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PROJECT EVALUATION SUMMARY ISN - 27318

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1. Mission or AID/W Office Name	2. Project Number
Rural Development Division	515-26-199-120

3. Project Title

Rural Development Program

4. Key Project Dates (Fiscal Years)			5. Total U.S. Funding Life of Project
a. Project Agreement Signed 74	b. Final Obligation 79	c. Final Input Delivered	$ 5,500,000

6. Evaluation Number as Listed in Eval. Schedule	7. Period Covered by this Evaluation		8. Date of this Evaluation Review
	From:	To:	
81-3	Nov 74	Dec 79	
	Month/year	Month/year	Month/year

9. Action Decisions Reached at Evaluation Review, including items needing further study (Note--This list does not constitute an action request to AID/W. Use telegrams, airgrams, SPARS, etc., for action)	10. Officer or Unit responsible for follow-up	11. Date action to be completed
This is the final evaluation of this project. The Mission and INFOCOOP have modified the Loan Agreement restrictions on the use of reflows in accordance with an evaluation recommendation to do so. No further follow-up action is contemplated at this time.		

BEST AVAILABLE DOCUMENT

12. Signatures:

	Project Officer		Mission or AID/W Office Director
Signature		Signature	[signature]
Typed Name	John A. Fasullo	Typed Name	Stephen P. Knaebel
Date		Date	13 May 1981

Clearance: BSchouten, ADO BS
MCKilgour, ADIR MK
LLaird, RDO (draft)
DOlinger, URD (draft)
GDaniels, PO (draft)

13. Summary

The Rural Development Program, Loan 515-T-025, was conceived as a direct follow-on to the earlier Agricultural Development Program (022) begun in 1970. The C25 Project, which commenced project activities in November 1974, terminated on December 31, 1979 with 99% of the loan funds disbursed. The loan contained three distinct program components, which were implemented by the Ministry of Agriculture (MAG) and two autonomous agencies of the GOCR- the National Institute for Cooperative Development (INFOCOOP), and the Municipal Development and Advisory Institute (IFAM). Each component was designed to support GOCR institutional efforts to increase the income and improve the standard of living of small farmers and urban poor in Costa Rica.

The total cost of the Rural Development Program was $15 million, with AID loan 025 contributing $7.9 million and the GOCR supplying $7.1 million as counterpart contribution. Approximately 80 percent of the funds were earmarked for credit to finance cooperative marketing and processing facilities, rural infrastructure projects and other agriculture related activities and projects. The remaining 20 percent was planned for technical assistance and other services.

An examination of the Agricultural Services Project showed that the assumptions which were listed in the original Capital Assistance Paper (CAP) as critical to the success of the project proved not to be valid so that in all probability many of the difficulties in executing the project can be traced back to a fundamental misreading of the Costa Rican situation and poor project design.

The evaluation found that the diagnosis of the specific problems to be attacked was accurate, but planned solutions to those problems were unrealistic, primarily because what was to be done was not fully understood and supported by key personnel of the MAG. Similarly, the conclusion of the evaluation regarding the Conditions Precedent to Disbursement is that they did not serve their primary function of ensuring that serious attempts would be made to have the project, as planned, carried into execution.

With regard to project expenditures, the record of loan disbursements against authorizations is very good. This was achieved to some extent by shifting Project-by-Campaign (PBC) funds to where they could be most effectively used. This was necessary because originally the PBCs operated under the FAR reimbursement system --a type of financial accounting mechanism which was found to be inappropriate. The FAR system caused a much lower level of authorization and expenditure on the PBC component than would have been the case under a more appropriate financial administration procedure.

The manner in which the GOCR authorized MAG expenditures was different from that conceived in the CAP and resulted in delays which affected the overall level of disbursements. In addition, the MAG administrative procedures related to budget allocations, forward planning, accounting records, project control, etc. left much to be desired.

The evaluation revealed that from an organizational or systems viewpoint, the PBC activities, one of four sub-components under Agricultural Services, did not seem to have produced any basic changes in the way MAG services were programmed and delivered. It was found that very little of the $700,000 initially programmed was utilized for PBCs per se. Of the $448,227 expended, most of the funds were used for personnel costs of the Extension Directorate, and for strengthening the CARs generally. In this regard, the PBCs were defined in the CAP as "an effort to bring together in an integrated manner sufficient technical resources to carry out the identification, planning, resource allocation, execution and evaluation of commodity-specific/area specific crop and livestock production programs".

The second major target area of the Agricultural Services component concerned improvements in programming and budgeting at the sectoral and MAG levels. Insofar as programming, budgeting and evaluation at the MAG level is concerned, the evaluation reports that the loan project was not particularly successful.

The third major target area of the project dealt with improvement in marketing matters and related agricultural statistics. Although a review of the project showed that some progress in the area of marketing policies and structures was accomplished, there was no progress in terms of establishing a market information system and improving crop forecasting.

With regard to the project's training element, the review noted that there is now a functioning training department in the Extension Directorate and from a quantitative standpoint it is doing a satisfactory job of staff training. From an institutional development perspective, this project element can be considered as reasonably successful.

A fifth project target area concerned various farmer information systems, including mass media and production of educational materials. While the MAG printing plant improved its output, from an institutional development standpoint, there was little substantive change in the area of farmer information systems over the life of the project.

The sixth target area examined concerned vehicle maintenance. The evaluation concluded that there has been improvement in the handling of spare parts and preventive maintenance services. However, by and large, the purposes and objectives of this component of the project as they relate to the installation of new procedures and controls for preventive maintenance of vehicles have not been accomplished.

In summary, the achievements under the Agricultural Services Component were, at best, mixed. While some of the failures can be traced back to errors in the way the execution of certain sub-componentes was handled, much of the responsibility, according to the evaluation report, rests with unrealistic assumptions, and overly ambitious and one-sided planning. Instead of a project with an institutional development focus, it became in practice largely a budget support project.

The evaluation report concluded that under the second major component of the loan project, Cooperative Development, first degree cooperatives are, on the whole, in a stronger position than in 1974 and that the second degree cooperatives have lost ground. In terms of project objectives, the results are varied.

In examining the philosophy and functions of INFOCOOP, it was found that, while its basic legislation stipulated that the Institute was to be an entity devoted exclusively to the development of the cooperative movement, in practice the needs and priorities of cooperatives have not always been the guiding principle in determining actions. At present, there does not seem to be a clear policy as to what the priorities are for the cooperative movement.

In examining the composition of the INFOCOOP, loan portfolio and its evolution over the 1975-79 period, it was found that the size of the portfolio increased by 67% and that most (94%) of the increase was accounted for by the infusion of AID and counterpart funds originating in Loan 025; also that the average amount disbursed per loan has been increasing in recent years.

A review of INFOCOOP's credit operations and policies reveals that, in general, the purposes of the project were achieved and the use of Loan 025 monies exerted a strong pull on use of other INFOCOOP credit resources. It was also shown that the supervision of approved loans improved during the life of project.

The review suggests that AID examine its policy toward the use of loan reflows, interest rate structures, and lending policies as they apply to reflows from Loan 025.

The evaluation also noted that the statistical base for planning is still weak and INFOCOOP appears to have difficulty functioning along planned lines. Also, while there has been considerable improvement in planning techniques, including movement towards program budgeting, there is a lack of policy directions to give focus to the entire operation.

The general conclusion of the evaluation regarding the institutional development of INFOCOOP and the related impact of the AID loan is that Loan Agreement objectives were satisfied and INFOCOOP was strengthened. It is a more solid and efficient agency than it was five years ago. The evaluatio reports that the main problems which INFOCOOP faces are mostly in the policy area. Specifically, the evaluator makes two conclusions on the AID loan; that: (a) the technical assistance was useful and produced results; and (b) the credit program had mixed results. The evaluation also concluded that INFOCOOP needs and merits follow-on support.

The last component of the loan to be examined was the Municipal Development Program.

The evaluator found no major problems with IFAM's organizational structure or administrative system. It was noted that the handling of the loan portfolio is satisfactory and, from a financial standpoint, IFAM evolved properly.

It was noted that IFAM's credit policies and lending terms are acceptable, that in terms of the types of municipalities and purposes of the loans, Loan Agreement objectives were amply satisfied and IFAM's approach to its clients is quite even-handed.

It was also found that IFAM is devoting a considerable amount of resources to providing technical assistance and other types of direct assistance to municipalities. However, it was noted that some effort needs to be invested in improving planning and coordination.

With regard to project objectives, it was concluded that IFAM is doing a better job now than five years ago in fulfilling its technical assistance function.

Finally, the evaluation cites three lessons to be learned from this loan insofar as AID project development practices are concerned. They are: (1) to negotiate and mutually agree with borrower and with implementing agencies at the time of the Project Paper (PP) preparation on the exact methods, definitions, ratios, etc., which will govern disbursement of AID funds; (2) to avoid setting up multiple and grandiose, but quantitatively non-specific objectives and targets for a project and (3) to assure, before commiting the Agency to institutional development projects, that, both at the policy and operational levels, there is a clear understanding of what is to be accomplished (including changes), and there is both a political and technocratic person who will take the necessary measures required regarding project development.

14. Evaluation Methodology

This was a scheduled end of project evaluation. Two local consulting firms, La Marsa, S.A. and Consultoría Interdisciplinaria en Desarrollo S.A. were used and were paid the sum of $16,000 and $25,000 respectively.

Methods used for the evaluation included a review of AID and counterpart agency documents, the use of sample surveys, and personal interviews. The evaluation findings, conclusions and recommendations are presented in the attached documents which are in English and Spanish.

This final, in-depth, goal-level evaluation was designed, because of the overall complexity of the loan activity (three separate GOCR institutions were invlved in project implementation), to cover several important objectives, which are: (1) to measure progress toward planned targets, (2) to determine why the project did or did not achieve planned targets and (3) to determine whether the project purpose continues to be relevant to the country's development needs.

In connection with the above, questionnaires were used to measure the impact of the P-B-C and INFOCOOP loan-related activities on the Loan project target group. In addition, the report analyzed the effectiveness of each of the participating institutions for carrying out individual project activities for which they were responsible as well as ascertaining the cooperating institutions' absorptive capacity for managing project resources.

With regard to project impact on the loan target group, the report includes findings concerning the target group's use of technology and labor, production problems and losses, credit, livestock operations, cooperative membership, farmers perceptions and participation in the P-B-C activity, changes in income as well as technical assistance received from the MAG.

In analyzing project performance of each participating institution, the report measured the degree to which technical assistance provided each institution with loan funds had an impact on achieving project objectives, effectiveness in developing project work plans and budgets, institutional capabilities relative to project monitoring and the degree of impact institutional staff training had on the loan project as well as on long-term institutional capabilities for developing and implementing programs directed at small farmers and the rural poor.

In addition to those already mentioned, one of the major conclusions of the report, whcih should serve as an important lesson in developing future loan projects, is that in preparing loan 025, the Mission perceived (or perhaps assumed) that the three implementing agencies had a confluence of interests and objectives. However, the USAID did not sufficiently try to explore or generate this confluence prior to the loan. Rather, it was, to some extent, too quick to see "linkages," some of which were artificially created by the need to have a single loan package.

Because of the importance the Mission places on the lessons to be learned from this loan, especially regarding project development and implementation, it intends to share the full report with each of the project participating institutions once the translation of the English section has been completed.