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PROJECT ASSISTANCE CLOSE-OUT REPORT
OPG No. 522-0251
Small Scale Livestock Development Program
Grantee: Overseas Education Fund (OEF)

The Small Scale Livestock Development OPG proposal was designed by OEF utilizing funds provided through a Cooperative Agreement with the AID Office of Private and Voluntary Assistance and formally submitted to USAID/Honduras on August 8, 1983.

The project was an outgrowth of two major Mission activities. First, the U.S. Presidential Task Force in its report on Honduras recognized the potential for increased livestock production and productivity as an important means for increasing small farmer incomes and well-being. It concluded that improved systems of marketing and financing must be put in place for improved animal production programs to have the desired income impacts on small farmers. The importance of improved animal production programs was also reflected in the **GOH National Agricultural Development Plan, which contained the following** objectives relevant to the project: improve the nutritional level of the rural population; increase the income of small campesino farmers; generate employment opportunities; satisfy the domestic demand for pork; and reduce the importation of pork products.

Second, based on these factors USAID/Honduras developed the Small Farmer Livestock Improvement Project 522-0209. This project was authorized on September 30, 1983 for total A.I.D. funding of \$13 million. The purpose of the Project was to increase the number and the productivity of small and medium-sized individual and group farm livestock operations, resulting in an increase in the size of the national herd and the domestic production of livestock products. The Project was to achieve this through the establishment of the Fondo Ganadero of Honduras, a corporation which would provide technical assistance, training, infrastructure credit, and cattle to small and medium-sized individual producers and organized campesino groups to begin or expand their livestock operations.

The Small Scale Livestock Development OPG was conceived as a pilot project to complement this effort. It provided a means for developing a smaller scale methodology for the production and marketing of swine utilizing intensive technical assistance, and demonstrating that small farmers, and women in particular, could enter into and compete effectively in the market place.

The Project design recognized the importance of swine production for small and subsistence farm operations in Honduras. Small scale swine production at the farm level enhances family nutrition and provides disposable income through the utilization of family and farm waste products, constituting a readily available source of meat and cash income for the family. However, small swine operations generally suffer from low productivity as a result of poor animal nutrition and management, poor genetic stock and poor animal health. This is further complicated by the lack of a formal marketing system, and limited access to production credit on the part of small farmers. The Project focussed on the role of women since they are the principal caretakers of small animals in rural families, and represent the key to increased productivity.

I. PROJECT GOAL AND PURPOSE

The Project goal was to improve socio-economic conditions for rural households through improved livestock production and marketing practices. The Project purpose was to contribute to increased food production and the improvement of socio-economic conditions in rural areas by increasing domestic production of pork in collaboration with selected Private Voluntary Organizations through the delivery of training and technical assistance and the establishment of a loan fund.

The primary objectives of the Project were to increase the productivity of small scale swine production operations and to increase the number of such operations in rural communities on the North coast of Honduras.

II. PROJECT DESCRIPTION

The Small Scale Livestock Development OPG was authorized on March 1, 1984 for a total of \$700,000 with a PACD of February 28, 1987. Total funding was subsequently increased to \$810,740, and the PACD extended to December 31, 1987.

Project implementation was initiated by OEF in cooperation with Fundación Horizontes de Amistad, a local PVO. This relationship was terminated by mutual agreement in September of 1986, and implementation continued in cooperation with the Organización de Desarrollo Empresarial Feminino (ODEF), another local PVO which is continuing project follow-on efforts.

The Project provided assistance to women's groups in rural areas to establish small scale swine production operations. These operations were phased in over the LOP, with the goal of establishing financially and operationally viable swine production enterprises by the end of the Project. Four major components were incorporated within the Project. These components are discussed below in the order in which they were implemented.

1. Training of trainers and project beneficiaries - Implementation began with the hiring and training of professional staff to manage the Project and provide training and technical assistance to the project beneficiaries. This trained staff then began providing intensive training to the four groups which had been initially identified as project beneficiaries. This intensive training prior to the actual establishment of the swine enterprises was one of the primary features of the project.
2. Technical services program for producers - Subsequent to the initial intensive training, the Project provided technical services to the groups in planning and initiating their swine production operations. Services were focussed on helping the groups plan for the type and size of their operation, design of their facility, material and construction costs, availability and cost of animals, and operating costs. This planning was characterized by OEF acting as a guide in the process, with the final product being a technical and financial feasibility study utilized as the basis for providing credit under the Project.

3. Establishment of a loan fund - The Project established a loan guarantee fund with Banco Occidente to facilitate the provision of credit to the groups to establish their swine production operations. Groups applied to the bank for credit, and went through a formal credit review process prior to receiving their loans. Loans were made under commercial terms, with group members individually responsible for repayment.
4. Technical assistance - The Project provided follow-on technical assistance to the beneficiary groups in the operation of their enterprises. This assistance was provided in a gradually diminishing form as each group became increasingly capable of independently managing their operations.

III. OUTPUTS

The Project proposal stated that by the end of the project small scale livestock producers, principally women, will have substantially strengthened and extended their capabilities and experience in pork production and marketing in order to participate actively in commercially viable marketing activities. In addition, cash income of participating households will be higher, quality pork products will be consumed more regularly, and participants will have additional opportunities and skills to improve their living conditions.

The major Project outputs are summarized in Table I and Table II. Table I demonstrates the income generated and the credit performance of the nine beneficiary groups which received training, technical services, credit and technical assistance in establishing and operating their swine production enterprises under the Project.

TABLE I
Gross Income and Credit Performance Through December 31, 1987
(Lempiras)

Group	Gross Sales	Loan Amount	Payments Made		Loan Balance
			Principal	Interest	
1	56,309	26,000	5,608	3,421	20,392
2	15,115	30,000	-	2,463	30,000
3	52,773	26,000	2,000	4,917	24,000
4	58,245	26,000	2,300	2,945	23,700
5	49,209	31,500	5,056	9,764	26,444
6	32,779	31,500	3,000	2,506	28,500
7	111,544	26,000	3,000	10,133	24,000
8	17,407	30,000	-	1,500	30,000
9	17,513	30,000	-	2,379	30,000
TOTAL	L 410,894	L 257,000	L 19,964	L 40,028	L 237,036

The nine beneficiary groups represented above are located in nine different rural communities. As of the end of December 1987 the nine groups had marketed a total of 1258 piglets and 1253 fat hogs, receiving gross income from sales of L410,894. In addition, two groups had completed the training and technical services process, but have not received financing due to unresolved problems with water availability. Ten additional groups have expressed interest in entering the program, but have not been included due to the limited availability of credit funds.

The nine groups received total financing of L257,000. As of December 31, 1987 all of the groups were current on their loans, having made a total of L40,028 in interest and L19,964 in principal payments. The total outstanding loan portfolio for these operations is L237,036.

Loan repayments are currently being made under a purchase agreement reached with a major pork processor in San Pedro Sula. Under this agreement the processor is purchasing all of the animals produced by the beneficiary groups for slaughter, and retaining a portion of the purchase price from each transaction. These retentions are utilized to make interest and principal payments on the outstanding loan balances for each group. As of December 31, 1987 principal payments were averaging L3,500 per month.

It should be noted that the time the group enterprises have been in operation varies from one-half to two and one-half years, thereby affecting the total amount of principal payments which have been made. The last groups to begin operation are still within the grace period for principal payments. Also, as the result of an evaluation performed in February of 1987 two group operations and loans were restructured to ensure financial viability.

The impact of the Project with respect to number of beneficiaries and family income generated is illustrated in Table II.

TABLE II
Family Income Generation

<u>Group</u>	<u>Number of Members</u>	<u>Total Income Distributed</u>	<u>Distributions Per Member</u>
1	6	L 1,350	L 225
2	12	2,400	200
3	10	6,600	660
4	13	6,565	505
5	9	7,398	822
6	13	7,930	610
7	15	8,925	595
8	13	5,850	450
9	15	1,050	70
TOTAL	106	L 40,028	L 378

The total number of members involved in the nine group operations is 106, directly benefiting an estimated 742 family members. Although the time that the enterprises have been in operations varies from one-half to two and one-half years, all of the groups have distributed income to their members. These distributions range from L70 per member for the last group to initiate operations to L820 per member over a two and one-half year period for one of the first groups. The average income received per member in the nine groups through December 31, 1987 is L378. This amount is substantial when compared with the average annual family cash income of L500 for the participants prior to entering the Project.

Other project outputs are related to the personal and social development of the beneficiaries involved in the enterprises, and are difficult to quantify. These include the development of managerial capability, including record keeping and general management of the enterprises, the acquisition of the **technical knowledge required to operate the enterprises, the development of commercial relationships with businesses, banks and processors, and the ability to make decisions on both the individual and group level.**

In particular there has been a notable increase in the level of self-confidence demonstrated by the group members. Members also exhibit pride in their achievements, and improved capability to interact with the local business community. The group members have also become more outward oriented, and have established business and personal relationships outside their communities, as well as the contacts required to receive assistance when needed from other producers. In fact, the groups are generally recognized as producers of quality animals by their peers in the industry.

Finally, the Project has developed and demonstrated a proven methodology for working with small scale producers to improve production in a sustainable manner. While the initial development of the methodology was costly, it has been refined to the point where it is both cost efficient and replicable.

IV. INPUTS

Project inputs were provided in the form of Mission funds and person/days of technical assistance from local organizations and individuals. Given the complexity of inputs, and the intensive and comprehensive nature of the relationship with individual groups, the major Project inputs are best summarized in terms of funding and technical assistance.

A. I. D. Funding

<u>Activity</u>	<u>Dollars</u>	<u>Lempiras</u>
Training	197,500	227,020
Technical Services Program	140,000	161,435
Technical Assistance	100,500	116,025
Loan Fund	-	<u>240,000</u>
TOTAL	\$ 437,500	L 754,480

The amounts shown above include an overhead charge of 36% paid to OEF. In addition, the pilot nature of the project required considerable effort and expenditure of funds to develop and test the methodology utilized. During implementation the methodology was gradually refined, resulting in a more efficient provision of the major inputs.

While the amount of funding received from other sources was minimal, the time and cooperation donated was substantial. These inputs, as represented below, resulted from staff time provided to the Project from a local PVO (Fundación Horizontes de Amistad), the regional office of the Ministry of Natural Resources, the Peace Corps, CDI/PTR, the Fondo Ganadero de Honduras, Banco Occidente, Alimentos Concentrados de Honduras (ALCON) and Delicia, the processor purchasing the pigs.

Estimated Assistance Donated to the Project

<u>Organization</u>	<u>Person/months</u>
Horizontes de Amistad	24
Peace Corps	96
Ministry of Natural Resources	6
Fondo Ganadero de Honduras	3
ALCON	3
Delicia	2
Banco Occidente	<u>1</u>
TOTAL	135

The OEF local Project Director proved extremely resourceful in obtaining assistance from these sources, including veterinary services, training and marketing assistance. While these inputs are difficult to quantify, OEF did record the amount of assistance donated on a monthly basis.

V. OUTPUTS PLANNED BUT NOT ACCOMPLISHED

The OPG proposal stated the expectation that small scale livestock producers will have substantially strengthened and expanded their capabilities and experience in pork production in order to participate actively in commercially viable marketing activities by the end of the Project. Cash income of participating households will be higher, quality pork products will be consumed more regularly, and participants will have additional opportunities and skills to improve their living conditions.

Although the major outputs were discussed earlier, it is worthwhile to compare the originally planned outputs to the Project accomplishments. The principal results expected and their accomplishment by area is presented as follows:

Actual Versus Planned Project Outputs

1. Animal Genetics, Nutrition and Health, Farm Management Practices, and Marketing/Commercialization.

Utilization of on-farm produced or locally available energy sources suitable for feed with mineral and protein concentrate supplements.	Accomplished
Utilization of appropriate technologies to maintain animals to confined setting, separating the animals.	Accomplished
Utilization of sanitary and preventive health practices.	Accomplished
Increased number of healthy weaned animals per litter.	Accomplished
Determination of best timing, age and weight for selling pigs.	Accomplished

2. Participation of Beneficiaries as Key Economic Units in Swine Production

150 rural households will participate as commercially viable small-scale swine operations producing a product that directly enters into the commercial processing sector.	See Table II
150 rural households will receive increased incomes.	See Table II
150 individuals will utilize credit loans to improve animals, purchase and/or produce feedstuffs, and construct/improve farm structures.	See Table II See Table II
15 community groups of producers will be strengthened as an organizational base for increased economic participation of the women.	See Table I
150 rural beneficiaries will receive training in human resource development, business skills and management, animal nutrition, farm structures and sanitary management, and genetic herd improvement.	See Table II

3. Institutional and Technical Assistance Capabilities Within Private Voluntary Organizations

10 community promoters trained in human resource development, business management skills, and livestock production.	See Table II
15 community groups of small scale farmers functioning independently and actively working in swine production activities.	See Table I

Strengthened/Upgraded institutional and technical assistance capabilities of selected collaborating PVOs.	Accomplished
<u>4. Replicative Model for Other Economic Development Activities</u>	
Training materials available to other groups.	Accomplished
A tested and evaluated project model promoted and available for application in other countries.	Accomplished

As shown above planned Project objectives were accomplished to a considerable degree. Table III shows the degree to which stated numerical objectives were obtained, followed by a discussion of the reasons for the differences shown.

TABLE III
Expected versus Actual Project Results

	<u>Planned</u>	<u>Actual</u>
Number of trained trainers and community level promoters.	14	6
Number of primary beneficiaries realizing 100% improvement in swine production and marketing skills.	150	106
Number of secondary beneficiaries who will receive benefits from training and production skills.	2,550	1,272
Number of rural communities directly affected	15	9
Estimated number of pounds of live weight pork that will be produced and marketed in Honduras.	337,000	250,000
Estimated gross sales	\$337,000	\$205,447

The principal reasons for not accomplishing the level of outputs planned were (1) the changes in original design which were made to effectively implement the project, (2) the extended time period required from project startup before groups initiated production due to design changes and the methodology utilized, and (3) the staged growth which occurred as a result of lessons learned in the initial phases of project implementation, which delayed the entry of the second phase of participating groups. These reasons are covered more extensively in the section on Adjustments in Project design.

VI. FINANCIAL STATUS

The original amount of funds authorized for the Project was \$700,000. This was subsequently amended to provide a total of \$437,500 in DA Grant funds and the equivalent of \$377,240 in ESF local currency. These amounts were obligated in the following manner:

<u>Obligation Date</u>	<u>Obligation Amounts</u>	
March 1984	\$ 30,000	L -
August 1984	-	300,000
May 1985	200,000	294,000
August 1985	134,500	-
July 1987	-	160,480
TOTAL OBLIGATIONS	\$ 437,500	L 754,480

Dollar funds were entirely expended as of the PACD. An unexpended amount of L 1,014.70 in ESF Local Currency was returned to the GOH Ministry of Finance by OEF at the PACD.

VII. ADJUSTMENTS IN PROJECT DESIGN

Three major changes were made in Project design during implementation to improve performance. First, the Project focus was shifted with respect to beneficiary organization. The original design, cognizant of the importance of livestock production on small and subsistence farms, assumed that small scale swine production would take place on individual farm holdings. Under this focus each family would produce its own pigs, and receive training, technical assistance and credit through loosely organized community groups. The groups would also serve as a mechanism for marketing the pigs in an organized fashion. This approach implied utilizing basic extension principles to achieve the Project objectives on the individual farm level.

This focus was changed due to the technical and financial problems associated with utilizing improved technologies to produce pigs in very small scale operations. The approach taken was to organize beneficiary groups to undertake cooperative production of swine in larger-scale confined facilities. This cooperative approach enabled the utilization of improved animal nutrition and health practices, as well as general animal and financial management practices on a more efficient scale. In addition, it simplified the provision of training, technical assistance and credit to Project beneficiaries. This approach, while complicated by group and social dynamics, resulted in the establishment of financially viable swine production enterprises utilizing improved technological and management practices to efficiently produce high-quality animals.

This approach required an adjustment in training activities. Project design envisioned a training period for project trainers, followed by training of community promoters. This was changed by having the trainers work directly

with the organized beneficiary groups, beginning with training in the basics of group dynamics and cooperation, followed by technical training and assistance in the establishment and operation of a swine production facility. The process was initiated with groups in four communities identified by the cooperating PVO. The process took considerable time since the beneficiaries, while accustomed to receiving assistance, were not accustomed to providing substantial amounts of their own effort to receive the assistance. The process was initiated in October of 1984, with the first group beginning production in May of 1985. All of the initial four groups were in production by December of 1985.

Based upon the lessons learned, the identification of new groups was begun in October of 1985, with a prerequisite that the beneficiaries express their willingness to actively participate in the process. This produced significant delays in expanding the number of groups while the methodology was refined, **combined with working out problems with regard to construction, nutrition, and marketing of the pigs produced.** It was eventually decided that the groups should specialize in either breeding or fattening operations. Three more groups were in production by August of 1986, and two more groups in production by October of 1987. The Project focus also shifted based upon technical factors such as the availability of water, which kept three groups from initiating production after completing the initial process, and delays in identifying groups willing undertake the process to receive assistance.

This shift in focus resulted in terminating the Project relationship with the cooperating PVO, and initiating a cooperative relationship with a new PVO. This change and the staged, pragmatic approach taken, produced the anticipated results over a longer time period than originally envisioned. However, the goal of establishing operationally and financially viable, independent swine production enterprises remained the same.

These factors were also complicated by a growing realization that maintaining the effort beyond PACD would require a focus on the self-sufficiency of the local PVO. This focus required a staged drawback from providing groups with assistance as they became more independent, and a streamlining of PVO operations in anticipation of reduced budget support. This streamlined operation is currently being funded through June 30, 1989 by the Federation of Honduran Private Development Organizations (FOPR IDEH). Also, USAID/Honduras will not have any direct monitoring responsibility for the effort beyond PACD, other than follow-up on the utilization of the L 240,000 Grant Guarantee Fund.

VII. RESULTS OF EVALUATIONS

The Project was evaluated in February of 1987 by a two person team in cooperation with Project staff. The evaluation focused on the financial aspects of the group enterprises and their profitability; the credit program, and the overall financial viability of the Project; the technical and operational aspects of the Project; and the social and economic impact of the Project.

The evaluation identified problems and made recommendations to resolve them which can be summarized as follows:

1. The requirement that the groups have land on which to produce feed competes with family's ability to produce for their own consumption. The team recommended removing this requirement since prepared feeds for the operations are readily available.
2. Given the semi-literate condition of the beneficiaries, the utilization of record keeping as a basis for management decisions is weak. The Team recommended that training efforts be reinforced in the area of farm records to allow for improved planning and control of operations.
3. A major operational problem is the cost and reliability of transport. The team recommended that the PVO consider buying and operating a **vehicle to provide transport services.**
4. There is a persistent problem with obtaining raw materials for use in formulating rations, and the costs of preparing the rations is relatively high. The team recommended that the project seek to contract with a local firm preparing commercial rations to provide a custom ration according to Project specifications.
5. There have been delays in slaughtering animals at the San Pedro Sula municipal slaughterhouse, and in receiving timely payment from the processors. The team recommended negotiating a contract with one processor to guarantee timely slaughter and payment.
6. The profitability of the enterprises has suffered from the previously mentioned factors and the terms of credit. The team recommended refinancing the group loans with lower interest rates and/or longer terms.

The Evaluation Team also reached the following conclusions:

1. The methodology utilized in training beneficiaries has produced satisfactory results in the generation of technical capacity and ability of the group members. However, accounting and administrative training needs to be reinforced to improve decision making.
2. Profitability problems are complicated by high interest rates and credit terms. In addition, the average number of sows in breeding operations is too low to be profitable (14-18) and needs to be increased to 25-30. In fattening operations, the minimum number of hogs should be 120, with lots of 30 being sold on a monthly basis. The interest rate should be reduced to 9-12% annually.
3. The project has met original expectations. The model of teaching by doing has been successful, and can be replicated in other regions.

4. The enterprises are not presently self-sufficient, since most have only just began operation. Those which are producing, with good technical assistance and a reinforcement of administrative aspects and decision making, could operate independently of Project assistance within a short time period, estimated at one to two years. However, credit terms need to be modified and the loan amounts increased to L30,000 for fattening operations with 5 year term, and L35,000 for breeding operations with 7 year term.
5. The counterpart PVO is capable of managing the project assets, attending to new communities, and utilizing the methodology developed in the Project.
6. The project is promoting democratic values and relationships in a sector of the population which has traditionally functioned under **paternalistic authoritarian structures**. **The Project has promoted social reform by teaching a sector (poor) and social group (women) who are very sensitive to transmitting values and social norms to their families.**
7. The project is working well in promoting a commercial focus with women who have no previous experience in managing commercial operations.
8. Training activities need to be reinforced to provide women with a more integrated type of training consistent with their multiple economic and social functions, enabling them to better participate in community life and affairs on an equal level with men as well as improving basic skills related to their family tasks such as hygiene, health, education, etc.

Concrete actions taken as a result of the evaluation recommendations were as follows:

1. The loans to beneficiary groups were restructured within normal commercial terms to provide more favorable terms. In addition, two groups received additional credit to restructure their operations.
2. Group operations were expanded to the minimum profitable levels defined by the evaluation team.
3. A contract was negotiated with Alimentos Concentrados to provide the custom rations developed by the Project to the beneficiary groups.
4. A contract was negotiated with a processor, Delicia, to purchase production and collect loan payments out of total sales.
5. Training modules were revised in agreement with the evaluation recommendations, with increased focus on record keeping.
6. Follow-on financing to support group operations for an additional two years was sought, with financing through June 30, 1989 agreed upon and provided by FO PR IDEH.

VIII. SUMMARY OF LESSONS LEARNED

1. Initial Project design for productive projects must establish parameters for financial feasibility and self-sufficiency in order to achieve these objectives. The changes in Project design were all related to this issue, since initial design tended to focus on social issues instead of economic reality.
2. While it is difficult to work with socially disadvantaged groups in commercial activities, the Project has proven that it is possible when beneficiary participation is properly conditioned and activities are pragmatically implemented.
3. In projects of this type, staged growth in activities must take place in a manner consistent with resource availability, and be carefully managed **and monitored to achieve project objectives.**
4. If the project were designed today, the design would focus more on pragmatic, operational parameters needed to achieve the objectives, and less on social benefit aspects. This would include a hard look at the types and size of operations which are required to be commercially viable, and the training required for beneficiaries to operate the enterprises established. In addition, participation requirements would be more carefully defined at the outset, not worked out over time.
5. Long-term viability of the project will depend on the viability of the implementing entity. Design should focus on what is required within a project for the entity to continue the effort beyond PACD.