 482

CLASSIFICATION

515-0134

PROJECT EVALUATION SUMMARY (PES) - PART I

Report Control Symbol U-447

1. PROJECT TITLE Commodity Systems Project		2. PROJECT NUMBER 515-0134	3. MISSION/AID/W OFFICE
		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) 81--4	
		<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
5. KEY PROJECT IMPLEMENTATION DATES		6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY <u>78</u>	B. Final Obligation Expected FY <u>82</u>	C. Final Input Delivery FY _____	From (month/yr.) <u>3/15/81</u> To (month/yr.) <u>7/15/81</u>
		A. Total \$ _____	Date of Evaluation Review <u>July 22, 1981</u>
		B. U.S. \$ <u>5,500,000</u>	

8. 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., alrgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Present revised Annex 1 of Project Loan Agreement with changes in GOCR counterpart contributions and reallocation of AID Loan-funds among Project components to AID/W.	Rupprecht and GOCR Project Manager	8/15/81
2. Revise credit instruction manual based on shift of credit program to Banco Nacional and to incorporate changes recommended in evaluation report including issues involving eligibility criteria, target areas and eligible crops.	Rupprecht and GOCR Project Manager	8/30/81

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT
<input type="checkbox"/> Project Paper <input type="checkbox"/> Implementation Plan e.g., CPI Network <input checked="" type="checkbox"/> Other (Specify) <input type="checkbox"/> Financial Plan <input type="checkbox"/> PIO/T <u>Credit Instruction manual</u> <input type="checkbox"/> Logical Framework <input type="checkbox"/> PIC/C <input type="checkbox"/> Other (Specify) <input checked="" type="checkbox"/> Project Agreement <input type="checkbox"/> PIO/P	A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input checked="" type="checkbox"/> Change Implementation Plan 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
<i>Erhardt Rupprecht</i> Erhardt Rupprecht, Project Manager	Signature <i>B. Schouten</i>
	Typed Name Bastiaan Schouten MDIR, a.i.
	Date <u>7/1/81</u>

AID 1330-15 (3-78)

Clearances: LK Laird, RDO *[initials]*
MJ June, LO *[initials]*

GDaniels, PO *[initials]*
BBSchouten, A/ADIR *[initials]*

13. Summary

This report is the first evaluation of the Commodity Systems Project since the Loan Agreement was signed on March 15, 1978. This PES was prepared by Erhardt Rupprecht, the new Project Manager, relying heavily on a draft prepared by John Fasullo, the previous Project Manager who departed the Post on June 30, 1981.

The Loan Project is designed to introduce an integrated "commodity systems" approach into the Ministry of Agriculture (MAG) development program and to increase the profitability of small farmers' enterprises and employment opportunities in six geographic areas of Costa Rica. An integrated "commodity systems" approach is one which considers all constraints of the total production/processing/marketing system of each individual commodity or enterprise. Project financing for this four-year loan consists of \$5.5 million in loan funds and a GOCCR counterpart of \$5.5 million.

An evaluation report, with which the Mission is in general agreement, was prepared by Mr. John Hatch. The report states that limited progress had been achieved in accomplishing project goals intended to bring about an institutional change in the Ministry of Agriculture. The report concluded that the project has suffered implementation delays because of (a) excessive delays in meeting conditions precedent prior to disbursement of loan funds; (b) the lack of adequate counterpart funds; and (c) the failure of the Ministry of Agriculture to provide enough qualified staff to implement project activities.

Since November 1980 when the Hatch report was submitted, the Mission has worked unceasingly to lay the groundwork for a major action designed to improve Project implementation and address the problems outlined by Hatch --the creation of a special account for channeling Loan funds. This permits the Implementation Unit to handle expenditures under the budgetary procedures for a decentralized agency which should considerably reduce the delays incurred in procurements of goods and services for the Project. The special account has just been approved and will begin operating in mid-August. Because of drastic reductions in MAG operating expenditures and problems by the Central Bank (BCCR) in providing the counterpart funds for the Credit component (outlined below) adequate GOCCR counterpart (both in-kind and cash) has continued to be a problem. The Mission is revising Annex 1 as well as the AID and GOCCR counterpart budgets to reallocate Project funds among components and assist the GOCCR in the economic stabilization program agreed to with the International Monetary Fund (IMF). This Project restructuring will be completed and submitted to AID/W in mid-August.

Farm Management: This component is designed to improve farm management techniques of approximately 4,000 participating small farmers.

Hatch noted that the counterpart budget for the Regional Agricultural Centers, particularly transportation, was not sufficient due to GOCCR austerity

measures. The Mission feels that the special account and the procurement of 10 motorcycles for the CAR's will result in improved implementation of farm management activities by the extension agents. The Hatch evaluation also noted that there was a certain amount of ambiguity in the use of the term "farm management" as described in the Project Paper. According to Hatch, the term not only includes farm administration (a production scheme) but also the maintenance of farm records, an important element of any farm management plan.

Introducing small farmers to farm record-keeping and farm budgeting are extremely difficult and labor intensive activities. Therefore, the Implementation Unit's field representatives ("tigres") will concentrate on presenting workshops to the Agricultural High Schools, the 4-H clubs, and extension agents in farm budgetings in order to reach more farmers. The "tigres" will also carry out more detailed farm budgeting and recordkeeping activities with a limited number of farmers (approximately 200) in order to test and adapt these systems to the requirements and capabilities of Costa Rican small farmers.

Credit: Short-term and medium-term credit to small farmers totalling \$6,485,000 was programmed for the Project but actual lending only began this year. Of this amount AID was assuming \$2,200,000, the Central Bank \$2,000,000 and the remaining \$2,285,000, originally assumed by the GOOCR, was to be taken over by the Central Bank. The evaluation reported that the Credit component had been widely publicized and that it should quickly gain momentum in 1981.

Hatch made several recommendations: 1) that the credit operations manual be revised; 2) that the Central Bank receive an advance of \$500,000 to assist it in financing small farmer credit activities; 3) that more flexibility be allowed in the crops promoted and financed under the project; and, 4) that the number of potential credit beneficiaries be reduced from 4,000 to 1,000 small farmers in order to adequately integrate the farm management component with the credit component.

While the Mission has acted on some of these recommendations, other problems have developed with this component. USAID/CR provided the Central Bank with a \$200,000 advance for the credit program in March, 1981. As of July 20, 1981 the commercial banks had approved sub-loans totalling \$110,296 (¢22.50=\$1.00) and they had submitted credit reimbursement requests to the BCCR totalling \$63,372 (¢22.50=\$1.00). However, the BCCR had not reimbursed the banks because the BCCR stated that the credit counterpart would affect IMF imposed limits on the expansion of domestic liquidity. In late June the BCCR suggested to the Mission that the entire credit program be transferred to the Banco Nacional de Costa Rica (BNCR). Since this affects the GOOCR counterpart contribution originally included in the Project Authorization, AID/W approval is necessary. This problem will be addressed in the restructuring of the Project mentioned earlier. Likewise the draft of a revised Credit Operations Manual prepared by the Mission in May, allowing greater flexibility in the crops eligible for financing, will have to be redrafted to incorporate the procedures for the credit program which will now be handled by the BNCR.

Implementation Unit: This Unit provides overall project planning, coordination, and evaluation of the project. Hatch found that the MAG Implementation Unit had shown little forcefulness in project execution due in part to: 1) the lack of sufficient personnel, (2) weak project coordination, 3) unclear lines of responsibility, 4) the newness of the Unit, and, 5) the absence of aggressive leadership.

The Mission ^{believes} that several actions should address the problems Hatch found in the Implementation Unit. The Ministry of Agriculture has just appointed a new director for the Project whom the Mission feels will provide the leadership and coordination which the Implementation Unit has lacked up to now. The creation of the special account should greatly improve the Implementation Unit's ability to implement and manage Project activities. Bi-weekly meetings with USAID participation are now being held to improve coordination among the various entities involved in the Project and to resolve implementation problems.

Marketing Unit: The Marketing Unit has lacked sufficient staff to handle the activities assigned. In addition to needed permanent staff, the Marketing Unit expected to hire 10 surveyors on a temporary basis to collect field data. However, at the time the evaluation report was completed, none of the additional personnel had been employed. Furthermore, the Unit had no transportation, and at a minimum, needed two four-wheel vehicles and three motorcycles.

The report states that although five additional professionals (agricultural assistants) were hired to work on matters involving farm management and credit, more staff time needed to be placed on identifying and preparing specific project activities to be achieved by the participating CARs. It was also suggested that project relationships between the CAR and the Cantonal Agricultural Centers be strengthened in order to facilitate field-level production marketing activities.

The Mission will be closely monitoring Marketing Unit activities to see that they become increasingly oriented toward field level marketing problems. Collection of agricultural price data by the ten staff who will be on board in August will be discouraged unless related to commodity-specific marketing interventions for farmers in the project zones. Purchase of needed vehicles is expected in early August which will help the Marketing Unit carry out their field-level marketing activities.

Research: This component involves the introduction of large quantities of improved plant materials for diversification, field days and demonstrations, general research and development and farmer group pilot projects. The Hatch report states that although a) an agreement was signed between the MAG and the University of Costa Rica whereby the Center for Investigation in Food Technology (CITA) would conduct several pilot agro-industry projects,

b) project-related research is being conducted at all three participating experiment stations, and c) several farmer group pilot projects have been identified, little substantive progress had been made under this loan component.

The Mission has and continues to note a marked improvement in this component. CITA is installing an agro-industrial module for processing tilapia in Turrialba, and is preparing a Request for Bids for a mobile fruit and vegetable processing plant. The experiment stations have completed construction of project related hothouses and warehouses at one site and will construct similar buildings at two other sites later this year. The Implementation Unit will continue to press the CAR's and Cantonal Agricultural Centers to identify viable small farmer group pilot projects for financing under the Loan. Construction of the Turrialba Wood Processing Plant is expected to begin shortly.

Training and Technical Assistance: Hatch reported a substantial lag in scheduling training activities and technical assistance needs. Recommendations regarding this problem included the use of para-professionals, technical courses involving project crops, contracting for the services of a farm management specialist, administrative/project execution training for the Implementation Unit as well as special training courses concerning the preparation of feasibility studies for the Marketing Unit.

Since the GOCR is imposing restrictions on overseas training, both short- and long-term, the Mission and the MAG propose to cut-back this type of training and increase in-country workshops and courses as part of the Loan restructuring.

Project Monitorship: Project Manager monitorship of Loan 027 was reported to be very good in terms of organization, project relationships, interest in project details, records and advice given. However, it was recommended that the Project Manager should devote more time to field inspection trips. Such trips should be made at least twice a month and cover several days each.

14. Evaluation Methodology.

This was a scheduled mid-project evaluation. The report by John Hatch of Rural Development Services was used in the preparation of this PES.

In the preparation of the report, Hatch reviewed AID and counterpart agency documents, interviewed AID and GOCR project personnel and made a number of visits to project sites.