

A.I.D. EVALUATION SUMMARY - PART I

PD-ABC-569
70771

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

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>USAID/Bolivia</u> (ES# _____)	B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>91</u> Q _____	C. Evaluation Timing Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
511-0543	Chapare Regional Development Project	1983		\$38.5 million	\$38.5 million

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required		
1. Reorientation of new project toward "Traditional Economic Objectives." Instruct Design team.	C.T. Hash/ L. Odle	02/20/91
2. Conduct studies of processing, transport & marketing sectors for alternative crops. Establish feedback loops between producer groups and marketing agencies.	Project Market- ing Advisors -Proj. Market- ing Advisors	11/15/91 07/15/91
3. Credit studies - Uses, needs, feasibility.	ACDI	12/15/91
4. Conduct natural resources inventory to establish base for watershed planning.	TA for new project	12/31/91
5. Place emphasis on marketing dimension for alt. crops. Instruct design team, IBTA and PDAR.	C.T. Hash/ M.Ford &LOdle	12/25/91
6. Develop sustainable loan institutions in Chapare and AHV. (ACDI proposal).	Project Committee	03/25/91
7. Establish non-agricultural credit line (LAAD).	Proj.Committee	07/15/91
8. Improve relations between PDAR and NGOs. Convene quarterly coordination meetings.	C.T. Hash/ M. Ford	04/15/91
9. Emphasize marketing & development of alternative crops and businesses. Contract for marketing and agribusiness specialist.	C.T. Hash/ C. Bucher	05/31/91
10. Adopt effective watershed management as major objective (AHVs). Instruct PDAR and design team.	C.T. Hash/ L. Odle	03/25/91
11. Remove conditionality for road improvements in Chapare; improve existing farm to market roads.	C.T. Hash/ L. Odle	04/01/91
12. Consolidate PDAR activities; (instruct design team, PDAR SUBDESAL)	C. T. Hash/ L. Odle	03/25/91

APPROVALS

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

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Charles T. Hash		Stephen Smith	Carl H. Leonard
Signature	<i>[Signature]</i>		<i>[Signature]</i>	<i>[Signature]</i>
Date				

A B S T R A C T

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

This final evaluation assesses the impact of the Chapare Regional Development Project (CRDP) which was signed with the Government of Bolivia in August 1983. In 1987 the Project was amended to include a pilot area outside of the Chapare Region. The primary objective of this evaluation was to test, on the basis of progress to date, the hypotheses on which the CRDP is based. Secondly, the evaluation measured Project progress toward modifying and improving the agricultural and forestry systems of farmers in the Chapare and Associated High Valley (AHVs) regions of the Department of Cochabamba to respond better to diverse, profitable marketing opportunities under sustained, environmentally compatible, medium technology production models. Finally the evaluation examined the impact of the project on reducing coca production in the Chapare. The major findings and conclusions are:

-Alternatives offered by the Project could not compete with high coca prices which offered poor Bolivian farmers a ready source of income in the face of the hyper-inflation, political unrest, and natural disasters that plagued Bolivia from 1983 to 1987.

-Despite security problems and uneven commitment of the GOB to coca eradication which resulted in periodic withdrawal of USAID funded personnel and activities from the Chapare, the Project's agricultural research and extension unit, IBTA/Chapare, was successful in identifying agronomically viable crops to replace coca.

-The strategy employed in the Project mixed economic criteria with coca eradication concerns, thus prohibiting the Project from developing roads, using credit economically, and providing post-harvest and marketing infrastructure needed to support the commercialization of alternative crops.

The following specific observations were made by the evaluation team:

1) **Marketing:** was not investigated; local markets were ignored; transportation is a problem and the necessary roads were not built because of concerns that they would aid illicit drug trafficking; alternative crops were not selected according to the availability of markets.

2) **Natural Resources:** There has been a steady encroachment on the Isiboro-Secure National Park; environmental impact of expanding irrigation in AHVs has not been examined; a watershed study in AHVs is needed.

3) **Credit:** The project used primarily non-economic criteria for granting loans; FL 480 is not a sustainable credit institution.

4) **Migration:** The evaluation discusses the factors at play which influence whether people leave or stay in the Chapare.

5) **Institutions:** Improved cooperation between USAID/PDAR (Programa de Desarrollo Alternativo de Cochabamba) is responsible for recent improvements in program coordination; Coordination is lacking between AID and the UN. PDAR is highly politicized and operates as if the job required primarily engineers and agronomists. It needs analysts who can assess the economic and social feasibility of project activities.

The Evaluation recommends that key evaluation criteria for the new project should be economic. The past focus on coca eradication should be reduced. In the long term farmers will shift away from coca production only if it is in their economic interest to do so, and the project will be sustainable only if farmers profit from project activities.

C O S T S

I. Evaluation Costs

Name	1. Evaluation Team Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
2. Mission/Office Professional Staff Person-Days (Estimate) _____		3. Borrower/Grantee Professional Staff Person-Days (Estimate) _____		

A.I.D. EVALUATION SUMMARY - PART II

S U M M A R Y

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

Address the following items:

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

Mission or Office:

USAID/Bolivia

Date This Summary Prepared:

March, 1991.

Title And Date Of Full Evaluation Report:

Purpose of the Chapare Regional Development Project:

The goal of the CRDP (Chapare Regional Development Project) is "to stimulate balanced economic development and an enhanced standard of living in the Chapare and in Associated High Valley (AHV) regions of Cochabamba through public and private sector participation, a diversified economic base and more equitable income distribution. The Project's components will facilitate the transition by Chapare coca farmers to legitimate economic activities." The stated Project purpose is "to modify and improve the agricultural and forestry production systems of farmers in the Chapare and AHV regions in the Department of Cochabamba to respond better to diverse, profitable marketing opportunities provided under sustained environmentally compatible medium technology production models." In fact, the CRDP, which began in 1983, had as its general goal the reduction of coca leaf production, processing, and marketing in the Chapare region of the Department of Cochabamba. The operational purpose of the Project was to induce farmers to give up the highly profitable cultivation of coca by encouraging them to switch to alternative crops in the Chapare and alternative income generating activities in the AHVS. Incentives included cash awards for eradication (provided by the GOB, not by the Project), loans for financing conversion to alternative crops in the Chapare, (provided by the GOB, not by the Project) and extension training, and infrastructure development in both areas. Success of the Project was based on the assumption that effective interdiction of drug trafficking would be carried out in the Chapare, thus reducing the expected profitability of coca.

Purpose of the Evaluation and Methodology Employed:

The primary objective of the Evaluation was to test, on the basis of progress to date, the hypotheses on which CRDP was based. Secondly, the evaluation measured progress toward socioeconomic and implementation objectives.

A hypothesis testing approach to evaluating CRDP was appropriate for two reasons:

1. Due to extreme and difficult circumstances CRDP has been able to pursue its coca substitution and economic development objectives in earnest for less than two years of its 6 years (the extreme and difficult circumstances are explained under the findings and conclusions section of this summary).
2. CRDP will be succeeded by the Cochabamba Regional Development Project, an initiative which is a centerpiece of USAID/Bolivia's Alternative Development Program strategy. The evaluation has been instrumental in reformulating these hypotheses.

The purpose of the impact assessment portion of the evaluation was to examine the impact, accomplishments, and failures of the CRDP, to draw lessons learned from the strategy employed in the project, and to make recommendations for the design of the new project.

The Evaluation Team spent 6 weeks in country from mid-August to late-September 1990. Members of the Evaluation Team interviewed key personnel in USAID, PDAR, IBTA/Chapare (Instituto Boliviano de Tecnologia Agropecuaria), and NGOs participating in the Project. They also conducted focus group interviews with farmers in the Chapare and AHVs. They reviewed an impressive quantity of documents on the Project, reanalyzed farm budgets developed by IBTA/Chapare, and reviewed the PL 480 credit portfolio.

Findings and Conclusions:

In August 1983, Bolivia signed an agreement with USAID to establish the CRDP. Not until August 1984, however, when the GOB sent troops into the Chapare to regain control, could development efforts begin. The enterprise began badly. The international demand for coca grew very fast in the 1980s, followed by rises in coca prices. This led to a population boom in the Chapare of farmers who had few viable options for making a living in the areas they came from. This situation was partially a result of a national political crisis, complicated by an economic crisis in the 1980s. In 1985, after only 12 months of project activity, the CRDP was immobilized by a cutoff of US funds and removal of US funded personnel, due to lack of GOB progress on coca eradication. A midterm evaluation in 1986 concluded that rural people would be responsive to conditions in their home areas as well as in their migratory destinations. Therefore participation by the rural poor in the narcotics industry could be reduced by diminishing pressures on them to leave their home areas and by providing alternative migratory destinations.

On the basis of the midterm evaluation, the project was amended in November 1987 to include the AHVs in its strategy. The amendment recognized that the solution to the problem of widespread involvement by poor Bolivians in the production and transformation of coca leaves in the Chapare was not to be found exclusively in the Chapare. The AHVs, also known as the Distrito Sur, was chosen because of the high percentage of people from the area who went to the Chapare as temporary laborers and because it was believed to have growth potential. Other areas of Cochabamba were not considered even though large numbers of Chapare migrants came from those areas because land holding patterns and high population density left little room for economic growth based on agriculture.

Although officially approved in 1987, the move into the AHVs was delayed due to internal disagreements about the new policy directions of the amended project within the GOB and the US mission country team. At the end of 1988 the entire technical staff who had served in the AHVs was fired by the GOB Sub-secretary of the Bolivian Tropics. At the beginning of 1989, the newly arrived advisory team had no Bolivian counterparts and was prohibited from working in the AHVs. By mid-1989, with a change in GOB leadership, the project was able to undertake activities in both the Chapare and AHV regions. This also coincided with a drop in coca prices which encouraged Chapare farmers to look into alternative crops.

CRDP actually began implementation in earnest one year prior to the evaluation (September 1989). In the short time the Project has been implemented, it has achieved some notable outputs. IBTA Chapare has conducted some excellent research and followed up with extension to farmers to the extent possible under extremely difficult working conditions. Voluntary eradication of coca as of September 1990 was above the yearly target. Project activities in the AHVs have concentrated on upgrading roads and irrigation works. Some applied research/extension on irrigated crops has been carried out by NGOs with support from PDAR/USAID.

The Evaluation Team agreed with the premise of the redesigned Project that lack of employment opportunities in the AHVs is the primary reason why inhabitants go elsewhere to earn money. If existing irrigation systems are upgraded or rehabilitated, and new systems are introduced, the likelihood that local inhabitants will remain in the AHVs will be increased.

The Evaluation Team found that the CRDP had some serious design problems. For example, although the project's success will depend on the economic viability of alternative crops adopted by farmers, there had been no studies of the markets for the proposed alternative crops. Similarly, there is no sound economic basis for credit allocations, in part because of the lack of a credit and marketing database and in part because credit is granted on coca eradication criteria, not on economic criteria. Additionally, there is a contradiction between the coca interdiction goals; for e.g., new roads which are essential for marketing Chapare alternative crops were not constructed for fear of aiding narcotics traffickers, lime, essential to neutralizing the acidic soils in the Chapare was banned because it is used in cocaine processing. The coca process could afford to bribe officials to get the lime that they needed but its agricultural use was precluded.

PDAR has yet to coordinate effectively the broad range of CRDP activities. For this reason, it is premature to speak of extending PDAR activities over a larger geographical area.

Principal Recommendations:

The following are the major recommendations of the Evaluation:

1. The main goal of the new project should be economic development. The substitution of alternative crops for coca should be one purpose or objective of CRDP, but not the primary goal by which all aspects of the Project are judged. This reorientation of the project towards traditional economic objectives would lead to a rationalization of the credit program and an increasing focus on market development activities, including small business and agribusiness development.
2. A team of short term experts should conduct a study of the processing, transport and marketing sectors as they relate to alternative crop production. These experts should work with producers and producer groups to establish appropriate production norms.
3. No further action on agricultural credit should be taken in the AHVs until baseline data are available and a feasibility study is conducted. A study of Chapare farmers' credit uses and needs should also be undertaken.
4. Watershed management in the AHVs should be a key concern of the follow-on project. A careful inventory of natural resources should be conducted immediately in the AHVs in order to establish baseline data for watershed planning.
5. The new project management should place considerable emphasis on the marketing dimension of agricultural goods determined to be suitable for cultivation in the Chapare and the AHVs.
6. The project should develop sustainable loan institutions in both the Chapare and the AHVs. All loans should be based on an assessment of economic and financial viability, and extension services should be provided to support farmer success and loan repayment.

ATTACHMENTS

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

Evaluation Report

COMMENTS

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

The evaluation made many useful recommendations which the Mission has taken into consideration in designing the successor Cochabamba Regional Development Project. Many of the problems raised by the Evaluation team were due to economic and political circumstances which prevailed in Bolivia during the life of the Project. Over the last two years economic conditions and political will have been favorable. The Project has achieved much during this period, for e.g., over 7000 farmers have benefitted from alternative crop technology, 40+ small water systems have been rehabilitated or installed in the AHVs, and as of February 28, 1991, a total of 1027 farmers in the Chapare had received PL-480 loans.

The Evaluation raises a major issue about the lack of sound economic analysis of the viability of alternative crops and the omission of marketing studies. The early design and implementation of the Project suffered from the misconception that there existed some miracle crops that could replace coca or conversely, by project opponents, that coca was irreplaceable in agronomic and economic terms. It has now been demonstrated that coca is a lot less sacred when prices fall below the estimated costs of production (around \$30/100 lbs). Keeping expected coca prices low by effective, sustained interdiction efforts is only part, and perhaps a more controllable part of the problem. The other is increasing the expected prices of alternative products relative to costs. The mission recognizes that little effort had been exerted on this latter problem and little had been achieved at the time of the evaluation. We have learned a few things:

1. Specialized or exotic products in a remote location don't necessarily create their own demand;
2. The Bolivian private sector is reluctant to take up the challenge of local, regional, or worldwide marketing of such products--particularly in the absence of solid marketing analyses and a lot of handholding;
3. Although the Mission has received a series of marketing studies through a buy-in to the AMIS project, we are currently engaged in identifying markets for alternative products and developing the human resources and physical infrastructure needed to produce the right quality and quantities of these products and getting them to markets at the right time--toward this end the Project has under contract two marketing specialists who are working closely with PDAR, IBTA/Chapare, and farmers;
4. The design of the Cochabamba Regional Development Project is a market-led approach which will also support non-agricultural employment opportunities and the essential farm to market infrastructure.

The Evaluation also examined the soundness of basing the project on the premise of being able to influence the migratory destinations of poor Bolivian

(Summary continued)

7. To establish more sustainable economic development objectives of the project, A.I.D. should establish a credit line for non-agricultural purposes. This would allow farmers to diversify out of coca by investing in growth-oriented businesses and industry. The rationale for this non-agricultural credit is to lessen the region's overall reliance on exotic crops, for which markets are unproven, and to spur regional development.
8. The follow-on project should pay close attention to PDAR/NGO relations and seek ways to promote better cooperation between them.
9. Rather than increase monetary payments to farmers for eradication, the project should increase its emphasis on identifying and supporting the development and marketing of profitable crops and businesses.
10. The follow-on project should focus on water as the central and most limiting factor in the search for sustainable development opportunities for the AHV region. The project should adopt effective watershed management as its major objective.
11. Conditionality should be removed for roads and A.I.D. should improve existing farm-to-market roadbeds.
12. CRDP management (PDAR) should concentrate on consolidating its activities and gaining institutional experience.

Lessons Learned:

Alternative agricultural development is no different from "economic development"; it is overwhelmingly important to get the cost/price ratios right. The major lesson of the Evaluation is that an alternative development project must be an economic development project first and foremost. Farmers will not switch to alternative crops or income generating activities until it is in their economic interest to do so. This means that A.I.D. and the GOB must be willing to assume certain risks such as building up infrastructure to facilitate the transport and marketing of alternative products and allowing agricultural inputs such as lime to be used in the Chapare in order to create real economic alternatives to coca.

(Comments continued)

farmers. Recent socioeconomic analysis of farmers' motivations for migrating lends sound support to the premise of the redesign of CRDP in 1987. Farmers benefitting from small-scale water infrastructure and from extension services in the AHVs have remained at home rather than going to the Chapare or elsewhere in search of much needed income. In many communities where formerly 60-75% of adult males left for the Chapare, only 5-10% have left since the project aided them in building or rehabilitating irrigation systems. Community participation has been the key to success in these immediate impact subprojects in the AHVs. Community members have dedicated an average of 5000 days of labor for each small-scale water project. In the Cochabamba Regional Development project, community participation in the selection, planning, and implementation of communal sub-projects will be a fundamental part of project activities in the Chapare (including the red zone), the AHVs, and other areas of the Department of Cochabamba which migrants to the Chapare, especially temporary laborers, come from.

The new project will benefit from a high degree of consensus within the U.S. Mission Country team. The country team has developed general directions, emphases, and guidelines for the Alternative Development Program through two lengthy strategy workshops. As a result, institutional rivalries and policy conflicts have disappeared. Similarly, the GOB presented a cohesive strategy on Alternative Development to the Paris Club which was the result of inter-agency cooperation within the GOB and open dialogue with USAID/Bolivia.

The Mission now recognizes that large scale infrastructure and high impact projects must be developed in new areas of the Chapare (the Red Zone) and the high valleys (e.g. Cliza, Punata, Sacaba). These areas will be targeted due to their potential for developing production, commerce, and for creating employment, all of which are necessary for increasing the income of people who are most vulnerable to seeking work in coca production and processing. Additional infrastructure support will be provided by a rural electrification and a rural roads project, two other pillars of the USAID/Bolivia Alternative Development Program.

The design of the new project will include strengthened institutional arrangements capable of supporting an expansion of activities and geographical scope. It will also identify sustainable credit institutions to replace the temporary role of PL 480 in the Chapare and to introduce credit into the high valleys.