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EVALUATION OF THE

EL SALVADOR COOPERATIVE PRODUCTION AND MARKETING PROJECT

Project No. 519-0353-A-00-8455-00
August 1988 - January 1991

Operated Under a Cooperative Agreement
with
The National Cooperative Business Association (NCBA)
(Known in El Salvador as CLUSA)
and
TechnoServe, Inc., El Salvador Program
as a Subcontractor

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TABLE OF CONTENTS

1 INTRODUCTION 1
1.1 PROJECT DESCRIPTION 1
1.1.1 Development Objectives 1
1.1.2 Project Overview 1
1.2 EVALUATION DESCRIPTION 2
1.2.1 Purpose Of Evaluation 2
1.2.2 Team Composition 2
1.2.3 Evaluation Methodology 2

2 THE PROJECT AND ITS EXECUTION 3
2.1 Economic, Political and Social Context 3
2.2 Project Objectives 4
2.3 Project Activities 5
2.4 Achievements 6
2.4.1 Market Linkages 6
2.4.2 Development of Production Capabilities 8
2.4.2.1 Bases for Measurements of Achievements 8
2.4.2.2 Production 9
2.4.2.3 Profitability 10

3 FINDINGS 11
3.1 Overall Project Execution 11
3.2 Questions and Concerns From Statement of Work 11
3.2.1 Accomplishment of Criteria 11
3.2.2 Validity of Assumptions in Project Design 12
3.2.3 Appropriateness of Technical Assistance 13
3.2.4 Adequacy of Training 14
3.2.5 Linkages with Private Firms 15
3.2.6 Complementarity with other USAID Projects 15
3.2.7 Project Results 16
3.2.8 Cost Effectiveness 16
3.3 Additional Findings 17
3.3.1 Different Markets Require Different Producer Capabilities 17
3.3.2 Adequacy of Project Data 18
3.3.3 Status of TechnoServe Subcontract Staff 18

4 CONCLUSIONS 19
4.1 Project Execution Good 19
4.2 Project Needs Two Distinct Approaches 19

5 RECOMMENDATIONS 20
5.1 Continuation of Project and Recommended Design 20
5.2 Development Of Local Melon Shippers 22

APPENDICES 23
Appendix 1. Cooperative Selection Criteria 23
Appendix 2. Persons Contacted 25
Appendix 3. Cooperative Visits Questionnaire 27
Appendix 4. Documents Reviewed 28
Tables 29
Evaluation Statement of Work 40

LIST OF ACRONYMS

BFA	Banco de Fomento Agropecuario Agricultural Development Bank
BCR	Banco Central de Reservas Central Reserve Bank
CAEXI	Comercial Agrícola Exportadora e Importadora, S.A. (A fresh melon exporter)
CLUSA	Cooperative League of the U.S.A. (now NCBA)
DIVAGRO	Programa de Diversificación Agrícola (of FUSADES) Agricultural Diversification Program
EXFRUSA	Exportadora de Frutas Salvadoreñas (A fresh melon exporter)
FESACORA	Federación Salvadoreña de Cooperativas de la Reforma Agraria Salvadoran Federation of Agrarian Reform Cooperatives
FUDASES	Fundación Salvadoreña para el Desarrollo Económico y Social Salvadoran Federation for Economic and Social Development
ISTA	Instituto Salvadoreño de Transformación Agraria Salvadoran Institute for Agrarian Transformation
MAG	Ministerio de Agricultura y Ganadería Ministry of Agriculture
NCBA	National Cooperative Business Association (formerly CLUSA)
PAU	Programa de Administración Uniforme (ISTA) Uniform Administration Program (An accounting system)
PRODEA	Programa de Desarrollo De Empresas Agrarias (ISTA) Agrarian Business Development Program (A management development program which also subsidized the employment of managers and accountants by cooperatives)
UTFRA	Unidad Técnica de Financiamiento de la Reforma Agraria (BCR) Agrarian Reform Finance Technical Unit

1 INTRODUCTION

1.1 PROJECT DESCRIPTION

1.1.1 Development Objectives

The purpose of the Project is to increase production of nontraditional products from cooperatives. This will be accomplished by strengthening the organizational, administrative and financial condition of the participating cooperatives and expanding/improving their linkages to private packers/ processors who export, primarily to the U.S. [Cooperative Agreement, Program Description, Project Purpose].

1.1.2 Project Overview

The Project is promoting the production of nontraditional crops (honey dew melons, cantaloupes, blackeyed peas, sesame, okra and baby cucumbers) for export to the United States by a selected group of agrarian reform cooperatives. The primary objectives include improving the cooperatives' linkages with firms in the market channels and increasing the volume of production and exports of these products.

It provides technical assistance and training in the areas of:
1) obtention of production credit,
2) agricultural production techniques,
3) preparation and classification of the product for delivery to market,
4) business relationships with the local exporters or processing plants and with the U.S.-based fruit and vegetable brokers,
5) farm management record keeping, and
6) general cooperative business administration, including help in keeping the accounting system up-to-date.

The Project was designed, proposed to USAID/El Salvador, and is being executed by the National Cooperative Business Association (NCBA), still known internationally as CLUSA (Cooperative League of the United States of America). The Project is managed by an expatriate with experience in the production of fruits and vegetables in several Latin American countries and the export of the products to the U.S. market. The Project Manager is currently assisted by a team of 14 Salvadoran agronomic, business management, and accounting advisors, nine of whom are employed by Technoserve, under a subcontract.

During the first crop year (1989/1990), twelve cooperatives participated in the Project. Ten of these are collective production cooperatives formed around 1980 under the Agrarian Reform (Phase I)(Decree 154) on expropriated haciendas. Two are input supply and marketing cooperatives formed around 1987 and whose members produce individually on plots of 1 to 10 manzanas that they had previously rented and to which possession was given under the Agrarian Reform (Phase III)(Decree 207).

An additional twelve cooperatives have been selected and will produce during the coming crop year (1990/1991).

1.2 EVALUATION DESCRIPTION

1.2.1 Purpose Of Evaluation

The purposes of this evaluation are:
1) to appraise progress in implementing the Project, assess the likelihood of achieving project objectives, identify elements constraining its successful execution, and report lessons learned from the project to date;
2) to provide an independent assessment of the validity of this pilot project's approach to bridging the gap between agrarian reform cooperative producers and the market channels of non-traditional agricultural exports. This assessment will inform USAID/El Salvador's decisions about future support for this type of intervention.

1.2.2 Team Composition

This project evaluation has been performed by Checchi and Company Consulting, Inc., of Washington, D.C. The evaluation team included Drs. James F. Torres and Thomas M. Dickey.

Dr. Torres' experience includes five years of long term assignments in cooperative development work in Latin America and twenty years as a Professor of Development Economics, during which time he has performed development consulting work in twelve Latin American and five African countries for A.I.D., the World Bank and the United Nations Development Programme.

Dr. Dickey's experience includes long term assignments for A.I.D. in cooperative development work in El Salvador and Bolivia and agricultural credit in the Dominican Republic, service as Economic Advisor to both the Secretary of Agriculture and the Governor of Puerto Rico, and over four years as a commercial banker with the Chase Manhattan Bank, Branches in Puerto Rico. He has also performed short term consulting for A.I.D., the Interamerican Development Bank and the United Nations Development Programme.

1.2.3 Evaluation Methodology

In the performance of this evaluation, the evaluation team has:
1) reviewed thoroughly all relevant Project Documents to be found in the offices of USAID/El Salvador and the CLUSA and Technoserve project offices;
2) conducted on-site interviews (using 18 open-ended questions) with groups of leaders and members in eight of the twelve cooperatives participating in the Project's first crop year;
3) conducted interviews and discussions with key personnel of USAID/El Salvador, the CLUSA and Technoserve Project Team, the Central Bank, commercial banks, and private marketing firms;
4) compiled two years of comparative financial information from the cooperatives' financial statements; and
5) compiled data on the project promoted production of non-traditional crops and their profitability for the cooperatives.

Complete lists of the documents reviewed and persons contacted are included as Appendices.

2 THE PROJECT AND ITS EXECUTION

2.1 Economic, Political and Social Context

El Salvador's civil unrest in the late 1970s resulted in the nationalization of the private banks in 1979 and an agrarian reform program beginning in 1980. Landholdings greater than 500 hectares were subject to expropriation and distribution to the campesinos that labored on them. Approximately 15% of the agricultural land was expropriated, including some of the best land.

Data for the period from 1978 to 1988 (Appendix, Table 4) show declines in Real Gross Internal Product through 1983 and increases since then. The rates of decline were particulary large during 1980 through 1982 (6.6%, 8.3% and 5.6%, respectively), the years immediately following the structural change in the economy.

The agricultural economy (Gross Internal Product) has also declined in real terms at about the same average annual rate over the same period. However, its declines in the early 1980s lagged the decline in the economy by one year and has been irregular since then (possibly due to price fluctuations for the primary export crops of coffee, cotton, and sugar that have consituted about 50% of the agricultural economy). Fruits and vegetables and sesame are classified in "Other Crops, Others". Although this category has shown significant increases between 1983 and 1988, it was only 5% of the agricultural economy in 1988.

Phase I of the 1980 Agrarian Reform (Decree 154) expropriated large estates (haciendas), transferred title to cooperatives formed with the workers of the farms, and compensated the former owners with bonds in accordance with the values that they had previously declared for tax purposes. The cooperatives were to operate the farms collectively, although small parcels were provided to the members for individual production. The cooperatives have to pay for the expropriated land, improvements, and livestock over a period of 30 years, with interest (known as the deuda agraria or agrarian debt).

In some cases, much of the assets worth keeping were removed or disappeared before a farm was taken over. These farms had often been managed from offices in the large cities, with only the foreman and an occasional bookkeeper living on the farm. These key employees generally either left or were no longer welcomed by the new "owners." Under the circumstances, the government had to provide emergency finance in order to keep the farms operating and producing, especially those farms with perennial crops and livestock operations. These loans are said to often have been disbursed by the bank taking the cash to the farms.

Thus, a large number of newly formed collective production cooperatives had to operate without having the managerial or technical capabilities and basic recordkeeping systems that had been in place prior to the expropriation. The Instituto Salvadoreño de Transformación Agraria (ISTA) provided the coops with "Co-Managers" (co-gestores) to help fill the void in managerial and technical agricultural capabilities. The co-managers had a relative degree of authority in the administration of the cooperatives. In recent years, most of the cooperatives have been declared "self-managed" and the ISTA employees have been retitled "facilitators" with advisory roles.

USAID/El Salvador has provided assistance to the Agrarian Reform sector through a variety of programs. During the mid-1980s, AID provided funding for programs to provide a uniform accounting system (Programa de Administración Uniforme - PAU) and subsidize the employment by 200 of the cooperatives of full-time managers and accountants (Programa de Desarrollo de Empresas Agrarias - PRODEA). While the PAU accounting systems continue in general use (with a wide range of competency), the attempt to get the cooperatives to use professional management has been much less successful.

USAID/El Salvador has also provided managerial assistance to a smaller number of these cooperatives under Operational Program Grants (519-0197 and 0286) and a Cooperative Agreement (519-0312) with TechnoServe. TechnoServe provides primarily managerial assistance under agreements with the cooperatives for a period of two to three years. An important feature of TechnoServe's approach is the importance it places on social development, in addition to the economic development assistance.

Most of the cooperatives are insolvent and many have accumulated losses well in excess of the original "agrarian debt". Each cooperative was assigned to individual nationalized banks for the provision of credit, so that credit has continued to be made available. The government has clearly been running the credit risk. The annual debt service for most of the cooperatives has become a significant problem for both the cooperatives and the government, especially in light of the soon to be effected privatization of the commercial banks.

The Agrarian Reform (Phase III)(Decree 207) expropriated land parcels of less than ten manzanas that were being rented by small farmers and possession was given to them. These farmers were organized into cooperatives that would obtain credit and help purchase inputs and market their production.

In general, the cooperatives have continued to produce the same products on the farms, with the decline of cotton as a major exception. Few of them have the knowledge or willingness to risk venturing into other types of productive enterprises that might hold the promise of increased income for the cooperatives and their members.

The Cooperative Production and Marketing Project was funded to contribute to reducing the country's dependence on coffee and cotton exports and to improve the economic condition of the Agrarian Reform sector of the economy.

2.2 Project Objectives

The purpose of the Project is to increase production of nontraditional products from cooperatives. This will be accomplished by strengthening the organizational, administrative and financial condition of the participating cooperatives and expanding/improving their linkages to private packers/ processors who export, primarily to the U.S. [Cooperative Agreement, Program Description, Project Purpose, p. 1].

The Project's four primary and four secondary objectives are:
A. Primary Objectives

1. Improve cooperative linkages with private firms, as defined by an increase in the number of private packers/processors purchasing products from cooperatives and the variety of products purchased from cooperatives.
2. Increase volume of nontraditional production from cooperatives through the improved management of existing lands, increase yields, and the expansion of acreage under irrigation.
3. Increase sales of nontraditional crops produced by cooperatives to U.S. markets.
4. Introduce shrimp farming on two to three cooperatives.

B. Secondary Objectives
1. Improve yields of nontraditional crops by 25% on target cooperatives through improved production techniques.
2. Improve profitability of nontraditional crop production.
3. Increase land under irrigation, primarily through assistance to help cooperatives better manage their irrigated land.
4. Diversify production of export crops.

[Cooperative Agreement, Program Description, Project Activities, p. 2-3]

The primary objective of introducing shrimp farming appears to have been dropped. NCBA states, in its October 1989 - January 1991 Work Plan, that the team believes that an involvement in shrimp would be unwise [p. 13].

2.3 Project Activities

Taken as a whole, the CLUSA/TNS staff have concentrated their efforts on:
1) convincing cooperatives to produce non-traditional export crops,
2) providing technical agricultural advice on and supervising the production, harvesting, and preparation of these crops for delivery to the exporter or the packer/processor,
3) preparing descriptions of the cooperatives (the Diagnoses) and Business Plans that have been limited to these crops (rather than overall business plans for the cooperatives) primarily for presenting loan applications to the local banks.
4) developing relationships with private firms (both local and U.S.):
   a) for exporting melons, and
   b) for purchases of the other crops by local processors/packers,
5) providing assistance in the preparation of the cooperatives' annual financial statements (including, if needed, bringing the accounts up-to-date), and
6) providing occasional assistance and formal training sessions on cooperative organization and management concepts.

The August 1988 to September 1989 Project Work Plan (approved on 2/3/89) included the following activities:
1) Identification of 12 cooperatives
2) Preliminary investigation in 15 cooperatives
3) Contact 16 packers/processors
4) Develop 12 Diagnostic Studies
5) Develop 12 Business Plans
6) Identify 3 cooperatives for shrimp production
7) Submit Business Plans to 12 cooperatives

8) Develop training courses
9) Conduct 3 feasibility studies for irrigation projects
10) Conduct 3 training courses on marketing, contract negotiation and irrigation
11) Monitor implementation of Business Plans
12) Various Project Administration activities

Based on the first year's experience, the Project Staff stated that the original purpose thrust remained valid, but that some adjustments should be made to the Project. These include:
1) First 12 Cooperatives - place more attention on increasing acreage under irrigation and improving production and yields, level of effort is not expected to be reduced.
2) Secondary Cooperatives - concentrate assistance on coops in close proximity to first 12, have a sizeable membership and have significant land available for production, increase linkages to an additional 2 packers/processors (from 8 to 10 out of 16 in country)
3) Expand crop selection to fresh okra, pickles, yellow squash, and cucumbers
4) Increase irrigation projects from 3 to 8
5) Shrimp objective unwise
[Second Work plan, pp. 12-13]

The October 1989 to January 1991 Work Plan included the following activities:
1) Assist coops in production and harvesting
2) Identification of 12 coops
3) Preliminary investigation in 30 cooperatives
4) Develop 12 Diagnosis Studies
5) Develop 12 Business Plans
6) Submit Business Plans to 12 cooperatives
7) Develop training courses
8) Conduct 8 feasibility studies for irrigation projects
9) Conduct 6 training courses on marketing, contract negotiation and irrigation
10) Monitor implementation of business plans
11) Assist in Contract Negotiations

2.4 Achievements

2.4.1 Market Linkages

The Project has had direct results in improving the linkages between the producers and the market channels for the products.

Fresh Fruit Exports

This is particularly true for the fresh fruit exports (melons). The existing market channel (after Griffin and Brand/Trophy ceased local operations) was composed of small, undercapitalized firms that could not and generally did not assume the market risks. In spite of these firms' use of fixed price contracts, the producers continued to run market risks since the firms would

pay long after the time limits established in the contracts and sometimes not at all. The levels of technical assistance promised under the contracts were not provided.

In addition to providing assistance to a group of individuals (including several members of one of the cooperatives) in the formation of a new melon shipping firm, the Project provided significant assistance in the development of commission sales. Under this marketing arrangement, the producers assume all of the risks of unfavorable U.S. market conditions (most of which they were already assuming), but they also obtain the benefits of favorable market conditions.

The entrance of R.L. Wheatley and Son, a U.S. broker and their creation of a relationship with one of the local exporter/shippers has been a very favorable development. Wheatley probably would not have been willing to advance many thousands of dollars for melon seed, boxes, ocean freight and other purposes if the CLUSA Project had not been providing technical production and marketing assistance to the cooperatives. A continued presence of the CLUSA team will probably help entice other U.S. market participants to enter the Salvadoran market in order to develop additional sources of melons and other fruits and vegetables.

Nevertheless, the assumption of export market risk by the CLUSA assisted producer cooperatives is unwise. In general terms, business enterprises should assume only those risks that their management can adequately understand and evaluate and that their capital base can support. Most of the Project cooperatives possess the management capability to adequately evaluate and mitigate their agricultural production risks effectively. However, their abilities to evaluate and mitigate the export market risks are either rudimentary or non-existant. Only Nueva Esperanza and Tihuilocoyo have positive net worths (out of the melon producers in the first year cooperatives), and all of them are so deeply in debt that it is really the government that is assuming both the production and market risk (given the realities of the political situation and the loans from nationalized banks).

In specific terms, the producer cooperatives are dependent on the Project's marketing advice and will require significant assistance before they can be expected to acquire the managerial capabilities needed in the near future.

While the use of commission sales arrangements was developed as a <u>tactic</u> to prod the local exporters to become more competitive and capable, the "success" of commission sales during 1989/90 was a result of favorable market conditions. As a result of this success, additional producer cooperatives want to use commission sales during the coming crop year. However, many of the banks have been unwilling to provide finance without the use of fixed price contracts. They can be expected to become even more restrictive once the process of commercial bank privatization is completed.

In spite of the significant risk to the overall objective of developing El Salvador as a reliable source of fruits and vegetables, the tactic of using commission sales to promote the development of reliable and competitive local exporters can be condoned. Nevertheless, the hope remains that an unfavorable

year in the U.S. market will not ruin the development of reliable producers before the local exporters are in a position to effectively assume the market risk and leave the production risk to the producer cooperatives.

Processed Product Exports

The Project has also helped improve the degree of competition among the local processors (and therefore the terms of sales contracts for the cooperatives).

For these products (sesame, okra, blackeyed peas, etc), the primary task for the Project is to develop the cooperatives as reliable suppliers of products, thereby facilitating even greater competition among the processors. Since the processors are, generally, better capitalized (their facilities) and possess greater managerial capabilities than the exporter/shippers, they are able to assume the marketing (and processing) risk. In addition, the processed products are much less perishable, and therefore the marketing risk becomes minimal when compared with the fresh fruit market risks.

2.4.2 Development of Production Capabilities

2.4.2.1 Bases for Measurements of Achievements

The design of the Project calls for providing assistance to 12 cooperatives during the first year and an additional 12 during the second year. Given the initial delays in project execution, the first crop year was 1989/1990. Thus, only the 12 first year cooperatives are included in the analysis of the data.

Crop Data

During the analysis of the data, it became apparent that much of the economic data provided by the Project staff for 1988/1989 consisted of standard estimates rather than measured results. Therefore, only the data on areas planted by cooperative and crop could be used for comparisons between the 1988/1989 crop year and the Project's first year. (Table 1 in the Appendices)

Economic data for the first crop year results and projections for the same 12 cooperatives for the second crop year (1990/1991) were requested by the evaluation team. Differences in the areas planted between this data for the first crop year and the areas reported in the Project's Reports resulted in the discovery that the data provided was being extracted from the cooperatives standard accounts and corresponded only to production completed by the end of each cooperative's fiscal year. The request for data was then modified to include information on a crop year basis, with notations for quantities that had to be estimated for yields, expenses and income not included on the cooperatives' accounting systems. (Tables 2.1 through 2.3 in the Appendices)

Financial Statements

In order to evaluate the financial condition of the first year participating cooperatives, the evaluators extracted data from the formal financial statements of the cooperatives.

The cooperatives use a standard accounting system (PAU - Programa de Administración Uniforme) that attempts to provide detailed cost accounting capabilities. Most income and expense transactions are recorded for the major categories of Agricultural, Cattle, Agroindustry and Others, and also within the minor categories for individual enterprises within the major categories.

Analysis of the profitability of individual enterprises is generally beyond the capabilities of the cooperatives' leaders and managers. The system is not amenable to easy comparisons between the formal accounting data and enterprise budgets that can be used for farm management decision making purposes. This is due primarily to the fact that General Administration, Financing, and Maintenance and Repairs Costs are not recorded within the enterprise categories, although some "administrative" salaries and benefits are recorded by enterprise.

Differences were noted in both the classification of transactions, the reliability of the information in the accounts, and the abilities of the cooperatives to keep their accounts up-to-date. These problems are not at all surprising considering the generally low level of managerial abilities of the cooperatives.

In order to assess the general financial conditon of the participating (first year) cooperatives, the evaluation team reviewed all of the available financial statements for the fiscal years ending in 1989 and 1990 (generally as of March 31). The preparation of the summarized financial statements (Tables 3.1 through 3.6 in the Appendices) involved an attempt to permit comparability by reclassifying certain items. These included separation of paid share capital from unpaid shares, interest payable from other short term debt, Agrarian Debt from long term debt, and livestock from other inventories. The summary income statements present total sales by category in order to permit comparisons of enterprise importance and are not added into the Subtotal Net Income.

2.4.2.2 Production

Areas

The first year cooperatives increased their areas of production of non-traditional export crops by 395 manzanas from 783 to 1,179, a 50% increase [Table 1 in the Appendices].

An additional 627 manzana increase is projected for the second crop year for these same first year cooperatives, primarily in blackeyed peas (277 manzanas), honey dew melons (181 manzanas), and sesame (174 manzanas).[Tables 2.1 through 2.3 in the Appendices]

Yields

The Project has experienced mixed results in improving the yields of the various crops. This has been due to both the normal risks of agricultural production (e.g., appearances of diseases) and to difficulties in getting the

cooperatives to fully follow the Project's technical assistance (which in part may be the result of differing types of advice offered by the various other providers of technical assistance).

Project-reported data [Quarterly report for April-June, 1990] show the following changes in per manzana yields between the 1988/1989 and the 1989/1990 crop years (data include results from both first and second year cooperatives):

	1988/1989 Yield (coops)	1989/1990 Yield (coops)
Honey Dew Melons	263 boxes (4)	657 boxes (3)
Cantaloupe	203 boxes (4)	209 boxes (7)
Blackeyed Peas	41 cwt. (1)	50 cwt. (7)
Okra (Quality A)	103 cwt. (3)	harvest not complete
Okra (Quality B)	24 cwt. (3)	harvest not complete
Sesame	3.7 cwt.(2)	7.7 cwt.(5)

Data for the first year cooperatives [Tables 2.1 through 2.3 in Appendices] permit a comparison between first year yields and projected yields for 1990/1991. These data show a minor increase in yields for blackeyed peas; a decrease for honey dew melons; and large increases in cantaloupe, okra and sesame.

2.4.2.3 Profitability

The profitability of the non-traditional export crops grown during the first year of the Project show mixed, but generally favorable, results.

An analysis of the income by cooperative-crop combination in Table 2.1 in the Appendices, shows:
1) all three honey dew melon crops produced gains totalling C. 1,293,956;
2) 4 of the 6 blackeyed pea crops were profitable;
3) 4 of the 6 cantaloupe crops were profitable, but the 2 unprofitable crops lost about the same amount as was made by the 4 profitable ones (although inclusion of the unavailable data from La Reyna's 50 Mz that were sold to Melopac would probably change this since payment may still be due);
4) 3 of the 6 sesame seed crops were profitable;
5) 15 of the 26 cooperative-crop combinations involved positive net income totalling C. 1,873303; and
6) 11 of the 26 cooperative-crop combinations involved net losses totalling C. 503,214; and

Further analysis of the same data (rearranged by cooperative), shows:
1) 8 of the 12 cooperatives had positive net income from these crops totalling C. 1,637,283; and
2) 4 of the 12 cooperatives had net losses totalling C. 267,194.

3 FINDINGS

3.1 Overall Project Execution

The overall execution of the Cooperative Agreement has been good.

Specific criticisms of the Project execution and of its original design are provided in the following sections.

3.2 Questions and Concerns From Statement of Work

3.2.1 Accomplishment of Criteria

"Has the project met the criteria required by the project agreement?"

1) Complementarity with the Salvadoran Foundation for Economic and Social Development (FUSADES) and TechnoServe, Inc.

   - The CLUSA Project has clearly complemented the work of FUSADES' Agricultural Diversification Program (DIVAGRO). The Project has been more effective in the provision of technical agricultural assistance and in the promotion of the production of these products than has the DIVAGRO subsidization of technical assistance through the exporters/processors. It also helps increase the total volumes of production that will be needed by the exporters/processors to repay their infrastructure loans from FUSADES.

   - While the Project complements the work of TechnoServe in the development of cooperatives, the work of the TechnoServe subcontract group under the Project has not provided (and could not with the resources permitted) adequate assistance in organizational, administrative and financial strengthening that would be expected based on the wording of the Cooperative Agreement. This issue is discussed in Section 3.2.3, below.

2) Coordination with Salvadoran Government Entities.

   - The Project has been successful in its coordination with the Banco de Fomento Agropecuario (BFA) and the nationalized commercial banks. Although the level of effort in helping the cooperatives convince the banks to finance the production (and in some cases marketing) of these crops was underestimated in the planning of the Project, this task has clearly been critical to the achievements it has made.

   - Coordination with ISTA staff has been necessary in view of the influence and responsibility that the ISTA "co-managers" and "facilitators" have with the cooperatives.

3) Focus on Target Cooperatives and Target Products

   - With the approval of USAID/El Salvador, the selection criteria for cooperative participation were broadened to permit Category B cooperatives. While this permited the Project to meet the targets for

the number of participants, it also resulted in the participation of cooperatives that may not have the capabilities to become successful producers of these crops.

4) Linkages with Other Public, Private and Cooperative Organizations

- With the exception of linkages with private exporters/processors, the Project does not appear to have developed any other such linkages. Nevertheless, linkages with other public and cooperative (e.g. FESACORA) organizations are not likely to provide benefits to the Project.

3.2.2 Validity of Assumptions in Project Design

"Are the assumptions valid, or should they be revised?"

1) Are the private firms maintaining their interest in non-traditional crops for export?

This assumption is valid. New firms are entering the market for fresh product exports and local processors are expanding their plant capacity. The development of relationships between local exporters and U.S. brokers deserves special mention, since the entry of these firms is due in part to the presence of the Project and its abilities in providing adivce on technical agricultural and product selection matters.

2) Are the cooperatives proving to be reliable sources of supply?

In general, the cooperatives are proving to be reliable sources of supply or have the potential to become reliable. Agrarian reform cooperatives produce a large majority of the prime material used by the local processors (e.g., blackeyed peas, okra and sesame) and the current expansion of these firms' plants confirms this judgement. Wheatley & Son has said that the quality of fruit shipped by Santa Teresa was excellent, thus confirming the potential for the cooperatives to be sources of excellent products. However, the potential for the cooperatives to become reliable sources of supply in the fresh fruit markets is very dependent upon their ability to develop to the point where they can withstand the years with unfavorable markets. This development will require significant managerial and financial strength.

3) Is credit being made available in a satisfactory manner?

Credit has been provided, but not all of the cooperatives are creditworthy and the Project staff has had to work hard at convincing the banks to finance these crops. The Project prepared Business Plans have undoubtedly been instrumental in obtaining the credit.

The banks have denied three of the second year cooperatives' applications for rainy season okra and blackeyed peas and one is still pending. The processor has financed two of the three cases of denied credit.

The willingness of the commercial banks to extend credit for these crops will probably become much more limited once they are returned to private ownership.

4) Is the technical assistance provided to the cooperatives by the private firms adequate?

   Although it is extremely difficult to independently evaluate these firms provision of technical assistance, it has probably been very limited. Quality Foods is reported to have only three agronomists to provide assistance to all of the producers of the products is uses. FUSADES subsidizes the employment of field agronomists for the local exporters of fresh fruit, but these persons probably function primarily as field buyers and only secondarily as providers of technical agricultural assistance (the same is probably true for the processors' field agronomists).

An additional assumption that is implicit in the design of the project, but was not questioned in the Evaluation Statement of Work, was that a sufficient number of cooperatives with existing capabilities or potential could be identified for participation. This assumption was shown to be incorrect by the need to relax the Selection Criteria in order to meet the quantitative targets for number of cooperatives and areas producing the export crops.

The changes in the Selection Criteria have produced several effects.

1) The Project's resources, particulary the staff of agronomists, have encountered difficulties in getting the producers to adhere to the technical advice and recommendations. Thus, a greater intensity of effort is required for an individual cooperative and the Project's resources may prove to be insufficient to meet the needs of all 24 cooperatives during the second crop year.
2) The managerial capabilities and the financial strength of the cooperatives are generally lower. Thus, (a) the dependency of the cooperatives on the Project assistance is much greater and (b) the abilities of the cooperatives to withstand the losses of an unfavorable market year (for the fresh product exports) are much lower, with the probable result that they would discontinue the production of the export crops.

3.2.3 Appropriateness of Technical Assistance

1) "Is the current mix of technical assistance provided by CLUSA/TechnoServe appropriate?"

   No. The technical production assistance was probably adequate for the first year cooperatives, but is probably not adequate for all 24 cooperatives in the second year.

   The accounting assistance and management advice have, in great measure, been limited to those activities which were required by the Project crops (due to the limited resources provided for managerial assistance).

   The TechnoServe subcontract group has expended a large amount of effort in preparing the "Diagnostics" (mostly descriptive instead of analytical) and the "Business Plans." The Business Plans were primarily limited to the

export crops and were useful only for submitting to the banks and as the bases for the conversations with the cooperatives to convince them to grow the crops. They do not consider the relationships between the other (traditional) activities of the cooperatives and the generally minor role that these export crops represent.

2) "Are the cooperatives satisfied with the TA being provided?"

The cooperatives visited by the evaluation team were unequivocal and unanimous in their praise for the CLUSA assistance.

3) "What is the nature of the relationships between the CLUSA/TechnoServe team and the cooperatives?"

It is difficult to determine the nature of the relationships during short visits to cooperatives. Nevertheless, based on the visits to cooperatives, informal conversations with various Project staff, and the evaluation team's experience with cooperatives and their advisors, the relationships appear to be very good. The Project staff seem to be dedicated in their objective of helping the cooperatives and considerate toward, and understanding of, the campesinos.

3.2.4 Adequacy of Training

"Is the present training program adequate to meet the needs of the cooperatives? If not, where are the weaknesses and what improvements should be made?"

The CLUSA training program (formal seminars and workshops) appears to be acceptable. However, this particular type of assistance needs to be seen as an important complement to the technical assistance type of training activity.

Certain types of agricultural production techniques and methods can be taught more effectively by using more formal classroom or shop training methods. It is much more difficult to transfer specific manual work skills to large numbers of workers by simply training a farm supervisor and hoping that the supervisor can subsequently teach the farm laborers how to perform the skills. The CLUSA Project has wisely developed such training programs in the areas of welding, irrigation management and pesticide use and application.

Conceptual topics such as Elements of Planning and Elements of Cooperative Business Organization are extremely difficult to teach effectively to the members of these cooperatives. The most effective opportunities for this type of teaching occur during the course of providing individualized assistance to the cooperative leaders, managers and administrative personnel when the advisor is dealing with a specific problem and finds a need to explain the reasons underlying his recommendations.

3.2.5 Linkages with Private Firms

"What is the nature of the relationship with private exporters, packers and processors? What changes might be made, if any, to improve these linkages? Are the expectations of the private firms being met? Have these firms seen the project as beneficial to their interests? Are the firms likely to continue working with CLUSA/TechnoServe and/or the cooperatives in the future?"

The relationship between the Project and the market intermediaries is good.

A certain amount of strain is present in the relationships with some of the intermediaries (particularly some of the melon exporters), but this is a direct result of the Project's fulfillment of its mandate to improve the linkages (and implicitly to increase the degree of competition among the intermediaries). Any training or advice provided to the cooperatives on how to deal with buyers of their products will change the status quo in the market, especially when the principal firms are inexperienced and undercapitalized. The firms that are more willing and able to accept and adapt to changes in the balance of power will claim to have excellent relations with the Project. Their competitors that attempt to maintain their positions will claim that the Project is not being fair towards their firms and they will attempt to undercut the Project in order to maintain their market share.

The processors in the local market are in a relatively stronger position due to their reduced numbers and their longer term objectives of maintaining the reliable source of supply that they need to protect their infrastructure investment. Although they retain a stronger position, they are more likely to coordinate the resolution of problems with the Project staff, as was the case in the coordination established between Quality Foods and the Project team.

Both groups of intermediaries are likely to continue working with the cooperatives in the future -- simply because the cooperatives will continue to be their major source of supply.

3.2.6 Complementarity with other USAID Projects

"Has the project been effective in coordinating with other projects funded by A.I.D., in particular those activities funded with the BCR and DIVAGRO?"

The Project has been coordinating with BCR's Agrarian Reform Finance Technical Unit (UTFRA) as an integral part of their assistance to the cooperatives in obtaining finance from the nationalized banks -- for both the production finance and the irrigation project proposals.

Coordination with DIVAGRO is covered in the answers to the first question "Accomplishment of Criteria."

3.2.7 Project Results

"What specific achievements can be cited? Is the project on track in meeting project objectives?"

The specific achievements of the Project are discussed in the "Achievements" section of the "The Project and Its Execution" chapter. Additional supporting details are provided in the appendices.

The Project is generally on track in meeting the objectives that have been specified in the Annual Work Plans. However, in doing so, it has had to broaden its selection criteria for particpating cooperatives. This has resulted in (1) greater difficulty in getting the cooperatives to adhere to the technical agricultural recommendations, and more importantly, (2) a greater dependence by the cooperatives on the assistance of the Project staff and the consequence that many of the cooperatives may revert to producing only the traditional crops upon the termination of the Project. The achievements in the locally processed crops are more likely to be maintained, due in part to their relatively non-perishable nature and the greater existing development and stability of the local processors.

The achievements in improving linkages with the market intermediaries, including the improvements in the competitive forces in the market are also at risk of reversion, but the risk is lower than for the cooperatives.

The primary achievements have been with the fresh fruit exporters and these will remain dependent on the Project for at least the next three to five years while they develop their still fledgling businesses, develop stronger relationships with U.S. brokers, and gain experience in their dealings with the U.S. fresh fruit market.

3.2.8 Cost Effectiveness

"Has the CLUSA/TechnoServe team managed its resources in a cost effective manner? Has this investment of resources (A.I.D. funding and counterpart contributions) produced a reasonable return? Calculate a benefit/cost ratio".

The Project team has managed its resources in a cost effective manner. This judgement is based on (1) the fact that they have been maintaining a reduced level of expenditures in order to permit an extension of the termination date to a time after the second year's harvest is completed, and (2) the apparent austerity in furnishing their facilities.

The team has used the funds for short term consulting judiciously and wisely in hiring, for example, individuals in Texas and Miami for providing independent inspections of the arriving produce, evaluations of their marketing and technical assistance/training work and in the development of farm management methods for tracking the quantity and quality of fruit from individual parcels.

The evaluation team does not believe that a benefit/cost ratio should be calculated for a project such as this one in which A.I.D.'s investment consists entirely of technical assistance and training services, and

particularly since this is a pilot project. The benefits that are directly attributable to the project inputs are qualitative in nature. The quantifiable benefits (value of production) are more directly attributable to the investments made by the producers and the processors/exporters than to the assistance provided by the project. Additionally, the achievements of prior cooperative assistance projects, including the management assistance provided by ISTA and any assistance received by some of the cooperatives from TechnoServe may have contributed to the ability of this project to develop the production of non-traditional export crops.

3.3 Additional Findings

3.3.1 Different Markets Require Different Producer Capabilities

A distinction has been made throughout this report between the fresh product export crops (e.g. melons) and the crops that are processed locally before being exported (e.g., sesame, okra, blackeyed peas). The bases for this distinction are market risk and the abilities of the market participants to assume this risk.

The significance of this distinction is that the selection criteria for cooperatives producing the fresh products for export should be highly restrictive while the criteria for producers of products for processing should be much less restrictive.

Fresh Product Exports

In the case of the fresh product exports that are highly perishable, the local exporters do not possess the capital base to adequately assume the market risk nor do they have sufficient experience as operators in the U.S. market to have gained a reputation for reliability.

Since the local exporters are incapable of properly assuming their market risk, they have found it necessary to pass on the risk of an unfavorable market to the producers by simply not complying with the terms of their fixed price contracts.

Until such time that the local exporters have developed their capital base and have gained sufficient experience as market operators, the cooperatives producing the fresh products will continue to assume some or all of the market risk. The problem is simply that most of the cooperatives participating in the Project have neither the managerial capabilities required to understand and evaluate the risks they are taking, nor the capital base to allow them to withstand the occasional years of unfavorable market prices.

A dependency on the staff of a development project such as this one is acceptable within certain limits. To meet such limits, the Project should promote the production of fresh export products only in cooperatives that have a real potential for developing their managerial capabilities within the expected life of the Project (including a likelihood of hiring professional managers) and some reasonable amount of capital.

Processed Product Exports

In the case of the products processed locally, the local processors possess a much stronger capital base (principally their infrastructure) and do have sufficient experience both as processors and as operators in their own export markets. Once processed, the products are much less perishable.

Since the local processors are capable of assuming the processing and market risk, the cooperatives will generally be assuming only the agricultural production risks. There are more agrarian reform cooperatives in El Salvador that either already have, or have the potential to develop, the managerial and capital base needed to assume the risks in producing export crops for local processing, since the requirements are much lower than for the fresh export products.

3.3.2 Adequacy of Project Data

The Project should improve its system for maintaining records on the effects of the Project. The Project has concentrated its efforts on planted areas, total production and yields. Additional efforts are needed for data on the economic aspects of the individual crops and, at a more general level, the financial conditions of the participating cooperatives.

A balance must, however, be maintained between the value of the information and the cost of collecting and organizing it. The Project does not need, and should not have, a large bureaucracy tabulating numbers.

In addition to the need for reporting on the Project's achievements and impacts, improved data on each cooperative's costs and incomes (including all receipts) for each crop will permit it to refine the crop budgets that are presented to the cooperatives and the banks.

3.3.3 Status of TechnoServe Subcontract Staff

The TechnoServe subcontract staff (both the three long term and the remaining short term staff) are hired by TechnoServe as temporary employees and as such do not receive benefits that are comparable to either the regular employees of TechnoServe, nor CLUSA's Salvadoran staff. Although this may have been the proper approach under TechnoServe's standard employment policies, it has been a source of concern and distraction among this group since they seem to be neither CLUSA nor TechnoServe.

4 CONCLUSIONS

4.1 Project Execution Good

1.) Project Execution
The overall execution of the Cooperative Agreement has been good. Relatively minor problems include the Project's maintenance of economic information on the results of the cooperatives and crop production and the status of the TechnoServe subcontract staff.

The Project has had a significant impact on the development of local exporters and in improving the degree of competition among them. It has also produced some change in the marketing of products to local processors.

2) Project Design: The original design of the Project incorrectly estimated:
   a) the managerial and economic capabilities of the cooperatives needed to become producers of these export crops (by underestimating the time and resources needed by the Project);
   b) the abilities of the local exporters to fulfill their responsibilities in the assumption of marketing risk; and
   c) the availability of technical agricultural assistance from local exporters and processors.

3) The overestimation of the cooperatives' capabilities resulted in a relaxation of the Selection Criteria that has affected the effectiveness of the Project's technical agricultural assistance, and raises doubts about the Project's ability to effectively provide assistance to all 24 cooperatives during the second crop year.

4) The overestimation of the local exporters' capabilities, and the consequent assumption of market risk by the cooperatives producing fresh export products (melons), resulted in the Project's need to adopt the risky tactic of having some of the cooperatives market their melons on a commission basis.

These two underestimations, taken together, have resulted in a much greater dependency by the cooperatives producing fresh export products on the advice of the Project staff. This dependency significantly increases the probability that the achievements of the Project will dissipate quickly after the termination of assistance.

4.2 Project Needs Two Distinct Approaches

5) The Project should develop two different approaches.

The Selection Criteria for cooperatives that are to receive assistance in the production of fresh export products should be made much more restrictive than the Criteria for cooperatives that are to produce only products for local processing. These cooperatives should also be encouraged to diversify their production of export crops to include, if appropriate, products for local processing.

In addition, the cooperatives that will produce fresh export products should receive a full complement of managerial assistance, in addition to the technical agricultural assistance. The cooperatives producing only products for local processing can continue to receive partial managerial assistance to support the obtention of production credit for the non-traditional crops (basically the current approach of the Project).

5 RECOMMENDATIONS

5.1 Continuation of Project and Recommended Design

The evaluation team recommends that the pilot Cooperative Production and Marketing Project be expanded into a full project for a period of not less than four years, incorporating the lessons learned in this pilot project. The new project should adopt a more intensive approach (methodology) for cooperatives that produce fresh export products and continue the pilot approach for the cooperatives producing only products for local processing.

An increase in funding will be needed for providing a full complement of managerial assistance to the cooperatives producing fresh export products.

A detailed analysis of the existing participants and potential participants is needed to determine reasonable quantitative targets for each of the two approaches and the resulting overall funding requirements for the Project. However, extreme caution should be observed in determining the quantitative targets. The fresh fruit cooperatives will need a long period of intensive assistance before they are capable of continuing on their own. The cooperatives receiving partial assistance (for locally processed products) will need less time to acquire the capability to become reliable sources of quality products.

The ultimate success of the Project's assistance in developing the production and export of non-traditional crops should be measured by the ability of the entire production and marketing system to continue by itself after the Project is completed. This is a slow process and one that should not be rushed.

In light of the recommended increase in the size of the Project, several changes should be made in the Project Management:

1) The Chief of Party should be a Farm Management/Cooperative Development Specialist.
   - The primary responsibility of the Chief of Party will be to provide policy guidelines to the Salvadoran project personnel and to arbitrate the differing objectives of the non-traditional crop technical agricultural group and the managerial assistance/cooperative development group.
   - The Chief of Party will continue to be responsible for liason with the local institutions (ISTA, MAG, BFA and commercial banks, FUSADES, etc.)
   - Prior experience in the non-traditional crops would be desireable.

2) The expatriate Fruit & Vegetable Advisor would be responsible for further development of market linkages and would supervise the staff of Salvadoran agronomists specialized in the various non-traditional crops.

- Each of the Salvadoran specialists should receive training in the operations of the businesses handling the product between the farm gate and the consumer. This should be hands-on training in the facilities of such businesses.
  - The melons specialist should spend time in the various departments of a U.S. broker. For this reason, the specialist(s) should have a sufficient command of the English language.
  - The specialists in products that are processed should spend time in the various departments of the processing plants.

3) A full complement of administrative, organizational and financial management assistance should be provided to the cooperatives that produce fresh export products. This assistance should be of a quality and intensity at least equal to the assistance that TechnoServe provides under is normal operations, but without "graduating the cooperative after only two or three years.

   This assistance should cover <u>all</u> aspects of their business operations and their social projects. The agronomists should have experience in the production of the farm enterprises operated by the cooperatives to which they are assigned. A knowledge base in fruits and vegetables would be helpful, but they should rely primarily on the technical expertise of the crop specialists.

   Depending on the particular economic and leadership circumstances of each participating cooperative, the cooperatives should be strongly encouraged to employ professional general managers, accountants and farm managers. Assistance should be provided in finding individuals with appropriate qualifications and personalities and help the cooperatives in the final selection of the individuals. It may well require several years of work with a cooperative before the employment of professional management staff could be accomplished. The cooperative should not recieve subsidies for these positions.

   The cooperatives receiving full managerial assistance should be required to pay (nominal) fees for this assistance.

   The assistance in accounting should include development of farm management record keeping and analysis techniques appropriate to the particular farm enterprises of each cooperative. (In view of an eventual termination of the project assistance, the PAU accounting system should not be significantly altered in these cooperatives, in spite of their extensive level of detail, since such alterations would make it extremely difficult for ISTA to provide assistance after project termination.)

4) Partial managerial assistance should be provided to the cooperatives producing only those products that are processed locally prior to exportation. This assistance should be similar to that provided by the pilot project.

In case the expanded project involves a subcontract with TechnoServe:

1) the partial managerial assistance should be provided by the same entity that provides the technical agricultural and marketing assistance.

2) The TechnoServe subcontract should:
   - operate on the basis of "work orders" for providing advisory services to the participating cooperatives, rather than funding specific staff positions for assignment to the Project. This would permit greater flexibility in using any of TechnoServe's staff to respond to the particular needs of individual cooperatives. If this alternative is not feasible, then the TechnoServe employees advising the Project cooperatives should exist as a Division, so that TechnoServe/El Salvador will have the flexibility to shift their staff between the Project Division and its other units.
   - employ individuals under the same conditions and status as TechnoServe's normal employees (not as temporaries).

3) The assignment of existing TechnoServe subcontract employees between the CLUSA group and the TechnoServe group should be determined on a case by case basis.

5.2 Development Of Local Melon Shippers

The evaluation team recommends that USAID/El Salvador develop a separate project to provide information on each of the local fresh fruit exporters and then promote investment by U.S. fresh fruit brokers/entities in the local exporter firms.

The development of the local exporters into firms with the capital base and experience as market participants will contribute significantly to the long term development of El Salvador's export capability in fresh produce. One means of increasing the speed of this development is to get U.S. firms to develop relationships with individual local exporters. If a U.S. firm does invest in a local exporter, it will most likely require a controlling interest.

Appendix 1. Cooperative Selection Criteria

The first 12 cooperatives selected for participation in the project will meet all of the criteria listed below. The criteria to be utilized in selection of the second 12 coopeatives and the 2 to 3 shrimp coops may be modified following the results of discussions with packers/processors and field visits to screen cooperative candidates. Further, NCBA and Technoserve believe that these criteria should be viewed as guidelines in cooperative selection. For example, there may be some instances in which a coop does not meet all of the criteria, but due to other factors (e.g. dynamic leadership, strong credit rating, favorable agronomic conditions, etc), the coop should be considered as eligible for participation. Should these circumstances arise, NCBA will ask for a case by case exception to to the criteria established.

Proposed criteria follow:

1. Products: Non-traditional products, with concentration on coops with proven potential in fruits, vegetables and shrimp. Markets for these products, through sales agreements to private packers/processors, will exist.
2. Type of Coop: In order of priority, Phase I, Phase III and non-reform cooperatives.
3. Classification: Cooperative will have an A or B rating by the banks.
4. Location:
   - Geographical area including: Middle coast (La Paz, La Libertad); western coast (Tonalá to Cara Sucia); western lowlands (Sonsonate, La Libertad); and western highlands (Ahuachapan, La Libertad and Santa Ana, except northern part). These locations are considered secure of guerilla activity.
   - Accessible during rainy season. Transportation is not major problem.
   - Regional groupings. Coops should be located where two or more can be served by project personnel.
5. Size:
   - Membership should exceed 50.
   - Total rural land area available to the coop for production should exceed 250 mz. and portions of this land should be suitable for production of non-traditional crops.
6. Experience
   - At least one year's experience growing a non-traditional crop and at least one year's linkage (sales agreement) with a private packer/processor.

     - or -

   - At least five years' sucessful experience in growing a traditional crop and judged to be a well-managed coop.
7. Resources. Coops should have available or be able to access (e.g. through bank loans) the following resources:
   - Physical assets (buildings and equipment necessary for the non-traditional crops).
   - Leadership and management in order to make decisions and operate according to plans.
   - Financing (working capital and investment credits).
   - Water, perhaps extended through irrigation systems.

- Land agronomically and ecologically suitable for the non-traditional crops proposed.
- Labor for planting and harvesting.

8. Exclusions
   - The project will not provide advice on sugar, palm oil or citrus for export.
   - The project will not provide advice to cooperatives whose export plans include crops or products destined for third country markets, which products are also exported by the U.S. to those same countries.

Appendix 2. Persons Contacted

USAID/ES

Kenneth Ellis, Chief, Rural Development
Clemence Weber, Deputy, Rural Development
Don Harrington, Agri. Development Officer
Bruce Michener, Agri. Development Officer
Antonio González, Project Officer, Rural Developement
Salvador Novelino, Project Officer, Program Office
Bernie Dupuis, Mission Evaluation Officer, Program Office
Eduardo Peña, State Economics Office
Escobar Chévez, State Economics Office

CLUSA/TECHNOSERVE
D. Stanley Kuehn, CLUSA, Chief of Party
Mauricio Salinas, CLUSA Supervisor of Agronomist Staff
Ricardo Mata, Head of TechnoServe Subcontract Staff
Mario Larín, TechnoServe Subcontract Business Specialist
Carlos Pacheco, TechnoServe Subcontract Agronomist
Robert Nottelman, Consultant for CLUSA on melons

Francisco Lino Osegueda, Director of TechnoServe El Salvador
Adrián Chacón, Technoserve Liason for CLUSA/TNS subcontract

BANCO CENTRAL DE RESERVA
Agrarian Reform Finance Technical Unit (UTFRA)
Carlos Pocasangre, UTFRA Director
Arizona State University/Servicios Técnicos del Caribe AID Advisors
Dr. Jerry Ladman, Arizona State University, AID Project Director
Pedro Negrón, Servicios Técnicos del Caribe, Resident Advisor

Fundación Salvadoreña de Desarrollo Económico y Social - FUSADES
Programa de Diversificación Agrícola - DIVAGRO
Agustín Martínez, Head, Projects Division
Roberto Arbizú, Melons Specialist

Banks
Benjamín García, Credit Manager, Agri. Development Bank (BFA)
César Nerio, Asst Credit Manager,Agri. Development Bank (BFA)
René Carvajal, Credit Manager, Banco Salvadoreño

Other Individuals
Roberto Ulloa, President, EXFRUSA (Local fruit exporting firm)
Juan Boillat, President, CAEXI/FRUTAS (Local fruit exporting firm)
Harry Mannion, R.L. Wheatley & Sons, Cambridge MD Fruit Brokerage
G. Max Novoa, General Manager, Quality Foods, (vegetable processor)

COOPERATIVES
El Milagro de Santa Teresa

Santiago Peña, Isaias Tobar, Francisco Ruíz, Salvador Ruíz, others

La Reyna
Gumercindo Martínez, Atalicio Martínez, Fabio Marín, others

Nueva Esperanza
Mardoqueo Montes, Francisco Martínez Landaverde, Juan Antonio González, Julio Isodoro Girón, Luís Alonso Guerrero, Juan José Castillo

Copapayo
Jorge Alberto Cortéz, José Cipriano Gordado, José Mario Mancías, José Esmindo Reyes, Victor Manuel Martínez

Santa Rita
Gilberto Palacios, Carlos René Jovel Marín, Juan Carlos Pineda, José Vásquez

San José de Luna
Jorge Antonio Alvarado, José Santos González, José Rodríguez, R. Echegoyen

Tihuilocoyo
Eduardo Rivas Ayala, Samuel Rivas Pérez, Eugenio Aguilar, Fco. Rodil, Mariano Hernández, Rafael Antonio González

Hoja de Sal
Marco Antonio Iraldo, de Jesús Rendero, José Grande, Victor Alegria, Tránsito Iraeta, Evaristo Mos, Jesus Grande

Appendix 3. Cooperative Visits Questionnaire

Evaluation of El Salvador NCBA Cooperative Production and Marketing Project
Checchi & Co. Team. July-August 1990.

QUESTIONS USED TO GUIDE CONVERSATIONS WITH COOPERATIVE MEMBERS/LEADERS

I. ASISTENCIA TECNICA

1. ¿ Cuáles organizaciones o agencias les han dado ayuda o asesoramiento?
2. ¿ Cuáles tipos de ayuda o asesoramiento le hace más falta a su cooperativa?
3. ¿ Cree usted que un asesoramiento sería de mejor o peor calidad si ustedes lo contrataran en vez de recibirlo de gratis?
4. ¿ Cuáles tipos de ayuda o asesoramiento han recibido ustedes de parte de los asesores de CLUSA/Technoserve?

II. CULTIVOS NO-TRADICIONALES

5. ¿ Creen ustedes que la cooperativa debe producir estos productos para la exportación ó continuar produciendo solamente los productos tradicionales para el mercado local?
6. ¿ Cuáles de los productos exportables debe producir la cooperativa?
7. ¿ Cuáles de estos productos han producido en el pasado?

III. CONDICION DE LA COOPERATIVA

8. ¿ Hablando económicamente, cómo están los socios de la cooperativa?
9. ¿ Hablando ecnoómicamente, cómo está la cooperativa?

IV. GERENCIA

10. ¿ Cómo se toman las decisiones sobre que producir y cuánto?
11. ¿ Cómo se toman las decisiones sobre cuándo comprar equipo y cuáles equipos comprar?
12. ¿ Cómo se toman las decisiones sobre cuanto tomar prestado?
13. ¿ Cómo se toman las decisiones sobre cuando y donde vender sus productos?
14. ¿ Cuantos de los socios entienden bien sus derechos como socios de la cooperativa?
    ¿ Cuales son estos derechos?
15. ¿ Cuantos de los socios entienden bien sus obligaciones o responsabiliades como socios?
    ¿ Cuales son estas responsabilidades?

IF MANAGER IS NOT PRESENT

16. ¿ Como piensan los socios sobre la calidad de las decisiones que toma el Gerente?

Appendix 4. Documents Reviewed

PROJECT DOCUMENTS

- Origianl NCBA/CLUSA project proposal to USAID/El Salvador
- Cooperative Agreement
- Subcontract between CLUSA and TechnoServe
- All Project Quarterly Reports
- Project Workplan for 1988/89
- Project Workplan for 1989-1991
- Diagnoses and Business Plans for participant cooperatives
- Internal report on Training and Technical Assistance, prepared by Jeffrey R. Nash, March 1990
- Internal report on the Project's marketing efforts, prepared by Charles Oberbeck, June 1990
- Evaluation of fresh fruit export firms and questionnair used to collect evaluations of the firms from the cooperatives
- "The Administration of an Agricultural Enterprise" (training material)

OTHER DOCUMENTS

- 1989 Annual Report of the Salvadoran Foundation for Economic and Social Developemt, FUSADES
- Observations on the PAU and PRODEA Projects, by Carlos Camacho, USAID/El Salvador
- Ministry of Planning, Economic and Social Development Program for El Salvador, September, 1989
- a partial draft (4/21/90) of "The Debt Situation of Land Reform Beneficiaries in El Salvador, 1990, with Policy Alternatives addressing New Tenure Forms Available to Beneficiaries and the Privatization of the Banking System," by John Strasma, University of Wisconsin, Department of Agricultural Economics
- Evaluation of TechnoServe's performance under USAID/El Salvador Cooperative Agreement, Checci and Company Consulting, November, 1989
- The General Law of Cooperative Associations, published by the Instituto Salvadoreño de Fomento Cooperativo, December, 1974
- Decree No. 124, published by the División de Promoción, Organización y Capacitación of ISTA, February 1982
- Quarterly Reviews, published by the Central Reserve Bank, various numbers, 1969 through 1989
- Anuario de Estadísticas Agropecuarias, published by the Ministry of Agriculture, various numbers, 1969 through 1989

Table 1 Increase in Area - First Year Cooperatives

Areas	Honey Dew	Canta-loupe	B.E. Peas	Sesame	Okra	Baby Cucum.	Totals
			********** 1988/89 Areas **********				
Nueva Esperanza		33					33
La Reyna	100	40					140
Santa Teresa	120	105					225
Nueva Guayapa							0
Copapayo							0
El Tránsito							0
Barra Ciega							0
El Edén			10		60		70
Santa Rita				44			44
Hoja de Sal	133	48					181
Tihuilocoyo							0
San José de Luna				90			90
TOTALS 88/89	353	226	10	134	60	0	783
			********** 1989/90 Areas **********				
Nueva Esperanza		48	63				111
La Reyna	89	162					251
Santa Teresa	103	107					210
Nueva Guayapa	62						62
Copapayo				13			13
El Tránsito			21		13	4	38
Barra Ciega		35	32 <-1/		22		89
El Edén			15	1	60	3	79
Santa Rita				70			70
Hoja de Sal	0	51		45			96
Tihuilocoyo		30	34	20			84
San José de Luna				76			76
TOTALS 89/90	254	433	165	225	95	7	1179
			********** CHANGE in Areas **********				
Nueva Esperanza		15	63				78
La Reyna	-11	122					111
Santa Teresa	-17	2					-15
Nueva Guayapa	62						62
Copapayo				13			13
El Tránsito			21		13	4	38
Barra Ciega		35	32		22		89
El Edén			5	1	0	3	9
Santa Rita				26			26
Hoja de Sal	-133	3		45			-85
Tihuilocoyo		30	34	20			84
San José de Luna				-14			-14
Change 90 - 89	-99	207	155	91	35	7	396

1/ 10 of 32 Mz. were B.E.Pea Seed Crop

Table 2.1 1989/1990 Crop Year Results - First Year Cooperatives

Coop	Crop	Area	Prod	Sales	ProdCost	MktCosts	Income
El Tránsito	B.Cucum	4	186	12673	25895	1295	-14517
El Edén	B.Cucum	3	159	13138	21708	6036	-14606
Nueva Esperanza	B.E.Peas	63	4050	319950	192396	10416	117138
El Tránsito	B.E.Peas	21	891	70371	61845	3092	5434
Barra Ciega	B.E.Peas	22	1648	130169	64790	3240	62139
El Edén	B.E.Peas	15	330	20938	18363	7154	-4579
Tihuilocoyo	B.E.Peas	34	1419	119566	147748	0	-28182
Barra Ciega	BEPeaSeed	10	123	30650	23218	771	6661
Nueva Esperanza	M.Cant	48	13247	902546	829151	31989	41406
La Reyna	M.Cant 1/	162	25303	558949	499670	42836	16443
Santa Teresa	M.Cant	107	14897	873695	502125	469391	-97821
Barra Ciega	M.Cant	35	6979	93664	250983	14667	-171986
Hoja de Sal	M.Cant	51	15928	1486099	431015	862853	192231
Tihuilocoyo	M.Cant	30	5449	607463	179617	408967	18879
La Reyna	M.HD	89	63898	1021725	407132	35594	578999
Santa Teresa	M.HD	103	67508	3040558	493472	1888937	658149
Nueva Guayapa	M.HD	62	33813	376000	289109	30083	56808
El Tránsito	Okra	13	0	0	23274	0	-23274
Barra Ciega	Okra	22	2461	109430	73436	3672	32322
El Edén	Okra	60	4260	172221	218130	80931	-126840
Copapayo	Sesame	13	126	30370	15126	887	14357
El Edén	Sesame	1	5	1575	1147	464	-36
Santa Rita	Sesame	70	578	115680	101494	0	14186
Hoja de Sal	Sesame	45	262	53710	66474	0	-12764
Tihuilocoyo	Sesame	20	101	18216	26825	0	-8609
San José de Luna	Sesame	76	668	140217	82066	0	58151
Totals		1179		10319573			1370089

Coop	Crop	Prices	Yield	PCost/Mz	MCost/Mz	%Mktg	Inc/Mz
El Tránsito	B.Cucum	68.00	46.6	6474	324	4.8%	-3629
El Edén	B.Cucum	82.62	53.0	7236	2012	21.8%	-4869
Nueva Esperanza	B.E.Peas	79.00	64.3	3054	165	5.1%	1859
El Tránsito	B.E.Peas	79.00	42.4	2945	147	4.8%	259
Barra Ciega	B.E.Peas	79.00	74.9	2945	147	4.8%	2825
El Edén	B.E.Peas	63.45	22.0	1224	477	28.0%	-305
Tihuilocoyo	B.E.Peas	84.26	41.7	4346	0	.0%	-829
Barra Ciega	BEPeaSeed	250.00	12.3	2322	77	3.2%	666
Nueva Esperanza	M.Cant	68.13	276.0	17274	666	3.7%	863
La Reyna	M.Cant 1/	22.09	225.9	4461	382	7.9%	147
Santa Teresa	M.Cant	58.65	139.2	4693	4387	48.3%	-914
Barra Ciega	M.Cant	13.42	199.4	7171	419	5.5%	-4914
Hoja de Sal	M.Cant	93.30	312.3	8451	16919	66.7%	3769
Tihuilocoyo	M.Cant	111.49	181.6	5987	13632	69.5%	629
La Reyna	M.HD	15.99	718.0	4575	400	8.0%	6506
Santa Teresa	M.HD	45.04	655.4	4791	18339	79.3%	6390
Nueva Guayapa	M.HD	11.12	545.4	4663	485	9.4%	916
El Tránsito	Okra	n/a	.0	1790	0	.0%	-1790
Barra Ciega	Okra	44.47	111.9	3338	167	4.8%	1469
El Edén	Okra	40.43	71.0	3636	1349	27.1%	-2114
Copapayo	Sesame	241.03	9.7	1164	68	5.5%	1104
El Edén	Sesame	315.00	5.0	1147	464	28.8%	-36
Santa Rita	Sesame	200.00	8.3	1450	0	.0%	203
Hoja de Sal	Sesame	205.00	5.8	1477	0	.0%	-284
Tihuilocoyo	Sesame	180.00	5.1	1341	0	.0%	-430
San José de Luna	Sesame	210.00	8.8	1080	0	.0%	765

1/ 50 Mz sold to Melopac included in area only, all other data for 112 Mz.

Table 2.2 1990/1991 Crop Year Projections- First Year Cooperatives

Coop	Crop	Area	Prod	Sales	ProdCost	MktCosts	Income
Nueva Esperanza	B.E.Peas	100	6000	474000	243000	71100	159900
Santa Teresa	B.E.Peas	125	7500	592500	303750	88875	199875
Nueva Guayapa	B.E.Peas	40	2400	189600	97200	4860	87540
Copapayo	B.E.Peas	30	1800	140400	114540	5727	20133
El Tránsito	B.E.Peas	40	2000	156000	117800	12413	25787
Barra Ciega	B.E.Peas	67	4020	313560	197315	34273	81972
Santa Rita	B.E.Peas	30	1800	138600	114540	5727	18333
Nueva Esperanza	M.Cant	90	54000	1458000	610200	218700	629100
Barra Ciega	M.Cant	60	36000	675000	376920	65471	232609
Santa Rita	M.Cant	40	24000	630000	349920	17496	262584
Hoja de Sal	M.Cant	80	55520	1457400	699840	52500	705060
Tihuilocoyo	M.Cant	90	49500	1299375	787320	39366	472689
La Reyna	M.HD	250	150000	3000000	1695000	450000	855000
Santa Teresa	M.HD	85	51000	1020000	576300	153000	290700
Nueva Guayapa	M.HD	100	60000	780000	678000	30546	71454
Nueva Guayapa	Okra	60	7200	388800	238800	11940	138060
El Edén	Okra	70	8400	455028	358190	58720	38118
Nueva Esperanza	Sesame	50	900	180000	121000	27000	32000
Copapayo	Sesame	15	270	54000	33195	1660	19145
Santa Rita	Sesame	40	720	144000	88520	4426	51054
Hoja de Sal	Sesame	73	1314	262800	161549	8077	93174
Tihuilocoyo	Sesame	126	1764	352800	278838	13942	60020
San José de Luna	Sesame	95	1520	304000	210235	10512	83253
Totals		1756		14465863			4627560

Coop	Crop	Prices	Yield	PCost/Mz	MCost/Mz	%Mktg	Inc/Mz
Nueva Esperanza	B.E.Peas	79	60	2430	711	22.6%	1599
Santa Teresa	B.E.Peas	79	60	2430	711	22.6%	1599
Nueva Guayapa	B.E.Peas	79	60	2430	122	4.8%	2189
Copapayo	B.E.Peas	78	60	3818	191	4.8%	671
El Tránsito	B.E.Peas	78	50	2945	310	9.5%	645
Barra Ciega	B.E.Peas	78	60	2945	512	14.8%	1223
Santa Rita	B.E.Peas	77	60	3818	191	4.8%	611
Nueva Esperanza	M.Cant	27	600	6780	2430	26.4%	6990
Barra Ciega	M.Cant	18.75	600	6282	1091	14.8%	3877
Santa Rita	M.Cant	26.25	600	8748	437	4.8%	6565
Hoja de Sal	M.Cant	26.25	694	8748	656	7.0%	8813
Tihuilocoyo	M.Cant	26.25	550	8748	437	4.8%	5252
La Reyna	M.HD	20	600	6780	1800	21.0%	3420
Santa Teresa	M.HD	20	600	6780	1800	21.0%	3420
Nueva Guayapa	M.HD	13	600	6780	305	4.3%	715
Nueva Guayapa	Okra	54	120	3980	199	4.8%	2301
El Edén	Okra	54.17	120	5117	839	14.1%	545
Nueva Esperanza	Sesame	200	18	2420	540	18.2%	640
Copapayo	Sesame	200	18	2213	111	4.8%	1276
Santa Rita	Sesame	200	18	2213	111	4.8%	1276
Hoja de Sal	Sesame	200	18	2213	111	4.8%	1276
Tihuilocoyo	Sesame	200	14	2213	111	4.8%	476
San José de Luna	Sesame	200	16	2213	111	4.8%	876

Table 2.3 Summary by Crop and Year - First Year Cooperatives

Coop	Crop	Area	Prod	Sales	ProdCost	MktCosts	Income
1989/90 Results	B.Cucum	7	345	25811	47603	7331	-29123
1990/91 Project.	B.Cucum	0	0	0	0	0	0
Differences	B.Cucum	-7	-345	-25811	-47603	-7331	29123
1989/90 Results	B.E.Peas	155	8337	660994	485142	23902	151950
1990/91 Project.	B.E.Peas	432	25520	2004660	1188145	222975	593540
Differences	B.E.Peas	277	17183	1343666	703003	199073	441590
1989/90 Results	BEPeaSeed	10	123	30650	23218	771	6661
1990/91 Project.	BEPeaSeed	0	0	0	0	0	0
Differences	BEPeaSeed	-10	-123	-30650	-23218	-771	-6661
1989/90 Results	M.Cant 1/	433	81804	4522416	2692561	1830703	-848
1990/91 Project.	M.Cant	360	219020	5519775	2824200	393533	2302042
Differences	M.Cant	-23	137216	997359	131639	-1437170	2302890
1989/90 Results	M.HD	254	165219	4438283	1189713	1954614	1293956
1990/91 Project.	M.HD	435	261000	4800000	2949300	633546	1217154
Differences	M.HD	181	95781	361717	1759587	-1321068	-76802
1989/90 Results	Okra	95	6720	281651	314840	84603	-117792
1990/91 Project.	Okra	130	15600	843828	596990	70660	176178
Differences	Okra	35	8880	562177	282150	-13943	293970
1989/90 Results	Sesame	225	1740	359768	293132	1351	65285
1990/91 Project.	Sesame	399	6488	1297600	893337	65617	338646
Differences	Sesame	174	4748	937832	600205	64266	273361
Total Differences		627		4146290			3257471

Coop	Crop	Prices	Yield	PCost/Mz	MCost/Mz	%Mktg	Inc/Mz
1989/90 Results	B.Cucum	74.7	49.3	6800	1047	13.3%	-4160
Differences	B.Cucum	n/a	n/a	n/a	n/a	n/a	n/a
1989/90 Results	B.E.Peas	79.3	53.8	3130	154	4.7%	980
1990/91 Project.	B.E.Peas	78.6	59.1	2750	516	15.8%	1374
Differences	B.E.Peas	-.7	5.3	-380	362	0	394
1989/90 Results	BEPeaSeed	250.0	12.3	2322	77	3.2%	666
Differences	BEPeaSeed	n/a	n/a	n/a	n/a	n/a	n/a
1989/90 Results	M.Cant	55.3	213.6	7030	4780	40.5%	-2
1990/91 Project.	M.Cant	25.2	608.4	7845	1093	12.2%	6395
Differences	M.Cant	-30.1	394.8	815	-3687	-0	6397
1989/90 Results	M.HD	26.9	650.5	4684	7695	62.2%	5094
1990/91 Project.	M.HD	18.4	600.0	6780	1456	17.7%	2798
Differences	M.HD	-8.5	-50.5	2096	-6239	-0	-2296
1989/90 Results	Okra	41.9	70.7	3314	891	21.2%	-1240
1990/91 Project.	Okra	54.1	120.0	4592	544	10.6%	1355
Differences	Okra	12.2	49.3	1278	-347	-0	2595
1989/90 Results	Sesame	206.7	7.7	1303	6	.5%	290
1990/91 Project.	Sesame	200.0	16.3	2239	164	6.8%	849
Differences	Sesame	-6.7	8.5	936	158	0	559

1/ 50 Mz sold to Melopac included in area only, all other data for 383 Mz.

Table 3.1 Financial Data - Nueva Esperanza and Nueva Guayapa

	NvaEsperanz	NvaEsperanz	Nva.Guayapa	Nva.Guayapa
BALANCE SHEET	signed	signed	signed	
ASSETS	1989	1990	1989	1990
Cash	80504	134594	129924	FY Ends
Restricted Bank Account				6/30/90
Investments				
Loans	194730	210631		
Shares Rcvble				
Other Accts Rcvble	68521	351544	301220	
Inventories	149073	237026	1152330	
Livestock	888600	2902800		
Equipment & Work Animals	2448678	722644	301768	
Fixed Assets	3709075	3652569	17802	
Deferred Exp	14098	484377	116066	
Transitory	3132	215289	127165	
TOTAL ASSETS	7556411	8911474	2146275	0
LIABILITIES				
Interest Payable	363700	453962		
Other ST Debt	96239	333304	2250556	
MT Debt	511684	713337		
Deuda Agrícola	4896245	4896245		
Other LT Debt	619012	359791	379094	
Deferred	5	8738		
Transitory			46378	
TOTAL LIABILITIES	6486885	6765377	2676028	
CAPITAL				
Member Shares -Paid	176700	218620	52825	
-Unpaid				
Retained Earn.- Superavit	823741	479067	384180	
- Deficit	-595759		-966758	
Reserves	664844	1448410		
Other Capital				
TOTAL CAPITAL	1069526	2146097	-529753	
TOTAL LIABIL & CAPITAL	7556411	8911474	2146275	
INCOME STATEMENT				
Ttl Sales: Traditional Ag	2055326	2892682	3295886.67	Data not
Beef and Dairy	943947	1622516	0	yet
AgroIndustrial	42808	104779		available
Other	240780	2445		FY ended
Non-Trad. Agri	55533	570704	0	6/30/90
Net Sales: Traditional Ag	1030358	1615434	968971.57	
Beef and Dairy	324772	607258	-5318.30	
AgroIndustrial	-4066	24540		
Other	19081	68		
Non-Trad. Agri	-124034	148129	-6444.84	
Other Net Income	56747	387471	-10718.78	
SUBTOTAL NET INCOME	1302858	2782900	946489.65	0
Expenses: Administration	605475	529952	576610.79	
Financial	640183	555632	586535.41	
Maint & Repairs	516580	1116286	149927.02	
SUBTOTAL GEN & ADMIN	1762238	2201870	1313073.22	0
PROFIT OR LOSS	-459380	581030	-366583.57	0

Table 3.2 Financial Data - La Reyna and Santa Teresa

	La Reyna Accountant signed 1989	La Reyna 2 signed 1990	Sta Teresa signed 1989	Sta Teresa Accountant signed 1990
BALANCE SHEET				
ASSETS				
Cash	15864	-427	5102	9590
Restricted Bank Account				
Investments				
Loans	203414	272816	429906	558888
Shares Rcvble				
Other Accts Rcvble	29874	469498	15838	78532
Inventories	86787	136777		56897
Livestock				
Equipment & Work Animals				
Fixed Assets	30438	28946	8841	711556
Deferred Exp				
Transitory	3481			43520
TOTAL ASSETS	369858	907610	459687	1458983
LIABILITIES				
Interest Payable		?		
Other ST Debt	290201	1145144	348900	1498084
MT Debt			121873	
Deuda Agrícola				
Other LT Debt				
Deferred				
Transitory	29874			64506
TOTAL LIABILITIES	320075	1145144	470773	1562590
CAPITAL				
Member Shares -Paid		0		0
-Unpaid				
Retained Earn.- Superavit	49783		8656	6950
- Deficit		-237534	-19742	-110557
Reserves				
Other Capital				
TOTAL CAPITAL	49783	-237534	-11086	-103607
TOTAL LIABIL & CAPITAL	369858	907610	459687	1458983
INCOME STATEMENT				
Ttl Sales: Traditional Ag	Int 16974		Int 39748	Int 93270
Beef and Dairy	Rest of		Rest of	Rest of
AgroIndustrial	income is		income is	income is
Other	Services	125315	Services	Services
Non-Trad. Agri		967712		
Net Sales: Traditional Ag				
Beef and Dairy				
AgroIndustrial				
Other				
Non-Trad. Agri				
Other Net Income				
SUBTOTAL NET INCOME	97019	82000	37284	242113
Expenses: Administration	30262	276730	14477	66007
Financial	16974	42904	39748	228063
Maint & Repairs			2801	
SUBTOTAL GEN & ADMIN	47236	319634	57026	294070
PROFIT OR LOSS	49783	-237634	-19742	-51958

Table 3.3 Financial Data - Copapayo and El Tránsito

BALANCE SHEET	Copapayo Accountant signed 1989	Copapayo Accountant signed 1990	El Transito Accountant signed 1989	El Transito unsigned 1990
ASSETS				
Cash	1077007	343905	118112	249576
Restricted Bank Account		1405090		
Investments				
Loans	54479	132688	78284	105335
Shares Rcvble	269900	249760	1115100	1115100
Other Accts Rcvble	31150	17460	947682	1825472
Inventories	386028	345319	635206	837521
Livestock	187400	151475	852943	919149
Equipment & Work Animals	870744	834201	473009	667961
Fixed Assets	3642469	4465727	4386807	4347473
Deferred Exp	260299	329340	1618013	1488557
Transitory	4893		399495	512317
TOTAL ASSETS	6784369	8274965	10624651	12068461
LIABILITIES				
Interest Payable		1481249	135762	637766
Other ST Debt	316005	503046	2029055	1466733
MT Debt	53671	5840		1464031
Deuda Agrícola	2146562	1245436	5821710	5821710
Other LT Debt			1411811	1254354
Deferred	14954	14699		147964
Transitory			3871	113
TOTAL LIABILITIES	2531192	3250270	9402209	10792671
CAPITAL				
Member Shares -Paid	100932	115282	83865	98745
-Unpaid	269900	249760	1115100	1115100
Retained Earn.- Superavit	1685901	2010152	890699	492145
- Deficit			-1068411	-1068411
Reserves	2196444	2649501	112709	638211
Other Capital			88478	
TOTAL CAPITAL	4253177	5024695	1222440	1275790
TOTAL LIABIL & CAPITAL	6784369	8274965	10624649	12068461
INCOME STATEMENT				
Ttl Sales: Traditional Ag	3818310	4580077	2699395	2144870
Beef and Dairy	67586	64177	2051615	3195965
AgroIndustrial	21029	71291	7831	13228
Other	82957	140861		384
Non-Trad. Agri		30370		
Net Sales: Traditional Ag	1545396	2430378	83052	918967
Beef and Dairy	-103091	-36958	1672534	145450
AgroIndustrial	-18382	10270	2213	7698
Other	34130	41795		384
Non-Trad. Agri		14194		
Other Net Income	108870	95158	152462	206299
SUBTOTAL NET INCOME	1566923	2554837	1910261	1278798
Expenses: Administration	433831	745875	418091	326325
Financial	52499	31408	459076	415632
Maint & Repairs	230762	512004	255104	263828
SUBTOTAL GEN & ADMIN	717092	1289287	1132271	1005785
PROFIT OR LOSS	849831	1265550	777990	273013

Table 3.4 Financial Data - Barra Ciega and El Edén

	Barra Ciega	Barra Ciega	El Edén	El Edén
BALANCE SHEET	signed	signed	not signed	prepared by CLUSA
ASSETS	1989	1990	1989	1990
Cash	57781	53042	68644	65726
Restricted Bank Account			102471	151210
Investments	60573	60573	500	500
Loans	12274	22438	18316	13247
Shares Rcvble				1054092
Other Accts Rcvble	1033187	697135	43133	
Inventories	99120	124299	2865	32836
Livestock	503510	486575	194554	1806000
Equipment & Work Animals	722248	749022	755342	873043
Fixed Assets	2194279	2208600	3913770	4884659
Deferred Exp	103750	414956	2351347	1838424
Transitory		334137	1691736	234266
TOTAL ASSETS	4786722	5150777	9142678	10954003
LIABILITIES			#N/A!	
Interest Payable	1640007	1823910		22354
Other ST Debt	1539407	1738718	405367	112872
MT Debt		3065042	125680	
Deuda Agrícola	3065041		7102818	8170380
Other LT Debt	1373758	815596	332841	198130
Deferred		97470	1374726	
Transitory		120983		
TOTAL LIABILITIES	7618213	7661719	9341432	8503736
CAPITAL				
Member Shares -Paid	36345	60243	80457	91433
-Unpaid				1054092
Retained Earn.- Superavit	6487	164959	725095	1009266
- Deficit	-2874323	-2901103		-106017
Reserves		164959	406476	401493
Other Capital				
TOTAL CAPITAL	-2831491	-2510942	1212028	2450267
TOTAL LIABIL & CAPITAL	4786722	5150777	10553460	10954003
INCOME STATEMENT			My Analysis	
Ttl Sales: Traditional Ag	1370423	2032352	64361	136814
Beef and Dairy	496969	523299	1645227	2064891
AgroIndustrial			35585	
Other	2368		2144	41170
Non-Trad. Agri		30650	110776	202922
Net Sales: Traditional Ag	256910	992852	-66772	45819
Beef and Dairy	-357465	84836	235332	1312476
AgroIndustrial			1978	
Other	2368		1591	39684
Non-Trad. Agri		7432	-8153	-52623
Other Net Income	20273	46057	-17357	43621
SUBTOTAL NET INCOME	-77915	1131177	146620	1388976
Expenses: Administration	209113	239453	174136	243616
Financial	165667	413199	41984	349984
Maint & Repairs	125788	148608	269830	252293
SUBTOTAL GEN & ADMIN	500567	801260	485951	845893
PROFIT OR LOSS	-578482	329917	-339331	543083

Table 3.5 Financial Data - Santa Rita and Hoja de Sal

	Santa Rita	Santa Rita	Hoja de Sal	Hoja de Sal
BALANCE SHEET	signed	signed	signed	signed
ASSETS	1989	1990	1989	1990
Cash	54747	26147	22610	73566
Restricted Bank Account				
Investments	17276	17829	32956	33956
Loans	7528	18826	4874	8820
Shares Rcvble				
Other Accts Rcvble	73766	114257	273643	1359544
Inventories	63500	40253	233053	162582
Livestock			2253764	1440478
Equipment & Work Animals	52545	68215	2184097	1953718
Fixed Assets	1117355	1261375	4086771	5058085
Deferred Exp	155419	43323	444160	285326
Transitory	129781	5440		3249
TOTAL ASSETS	1671917	1595665	9535928	10379324
LIABILITIES				
Interest Payable	41664	41471	572698	3172946
Other ST Debt	392368	81687	1394724	2341834
MT Debt	718394	377684		
Deuda Agrícola	1141700	1141700	4624819	3944067
Other LT Debt		665180	4194989	4699175
Deferred		1318	6471	199975
Transitory	74116			
TOTAL LIABILITIES	2368242	2309040	10793701	14357997
CAPITAL				
Member Shares -Paid	21327	27164	59682	74062
-Unpaid		136593		
Retained Earn.- Superavit	128851	-877132	541442	69393
- Deficit	-846503		-1858897	-4122128
Reserves				
Other Capital				
TOTAL CAPITAL	-696325	-713375	-1257773	-3978673
TOTAL LIABIL & CAPITAL	1671917	1595665	9535928	10379324
INCOME STATEMENT				
Ttl Sales: Traditional Ag	528366	858160	No Data	1064832
Beef and Dairy	16567	0	On File	1439878
AgroIndustrial				52734
Other				34076
Non-Trad. Agri	32281	115684		1477849
Net Sales: Traditional Ag	112191	187933		213229
Beef and Dairy	2280	-3813	Loss from	303723
AgroIndustrial			Balance	47174
Other			Sheet	-10348
Non-Trad. Agri	-14446	-7230		103134
Other Net Income	65183	35819		251371
SUBTOTAL NET INCOME	165208	212709		908283
Expenses: Administration	95744	42620		362804
Financial	137743	140444		739374
Maint & Repairs	50788	60274		207776
SUBTOTAL GEN & ADMIN	284276	243338		1309954
PROFIT OR LOSS	-119068	-30629	-681201	-401671

Table 3.6 Financial Data - Tihuilocoyo and San José de Luna

BALANCE SHEET	Tihuilocoyo Accountant signed 1989	Tihuilocoyo signed 1990	San José de Luna signed 1989	San José de Luna Consultant 1990
ASSETS				
Cash	135270	159478	13974	70217
Restricted Bank Account				
Investments	47793	47843	81117	81117
Loans	?	121436		77110
Shares Rcvble	830520	755919		
Other Accts Rcvble	526369	168436	99393	977
Inventories	155187	280576	87514	174607
Livestock	906200	925200	326175	479575
Equipment & Work Animals	1859638	1963770	125688	172976
Fixed Assets	4151438	4174466	2623805	3017570
Deferred Exp	12019	12598	11152	5040
Transitory	233953	219351	124014	4485
TOTAL ASSETS	**8858387**	**8829073**	**3492832**	**4083674**
LIABILITIES				
Interest Payable	27297	21688	274017	
Other ST Debt	855798	359603	100398	229533
MT Debt			3670674	3833980
Deuda Agrícola	6079165	6079165	2770145	2770145
Other LT Debt	1259082	1431664	922822	1802447
Deferred				
Transitory			4817	
TOTAL LIABILITIES	8221342	7892120	7742873	8636105
CAPITAL				
Member Shares -Paid	126533	166681	24320	31325
-Unpaid	831067	790919		
Retained Earn.- Superavit	543394	689063		
- Deficit	-1033709	-1033709	-4482046	-4791441
Reserves	169760	324000		
Other Capital			207685	207685
TOTAL CAPITAL	**637045**	**936954**	**-4250041**	**-4552431**
TOTAL LIABIL & CAPITAL	**8858387**	**8829074**	**3492832**	**4083674**
INCOME STATEMENT				
Ttl Sales: Traditional Ag	1292900	1278978	No Data	No Data
Beef and Dairy	1385373	1420723	In File	In File
AgroIndustrial	614773	676520	Diagnostic	
Other	52342	17056	has 88 data	
Non-Trad. Agri		747678		
Net Sales: Traditional Ag	-228130	234298		
Beef and Dairy	100533	446148		
AgroIndustrial	356778	466372		
Other	7318	8159		
Non-Trad. Agri		-50135		
Other Net Income	151255	85374		
SUBTOTAL NET INCOME	387754	1190215		
Expenses: Administration	371139	342331		
Financial	178542	191478		
Maint & Repairs	266932	334816		
SUBTOTAL GEN & ADMIN	816613	868625		
PROFIT OR LOSS	-428859	321590	-455831	

Table 4 Economic Data

REAL GROSS INTERNAL PRODUCT
Total and Agricultural Sector

	Real Total PIB	Real Agri PIB	Total %Change	Agri. %Change
1978	3,579.3	827.7		
1979	3,521.2	840.3	-1.6%	1.5%
1980	3,289.3	841.1	-6.6%	.1%
1981	3,016.8	787.5	-8.3%	-6.4%
1982	2,847.7	750.6	-5.6%	-4.7%
1983	2,827.9	726.8	-.7%	-3.2%
1984	2,935.6	750.9	3.8%	3.3%
1985	2,993.6	742.8	2.0%	-1.1%
1986	3,012.5	719.7	.6%	-3.1%
1987	3,093.5	734.7	2.7%	2.1%
1988	3,107.6	706.7	.5%	-3.8%
Avg Ann gr. rate	-1.40%	-1.57%		

Sección de Cuentas Nacionales, BCR
Thousands of Colones, 1962 Prices

GROSS VALUE OF PRODUCTION

	Agri Sector	Crops	Principal Export Crops	Other Crops, Other
Current Prices, thousand of Colones				
1983	2,678.1	1,926.2	1338.1	95.4
1984	2,864.0	2,058.8	1430.5	90.5
1985	3,179.0	2,291.7	1665.7	124.4
1986	4,952.4	3,793.6	2936.3	180.1
1987	4,246.4	2,951.2	2078.3	206.8
1988	4,830.0	3,366.6	2024.4	243.4
As percentages of Agricultural Sector				
1983	100.0%	71.9%	50.0%	3.6%
1984	100.0%	71.9%	49.9%	3.2%
1985	100.0%	72.1%	52.4%	3.9%
1986	100.0%	76.6%	59.3%	3.6%
1987	100.0%	69.5%	48.9%	4.9%
1988	100.0%	69.7%	41.9%	5.0%

Other Crops, Others, includes Sesame, bálsamo, copra olive seeds, fruits and vegetables

Sección de Cuentas Nacionales, BCR

ATTACHMENT I

STATEMENT OF WORK

I. ACTIVITY TO BE EVALUATED

This scope of work is for the evaluation of Project No. 519-0353, which is carried out under a Cooperative Agreement between USAID/El Salvador and the National Cooperative Business Association, hereinafter referred to by the acronym it is known by internationally, CLUSA. The Project was signed on August 11, 1988 and will continue until January 31, 1991 at a cost of $1,900,000 in A.I.D. funds.

II. PURPOSE OF THE EVALUATION

The purpose of this evaluation is to appraise progress in implementing the project, assess the likelihood of achieving project objectives, identify elements constraining its successful execution, and report lessons learned from the project to date. The pilot project of short duration (30 months) was designed to test a new approach to bridge the gap between agrarian reform cooperative producers and private packers/processors of non-traditional agricultural exports.

The evaluation will be used as an independent assessment of the validity of this unique approach. This assessment will inform USAID/El Salvador's decisions about future support for this type of intervention.

III. GOALS AND PURPOSE OF PROJECT

The goals of this project are to increase foreign exchange earnings, to increase rural incomes and employment, and to diversify agricultural production. The purpose is to increase production of non-traditional products from cooperatives. This will be accomplished by:

- Expanding irrigated acreage and making better use of existing lands to increase fruit and vegetable production on cooperatives.

- Improving cooperatives' organizational structures and managerial and accounting practices and strengthening financial management.

- Improving production skills, particularly on irrigated land.

- Expanding and strengthening cooperative linkages to private processors and packers, who have strong marketing and technical capabilities.

The project's primary objectives are:

- to increase the volume of production of non-traditional products for export, domestic or regional markets;

- to improve the profitability of production;

- to increase the number of market outlets available to cooperatives; and

- increase the volume of sales.

IV. PROJECT IMPLEMENTATION

The project is implemented by the National Cooperative Business Association, known locally by its former name, CLUSA, through a Cooperative Agreement. CLUSA, in turn, has a sub-contract with Technoserve, Inc.

CLUSA provides the Project Manager who is responsible for overall direction of the project, technical guidance, and coordination with USAID and national institutions and projects. His staff includes a full time technical coordinator, an irrigation specialist, and an administrative coordinator, all contracted through Technoserve, and five field advisors who provide daily production and marketing assistance to client cooperatives.

This project provides technical assistance and training to expand or create linkages between small farmer cooperatives and private agribusiness firms to increase market access for the cooperatives while expanding the sources of production available to the private processors and exporters.

The CLUSA project activities will support USAID's strategy to promote non-traditional exports, by complementing the programs of agricultural technology dissemination and cooperative management development carried out by FUSADES and Technoserve, respectively.

The Project will focus on cooperatives which have the greatest likelihood of successfully producing export crops. CLUSA will use information available from USAID's Office of Rural Development, Technoserve, and GOES agencies to select the target cooperatives based on criteria to be agreed upon with USAID, which will include factors such as the prior production experience of the cooperatives, the matching of product demand with the ecological conditions of the cooperative lands, transport considerations, and a financial analysis of the return to cooperative members.

V. STATEMENT OF WORK

The evaluation team will thoroughly review the Cooperative Agreement along with all other relevant project documents including quarterly reports, annual work plan, diagnostic studies, and business plans. This will be followed by in depth discussions with A.I.D., CLUSA and Technoserve officials and site visits to assisted cooperatives.

The evaluation team will report its findings, present conclusions that are based on the findings, point out examples of noteworthy accomplishments, and recommend improvements based on the overall evaluation exercise. Finally, the team is expected to list and briefly discuss lessons learned that emerge from the analysis.

In order to carry out the evaluation, the team will respond to the following questions and concerns:

A. Criteria

Has the project met the criteria required by the project agreement i.e.

* Complementarity with programs of FUSADES and DIVAGRO
* Coordination with Salvadorean government entities
* Focus on target cooperative and target products
* Linkages with other public, private and cooperative organizations

B. Assumptions

Are the assumptions valid, or should they be revised? Are the private firms maintaining their interest in non-traditional crops for export? Are the cooperatives proving to be reliable sources of supply? Is credit being made available in a satisfactory manner? Is the technical assistance provided to the cooperatives by the private firms adequate?

C. Technical Assistance

Is the current mix of technical assistance provided by CLUSA/Technoserve (i.e. production, accounting, management advice, etc.) appropriate or would modifications be made? Are the cooperatives satisfied with the TA being provided? What is the nature of the relationships between the CLUSA/Technoserve team and the cooperatives?

D. Training

Is the present training program adequate to meet the needs of the cooperatives? If not, where are the weaknesses and what improvements should be made?

E. Linkages with Private Firms

What is the nature of the relationship with private exporters/packers/processors? What changes might be made, if any, to improve these linkages? Are the expectations of the private firms being met? Have these firms seen the project as beneficial to their interests? Are the firms likely to continue working with CLUSA/Technoserve and/or the cooperatives in the future?

F. Complementarity

Has the project been effective in coordinating with other projects funded by A.I.D., in particular those activities funded with the BCR and DIVAGRO?

G. Results

What specific achievements can be cited? Was the Log Frame adequate? (Quantify impact and accomplishments where possible.) Is the project on track in meeting project objectives i.e.

* Improved linkages with private firms
* Increased volume of non-traditional production from cooperatives
* Increased sales of non-traditional crops to U.S. markets
* Improved yields
* Improved profitability
* Diversified production of export crops

H. COST EFFECTIVENESS

Has the CLUSA/Technoserve team managed its resources in a cost effective manner? Has this investment of resources (A.I.D. funding and counterpart contributions) produced a reasonable return? Calculate a benefit/cost ratio.