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Consultancy Report
Quarterly Report: January - March 1994

Costa Rica: AMV Strengthening Project
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Management and Administration

The AMV continued to operate as a fully functioning road maintenance organization, both in field operations and in its administrative offices.

The administrative work of the AMV now comprises a very tight ship, thanks to the training of Carlos Campos by Manuel Carballo of our staff. The outside audit required by AID is now being carried out by Price Waterhouse. So far the auditors have not pointed to any meaningful findings, and in fact the AMV is displaying better understanding of the audit process than some of the Price Waterhouse people.

In the operational area there is good news and bad news. The Santa Cecilia projects, which were financed with 50% contributions from the local communities, are coming to a successful close, and our engineers have evaluated the work and found it to be of very good quality at a reasonable cost, especially considering this is the AMV's first experience in doing heavy maintenance with its own equipment. This proves that the AMV can do the same heavy work it formerly contracted out, at a savings and without the constant, costly aggravation of getting the contractors to perform on a timely basis.

As this quarter drew to a close, however, the picture was unclear as to possible additional projects with 50% community contributions to the cost. The AMV manager, showing continuing reluctance to go to the field, has not followed the ACDI lead in marketing AMV services, and new 50% projects on the waiting list cannot begin until the community funds materialize. In part this is due to national election year politics, which tend to stretch local and government resources to the maximum while creating the normal transitional gaps in legislative action for revenue sharing to the local communities. The AMV's income from community and government contributions to future projects has been very poor in this quarter. Management is giving in to board pressure to keep the equipment working on less remunerative projects.

Field Operations Leadership

The leadership of the AMV construction crew in the field continues to be a question mark. ACDI provided the initial crew leader in the person of Rodrigo Gamboa, during most of the Santa Cecilia project.

The crew of equipment operators is a rough and tumble bunch, typical of this "gremio" (profession) in Costa Rica. Because he is a retired road inspector, Mr. Gamboa is somewhat perfectionistic. Feeling some friction with the younger, outspoken crew, Mr. Gamboa stepped aside in favor of an interim successor, Luis Rojas, who has the support of the crew but limited technical experience to maintain roads or do the reporting required under the SAMV system.

In January ACDI began training Antonio Salgado to be the future crew leader. Mr. Salgado has a sterling reputation for honesty and leadership abilities, having served for 8 years as an Upala city council member. Mr. Salgado was chosen by the AMV board, which requested this training for Mr. Salgado in writing, based on a unanimous vote of the board. Under an agreement worked out with the board, Mr. Salgado became a part-time employee/trainee of ACDI until he would become a full-time AMV employee in April. Mr. Salgado felt he could not go to work with the AMV until April because of his other commitments with the municipality of Upala. As events unfolded, this worked to our disadvantage, and the situation is yet to be resolved.

The training provided to Mr. Salgado this quarter has consisted of 1) hands-on opportunities in various field locations (construction projects) outside the Northern Zone with our engineers, receiving one-on-one, day-long talks, 2) working closely with Rodrigo Gamboa on hand-maintenance and Route 4 inspection projects, and 3) observation and lubrication/maintenance/mechanical training in the San Jose mechanical shops of the equipment dealers which provide dealer parts and service for the AMV equipment.

Mr. Salgado is identified with the political party which lost both the national presidential election and the AMV board election in this quarter. As explained below, the new board is waffling on the previous board's desire to have Mr. Salgado become the leader of the equipment crew.

AMV board elections in the Context of National Elections

National politics gave a new flavor to the AMV's operation in this quarter, because of the AMV's uniquely public/private nature and the composition of its board. It should be noted that in Costa Rica roads are traditionally political prizes, especially on a frontier such as the northern zone, just as they were on the American frontier.

Up to now the board of the AMV has shown remarkable political balance and bi-partisan cooperation. There have been strong reasons for this cooperation: all the communities in need of roads are politically divided, and all have a common need which supersedes party politics. In 1992 the AMV board membership changed and there was a period of about 6 months of party-related jockeying for

control. The outcome was an eventual accommodation between factions in which party affiliation became meaningless, because the board members became friends and learned to bargain informally. 1994 is the first time in the short history of the AMV, however, that board elections have fallen close to a national presidential election.

It is important to note that the Costa Rican Law of Associations, under which the AMV operates, requires the election of one half of the board every year. Although board members can stand for re-election, the pattern up to now has been turnover rather than re-election. This turnover is costly in board training time, missed decision windows, and occasional wrong decisions. This is especially difficult for a short technical assistance project such as the current 27-month ACDI project with the AMV.

Because this quarter is the culmination of a hotly contested presidential campaign in Costa Rica, and because Costa Rica has such a highly participatory democratic system, the AMV's activities were overshadowed and caught up in the presidential contest. Coincidentally, because the annual election of the AMV board followed the national presidential election by two weeks, there were dramatic changes in the composition, political balance, and outlook of the AMV board. As happened in 1992, we expect a period of several months of extra training for new board members, and a rocky decision making process in the interim.

The new board members, all belonging to the party which won the presidential election, were installed in March, and have shown a strong tendency to want to deliver on promises and commitments to their party leadership and community rank-in-file. This could be a good thing, but they also seem to view the AMV as simply a short-term government project with limited private sector potential.

If the new AMV leadership has sufficient clout with their party colleagues in the new Costa Rican government, they could obtain ongoing government subsidy to operate as a model, decentralized road maintenance organization. The general poverty of the Northern Zone, combined with AID's imminent pullout, make this a logical intermediate step before true self-sufficiency. To make the model successful, however, they would have to come to grips with private sector operating methods, as the previous (and remaining) members of the board have done.

The engineer/manager of the AMV, who is also a member of the winning party, is preparing an alliance with the new leadership to help them deliver on their commitments, as well as to keep himself in power. As happened temporarily in 1992, the relationship with AID is under strain because the commitment to operating efficiency and marketing of services which form the basis of the AID/ACDI emphasis are temporarily on hold while matters of expediency are dealt with by the board.

Among the matters of expediency are personnel issues, where professional competency and cost are being put aside in favor of party affiliation. Although the final decisions are not yet made, the new board is leaning toward re-hiring the current manager, despite advice to the contrary, while leaning toward not hiring Antonio Salgado as crew leader. The former is from the winning party, the latter from the losing party.

These events are unfolding at a time when AID is entertaining the possibility of granting a 6-month no-cost extension to both AMV and ACDI to finish the maintenance operations and spend the remaining \$500,000 in grant funds still available to the AMV. Thus we expect interesting negotiations between the new board, ACDI, and the AMV in the next quarter.

Troubled Conclusion of the Aguas Claras Rehabilitation Contract

We reported previously that this rehabilitation contract was expected to be finished successfully. Late in 1993 it was suspended by mutual agreement due to bad weather. However, at the end of this quarter the contractor, Inversiones Marroca, known by its manager's nickname of "Matagatos," negotiated with the AMV to end the relationship without completing the work. At the request of the community, the contract specifications had been changed in mid-stream to require hauling of gravel from a very distant site. The locally available material was considered inferior. The extra cost of hauling distorted the cost structure of the contract, written under the SAMV system, and all parties were dissatisfied. One of the first actions of the new AMV board was to send in the AMV equipment to complete the work, using the previously disqualified material, at no cost to the community, which had paid 10% of the cost of the original contract. Our engineers and accountant will evaluate the very controversial, and potentially instructive details of this situation in the next quarter.

Route 4 Inspection Assistance

ACDI re-assigned Rodrigo Gamboa to assist the AMV engineer in the inspection of the Route 4 work, now being done on four fronts by the four consortium contractors. The inspection services being provided by the MOPT on this project are over-stretched and technically inadequate. It is especially important that the swampy, poorly drained section between Rio Celeste and Colonia Puntarenas being closely inspected. Mr. Gamboa is assigned to this section for two months, at which time we expect the project and MOPT to pay for his services.

Our engineers are very concerned about the quality and depth of the sub-base material, as mentioned in the enclosed report. They recommend the use of an independent materials laboratory to verify

the self-certification of the material quality by the contractors. Self-certification is a custom which is technically non-contractual and puts the AMV's reputation on the line.

Our engineers reached a preliminary consensus with Dr. de la Rosa over the contents of a projected pamphlet describing the proper use of river beds for extraction of gravel.