

PROJECT EVALUATION SUMMARY (PES) - PART I

1. PROJECT TITLE MINIFUNDIA CROP INTENSIFICATION			2. PROJECT NUMBER 526-0118	3. MISSION/AID/W OFFICE USAID/Paraguay
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>82-5</u>	
A. First PRO-AG or Equivalent FY <u>79</u>	B. Final Obligation Expected FY <u>81</u>	C. Final Input Delivery FY <u>84</u>	<input type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION 6. ESTIMATED PROJECT FUNDING A. Total \$ <u>4,900,000</u> B. U.S. \$ <u>2,250,000</u>	
			7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>May 1979</u> To (month/yr.) <u>June 1982</u> Date of Evaluation Review <u>July 1982</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., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
Revise implementation schedule to reflect realities of tasks remaining until 1984	B. Cooper	August 1982

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input type="checkbox"/> Project Paper	<input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____
<input checked="" type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____
<input checked="" type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

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 (Name and Title)

Blair Cooper - USAID/Paraguay RDO
Oscar Carvalho - USAID/Paraguay, ARDO

12. Mission/AID/W Office Director Approval

Signature _____
Typed Name Abe M. Peña
Date July 30, 1982

13. Summary

After two and a half years of project implementation (conditions precedent were met in November 1979) reasonable progress has been made toward the purpose of building into CREDICOOP the ability to promote and finance agribusiness activities among small farmers. However, the implementation plan has fallen behind schedule as a result of delays in receiving technical assistance and in developing research information. During the last half of the project, until August 1984, CREDICOOP will have to make a supreme effort to not only sustain its crop diversification plans with AID but maintain the viability of the cotton program, the principle source of income of nearly all CREDICOOP farmers.

At the time of completion of this evaluation the all pervasive problem facing CREDICOOP, and indeed most of Paraguay, is an economic recession that took hold in mid-1981 and shows no sign of abating. With CREDICOOP's sources of income threatened it will be very difficult for the organization to meet the total counterpart contribution of \$2.65 million for the life of the project. Compounding the economic and financial problems has been a series of administrative delays in recruiting and delivering technical assistance.

As a result of this mid-way evaluation a few adjustments will be made in the budget (inputs) and at the output level of the logical framework.

14. Evaluation Methodology

This evaluation began in December 1981 when a local consultant was hired with project funds to conduct a survey of CREDICOOP minifundia activities and to provide a preliminary analysis of the results. The contractors report served as the basis for discussions with CREDICOOP. Additional research and analysis were conducted using Mission files.

15. External Factors

The most important external factor has been the world wide economic recession that began to be felt in Paraguay by June 1981. 1980 had been the first year of the minifundia diversification effort and the market for tomatoes, the only new crop to have been planted at the time, was quite good in Buenos Aires. CREDICOOP and AID learned a great deal about the quirks and logistics of the market and in spite of price fluctuations the year on balance was reasonably profitable for the small farmer. However, in 1981 by the time the CREDICOOP tomatoes were ready for market in August, prices had fallen considerably and the year ended in October with a slight loss. In addition, frost severely damaged bananas that had been planted in late 1980 as well as 30% of the tomato crop.

Beyond the marketing problems with the crop diversification program with AID, CREDICOOP members also faced in the 1981/82 crop year a 25%

decline in the price of cotton, the most important cash crop for nearly all small farmers and the bread and butter of the CREDICOOP movement. The effects of this loss on income are only now starting to be felt as individual farmers attempt to repay loans. As of June 1982 the economic recession continues.

16. Inputs

In general project implementation is behind schedule due to lack of data assumed to be available at the Project Paper state as well as lack of lead time to develop data for tec packs, plus two seasons of invalid research due to poorly trained and motivated national researchers.

There have been serious problems with the timeliness and in some cases the quality of the technical assistance delivered under the project. The first problem was with contracting. A full 17 months elapsed from the time the PIO/T for a complete technical assistance package was issued in November 1979 to the time the first technician arrived in May of 1981. The permanent chief of party arrived only in July 1981. Thus the entire first year and a half of the project was carried out with technical guidance from the USAID staff and existing CREDICOOP resources. The delays occurred largely as AID/W the authorized agent, encountered a number of false starts including no response from Title XII institutions and the disqualification of the first choice contractor, Practical Concepts Incorporated, as the result of a legal dispute. Multinational Agribusiness Systems Incorporated (MASI) was finally chosen to provide all technical assistance.

The majority of the individuals sent to Paraguay under the contract have been competent professionals including the long term agronomist/chief of party. However, in at least one case a short term adviser in marketing was of limited value due to lack of Spanish capability. In another instance a short term marketing adviser proved outrageously incompetent and was ordered by the Mission Director to leave Paraguay before the completion of his assignment. The entire technical assistance effort was called into doubt in late 1981 when MASI suddenly began experiencing a cash flow crisis which for a while threatened the existence of the organization. Unfortunately one of the ways in which MASI handled their problem was to delay salary and maintenance payments to their people on assignment in Paraguay. This undermined the morale of technicians and seems to have made MASI's recruitment of other short term people more difficult.

In the final analysis the technical assistance element of the project has survived although it certainly has not been everything it could have been. As a result of the difficulties described above the Mission has authorized changes in the make-up of the technical assistance plan to take into account the late start and the relatively little time that remains until the PACD. Basically a long term marketing specialist will be added and a number of short term person months will be eliminated.

All other inputs from AID and CREDICOOP have been provided on time and without great difficulty.

17. Outputs

Progress with outputs is as follows:

A. Training Seminars	<u>As of June 1982</u>	<u>Target for 1984</u>
1. Marketing	6	8
2. Credit	2	4
3. Coop Promotion	3	3
4. Processing of fruits and vegetables	6	10
5. For paratechnicians	5	15
B. <u>Research studies</u> (number)		
1. Marketing analysis	1	1
2. New crops a/o varieties	1	1
3. New technology	1	2
C. <u>Credit Program</u>		
1. Cumulative # loans	392 (including 1,100 repeat loans)	
2. Cumulative amount loans	\$ 285,000	\$ 1,705,000
3. Delinquency (%)	13.7%	10
4. Increase in crop above capital	\$ 247,351	\$ 170,000
D. <u>Extension</u>		
1. Additional coops formed	1	3
2. # farmers assisted	200	500
E. <u>Cold Storage Processing Plant</u>		
% completion	0	100

18. Purpose

The logical framework of the project paper defines the project purpose "to establish within CREDICOOP an agribusiness complex to promote and finance the production, processing and distribution/export of labor intensive food crops."

As part of this the first condition (EOPS) expected at the end of the project was a "fully viable" fruit and vegetable marketing division capable of identifying market opportunities, advising with the planning of loan programs for specific crops, and assisting small farmers with market operations. In the early stages of project implementation a confirmation was made that a separate fruits and vegetables division would not be created. All of the functions leading to the objectives of such a division have been incorporated into the regular CREDICOOP organizational structure. The logical framework has been changed to eliminate this EOPS.

A second EOPS is a credit division to manage an agricultural loan program for fruits and vegetables for at least 500 small farmers within the CREDICOOP system. The first two crop seasons of the project have not demonstrated satisfactory progress toward this condition with only 129 farmers receiving loans in 1980 and 118 in 1981. As estimated 145 will be active in the 1982 growing season with tomatoes and bananas. This total of 392 loans includes repeats and in fact represents only about 200 individuals. The constraints on reaching 500 small farmers with loans are found in the credit division as well as in the human resources and technical divisions. Another constraint has been the limited pool of CREDICOOP small farmers whose soil and water conditions are appropriate for planting the project crops. CREDICOOP is taking steps to reach more farmers.

The revised log frame has added a third EOPS, a human resources division capable of promoting cooperative organization at the grass roots level and training cooperative officers in all non-technical aspects of fruits and vegetables production. This division, always a part of CREDICOOP, has successfully organized one new member cooperative from scratch (see outputs) and has done an admirable job in promoting cooperativism within the CREDICOOP system. However, the idea of embarking on new and potentially risky cash crop ventures such as those promoted under the project has met with some skepticism on the part of small farmers. Thus the log frame target of 500 qualified participants in fruits and vegetables may not be reached by 1984.

Fourth, a technical division is to be in a position to coordinate all research and technical assistance activities required for the fruit and vegetable program. Progress toward this objective was seriously hampered initially due to the lack of external technical assistance. However, working in coordination with local research and extension personnel the technical division has managed the tomato and banana subprojects without major difficulty since 1980. When the Horticultural advisor finally did come on board in July 1981, the technical division was open to and ready for the assistance provided and thus have come a long way toward their objective. They have made several crucial decisions on crop mixes which demonstrate their maturity, good judgement and ability to coordinate research and production activities: 1) holding the expansion of banana production while collecting cost data, until it can be proven profitable for the small farmer, 2) refusing to accept diseased strawberry planting materials for their coop members from the government seed service even though it meant a year's set back for the strawberry sub-project and 3) adding a fifth crop, Ka'a He'e, a sugar substitute, to the project as a result of favorable technical and marketing evaluations and in light of the freeze on banana plantings.

Fifth, a marketing division is to be in a position to effectively sell and distribute fruits and vegetables. Again the unavailability of timely

and competent technical assistance has led to set backs in this area especially with respect to development of exports to Argentina. Because of the initial delays in bringing on the AID funded technical assistance the schedule has been revised to add a full time marketing program for all five crops before August 1984.

The original log frame included an element "D", a pilot credit program which has been carried out as part of the loan activities in the credit division.

At this point in the project we expect that all of the EOPS will fall into place by the PACD in spite of the shortfalls in technical assistance. This is only because the EOPS are basically measures of achievements in institution building. Although the CREDICOOP structure is expected to be able to handle fruits and vegetables, it is highly likely that among the small farmers the roots of the minifundia crop diversification program will not be as deep as they would have been if the technical assistance activities had started on schedule and had been of high quality.

19. Goal/Sub-Goal

The sub-goals of the project are to "increase the production of food crops with high labor requirements and reduce their marketing constraints" and to "promote the processing and export of traditional crops as well as food crops." These remain unchanged in the revised log frame. At this point in the project the sub-goal measures of five hundred farmers cultivating 350 hectares of fruits and vegetables for a total of 10,000 tons being marketed through CREDICOOP are not to be expected before 1986 at the earliest.

The goal is "to increase the cash income of participating small farmers in the minifundia areas..." The indicator of this is to be a twenty percent increase in annual cash income. This evaluation did not attempt to measure progress toward this goal. The final evaluation in 1984 should address the question seeking a way to distinguish between income changes due to inflation, sales of new crops under the project, and additional income from other crops and other non-agricultural sources. We note that the third important assumption at the goal level, "conditions of trade with neighboring countries remain favorable," is already in doubt with the case of Argentina.

20. Beneficiaries

The beneficiaries under the project have been and will continue to be the small farmers within the CREDICOOP system as described in the social feasibility section of the project paper, pp 15-16. It is expected that a multiplier effect will begin as other farmers within and without of the CREDICOOP system begin to learn from the successes, and difficulties of the project.

21. Unplanned Effects

One unplanned effect has been a realization on the part of CREDICOOP that their procedures and organizational system may not be up to the demands

of cotton farmers, fruits and vegetable farmers, and others within the system. As a result CREDICOOP management has contracted with a consulting firm to advise with respect to a major overhaul of the management of the institution. The consulting process has included a series of "organizational development" seminars. A final report will be delivered by the firm sometime in August 1982.

22. Lessons Learned

The first lesson learned from the last two and half years of this project is that we should temper our faith in the quality of U.S. technical expertise and the ability of AID and our private sector institutions such as MASI to recruit and deliver high quality assistance as needed.

On the other hand this experience has reminded the Mission of the importance of lead time and of the validity of Murphy's first law. We have also learned the importance of improvisation. The absence of scheduled technical assistance during the first year and a half of the project did not deter CREDICOOP from moving forward in the best way possible. Tomato plantings and marketing have been reasonable successful in spite of the initial technical assistance vacuum.