

PD-AAZ-290 62315

# F.I.D. EVALUATION SUMMARY PART I

(BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS)

<b>A. REPORTING A.I.D. UNIT:</b> <u>USAID/Guatemala</u> (Mission or AID/W Office)  (ES# <u>88-07</u> )	<b>B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN?</b> yes <input checked="" type="checkbox"/> slipped <input type="checkbox"/> ad hoc <input type="checkbox"/>  Eval. Plan Submission Date: FY <u>88</u> <u>Q 2</u>	<b>C. EVALUATION TIMING</b> Interim <input type="checkbox"/> final <input checked="" 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 #	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated to Date ('000)
520-0276	Agribusiness Development Project	3/21/85	3/21/90	13,500	13,500

**E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR**

Action(s) Required	Name of officer responsible for Action	Date Action to be Completed
1. Set goals for disbursement of credit.	G. Matta/ B. Rudert	4/15/88
2. Extend Project PACD, pending availability of funds.	B. Rudert	4/30/88
3. Develop baseline information tracking system for credit line, Guild and cooperatives.	B. Rudert	4/30/88
4. Review feasibility of creating a trust fund in BANDESA.	B. Rudert/ F. Manteiga	6/30/88
5. Develop technical assistance and training program for BOG grant for remainder of Project and Contract for such.	G. Matta	5/15/88
6. Improve Project reporting system.	B. Rudert/ F. Manteiga/ R. Steelman	4/30/88

(Attach extra sheet if necessary)

**F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION:** mo 3 day 25 yr 88

**G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:**

Project/Program Officer <i>Thomas C. Ivers</i> Signature Typed Name <u>Thomas C. Ivers</u> Date: <u>3/25/88</u>	Representative of Borrower/Grantee <i>Chib A</i> Signature Date: <u>02-13-89</u>	Evaluation Officer <i>Thomas A. Kelleher</i> Signature Date: <u>5-5-89</u>	Mission or AID/W Office Director <i>[Signature]</i> Signature Date: <u>5/11/89</u>
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II. EVALUATION ABSTRACT (do not exceed the space provided)

The Project is intended to raise incomes of small farmers through the sale of non-traditional, high valued commodities and to create employment opportunities through the establishment or expansion of processing facilities. The loan-based credit line of Project is being implemented by the Bank of Guatemala, in conjunction with the private banking sector, and the Agricultural Development Bank (BANDESA). The Guild of Non-traditional Exporters is implementing a grant to develop markets for raw and processed agricultural products, and CIUSA is executing a cooperative development grant. This mid-term evaluation (3/85-11/87) was conducted by a three person team from Arthur Young on the basis of a review of Project documentation, interviews with Project personnel, and field trips to cooperatives, loan recipients and the Guild's affiliate office. The purpose was to evaluate the performance of the Project during the above timeframe in order to identify issues and constraints to be addressed during the remaining Project lifetime, as well as to address the Project's contribution to exports and economic reactivation of Guatemala and quantify the Project's immediate economic impact on target beneficiaries. The major findings and conclusions are:

- \* This Project has had limited success to date, but prospects for improvement, especially with respect to increased loan disbursements, are good.
- \* The impact of the Project regarding institutionalization of improved agribusiness credit analysis and loan appraisal capabilities has been minimal.
- \* While institutional development of the Guild is proceeding well, it is difficult to measure the benefits accruing to recipients under the Guild and CIUSA grants due to a lack of adequate baseline data. Under the credit line, 485 small farmers have improved marketing access, while another 129 have improved their productivity under a single loan. A total of 317 new jobs have been created.
- \* A number of cooperatives will not be able to export their products without additional technical assistance beyond that now planned. Additionally, it is doubtful that small farmer cooperatives could manage the CEOMERCA facility.
- \* Relatively strong interrelationships have developed among the loan and grant activities.

The evaluators noted the following "lessons learned":

- \* In the design of this type of project, pragmatic lending criteria should be developed, based on realistic expectations.
- \* In order to assist small and medium-sized entrepreneurs, a guaranty fund or trust fund should be established.
- \* Training courses and seminars should be based on real needs of recipients and evaluated periodically.
- \* Credit lines should have sufficient financial or other incentives to enable them to "compete" with others in the same institution, as long as market forces are followed.
- \* An accurate baseline survey is important in order to measure progress of beneficiaries.
- \* More time is needed than is generally recognized to enable cooperatives to export, and several "intermediate" stages may be necessary.
- \* The lack of an adequate credit mechanism may prevent growth of cooperatives to the point where they can become efficient economic units. Also, if cooperatives have existing debt burdens, these should be restructures prior to embarking upon new ventures.

I. EVALUATION COSTS

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (US\$)	Source of Funds
Name	Affiliation			
Kenneth Laurent	Arthur Young	25 days	\$43,754	Project Grant
Gordon Bremner	" "	" "		
Stephen Lack	" "	" "		

2. Mission/Office Professional  
Staff Person-Days (estimate) 10

3. Borrower/Grantee Professional  
Staff Person-Days (estimate) 12

# A.I.D. EVALUATION SUMMARY PART II

## J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided)

Address the following items:

- Purpose of activity(ies) evaluated
- Purpose of evaluation and Methodology used
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: Guatemala

Date this summary prepared: \_\_\_\_\_

Title and Date of Full Evaluation Report: Mid-Term Evaluation, Agribusiness Development Project,  
December 12, 1987

1. Purpose of Activity or Activities Evaluated: The Project is attempting to raise rural incomes of small farmers through improved opportunities for the sale of non-traditional, high-valued products, either through fresh or processed channels. Additionally, increased employment opportunities are to be created through the establishment or expansion of processing facilities. The Project is expected to have an impact upon the macroeconomic situation through increased value added and creation of foreign exchange through exports.

2. Purpose of the Evaluation and Methodology Used: The objective of the evaluation was to evaluate the performance of the Project during the period March 31, 1985 - October 31, 1987, in order to identify issues and constraints to be addressed during the remaining life of the Project, and to identify and analyze alternative uses for approximately \$2.6 million of Project credit resources available for reprogramming.<sup>1/</sup> Additionally, the evaluation was to address the Project's contribution to exports and economic reactivation of Guatemala and quantify the Project's immediate impact on the target beneficiaries.

A three person evaluation team from Arthur Young conducted the evaluation during the period November 16 - december 12, 1987.

Meetings were held with USAID and GOG officials, as well as representatives of private banks, financieras, businessmen, cooperative managers and members, officers of the Guild of Non-traditional Exporters and others knowledgeable about the Project. Visits also were made to the ten cooperatives involved in the cooperative strengthening activity. The evaluation team also reviewed four other USAID/ Guatemala projects that related to the Project.

3. Findings and Conclusions: The major findings of the evaluation are related to the SOW for the evaluation team, as discussed below:

a. Project goal and purpose: Assess adherence to and compatibility with Project Paper objectives. Quantify and qualify status of stated measurements and end-of-Project indicators.

The Project purpose is to increase rural family incomes through improved production, storage, processing, marketing and employment opportunities for high-value crops. The sub-goal is to expand and diversify Guatemala's export of non-traditional agricultural products. The Project purpose is to provide small farmers with profitable outlets for their fruit and vegetable production through new or expanded agribusiness in rural areas. The Logical Framework for the Project is attached as Annex I.

<sup>1/</sup> Prior to the beginning of the evaluation, the Mission decided not to reprogram these resources. Consequently, this issue was not addressed.

## Continuation of A.I.D. Evaluation Summary, Part II

Findings and Conclusions: Project implementation, especially with respect to the \$9.5 million credit line, has been slow to date. As of December 8, 1987, the amount received by sub-borrowers was approximately \$1.4 million, although this was not fully reflected as expenditures on USAID's records. An additional \$2.5 million is expected to be disbursed by March 31, 1988, as a result of previous negotiations resulting in liberalized lending criteria. Only a small portion of the Project grant to the BOG of \$645,000 has been utilized to date. Consequently, with respect to EOPS, results to date have not been completely satisfactory. However, it should be noted that conditions precedent for the BANDESA portion of the credit line (\$1.5 million) were only met on December 2, 1986. Furthermore, with respect to the Bank of Guatemala portion (\$8.0 million), the assumption that U.S. dollars would continue to be scarce was later invalidated by rapidly improved macroeconomic conditions, availability of agribusiness credit from other donors and improved liquidity. EOPS measurements are shown in Annex II. As can be seen, the impact in terms of institutionalizing improved agribusiness credit analysis and loan appraisal capabilities in private and public sector banks has been negligible.

With respect to the two major grants, one to the Guild of Non-traditional exporters (\$1.022 million), the other to the National Cooperative Business Association (formerly the Cooperative League of the USA, or CLUSA \$1.333 million), progress has been good. The Guild has steadily grown in membership, the majority of its members (55-60%) being involved in agribusiness, and has strengthened its administrative ability through funds provided by the Project. The Guild also has established an affiliate in Quetzaltenango, the second largest city in Guatemala, and an important center of production and commerce for the Western Highlands. The Guild has been active in the promotion of non-traditional agricultural products through participation in business trade shows and fairs, market information and training activities and has been actively involved in policy dialogue with the GOG.

The evaluation team found that the Guild had not established reliable baseline data for its members. As a result, it is difficult to measure the incremental progress in terms of value of production, employment, etc. The evaluation also found that the Guild's reporting has been unsatisfactory regarding goals established in the Project Paper. Additional findings were that: 1) the Guild was providing counterpart funds and in-kind contributions in a timely way (75% of Project goal at the halfway point of the Project); and 2) that there were direct, positive support effects to the Guild from the presence of the CLUSA team and the Loan Promotor. It was concluded that there is a high level of Guild activity which appears to be meeting the goals outlined in the Project Implementation Plan, but that the Plan is only loosely related to achievement of Project purpose. Annex III shows the status of each major Guild component as related to the LOP goal, per the Grant Agreement.

With respect to the cooperative development activity, it was noted that the CLUSA team is working primarily with three cooperatives and providing complementary assistance to seven others.

The evaluation team commended the CLUSA team members for developing strong interrelationships with the Guild and BANDESA, which further integrated the activities of the Project. It also noted that adequate baseline information on the cooperatives had not been developed. Furthermore, in the opinion of the evaluation team, the development of most of the cooperatives to the point of being able to export their products would take a considerably longer time than the CLUSA contract provided for (The CLUSA contract is due to expire in October 1988) and would require continuous technical

Continuation of A.I.D. Evaluation Summary, Part II

assistance and additional training beyond that to date. Finally, the evaluation team questioned the ability of small farmer cooperatives to manage the CECOMERCA facility under the plan developed by CLUSA and recommended that an additional technical/financial feasibility study be conducted by outside experts. The status of cooperative development activities relative to EOPs is shown in Annex IV.

b. Project components: Evaluate the level of achievements, problems encountered, and existing issues to date in each of the four components.

Findings and Conclusions: Incorporated in a, above.

c. Project management: Review all aspects of Project management, including USAID/Contractor/Grantee interfacing, procedures for identifying and resolving issues and decision making processes. Comment on the efficacy of the shared project management between ORD and PSPO.

Findings and Conclusions: The evaluation team noted that the shared management of the Project had resulted in some difficulties with respect to the credit line, resulting in a distraction from some important aspects of Project management, such as reporting. The team also found that signs of closer cooperation were beginning to emerge. With respect to the Guild grant, the team's only observation was that USAID's contracting procedures were too restrictive. There was no comment on the interfacing between USAID and the CLUSA team.

The evaluation team was critical of the Bank of Guatemala's administration of the \$8.0 million credit line. It commented that, even after AID and the BOG had come to an agreement that the Bank would judge only the eligibility of the sub-projects, the latter continued to review the feasibility of such. This has caused considerable delays in obtaining final approval of sub-projects. With respect to the \$1.5 million credit line administered by BANDESA, the team was of the opinion that the spread was too small to command the Bank's attention, relative to other sources of funds with larger spreads. It also noted that a disadvantage of the AID credit line was that it was not administered as a trust fund, which meant that the cumbersome guarantee provisions of the Guatemalan Banking Law applied, making disbursement to cooperatives and groups difficult. Finally, BANDESA continues to have a lack of qualified loan promoters and extensionists on its payroll, and its staff is still heavily centralized in Guatemala City.

The Guild has grown to 34 staff personnel, 20 of which are financed by the Project. Management of the grant was judged to be generally adequate, and Guild's commitment to the Project was strong, including counterpart contributions, while baseline information and reporting systems were considered weak. Also, the Guild's frugality in not using grant funds, e.g. in not filling a key staff position, was questioned.

With respect to the administration of the cooperative agreement by CLUSA, the team found that CLUSA was doing an effective job of planning, but had failed to develop adequate baseline studies of the participating cooperatives.

d. Institutional coordination mechanisms: Analyze the basis for institutionalization of methods and procedures for analyzing and processing credit, and credit discount mechanisms. Review the use of microcomputer systems in credit analysis. Comment on yearly planning, budget coordination at national, regional and local levels.

Continuation of A.I.D. Evaluation Summary, Part II

**Findings and Conclusions:** To date, the training of both private and public sector Guatemalan banking officials has been limited, and institutionalization has not occurred to any degree. Approximately 50 persons from both sectors have been trained in credit analysis, but training was of limited effectiveness. There was no indication of any microcomputer training provided. Two advisors, one for the BOG and one for BANDESA have not been hired. In effect, a partial substitution for both advisors was provided by the hiring of a local loan promotor by USAID and the assignment of a former USAID Guatemalan employee for a period of time as General Manager of BANDESA.

e. **Institutional building concepts and precepts:** Assess the attainability of the goals for institutional development and suggestions for changes; success of entrepreneurial development and training activities; status of enterprise management; effectiveness of technical assistance provided to the Bank of Guatemala; success of the cooperative improvement activity, particularly the salary support program and the ability of cooperatives to assume increased management costs; and status of market information and export/investment activities.

At this point, the possibility of attainment of institutional building objectives within the public and private banking sector is limited. Increased emphasis will be needed to utilize effectively the remaining grant funds for relevant training activities and appropriate technical assistance. With respect to the cooperative improvement activity, it is doubtful that most of the cooperatives will be able to sustain the full costs of management unless the timeframe is extended. The same should be true of the export/investment activities of the Guild, with more emphasis being needed on the investment promotion side. The Mission's new Private Enterprise Development Project is addressing the latter point.

f. **Technical assistance and training:** Evaluate the overall quality and types of technical assistance financed under the Project. Identify new areas of technical assistance that should be provided, if any. Assess contractor performance. Determine training needs at all levels.

**Findings and Conclusions:** This has already been discussed to some extent in a, c and d, above. As previously noted, technical assistance to the BOG and BANDESA has not been provided, although limited training in credit analysis has taken place. Technical assistance also has been utilized only in a limited way by the Guild, although training is an active element. The CLUSA team performance has been of good quality, although more importance should be paid to training cooperatives in the areas of administration and marketing.

g. **Project's economic and socio-cultural impact:** Assess export stimulation, increased employment and income levels of producers participating in the Project and of approved loan activities. Analyze feasibility studies completed with Project funds.

**Findings and Conclusions:** With respect to the BOG credit line, a total of 485 small farmers now have improved marketing access due to new and expanded agribusinesses funded under the Project. In the case of BANDESA, a total of 129 small farmers have improved their productivity as a result of a single loan approved. New jobs, totalling 317, have been created by the BOG credit line. Increased foreign exchange cannot be measured at this time, due to a lengthy gestation period between loan approval and sales abroad. However, all indicators are expected to improve as more projects are funded.

At this juncture, it is difficult to measure the progress attained by the Guild, due to a lack of a baseline survey of members and deficient reporting. Similarly, the cooperative development activity suffers from the lack of a baseline study.

Continuation of A.I.D. Evaluation Summary, Part II

h. Lessons learned: See 5, below.

i. Identify major thrusts and changes in Project design, if any, for the remainder of the Project, particularly for reprogramming of the \$2.6 million in decommitted Project credit funds. Credit constraints, technical assistance, training programs and other major areas should be mentioned. As possible reprogramming possibilities for the \$2.6 million the team should consider the CECOMERCA proposal for a cooperative-run processing facility, a credit line through BANDESA for small farmer marketing centers, and a credit line through BANDESA for processing facilities for small farmer coffee production.

Findings and Conclusions: As previously mentioned, the issue of reprogramming of funds was not addressed. The evaluation team recommended the extension of the PACD for the Bank of Guatemala credit line component for one year, i.e. to March 21, 1991, in order to allow credit funds to be utilized under the new lending criteria, but also recommended that significant disbursements (\$1.5 million) should be achieved by September 30, 1988, or the remaining funds be subject to deobligation.

4. Principal Recommendations: The main recommendations of the evaluation, treated in the attached memorandum are as follows:

a. Bank of Guatemala/BANDESA Credit Line:

1. The PACD be extended to March 21, 1991 with the goal of disbursing US\$2.7 million per year from the Loan Fund as of March 21, 1988.
2. Primary BOG Component management responsibility be given to the PSPO.
3. ORD develop and implement a socio-economic impact review system to monitor performance of the component in terms of incremental income benefits for the rural poor. The system should determine if new loans represent additionality or substitution so as to guide PSPO in promoting future loans.
4. A small credit guaranty fund be established with US\$350,000 from the Bank of Guatemala Grant Fund.
5. Greater incentive be provided to the banks involved in the component, including primarily an increase of two percentage points in the spread allowed to private financieras and commercial banks.
6. Consideration be given to converting the BANDESA portion of the Loan Fund into a fideicomiso (trust fund).
7. A Guatemalan agribusiness credit training program be designed to meet the real needs of personnel from the Bank of Guatemala, BANDESA, the financieras and the commercial banks. Up to US\$100,000 of the Bank of Guatemala Grant Fund should be used for this purpose.

b. Guild of Non-Traditional Exporters:

1. The Guild should attempt to obtain as much PROEXAG consulting time as possible. This is particularly important for the computer information specialty.
2. The Guild should continue to receive some public sector funding beyond the LOP to perform quasi-government functions.

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Continuation of A.I.D. Evaluation Summary, Part II

3. Outside expertise should be brought in to facilitate development and execution of realistic and focused export and investment promotion strategies.

4. Relevant baseline information and a responsive reporting system should be established and institutionalized.

5. Guild staff should receive training in preparation of scopes of work and basic contractual procedures. They should be assisted to prepare and follow a less restrictive contracting procedure than the one which is currently enforced.

c. Cooperative Component:

1. That the Cooperative Strengthening Project be reorganized and a full-time marketing specialist be added to the CLUSA team and placed in Quetzaltenango to continue the assistance now being given to cooperatives and agricultural groups under the Diversification Project (which ends December 1987), and that given to La Encarnación by the CLUSA team. The extension should be for at least three years from January 1, 1988.

2. That the CLUSA credit and financial advisor located in Quetzaltenango be moved to Guatemala City and assigned to work with cooperatives and with BANDESA on loan applications and loan restructuring. He would continue as part of the CLUSA Cooperative Strengthening Project, but would interface with the PSPO in his dealings with BANDESA.

3. That the marketing specialist working with Rincon Grande expand his activities to include other cooperatives producing strawberries and to develop an arrangement whereby strawberries will be frozen by local processors until such time as other arrangements could be worked out. His assignment should be extended two years beyond the October 1988 PACD. He would be available on an "as needed" basis to other cooperatives with which CLUSA personnel have worked.

4. That the team leader and cooperative management, organization and training advisor continue to coordinate the activities of the team and to interface with the Guild and other agencies dealing with the Agribusiness Development Project. He should devote considerably more of his time on the training aspects of cooperative development.

5. That USAID fund another feasibility study of the CECOMERCA facility at Patzicia, incorporating updated information on estimated costs and returns, and especially taking into account the organizational and operational problems encountered in starting-up the new project.

6. That USAID encourage BANDESA to make a concerted and realistic effort to dispose of the facility at Patzicia. This should entail public notices of its availability and the financial mechanism (sale or lease) that may be utilized by a potential user. USAID should not try to "rescue" the facility if little or no real interest is shown by the private sector or by cooperatives that have already demonstrated their ability to operate successfully.

7. That USAID change the terms of its Agribusiness Development Loan Fund to permit cooperatives to borrow in excess of US\$100,000, especially for processing facilities.

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Continuation of A.I.D. Evaluation Summary, Part II

8. That a baseline study be undertaken in the production areas around at least three cooperatives that are involved in producing and marketing fruits and vegetables.
9. That audits be carried out on target cooperatives.

5. Lessons Learned:

a. Bank of Guatemala/BANDESA Component:

1. In the design of an agribusiness project, pragmatic lending criteria should be developed, based on realistic expectations, taking into account the special characteristics of recipients as well as lending institutions.
2. In order to assist potential small and medium sized entrepreneurs, a guaranty fund or other such mechanism should be established, preferably in advance of the project. In the case of an institution like BANDESA, a trust fund arrangement should be set up.
3. Training courses and seminars should be based on real needs of recipients and should be evaluated to determine their effectiveness, as well as make improvements.
4. Credit lines should have sufficient financial incentives included to enable the line to "compete" with others within the same institution, as long as market forces are followed.
5. Future projects should better identify institutional constraints and provide for resolution of such.

b. Guild of Non-traditional Exporters:

1. An accurate baseline survey of membership enterprises should be established, and a responsive reporting system developed which tracks progress.
2. USAID should provide adequate training in advance to enable grantees to cope with U.S. Government regulations regarding the procurement of goods and services.

c. Cooperative Strengthening Component:

1. The time element needed to develop cooperatives to the point where they can export, directly or indirectly, to the U.S. and other industrialized countries may be longer than expected. In this regard, project design should take into consideration that technical assistance may be needed for several years and there may be several "intermediate" stages necessary. In the case of Guatemalan cooperatives, sales to the local market may be the first step, followed by regional sales, and finally by exports to industrialized countries.
2. The lack of an adequate credit mechanism may prevent the growth of cooperatives to the point where they can become efficient economic units. Additionally, if cooperatives have existing heavy debt loads from previous loans, it is necessary to reprogram such debts prior to embarking upon new ventures, such as export marketing.

K. ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

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EVALUATION REPORT

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

The evaluation essentially met the requirements of the Scope of Work. The evaluators made an in-depth review of each Project component and spend sufficient field time to fully understand the components. Generally, the Mission, concurs in the findings and lessons learned. However, in the case of the Patzicia Marketing Facility Proposal, the Mission believes that the comments contained in Appendix F do not realistic reflect the realities of the situation. Therefore, the Mission does not concur in the conclusions and recommendations. (pp. 7-9) contained in Appendix F to the evaluation.

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