

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: USAID/El Salvador Mission or AID/W Office _____ (ES# <u>3/88</u>)		B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY ___ Q ___		C. Evaluation Timing Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>	
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
519-0303	Water Management	FY 1985	8/90	16,020	16,020

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director		Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required E. ACTION DECISIONS APPROVED BY MISSION DIRECTOR:			
1.. Continuing support to ENA for the Bachelor of Science irrigation curriculum will be conditioned on receipt of:			
a. A plan detailing the steps required to grant a Licenciatura in Irrigated Agriculture by October 31, 1988.		RDO	8/31/88
b. GOES' stated commitment to support and reincorporate long term trainees.		RDO	7/31/88
c. A plan to include irrigation instruction in ENA's vocational agricultural program.		RDO	7/31/88
d. The results of a detailed management analysis, educational assessment and financial audit of ENA.		RDO	10/31/88
2. Encourage the formation of forward market linkages between agrarian reform cooperatives and private sector businessmen.		RDO	in process
3. Promote complementarity of research activities between CENTA and DIVAGRO.		RDO	in process
4. Approve FUSADES' restructuring to substitute DIVAGRO for CORPREX as the implementing entity for private sector activities.			Project amendment including these two decisions is circulating
5. The loan committee under FUSADES' proposed restructuring should be represented a broad spectrum of agro-industry.			

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) 3 (Day) 28 (Year) 1988

G. Approvals of Evaluation Summary And Action Decisions:

Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Signature	Henry L. Miles		Héctor Díez de Medina	William G. Kaschak
Date	6/17/88		6/16/88	

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

H. EVALUATION ABSTRACT

The project promotes diversified, irrigated farming in El Salvador through institutional strengthening, technology transfer, training and credit assistance. Project activities are divided in two segments: 1) support of public sector irrigation planning, extension and training institutions to provide improved support to farm-level water management and irrigated agriculture, and 2) support of private sector firms engaged in or indirectly connected to intensive irrigated agriculture and export marketing research and development. The project is being implemented jointly by the public and private sector institutions. This evaluation is the first of the planned evaluations under the Project. It was conducted by a two person team from Checci & Co. on the basis of a review of project documentation, interviews and meetings. The purpose was to examine selected design elements to determine if they should be reprogrammed. The evaluation team was requested to address five issues, that together with the principal findings conclusions are as follow:

1. Issue No. 1. Is the role of the National School of Agriculture, ENA, as defined in the Project Paper still valid given administrative and budgetary changes which have occurred in the past year?
Conclusion. ENA is the best location for training because of its physical plant and its experience in both, vocational and theoretical education. The decision to support ENA as the center for university-level training in irrigated agriculture is still valid.
2. Issue No. 2. What is or should be the role of COMEX in the implementation of the project.
Conclusion. The team concluded, after a thorough analysis of this issue, that due to the reduced role of COMEX and the existence of competent staff in FUSADES, COMEX should not be part of the implementation process of the project.
3. Issue No. 3. Can the objectives of the private sector component be met with greater efficiency and less potential conflict of interest under FUSADES' proposed restructuring of implementation roles and responsibilities?
Conclusion. In general, the objectives can be better met by FUSADES than by COMEX. FUSADES has the motivation, administrative capacity and experience necessary to carry out the Project's operation at less cost.
4. Issue No. 4. Is the Export Risk Guarantee Mechanism of the I&D Loan Fund necessary?
Conclusion. It is yet too early in the project to state if this mechanism should be terminated but rather it should continue at least until the mid-term evaluation.
5. Issue No. 5. What additional incentives, if any, should be given to irrigation equipment supply firms to increase their promotional activities?
Conclusion. The idea has merit, the principal incentives may be availability of dollars for offshore procurement, provision of a bonded warehouse, standardization of irrigation equipment, use of furrow irrigation, and a study on taxation and custom classification system.

C O S T S

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Donald R. Flester	Checci & Co.	IQC No. PDC-0085- 1-00-6097-00		519-0303
Stephen R. Morgan	Checci & Co.			
2. Mission/Office Professional Staff Person-Days (Estimate) <u>12</u>		3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>14</u>		

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

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| <ul style="list-style-type: none"> • Purpose of evaluation and methodology used • Purpose of activity(ies) evaluated • Findings and conclusions (relate to questions) | <ul style="list-style-type: none"> • Principal recommendations • Lessons learned |
|--|--|

Mission or Office:

Date This Summary Prepared:

Title And Date Of Full Evaluation Report:

J. SUMMARY OF EVALUATION FINDINGS' CONCLUSIONS AND RECOMMENDATIONS

1. Purpose of the Activity Evaluated

The goal of the project is to generate employment, income and foreign exchange for El Salvador. The purpose is to provide diversified irrigated farming in El Salvador, through institutional strengthening, technology transfer, training, and credit assistance. The contracted evaluated team was requested to address specific issues, as discussed below, that reflected USAID's concern that the project may have been over designed and that certain design assumptions, particularly those regarding complementary between project components will no longer be valid. These issues were selected because both the public and private sector components of the project had been slow to gain momentum. The planned reorganization of FUSADES, as well as the changes proposed in the roles of DIVACRO and CORPREX, also prompted USAID to request an outside evaluation. As a means of encouraging entrepreneurs to increase employment, improve the use of scarce land, and generate foreign exchange, this is one of the most important projects in the Mission's portfolio. It has the potential to improve the country's level of technical expertise and stimulate cooperation between its private and public sectors. The project should lead to the introduction of new labor intensive, high-profit, non-traditional export crops.

2. Purpose of the Evaluation and Methodology

The overall purpose of the evaluation was to examine selected designed elements of the Water Management Project to determine if they should be reprogrammed under present and expected circumstances. The five issues that the evaluation team reviewed and concentrated on had been listed in Section H, above and will be discussed in more detail below. The methodology included field work in El Salvador, where pertinent documents were reviewed and 17 meetings were held with approximately 37 people involved in the project. A draft report was submitted to USAID/El Salvador and after comments made by USAID and the GOES, the final report was provided.

3. Findings and Recommendations

- a) Issue No. 1. The role of INA. Central to the development of non-traditional agricultural export from El Salvador is the training of professionals at both vocational and university levels; the availability of adequate numbers of competent technicians is the single most important factor in determining whether or not El Salvador will be able to compete successfully in export markets on a sustained basis.

The decision to support the National School of Agriculture (INA) as the center for university-level training in irrigated agriculture remains valid. INA is the best location for training because of its physical plant and its experience in both vocational and theoretical education.

- b) Issue No. 2. The role of CORPREX. The Project Paper called for the development of a private, non-profit irrigation association to promote diversified irrigated agriculture. During the process of forming the Association, USAID and FUSADES encountered some legal restrictions that would have prevented the association from operating as intended. A decision was made to reorganize the Association into a Corporation (CORPREX) in order to allow it to carry out the proposed functions. It has taken over two years to secure CORPREX's legal status and some more time will be needed to fulfill other legal requirements. In the interim, FUSADES, working through several organizations,

was charged with conducting all aspects of the private sector irrigation component and demonstrated its capability to perform the tasks in a very satisfactory manner. After a thorough analysis of this issue, the team concluded that, due to the reduced role of CORPREX and the existence of a competent staff and administration in FUSADES, support to CORPREX for the original purposes of this Project should not be initiated. The functions which were to be transferred to CORPREX should continue under FUSADES.

- c) Issue No. 3. Proposed restructuring of FUSADES and CORPREX. The role of FUSADES at the beginning of the Project was to coordinate project activities and serve as Grantee for the private sector component. Once Irrigation Association (CORPREX) obtained legal status and became fully operational, it was to take over FUSADES' functions. In the interim, FUSADES formed its FITEGO Division with the following functions: a) to strengthen the technical and financial capabilities of private farms, b) to exploit water resources, c) to promote production and marketing of labor-intensive, non-traditional crops, d) to assist firms in design, supply, install and service irrigation equipment, and e) to establish five irrigated commercial scale pilot projects for export crops. As discussed above, Project objectives can be better met by FUSADES than by CORPREX. FUSADES has the motivation, administrative capability and expense necessary to carry out the project's operations at less cost.
- d) Issue No. 4. Need for the Export Market Risk Guarantee. The project calls for an Export Market Risk Guarantee (EMRG). The EMRG is a guarantee to the borrower. In case of proven market failure the borrower is responsible to repay FUSADES 50% of the outstanding loan. Under this mechanism, farmers agree to pledge as collateral for project loans both equipment purchased with loan funds and harvests. To date, few borrowers have expressed interest in this mechanism; yet, it is too early in the Project to state whether or not it should be terminated.
- i) The Project is too new to tell if the Marketing Risk Guarantee Fund will be important to its success. The EMRG should be continued at least until the mid-term evaluation.
 - ii) USAID and FUSADES should conduct an in-depth study to ascertain if a crop insurance program is warranted. This could replace the Market Risk Guarantee in the future.
- e) Issue No. 5. Need for additional incentives to equipment supply firms. Local equipment suppliers comprise an integral part of the production system. They should sell good equipment and have an adequate inventory of spare parts. They must also provide maintenance services to insure that farmers' investments are not lost due to lack of quality service.

During discussions with FUSADES/USAID and a major equipment supplier, it became evident that a major factor in the sale and use of irrigation equipment will be success in sales of non-traditional products abroad. Due to the fragile nature of the Salvadoran economy, lack of confidence in the short-run political situation, fear of land reform and the increasing strength of trade unions, many prospective investors are at present reluctant to invest, awaiting signs of change. Many will be reluctant until they believe that profits are commensurate with risks.

Discussions with a number of key individuals in both the public and private sectors led to the conclusion the following incentives have merit: 1) increase the availability of dollars for offshore procurement; 2) conduct a study of the taxation and import classification system as it affects this Project; 3) availability of a bonded warehouse; 4) standardization of irrigation equipment; 5) use of furrow irrigation; 6) use of land leveling equipment; 7) advertising and promotion campaign.

4. Lessons learned

a) Time Allocated

Starting a new area of agricultural production requires much more time, technical assistance, training and financial support than has been provided under this Project. This is especially true since the Project attempts to implement major changes in both public and private organizations and to create a new private sector agency, CORPREX. The Project's tasks are made even more difficult by the country's political and social problems and the changes taking place in the rural sector. Not only must the Project overcome production and marketing obstacles but it must also serve to convince individuals to invest in an extremely risky business during a period when confidence is not high.

b) Initial Availability of Technical Assistance

Leadership on the part of USAID and its contractors is extremely important to introducing new technologies and cultivation systems. When USAID does not have the required technical expertise on its staff, it is very important to provide from the outset technicians with both theoretical and applied experience in the commodities to be promoted.

Unfortunately, at the start of this Project this expertise was not available on a continuous basis. Thus, farmer interest has eroded during the last two years. Now that the advisors are arriving, it will be difficult to recover some of the momentum lost to date. For the public sector, no assistance was available until some two years after Project approval. Eighteen months of the implementation period have been lost. Future Projects that attempt to introduce new products and systems should be planned to last at least eight years. They should have top-flight expertise available from the start.

c) Public and Private Cooperation

Coordination between the public and private sectors was poor at the beginning of the Project. In part this was the result of a lack of confidence in the public sector on the part of the private groups and individuals involved. Likewise, the public sector agencies were engaged in supporting the land reform program of the Government. Thus, after an initial attempt at dialogue, both groups went their separate ways. Both public and private organizations feel, nevertheless, that their activities are complementary and that they should work together.

Early in the Project USAID attempted to bring public and private sector groups together with only moderate success. Following this initial effort, it appears that the A.I.D. staff began to work with each group individually. Public officials mentioned that USAID's interests had seemed to lie with the private sector and that the Agency had not approved requests for equipment and technical support promised to government organizations under the program. Public officials' interest waned.

In mid-1987, there was a change in the attitude of the public sector agencies, especially at CEMIA. This change apparently was not made clear to USAID's new staff managing the Project. As a result some time was lost before they could begin to bring the two groups closer together. This experience has shown that positions and attitudes can change in important ways over time, but that perseverance is necessary on a continuing basis to overcome obstacles to cooperation and collaboration.

d) Informing Salvadoran Government Official of the Project

When the Project agreement was signed in 1985, copies were provided to Government leaders for transmittal to their staffs. In some cases this was done, in others, either agencies did not receive copies of the agreement (and thus were unaware of their assigned roles) or received copies but continued their previous agendas. For, due to rapid turnover in senior Government staff, directors often did not know the full details of the program and did not take actions expected of them. USAID frequently assumed that these agencies fully understood the agreement, their roles and responsibilities.

It is evident that USAID should not assume that new local personnel have been fully briefed and have access to Project documentation. National Governments often do not have good systems for briefing new staff. A.I.D. must develop its own system and be prepared to provide copies of the most important Project documentation. This should be done during the first meeting.

e) Continuity of USAID Administration

During the two years that this Project has been in operation, USAID has had several different employees backstopping it. At times different employees, and even different divisions, monitored the private and public sector components. This is quite conducive to breakdowns in Project coordination.

One person within USAID should hold responsibility to the Mission Director for success of the entire Project. This person should be at post for at least four years during the implementation period, and should have competent local technicians assisting him or her in its management.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

An Issues Assessment for the USAID/Government of El Salvador.

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

The evaluation report complied with the major issues that USAID/El Salvador pointed out in the scope of work.

An amendment to the Project has been prepared by USAID/El Salvador and is presently circulating for clearances in the Mission. This amendment, as stated under Block E covered all the actions approved.